

Contents:

1. State Retirement Pension

State Retirement Pension

As promised in our last Pensions Newsletter we are returning to the new State Pension which is being introduced from April 2016. This change will impact on every single member and so we are leading on this subject. Even though the new pension has been reported as being "simple", "flat rate" and "single tier" it is actually quite a complex area, and depending upon an individual's previous National Insurance record it can be anything but these three descriptions.

The new state pension will be payable to everyone who reaches state pension age on and from 6th April 2016, and has implications for both what we receive as a state pension and also how much we pay for it.

Currently the full state pension is £115.95 per week but the new flat rate state pension will be £155.65 per week. At present you need to have paid National Insurance (NI) contributions for a full 30 years to qualify for a full state pension, but under the new flat rate scheme you will need to have 35 years of contracted-in NI contributions for a full state pension.

Now because our occupational pension schemes have opted us out of the state second pension, or S2P as it is often

called, this means that we are unlikely to have 35 years of contracted-in NI.

To calculate the amount of our new flat rate pension, a "starting amount" will be calculated for each person. This starting amount will be the higher of the state pension that would be payable under the old and new regimes, taking into account past contracting out history.

Both calculations involve a "contracting out deduction" from the state pension payable. The Government explains this is needed to stop individuals benefiting from the new state pension, as well as pension built up as a result of being contracted out previously.

Some may receive more than the full new state pension, known as a protected payment, (if they would have received more under the current system) however most will receive less (due to their contracting out deduction).

In the future, an individual's "starting amount" will increase with the general level of earnings. But "protected payments" will increase with the general level of prices. So how an individual's state pension may increase in the future will depend upon how it was initially calculated.

Anyone over the age of 55 can apply for a personalised statement setting out what they are likely to get under the new system. These statements will now show any contracted out deduction from the starting pension. Contact: www.gov.uk/state-pension-statement

So the majority of pensions paid out for some years to come will be below the headline figure. New figures have shown that only 22% of women and 50% of men who reach state pension age on 2016/17 will get the standard amount.

Because of our schemes' contracted out histories this means that the majority of our members will not qualify for the full flat rate pension.

The other effect of the new system will have on us is that it will increase the amount of National Insurance we pay. Currently both our employers and ourselves benefit from a National Insurance rebate. This because our pension schemes are contracted out and we do not pay towards S2P because our schemes provide us with a better outcome.

Because S2P is no longer going to be part of the system it means that we will have to pay the full contracted in amount. So we will pay an extra 1.4% on our relevant earnings, that is to say between £153 and £770 of income, whilst our employers will be paying an extra 3.4% across the same range.

This will be noticeable in our take home pay, and particularly will have an impact on our employers.

USS: UCU Campaign on Valuation

The campaign to challenge the methodology of the USS valuation is continuing and we would urge all branches to keep up the pressure on their employers to challenge UUK and their support for the current method of valuation. Many employers are sympathetic to this campaign as they are able to see that both UCU's and their interests are aligned.

We would urge all pre-92 branches to continue to use the resources provided them to assist in this and to let us have the relevant feedback at pensions@ucu.org.uk as soon as possible. It is essential we move on this as quickly as possible.

USS Scheme Changes

Even though the new hybrid scheme is scheduled to begin in April 2016 we have still had no information on which funds will be available for members to choose from regarding the Defined Contribution part of the scheme. It has been suggested to us that this will not be available until September 2016 at the earliest, though this date is still possibly subject to delay.

In the meantime, we have no further information and so are unable to advise members.

The ability to take out an added years Additional Voluntary Contribution (AVC) has now finished, though some people who have been transferring personal pensions into this scheme are still going through the system.

The option of taking out a money purchase AVC is still available, however the USS Board has agreed to withdraw this facility from October 2016. From this date any contributions will be targeted towards putting this money into the Defined Contribution scheme and the AVC's with Prudential will close to further contributions.

The USS Board also has plans to gradually move monies from the AVC into the DC funds it offers over a period of time to ensure people do not face early encashment charges from Prudential. The only fund that this will be problematic for is the legacy with-profits fund because of the mixture of both current and future bonuses which are built into the fabric of the fund itself and are difficult to value on any particular day. So this fund is unlikely to be moved over unless members themselves decide that they wish to do so after financial advice has been taken.

When the new DC element is in place members must select the funds they wish their monies to go into or they will be placed into the default fund.

We will continue to look at these decisions taken at Board level and keep members informed as we receive information ourselves.

USS Ethical Investment Seminary

UCU held a seminar on USS Ethical Investment on 7th October 2015. There was a discussion on the need to pressurise USS to fulfil its agreement to survey members on the defined benefit investment portfolio and ask members if they wished the scheme to be invested with companies involved in cluster bombs, tobacco, arms, fossil

fuel and climate change issues. In terms of governance of companies USS should also raise with UK companies the need for them to pay at least the living wage.

Teachers Pensions

The new Teachers Pension scheme was implemented in April 2015. Although the changes were not welcomed or agreed to by UCU, members should always be conscious that the industrial action taken in 201 did result in the government making considerable improvements to their initial proposals.

Originally, the government was talking about accrual rates of 1/100th. After the UCU and teaching unions took strike action in June 2011, the accrual rate was improved to 1/60th. After the action in November 2011, the accrual rate was bettered to 1/57th, revaluated by CPI plus 1.6%.

These are significant gains.

Members who benefit from the transitional protections are reminded that at the time of the transfer they will receive a one off choice to buy out any actuarial adjustment over the age of 65 years. There is only a six month period to decide this and there is no right or wrong answer, it is for individuals to make a decision which suits their particular circumstances.

Opt-outs

For 1st January 2016 members on new contracts will be automatically placed into the scheme. So if you have opted out your will need to re-opt out. Remember if you have multi- contracts that you need to opt-out of all of them even if they with one employer.

Consider carefully before you opt out, remember that if you are a part-time worker that should you die in service then the death grant is three times the full-time equivalent salary not your earnings. So you have an insurance scheme as well as a pension scheme.

Teachers Pensions Flexibilities

It is still too early in the new scheme to make an assessment of how the ability to purchase increased accrual rates in any individual year is actually playing out regarding take up and how the system is actually working. We will keep looking at any information on this and let members know how this is going.

No paper annual benefit statements

Teachers Pensions is not sending out annual benefit statements in future they will email a notice to you when it is ready.

Therefore it is essential that you register for 'My Pensions' online on the website so that you will receive your notification. Please use a personal email address if you have one.

Teachers' Pensions administration will not reply on unsecure email addresses and will answer respond only via the members 'My Pension' Account from now on. Will respond to written or verbal enquiries direct.

Prudential AVC's

The AVC scheme, provided by Prudential, is still open to members of TP and does seem to be of interest to members as it is now offering the new Pension Choice flexibilities as brought in by government.

We will be covering these subjects again in our next Pensions Newsletter.

UCU Pensions Courses

The next scheduled UCU Pensions Course is due to be held in London, at Carlow Street, on 10 and 11 February 2016. If you would like to attend this course please begin to plan for this now.

There will be further courses held later in 2016 which will be based in:

Leeds 6 and 7 April 2016

Birmingham 7 - 8 July 2-016

In the meantime if you wish to discuss pensions' matters please contact the UCU pensions' team at pensions@ucu.org.uk

Regional Retired Members' Branches

Remember to remind members who are retiring from your workplace, that they can continue to be member's and belong to your regional retired members' branch or their present one for £2.64 per month.

Information available at:
<http://www.ucu.org.uk/5436>

Contact UCU Pensions Department
The contact person is Geraldine Egan: (e) pensions@ucu.org.uk
(t) 0121 634 73878