

As a member of CPS, a Defined Contribution (DC) account will be set up in your name in a separate scheme which is managed by SEI. Your Employer will pay money into this account during your membership of CPS. When you choose to retire, you can use your DC account to purchase a pension and provide a tax free lump sum.

**The benefits payable from your DC account are in addition to the CRB benefits you will also build up.**

## HOW DOES MY DC PENSION WORK?

Throughout your period of Pensionable Service in CPS, your DC account is expected to grow as new contributions are paid and investment returns are earned on previous contributions. However, it is important to remember that investment returns can be negative so the value of your DC account may reduce in some years.

When you retire you will have several options. As long as you are at least 55, it is your decision how you take the money. You can:

- Take full / partial withdrawal(s)
- Take it as a series of income payments
- Buy an annuity

Whatever you choose, 25% of your pension account can be taken tax-free and you will pay tax at your marginal rate on the remainder. This does mean that you will need to consider the tax implications when deciding how and when to withdraw your pension funds.

### Do I need to contribute to my DC account?

Your Employer will pay 5% of your Pensionable Salary into your DC account each year. You are not required to pay any contributions into your DC account. However, you are required to pay 3% of your Pensionable Salary towards your CRB pension.

While there is no requirement for you to pay into your DC account, you should consider making contributions because it may be tax efficient and will lead to a higher pension when you retire.

### How are my DC contributions invested?

The University has appointed a specialist investment firm to look after your DC account investments. The DC provider offers a range of different funds for members to choose from. For members who don't want to select a particular fund, a default fund is provided, the Default Lifestyle Strategy.

The funds offered include:

1. **Conservative funds** – providing a low level of expected return but offering stable fund values either in cash terms or relative to annuity prices;
2. **Moderate funds** - providing a reasonable level of expected return and some stability
3. **Aggressive funds** – providing a higher level of expected long term returns but with significant volatility of fund values in the short term

Unless you make a choice, all of the contributions paid into your DC account will be invested in the Default Lifestyle Strategy.

For more information on the different types of investment used by the DC provider please see [Fact sheet 6 – Defined Contribution Investment Guide](#)

### How much will my DC pension be?

Unlike your CRB pension, the level of your DC pension is not known in advance. The benefits provided by your DC account depend on the value of your account and how you take your pension benefits when you retire. The key factors involved are:

#### The amount of contributions paid in

Your Employer pays into your DC account, but you are able to make voluntary contributions to increase the size that the DC account will be when you retire, allowing you to buy a higher pension. However, you should only contribute what you can afford to pay.

#### Investment return

The investment return on your DC account has a large effect on the level of your pension, especially when your funds are invested over a long period.

However, while you may want to target a high level of return it is important to understand that the funds which provide the highest level of expected return tend to be the most risky funds.

### At retirement decisions

While some of your DC account can be used to provide a tax free cash lump sum, the rest of your DC account will be taxable at your marginal rate. Whether you use some or all of this to purchase an annuity, or draw withdraw monies directly from the fund will impact the amount of income you receive and how long it will last. Please refer to [Factsheet 7 – Defined Contribution Retirement Guide for more information](#).

A ‘pension planner’ is available to help you decide how much you should pay into your DC account. To register for on-line access to details of your account and for use of the pension planner, please follow the link below:

[www.hartlinkonline.co.uk/sei/](http://www.hartlinkonline.co.uk/sei/)

### HOW IS MY DC ACCOUNT MANAGED?

Your DC fund is managed by a specialist investment firm appointed by the University. To remove some of the complexity for members, the provider offers a default fund. The contributions paid by your Employer (and any you choose to pay) will automatically be invested in the default fund unless you select an alternative fund.

For more details on your DC provider please refer to [Fact sheet 4 – Defined Contribution Provider](#).

### What do I need to do?

You should review your DC account on a regular basis and in any case at least once a year. This involves checking that your DC contributions and your account value remain on target to deliver the level of income you will need when you retire.

To help you monitor your DC account, you will be provided with an annual statement which shows the value of your DC account and the level of pension it can be expected to provide.

### Can I change how much I pay into my DC account?

Yes you can. If you wish to increase or reduce your DC contributions you simply need to contact the Pensions Section and tell them how much you want to pay.

### Can I change how my DC account is invested?

Yes you can. Unless you select a specific fund your DC account will be invested in the default fund. However, you can switch into other funds at any time before you retire.

The default strategy is designed to target a reasonable level of long term return and to automatically reduce risk as you approach retirement. This automatic risk reduction is known as ‘lifestyling’. As such, you don’t need to take any action if you are invested in the default fund.

If you choose to invest your DC fund somewhere other than the default (or alternative lifestyle) strategy then you should review your investments at least once a year. This way you can ensure that the fund you are invested in remains appropriate as you approach retirement.

### What are the investment choices?

If you want to choose how your contributions are invested you will be able to select from a range of funds to suit your attitude to risk. As stated above, if you don’t make a choice, your contributions will be invested in the default lifestyle strategy.

For full details on the funds available please refer to [Fact sheet 5 – Defined Contribution Fund Fact sheets](#).

**If you wish to make a change to your investments please contact the Pensions Section.**

### Lifestyling

There are two investment strategies available to you that use lifestyling: the default strategy and the lower risk alternative lifestyle strategy. With lifestyling much of your DC fund will be invested in return focused assets to start with. As you approach retirement, your fund will automatically switch into lower risk assets. The key aims of lifestyling are:

1. To target long term growth while you have a reasonable period until you retire. This ensures that your DC fund has the chance to recover from any investment market shocks.
2. To protect your DC funds as you approach retirement.

## HOW ARE MY DC BENEFITS PAID?

When you are close to your selected retirement age you will be provided with full details of your DC account and the choices you have.

### Lump sum

You can take up to 25% of your DC account as a tax free lump. This lump sum is in addition to the CRB lump sum you will receive.

For more information on your retirement income options, including the ability to withdraw cash and the different types of annuity available please refer to [Factsheet 7 – Defined Contribution Retirement Guide](#).

### Pension Wise - Free guidance at retirement

The Government has launched 'Pension Wise', which is a free and impartial service designed to help you understand what your retirement choices are and how they work. Before making any decision regarding your pension benefits, we recommend that you contact Pension Wise in the first instance. You'll be able to get help on the Pension Wise website, over the telephone or face-to-face about:

- what you can do with your pension pot
- the different pension types and how they work
- what's tax-free and what's not

To find out more about Pension Wise, go to the following website: [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

You may also wish to seek independent financial advice before making a decision.

### Early retirement

If you take your benefits before age 65 then the pension provided by your DC account is likely to be lower. This is because you will have had less time to pay in contributions and your investments will have had less time to mature so you may have a smaller fund at retirement to buy an annuity. In addition, annuity costs are likely to be higher at younger ages to reflect the fact that the pension will be paid over a longer period.

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

### Late retirement

You can stay in employment and continue to earn benefits beyond age 65. If you stay in employment your employer will continue to pay into your DC fund and you may do so as well.

If you take your benefits after age 65 then the pension provided by your DC account is likely to be higher. This is because you will have had more time to pay in contributions and your investments will have had more time to mature so you may have a larger fund at retirement to buy an annuity. In addition, annuity costs are likely to be lower at higher ages to reflect the fact that the pension will be paid over a shorter period.

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

### Death benefits

If you die whilst a contributing member of CPS, your fund in the DC scheme will be used to provide benefits for your dependants.

If you die after retirement then any spouse's or dependant's pension that you purchased at retirement will come into payment. However, if you did not purchase a spouse's pension then no spouse's pension will be payable.

For more details on death benefits please refer to [Factsheet 14 – Death Benefits](#).

## IMPORTANT NOTE

This factsheet provides a summary of the Defined Contribution element of the Hybrid Section. However, your legal rights are governed by the Trust Deed and Rules of Cambridge University Assistants' Defined Contribution Pension Scheme. If there are any differences between the Scheme Rules and this factsheet, the Rules will override the factsheet. A copy of the Trust Deed and Rules can be obtained by request from the Pensions Section.

More details on Defined Contribution Scheme manager, SEI, can be found on [www.seic.com](http://www.seic.com) or by contacting the SEI Master Trust administrator at [seic@capita.co.uk](mailto:seic@capita.co.uk).

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