A number of pension and income options are only available for defined contribution (DC) benefits.

OSPS is a defined benefit (DB) pension scheme, not a DC scheme.

This means some pension and income options – such as the ability to take some or all your benefits as cash – are not available for your OSPS benefits unless:

- they are relatively small (see ‘Converting small pensions into cash’ on page 3); or
- you transfer them out of OSPS (you would be required to take financial advice – see page 4).

If you have additional voluntary contributions (AVCs) with the Prudential, or you have an OSPS Bonus account, these are DC benefits, so you have a greater range of options for these benefits. However, this does not apply to AVCs you have paid to buy added years or additional career average (CARE) benefits, as these form part of your DB benefits.
Taking your benefits as cash

Your OSPS pension

Your OSPS pension automatically provides a cash sum when you retire. You may be able to increase the value of your cash sum up to one-quarter of the total value of your OSPS benefits. There is more information about this in the OSPS ‘Build a better future’ booklet.

However, if you only have a small amount of OSPS pension you may be able to take all of it as cash. See ‘Converting small pensions into cash’ on page 3 for more information and some examples.

You must take all your OSPS DB benefits at once. You cannot, for example, take the cash once you reach age 55 and leave the rest of your pension to draw at a later date.

DC benefits in OSPS

If you have any DC benefits – such as AVCs with the Prudential, or a Bonus account – you may be able to take up to the whole value as cash, but you will need to check with the Pensions Office.

You do not have to take your Prudential AVCs or Bonus account benefits at the same time as your OSPS DB benefits. You may take these benefits, or transfer them out of OSPS, separately and at a different time, if you wish.

This does not apply to AVCs you have paid to buy added years of service or additional CARE benefits in OSPS, as these are used to calculate the value of your DB pension and must be taken at the same time as your DB benefits.

DC benefits in other pension arrangements

If you have DC benefits built up in other pension arrangements, including other employers’ pension schemes and personal pensions, you may be able to take up to the whole value of these benefits as cash. Alternatively, you may be able to take a series of smaller cash sums from time to time.

You will need to check which options are available with the administrator of your pension arrangement.

Tax alert

If you take cash from DC benefits you will pay income tax, at your highest rate for the tax year, on any amount over one-quarter of the value. It is possible that taking a large amount of cash could push you into a higher income tax bracket.

You may also trigger the new Money Purchase Annual Allowance of £10,000 a year. This significantly reduces the amount you and your employer can contribute to a DC pension arrangement in a tax year while still benefiting from the tax relief available on pension contributions. The normal Annual Allowance for pension contributions with tax relief is currently £40,000 a year.

The cash sum that comes with your OSPS DB pension is normally free of tax (there is more information about this in the OSPS ‘Build a better future’ booklet).
Converting small pensions into cash

Pensions valued up to £10,000

If the total value of your OSPS pension is £10,000 or less, you may convert it all into cash once you reach age 55. £10,000 is broadly equivalent to a pension of around £500 a year. You may do this regardless of any other pension savings you have.

If you are an active contributing member and decide to retire and draw your pension, or you have deferred your benefits (you have left them in OSPS to take when you retire), one-quarter of the total cash you take in this way will be free of tax. You will pay income tax, at your highest rate for the tax year, on the remaining cash. You may do this with any number of occupational pensions, or up to three personal pensions.

Even if you have begun drawing your pension, you may convert it into cash if it is small enough, but you will pay income tax on the whole amount. The amount you can convert also depends on your age. If you are younger, the amount of annual pension you can convert into cash is generally lower than at older ages. If you are older, you can convert a higher amount of pension, but the amount of cash you would receive in return may be smaller. Here are some examples.

- **Mr Clark is aged 65, and currently receiving an OSPS pension of:** £375 a year
  - **If he converts this to cash, the amount before tax would be approximately:** £9,500

- **Mr Wilson is aged 70, and currently receiving an OSPS pension of:** £450 a year
  - **If he converts this to cash, the amount before tax would be approximately:** £9,500

- **Mrs Jones is aged 80, and currently receiving an OSPS pension of:** £700 a year
  - **If she converts this to cash, the amount before tax would be approximately:** £9,300

*Remember:* these examples are only illustrations to give you an idea of how the amounts can vary at different ages, and are shown before tax. Once tax is taken off, the cash amounts would be lower.

A total pension value of up to £30,000

If the total value of all your pension savings, including your OSPS pension, is £30,000 a year or less, you may convert all your pension savings into cash. This is broadly equivalent to a pension of around £1,500 a year. (Only DB pensions can now be drawn in this way - there are other ways to draw DC pensions as cash sums.) Here is an example.

- **Mrs Roberts has an OSPS pension and a DB pension from another employer, as shown below. She has no other pension savings beside these.**
  - **Value of OSPS pension:** £18,000
  - **Value of pension from ABC pension scheme:** £11,000
  - **Total value of pensions:** £29,000

Both pensions are higher than the £10,000 limit, so Mrs Roberts cannot convert them individually into cash. However, added together they total less than £30,000, so Mrs Roberts may convert them both into cash if she wishes, as long as she converts them both within 12 months. She is under no obligation to convert her pensions to cash, but only one 12-month window for doing so is allowed in her lifetime.

One-quarter of the amount will be tax free and she will pay tax on the remainder at her highest rate for the tax year.
Other options for DC benefits only

The following options are not available for your main OSPS benefits. Some of the options may be available for Prudential AVCs and Bonus accounts – please check with the Pensions Office.

The only way to use your DB OSPS benefits in the following ways would be to convert them into DC benefits by transferring them out of OSPS and into a DC pension arrangement such as a personal pension. Before embarking upon this course of action, you should consider the consequences carefully, as it would extinguish all right to OSPS benefits for you and your dependants.

Your DB OSPS benefits are known as ‘safeguarded’ benefits. By law, if the value of your safeguarded benefits is £30,000 or more you are required to show you have taken independent financial advice, from an adviser who is authorised by the Financial Conduct Authority to provide this type of advice, before you will be permitted to transfer them out to a DC pension arrangement.

You should also remember that your statutory right to transfer your DB benefits out ceases one year before the earliest age for taking benefits, which is 55 for most people. After that, you may only take a transfer at the discretion of the Trustee (as well as being subject to the legal requirement for financial advice set out above).

Please see ‘For more information’ on page 5 for contact details that can help you find a financial adviser.

Buying an annuity

Buying an annuity involves using your DC pension savings to purchase an insurance policy that provides you with a pension for the rest of your life. A range of different types of annuity is available, including annuities with increases (at a fixed rate or in line with inflation) annuities that start at a higher level but do not increase, and the option of providing a pension to a dependant if you die before them. There are also annuities that may pay a higher pension to people who smoke or are in poor health, as they are not expected to live as long as healthier people.

Tax alert

The income from your annuity would be taxed like any other income. You would be able to take the maximum amount of tax-free cash available from your DC savings before buying your annuity, but this would make your annuity smaller.

Taking income drawdown

To take income drawdown, you would need to invest your DC pension savings in a ‘flexi-access drawdown’ arrangement. You would be able to draw out as much or as little as you wished, whenever you wished. There is no limit on the amount you would be able to draw out at a time, although you would need to take care not to run out of money in later life.

You would not be ‘locked in’ to income drawdown. If you decide in the future that you would prefer the security of a guaranteed income, you would be able to use your pension savings to purchase an annuity.

Tax alert

You would pay income tax, at your highest rate for the tax year, on any income you take out of a drawdown arrangement. You might be able to keep the amount of income tax at a lower level by taking care over how much income you received in a year.

You would be able to take the maximum amount of tax-free cash from your DC savings, but this would make the amount available to draw down smaller.

Taking drawdown also triggers the Money Purchase Annual Allowance. If you wanted to continue contributing to your DC pension savings, the maximum you (and your employer) could contribute in a year and still benefit from tax relief would reduce to £10,000.
**Investment and income drawdown**

You would need to choose investments for your pension savings, with the aim of keeping some of them growing so their value was not eroded by inflation. This would expose your pension savings to the risk of falling in value.

**Benefits for your dependants**

You would be able to leave any money still in your drawdown arrangement at your death to a beneficiary or beneficiaries. This might be free of tax, depending on your age at the date of your death and the way your drawdown arrangement is set up.

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**For more information**

The following organisations can provide more information about the new retirement options, pensions in general, and finding independent financial advice.

**The Pensions Advisory Service (TPAS)**

An independent, non-profit organisation that provides free information and guidance across the whole pension spectrum, including State, occupational and personal.

Phone: 0300 123 1047  
Email: enquiries@pensionsadvisoryservice.org.uk  
Website: www.pensionsadvisoryservice.org.uk

**The Money Advice Service**

An independent service set up by the Government to assist people in making the most of their money. It has a wide range of information about financial planning and saving, including the different types of financial advice available, where to look for a financial adviser and the questions to ask them.

Website: www.moneyadviseservice.org.uk  
Phone: 0300 500 5000 (call rates may vary)

You can find contact details for professional advisers, including independent financial advisers, in your local area by going to the [www.unbiased.co.uk](http://www.unbiased.co.uk) website and putting in your postcode. It is wise to check that any adviser you are thinking of engaging is qualified and authorised to advise you. You can check whether they are registered with the Financial Conduct Authority by looking on the website, [www.fca.org.uk](http://www.fca.org.uk)

Remember, if you are considering transferring your DB benefits out of OSPS and the transfer value is more than £30,000, you are required by law to show you have taken advice before you will be permitted to transfer them out. The adviser you choose must be specifically authorised to give advice on pension transfers.

The Government’s **Pension Wise** service was set up to provide free and impartial guidance to help people understand the range of flexible retirement options available for DC benefits. You may browse the website for information. If you are aged 50 or over you may also make an appointment to speak to a guidance adviser, over the phone or face to face, free of charge. The guidance is general, will not recommend specific options, and should not be regarded as a substitute for financial advice. You should look at Pension Wise and consider taking independent financial advice to help you decide which options might be most suitable for your DC benefits.

Website: [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)  
Phone (to make an appointment with an adviser):  
0300 330 1001 from the UK (call rates may vary)  
+44 203 733 3495 from abroad

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**Disclaimer**: This guide is subject to the trust deed and rules of OSPS and the policies adopted by the Trustee and University from time to time. These govern your benefits and may be amended at any time. This guide is intended to give you information about your benefits but does not constitute financial advice, which neither the OSPS Trustee nor the University is authorised to give.