USS

UNIVERSITIES SUPERANNUATION SCHEME

in touch

Universities Superannuation Scheme Newsletter 2009

I'm sure that many readers may be worried about the possible impact on their pension of recent events in the financial markets. This is understandable; I've received letters and emails and spoken to retired members seeking reassurance almost every day since the financial crisis began last year.

I would like to reassure you that your pensions are not affected by the extraordinary volatility of the investment markets. The latest valuation of the scheme, explained in the Summary Funding Statement issued in February, showed that the scheme has sufficient assets to continue paying your pensions.

The value of the assets has, of course, fallen since the valuation and the board of the trustee company is not complacent about the difficulties the scheme faces in falling markets, but it is in a more favourable position than the majority of private schemes. USS has a positive cashflow because the value of contributions paid in every year is greater than the benefits paid out. In addition USS has strong support from 400 higher education institutions.

No one can claim to have foreseen the fall in market values but the trustee board has been taking steps for several years to diversify the fund's portfolio, reducing the proportion held in equities and increasing the allocation to alternative asset classes. We are continuously reviewing the portfolio to ensure that we are in the best possible position to take advantage of the strong cashflow when the markets start to recover.

Since the last newsletter the employers and UCU have formed a Joint Review Group to determine what changes should be made to USS to ensure that it remains an attractive and affordable defined benefit pension scheme. The outcome of the review will not adversely affect any pensions currently in payment, in fact it presents an opportunity to modernise the scheme and ensure that it remains available for your successors.

Colin Busby
Communications Manager

Protection for your beneficiaries

It's not something any of us like to discuss but we won't live forever so it's reassuring to know that if you have any eligible beneficiaries, they may still receive a benefit from USS after your death. This might be a pension but in some cases might also include a lump sum if you die within five years of retirement.

A pension to your spouse/civil partner or other financial dependant

If you are married or part of a civil partnership and you die before your spouse/civil partner then, for the first three months after your death, your spouse/civil partner will receive an enhanced pension equal to the amount of pension payable to you at the time of your death. However, if you elected to receive more or less cash in exchange for less or more pension, the pension would be equal to the standard pension calculated at retirement plus pension increases to date of death.

If you are not married, nor part of a civil partnership, this pension could be paid to a 'financial dependant'. A financial dependant is someone who is financially dependent on, or inter-dependent with, you at the time of your death, perhaps a relative that you care for, or someone with whom you co-habit as a couple.

From the fourth month onwards your spouse/civil partner/dependant will receive a monthly pension of 1/160th of your pensionable salary at retirement for each year of pensionable service, plus pension increases to date of death. This pension is payable for the rest of his/her life and increases in the same way as any other pension paid by USS.

An enhanced spouse's/civil partner's pension for the first three months is not payable if you retired with less than five years' qualifying service.

Example calculation: Pension for spouse/civil partner/dependant

The following examples are based on service of 30 years, an annual salary at retirement of £25,000 and pension on death of £9,719.40 a year:

30 x 1/160 x £25,000.00 = £4,687.56 a year

Plus pension increases since retirement:

(£4,687.56 x 1.8%) + (£4,771.94 x 3.9%) = £4,957.99 a year

Spouse's/civil partner's/dependant's pension for first three months:

£809.95 a month *(assuming five or more years' qualifying service)*

Spouse's/civil partner's/dependant's pension for fourth month onwards:

£413.17 a month/£4,958.04 a year

Annuities for eligible children

The scheme rules provide for the payment of an annuity to eligible children. An eligible child is one who is under the age of 18, or is 23 or under and in full-time education or full-time training approved by USS, or is physically or mentally incapable of supporting himself or herself. The amount would depend on the number of children; for two or more children they would share a total income of 75% of your standard pension at retirement, for one child it would be half that amount.

A lump sum in some circumstances

A lump sum may be payable at the discretion of USS if you die within five years of retiring. This lump sum is like a balancing payment to ensure that all members receive equal value from the scheme within the initial five years of retirement. For example, you may have decided to take no tax-free cash at retirement and you pass away the following month. All that you've received is one month's worth of pension. Another member might have chosen to take the maximum possible tax-free cash sum, so they've received far more from USS.

The calculation is fairly complex but generally speaking we work out what the death in service lump sum would have been had you died the day before you retired. We then deduct the gross amount of pension you've received to date of death and the amount of tax-free cash you took at retirement. We then compare that amount to the amount of pension that has yet to be paid in the initial five years of retirement. The lump sum is the lesser of these two values.

Example calculation: Lump sum on death within five years of retirement

Life cover on day before retirement (3 x £25,000)	£75,000.00
LESS	
Tax-free cash taken at retirement	– £28,125.00
Gross pension to date of death	– £19,189.23
Total	***£27,685.77***
Compare with unpaid instalments from first five years	£29,158.00
Lump sum payable is the lower of the two amounts	***£27,685.77***

Happy 100th birthday!

One hundred years ago, the first pensioners went to the Post Office to collect a state pension of 5 shillings a week.

In 1909 half a million people over age 70 got a pension. Now they number over 12 million, with more than 700,000 people reaching state pension age in 2009 alone. Today the basic state pension is worth around four times more than the amount received in 1909. The full pension was 5 shillings (25p) for a single man or woman and 7s and 6d (38p) for a married man. In today's money that's £19.30 and £29.

From April 2009, the basic state pension will go up by 5%, ensuring someone on a full pension will see their weekly income go up from £90.70 to £95.25. Pension Credit will also increase by the highest amount ever, up from £124.05 to £130 a week for a single pensioner.

Around 12,000 people in the UK will share their 100th birthday with the State Pension this year and by 2050 we can expect 250,000 new centenarians each year – that's a lot of telegrams!

The first pension was non contributory but was means tested. Pensions Officers visited people's houses to check how much money and what possessions they had – including the kitchen sink! People also had to prove they were of 'good character' before they received a penny.

Only 24% of people survived to age 70 in 1908. Those who did lived for just nine more years on average. Today, 84% of us make it to collect our state pension (at age 60 for women and 65 for men) and live, on average, for a further 24 years – that's nearly a third of our lives in retirement

"The first pension was non contributory but was means tested. Pensions Officers visited people's houses to check how much money and what possessions they had – including the kitchen sink! People also had to prove they were of 'good character' before they received a penny."

And it's not just the state pension that's 100 years old, we've also been able to celebrate the 100th birthday of some of our USS pensioners this year!

Happy Birthday...

Mr Edmud Seyd (July 2008)

Mrs Ilse Peacock (February 2009)

Mrs Joan Truelove (March 2009)

Working after retirement

Many members ask if it is permissible to get another job whilst receiving a pension from USS.

Well, the simple answer is that in most cases obtaining new paid employment after retiring from a USS institution would not affect your pension, unless you retired on the grounds of partial or total incapacity. In those circumstances you should let us have details of the salary you will receive.

If, however, you are offered employment that is pensionable in USS you cannot rejoin the scheme unless you are in receipt of a non-enhanced incapacity pension.

"...in most cases obtaining paid employment after retiring from a USS institution would not affect your pension, unless you retired on the grounds of partial or total incapacity."

Remember though, any income you receive in retirement is added to all other sources of income and is taxable.

Pensions news

Appointment of USS Pensioner Director

Lady Maureen Merrison will be stepping down as Pensioner Director on 30 September 2009, having served 6 years. UCU will be seeking to appoint for a four year period a Pensioner Director to serve on the USS trustee board. Applicants are required to be in receipt of a current USS pension by virtue of their own service in a USS institution.

For further details

write to
Pensions, UCU Birmingham Office,
2nd Floor Alpha Tower, Suffolk Street
Queensway, Birmingham N1 1TT

email
pensions@ucu.org.uk

telephone
0121 634 7387

Closing date for applications is 12 June 2009

Pensions increases on Guaranteed Minimum Pension (GMP)

Your GMP is the part of your USS pension that is the equivalent of the state pension you would have received if you had not been contracted-out of the state second pension. Increases on this part of your USS pension are normally paid fully, or in part, by the Department for Work and Pensions (DWP) but not if you:

- are the widower of a former USS member, unless you are receiving either a state retirement pension which includes an additional pension or an incapacity benefit based on your late wife's contributions, or
- are a resident in an overseas country, where there isn't a reciprocal arrangement with the UK on increasing social security pensions, or
- have deferred commencement of the payment of your basic state retirement pension beyond state pension age and are not in receipt of incapacity benefit or employment and support allowance, or
- are for some reason, temporarily disqualified from receiving your basic state retirement pension, or
- have an additional pension from SERPS, paid as part of your state retirement pension, which is less than the total GMP to which you are entitled.

If any of these situations apply to you, write to us quoting your USS pensioner number (shown on your pension payment advice slip) giving details of your circumstances. If the DWP is not providing GMP increases, we will further increase your main section pension from USS once confirmation has been received.

Income Tax – coding

The 2009/2010 tax year commences on 6 April 2009. HM Revenue & Customs (HMRC) will notify, individually, those pensioners whose tax codes are changing and will also inform Universities Superannuation Scheme Ltd. Please note, however, that Budget changes resulting in an automatic adjustment of your tax code will not be notified to you individually by HMRC unless it is for a T or K code.

If you disagree with your revised tax code you should write direct to the Tax Office quoting reference 428/U168 and your national insurance number. The address is: HM Revenue & Customs , Merseyside Area, Regian House, James Street, Liverpool L75 1AA.

P60

HMRC regulations require us to send you a P60 End of Year Certificate of Pension and Income Tax for the 2009/2010 tax year by 31 May 2009. It is our intention to despatch this document by 30 April 2009.

Your P60 is an important document that you will need if you have to complete a tax return. Please ensure that you keep it in a safe place for future reference and notify us in writing if you have not received it by 29 May 2009.

Pension payment advice slips

Pension payment advice slips will be produced for all pensioners and beneficiaries annually in April but thereafter will only be issued when the net pension differs by £1 or more from the amount paid in the preceding month.

Deflation

Don't worry – if we do enter a period of deflation we won't reduce your pension.

During 2007 and most of 2008, we've seen price inflation in the UK, using the Retail Price Index (RPI), at an average of between 4% and 5%. But since October last year it has been falling rapidly and RPI inflation in January 2009 was 0.1%.

You've probably read reports about the possibility of deflation, in other words negative price inflation. That sounds great, we can all expect prices to fall and we'll get more for our money. But what happens to the level of your USS pension, which after all is reviewed each year and increased in line with Retail Price Inflation?

Well don't worry – if we do enter a period of deflation we won't reduce your pension. What will happen is that you will receive a 0% increase, which in fact is an increase in its purchasing power during periods of negative price inflation.

Don't forget

If you are changing address or bank...

It is important that you keep us up to date with any changes to your personal details, particularly changes to your address or to the bank or building society to which your pension is paid.

You will be aware that instances of 'identity theft' are being mentioned more and more frequently in the media.

For that reason, in addition to requiring a signed notification detailing any bank account changes, we require some form of original documentation from a pensioner's new bank as evidence that the account is indeed a valid account in the name of the pensioner concerned (eg a cancelled/void cheque or letter from your bank showing the new account details).

We appreciate that this makes the process of changing banks somewhat more onerous than it might otherwise be but we believe that this is essential to protect our pensioners from the possibility of fraud.

We need to receive any address or bank changes by the end of the month prior to that in which the change is to take place and recommend that you leave your existing bank account open until you receive written confirmation from us that we have amended our records.

Contacts

Universities Superannuation Scheme Limited

Write to:
Royal Liver Building,
Liverpool L3 1PY

Telephone:
0151 227 4711
(Local rate
0845 068 1110)

Fax:
0151 236 3173

Email:
postbox@uss.co.uk

Website:
www.uss.co.uk

Any queries?

If you have any queries or problems with your pension, please contact the pensions payroll department. Please have your pensioner number or national insurance number to hand to help us answer your query. You can find both these numbers on your pension payment advice slip.

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