Early Retirement

In CPS, the Normal Pension Age is 65. However, you may wish to take your benefits before age 65. This factsheet provides information on early retirement and how it affects your CPS benefits.

HOW EARLY CAN I RETIRE?

Your Normal Pension Age is 65 and your CPS benefits will be paid without any reduction if you retire at this age. You can retire early, but it is important to note that your benefits may be lower as a result.

If you do wish to retire early, you may be able to take your benefits from age 55. However, your benefits may be lower than they would be at age 65, reflecting the fact that they will be paid over a longer period. In addition, you may require the consent of the CPS Trustee and your Employer to retire early.

Provided that the CPS Trustee and your Employer give consent, you can retire and receive your pension benefits any time after you reach the age of 55.

WHAT BENEFITS WILL I RECEIVE?

If you retire early, your CRB benefits will be reduced to reflect the fact that they will be paid over a longer period. Your DC benefits are also likely to be lower than they would be at age 65.

Early payment of your CRB benefits

Your CRB benefits will be reduced if you retire before age 65. The reduction applied, which is called an early retirement factor, is explained below.

Early Retirement Factor (ERF)

The level of reduction applied to your CRB benefits is based on an Early Retirement Factor (ERF) calculated by the CPS Scheme Actuary. The ERF is calculated so that the reduced early retirement benefits are equivalent in value to the CRB benefits you would otherwise receive at your Normal Pension Age.

At present, a reduction of approximately 5% is applied for each year that your benefits are taken early. The ERFs are reviewed from time to time by the CPS Scheme Actuary so may change in the future.

Early payment of benefits from the Defined Contribution (DC) Scheme

The benefits provided by your DC account from the DC Scheme will not have a reduction factor applied. However, it is likely that your DC benefits will be lower at your early retirement age than at age 65 because:

1. Your DC account will have been invested for a shorter period of time and fewer contributions will have been paid in than if you had remained in CPS until age 65.
2. The cost of buying an annuity is likely to be higher at your early retirement age than at age 65. This reflects the fact that the annuity provider will be required to pay your pension over a longer period of time.
3. If you retire early and draw an income directly from your DC account, your money will obviously have to last a lot longer and you could potentially run out of money during retirement.

Please note that if you withdraw taxable benefits from your DC account and you and/or your employer continue to make payments into your DC account, you could be subject to the Money Purchase Annual Allowance (MPAA) of £4,000 (2017/18). Any payments over the MPAA are subject to tax which would be payable by you. We recommend you take financial advice if you think the MPAA could apply to you.

If you would like an early retirement quotation please contact us using the email addresses below:

Surnames beginning A-K
pensiononline@admin.cam.ac.uk

Surnames beginning L-Z
pensiononline@admin.cam.ac.uk

Pension increases

Once in payment, your CRB benefits will increase on 1 August each year in line with the Consumer Prices Index (CPI), up to a maximum of 5%. In years where the CPI increase is greater than 5%, the University has
discretion to provide a higher increase but such increases are not guaranteed.

The increases on your DC pension will depend on the type of annuity you purchase at retirement.

AVCs
If you have paid any Additional Voluntary Contributions (AVCs) into your DC account then these will be included in your DC account at retirement and used to provide additional DC benefits.

EARLY RETIREMENT DUE TO ILL HEALTH OR INCAPACITY
This factsheet does not cover early retirements on the grounds of ill health or incapacity.
For details of the benefits payable on retirement due to ill health or incapacity, please see Factsheet 16 – Ill Health Benefits.

STATE PENSION BENEFITS
State Pension benefits are payable in addition to the benefits payable under CPS. However your State Pension benefits are payable from your State Pension Age and cannot be taken early.

For more information on your State Pension benefits and your State Pension Age please follow the link below:

www.gov.uk/browse/working/state-pension

IMPORTANT NOTE
This factsheet provides a summary of the Scheme’s early retirement provisions. However, your legal rights are governed by the Trust Deed and Rules of CPS. If there are any differences between the Scheme Rules and this factsheet, the Rules will override the factsheet. A copy of the rules can be found using the following link:

http://www.pensions.admin.cam.ac.uk/cps/scheme-guides-archive-library

More details on Defined Contribution Scheme manager, SEI, can be found on www.seic.com or by contacting the SEI Master Trust administrator at seic@capita.co.uk.
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