CAMBRIDGE COLLEGES FEDERATED PENSION SCHEME

A GUIDE FOR MEMBERS AT MURRAY EDWARDS

How the Scheme is run

The Cambridge Colleges Federated Pension Scheme was formed in 1978 and is designed exclusively for non-academic staff. 25 Colleges belong to the Scheme. The Scheme is under the control of a Trustee Company called Cambridge Colleges Superannuation Trustees Limited. The day to day work is carried out by the Administrator at the Scheme Office who reports to the Management Committee of the Trustee Company. There are nine members of the Management Committee; six are appointed by the Participating Colleges, two are appointed as a result of nominations from the contributing members of the Scheme and one is appointed as a result of nominations from the Scheme's pensioners. Where there are more nominations than vacancies for the member representatives the final appointment(s) will be made by the Member Nominated Trustee Selection Committee, which comprises one representative of each Participating College who is elected by the contributing members at that College. Contributions paid by members and their Colleges are the amounts necessary to provide the Trustee Company with sufficient funds to meet the benefits provided by the Scheme. The benefits for the members in each College are provided out of that College's part of the Scheme, so there are no cross-subsidies between the Colleges who participate in the Scheme.

A separate Group Income Protection Scheme has also been set up by the Trustee Company alongside the Pension Scheme for the benefit of members who become unable to work as a result of ill health or disability.

If you require information about the Scheme or your benefit entitlement you should contact either the College Office or the Administrator, Head of Group Pensions University of Cambridge, Greenwich House, Madingley Road, Cambridge, CB3 0TX.

Why you should join

The Scheme provides more than just a pension. It gives:

- financial protection for your family should you die in service and an increasing insured income if you have to stop work early because of ill-health or accident **provided you join when you are first eligible**
- an index-linked income when you retire plus the possibility of a tax free lump sum
- after your death in service or in retirement a pension for life for your surviving spouse/registered civil partner or if none to someone with whom you are living in a relationship which is akin to marriage. In this guide such a person will be referred to as your 'partner'.

Retirement may be in the distant future but it is very important not to delay building up your pension rights by joining a good occupational pension scheme such as this one. This is because:

- State pensions may not provide an adequate retirement income on their own
- no commission charges or administration costs get taken out of your pension
- your College will normally pay substantially more than your own contribution to the Scheme, as recommended by the Scheme's Actuary
- the alternative of paying into a personal pension means that you lose the benefit of the College's contribution and you will not have the complete range of benefits available in this Scheme unless you pay considerably more

- even if you are only working part-time and therefore your own and the College's contributions to, and your retirement benefit entitlement from, the Scheme may be small, you can increase this by paying additional contributions.

This guide outlines the basic details of the Scheme, the separate Group Income Protection scheme and your State pension entitlement as at July 2019 and is for general guidance only. You will be told about any significant changes to the Scheme in writing. This guide is not a legal document nor does it attempt to explain everything. The Pension Scheme is governed by a Trust Deed and Rules and if there is any difference between this guide and the Trust Deed and Rules the latter prevail. The same applies to the separate Group Income Protection scheme. Your State pension entitlement is governed by its own detailed rules.

State pensions

Up to April 2016

The State pension was made up of two parts – a basic flat rate pension and an earnings related addition. Individuals received the basic State pension at retirement subject to their National Insurance Contribution record meeting the minimum requirements. The additional part of the State pension did not include earnings whilst you were a member of this Scheme because you were contracted out of the additional part of the State pension on a salary related basis, as a result your State Additional Pension will be reduced. The College and this Scheme took account of your State pension entitlement in two ways by:

- reducing National Insurance Contributions from your earnings to the lower contracted out rate

- for membership of the Scheme prior to 1 June 2001 (but not after this date) deducting from your actual earnings an amount equivalent to the Basic State Pension. (If you are paying the married woman's reduced rate of National Insurance the deduction is still made even though you will not earn the Basic State Pension.) Your earnings less the deduction (called Contribution Pay) are used to work out your retirement benefits for this period of your membership of the Scheme. Your personal contribution to the Scheme was also based on Contribution Pay. In other words, for service prior to 1 June 2001 you will not receive a retirement pension and lump sum from the Scheme on earnings equivalent to the level of the State Basic Pension nor did you pay contributions to the Scheme on that part of your earnings. For membership of the Scheme after this date no deduction for the Basic State Pension is made from your actual earnings when working out your Contribution Pay.

From April 2016

The government merged the flat rate basic state pension and the earnings related addition to provide a single state pension. This means that you are no longer contracted out of the additional part of the State pension on a salary related basis and your National Insurance Contributions from your earnings have increased.

Auto-enrolment

Employers must provide a pension arrangement for all eligible employees that meets the government's auto-enrolment requirements.

Starting in October 2012, new regulations require every employer in the UK to automatically enrol the vast majority of their employees into a suitable pension arrangement. For a pension arrangement to meet the government's auto-enrolment requirements a number of criteria must be met. The CCFPS meets these criteria and therefore is a 'qualifying scheme' for auto-enrolment purposes and members of the CCFPS do not need to take any action.

Membership –who can become a member?

The Murray Edwards section of the Scheme was closed to new entrants with effect from 1 April 2004.

If you join the Scheme you can decide afterwards to opt out by giving written notice of at least one calendar month to the College. You will not be able to rejoin the Scheme in the future.

Cost – What does it cost to join?

You pay 15.00% of your Contribution Pay. Contribution Pay is your basic gross pay plus any allowances which your College has determined are pensionable for the week or month. (Note that for service on or after 1 June 2001 there is no longer a Basic State Pension deduction from your Contribution Pay). Your contributions are deducted automatically from your pay before you pay tax which means that you get help from the Government through tax relief by joining the Scheme.

In addition the College makes contributions to the scheme at the rate agreed by the trustee to ensure the total contributions are sufficient to pay for the benefits you are earning in the scheme.

What are the main tax features of the Scheme?

The Scheme is approved by Her Majesty's Revenue & Customs (HMRC) as a Registered Scheme under the provisions of the Finance Act 2004. This means that under current legislation:

- all member contributions including AVCs, get tax relief up to the Scheme limit of 15% of earnings
- you are not taxed on the substantial contribution the College makes into the Scheme
- pension commencement lump sums are tax free
- tax is payable on all pensions from the Scheme
- HMRC limit the maximum benefits which the Scheme may provide in a tax protected environment.

Benefits – The Key Facts

How will my retirement benefits be worked out?

The Scheme's normal retirement age is 65. The amount you receive will take into account your Pensionable Service and what is called your Final Pensionable Salary. Pensionable Service includes the number of years and completed months from the date you joined the Scheme until your 65th birthday or you leave the College or actually retire if earlier than 65, plus any additional service granted to you in respect of Additional Voluntary Contributions you have paid to the Scheme (see '**Can I boost my retirement benefits?'**).

Your Final Pensionable Salary takes account of inflation before you retire as well as your actual earnings. It is worked out by taking a number of steps:

- first of all we take your Contribution Pay during each of the 13 years of Pensionable Service (or fewer if less than 13) immediately before your date of leaving service

- then we adjust each year's Contribution Pay in line with inflation between the time you received it and the date you retire or leave service

- the final step is to work out the average of each three consecutive years inflation- adjusted Contribution Pay in the 13 years. The highest three year average is your Final Pensionable Salary.

In other words your Final Pensionable Salary is the average of the best three consecutive years inflation adjusted Contribution Pay received in the 13 years immediately before your date of leaving service or retirement (although please note that the Basic State Pension offset would apply to your Final Pensionable Salary for any pre 1 June 2001 service you may have).

How much will my retirement benefits be at 65?

Your retirement benefits from the Scheme at 65 will be:

- a pension for life commencing on retirement at the annual rate of 1/60th of Final Pensionable Salary for each year of Pensionable Service, (completed months of service of less than one year will be counted as part of a year when working out your Pensionable Service), and

- for service before 1 June 2001 only an automatic tax free pension commencement lump sum of 1/60th of Final Pensionable Salary for each year of Pensionable Service before 1 June 2001, (completed months of service of less than one year will be counted as part of a year when working out your Pensionable Service).

How is my pension worked out if I retire early?

With the consent of the Trustee and your College you may retire early from age 55. In all cases the amount of your early retirement pension must meet the minimum requirements relating to contracting out of the State Additional Pension. Your pension and lump sum will be worked out in the same way as the retirement benefits at 65 (see above) taking into account your Pensionable Service up to the date of early retirement. Then any benefits accrued in respect of service:

on or after 1 April 2004 will be reduced by an early retirement factor to take account of their early payment. The early retirement factor is determined by the trustee acting on advice from the Scheme actuary and takes account of the period between the actual date of your retirement and your 65th birthday and is subject to regular review:

before 1 April 2004 will not be reduced if the retirement takes place after your 60th birthday. If you retire before age 60 these benefits will be reduced by an early retirement factor to take account of their early payment. The early retirement factor is determined by the trustee acting on advice from the Scheme actuary and takes account of the period between the actual date of your retirement and your 60th birthday and is subject to regular review.

How are my benefits worked out if I retire after age 65?

If you continue in College employment with the consent of the College after 65 your pension and lump sum in respect of your Pensionable Service before age 65 will be calculated in the same way as for normal retirement at age 65 but using your Final Pensionable Salary at the date of your retirement. If you do not have 40 years Pensionable Service both you and the College will continue to contribute to the Scheme until you reach 40 years Pensionable Service or retire whichever comes earlier. These contributions will provide an extra pension of 1/60th of your Final Pensionable Salary for each year of Pensionable Service after your 65th birthday. Completed months of service of less than one year will be counted as part of a year when working out your Pensionable Service.

What benefit options do I have at retirement?

You may if you wish:

- exchange part of your pension for a tax free pension commencement lump sum. This will be in addition to any automatic pension commencement lump sum you may be entitled to but the maximum pension commencement lump sum you can receive is equivalent to 25% of the value of your retirement benefits from the Scheme.

- give up part of your own full pension in order to increase the pension paid to your spouse/registered civil partner or partner above the normal 50%.

What retirement pension increases will I receive?

The whole of your pension will be fully index linked in retirement. Most of the liability to increase your pension falls on the Scheme and the remainder, if you joined the Scheme prior to 6 April 1997, is met by the Government adding to your State retirement pension. The amount paid by the Government will be based on that part of your pension entitlement (called a Guaranteed Minimum Pension or GMP for short) which is earned:

- between April 1978 and April 1988 (the Government pays the whole of the increases on this part)

- between April 1988 and April 1997 (when GMPs stopped accruing) except for the first 3% of inflation which is borne by the Scheme.

The same principles apply to the pension paid on death after retirement to your spouse/registered civil partner or partner.

What happens if I have to stop work because of ill-health or accident?

The benefits you will receive will depend upon whether you joined the Scheme when you were first eligible to do so*.

1) Group Income Protection Benefit

The College will tell you about its own sick pay arrangements concerning the first 52 weeks that you are unable to work. At the end of this time you may be able to submit a claim for insured sick pay from a special Group Income Protection Scheme. This Scheme has been set up alongside the pension scheme by the Trustee especially for members who after joining it suffer from long term illness or disability. In order to claim you must have joined the pension scheme at the first opportunity. Subject to the terms and conditions of the policy covering the Scheme your claim for Group Income Protection benefit will be met if at the end of the first 52 weeks you have been continuously and totally unable to work during this period in your normal job. The amount of the Group Income Protection benefit will be 50% of your Insured Salary which is the rate of annual basic salary at the time you first became unable to work or if greater your total earnings for the whole of the preceding tax year. (The alternative of total taxable earnings may only be applied if you have been employed by the College for the whole of the previous tax year unless your combined service with the College and any previous College participating in the Scheme covers the whole of the previous tax year). The other benefits are: -

- Group Income Protection benefit will be increased in line with inflation subject to a maximum of 5% per annum until you reach 65 or you recover, when it will stop
- you continue to build up retirement pension in the Scheme whilst you are receiving Group Income Protection benefit as if you were at work, i.e. contributions are made on your full salary
- your own and the College's pension contributions will be met by the insurance company
- your retirement pension will be based on your Insured Salary but increased in line with inflation to a maximum of 5% per annum
- your dependents are protected if you die whilst receiving Group Income Protection benefit in the same way as if you were at work

If you are totally unable to work in your **normal** job but you work full or part time in another job (even if this is unpaid) you must notify the Scheme Administrator. Your claim for Group Income Protection benefit may then be reduced proportionately or suspended.

***If you were a late entrant to the Pension Scheme you will only receive Group Income Protection benefit if your employment commenced prior to 1 October 1998 and you have given satisfactory medical evidence. If you are unsure of your position please contact the Scheme Administrator. Late entrants to the Pension Scheme whose employment commences on or after 1 October 1998 cannot be covered for the Group Income Protection benefit.**

If you claim for Group Income Protection benefit you will be asked initially and periodically thereafter for medical information showing that you are unable to work because of illness or injury.

2) Ill-Health Pension from the Scheme

If with the consent of the College and the Trustee you retire before age 65 due to incapacity and you are **not** eligible for Income Replacement Benefit the Scheme may pay to you, with the agreement of your College, an immediate Ill-Health Pension. The pension will be calculated in the same way as for normal retirement at age 65 but based only on your Pensionable Service up to, and Final Pensionable Salary, at the date of early retirement. Your Ill-Health Pension will increase in the same way as an ordinary retirement pension.

What are the benefits for my family/dependant(s) if I die in service?

These depend upon whether you joined the Scheme when you were first eligible to do so.*

Insured death benefits

***If you were a late entrant to the Pension Scheme you will only receive Insured death benefits if your employment commenced prior to 1 October 1998 and you have given satisfactory medical evidence. If you are unsure of your position please contact the Scheme Administrator. Late entrants to the Pension Scheme whose employment commences on or after 1 October 1998 cannot join the Insured death benefits Scheme.**

If you are eligible for Insured death benefits the insurer will pay an annual pension of 50% of your prospective pension at age 65 paid to your spouse or registered civil partner, or if you are unmarried at the date of death, to your partner. A partner is any person of the same or opposite sex who is co-habiting with you at the date of your death. The partner must also be financially dependent on you, or you and your partner must be financially inter-dependent, at the date of death. The Trustee will determine in its absolute discretion if these conditions are met. The pension is paid for life. The pension will be reduced if your spouse/registered civil partner or partner is more than 10 years younger than you. The reduction is 2.5% for each complete year of difference in age over 10 years. If you are unmarried but are co-habiting with a partner you should include in the Expression of Wish Form information about your partner.

Insured death benefit pensions are increased annually in line with inflation subject to a maximum of 5% p.a.

In addition if you were a member of the scheme prior to 1 June 2001 there will be a tax-free lump sum of 50% of the annual pension you accrued for service before 1 June 2001. This lump sum benefit will be paid at the discretion of the CCFPS Management Committee in such proportions and to such people as they decide in their absolute discretion.

Any Additional Voluntary Contributions you may have paid will also be returned plus 5% p.a. compound interest.

Non insured death benefits

If you are not eligible to receive the Insured death benefits:

- your own ordinary contributions and any Additional Voluntary Contributions to the Scheme plus 5% p.a. compound interest will be returned. These are payable under the Trustee's discretion. You should complete the Expression of Wish Form and hand it to the College Office

- if you are married or in a registered civil partnership at the date of death your spouse or registered civil partner will receive 50% of your Guaranteed Minimum Pension earned prior to 5 April 1997 increasing in payment in the same way as a retirement pension (see **-"What retirement pension increases will I receive?")** plus 50% of your pension earned on or after 6 April 1997 (increasing in payment in line with inflation subject to a maximum of 5% p.a.). If you are unmarried and not in a registered civil partnership but co-habiting with a partner of the same or opposite sex your partner will receive a pension equivalent to the spouse's/registered civil partner's pension which would be increased during payment in the same way. The partner's pension will be reduced if they are more than 10 years younger than you. The reduction is 2.5% for each complete year of difference in age over 10 years. The same requirement of financial dependency or interdependency will apply as for the insured death in service pension (see **"Insured death benefits"**).

You should include in the Expression of Wish Form information about a partner who you wish to be considered for a pension on your death.

If I die in retirement what benefits are paid?

On death after you have retired the following benefits will be paid:

- an annual pension of 50% of your pension will be paid to your spouse/registered civil partner or, if you are unmarried at the date of death, to your partner. If you have exchanged part of your full pension at retirement for a pension commencement lump sum the pension will be 50% of the full pension plus any increases which would have been paid on your full pension since you retired. This pension will be reduced if your spouse, registered civil partner or partner is more than 10 years younger than you. The reduction is 2.5% for each complete year of difference in age over 10 years. Payment of a pension to a partner will be subject to the same provisions, including the discretion of the Trustee, as the Insured Pension paid to a partner on death in service (see **"Insured death benefits"**). If you are unmarried but co-habiting with a partner at retirement you should let the Scheme Office know and notify any subsequent changes to your marital status which may occur during retirement.

- a lump sum if you die before you have been retired for five years equal to the unpaid balance of five years pension. No account will be taken of future increases which would have been paid during the balance of the five years. This lump sum is paid whether or not you have dependants and the Trustee will exercise its discretion as to who the lump sum should be paid.

Can I boost my retirement pension?

There are several ways of paying additional pension contributions to boost your pension benefits:

- buy extra years of Pensionable Service under this Scheme which will boost your pension. Further information can be obtained by sending the AVC Enquiry Form (which is available from the College Office) to the Scheme Administrator

- pay what are called Free-Standing Additional Voluntary Contributions (FSAVCs) to an insurance company, building society or other authorised provider totally independent of this Scheme

- pay contributions to a personal pension scheme or stakeholder pension run by an insurance company, building society or other authorised provider totally independent of this Scheme.

The limit to the total contributions you can pay and receive tax relief on to all registered pension schemes is 100% of your gross earnings in the tax year, or the Annual Allowance which is £40,000 if this is lower. You can normally pay a maximum of 15% of your earnings with the College in any one tax year to the Scheme.

Does working part-time affect my pension?

All part-time employees may join the Scheme within the eligibility conditions of your College. Benefits are adjusted accordingly. For example, when your retirement pension and lump sum is worked out your Final Pensionable Salary will be based on your full-time equivalent salary. If you were employed half-time whilst a member of the Scheme for say 10 years and full time for 10 years your total Pensionable Service would be 15 years. Your part-time employment would be counted as one half i.e. 5 years and added to your full time employment of 10 years. Insured Salary and death in service benefits would be worked out by reference to your actual part-time earnings.

What happens if I leave the College before retirement?

If you leave the College before you retire you will be advised of your options in detail by the Scheme Office. You should let the Scheme Office know if you change your address at any time. In summary your options include:

- if you leave with less than two years Pensionable Service your own contributions can be refunded to you without interest less certain deductions, or at your option, a transfer value paid to another registered pension scheme

- if you leave with two or more years Pensionable Service to transfer the value of your benefits to another registered pension scheme. The transfer value will be based on advice from the Scheme's Actuary in line with legislation and guidelines issued to actuaries. This takes account of your age and benefits at the date of leaving and other assumptions about expected rates of return both before and after your 65th birthday, or

- keep your Scheme membership and get deferred benefits. Deferred benefits would normally be paid at 65 but you can ask for them to start earlier but not before age 55. If benefits start to be paid before 65 they will be reduced in the same way as for early retirement. Between the date of leaving and retirement your deferred benefits will be increased in line with the scheme rules and you will receive information about this at the date of leaving.

If you die before receiving your deferred benefits at age 65 the following will be paid:

- a refund of your contributions plus 5% p.a. compound interest under the Trustee's discretion

- a spouse's/registered civil partner's pension of 50% of your total GMP or, if greater, 1/160th of Final Pensionable Salary for each year of Pensionable Service prior to 6 April 1997. (GMPs are abolished for service from 6 April 1997)

- a spouse's/registered civil partner's pension of 50% of your deferred pension in respect of Pensionable Service from 6 April 1997

- if you are unmarried at the date of death but are co-habiting with a partner of the same or opposite sex the pension which would have been paid to a surviving spouse may be paid to your partner subject to the same provisions, including Trustees' discretion, as the Insured pension paid to a partner on death in service (see **"Insured death benefits"**).

If you opt out of the Scheme without leaving the College your Pensionable Service will cease from the end of the notice period. You may leave your benefits deferred in the Scheme or transfer their value to another registered pension scheme unless you opt out with less than 2 years scheme membership in which case your own contributions less deductions will be returned unless you elect to transfer your benefits to an alternative pension arrangement.

Disputes - Resolving a dispute with the Scheme

If you believe you have reason to make a complaint concerning the Scheme please contact, in the first instance, the College Office who will raise this with the Scheme Administrator.

There may be situations where, despite such action, a dispute continues to exist between a member/deferred pensioner/pensioner and the Scheme. To deal with this the Scheme has a formal internal dispute resolution procedure a copy of which can be obtained from the Scheme Office or from the website (http://www.pensions.admin.cam.ac.uk/ccfps). This procedure should normally be used before you consider making a complaint to the Pensions Advisory Service (TPAS) or the Pensions Ombudsman. You retain the right to make such a complaint if you remain dissatisfied after the Scheme internal dispute procedure has been completed.

Independent advice and information

There are a number of organisations who are able to give information and advice about pension arrangements and their contact details are given below: -

The Pensions Advisory Service (TPAS)

The Pensions Advisory Service (TPAS) is an independent voluntary organisation that gives free help and advice to members of the public who have problems concerning either an occupational scheme such as this Scheme or a Personal Pension Scheme. The service is available to you or your dependants after you or they have failed to resolve the problem with the Scheme. TPAS can be contacted at:

11 Belgrave Road,
London,
SW1V 1RB.

Their Helpline number is 0800 011 3797

Their website is http://www.pensionsadvisoryservice.org.uk

The Pensions Ombudsman

If TPAS is unable to deal with the matter to your satisfaction you can refer it to an independent Pensions Ombudsman appointed by the Government to act as an impartial adjudicator. The Pensions Ombudsman can be contacted at:

10 S Colonade
Canary Wharf
London E14 4PU

Telephone: 0207 630 2200.

Website http://www.pensions-ombudsman.org.uk

The Pension Tracing Service

The Pension Service keeps a central register to help people trace details of pension schemes with which they may have lost contact over the years. If you want to trace a previous pension you can contact the Pension Service at: -

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193

Website http://www.gov.uk/find-pension-contact-details

The Pensions Regulator (TPR)

The Pensions Regulator's (TPR) role is to enforce the law as it applies to occupational pensions. TPR is able to intervene in the running of schemes where Trustees, employers or professional advisers have failed in their duties. TPR's address is: -

Telecom House
125-135 Preston Road
Brighton
BN1 6AF

Telephone: 0345 600 7060.

Website http://www.thepensionsregulator.gov.uk/

Further information about the Scheme

A copy of the Scheme's Annual Report and Accounts is available on request from the Scheme Administrator, Head of Pensions Administration, University of Cambridge, Greenwich House, Madingley Road, Cambridge, CB3 OTX or can be downloaded from the website (https://www.pensions.admin.cam.ac.uk./ccfps/further-information). The Administrator will also provide on written request, but not more frequently than annually, details of your benefit entitlement. The details can include, on request, an estimate of your transfer value available and, if you have already left pensionable service, the period for which the amount of the transfer value is guaranteed.

Data Protection

The Trustee of the CCFPS holds and processes personal data about you and (if applicable) your spouse and dependants obtained either from you, your spouse or dependants, your employer or (if the Trustee does not have up-to-date contact details for you and are trying to locate you to arrange payment of your benefits) from a tracing agent. This data is held to be able to operate the Scheme and administer your benefits in it. This means that the Trustee is a 'data controller' under data protection legislation, and has to inform you of certain information, which is set out in the trustees Fair Processing Notice at https://www.pensions.admin.cam.ac.uk/ccfps

This guide was issued in July 2019 and replaces all previous guides about the Scheme.