



Pensions: what you need to know

Arrangements for retirement may not seem important when you're starting out in your career but the sooner you start thinking about it, the more secure your future will be. This factsheet is designed to provide you with basic information about pensions and to help you make the right choices.

What is a pension?

A pension provides people with an income when they are no longer earning a regular salary. This is usually when people reach the age at which they cease full-time work – 'retirement'.

There are three main types of pension scheme:

- State pensions
- Personal pensions
- Occupational pensions

State pensions

Basic State Pension: The National Insurance system was established in 1946 when working people began paying contributions from their salary throughout their lives in order to guarantee a pension from the state upon retirement. This is now known as the Basic State Pension and you can currently claim it at the age of 65 (although the government has plans to increase the qualifying age).

State Second Pension: The State Second Pension (formerly known as *State Earnings-Related Pension* or SERPS) was created to provide a pension related to earnings in addition to the Basic State Pension. Unlike the Basic State Pension it is voluntary and those who don't wish to participate can leave it or 'contract out'. Again there are currently plans to make changes to this scheme including changing it from 'earnings-related' to 'flat rate' and removing the right to 'contract out'. **For more information on State pensions go to:** www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/index.htm

Personal pensions

Personal pension schemes (sometimes called personal pension plans or PPPs) are another way people can build up a sum of money to provide an income for their retirement. Individuals and their employers can contribute to this fund which is claimed as a series of regular payments and often also a lump sum. There are tax advantages to saving for retirement in this way. **For more information on Personal pensions go to:** <http://bit.ly/ryFEqx>



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Occupational pensions

Occupational pension schemes are set up by employers for their staff as part of the benefits or 'remuneration' package they receive in return for their work. This includes salary and sometimes bonuses or overtime payments. Staff working in colleges can join the Teachers' Pension Scheme (TPS) and those in universities can join the University Superannuation Scheme (USS). Both are occupational pension schemes.

Defined benefits: Often both the employer and the employee pay into these funds and the scheme guarantees to pay a certain amount after retirement according to how much the member of staff earns and how long they stay in the scheme (ie *defined benefits*).

Final salary: *Final salary pensions* are based on a fixed proportion of the member's salary in the period leading up to retirement.

Pensions in colleges and universities

We strongly recommend that all staff join the relevant occupational pension scheme. Whatever your age you should take the issue of pensions seriously as they are deferred pay and very important in later life. UCU looks after our members' interests by representing staff in negotiations over pensions.

Teachers' Pension Scheme (TPS): The TPS is one of the largest public sector pension schemes in England and Wales and is a defined benefits final salary scheme. Open to our members in further education and newer universities as well as school teachers, it is one of the most important and valuable benefits available to education staff. Staff in Scotland can join the Scottish Teachers' Superannuation Scheme (STSS).

Universities Superannuation Scheme (USS): The USS is the defined benefits final salary scheme for staff working in older pre-1992 or 'Russell Group' universities. Again, this is an important part of staff pay and benefits and we always encourage our members in universities to join the USS – especially younger members at the start of their careers.

Join our campaign to defend public sector pensions

We think our pensions are worth fighting for but the more of you who join the union and our campaign, the stronger our ability will be to secure decent pensions for all our members. <http://www.ucu.org.uk/pensions>.

If you are not already a member, join us today: joinonline.ucu.org.uk