

## **A summary of the scheme changes as decided upon by the scheme's stakeholders 15 July 2015**

### **Accrual of final salary benefits will come to an end**

The final salary section of USS will close for future service on 1 April 2016 and members will cease to build up further benefit entitlements in that section from 31 March 2016. There will be no new final salary members and no new final salary benefits provided for service after that date. Final salary benefits accrued up to that date will be based on pensionable salary as at 31 March 2016 and will be revalued from April 2017 in line with official pensions (currently linked to CPI) with certain caps for post-October 2011 service where such increases exceed 5%.

### **Final salary transfers in and added years AVCs**

Any transfers in made on a final salary basis before 31 March 2016 and any added years additional voluntary contributions (AVCs) which have accrued before that date will be based on pensionable salary as at 31 March 2016. Members now paying regular instalment AVCs will be able to continue to make such payments; any added years AVC benefits will be based on pensionable salary at 31 March 2016.

### **Future Career Revalued Benefits (CRB) for all members**

All members will accrue a pension of 1/75th, and a cash lump sum of 3/75ths, of salary for each year of service from 1 April 2016. A salary threshold will be implemented after 1 April 2016 (and no later than 1 October 2016), starting at £55,000 per year. CRB pension of 1/75th of salary and a CRB lump sum of 3/75ths of salary will accrue from the date of implementation of the salary threshold as described above, but only in respect of salary up to the threshold.

### **Salary threshold**

The salary threshold will be automatically revalued each April in line with increases in official pensions (currently linked to CPI) subject to certain caps where such increases exceed 5%. A review of the salary threshold is to be completed by the Joint Negotiating Committee by 31 March 2020.

### **New section of the scheme - Defined Contribution (DC)**

After 1 April 2016 (and no later than 1 October 2016), once the salary threshold is implemented, all members will have access to a new defined contribution section of the scheme, which will be made up of individual DC accounts.

### **Member contributions to increase to 8% of salary**

From 1 April 2016, member contributions will increase to 8% of salary (from 6.5% for existing CRB section members and 7.5% for final salary section members). This is in relation to salary above and below the salary threshold. From the date the salary threshold is implemented and the new DC section is introduced (which will be no later than 1 October 2016), member contributions made in respect of salary above the salary threshold will go into a member's individual account within the DC section of the scheme.

### **Employer contributions**

From 1 April 2016, employers will pay 18% of salary above and below the salary threshold for all members (increased from 16%) at least until March 2020. From the date the salary threshold is implemented, an employer contribution of 12% of salary above the threshold will be allocated by USS to the individual accounts of members in the DC section. The overall employer contribution rate will continue to be 18% of salary.

### **Optional additional contribution into the DC section for all members**

All members will be able to choose to contribute more to build up extra benefits under the DC section, once implemented. Any additional contributions will go into the member's individual DC account. A matching facility will allow members to have the option to make additional contributions of 1% of all salary (ie salary above and below the threshold) that will be matched from the employer contributions mentioned immediately above.

### **The agreed modifications arising out of the consideration of responses to the consultation include:**

- The subsidy from the employers towards investment management charges relating to the DC section of the scheme has been expanded to apply to the full range of investment funds under the DC section, and not specifically to the default investment fund option as originally proposed. This subsidy will not apply to benefits transferred in from other pension schemes.

- Enabling members to opt out of continuing to pay regular instalment added years AVCs rather than requiring members to opt in to continue paying them after the implementation date.

- Extending the existing option for members to withdraw from full USS membership but to continue death in service and ill-health early retirement benefits (enhanced opt out) from 1 April 2016.

- Permitting employees who are promoted or re-graded into a USS-eligible post to remain as members of their existing occupational pension scheme, provided that the employer agrees to the scheme being within the scope of this provision and so long as the member is accruing defined benefits under it.