

Hybrid Section

Factsheet 21 – Flexible Retirement

When you retire you will receive the benefits which will have built up over the time during which you were a member of University's hybrid pension arrangement. Some of your benefits will have been built up on a Career Revalued Benefits (CRB) basis in the Cambridge University Assistants' Contributory Pension Scheme (CUACPS) and some will be from the Defined Contribution (DC) scheme, the Cambridge University Assistants' Defined Contribution Scheme (CUADCPS). This factsheet provides details of the benefits you can expect to receive at retirement.

Before you retire, you will be provided with a quotation showing what your benefits are and what options you have.

WHEN CAN I RETIRE UNDER THE FLEXIBLE RETIREMENT ARRANGEMENTS?

You can retire under the flexible retirement arrangements at any time after you reach Minimum Pension Age (MPA). This is currently age 55 but is linked to State Pension Age (SPA) and is expected to increase to 57 in 2028 and thereafter will be 10 years before SPA. You will be required to take your full CUACPS pension at the point of your flexible retirement but you do not have to take your CUADCPS benefits at the same time.

Early retirement

If you take your benefits before age 65 it is likely that they will be lower than if you retired at 65. Your CRB pension would be reduced if you retire early to reflect the fact that it will be paid over a longer period. Your DC pension is also likely to be lower for the same reason.

For more details on early retirement please refer to [Factsheet 11 – Early Retirement](#).

Late retirement

You may be able to carry on working for your Employer and continue to earn benefits beyond age 65.

For more details on late retirement please refer to [Factsheet 12 – Late Retirement](#).

WHAT WILL I RECEIVE AT RETIREMENT?

As you are a member of the hybrid pension arrangement, you will have built up both CRB benefits and a DC account in respect of your employment.

Your CRB benefits depend on several factors such as your salary and your length of service in CUACPS.

Your DC benefits depend on the size of your DC account at retirement and how you choose to use this to provide benefits in retirement.

These benefits are described in more detail below:

Career Revalued Benefits

You will build up benefits on a Career Revalued Benefits (CRB) basis. This means that each year you earn a block of pension and a block of lump sum based on your Pensionable Salary in that year (or part year). Once earned, these blocks are revalued each year in line with inflation.

At retirement, all of the blocks are added together to give your pension and lump sum from the DB Section.

Your DC benefits

When you join CPS a DC account will be set up in your name. Your Employer will pay contributions of 5% of your Pensionable Salary into this account each year. You will have the option to make your own contributions as well. The DC account will grow as contributions are paid and with investment returns. When you retire you can use this account to provide retirement benefits to suit your personal circumstances.

The level of your DC benefits are less predictable than the level of your CRB pension. This is due to uncertainty around the following factors:

1. The level of investment return your account will achieve;
2. How much is paid into your DC account;
3. How you decide to use your DC pot when you retire

As a result, while your DC benefit can be estimated it is important to remember your actual DC benefit may be higher or lower than the estimates you are provided with.

For more details on how your DC account works, please refer to [Factsheet 3 – Defined Contribution Basics](#).

The **total** benefits you receive when you retire will be calculated as described below:

Total Benefits

1. A block of pension equal to 1/150th of your revalued average salary for each completed year* of Pensionable Service in CUACPS.

Plus

2. A one-off tax-free cash lump sum of three times your pension

Plus

3. The benefits you choose to purchase with your DC account

** part years of Pensionable Service based on completed days will also count towards your pension.*

Cash commutation

If you would like a larger cash lump sum at retirement it is possible to “trade in” some of your CRB pension for an extra cash sum. The Pensions Section will provide a retirement quotation which includes details of the maximum cash sum that you can take and what the impact would be on your pension.

Part-time employees

If you worked part-time for your employer, your CRB benefits will be based on your actual Pensionable Salary each year. The contributions paid into your DC account will also be based on your actual Pensionable Salary each year.

State Pension benefits

You will also be entitled to receive State Pension benefits although these are not payable until your State Pension Age. For more information, please refer to [Factsheet 19-State Benefits](#).

WHAT HAPPENS WHEN I DIE?

If you die after retirement your spouse or partner will receive a pension from the CUACPS. If you leave any children, each of them will receive a child’s allowance provided they are under 18 or in full-time education. Depending on the choices you made in respect of your DC account there may also be benefits from this. For more information on what happens if you die after retirement please refer to [Factsheet 14 – Death Benefits](#).

HMRC ALLOWANCES

Her Majesty’s Revenue & Customs (HMRC) has set limits on how much pension you can have and still receive tax-relief. The Lifetime Allowance deals with your total pension savings and the Annual Allowance affects how much pension you can earn each year.

Lifetime Allowance

It is your responsibility to check whether your total retirement savings exceed the Lifetime Allowance set by HMRC. The maximum Lifetime Allowance is currently £1,055,000 and this is subject to future changes. It is rare to exceed the Lifetime Allowance but if you do, the value of your pension income will be reduced as you will need to pay additional tax at 25% on the excess. If you take the excess as a lump sum it will instead be taxed at 55%. It is your responsibility to report the value of your benefits on retirement to HMRC. You will be able to obtain a quotation of your benefits shortly before retirement.

Annual Allowance

HMRC has introduced a limit on the maximum amount of pension you can earn in a year whilst still receiving tax relief. This is known as the Annual Allowance.

The Annual Allowance is currently £40,000 and could change further in later years. You can find updates on the Annual Allowance on the HMRC website.

<http://www.hmrc.gov.uk/pensionschemes/understanding-aa.htm>

IMPORTANT NOTE

This factsheet provides a summary of your retirement benefits. However, your legal rights are governed by the Trust Deeds and Rules of CUACPS and CUADCPS. If there are any differences between the 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>

More details on 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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