UCU PENSIONS news

No 5 May 2016

USS

UCU Campaign on Valuation of USS

UCU has continued the campaign to ask employers if they have concerns over USS's technical provisions used at the last valuation to raise these with USS and UUK. UCU has had informal discussion with UUK over USS valuation to see if a joint position can be agreed to take to USS. These meetings have been useful and have been supported by a range of papers from academics to give further insight in to the issues.

In addition UCU has secured meetings with several university managements in order to explain the benefits to them of a possible change in the valuation methodology.

USS scheme changes

USS have now introduced the new Career Revalued Benefits scheme, or CRB as it is usually known.

To do this USS have closed both the previous final salary scheme, and the previous CRB scheme which had been introduced for new starters since 2011, and are working out the value of these pensions on 31st March 2016.

This figure will then be revalued by consumer price indexation, subject to caps, until the pension is taken.

Since 1st April 2016 members will have been building up service in the new CRB scheme which has an accrual rate of 1/75th, which is an improvement won by our negotiators from the previous the CRB of 1/80th.

From 1st October USS plan to introduce the new hybrid version of the pension scheme. This will see the first £55,000 of salary being used to provide the defined benefit section of the new scheme. Which means that members will be credited into the new 'USS retirement Income Builder' a value of 1/75th of their earnings up to the cap of £55,000.

This will then be revalued by consumer price indexation, subject to caps, until the pension is taken. This will continue to apply to members each year they are working and contributing to the scheme.

Above the level of £55,000 from the date of 1st October members will pay 8% of their salary into the new USS Investment Builder pension scheme, and their employer will pay 12% of the value of their over £55,000 salary into the USS Investment Builder pension scheme.

In addition to this all members will have the option of paying 1% of their salary, up to the £55,000 cap, into the USS Investment Builder scheme. If members choose to do this then their employer will also match this by paying 1% of this total into the same pot.

The 'USS Investment Builder' scheme is a Defined Contribution or money purchase scheme and as such the value of this will ultimately depend upon how the underlying investments perform.

USS is closing the money purchase AVC scheme from 1st October to further contributions, other than monies paid into the with-profits fund which will stay open for another three years. It will phase the movement of any AVC funds over time to avoid any market adjustments from Prudential, into the new Investment Builder scheme. It is not possible to move the 'with profits funds' or members would loss on their investment so these will remain until they are drawn.

As previously explained those members who have an additional years AVC contract can still continue to pay into this, however the final salary used for the calculation of the benefit so purchased will be the final salary as at 31st March 2016.

As part of the settlement the amount members pay into the scheme was increased to 8% from the previous 7.5% for final salary members and 6% for CRB members. This is reflected in the enhanced accrual rate of 1/75th in the new CRB or Income Builder scheme.

The funds which will be available to choose from in the Income Builder section are not yet finalised however there will be around 11 investment funds. What is known is that there will be a default fund which will de-risk over the member's lifecycle. Two ethical funds, one will be lifestyle fund and the other a growth fund. There will also be a Sharia compliant fund.

There will be 3 strategies.

'**Do it for me**' which will be the default option.

'**Help me do it**' which will provide risk labelled funds that can be selected from.

'**I want to do it myself'** range of funds, including risk labelled funds, from which members will make their own investment choices.

Employers will cover the cost of the administration and running costs of the Income builder section and will subside the investment management costs up to 0.1% of total pensionable payroll.

UCU is seeking to appoint a USS director

It is an important time in USS and UCU will be appointing a new director if you are interested or think you may have something to offer and welcome working with the union, please give consideration.

UCU appoints three directors to serve on USS Board of Trustees. One of the four year appointments falls vacant on 1 October 2016.

UCU particular welcomes applications from women, disabled, black and LGBT members. You need to be an active member of USS Pension Scheme.

Any USS member interested in being considered for this appointment should contact:

Geraldine Egan
UCU Pensions
Birmingham Office
3rd Floor Alpha Tower
Suffolk Street Queensway
Birmingham
B1 1TT

Or phone 0121 634 7387 or email **pensions@ucu.org.uk**

Forms can be downloaded from the following site:

https://www.ucu.org.uk/ussdirector

Teachers Pensions

The new Teachers Pension scheme has now been in place for over a year.

The introduction of the scheme would appear to have gone relatively smoothly. Members in the transitional group will still be moving into the new scheme depending upon their date of birth. We would like to remind members that they will be given a once and only opportunity to buy-out the actuarial adjustments above the age of sixty five when they move into the new scheme. If members choose to do so they have to pay an agreed extra cost for the remainder of the time they are actively in the scheme. Currently the actuarial adjustment for service which is taken at sixty five, but is linked to a higher normal pension age, is 3% per year above sixty five.

The other flexibility is that of being able to purchase enhanced accrual within the career average scheme. This flexibility is still very new and there is no available information to show what the 'take up' of this has been.

The standard accrual rate of the new career average scheme is 1/57th. You have option to purchase the following range of enhanced accrual rates: 1/55th, 1/50th or 1/45th.

As previously stated this is not a one off choice. You have the opportunity to decide to purchase an enhanced accrual rate every year, and the choice will only apply for the one year.

Prudential AVCs and new flexibilities

Currently members can still pay into and take out new AVC contracts with Prudential.

The pension flexibilities which were previously outlined in pension newsletter Number 2 are still available to all holders of money purchase AVCs held with Prudential and would appear to be of use to many members.

State Pension

The new flat rate State Pension has now been introduced from 6th April 2016. It is called a flat rate State Pension because from the date of its introduction no state earnings related pension or state second pension will be payable on top of the basic state pension.

If, however, you were receiving either or both of these because you had reached your state pension age they will continue to be paid for the rest of your life.

We dealt with how your new pension will be worked out in our previous newsletter but the most obvious effect of the changes will have been felt in members pay.

Because the pension scheme can no longer choose to opt out of state second pension members, and their employers, will no longer receive a national insurance rebate and so will be paying an extra 1.4%. Employers are having to pay an extra 3.4% on their national insurance contributions.

Even though the government has been claiming that the new pension is fairer to all independent pension experts have estimated that only approximately 30% of the population will benefit from the change with in particular younger people losing out as the age at which they will qualify for the pension is being increased to sixty eight. It is also possible that this proposed change will be enforced at an earlier date.

Lifetime Individual Savings Account LISA

The Chancellor of the Exchequer introduced a new type of ISA in his recent budget. This is called a lifetime ISA, hence the acronym LISA. This is where, provided you are between the ages of eighteen and forty, when you put money up to the value of £4,000 into this vehicle the government will give you a bonus of 25% of the value of whatever you have put into the lifetime ISA.

There are two proposed benefits of this vehicle.

Firstly the amount you have in the account, including any government bonus and any growth, can be used as a deposit on a first property provided the property is below the value of £450,000.

Secondly if you leave the money invested within the LISA you will be able to take the whole amount as a tax free sum when you reach the age of sixty.

If, however, you decide to take your money out before the age of sixty and it is not to use as a deposit on a first time property, you will lose all the government bonus together with any investment growth that might have generated.

This has been seen as the first step in yet another attack on pensions by this chancellor. The whole point of this product is to replicate the new concept of a pensions ISA which has been talked about by Treasury.

The loss of any input from the employer is a serious drawback, as is the loss of higher rate tax relief.

Also the capping of the amount which can be saved in this vehicle adds to the drawbacks.

There is also the thought that there is nothing to stop a future chancellor changing the rules and taxing some or all of the money when you decide to cash the LISA in.

UCU has concerns that if there is a high level of take-up the government will use this as a justification for once more attacking the whole system of pension tax relief.

UCU Pensions Courses

The next scheduled UCU Pensions Course is due to be held in Birmingham on 7th and 8th of July. If you wish to attend this course, which is designed to give branch officers support in dealing with member’s pension questions, please contact us.

In the meantime if you wish to discuss the course, or any other pensions’ matters please contact the UCU pensions’ team at **pensions@ucu.org.uk**.