

Transparent Pay and Pensions

Summary of how a change in pensionable pay will be treated under the current pension scheme Rules

The following is based on the existing Trust Deed & Rules of each of the NR pension schemes, and the current pension and tax legislation in force in April 2015. The Member's Guide, which is the scheme booklet, for each of the Network Rail pension schemes, is available to download from www.myNRpension.co.uk

	What is the definition of pensionable pay?	What is the impact on increase/decrease in pensionable pay on pension contributions/SMART reduction?	What is the impact on a Member's potential retirement income?
 <p>Network Rail Defined Contribution Pension Scheme (NRDC)</p>	<p>Basic pay plus London/SE allowance (if applicable), up to the notional annual earnings cap*.</p> <p>Member and Company contributions (or SMART reduction) are based on a percentage (%) of pensionable pay</p> <p>Member may be subject to 'minimum contributions' to comply with Pensions Act 2008 under automatic enrolment requirements: http://www.mynrpension.co.uk/auto-enrolment.aspx</p>	<p>Immediate.</p> <p>Amount of Member and Company contributions being invested in the Member's Personal Retirement Account will be higher or lower (as applicable) from the next pay period after implementation of change in Member's pensionable pay.</p>	<p>Long term increase or decrease in contributions will likely impact the Member's potential benefits at retirement.</p> <p>Although there are many variables for Member outcomes in defined contribution schemes e.g.</p> <ul style="list-style-type: none"> • length of time contributions are paid, • level of contributions paid, • investment returns, • age of Member at retirement, • Member's benefit choices at retirement.
 <p>Network Rail CARE Pension Scheme (CARE)</p>	<p>Basic pay plus London/SE allowance (if applicable), up to the notional annual earnings cap*.</p> <p>Member and Company contributions (or SMART reduction) are based on a percentage (%) of pensionable pay.</p>	<p>Immediate.</p> <p>Contributions payable by the Member and the Company will change from the next pay period after implementation of change in Member's pensionable pay.</p> <p>The amount of contribution paid by the Member and Company does not directly affect the amount of benefit accrual in Defined Benefit pension schemes.</p>	<p>Members of the CARE Scheme build up a pension based on a formula which is 1/60th of the Member's pensionable pay over the course of a Scheme year (or part year) – known as a 'unit'.</p> <p>Any change in pensionable pay will have an immediate impact on the amount of pension the Member is building up in the CARE Scheme.</p> <p>CARE benefits built up to date of change in pensionable pay will be unaffected; however a reduction in pensionable pay would result in lower benefit accrual in future.</p>
 <p>Network Rail Section of the Railways Pension Scheme (RPS60 or RPS65)</p>	<p>Basic pay plus London/SE allowance (if applicable), up to the notional annual earnings cap*.</p> <p>Subject to annual pay cap introduced in 2012, and promotional changes resulting in a change in Grade or Band.</p> <p>Member and Company contributions (or SMART reduction) are based on a percentage (%) of the Member's pensionable pay after a deduction for the Basic State Pension (BSP).</p> <p>Currently the BSP deduction for RPS60 terms is 150% times the BSP and for RPS65 terms it is lower at 75% of the BSP. Therefore the amount of pay treated as pensionable is greater for the RPS65 terms.</p>	<p>Contributions to the RPS (scheme wide) are reassessed annually each July, based on the Member's pensionable pay as at 1st April. Therefore, impact on contributions will depend on when the employee's pensionable pay is changed.</p> <p>The RPS Rules do not allow pensionable pay to decrease as a result of a reduction in pensionable pay. The exception is for members who work part-time; their pensionable pay is treated as their full time pay but their pensionable service is pro-rata to reflect the hours worked.</p>	<p>If a Member's pensionable pay is reduced their pension benefits (and contributions) will be based on their previous higher salary, so no change.</p> <p>Since July 2012 – any increase in pay that does not result in a change of Grade or Band is pensionable up to the annual pensionable pay cap. This runs 1st April to 31st March and is currently 2.8% for the 2015/2016 year).</p> <p>If the increase in pay does result in a change in Grade or Band the total increase is treated as pensionable, but only from the date of change, for future pensionable service only.</p>

*Notional earnings cap is £149,400 in the 2015/2016 tax year.