The University of Hull Pension and Assurance Scheme

UNIVERSITY OF HULL

A guide to your benefits

FOR SPECIAL DEFERRED MEMBERS FOLLOWING SCHEME CLOSURE ON 30 APRIL 2017

April 2022

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Welcome

This booklet is your guide as a Special Deferred Member of the University of Hull Pension and Assurance Scheme (the Scheme). On 30 April 2017, the Scheme closed to future accrual. This change meant that many of the benefits you had as a contributing member to the Scheme no longer apply. You still have preserved benefits, however, within the Scheme. Whilst these benefits are largely the same as for other Deferred Members (i.e. members who left the Scheme prior to 30 April 2017), there are two important distinctions that apply to you as a Special Deferred Member and we cover these in this booklet.

Special Deferred Members like you benefit from the following provisions:

1. Salary Link Underpin – your benefits based on service up to 30 April 2017 are linked to your Pensionable Salary whilst you continue to be employed by the University or Hull University Union and if this produces a higher level of benefit than the inflationary increases set out on Page 9, the higher amount will be provided. More detail is set out on Pages 9 & 10.

2. If you retire early because of ill-health, more generous provisions apply. More details are set out on Page 11.

Please note that you will cease to be a Special Deferred Member at the point at which you leave employment with the University or Hull University Union. This will mean that the two provisions above will cease to apply from then on and you will become a Deferred Member. In respect of the Salary Link Underpin, your preserved benefits will be recalculated when you leave employment allowing for salary linkage to that point. If that produces a higher benefit, your preserved benefits will be based on that higher amount and will be revalued from then on until your Normal Retirement Date using the inflationary increases set out on Page 9.

This booklet outlines the main features of the Scheme and your pension benefits. It is based on the Scheme's governing document, the Trust Deed and Rules, but it is not a legal document and, if any discrepancy arises, the Trust Deed and Rules will always prevail.

If you would like to see a copy of the full Trust Deed and Rules, please contact:

The Pensions Office
Venn Building
The University of Hull
Cottingham Road
Hull
HU6 7RX

Your key Scheme benefits

As a Special Deferred Member, you are entitled to:

- a full pension or a tax-free cash sum and reduced pension for life.
- regular increases to your pension payments.
- pensions for your Dependants on your death.

Special terms

As you read on, some technical terms are used and repeated. These are explained in this section and throughout the booklet each special term is shown with initial capitals.

Child/Children

To be eligible, a child must be under the age of 17, or in full time education or training, and:

- your lawful child, including any not yet born; **or**
- legally adopted by you.

A child who is physically or mentally incapable of being self-supporting may be eligible regardless of their age.

Deferred Member

A member who has left the employment of the University or Hull University Union but retains preserved benefits within the Scheme.

Dependant

If you are single, you can nominate a person who is financially dependent on you to receive pension benefits that would otherwise be paid to a spouse.

Employer

This is the organisation that employs you and is either the University of Hull or Hull University Union.

Final Pensionable Salary

For benefits earned up to 1 February 2005, this is usually your highest Pensionable Salary within the last five years prior to 30 April 2017.

For benefits earned from 1 February 2005, this is usually your highest Pensionable Salary in a 12-month period in your last three years prior to 30 April 2017 (unless the highest average of three consecutive years in your last 13 years' Pensionable Salary prior to 30 April 2017 is a higher amount, allowing for them to be increased with the relevant rate of Inflation).

As a Special Deferred Member, your benefits have a Salary Link underpin, which is explained in further detail on pages 9 & 10.

Inflation

Inflation is the rise in the average cost of living. Pension increases are linked to the rate of Inflation.

You should be aware that because of various changes, different Inflation measures apply to different parts of your pension.

Normal Pension Age

Your 65th birthday.

Pensionable Salary

This is based on your pay before any reduction for Smart Pensions (salary sacrifice) and is your basic annual remuneration at any date. In most cases this means your pay for basic hours (harmonised at 36.5 hours per week on 1 August 2005). However, if you work more hours, these may count as Pensionable Salary. To check, contact the Pensions Office.

Pensionable Service

The number of complete years and days of service as a Scheme member, up to a maximum of 40 years. Pensionable Service for all members ceased on 30 April 2017.

Scheme

The University of Hull Pension and Assurance Scheme.

Special Deferred Member

A member who has left the Scheme on the closure date of 30 April 2017 but remains in the employment of the University or Hull University Union. A Special Deferred Member retains preserved benefits within the Scheme.

Scheme membership

The Scheme closed to new members on 31 December 2011 and to future accrual on 30 April 2017.

Membership was open to full or part time employees with an employment contract of four months or longer if they were:

- aged 18 or over and less than age 63;
- not eligible to join another pension scheme, for example the Universities Superannuation Scheme (USS).

Contributions

The University pays the money that is needed to run the Scheme.

What you pay

Member contributions to the Scheme ceased on 30 April 2017 following the closure to future accrual.

When the Scheme Closed

When you left the Scheme on 30 April 2017, your preserved benefits were calculated based on the amount of time you were a contributing Scheme member and your Final Pensionable Salary at closure date.

Your benefits were calculated differently for membership before and after 1 February 2005.

Your benefits earned up to 1 February 2005

Your benefits earned up to 1 February 2005 were calculated as follows:

Option 1 – a pension for life

1/60	x	Final Pensionable Salary at closure date	x	Pensionable Service up to 1 February 2005

Option 2 – a tax-free cash lump sum and a reduced pension

You can choose to exchange some of your pension for a tax-free cash lump sum, up to 25% of the value of your benefits. If you choose this option, your pension will be reduced accordingly.

Your benefits earned from 1 February 2005

Your pension earned from 1 February 2005 were calculated as follows:

Option 1 – a pension and a tax-free cash lump sum

Your pension

1/80	x	Final Pensionable Salary at closure date	x	Pensionable Service from 1 February 2005 – 30 April 2017

plus

Tax-free lump sum

3/80	x	Final Pensionable Salary at closure date	x	Pensionable Service from 1 February 2005 – 30 April 2017

Option 2 – an increased tax-free cash lump sum and a reduced pension

You may be able to exchange some of your pension for an additional tax-free cash lump sum, up to 25% of the value of your benefits. Details will be provided on request. If you choose this option, your pension will be reduced accordingly.

Example

A member has a Final Pensionable Salary of £20,000 and had completed 32 years' and 3 months Pensionable Service when the Scheme Closed; 20 years before 1 February 2005 and 12 years and 3 months from 1 February 2005 – 31 April 2017. The pension and tax-free cash lump sum are calculated as shown below:

Pension

Final Pensionable Salary	£20,000
Pensionable Service up to 1 February 2005	20 years
Final Pensionable Salary divided by 60	£20,000 / 60 = £333
Multiplied by Pensionable Service up to 1 February 2005	£333 x 20 = £6,660
Pensionable Service from 1 February 2005	12 years 3 months
Final Pensionable Salary divided by 80	£20,000 / 80 = £250
Multiplied by Pensionable Service from 1 February 2005	£250 x 12.25 = £3,063
Annual pension	£6,660+ £3,063 = **£9,723**

Lump sum

Final Pensionable Salary	£20,000
Divided by 80	£20,000 / 80 = £250
Multiplied by 3	£250 x 3 = £750
Multiplied by post 1 February 2005 Pensionable Service	£750 x 12.25
Tax-free lump sum	**£9,188**

When you retire

As you left the Scheme on 30 April 2017, your benefits became preserved.

From 30 April 2017 until you retire, your preserved pension and lump sum benefits will be protected against inflation.

- Pension earned up to 1 February 2005 will be increased in line with CPI and capped at 5% per annum
- Pension earned between 1 February 2005 and 30 September 2011 will be increased in line with RPI.
- Pension earned from 1 October 2011 onwards will be increased in line with CPI and capped at 5% per annum.

When in payment, your pension will be increased annually (see page 12 – ***Annual increases*** for details).

If you joined the Scheme before 6 April 1997, special conditions that apply to your benefits are explained on page 16.

Special Deferred Members Salary Link Underpin

Prior to the closure of the Scheme, the University consulted with the membership and Unions. Following discussions with the Trustees the University agreed, for those who had to leave the Scheme on 30 April 2017, to maintain the link between a member's salary and the pension benefits built up. This link would continue to apply whilst the Special Deferred Member remained in the continuous service of the University or Hull University Union. This created a new category of member called Special Deferred Members.

Benefits for Special Deferred Members will therefore be the greater of:

1. Benefits earned up to 30 April 2017 but increased by the inflation amounts set out on above to your retirement; and
2. Benefits earned up to 30 April 2017 but linking them to increases in Final Pensionable Salary up to the point of leaving employment of the University or Hull University Union.

To help illustrate this how this may apply, we have set out some examples overleaf.

Please note that either of the examples below could apply in practice to Special Deferred members. The calculation which produces the higher level of benefit for you at the point of retirement will be the one that applies in practice. It is, however, impossible to know which calculation approach will produce the higher benefit until your actual retirement.

Example A.

If we assume the above member's Normal Retirement Date was 30 April 2020 and that over the period benefits had revalued by 10%, the Pension and Lump Sum would be revalued as follows:

Tranche	At 30 April 2017	Assumed Revaluation*	At 30 April 2020
Annual Pension	£9,723	10%	**£10,695**
Tax-free lump sum	£9,188	**10%**	**£10,107**

*Please note we have assumed revaluation of 10% for simplicity. Actual revaluation will be applied as set out on page 9

Example B

Using our example member, we can demonstrate what would happen if they had remained in employment with the University up to their retirement date of 30 April 2020. In this case, any increases in salary are reflected in the pension calculation. So, if we assume the member's Final Pensionable Salary has increased to £25,000, the calculation would be as follows:

Tranche	At 30 April 2017	Salary Link	At 30 April 2020
Annual Pension	£9,723	£25,000/£20,000	**£12,154**
Tax-free lump sum	£9,188	£25,000/£20,000	**£11,485**

As the benefits are higher under Example B, these are the benefits that will be put into payment.

Note: Whichever method of calculation provides the higher benefits at the point that the member leaves employment with the University or retires (whichever is earlier) will be put into payment.

Full details of all your options will be sent to you when you are nearing retirement.

Retiring early

You can ask to retire at any age after 55 (increasing to 57 in April 2028). If you would like to retire before age 60, the Trustees must give their consent. The early pension is as set out on pages 9 – 10 but reduced to take account of the fact that it will be paid for longer.

For your benefits earned before 1 October 2011

If you retire after age 63 and a half, these benefits will not be reduced for early payment.

If you retire before age 63 and a half, part of these benefits will be reduced for early payment:

- Your benefits earned after 1 February 2005 will be reduced for early payment, depending on the number of months between your actual retirement date and age 63 and a half.
- Your benefits earned up to 1 February 2005 will be reduced depending on the number of years between your actual retirement date and age 60 only. This means that if you retire between age 60 and age 63 and a half, your benefits earned up to 1 February 2005 will not be reduced for early payment.

For your benefits earned after 1 October 2011

If you retire before age 65, these benefits will be reduced for early payment.

Retiring early because of serious ill health

If you are seriously ill whilst still a Scheme member, you may be able to retire early, provided the Trustees agree. If you are suffering from Total incapacity, as defined below, no reduction will be applied to your pension if you retire whilst a Special Deferred Member.

Total incapacity is when you have no ability to earn a meaningful salary in the future because of a long-term illness or an accident.

More notes on ill-health pensions

- If you are awarded an ill-health pension, the Trustees may ask you to provide information about your state of health and any earnings from time to time. You may also be asked to have a medical examination by one of the Trustees' approved physicians.
- If you are receiving an ill-health pension and your health improves to the point where you no longer suffer from either total or partial incapacity, the Trustees may reduce or suspend your pension. If your condition worsened again, the Trustees may reinstate your ill-health pension.

Retiring later

If you continue working after Normal Pension Age, you can delay taking your pension benefits. Please contact the Pensions Office to discuss the options available to you.

After you retire

Once you retire, you will receive pension payments for life and, even after your death, benefits will continue for your Dependants.

Pension payments

Your pension will be paid monthly, beginning on the last day of the month following the date of your retirement. If applicable, pension payments may be subject to tax deductions.

If you take a tax-free cash sum at retirement, this will be paid on the first working day after your date of retirement.

Annual increases

Each 1 April, your pension will be increased. These increases are awarded to protect your income from the effects of Inflation.

Your pension will be increased depending on when it was earned. Different legislation applies to specific periods and some of the increase may be paid by the State with your Basic State Pension. This is explained in more detail on page 17 – ***The State Pension Scheme***.

- Pension earned before 6 April 1997 will be increased annually by 3%.
- Pension earned between 6 April 1997 and 1 February 2005 will be increased in line with RPI, from a minimum of 3% up to a maximum of 5% per annum.
- Pension earned between 1 February 2005 and 30 September 2011 will be increased in line with RPI.
- Pension earned from 1 October 2011 onwards will be increased in line with CPI and capped at 5%.

Death after retirement

After you retire, the Scheme will continue to provide security for your Dependants.

A five-year lump sum payment

If you die within five years of retiring, a lump sum equal to the balance of your pension payments, not including prospective increases, to the end of the five-year period will be paid.

A pension for your Dependants

On your death, your spouse or Dependant will receive a pension equal to half of your pension, including any increases granted before your death and before any exchange of pension for an increased lump sum (see page 11 – ***When you retire***).

Pensions for your Children

Your eligible Children will be paid a pension. The amount of Children's pension will be calculated based on your Pensionable Service before and after 1 February 2005.

Your Pensionable Service before 1 February 2005

If you die and do not leave a spouse or Dependant, or your spouse or Dependant subsequently dies, a Children's pension will be payable in the same way as described above – ***A pension for your Dependants***.

Your Pensionable Service after 1 February 2005

In respect of your Pensionable Service from 1 February 2005 only, a Children's pension is payable in addition to the pension for your spouse or Dependant (see above – ***A pension for your Dependants***).

- If a spouse's or Dependant's pension is paid and you leave one eligible Child, the pension will be equal to three-eighths of your pension.
- If you leave two or more eligible Children, the maximum pension payable to all Children is three-quarters of your pension. If you have more than two eligible Children, you can request that the pension be divided among them.
- If you do not leave a spouse or Dependant, or if your spouse or Dependant subsequently dies, the Child's pension for one Child will be equal to half your pension. If there are two or more Children, their pension will be equal to your full pension and it will be shared among the Children.

Death before Normal Pension Age

If you leave preserved benefits in the Scheme and die before reaching Normal Pension Age, benefits will be paid to your Dependants as follows:

- A refund of the contributions you paid up to 1 February 2005.
- A lump sum payment calculated in the same way as your preserved lump sum described on page 7 based on your Pensionable Salary at your date of leaving and Pensionable Service from 1 February 2005.
- A pension for your spouse or Dependant calculated as: 1/160 of your Final Pensionable Salary for each year of your completed Pensionable Service.
- Pensions for your Children, based on your Pensionable Service from 1 February 2005 only and payable as shown on page 9 – ***Pensions for your Children***.

The State Pension Scheme

You and the University paid compulsory National Insurance contributions to the Government to fund the State Pension Scheme. These were paid directly from your salary through the payroll system. The State Pension Scheme consists of two parts:

- The basic State pension (known as the ‘old age pension’) is a flat-rate pension paid to everyone who has paid or been credited with National Insurance contributions for most of their working lives, regardless of whether they have another pension or not.
- The State Second Pension (S2P) is based on earnings and National Insurance contributions.

Contracting out – what it means for you

As a member of the Scheme, you were contracted out of S2P up to 30 April 2017. This means that you paid lower National Insurance contributions to the Government. At retirement, your benefits from the Scheme will replace any S2P benefits you would have built up, had you not been contracted out, over that period.

State Pension Age

State Pension Age (SPA) is the minimum age at which you can claim your State pension. The State PensionAges have undergone radical changes and are currently under review.

You can find out more at:
www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/DG_4017919.

If you joined the Scheme before 6 April 1997

Your Guaranteed Minimum Pension (GMP)

Your GMP is the equivalent of the benefits you would have received from the State Second Pension Scheme (S2P) in respect of your earnings before 6 April 1997, had you not been contracted out through the Scheme. More details about the State Pension Scheme are shown on page 15.

Protecting the value of your GMP

Your GMP will be increased to protect its value before and after you retire.

If you leave the Scheme

Your preserved GMP will be increased annually from the date you leave the Scheme until State Pension Age.

After State Pension Age

Your GMP payments will be increased annually by the full rate of Inflation. The increase will be paid partly by the Scheme and partly by the State:

The Scheme consists of two parts:

- The Scheme will increase the GMP you earned between 6 April 1988 and 5 April 1997 by the rate of Inflation up to 3% each year. When Inflation is over 3%, the State will provide the further increase.
- For your GMP earned before 6 April 1988, the State will provide increases in line with Inflation.

GMP increases provided by the State are paid with your Basic State Pension.

For details of other increases to your pension, see page 12 – ***Annual increases***.

GMP payment conditions

As your GMP replaces S2P benefits for the period of your Scheme membership before 6 April 1997, there are certain legal conditions on how it may be paid.

- From State Pension Age your Scheme pension must be at least equal to your GMP.
- On your death before or after retirement, any spouse’s pension must be at least equal to half the GMP you earned for Scheme membership before 6 April 1997.
- Any tax-free lump sum that you take in exchange for pension may have to be restricted to ensure that your pension is at least equal to your GMP.
- If you want to retire early, your options may be limited if your early pension would be less than your GMP.
- If you retire after State Pension Age, your GMP will be increased by 1/7% for each week between State Pension Age and the date you actually retire, provided that period is at least seven weeks.

Other information

How the Scheme is managed

The Scheme is set up and managed according to its Trust Deed and Rules. Its assets are held entirely separate from those of the University and can only be used to provide the benefits described in the Rules. Although every effort has been made to ensure that this booklet is as accurate as possible, should any discrepancy arise between it and the Trust Deed and Rules, the latter will always prevail.

Pension problems

In most cases, queries or problems are resolved quickly and informally through the Pensions Office. However, should any problems arise, the Trustees have put in place a formal procedure for managing pension disputes. For a copy, contact the Pensions Office. At any time during the Trustees' formal dispute procedure, you can take your case to The Pensions Ombudsman's informal Early Resolution Service. You can contact them at:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

Tel: 0800 917 4487

email: enquiries@pensions-ombudsman.org.uk

Please note that the Trustees' dispute procedure does not cover disputes with the University, disputes that are already being investigated by the Pensions Ombudsman or where proceedings have started in a Court or Industrial Tribunal.

The Trustees' Annual Report

Each year, the Trustees prepare a formal Report and Accounts for the Scheme and this is assessed by independent auditors. For a copy, please contact the Pensions Office.

Divorce

If you divorce, the Court must take into account the value of your pension benefits when considering a fair financial settlement for both parties. The Trustees must comply with any order made by the Court in divorce proceedings and the order may affect your benefit rights under the Scheme, including any benefits payable on your death.

General Data Protection Regulations

The Trustees, their advisers and administrators (as set out in the Trustees' Annual Report and Accounts) may need to process certain data about you. Copies of the relevant Privacy Notices are available on request.

Changing the Scheme

The Trust Deed and Rules contains conditions for amending or terminating the Scheme.

Your benefits are not assignable

Your Scheme benefits are strictly personal and cannot be signed over to any other person or used as security for a loan.

Pension scheme regulation

The laws governing the running of UK company pension schemes are supervised and enforced by a statutory regulatory body. It has wide-ranging powers, including authority to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties. For more information and contact details, contact the Pensions Office.

Tracing pension benefits

The Pension Tracing Service, run by the Department for Work and Pensions (DWP), holds details of all occupational pension schemes. If you need help to trace pension benefits from previous employment, for example if you leave and lose touch with your employer, you can ask for free help by contacting:

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

Tel: 0800 731 0193

Web site: www.gov.uk/find-pension-contact-details

Contact details for more information

This booklet is intended as a guide to your Scheme benefits. Full details are contained in the Trust Deed and Rules, which is the legal document governing the running of the Scheme. If you wish to inspect the Trust Deed and Rules, or if you require further information about your benefits, please contact:

The Pensions Office
Venn Building
The University of Hull
Cottingham Road
Hull
HU6 7RX

Tel: 01482 465 207

email: krista.l.harrison@hull.ac.uk