USS consultation and changes

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Where are we?

UCU in the JNC on 29th January 2015 accepted the employers' proposals for changes to the scheme benefits.

The Board set the technical provisions and has to consult with the employers' on the recovery plan and is putting a statutory consultation in place to consult with active members of USS.

This consultation will start on 16th March 2015 and USS will issue paperwork to all participating employers in the scheme. Employers will be asked to circulate material which will include links for members to provide individual responses on a dedicated USS website. They will need their membership number but can select to be confidential.

Pre- consultation phase

Date	Activity	What do affected employees need to do?
13 March 2015	Consultation website becomes available www.ussconsultation.co.uk for employers to provide information to affected employees	Visit the consultation website, review the full consultation materials and supporting information

Planned consultation phase

Date	Activity	What do you need to do?
16 March 2015	Planned date for employers to begin consultation with affected employees	Review the consultation materials and, if appropriate, provide your response
22 May 2015	Planned date for employers to end consultation with affected employees	Submit your response by this date

Planned post-consultation phase

Date	Activity	What do you need to do?
31 May 2015	Deadline for employers who wish to review responses and provide any further commentary or feedback	No action required from affected employees or their representatives
June/July 2015	The scheme trustee considers responses and passes any potential modifications to JNC, which finalises decisions on the proposed changes	No action required from affected employees or their representatives
Autumn 2015	Further information on the final agreed benefit structure will be made available for affected employees	You should note agreed changes
1 April 2016	Earliest proposed date for implementation	You will receive further communication before this date in relation to implementation and any decisions you must make before any new arrangements become effective.

UCU

Before the end of this week there will be a branch officers mailing on the consultation questions and suggestions for members to include in their response

Branch officers will be asked to circulate to members or it will be done direct (not sure yet)

Branch officers will be asked to organise meetings to discuss

This will be circulated to pension officers in pre 92 universities.

Employers will also consult with their recognised trade unions, so it is worth talking to the other unions

UCU will circulate advise to assist branch officers.

Changes

BASIC CHANGES

Closure of final salary section

It is proposed to close the final salary section on 31st March 2016.

At this time USS will calculate the final average salary of members that is the best consecutive 365 days in the last 3 years period and the 13 year look back from that date, with salaries enhanced in line with price increases and the best consecutive 3 years averaged.

This final average salary will then increase in line with CPI (with caps, that is after 5%, for every 1% CPI increase will be ½% up to a maximum of 10%)

Members may wish to argue that whilst they are active members there should be no caps in operation

NEW CRB section

From 1st April 2016 final salary members and CRB members will move into the new CRB which has a salary cap of £55K

Members may want to argue for no cap, or that it is tied to the top of the national negotiated salary scale.

1/75th of members earnings will be put into the pot and annually revalued by CPI (with caps) up to earnings of £55k.

Members may wish to point out that TPS is 1/57th (without lump sum) and revalued CPI +1.6% annual and the USS needs to improve benefit structure closer to TPS as sector has a single salary framework.

Members will be able to opt to pay an extra 1% and this will be matched by 1% of employers and this will be paid into a defined contribution scheme this will be based on all salary.

Defined Contribution Fund

For those earning more than £55K, that part of the earnings contributions level by the employees will go into the defined contribution fund and the employer will pay 12% into this fund

There is little information at this time

The employers will pay the administration costs and the management costs of the default fund but members will have to pay the management costs if they opt for another fund.

In the consultation members may wish to press that the other funds have the management costs paid by the employer and if that is not to be that the other funds have the management costs paid by the employer up to the default fund and the member pays above.

Example of how CRB works

Ben's annual salary at 1 April 2016 is assumed to be £35,000 a year. He expects his salary to increase each April by 3.5% per annum. It is assumed that CPI inflation (the index used in determination of increases to official pensions) is 2.5% a year.

The following table shows how Ben's CRB section pension benefits will build up under the new structure (ie. from 1 April 2016).

*We have not included Ben's pension which he has built up from service up to the day prior to the implementation date, which would be calculated in addition.

How does CRB work

Year	Salary	Salary threshold	CRB pension earned in the year	Previous year's pension inflation increase*	Cumulative total pension payable
1 (1 April 2016 to 31 March 2017)	£35,000	£55,000	£467a year (35,000 / 75)	-	£467a year
2	£36,225	£56,375	£483a year (36,225 / 75)	£479a year (467 x 1.025^{10})	£962a year
3	£37,493	£57,784	£500a year (37,493 / 75)	£986a year (962 x 1.025^{10})	£1,486a year.

Member over £55k earnings

Erin’s annual salary at 1 April 2016 is assumed to be £60,000. She expects her salary to increase each 1 April by 3.5% per annum. It is assumed that future CPI inflation to be 2.5% a year (that being the index used for increases in official pensions). The following table shows how Erin’s CRB pension benefits would build up under the proposed revised section (ie. from the implementation date). Under the proposals, Erin would also build up pension in the defined contribution section

Erin’s pension would continue to build up in this way until he retires at age 65 (in ten years’ time). At this point, the CRB section pension of £2,311 a year shown above after three years would have built up to £9,158 a year after 10 years (plus three times this amount as a cash lump sum).

Example on the defined benefit section

Year	Salary	Salary threshold	CRB pension earned in the year	Previous year’s pension inflation increase*	Cumulative total pension payable
1 (1 April 2016 to 31 March 2017)	£60,000	£55,000	£733 a year (55,000 / 75)	-	£733a year
2	£62,100 (estimated)	£56,375	£752a year (56,375 / 75)	£751a year (733×1.025^{10})	£1,503a year
3	£64,274 (estimated)	£57,784	£770a year (57,784 / 75)	£1,541a year ($1{,}503 \times 1.025^{10}$)	£2,311a year

Defined contribution fund

Year	Salary	Salary threshold	Employer contribution	Employee contribution	Previous year's DC fund accumulated with interest	Cumulative total DC account*
1 (1 April 2016 to 31 March 2017)	£60,000	£55,000	£600 (12% of (60,000 – 55,000))	£400 (8% of (60,000 – 55,000))	-	£1,000
2	£62,100	£56,375	£687 (12% of (62,100 – 56,375))	£458 (8% of (62,100 – 56,375))	£1,050 (1,000 x 1.05)	£2,195
3	£64,274	£57,784	£779 (12% of (64,274 – 57,784))	£519 (8% of (64,274 – 57,784))	£2,305 (2,195 x 1.05	£3,603

Growth assumption 5%

Contributions

Members pay 8% of earnings into USS

Employers pay 18% of earnings into USS

18% is used to pay for the defined benefit CRB up to £55k

12% is used to pay for the defined contributions fund over £55K

Rest is used to pay the deficit down

Additional Voluntary Contributions

Added Years AVC's contract- members have entered into a contract to purchase x service in their final salary which they anticipated being tied to their future final salary

Proposal is to end the contract 31st March 2016. USS will credit all service purchased up to then. Those members making regular payments will be given the option of continuing but it will not be linked to pensionable salary at retirement.

Members may wish to check that this means that the service will count in the final salary section of the scheme and it will be credited there.

Members may wish to state that they are purchasing these based on understanding that it would be tied to future salary and not the 31st March 2016.

Members are able to cancel these contracts at any time in the same way they can now.

There will be no more after 31st March 2016.

Revalued Benefit AVC’s in CRB

Members in the CRB section can buy additional benefits in USS. This allows CRB members to buy additional pension and lump sum and these will cease on 31st March 2016. They will be included in the calculation up to that date.

Members paying regular instalments will be provided with an option to continue and complete the purchase of the additional benefits

Members may wish to check that it is on the same basis without change

Money purchase AVC's

At present members with these funds can at the point of drawing their USS pension use this fund to purchase service in USS, this will cease on 31st March 2016

The fund from that date will not have this right.

Members may wish to check that it is the monies in the fund up to that date and subsequently growth of these monies which will remain available.

Transfers into the scheme

The proposal is to leave the public sector transfer club. Member will be able to transfer into the scheme if they joined USS before 31st March 2016. Transfers will be based on final average salary of 31st March 2016.

There will be no transfers into the final salary sector even if private pension transfers.

There will be no transfers into the CRB section in future

Cost sharing

Present 65:35 to be removed

If following an ‘actuarial valuation’ there is a need to make a change then it would be for JNC to decide.

If no agreement within a time limit then the matching 1% of the employers contributions would be reduced.

Members would be able to continue to pay their own without the matched employers contribution.

If not sufficient then JNC to decide and could reduce the 12% contribution above the salary cap.

If not agreement was reached then it would be shared on 65:35 bases.