

Cambridge University Assistants' Contributory Pension Scheme (CUACPS)

Career Revalued Benefits (CRB) Section

Factsheet 5 – Topping Up Your CUACPS Benefits

You may wish to increase your benefits by paying additional contributions into an authorised pension arrangement. If you started paying additional contributions to CUACPS before 1 January 2013, these contributions are known as AVCs and form part of your CUACPS benefits.

If you didn't set up an AVC arrangement in CUACPS before 1 January 2013, you will not be able to start paying AVCs into CUACPS. However, the University has set up a separate approved arrangement to receive additional contributions from members who want to top up their pension benefits.

This factsheet provides additional information on the existing AVC arrangements as well as information on the facility set up for members who want to start paying additional contributions.

INCREASING YOUR BENEFITS BY PAYING AVCs

Provided that you started to pay before 1 January 2013, you can continue to pay Additional Voluntary Contributions on top of your regular contributions to increase the level of the benefits you will receive from CUACPS.

Under the CUACPS Rules, AVCs can be paid in two ways.

Cash AVCs

Your AVCs will be invested in a cash account with the Cambridge Building Society. Your cash AVC fund will grow as it earns interest and as you pay AVC contributions. Although part of CUACPS, your AVC fund is held separately from the main CUACPS assets. It will be used to increase your CUACPS benefits when you chose to retire. However, at retirement you can withdraw the value of your AVC fund in full and transfer it to another pension provider.

Added years AVCs

Your AVCs will be invested with the rest of the CUACPS assets and will be used to buy extra service. Any extra service you buy is used to increase your final salary benefits at retirement. The number of years or days additional service you will receive at retirement depends on the level of contributions you pay and when you started paying them. If you retire before age 65, your AVC benefits may be reduced for early payment.

Added Years AVCs have the advantage of being low risk and providing predictable final salary benefits in the same form as the benefits you earned before 1 January 2013.

Payment and Limits

If you set up an AVC arrangement before 1 January 2013 you can continue to pay AVCs under your existing arrangement to buy extra service or to build up a cash fund. However, you will not be able to set up a new AVC arrangement or increase your added years AVC contribution rate after 31 December 2012.

For the cash AVC arrangement, you can make payments either as a lump sum or in regular monthly instalments which are deducted from your salary. Each payment must be at least £5.

For the added years AVC arrangement, there is no lower limit on how much you pay and you can stop your AVC contributions in future if you need to. However, stopping contributions would lead to a reduction in the amount of service you are able to buy.

For both the cash and the added years AVC arrangements, your total contributions including your basic contribution to CUACPS cannot exceed 15% of your annual salary.

INCREASING YOUR BENEFITS BY PAYING EXTRA CONTRIBUTIONS TO A DEFINED CONTRIBUTION ARRANGEMENT

You will be able to pay additional contributions into a separate approved defined contribution (DC) arrangement which has been set up by the University.

In a DC arrangement your additional contributions will be paid into an individual account in your name and invested in a fund of your choice. Your account will change in value depending on the investment returns achieved and the level of contributions you pay.

At retirement you can use some of your account to provide a tax free cash sum and use the remainder to buy extra pension income via an annuity or take a full or partial withdrawal.

Unlike your Final Salary or CRB pension the level of pension is not guaranteed or known in advance. The value of the DC arrangement will depend on a number of factors including the level of your contributions, the investment returns achieved and how you decide to take the monies at retirement.

To help you plan your retirement, the DC provider will give you an annual illustration of the pension you can expect to receive at retirement.

You can increase or reduce the contributions you pay into the DC arrangement and you can change how your fund is invested.

For further information on the DC arrangement please use the following link:

<https://www.pensions.admin.cam.ac.uk/cps/cps-crb-section-members-who-joined-01012013>

Payment and Limits

If you wish to pay additional contributions to the DC arrangement set up by the University, you must give the Pensions Section at least a month's written notice of your intention and let us know how much you want to pay in. You can make payments either as a lump sum or in regular monthly instalments which are deducted from your salary. Payments will be deducted monthly from your salary.

The 15% limit on total contributions does not apply if you make contributions to the DC arrangement. However, the Annual Allowance limit described below will apply.

HMRC ALLOWANCES

Her Majesty's Revenue & Customs (HMRC) sets limits on the amount of pension you can build up each year and on the total pension you can receive when you take your benefits. These limits, which are known as the Annual Allowance and the Lifetime Allowance, are described below.

Annual Allowance

The Annual Allowance is the annual limit on the value of pension benefits you can earn each year and still receive tax relief.

The Annual Allowance is currently £40,000.

Lifetime Allowance

When you retire, the total value of all your pension benefits from all approved arrangements including CPS is tested against the Lifetime Allowance. Provided that the total value of your benefits is less than the Lifetime Allowance, you will not be subject to an additional tax charge.

The Lifetime Allowance is currently £1,073,100 although this is subject to change.

If you require details of the annual increase in the value of your pension please contact the Pensions Section at the address below:

Pensions Administration Section
Greenwich House
Maddingley Road
Cambridge
CB3 0TX

IMPORTANT NOTE

This factsheet provides a summary of existing AVC arrangements and arrangements for making additional contributions in the future. However, your legal rights are governed by the Trust Deed and Rules of CUACPS. 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: www.pensions.admin.cam.ac.uk/cps

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