Money purchase AVCs arrangement with Prudential
Switching your funds into the USS Investment Builder

This factsheet provides you with important details of how the transfer of benefits from USS’s money purchase AVC (MPAVC) arrangement with Prudential to USS Investment Builder is happening.

We are communicating separately with members who hold Prudential MPAVCs to explain this process. This factsheet contains more details of what will happen next to your Prudential MPAVCs, including:

- What will happen to the funds you have built-up;
- When and how this will happen;
- Frequently Asked Questions.

Options for members with unit-linked funds

Automatic Switch

For Prudential MPAVC members who hold existing unit-linked funds (any funds except for the With-Profits Fund and Deposit Fund), we will be carrying out an automatic switch into the USS Investment Builder. Your funds will be automatically moved into the USS Investment Builder, and switched to an equivalent fund through a process called ‘fund mapping’, which is described below.

The trustee believes that this movement of funds will be in most members’ best interests, for the following reasons:

- The lower charges which the trustee has secured for the investment options offered in the USS Investment Builder, due to the scheme’s economies of scale;
- The existence of an employer subsidy towards the administration and running costs, and the investment management charges, which is currently available for the investment options offered in the USS Investment Builder;
- Value for money in overall terms, looking not just at charges and their transparency, but also at the support services that will be provided to members.

The automatic switch will be phased, and will start in the first quarter of 2017 and the vast majority of members will be included in the first instalment.

We are phasing the transition to ensure that no member will be subject to an exit penalty. Exit penalties apply to members who have been in the Prudential MPAVC for less than three years from the date the first contribution was received by Prudential. You can find more information about the exit penalty in the USS MPAVC Key Features Document.

The trustee will be able to take active steps to mitigate the out of market risk in the automatic switching exercise, as the amount of funds being moved makes it practicable to do so. This means that the trustee will take steps to limit your funds’ exposure to market movements.

You will receive further communications with full details of the process from USS before your fund is automatically switched. These communications will be phased depending on when your funds will be automatically switched.
Fund mapping

You will be mapped into a fund in the USS Investment Builder that has similar characteristics, level of risk and objectives as the existing Prudential MPAVC Funds. The fund mapping is shown in the table below:

<table>
<thead>
<tr>
<th>Prudential Fund</th>
<th>Proposed USS Investment Builder Fund</th>
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<tr>
<td>Prudential UK Equity Fund</td>
<td>USS UK Equity Fund</td>
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<tr>
<td>Prudential UK Equity Passive Fund</td>
<td>USS UK Equity Fund</td>
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<tr>
<td>Prudential International Equity Fund</td>
<td>USS Global Equity Fund</td>
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<td>LGIM Ethical Global Equity Index Fund</td>
<td>USS Ethical Equity Fund</td>
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<tr>
<td>Prudential Ethical Fund</td>
<td>USS Ethical Equity Fund</td>
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<tr>
<td>Prudential Fixed Interest Fund</td>
<td>USS Bond Fund</td>
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<tr>
<td>Prudential Index Linked Fund</td>
<td>USS Bond Fund</td>
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<tr>
<td>Prudential Discretionary Fund</td>
<td>USS Growth Fund</td>
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<tr>
<td>Prudential Cash Fund</td>
<td>USS Cash Fund</td>
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More information about these funds can be found on the fund factsheets accessible via My USS. Note that all of the funds being mapped into in the table above receive the employer subsidy of investment management charges, and are therefore currently offered free of any administration or investment management charge to the member.

Voluntary switch

If you are considering switching funds you should be aware of the following:

- When MPAVC funds are switched into the USS Investment Builder, there will be a period of time between the disinvestment from Prudential and the reinvestment of funds into the relevant USS Investment Builder Fund(s). We will do all we can to minimise this period and ensure your funds are reinvested as soon as possible (in line with regulatory expectations). However, during this period, your funds will be ‘out of market’ meaning they are not invested in an investment fund. This period could last up to 11 working days for a voluntary switch. The market could move up or down during the time that your funds are not invested, therefore members may experience a reduction in fund value if the market moves against them during this out of market period;
- The trustee will be able to take active steps to mitigate the out of market risk in the automatic switching exercise, given the amount of funds being moved. This will not be feasible for a voluntary switch;
- We expect the majority of members will wait for the automatic switch and the trustee believes this this is likely to be the most efficient and straightforward option for most members. With an automatic switch, no action will be required by you unless you would like to select a fund other than the one your funds have been mapped into;
- You may want to take financial advice (see below);
- We are unable to give a definitive timeframe for how long a voluntary switch will take, as it will depend on the number of switch requests being received. Please note therefore that we are unable to give you an exact date at which switches take place and, as with any switch, the unit price may be lower than they are at the date of completing the form;
- You will receive confirmation in writing once your funds are invested in the USS Investment Builder. You can also check your online account via My USS.

Options for members with With-Profits and Deposit MPAVC funds

USS will not be switching existing With-Profits Fund and Deposit Funds into the USS Investment Builder. You can however choose to switch these funds on a voluntary basis if you wish – please see the section above for further details.
If you are invested in the With-Profits Fund

With-Profits funds will remain invested with Prudential unless you actively request a switch of those funds across to the USS Investment Builder. This is because there are specific underlying features embedded within these funds which means the case for making an automatic switch of the funds already built up is not as straightforward as it is for other funds. Please see the Prudential With-Profits Fund factsheet for further information.

If you decide to voluntarily switch your MPAVC With-Profits Fund in to the USS Investment Builder, Prudential may apply a ‘Market Value Reduction’ (MVR) depending upon investment conditions at that time. You can request a transfer value from Prudential who will be able to give an indication of whether an MVR would apply to you. Further details on how the With-Profits Fund is managed can be found here.

If you are invested in the Deposit Fund The Prudential Deposit Fund has a guarantee that the holdings in this fund will never drop below the amount you have invested. If you switch out of this fund, you will no longer have that guarantee. More information can be found here.

Please note that you could be invested in a combination of With-Profits, Deposit and Unit-Linked Funds.

Independent Financial Advice

Neither the trustee nor Prudential can give you financial advice. If you are not sure what’s best for you, we strongly recommend that you speak to an independent financial adviser (IFA) before making a decision. You can find an IFA through the following website: www.unbiased.co.uk. Please be aware that you may be charged a fee for any advice.

Frequently Asked Questions

Can I change the funds I have been mapped into?

Yes, you will be able to select any fund that is available in the USS Investment Builder. You will receive more details in your automatic switch communication. Please note that you cannot opt-out from the automatic switch.

Can I switch my funds before the automatic switching exercise?

Yes, you will be able to voluntarily switch your funds. If you would like to transfer your funds on a voluntary basis you will need to complete a switch request form, available on the forms section online here. Please ensure you read the ‘voluntary switch’ section above which contains important information about the risks of doing this.

How long will the voluntary switch process take?

We are unable to give a definitive timeframe as it will depend on the number of switch requests received. You will receive confirmation in writing once your funds are invested in the USS Investment Builder. You can also check your online account via My USS.

Can I still switch between funds within the Prudential MPAVC?

If you are invested in the unit-linked funds you are able to switch your MPAVC funds between the investment options available within the Prudential MPAVC up until the point the automatic switch of your unit-linked funds takes place. If you are currently invested in the With-Profits or Deposit funds, you will not be able to make switches into unit-linked funds after the first tranche of automatic switching take place. We will provide further information on this in future communications.

What happens if I pay life assurance premiums?

Subject to the rules of the scheme, if you pay life assurance premiums your life assurance will continue for such time that you:

- Are an active member of USS; and
- Continue to make life assurance contributions into the Prudential fund.

Life assurance membership will automatically cease in the event that either of the above conditions cease and/or you reach age 65 and as a result you will no longer be covered in the event of your death.
What is an exit penalty?

If it has been less than three years since Prudential received your first contribution into the AVC arrangement when the fund switch takes place, you will be subject to an exit penalty. You can find more information about the exit penalty in the USS MPAVC Key Features Document. If you are unsure if this applies to you, you can check your contribution history by logging on to www.pruretire.co.uk. The automatic switching will be phased so that members who are automatically switched will not be subject to an exit penalty.

What if I have funds in both unit-linked and With Profits and/or Deposit?

There are some Prudential MPAVC funds that will be excluded from the automatic switch. Members with With-Profits Fund and/or Deposit Fund holdings will not be moved automatically into the USS Investment Builder, although these funds can be moved on a voluntary basis. If you do have unit-linked funds, alongside these funds, your holdings will be split across the Prudential AVC and the USS Investment Builder after the automatic switching has taken place.

Who can I contact for more information?

Full guidance notes are provided on the form, but if you have any questions please get in touch by using the online form available on the Contact us page.

What if I want to stop paying?

If you wish to cease paying your AVCs to the Prudential, you must inform your Payroll Department immediately. If you wish to cease paying AVCs to the Prudential, but wish to pay AVCs to the USS Investment Builder instead, then you should elect to do so via My USS.

This publication is for general guidance only. It is not a legal document and does not explain all situations or eventualities. USS is governed by a trust deed and rules and if there is any difference between this publication and the trust deed and rules the later prevail. 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.