Your pension options

Most people would agree that it is important to save for retirement – and it is never too early to start. But how much thought have you given to life after you stop work, and where your income will come from?

Research has suggested that a comfortable retirement household would require an income of a little over £2,000 a month – or about £25,000 a year. This would cover routine bills and expenses (food, heating and so on), and allow for some holidays, meals out and other luxuries. So, once you take into account your State pension, plus any pension from a partner, are you on course for the retirement you want?

At the University, there is more than one pension arrangement available. Under the Government's 'automatic enrolment' rules, we place every eligible employee on joining into the 'Aviva Pensions' scheme, where members can pay a minimum level of contribution towards their retirement savings and buy benefits with their 'pot' when they retire.

However, you also have the opportunity to join the Durham University Pension Scheme, or 'DUPS'. As a DUPS member, you would build up a set level of pension each year, linked to your salary.

You would also qualify for additional ill health and death benefits, providing peace of mind and financial support for you or your family should the unexpected happen.

This leaflet gives you a side-by-side summary of both schemes, to help you decide if your current situation is right for you, or if you might consider taking up DUPS membership.

Please get in touch if you have any questions about the schemes after reading the leaflet – the contact details are at the back.

What you receive

	DUPS	'Aviva Pensions'
Retirement benefits	You build up a pension of 1/60 of your 'revalued' pensionable salary each year. We work this out by increasing each year's pensionable salary in line with inflation, and add all your 'year's worth' of pension amounts together when you come to retire. Here's a simple example, assuming your pensionable salary is £16,000 and inflation stays at 2% a year. **In 'year 1' of your DUPS membership:** • the pension amount you build up would be 1/60 of £16,000 = £267 a year. **In 'year 2':** • your pensionable salary goes up to £16,400, so you would build up pension of 1/60 of £16,400 = £273; and • your 'year 1' pension would increase with inflation from £267 to £272; • making your total pension after 2 years = £273 + £272 = £545 a year. **In 'year 3':** • your pensionable salary goes up to £16,800, so you would build up pension of 1/60 of £16,800 = £280; and • your 'year 1 + year 2' pension would increase with inflation from £545 to £555; • making your total pension after 3 years = £280 + £555 = £835 a year. All your 'years' worth' of pension will be added together in this way to give your total annual pension when you retire. **This is a type of defined benefit arrangement, called a 'career average' scheme. It allows you to keep track of the pension you are building up as you go along.**	You build up an account in the Aviva scheme with contributions from you and the University. To help it grow at a good rate, you decide how you want to invest the account from Aviva's range of funds. You then use the account you build up during your membership to buy the benefits of your choice. **This is a type of defined contribution arrangement. While the amounts you and the University pay in are fixed, you do not know exactly how much pension (or what other benefits) you will be able to receive until you actually retire.** **So, while the Aviva scheme offers flexibility at retirement (see page 3), it does not provide the stability of a defined benefit pension arrangement like DUPS.**

What you receive – continued on next page

What you receive

	DUPS	‘Aviva Pensions’
Retirement choices	You can exchange part of your pension for a tax-free cash sum of up to 25% of the value of your benefits. We would tell you how much cash each £1 of pension will ‘buy’ nearer the time. Before retiring, you could choose to transfer your pension benefits into a defined contribution arrangement, to take advantage of the flexible options. However, you would need to make sure this is the right decision for you, and if your benefits are worth above a certain amount, you would be required to take independent financial advice before going ahead.	There are a range of retirement options available. You can: • Buy a pension (or ‘annuity’) with your account. • Take some or all of your account as cash (the first 25% would be tax-free). • ‘Draw down’ income directly from your account while continuing to invest the remainder. You can also mix these options – for example, take some of your account as cash and buy an annuity with the rest.
Protection for you and your family	If you have to stop work due to ill health, you may qualify to receive a pension straightaway. If your condition may still allow you to work or even make a full recovery (‘partial incapacity’), we would calculate your pension at the date you stop work and reduce it for early payment. If your condition is severe (‘serious incapacity’) – that is, you are unlikely to work again – we would calculate your pension as if you had stayed in the Scheme until your retirement date. **If you were to die while still working at the University:** • **Your partner would receive a pension of 1/150 of your pensionable salary.** • **A life cover cash sum of 4 times your pensionable salary would be payable – less the value of any partner’s pension – plus a refund of contributions.**	As an Aviva member, your account would become available to provide benefits for your dependants following your death. **However, there would be no guaranteed pensions payable to your partner or children in the same way as through DUPS. Their benefits would entirely depend on the amount built up in your account at the date you died.**

What the University pays

	DUPS	‘Aviva Pensions’
Our contributions	24% of pensionable salary. **The University pays whatever amount is needed to make sure the Scheme remains stable, and can pay out the level of pension members build up year by year. As a result, the percentage of pensionable salaries it pays into DUPS is much larger than its Aviva contribution.** The exact contribution from the University can vary from time to time, depending on economic conditions and the income the Scheme needs as a result to pay the benefits promised.	3% of pensionable salary. **This is the minimum contribution employers are required to make to your account, to comply with the automatic enrolment rules.**

What you pay

	DUPS	'Aviva Pensions'
Standard contributions	6.5% of pensionable salary. As you can see, for only 1.5% more than the Aviva rate, you would build up a stable defined benefit pension, and qualify for the additional ill-health and death benefits.	5% of pensionable salary. This is the minimum contribution you would need to make to your Aviva account, to comply with the automatic enrolment rules.
Pensions+	Pensions+ is the DUPS 'salary exchange' arrangement. The University will pay your contribution into the Scheme along with its own – and you give up the same amount from your salary. As you only pay National Insurance on the salary you receive, you will make an additional saving in your take-home pay (on top of the tax relief that applies to your contributions).	The Aviva scheme does not use salary exchange, so the National Insurance saving does not apply.
Paying extra	You can make additional voluntary contributions ('AVCs') to boost your benefits. These go into a separate AVC account – you decide how to invest them and use the 'pot' you build up to provide extra benefits when you retire. In this way, AVCs can allow you to take advantage of some of the flexibility that features in the Aviva plan, but alongside the guaranteed level of pension you will receive from DUPS. You can also use your AVC account to provide cash at retirement – which may help you avoid the need to give up any of your DUPS pension.	You can choose to pay more than 5% of your pensionable salary into your account if you want to.

How to join DUPS

Please complete the forms available via the following link - https://www.dur.ac.uk/treasurer/dups/forms/

- an application form;
- a 'late entrant' form (the extra form we use for employees who did not join the Scheme at the first opportunity); and
- an 'expression of wish' form (which you use to tell us who you would want to receive any Scheme benefits following your death).

If you are a member of Aviva you will also need to complete an Aviva withdrawal form available via the above link.

You may also investigate a transfer of your Aviva fund into DUPS, the form to do so is available via the above link.

If you have any questions about the DUPS, please contact the Pensions Section:

E-mail: **dups@durham.ac.uk**

If you are not currently in any University pension arrangement and would like to know more about the Aviva scheme, please go to the pensions page in the HR section of our website at:

https://www.dur.ac.uk/hr/paypensionsreward/pensions/