

pDoc Pensions Open Meeting

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Topics today

1. Additional Voluntary Contributions
 - (AVCs, now closed)
2. The Investment Builder Scheme

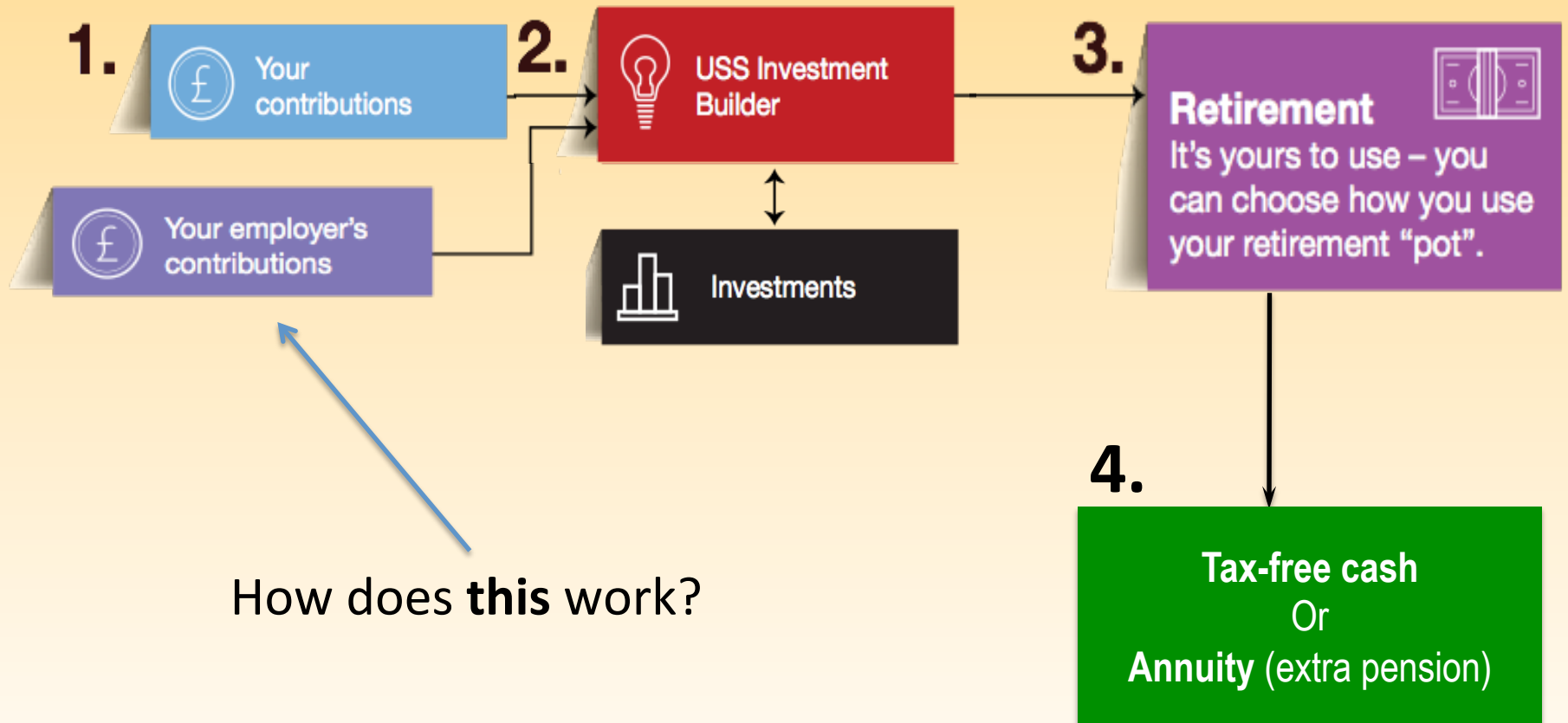
Former AVC Schemes Summary

- **Pre-2016:** Added years Defined Benefit (USS)
- **Pre-2016:** Money Purchase Defined Contribution (Prudential)
- **Both schemes are closed for new joiners;**
 - **Existing contracts may continue**

Former Additional Voluntary Contribution Schemes (AVCs)

- **Money Purchase** (Prudential scheme)
 - You pay in a sum of your choosing each month, **deducted from gross salary before tax.**
 - Invested in equity market, etc
 - You draw this down at retirement as either:
Tax free lump sum, or **annuity** (additional pension).
- **Added Years** (part of USS Final Salary scheme)
 - You pay an agreed monthly sum before tax to purchase **Additional Years of Service**, used to increase your net pension.

AVC replacement: Investment Builder



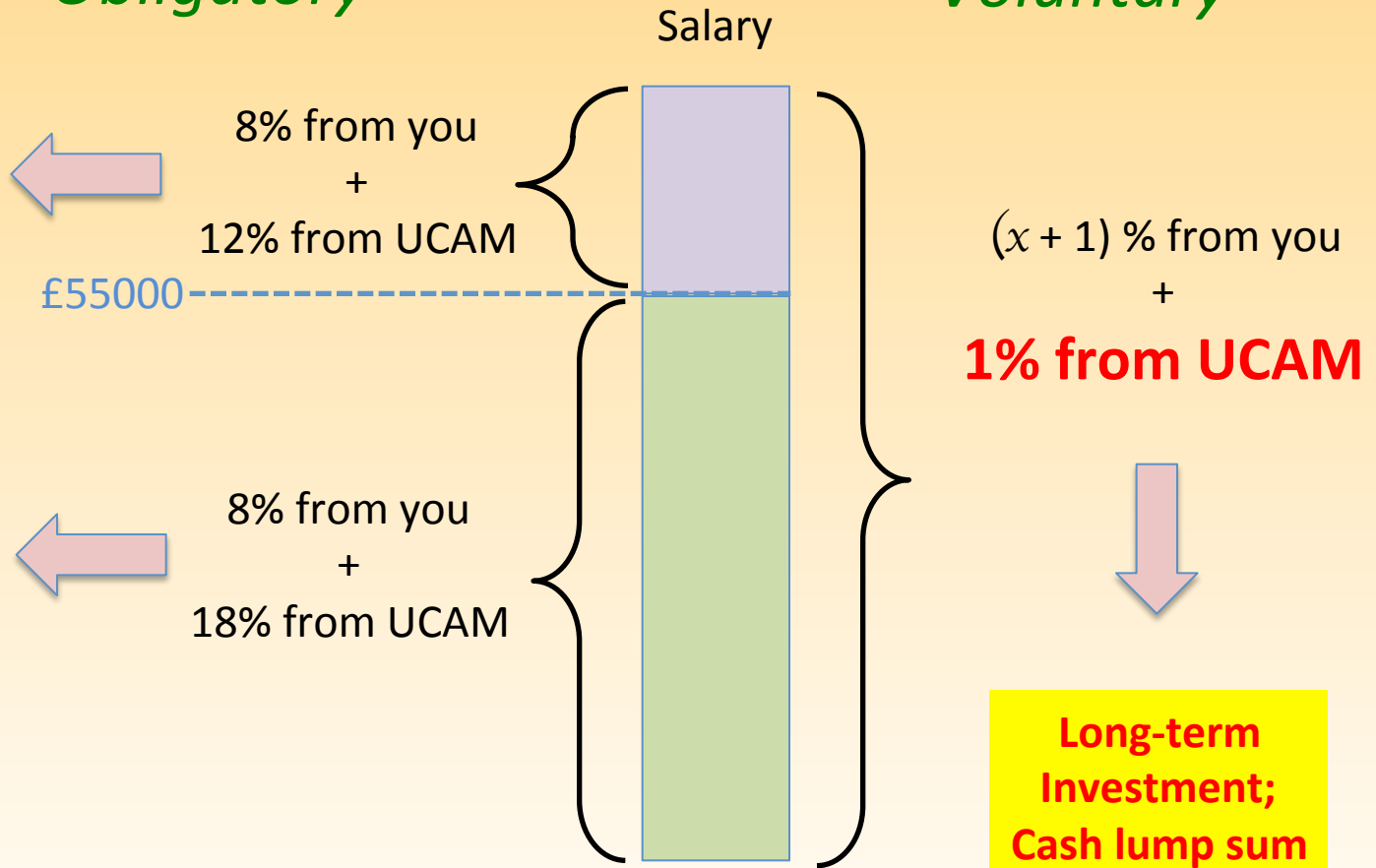
Income Builder vs Investment Builder

Obligatory

Voluntary

**Long-term
Investment;
Cash lump sum**

**Defined
Income
(Pension)**



The first 1% of salary into **Investment Builder** is called “The Match”

1. The match is available to all members

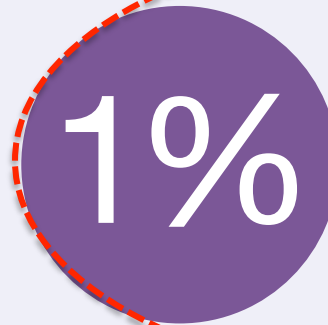
2. You contribute an additional



or more of your salary to the
USS Investment Builder



3. Your employer also contributes an additional



This is
FREE MONEY

4. You can choose to pay more, but your employer will only match the first 1%

Is the Investment Builder worth doing?

- Your investment is before tax: **each £ you invest costs you 80p**
- With **The Match**, **for every 80p you invest up to 1% of salary, your fund receives £2**
- Unlike Prudential AVCs, **there are no management charges****
- You have a choice of investment funds that **you manage online at My USS**
- On the negative side, **the performance of the USS funds is unproven; they are not risk-free. But USS investments consistently return 8 or 9% p.a.**

**** The Emerging Markets fund has a 2% p.a. charge. All others are free.**

USS Members website:

Register for My USS

Universities Superannuation Scheme Limited [GB] | <https://www.uss.co.uk/forms/pre-login/registration>

Apps ★ Bookmarks The Human Protei... Salary scales | Hu... Other Bookmarks

Register for My USS My USS log in Employer log in

Members Aa Aa Aa

How USS is run For members For employers How USS invests

Register for My USS

If you have already registered for My USS, you can [log in here](#).

You need the following information to register for My USS

- Your USS member number;
- Your national insurance number;
- An email address - we recommend a personal email address.

Please note: currently only active members (those currently paying into the scheme) can access My USS.

If you are a member who also had (or had) an employer login, please register a different email address to your USS employer portal email address.

Please complete all of the following fields

* Fields marked with an asterisk must be completed.

USS member number *

Where is my USS member number?

You will find your USS member number on the letter we sent to you. It will be an 8-digit number.

USS Scheme Choices: we are inviting every active member with a new USS membership

investment options

Do it for me

There are two options:

Let me do it

There are 10 options:

- **Default**

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- **Ethical li**

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- **Growth fund** –

which includes a
risk/higher poten

- **Moderate grow**

investments whi
between higher
options, moderate
and lower risk/low

- **Cautious growth**

investments which
moderate risk/moderate
risk/lower potential return

- **UK equity** – a mixture of invest

made up from UK publicly traded stocks
and shares;

- **Global equity** – a mixture of investments

made up from global publicly traded
stocks and shares;

- **Markets equity** – a mixture

is made up from global
d stocks and shares from
countries;

– a mixture of investments
compliant with Islamic

- **Equity fund** – a mixture of

, which avoid certain types
listed in USS's guidelines for
investment;

- **Balanced fund** – a mixture of investments

which include government bonds and
other forms of credit;

- **Cash fund** – all money is held as cash –

low risk and low return.

If you don't make
any investment
decision, your USS
Investment Builder
contributions (and those
from your employer) will be
invested in the default
lifestyle fund.

Questions and Answers: 1

- What happens when the current Prudential AVC scheme terminates (end September)? Is this directly replaced by the voluntary contributions to the new DC section? Can existing Pru AVCs run alongside the new DC section?

All current Prudential AVC funds will cease on 30th September 2016. Most existing Pru AVCs have been moved over to USS Investment Builder.

The Pru 'with profits fund' will continue up to 30th September 2019, and will then cease. (Funds in the 'with profit' will remain with Prudential so individuals do not lose out by early termination.) There will not be a 'with profit' fund in USS.

Members will be able to use the DC section called Investment Builder Income to pay additional money into the various funds.

Questions and Answers: 4

- I had a FS pension and am paying for Added Years contributions. What happens now?
- *If you already have an Added Years contract you can continue to pay contributions up to its end date (normally date of retirement).*
- *These will provide the **extra years service** you contracted to pay to the FS scheme, increasing the pension based on your **final pensionable salary at 31st March 2016**. This “calculated Final Salary pension” will continue to increase in line with CPI.*
- *Your decision is **whether to continue or not**. If you are a long way from retirement then your pay is likely to be a lot higher at retirement and it may not be worthwhile continuing.*
- *If you are likely to be promoted, again your salary will increase and it may not be the best use of money.*
- *If you are close to the end of the contract, or retirement, and are on a flat salary then you will probably gain by continuing.*
- *There is no clear best option, as the performance of the new Investment Builder DC funds is not known, and **we are looking into the future in the market place**.*

Thanks for your Attention!



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What about the Future of USS?

- The new hybrid scheme is heavily parameterised:
 - Accrual rate: 1/75
 - Up-rating for inflation
 - CPI to 5%
 - Half CPI from 5 to 10%, zero beyond 10%
 - CRB/DC salary threshold: 55k
 - Employer input to DC
 - 12 % of salary
 - 1% matching
- More external pressure:
 - Caps on Tax-free Total Salary Pot
 - Possibility of changing tax relief on contributions, or taxing Lump Sums
- “Deficit” is subject to Valuation Methodology