

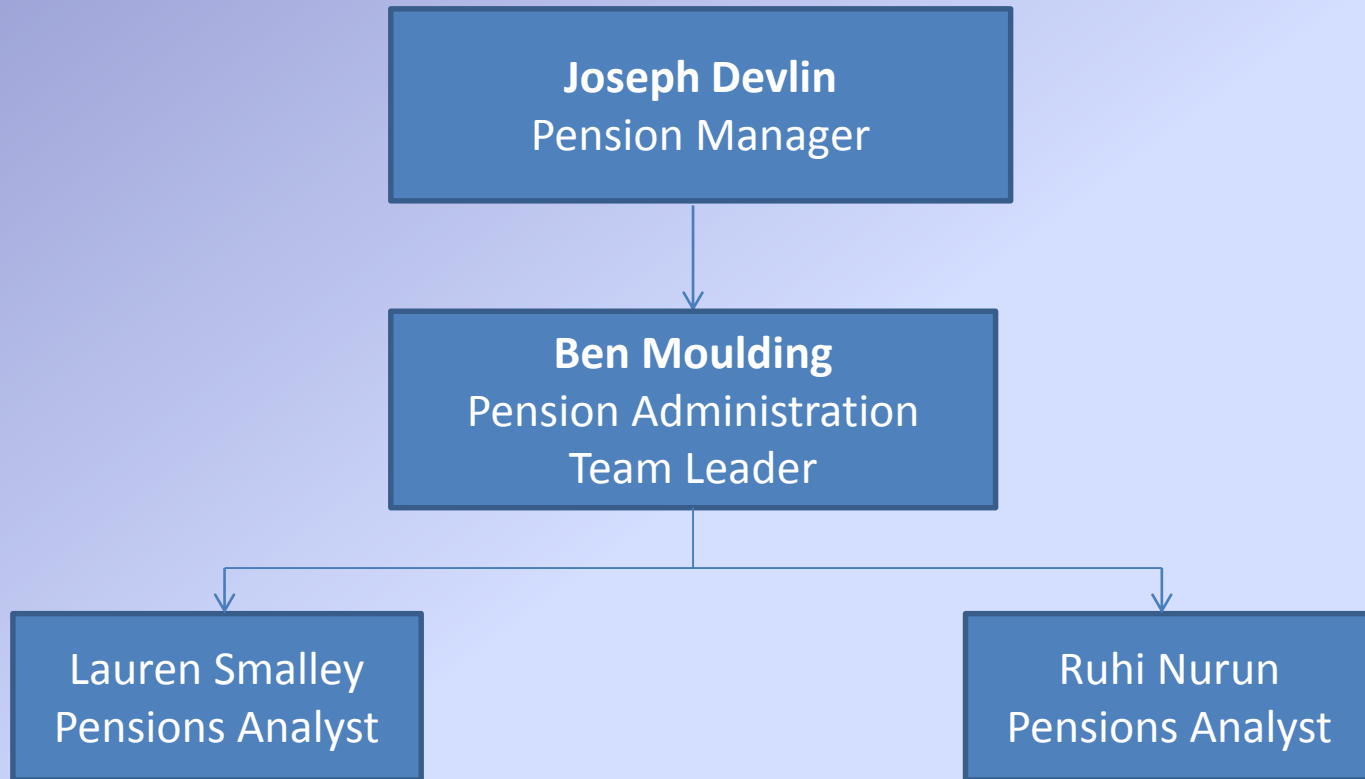
University of Warwick Pension Scheme

Defined Benefit Section

Introductions

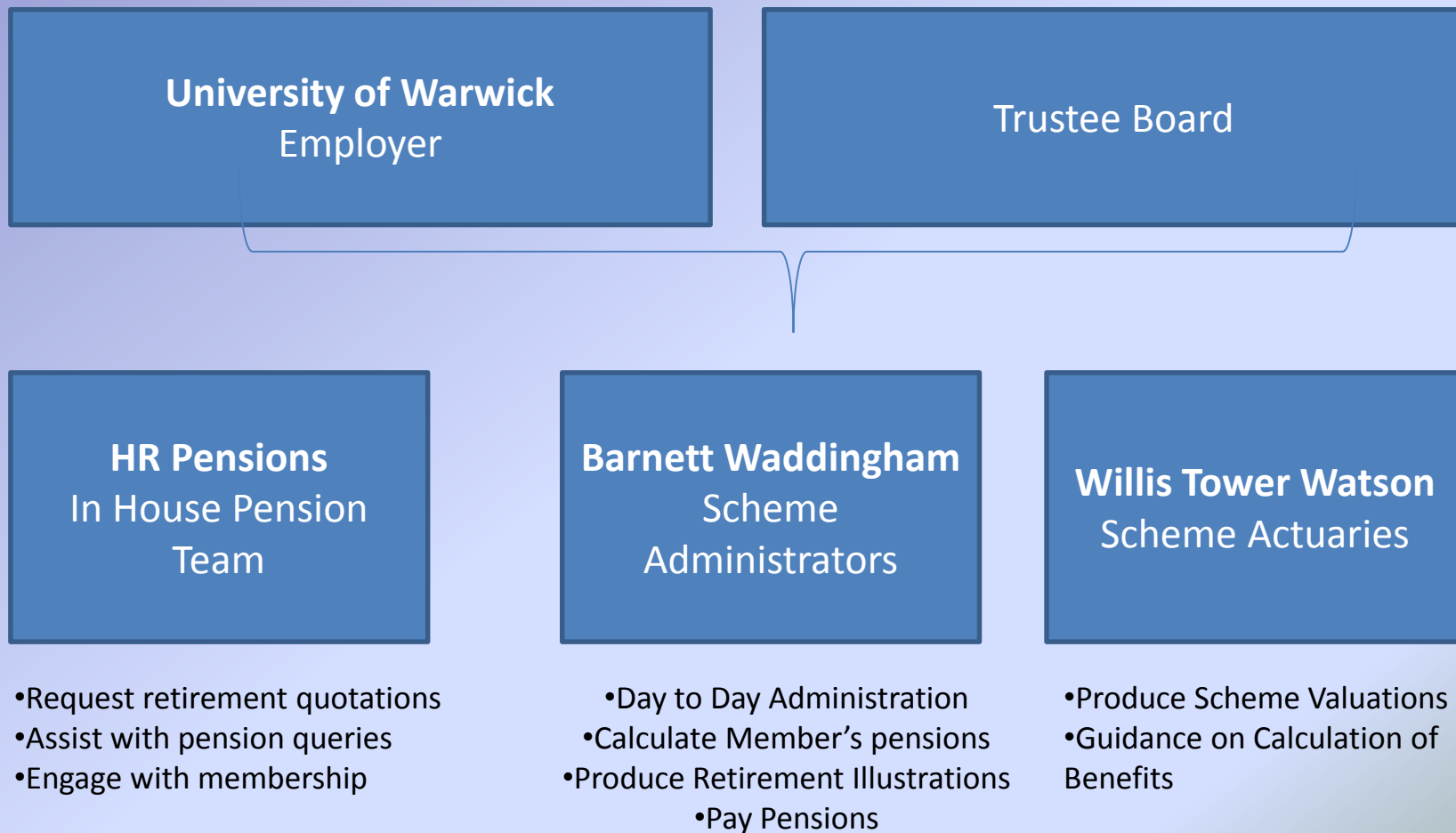
- Ben Moulding
- Pensions Administration Team Leader
- Joined University of Warwick March 2017
- Worked in Pensions Administration for the last 16 years with various Third Party Administrators e.g. Mercer Limited

In House Team



hr.pensions@warwick.ac.uk

Your Scheme



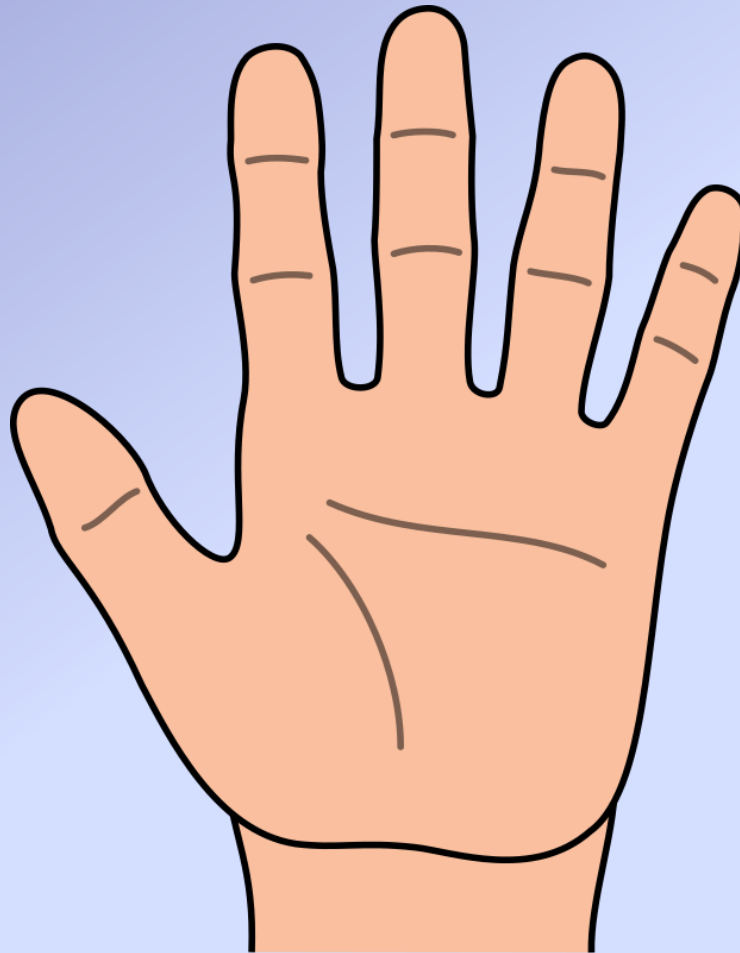
Disclaimer

- All Benefits from the University of Warwick Pension Scheme are paid in line with the Scheme Trust Deed and Rules
- Any figures shown are strictly for illustration purposes only, and are based on current actuarial factors and assumptions, which are subject to change
- As pension schemes are very complex, we have used simplified examples to demonstrate how the scheme works. As each members situation is different, the calculation of a members benefits may be more complex.

Mission for Today

- Explain what a defined benefit pension is
- Provide an overview of your Scheme
- Purpose of the Annual Benefit Statement
- Outline the retirement process

Hands Up if you know what a Defined
Benefit Pension is?



What is a defined benefit pension?

- Defined Benefit – also known commonly as DB
- Also can be called Final Salary or Career Average Revalued Earnings (CARE)
- **A defined benefit (DB) pension scheme is one where the amount you are paid is based on how many years you have worked for your employer and the salary you have earned.**

How is a Defined Benefit Pension Calculated?

- **Pensionable service** - The number of years you have been a member of the scheme
- **Pensionable earnings** - This could be your salary at retirement ('final salary'), salary averaged over a career ('career average') or another formula
- **Accrual rate** - The proportion of your earnings you will get as a pension for each year in the scheme (e.g. $1/60^{\text{th}}$ (1.67%) or $1/100^{\text{th}}$ (1%))

Example of a Defined Benefit Pension

- Bob has worked at Warwick for 10 years. His Scheme accrual rate is $1/100^{\text{th}}$ and his salary is £18,000.00.
- **Pensionable Service x Accrual Rate x Pensionable Earnings = Pension**
- $10 \text{ years} \times 1/100 \times 18,000 = \text{£}1,800.00 \text{ p.a.}$
- **Or if you look at it on a yearly basis**
- $1 \text{ year} \times 1/100 \times 18,000 = \text{£}180.00 \text{ p.a.}$

The University of Warwick Pension Scheme - Benefits

- Normal Retirement Age = 65
- Employee Contribution Rate: 5.5%
- Employer Contribution: £3.29 million per annum
- Accrual Rate pre 1 April 2010 was $1/60^{\text{th}}$
- Accrual Rate post 1 April 2010 is $1/100^{\text{th}}$, and a compulsory tax free cash sum of $3/80^{\text{ths}}$ per year of pensionable service

The University of Warwick Pension Scheme – Benefits Example

- Bob joined 1st April 2005 and wants to know what he has accrued at 1 April 2018.
- Pre 2010 service is 5 years
- Post 2010 service is 8 years
- Current salary is £18,000
- **Pre 2010 pension is $5 \times 1/60 \times £18,000 = £1,500$ p.a.**
- **Post 2010 pension is $8 \times 1/100 \times £18,000 = £1,440$ p.a.**
- **Plus a Compulsory Tax free Cash Sum of $8 \times 3/80 \times £18,000 = £5,400$**

Summary of Bob's benefits

- Pension of £1,500 plus £1,440 = **£2,940 p.a.**
- Tax-free Compulsory Cash Sum of **£5,400**
- In addition Bob will have accrued death benefits payable in the Scheme which includes spouse's pensions etc
- See Pages 16-19 of the DB booklet for further information on Death Benefits

Annual Benefit Statement

The Scheme Administrators send one of these to you every year

The University of Warwick Pension Scheme
Defined Benefit Section

WARWICK

<<Member name>>
<<Location>>
<<Job Description>>

Benefit Statement as at 31 March 2018	
National Insurance Number:	<<Nino>>
Date of Birth:	<<Dob>>
Date Pensionable Service Commenced:	<<Dcps>>
Normal Retirement Date:	<<Nrd>>
Final Pensionable Earnings:	<<FPE>>

Benefits at Normal Retirement Date	
Pension in respect of service to 31 March 2010:	<<Pre 2010 Pension>>
Pension in respect of service from 1 April 2010:	<<Pst 2010 Pension>>
Cash in addition (currently tax free)	<<Cash in addition>>

Death in service benefits	
A lump sum of:	<<DIS Lump Sum>>
and a return of your contributions including salary sacrifice	<<Return of Contributions>>
and a Dependant's annual pension of ¹ :	<<DIS Spouse's Pension>>
Children's pensions may also be payable.	

HMRC Allowances (see note 2 overleaf)	
Your accrued benefit as an estimated percentage of the Standard Lifetime Allowance for 2017/18 is:	<<LTA>>

This statement should be read in conjunction with the Scheme booklet and accompanying notes set out overleaf. If any of your personal details are incorrect or you would like more information about the Scheme, please contact:

The University of Warwick Pension Scheme
Barnett Waddingham LLP
St James's House
St James's Square
Cheltenham
GL50 3PR

¹ if you leave a Civil Partner (as defined in the Civil Partnership Act 2004) or a same-sex spouse (as defined in the Marriage (Same Sex Couples Act) 2013) instead of an opposite-sex Spouse, your Civil Partner or same-sex spouse will be entitled to a pension equal to a Spouse's pension in respect of the benefits you have earned from 5 December 2005 and any contracted-out benefits earned from 6 April 1988. The Trustee and the University intend to amend these provisions in the near future.

Annual Benefit Statement

The University of Warwick Pension Scheme
Defined Benefit Section



<<Member name>>
<<Location>>
<<Job Description>>

Benefit Statement as at 31 March 2018

National Insurance Number:	<<Nino>>
Date of Birth:	<<Dob>>
Date Pensionable Service Commenced:	<<Dcps>>
Normal Retirement Date:	<<Nrd>>
Final Pensionable Earnings:	<<FPE>>

Benefits at Normal Retirement Date

Pension in respect of service to 31 March 2010:	<<Pre 2010 Pension>>
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Cash in addition (currently tax free)	<<Cash in addition>>

Age 65

A blue arrow points from the text 'Age 65' to the 'Normal Retirement Date' field in the 'Benefits at Normal Retirement Date' section.

Annual Benefit Statement

Death in service benefits

A lump sum of:	<<DIS Lump Sum>>
and a return of your contributions including salary sacrifice	<<Return of Contributions>>
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Retirement Types

- Normal Retirement – Scheme Normal Retirement Age is 65
- Early Retirement – Minimum Retirement Age is 55
- Ill Health Retirement – Partial, Total or Serious Ill Health
- Late Retirement

Pages 13-15 of the DB Booklet has further information

Retirement Options

- Full Pension Option
- Maximum Tax free Cash and a Reduced Pension
- Spouses pension is linked to the Full Pension
- Additional Voluntary Contributions – Can be taken as cash (in most cases) or Open Market Option to secure a Pension

Example of Retirement Options

Option A (Pension and standard tax-free cash sum)

Tax-free cash sum of £3,543

plus

Pension of £1,578 a year

Your pension will be paid in instalments of £132 a month

A spouse's pension of £789 a year is payable on your death

This option uses up an estimated Standard Lifetime Allowance percentage of 3.50%

Option B (Maximum tax-free cash sum)

Tax-free cash sum of £9,048

plus

Pension of £1,357 a year

Your pension will be paid in instalments of £113 a month

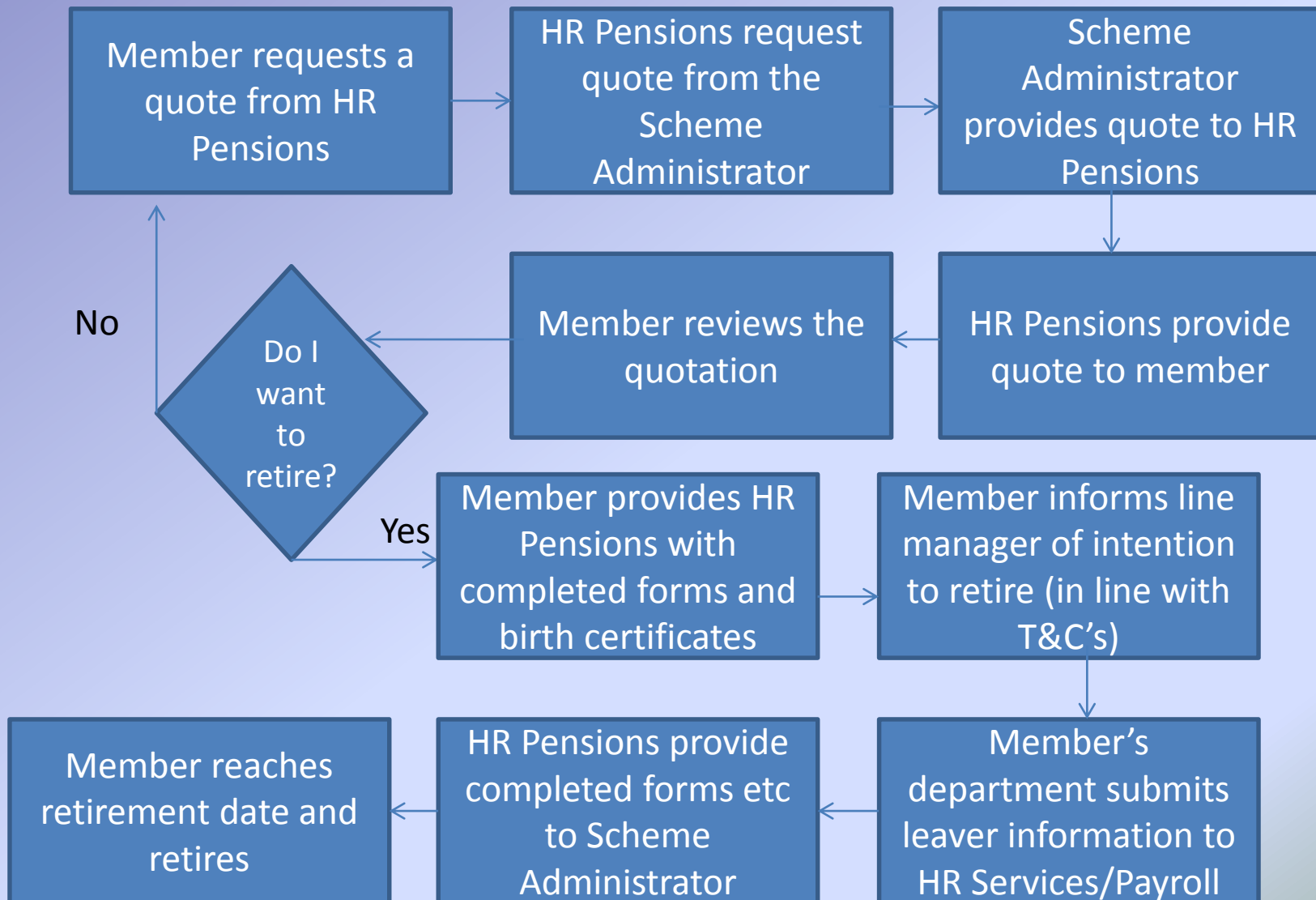
A spouse's pension of £789 a year is payable on your death

This option uses up an estimated Standard Lifetime Allowance percentage of 3.61%

What Happens in Retirement

- You continue to receive your pension for life
- Your pension has inflationary protection (See Page 11 of the DB Scheme Booklet)
- Your pension is guaranteed for the first 5 years in retirement

Thinking about Retirement



When will I get my Pension and Cash Sum?

- Pension is paid on the 1st of the Month and in paid in advance
- Subject to Payroll Cut off, so first pension payment may be one or two months after retirement date, but will include arrears
- Tax-free Cash Sum on or around date of retirement
- If you have paid AVCs the pension/cash sum is interlinked so can take 4-6 weeks to paid from date of retirement

Any Questions?

- Email: hr.pensions@warwick.ac.uk
- Arrange a Face to Face Meeting
- Give us a call

- Any Feedback on the Presentation is most welcome!