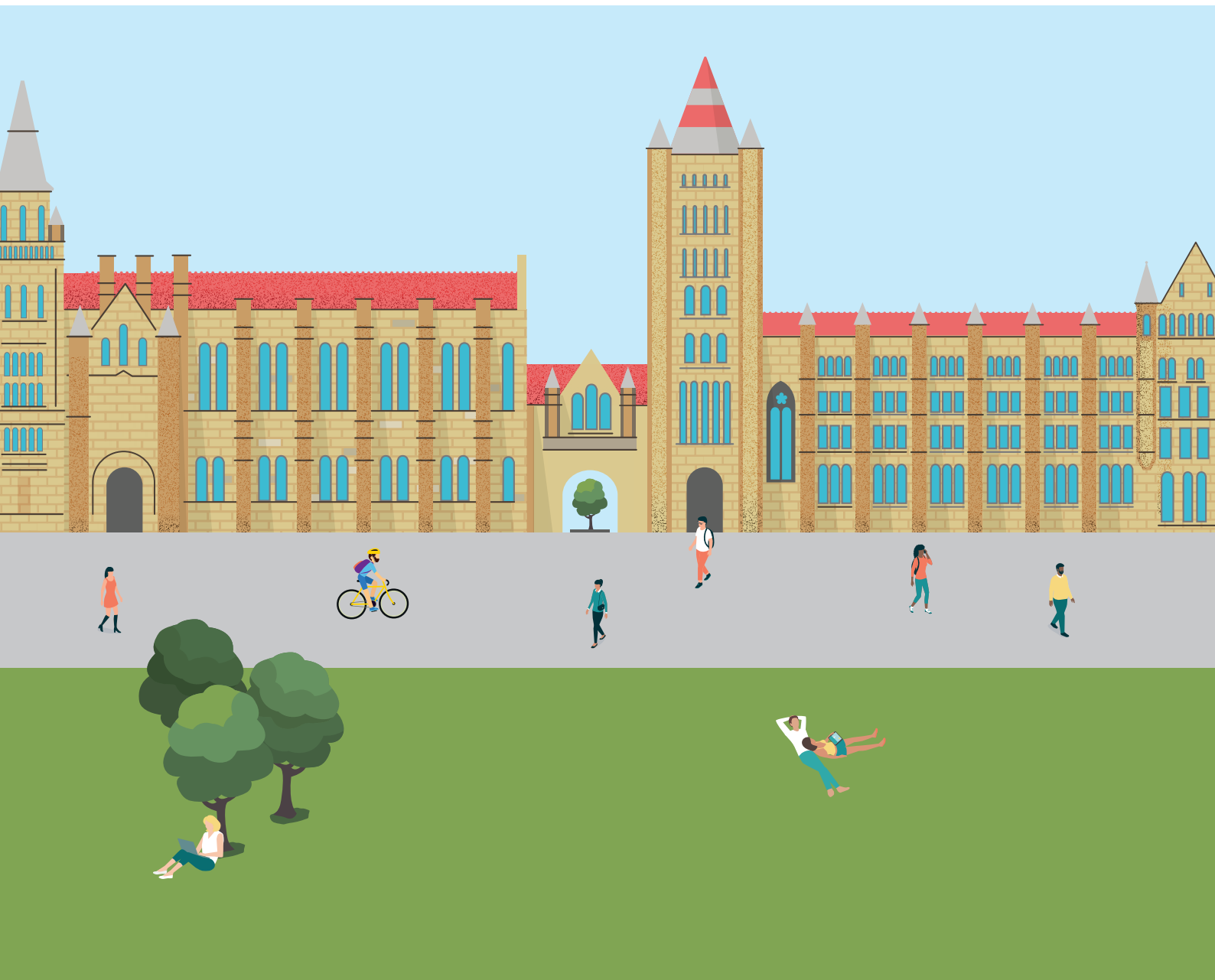


UMSS consultation: Outcome and next steps



Contents

Page 3

The University's decision

Page 4

Statement on behalf of the UMSS Trustee

Page 5

The changes explained

Pages 6 - 7

The new Defined Contribution (DC) arrangement

Back page

Next steps

Welcome

The University of Manchester (the University) has recently concluded the consultation on proposed changes to the University of Manchester Superannuation Scheme (UMSS).

The consultation took place with affected employees - existing UMSS members and those eligible to join - and the campus trade unions. I am writing to you to confirm the outcome of the consultation.

The following changes were proposed:

1 For existing UMSS members in the current Final Salary and Career Average Revalued Earnings (CARE) sections: Any benefits members have built up in either the Final Salary or CARE section of UMSS would be calculated as at 31 December 2018 and would remain in UMSS until members choose to take them. These benefits would be increased each year, in line with inflation up to a maximum increase of 5% a year. These members would not be able to build up pension benefits in either section of UMSS after 31 December 2018.

2 For existing UMSS members in the current Final Salary and CARE sections of UMSS: From 1 January 2019, existing members' future pension benefits would build up in a new 1/100th CARE section of UMSS. In the current CARE section, pensions build up at 1/80th Pensionable Salary each year.

3 New recruits to the University and current employees who are not members by 31 December 2018: Would not be enrolled into UMSS after 31 December 2018. All new employees from 1 January 2019 would join a new Defined Contribution (DC) pension arrangement.

The consultation has now closed and, following careful consideration of the feedback received, University senior leaders have taken the decision to introduce the changes outlined previously. I realise that some employees will be concerned with this outcome, however it is important to stress that these changes do not represent a reduced commitment from the University to UMSS. The University will continue to contribute 19.75% of Pensionable Salary and is also making separate contributions to address the £207 million UMSS deficit. When these additional contributions are added, the University's contribution rate rises to 27%, which compares favourably with similar university pension schemes and extremely favourably with many private pension arrangements.

It is also important to note that for existing members of UMSS, any benefits already earned through UMSS are protected and cannot be altered. The changes being implemented cover future benefit build up only and UMSS will continue to offer a Defined Benefit arrangement for these future benefits. Our aim continues to be to enable employees to have the best possible outcomes at retirement whilst recognising the need for these to be affordable for all - both now and in the future. Please take some time to read through this booklet and familiarise yourself with the information included and how the changes affect you.

Karen Heaton
Director of Human Resources

The University's decision

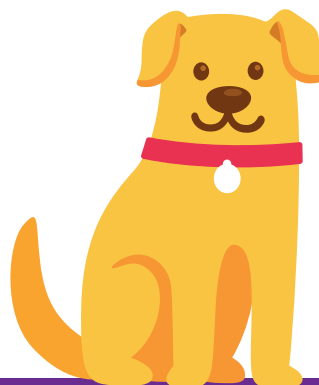
Thank you to all of those who took time to give feedback on the proposed changes. The consultation was open for 86 days and 9% of eligible employees and the trade unions took part. Some of the issues raised in the feedback included the impact of the proposed changes on:

- ▶ Final Salary Additional Voluntary Contributions (AVCs)
- ▶ Benefits granted from transfers in
- ▶ Members who leave and then re-join the University or a subsidiary

After taking the time to carefully consider all the feedback received, the University has undertaken an in-depth review of its proposals. The University has decided to go ahead with the proposed changes, but with a number of amendments to the initial proposals.

- 1 Any member of UMSS who leaves the University, or a subsidiary after 31 December 2018, and is subsequently re-employed within six months of leaving by the University or that subsidiary is able to choose to re-join UMSS within six months of their appointment. This option is available once only.
- 2 Any member of UMSS who opts out of UMSS membership after 31 December 2018 will be able to choose to re-join UMSS within six months of opting out. This option is available once only.
- 3 For UMSS members who continue to pay Final Salary Additional Voluntary Contributions (AVCs) or who have transferred benefits into the Final Salary section of UMSS to provide additional Pensionable Service, the Final Salary link will be maintained on the AVC service and the service from the transfer in only.
- 4 In the Defined Contribution (DC) arrangement, the University's contributions will now start at 9.5% and increase up to a maximum of 16.5% dependent on the level of member contribution.
- 5 Members of the DC arrangement will also have death-in-service cover and an income continuance arrangement in the event of total incapacity.

Full details of the changes can be found on page 5. They will take effect from 1 January 2019.



Statement on behalf of the UMSS Trustee

Throughout the process, the University has consulted the UMSS Trustee on the proposed changes. The Trustee is satisfied that the University has carried out an effective consultation with affected employees. Below you can read a statement from the Chair of the Trustee, Jon Ferns.



Chair's statement

The Trustee's main duty is to try to make sure that the benefits that members have already built up are paid in full. The Trustee has followed the consultation closely because it has a duty to ensure that the consultation is carried out properly. We believe the University has carried out the consultation correctly.

The University has informed the Trustee that it would like to implement the proposed changes. We believe that the changes proposed by the University are reasonable. The proposals meet the relevant funding requirements for UMSS. Therefore, we are to proceed and make the changes to the Scheme Deed and Rules.

I would like to take this opportunity to reassure all members of UMSS that the Trustee Board is committed to ensuring the long-term security of their pension benefits.

Jon Ferns
Chair of the Trustee



The changes explained

Here's an explanation of the changes that are going to be made to future pension benefits offered by the University.

①

For existing UMSS members in the current Final Salary and CARE sections:

You will remain in UMSS, however, you will no longer be able to build up pension benefits in the current Final Salary or CARE sections of UMSS after 31 December 2018. Any benefits you have built up already in UMSS will be calculated as at 31 December 2018 and will remain in UMSS until you choose to take them (usually when you retire). These benefits will be increased each year in line with inflation, up to a maximum of 5% a year.

From 1 January 2019, Defined Benefit provision will continue in a new 1/100th CARE section of UMSS.

A member of UMSS who leaves the University, or a subsidiary, and is subsequently re-employed within six months of leaving, will be able to choose to re-join UMSS within six months of their re-appointment. This option is available once only. If you are a member of UMSS and opt out after 31 December 2018, you may choose to re-join UMSS within six months of opting out. This option is also available once only.

②

For existing UMSS members in the Final Salary section:

Benefits in the Final Salary section of UMSS will be linked to your Pensionable Salary as at 31 December 2018. This means that your benefits in the Final Salary section will be calculated as at 31 December 2018, using your Final Pensionable Salary at that date. Any future changes to your Pensionable Salary from 1 January 2019 will not impact your benefits earned to that date. If you are paying Final Salary AVCs, or you have transferred benefits under the Public Sector Transfer Club, the link with your final salary will remain for those parts of your pension benefits only.

③

For employees who have not joined UMSS by 31 December 2018 and new employees to the University who join from 1 January 2019:

UMSS will close to new employees and to employees who are eligible to join UMSS but are not yet members on 31 December 2018.

From 1 January 2019, all new employees will join a new DC (Defined Contribution) arrangement. In the DC arrangement, employees can choose how much to contribute from 0% to 7% of Pensionable Salary, and the University will contribute between 9.5% and 16.5% of Pensionable Salary, dependent on the level of contribution made by an employee.

All new employees from 1 January 2019 will be enrolled with a starting personal contribution rate of 4% with the University making a 13.5% contribution. They will then be able to choose how much they want to contribute.

If you join the DC arrangement but choose not to make any contributions, you will receive 9.5% of your Pensionable Salary from the University into your DC account. This will also be the arrangement open to any existing employees who have previously chosen not to join UMSS. You can find out more about the new DC arrangement on page 6.

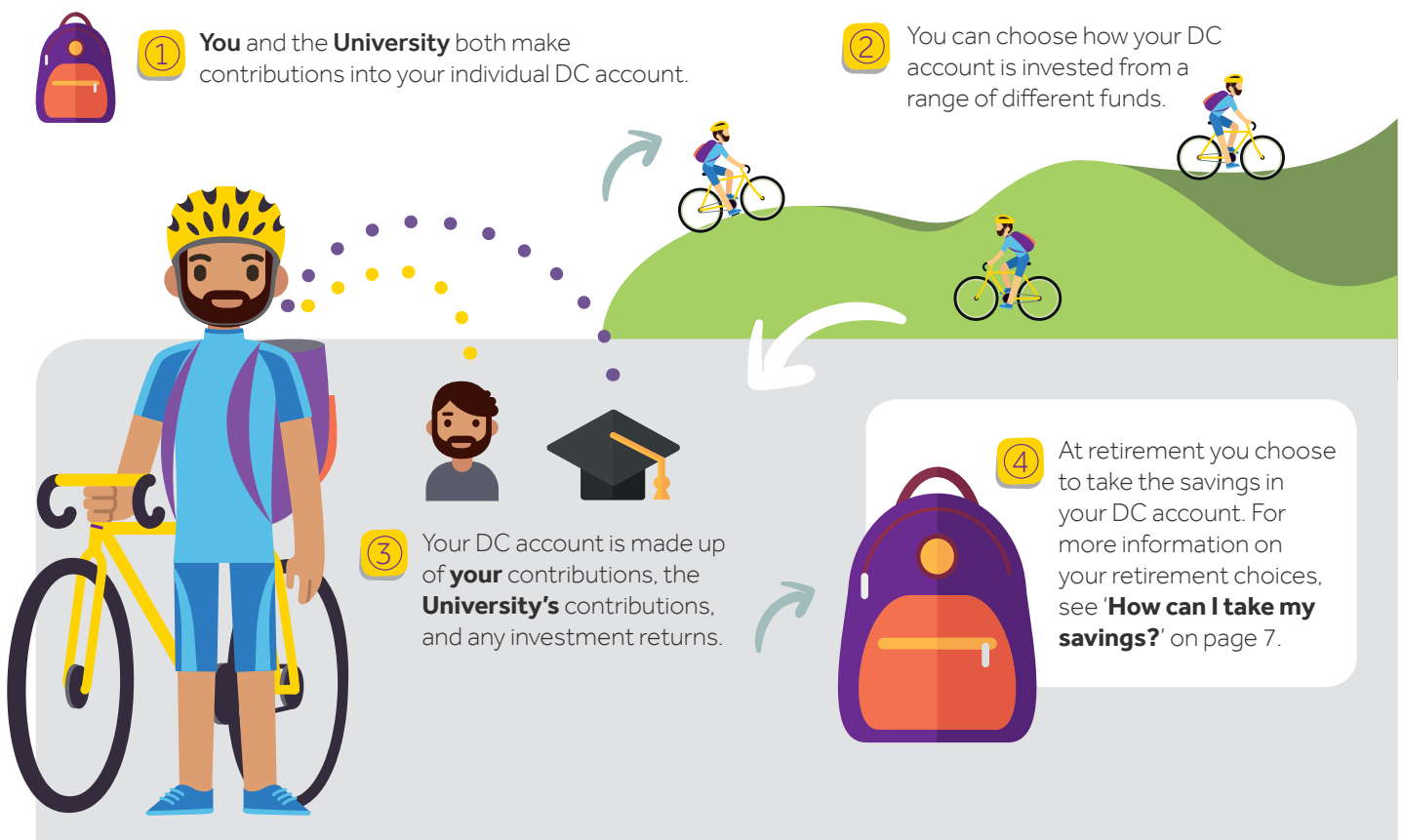
The new DC arrangement

From 1 January 2019 a new DC arrangement will be available to new recruits to the University and existing University employees who aren't already members of UMSS.

Current members of UMSS can also choose to leave UMSS and join the new DC arrangement if they wish. If you choose to leave UMSS on or after 1 January 2019 and join the new DC arrangement, you will only be able to re-join UMSS once, within a six-month period of leaving or opting out. Any benefits you have previously built up in UMSS will remain there and increase each year up to a maximum of 5% per year until you take them.

How DC works

Put simply, in a DC arrangement you build up a pot of money in an individual account which is invested and then used in retirement.



Note

Other benefits such as death in service and ill-health protection are also provided.

Contributions explained

In a DC arrangement both you and the University will make contributions to help build up your DC account. Here you can see the contribution breakdown for the new DC arrangement.

You contribute	The University contributes	Total into your DC account
0%	9.5%	9.5%
1%	10.5%	11.5%
2%	11.5%	13.5%
3%	12.5%	15.5%
4%	13.5%	17.5%
5%	14.5%	19.5%
6%	15.5%	21.5%
7%	16.5%	23.5%

If you were to become a member of the new DC arrangement, the University would pay 9.5% of your Pensionable Salary into your DC account even if you chose to contribute nothing. You can make even more from the University's contributions if you choose to contribute as well. You can change your contribution rate at any given time.

You would also be able to choose where to invest your DC account from a range of carefully selected investment funds that would be managed on your behalf by the pension provider.

How can I take my savings?

You can choose to take your savings in one, or a combination, of the following options at retirement.



All cash 'now' (cash)

You could take your whole DC account as a cash lump sum, either in one go or in instalments. The first 25% of this would be tax free. You would have to pay tax on the balance, as though you had earned this as income.



Cash – some now, some later (drawdown)

This would allow you to keep your DC account invested and draw variable amounts from it as and when you need it. This is known as 'drawdown'. Again, you could take 25% as tax-free cash but then you would have to pay tax on the remaining amount.



Regular income (annuity)

If you'd like to take your DC account as a regular income, you could buy an annuity (an insurance product) which would guarantee you a set income for a set period, or the whole period, of your retirement. Remember, income tax under PAYE would be due on each instalment of income you receive.

Next steps



For current members of UMSS

You don't need to do anything. You will automatically move to the new 1/100th CARE section of UMSS on 1 January 2019.



For employees who are not members of UMSS

If you are eligible to join UMSS and wish to do so before 31 December 2018, you should contact the Pensions Office using the details below. You can also find an opt-in form at www.umss.co.uk/docs/opt_in_form.pdf. To join UMSS before 31 December 2018 your opt-in form must be received by the Pensions Office no later than Thursday 6 December 2018.

DC arrangement

Any member of UMSS can choose to join the DC arrangement but must first opt out of UMSS.

Any employee who is not a member of UMSS by 31 December 2018 will be enrolled into the DC arrangement from 1 January 2019. The University will pay 9.5% contributions if you choose not to contribute.

The Pensions Office can be contacted via the following methods:



0161 275 2043



umss@manchester.ac.uk



Pensions Office, John Owens Building, The University of Manchester,
Oxford Road, Manchester M13 9PL

For more information on the consultation you can visit the consultation website at www.umssconsult.manchester.ac.uk

MANCHESTER
1824

The University of Manchester

Email: umss@manchester.ac.uk