

Transferring your Pension Benefits to the UKAEA Combined Pension Scheme

Introduction

Do you have pension benefits with another employer's scheme? If you do the following information may help you to decide whether and if so how to transfer these benefits to the Combined Pension Scheme (CPS). If you are interested in transferring former pension benefits into the CPS please complete the Transfer Request Form. If you are interested in finding out the estimated amount of reckonable service credit you would receive in the CPS in respect of more than one former pension arrangement a separate Transfer Request Form should be completed for each arrangement

Changing Jobs

This leaflet outlines your options as a pension scheme member changing jobs. Generally you will normally have to choose between:

- 1) transferring the pension benefits earned in your old scheme to increase your reckonable service in the CPS;
- 2) transferring your pension benefits from your old scheme to be preserved in an insurance type policy (S32 buyout Policy) or a personal pension arrangement which will provide the money to buy you pension benefits at retirement;
- 3) leaving your pension benefits in your old scheme to be preserved for payment at retirement age or;
- 4) taking a refund of contributions, depending on the rules of your former scheme, if you have not been a member long enough to have your benefits preserved (2 years).

If you make the wrong choice your retirement benefits may be very poor and your dependants may be left without adequate cover if you die. It is therefore well worth spending some time in comparing the options open to you. If you have been in your pension scheme long enough to qualify for preserved benefits your old scheme must on your instructions transfer your benefits to a new scheme by making a transfer payment. (Many schemes will transfer your benefits even if you have only been a member for a short time.) The minimum transfer payment which your old scheme can now offer must be equal to the cash value of the pension benefits you have built-up (their "cash equivalent") whilst in the scheme.

Generally you can request to transfer your pension benefits from your old scheme at any time after you leave your scheme up to one year before retirement age. However you should note that a transfer value will usually only be accepted by the CPS if you make your application within the first 12 months of becoming a member. The CPS provides the following benefits, a retirement pension and lump sum, widow(er)'s pensions, children's pensions, a death benefit lump sum and ill health retirement benefits. The arrangements for transferring your pension benefits to the CPS are described in the following pages. Also included are some points you should consider before you decide whether to transfer your benefits.

In addition the UKAEA runs a group Additional Voluntary Contribution (AVC) Scheme. Members of the CPS are eligible for membership of the AVC Scheme. Information about the AVC Scheme can be found on CPS website:

<https://myukaeapension.equiniti.com/home/>

Transferring to the CPS

The CPS will usually accept a transfer payment from an occupational scheme, from an insurance policy such as a Section 32 buyout (if the policy permits transfers), a personal pension scheme or another approved pension arrangement, **providing your application is made within the first 12 months of you joining the Scheme**. A member whose contract for a fixed term is converted into a permanent and pensionable appointment may have a further

opportunity to apply in writing to bring in a transfer value (other than under public transfer arrangements). Such an application must be within **twelve months** of the date of conversion.

The retirement benefits paid by the CPS (i.e. pension and lump sum) are normally calculated on the last 12 months pensionable pay before retirement and the number of years and days service you have in the Scheme. A payment transferred into the Scheme buys you extra years and days of service in the CPS which count in the calculation of benefits from the Scheme. For example if your transfer buys you 5 years in the Scheme and you are actually a member for 20 years, your pension and lump sum will be calculated on a total of 25 years service. If you want to consider transferring your previous pension benefits to the CPS the pension scheme administrators will obtain transfer information from your previous scheme if you provide their details on the Transfer Request Form.

The administrators will then let you know whether the CPS can accept the transfer value and give you an estimate of the service credit that the transfer value would buy in the CPS. Normally the transferring scheme will also provide the administrators with details of the benefits available under their scheme (i.e. the benefits you will be giving up if you decide to transfer to the CPS.) You will be sent a copy of these along with your estimate which will detail the benefits available under the CPS so that you can compare the two schemes. Where your former scheme benefits are not enclosed with your estimate from the administrators it will be your responsibility to obtain details from your former scheme in order to make your comparisons.

You should note that there will usually be a gap between when an estimate of a transfer value has been prepared and the receipt of the transfer payment from your former pension arrangement. The service credit in the CPS is established when the payment is received from your former pension arrangement and you may find that the actual transfer payment, particularly if it is from a personal pension arrangement, may be higher or lower than estimated and will buy more or less service in the CPS. However if the service credit offered on receipt of the transfer payment has dropped by 10% or more you will be given a second opportunity to accept or reject the transfer.

If you transfer in benefits from a Stakeholder or personal pension arrangement, you will not be able to receive a refund of contributions, in respect of either the CPS or the Stakeholder/personal pension benefits, if you leave employment with less than two years of service. You should be aware that if you transfer your main occupational pension scheme benefits to the CPS and you were a member of a Group AVC Scheme with your previous employer, you will normally be required to transfer your AVC fund to the UKAEA Group AVC Scheme. You should check the position with your former employer.

Points to Consider Before Transferring to the CPS

The final decision as to whether to transfer your pension benefits to the CPS or leave them preserved in your old scheme (if applicable) is yours alone. You may however find the following points useful in comparing the schemes.

Club Schemes

Many public sector pension schemes, including the CPS, belong to the Public Sector Transfer Club. "Club" schemes provide similar benefits and the purpose of the Club is to make sure that the member suffers no loss in the value of benefits as a result of the transfer. No loss in the value of benefits does not mean that individuals who transfer under the Club arrangements are necessarily given the same reckonable service in the CPS as they have accrued in their former scheme. The following circumstances will result in a lesser service credit being offered by the CPS in exchange for a transfer payment from another Club scheme:-

- The retirement age of new entrants to the CPS is 60. If you had a retirement age above 60 in your old scheme the reckonable service offered by the CPS will be reduced to reflect the fact that your benefits will be paid earlier than in your former scheme;

- Widow(er)'s pensions are higher in the CPS than in many club schemes. In most club schemes widow(er)'s pensions normally accrue at the rate of 1/160 whereas the CPS provides widow(er)'s pensions which accrue at the rate of 1/140. The reckonable service offered by the CPS will be reduced to reflect the higher widow(er)'s pension;
- You may not have completed payment of your widow(er)'s pension benefits in your former scheme. The reckonable service offered by the CPS will be reduced to reflect the fact that you will be credited with a fully paid up widow(er)'s pension in exchange for the transfer payment.

If you are changing jobs with an increase in salary and you transfer your benefits, they will immediately be worth more because Scheme benefits are based on final pensionable salary and years of service. If you are changing jobs with a drop in salary it may still be worth transferring your pension benefits if you assume that your pay will increase at a faster rate over the years to retirement than your preserved pension benefits.

Non-Club Schemes

If you belong to a pension scheme which was not a member of the 'Club' your transfer payment may not buy you as many years service in the CPS as you had in your old scheme. This may be because your old scheme provides lower pension benefits than the CPS or does not guarantee annual increases in pensions linked to an appropriate Price Index above a particular percentage governed by the scheme rules. In such cases you will have to decide whether you will be better off on retirement if you transfer your benefits in order to increase your pension from the CPS rather than preserving them in your old scheme. You should note that in the CPS maximum benefits are normally based on 45 years of service.

Money purchase pension schemes (including personal pension schemes) and section 32 policies.

If your benefits may be transferred the transfer value payment will be used to buy extra years of service in the CPS. It is difficult to compare Section 32 buyout policy benefits or those available under a money purchase arrangement with Scheme benefits but you should note the following points:

- 1) CPS benefits are based on salary at the end of service whereas benefits available under a money purchase arrangement or S32 policy are not related to salary, they depend on the contributions and the amount of interest your investment earns and the value of pension this will buy you on retirement. Projections of the proceeds available from your fund to buy you a pension will of course be based on assumptions about inflation and investment returns - it is for you to judge whether these projections seem reasonable.
- 2) CPS benefits are protected against inflation both before retirement if you have preserved benefits and after retirement, by way of annual pensions increases linked to the Consumer Price Index. Your S32 policy or money purchase arrangement may not offer the same protection. If your policy does offer some inflation proofing, you should ask for an estimate of the pension which might be bought with your projected fund at retirement age.
- 3) The CPS may provide a better range of benefits than a Section 32 policy or money purchase arrangement.
- 4) Since the CPS benefits will increase in line with your future earnings up to the time your membership ceases, your future career prospects and the time you plan to remain in the Scheme will be important factors to take into account before transferring.

Further Information

You should consult your former employer or the scheme administrators if you have any queries about how the transfer arrangements may affect your own circumstances. The scheme administrators cannot advise you whether or not you should transfer your benefits.

You could however contact an independent financial adviser if you require specific advice about transferring from a money purchase arrangement or S32 policy.

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