

THE ASTON UNIVERSITY PENSION SCHEME (AUPS)

A GUIDE TO THE SCHEME

ADDENDUM ONE

AMENDMENTS TO "A GUIDE TO THE SCHEME"

The "Guide to the Scheme" booklet was produced in 2005. Since then there have been a number of changes to the Scheme's rules, mainly required to comply with various changes in legislation.

This addendum consolidates into one document the various amendments to the information contained in the guide. Please keep it with your copy of the guide and read it in conjunction with it.

The "Guide to the Scheme" and this addendum do not cover every aspect of the **Scheme**. Full details are contained in the Trust Deed and Rules, which is the legal document that governs the **Scheme**. The information contained in the guide and addendum cannot override this legal document and they confer no rights to benefits.

To avoid overcomplicating this document, the amendment references are to the main body of the information given on the relevant pages, but they also amend information given in the "In Brief" and "Summing Up" sections, where applicable.

Terms used in the booklet (foldout cover)

Basic Salary

Any reduction to your annual rate of pay due to your participation in the **University's** Pension Salary Conversion or other Flexible Benefit salary sacrifice arrangement will be ignored in calculating your Basic Salary.

Final Pensionable Salary

If your **University** employment continues beyond your **Normal Retirement Date**, this will be your **Pensionable Salary** in the twelve months up to your later retirement date (or the average of your last three **Pensionable Salary** figures, if higher). This only applies if you continue to contribute to the **Scheme** until your later retirement date.

Pensionable Pay

Any reduction to your **Basic Salary** or your gross taxable pay due to your participation in the **University's** Pension Salary Conversion or other Flexible Benefit salary sacrifice arrangement will be ignored in calculating your Pensionable Pay.

Pensionable Salary

Any reduction to your **Basic Salary** or your gross taxable pay due to your participation in the **University's** Pension Salary Conversion or other Flexible Benefit salary sacrifice arrangement will be ignored in calculating your Pensionable Salary

Pensionable Service

The limit of 40 years maximum service has been removed.

If your **University** employment continues beyond your **Normal Retirement Date**, your **Pensionable Service** will continue until your later retirement date, provided that you continue to contribute to the **Scheme** until your later retirement date.

Spouse

Any reference in the guide to **Spouse** should also be taken to include the Registered Civil Partner of a member, providing the Partnership has not been dissolved.

If a Civil Partnership is dissolved, the former Civil Partner of the member will cease to be entitled to any benefits from the **Scheme**, except as may be determined by the Courts under the pension sharing order on divorce regulations.

State Pension Age

The age you will receive your State Pension. This is currently age 65 for men and is in the process of a phased increase from age 60 to age 65 for women, and will be age 65 by November 2018. State Pension Age for both men and women will then increase to 66 by October 2020. The Government has also indicated that there will be further increases thereafter.

Introduction and key benefits (page 4)

It is no longer possible to pay extra contributions to increase your benefits.

Joining the Scheme (page 6 and 7)

The eligibility criteria for joining the **Scheme** have been changed.

Who can join?

You will be automatically entered into the **Scheme** if you are:

- age 18 or over but under age 65 (or State Pension Age, if later) and
- are employed in a staff position with the **University** on grades one to six

Additionally, you may elect to join the **Scheme** if you are employed in a staff position with the **University** on grades one to six and are aged 16 or 17 or are aged 65 (or State Pension Age, if later) to 74.

You cannot join or be a member of the **Scheme** if you are:

- eligible for membership of the Universities Superannuation Scheme (USS) or
- if you carry out your day to day work for the **University** in a European Union country, other than the United Kingdom (or would otherwise be classed as a “qualifying person”, as defined in The Occupational Pension Schemes (Cross-Border Activities) Regulations 2005).

The restriction which prevented otherwise eligible employees from joining the **Scheme** if they were employed on a fixed term contract of six months or less, has been removed.

How can I join?

You will no longer be asked to complete a Declaration Form.

Do I have to be a member of the Scheme?

If you opt out of membership of the **Scheme** within 3 months of your date of joining, your membership will be cancelled and all contributions will be refunded. This only applies to dates of joining after 1 August 2013.

If you decide that you wish to become a member of the **Scheme**, having opted out previously, it will no longer be necessary to provide a declaration of good health before you can elect to rejoin. You are now also permitted to rejoin the **Scheme** if you have opted out of membership more than once before.

It should be noted however that if you die within 12 months of electing to rejoin the **Scheme**, and death is as a result of a pre-existing medical condition known to you at the time of rejoining, the Trustees may restrict any death benefits which would otherwise have been payable.

Contributions (page 8)

When do I start paying and how long do I pay for?

Contributions no longer cease at age 65.

Making extra contributions (page 10 and 11)

The **Scheme** no longer offers a facility for making extra contributions. Existing contributors to the Additional Voluntary Contribution (AVC) arrangements may continue to pay AVCs.

Benefits on normal retirement (page 12 and 13)

Can I have a cash sum on retirement?

The cash sum is now worked out using the following formula:

4 x total pension

You are able to choose to take any amount of cash sum up to "4 x total pension" provided that this does not exceed the HM Revenue and Customs permitted maximum. The amount of cash sum may also be restricted to ensure that your remaining pension is not less than any **Guaranteed Minimum Pension (GMP)**. You should also be aware that the larger the cash sum you choose, the smaller the pension you will receive for the remainder of your life.

Will my pension be increased after I retire?

With effect from 2011 the Government has set statutory pension increases in accordance with the increase in the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This change only affects the pension increase applied by the **Scheme** to the **GMP** element of the pension accrued after 5 April 1988.

Benefits on early, ill health and late retirement (page 14 and 15)

The minimum age at which you may now be permitted to retire (other than on the grounds of permanent ill-health) is age 55. Retirement before age 60 requires the consent of the **University**.

You can only receive the payment of your **Scheme** retirement benefits if your **University** employment has ended except, in some cases, if your employment is continuing after your **Normal Retirement Date** (see the next section for further details).

Can I defer receiving my benefits if I retire late?

The Rules that apply to retirement after your **Normal Retirement Date** have been changed.

If your **University** employment continues beyond your **Normal Retirement Date** you will continue to contribute to the **Scheme** and accrue benefits up until your eventual retirement date. At retirement, the benefits which you built up prior to your **Normal Retirement Date** will be increased by an actuarial Late Retirement Factor to compensate for the late payment of these benefits.

If you were contributing to the **Scheme** on 30 November 2006 (and have remained in continuous **Pensionable Service** since that date) you retain the option to cease contributing to the **Scheme** on the day before your **Normal Retirement Date** and for your benefits to be paid from your **Normal Retirement Date**. If you choose this option you will cease to be in **Pensionable Service** on your **Normal Retirement Date** and will therefore accrue no further benefits and cease to be covered for death-in-service benefits from this date.

Benefits on death (page 16 and 17)

What happens if I die in service?

The lump sum death benefit payable, if you die whilst in **Pensionable Service**, will be three times your **Pensionable Pay** at the date of your death after 5 years' service with the **University** (rather than 10 years' service, as was previously the case).

This provision now also applies if your **Pensionable Service** continues after age 65.

If you die within 12 months of electing to rejoin the **Scheme**, having previously opted out of membership, and death is as a result of a pre-existing medical condition known to you at the time of rejoining the **Scheme**, the Trustees may restrict any death benefits which would otherwise have been payable.

The Trustees may also restrict lump sum death benefits if the **Scheme** is unable, for whatever reason, to insure the benefit with its insurer on normal terms. You will be informed if this is the case.

What about dependent children?

The Government has introduced a maximum age limit for the payment of a child's pension. Therefore, the Trustees can no longer allow payment of a child's pension to continue, regardless of whether full-time education is continuing, after a child reaches age 23.

Temporary absence and opting out (page 18 and 19)

What happens during maternity leave?

The provisions relating to maternity leave also apply to paternity and adoption leave.

Can I opt out of the Scheme?

If you opt out of membership of the **Scheme** within 3 months of your date of joining, your membership will be cancelled and all contributions will be refunded. This only applies to dates of joining after 1 August 2013.

If you decide that you wish to become a member of the **Scheme**, having opted out previously, it will no longer be necessary to provide a declaration of good health before you can elect to rejoin. You are now also permitted to rejoin the **Scheme** if you have opted out of membership more than once before.

It should be noted however that if you die within 12 months of electing to rejoin the **Scheme**, and death is as a result of a pre-existing medical condition known to you at the time of rejoining, the Trustees may restrict any death benefits which would otherwise have been payable.

Benefits on leaving before retirement (page 20)

What happens to my pension when I leave?

Benefit entitlements and options are changed for members who have less than two years' **Qualifying Service** in the **Scheme**.

If, for any period, you have participated in the **University's** "Pension Salary Conversion" salary sacrifice arrangement you will not be eligible for a refund of contributions even though you have less than two years' **Qualifying Service** in the **Scheme**. This is because the **University** has paid all the contributions and, as such, they are employer contributions which are not refundable.

Where a refund is not payable, the **Scheme** will instead provide a **Deferred Pension** in respect of the period when you participated in the “Pension Salary Conversion”. The pension will be calculated in the same way as the **Deferred Pension** for members who have more than two years’ **Qualifying Service**.

If you have less than two years’ **Qualifying Service** in total and, for part of your period of **Scheme** membership you did not participate in the “Pension Salary Conversion”, you will be able to receive a refund of contributions for this part of your membership. The refund will be subject to the appropriate statutory deductions. You are not entitled to a **Deferred Pension** for this non-Pension Salary Conversion part of your membership. You do have a transfer out option, but this option would have to be exercised for both parts of your **Scheme** membership.

General Information (page 22)

Taxation of benefits

The contributions you pay and the benefits you build up in tax approved pension arrangements, including the **Scheme**, are restricted by HM Revenue & Customs (HMRC). A separate **Scheme** factsheet, “HM Revenue & Customs – Limits on Benefits and Contributions”, provides further information on these limits.

State Scheme and Regulatory Bodies (page 24)

Regulatory bodies

Up to date contact information for the various Regulatory bodies are included in the “Annual Report to Members” sent to members each year.

ADDITIONAL INFORMATION

The University's "Pension Salary Conversion" and Flexible Benefit Arrangements

The **University** operates the **Scheme** as a salary sacrifice which it calls the "Pension Salary Conversion". It also offers a number of other flexible benefits on a salary sacrifice basis, including a Cycle to Work scheme, Childcare Vouchers and a Low Emission Car Lease scheme.

What is the "Pension Salary Conversion"?

Instead of you paying the normal 6.35% member pension contribution to the **Scheme**, the **University** pays this as an employer contribution. Your contractual pay is then reduced by an amount equivalent to the 6.35% member contribution. This is what is known as a "salary sacrifice" and constitutes an amendment to your contract of employment.

It must be emphasised that the amount of contributions being paid to the **Scheme** is not reduced.

The **University** entered all existing **Scheme** members into the "Pension Salary Conversion" at 1 April 2008 and all new members since that date, provided that the salary sacrifice would not reduce their pay below the National Minimum Wage. You can choose not to participate in the "Pension Salary Conversion" (subject to certain time restrictions) and still be a member of the **Scheme**.

Basic Salary, Pensionable Salary and Pensionable Pay

Your **Basic Salary**, **Pensionable Salary** and **Pensionable Pay** will be calculated using your notional pay ignoring the "Pension Salary Conversion" i.e. the pay which you would have been receiving if you were not participating in the "Pension Salary Conversion". When assessing your **Pensionable Salary** and **Pensionable Pay** notional total taxable earnings will be used. This will take account of the amount of taxable pay given up by the "Pensionable Salary Conversion"

This means that your pension benefits, including potential spouse's benefits and death lump sum, are unaffected if you participate in the "Pension Salary Conversion".

Death Benefits

In addition to protecting the **Pensionable Pay** for the calculation of potential lump sum death benefits and spouse's pensions, the return of member contributions on death-in-service or death-in-deferment is also protected. An amount equivalent to the member contributions which you would have paid had you not participated in the "Pensionable Salary Conversion" will be added to any actual member contributions you have paid.

Refund of Contributions (for members with less than two years' membership)

The option to have a refund of contributions if you leave the **Scheme** with less than two years' **Qualifying Service** is not available if you participate in the "Pension Salary Conversion". For further information see "What happens to my pension when I leave?" section starting on page 5 above.

(Refunds are not available for members with more than two years' **Qualifying Service** in any circumstances.)

Flexible Benefit Arrangements

If you choose to participate in any of the **University's** salary sacrifice flexible benefits your contractual pay will be reduced by the amount of benefit which you receive e.g. the value of the nursery voucher or the repayment cost of your cycle to work bicycle.

As with the "Pension Salary Conversion", your **Basic Salary**, **Pensionable Salary** and **Pensionable Pay** will be calculated using your notional pay ignoring the reduction in respect of the benefit received.

Contractual Enrolment and Auto-enrolment

To encourage more saving for retirement, the Government has introduced a requirement for employers to enrol their workers (subject to certain age and earnings limits) into work place pension arrangements. Aston University became subject to this requirement with effect from 1 August 2013. This is often referred to as *auto-enrolment*.

The **University** already automatically entered the majority of its employees on grades 1 to 6 into the **Scheme** at the commencement of their eligible **University** employment as part of their Terms and Conditions of employment. This will continue. This is called *contractual enrolment*.

As the **Scheme** meets certain quality criteria set down by the Government, the **University** is permitted to continue to *contractually* enrol its employees into the **Scheme** and these employees are then not subject to the *auto-enrolment* requirement. However, where an employee opts out of membership of the **Scheme**, they then immediately become subject to the *auto-enrolment* regulations. Generally, this will only impact on these individuals at the subsequent re-enrolment dates (every three years from 1 August 2013). However, there may be individual circumstances when the **University** will be required to *auto-enrol* these employees ahead of the 3 year re-enrolment. Typically this will be because their earnings were below the auto-enrolment level whilst they were a member of the **Scheme** but have now increased to above that level or because the individual has attained age 22. A notice will be sent to an employee if they are to be *auto-enrolled*. Anyone who is *auto-enrolled* will be able to opt out again should they wish to do so.