

# Important information for USS members

This document highlights changes to USS that impact on those members of the scheme who are in active membership immediately prior to 1 October 2011.

Changes to USS were decided by the Joint Negotiating Committee (JNC) of USS at its meeting on 10 May 2011 and approved by the trustee board at its meeting on 9 June 2011. Some of the changes affect current members, others impact employees who join the scheme after the effective date.

**The following is a summary of the changes which will come into force on 1 October 2011.**

## Changes affecting current members

### Normal Pension Age for future service to be 65

This change affects all current members as at 30 September 2011, except for those aged 55 or over on 1 October 2011. For those who are under age 55 on the effective date, this change means that if you retire before age 65, benefits in respect of the period of service from 1 October 2011 onwards will be reduced according to the number of years and days before age 65 that benefits are actually paid. Early retirement reductions are currently in the region of 4% for each complete year of early payment, so for example if a person retires five years before age 65 – ie at age 60 – the period of service from 1 October 2011 to retirement will provide benefits which will be reduced by approximately 20% (5 years x 4% a year).

Those members aged 55 or over on 1 October 2011 are exempt from this change only.

### Normal pension age to be linked to future increases in state pension age

The government has already announced that it plans to increase the state pension age for men and women. The USS normal pension age will increase in line with any future increases to the state pension age. Importantly, this only affects the benefits built up after any future change in the state pension age. So, for example, take the case of a member who retires upon attaining age 65 in April 2025 and in this case state pension age has been increased to age 66 from 2020. In that event, for the five years between April 2020 and April 2025 the benefits arising from this period of membership would be reduced for early retirement if the member retires before age 66. All other service built up before April 2020 is not affected by the increase in state pension age.

### Increase in member contribution rate to 7.5% of salary

Members of the scheme who joined prior to 1 October 2011 will continue to build up benefits on a final salary basis, but will be required to increase their contribution from 6.35% to 7.5%. The effect of this is mitigated to some degree as pension contributions attract tax relief. A modeller is available on the USS website [www.uss.co.uk](http://www.uss.co.uk) so that you can assess the impact on your take-home pay following this change.

### Cap introduced on pension increases for service after the implementation date

When you build up benefits in USS, the increases that will apply to the benefits that you earn – both to pensions when they come into payment and to the revaluation of deferred benefits if you leave before retirement age – will continue to be in line with official pensions\*. However, a cap on the increases will apply to benefits that are built up on or after 1 October 2011 as follows:

Annual increase to official pensions	Increase payable by USS
5% or less	Increases matched
More than 5% but less than 15%	5% plus one-half of increases above the 5% level
More than 15%	Overall ceiling of 10%

\* Official pensions are pensions paid to members of the public sector pension schemes like the NHS, Teaching and Civil Service Schemes

## Changes affecting new entrants and joiners to USS

### New section of USS for new entrants

New entrants to USS from 1 October 2011 will join a new section of the scheme which effectively creates two sections of USS (the other being the final salary section for existing members).

If you are an existing member of the final salary section you will only become eligible for this new section if you leave the scheme and rejoin it at some future point, and there are specific rules in place to deal with these situations. If you leave USS on or after 1 October 2011, and do not rejoin USS within a period of 30 months, you will rejoin as a member of the new section. If you rejoin within 30 months, you will rejoin the final salary section of the scheme.

If you leave USS before 1 October 2011, but rejoin before 31 March 2014, you will rejoin the final salary section of the scheme. If you rejoin later you will rejoin the new section.

Benefits in the new section are calculated differently to the final salary section. The benefits are worked out at the end of each scheme year and added to any previous benefits built up in the scheme. These benefits then receive increases each year up to retirement. The formula to work out the annual pension is 1/80th (or 1.25%) of salary in each scheme year. In addition a lump sum is provided of 3 times the pension. The increases that apply to these benefits between the scheme year and retirement are the same as described in the table overleaf.

The employee contribution to the new section is 6.5% of salary.

## Other changes affecting both current and new members

### Cost sharing between employers and members

If there is a requirement in the future to increase the overall contribution rate to USS above the combined level of 23.5% – and assuming the JNC does not decide on any other remedy in order to meet such a contribution increase – the increase will be shared in the ratio of 65:35 between employers and members respectively.

### Flexible retirement for contributing members aged 55 or over

With effect from 1 October 2011, if you are aged 55 or over you will, subject to your employer's consent, be able to flexibly retire. If your employer gives its consent you will be able to draw up to 80% of your USS benefits, but you and your employer must agree to a reduction in your working hours and salary of at least 20%. You can have up to two flexes; on the third occasion you must fully retire. After

having secured your employer's consent to retire, you must give the trustee company at least two months' notice of your planned flexible retirement.

### Changes to benefits payable on redundancy

From 1 October 2013 (note this is 2013 and not 2011), if you are made redundant and qualify for early retirement benefits, any benefits paid will be subject to an early retirement reduction, unless your employer chooses at its discretion to augment your benefits.

### Extra Service Contributions and Continuation Contributions

From 1 October 2011, if you decide to continue to pay contributions to the scheme after having completed 40 years' pensionable service (or 45 years' pensionable service in the case of a mental health officer or special class member over the age of 55) – referred to as extra service contributions – your employer will be required to pay employer contributions to the scheme. Prior to the scheme changes, employers had an option whether or not to pay such contributions.

This will also be the case if, from 1 October 2011, you decide to continue to pay contributions to the scheme after having reached age 65 – these are referred to as continuation contributions.

Employers that do not currently pay contributions in the situations above will be required to commence payment from 1 October 2011 for those members that before 1 October 2011 had elected to continue their contributions. Employers will not be obliged to make backdated employer contributions. Therefore, for any period your employer was not contributing, your service credit will be 25% of the credit it would otherwise have been if both you and your employer had paid into the scheme.

Those members who had already elected, before 1 October 2011, not to continue contributing in the situations above will be given an opportunity to reconsider now that employers must pay contributions. Members in this situation must make their election by 31 December 2011.

## More information

Fully revised guides will be issued to members in advance of the implementation date incorporating the above changes. Associated factsheets and other materials will also be posted on the USS website [www.uss.co.uk](http://www.uss.co.uk) for further information and guidance.

Should you have any queries on the changes or your benefits in general please contact the person responsible for pensions at your institution.

This document is for general guidance only. It is not a legal document and does not explain all situations or eventualities. Every effort has been made to present accurate information at the date of publication and members are advised to check with their employer contact for latest information regarding the scheme and any changes that may have occurred to its rules and benefits.