

Rolls-Royce UK Pension Fund (RRUKPF)
Members eligible to consider early retirement and bridging pension option
Frequently Asked Questions

The RRUKPF Trustees have introduced a new ‘bridging pension’ option for those members leaving on severance as part of the 2020 programme. It’s designed to help eligible members take a retirement pension if they want to, before reaching state pension age. This option will soon be made available to all other active members when they become eligible to retire.

You should read this FAQ together with the General Pension FAQ issued earlier in association with the Company’s severance announcement.

1. Am I eligible for a bridging pension?

The option is available to active members eligible to take immediate early retirement (former RRPf members aged 50 or over and RRUKPF members aged 55 and over). If you fall into this group, you will be offered independent financial advice with WPS Advisory which will be paid for, before deciding whether this option is right for you. This may result in a taxable benefit in kind.

2. What is a bridging pension?

If you retire early from RRUKPF, you will receive your RRUKPF pension straight away but then must wait until your State Pension Age (SPA) to receive your state pension. A bridging pension allows you to bring forward some pension payments, until you reach an age when your state pension can be paid, then lowering your pension from RRUKPF.

This example shows standard early retirement terms and a possible bridging pension for a member aged 56 at the point of taking Severance, with a State Pension Age of 67. It also gives an example of how your total severance package would be adjusted.

Member age 56 now	Gross Severance Offer	RRUKPF tax free cash lump sum	RRUKPF pension payable at severance date	RRUKPF pension estimate from State Pension Age - 67	State Pension Est at age 67 (estimate)	Total pension at age 67
Standard Early Retirement – pension and cash	£53k	£59k	£8.5k pa	£8.5k pa	£8k pa	£16.5k
Bridging Pension and cash	£40k	£86k	£13.5k pa	£4.5k pa	£8k pa	£12.5k

3. Is the bridging pension optional?

Yes, it’s an additional option for members who are taking Severance now and are eligible for a bridging pension. Exact figures and options will vary. WPS Advisory will take you through your figures. The option will be open

to all active members in future, including members who leave on the grounds of voluntary or compulsory redundancy.

4. What are the timescales for deciding if I want a bridging pension?

We will send your figures through to WPS Advisory and put you in touch with them to arrange an appointment. Because we want to give you 3 months to consider your options properly. If you take your pension it will be backdated to your leaving date.

5. How can I see my bridging pension estimate?

You will automatically be given your bridging pension options. In the meantime, you can of course see your early retirement pension estimate and your transfer value now on the [pension website](#) as usual.

6. Will there be a pension scheme rule change?

Yes, this has now been signed by the Trustee and the Company. When pension benefits are converted the actuaries look at the terms used, and something called the Balanced Deal Percentage (BDP). A BDP is an actuarial test of fair value. The Company has agreed with the Trustee that terms used will be 100% of this BDP.

7. Where can I get advice on my tax arrangements?

If you are eligible to see WPS Advisory they will be able to advise you, but this may result in a taxable benefit in kind.

8. Is there a limit by which I can enhance my early pension?

Yes, the amount by which you can enhance your early pension has been limited to 90% of the current state pension - approximately £8,000 pa, on the advice of the pension actuary as this is the best estimate of what the average member will receive. Figures will vary for each member and not everyone will see a full increase of £8,000 pa at their state pension age.

9. What if my severance package is more than the 90% of the basic state pension, I need to enhance my pension?

In this case you will be paid any balance after you have seen WPS Advisory and confirmed your option choice.

10. Why would I elect for a bridging pension?

It gives members who are eligible the option to re-shape their early pension payments. Members can choose to receive a higher pension before state pension age and a lower pension afterwards, which means a more level pension income throughout retirement. In the current economic climate members may prefer to access these flexibilities via RRUKPF rather than having to worry about the risks of managing their investments themselves.

11. At what point will the bridging pension stop?

The bridging pension will stop at state pension age. If your state pension age is increased by the Government, for example from age 67 to age 68, you will have the option at that time to stop your bridging pension and wait a year for the state pension to start. Alternatively, you could choose to convert part of your pension at that time, to another year of bridging pension to cover age 67 to age 68.

12. Can I use my tax-free severance amount as well?

No. We anticipate employees will want to receive this payment as cash as they leave the Company.

13. Can I opt for a bridging pension now and then elect a transfer later?

You will be able to consider these options with WPS Advisory. You will not be able to take both a bridging pension and a transfer value.

14. Can I take a bridging pension and a partial transfer value?

No. This is because the bridging pension will be offered on two bases:

- Bridging pension calculated using a proportion of your severance package, or
- A combination of a portion of your severance package and a conversion of your existing pension.

The purpose of the bridging pension is to meet some or all the gap in income between taking an early retirement pension and waiting for state pension to start. The above options will be calculated based on this gap.

15. As a former RRPf member I can retire from age 50 onwards; is the bridging pension option available to me if I am under age 55?

Yes. This is available to former RRPf members 50 and over.

16. What if I leave the Company without taking severance? Is the bridging pension option available to me?

The bridging pension option has been introduced at this time to help those eligible to retire when leaving on Severance. It will be made available for all active members shortly.

17. If I'm not taking immediate pension can I still opt for a bridging pension?

No. This is an 'at retirement' option.

18. Can I take a normal early retirement pension if I want to?

Yes of course. You can make this decision as part of your decision-making process with WPS Advisory. But don't try to make that decision now.

19. If I take an early pension will it be backdated to my date of leaving Rolls-Royce?

Yes – both the bridging pension and the normal early pension (which ever you choose) will be backdated to the date you left Rolls-Royce.

20. I already have a temporary pension accrued as a former member of the Group Pension Scheme - what will happen to this temporary pension if I opt for a bridging pension?

The bridging pension option will be separate, but we will provide full figures, including your temporary pension to you and WPS Advisory.

21. I am in the former Goodrich section and already have a temporary pension option – how does this work with the new bridging pension option?

The bridging pension option will be separate and will run alongside the current temporary pension options you have.

22. What happens if I exceed my Annual Allowance for the 2020/21 year?

If you exceed the Annual Allowance you may be subject to an Annual Allowance charge. However, the bridging pension is one of several pension options open to you and you will have an opportunity to discuss the most appropriate option for you with WPS Advisory.

23. If I decide not to take the bridging pension can I then elect to receive any balance of my total severance package as cash?

Yes. If any further amounts are due to you these will be paid as soon as possible once you have been through the advice process.

24. I am a former member of the Vickers Group Pension Scheme, can I have a bridging pension?

Yes – you can for your benefits in RRUKEPF. You will not be able to convert any benefits bought out with Legal and General however.