

The planned changes to USS's money purchase AVC arrangement with Prudential

Key points

- This update will be of interest to you if you currently pay, or have ever paid, contributions to the money purchase Additional Voluntary Contribution (AVC) arrangement with Prudential;
- **You do not need to take any action now.** The trustee will write to you again – from May 2016 onwards – regarding the next steps;
- If you do not pay contributions to the money purchase AVC arrangement, this will not affect you;
- From 1 October 2016, a new defined contribution section of the scheme will be introduced called the USS Investment Builder;
- Additional contributions (including the match) made from 1 October 2016 onwards are to be invested in the USS Investment Builder;
- Some of the money purchase AVC funds already built up to 30 September 2016 will be transferred to the USS Investment Builder, other funds will remain invested with Prudential;
- If you are **currently contributing** into the money purchase AVC arrangement with Prudential you will be able to continue to do so until 30 September 2016. If you are **planning to start contributing** to the money purchase AVC arrangement you can still do so until 30 September 2016;
- Further information about the scheme changes and the changes to the money purchase AVC arrangement can be found in the member guide and in the frequently asked questions area of the [USS For the future site](#).

Background

The trustee regularly reviews the scheme's existing money purchase AVC arrangement, currently with Prudential. In view of the introduction of the USS Investment Builder, the trustee believes that it is appropriate to transfer some of the existing money purchase AVC funds to the USS Investment Builder, which will take place gradually. Some parts of this will happen automatically, some will require you to actively make a decision. The trustee has looked at this matter with great care and the reasons for this planned transition are set out in this update.

Future contributions from 1 October 2016

The trustee is making arrangements for suitable options to be available for future contributions. From July 2016, you will need to make some key choices – the amount that you wish to contribute in addition to your standard contributions; whether you will choose to elect for the match from your employer; and which investment options you wish to invest in. If you do not notify the trustee on these key choices, your employer will be required to automatically stop making money purchase AVC deductions from 1 October 2016. The trustee is currently considering whether there are to be any limited exceptions to this general policy. We will provide an update when we write to you again early in the summer.

Money purchase AVC funds already built up

Prudential presently has a range of ten funds from which you can choose. The trustee has no plans to move the existing With-Profits funds. However for those funds other than With-Profits funds (referred to as 'unit-linked funds') there will be a gradual transition to the USS Investment Builder. You do not need to make any decisions straight away. The trustee will contact you, and give you adequate notice, of any intentions to move funds from Prudential to the USS Investment Builder so that you can make the right choice. To clarify:

- With-Profits funds which have been built up until 30 September 2016 will remain invested with Prudential, unless you actively request a transfer of those funds across to the USS Investment Builder. This is because there are specific underlying features embedded within the With-Profits fund which mean that the case for making an automatic transfer of the funds already built up is not as compelling as it is for other funds;
- Unit-linked funds which have been built up until 30 September 2016 will be transferred over to the USS Investment Builder automatically. This will take place over a period of time, some months after 1 October 2016. Full notice of any intention to transfer your funds will be provided and you will have the opportunity to review the investment options available at that point. Please note that we plan to give you an option to transfer your funds earlier if you so wish.

Planning for the transition, between now and the end of September 2016

If you are currently contributing into the money purchase AVC arrangement with Prudential you will be able to continue to do so until 30 September 2016. **You are not required to make any decisions now.** It is important that you can continue to save extra towards your retirement as the changes to the scheme are implemented, and the trustee is handling its transition plans in a way that allows members to continue paying extra where they so wish (and indeed for new members to start paying extra between now and 30 September 2016).

Money purchase AVC benefit options

The trustee has now agreed that nothing will change in terms of the benefits options you will have in respect of money purchase AVCs paid through to the end of September 2016. This means, for example, that you can still choose to access your money purchase AVC funds in the form of cash (subject to limits), or convert these funds into regular pension income in the scheme. For further information, please refer to the **frequently asked questions section of the USS For the future website.**

Benefits of the USS Investment Builder

The trustee believes that the USS Investment Builder will offer better value for members for the following reasons:

- The **lower charges** which the trustee expects to secure 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 available for the investment options offered in the USS Investment Builder;
- The offer of the match and likelihood that members already paying extra will wish to take advantage of that matching contribution. If you pay at least 1% of salary as an additional contribution you will be able to receive a further 1% contribution from your employer; and
- 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.

What will happen next?

The trustee plans to write to you again – commencing from May 2016 onwards – regarding the next steps. Nothing will change until 1 October 2016, but before then the trustee will provide you with further information about how you can make the necessary choices. Communications are planned as follows;

May 2016	Existing members of the money purchase AVC arrangement with Prudential will be provided with a further communication detailing final plans for the transition and confirming when members will receive information about options to make AVC elections and investment choices.
July 2016	Opening date for the member online portal; confirmation of the investment options available in USS Investment Builder (and any investment management charges that relate to those investment options), and the closing date for elections to be effective from 1 October 2016.

September 2016 Reminder of closing date for elections to be effective from 1 October 2016.

Further information

If you need further information at this stage, you will find some dedicated **frequently asked questions** available on the For the future site. You can also contact the trustee with questions about these planned changes by emailing communications@uss.co.uk. For details of your funds please see your last money purchase AVC annual benefit statement issued by Prudential, or you can view up to date Prudential fund values at www.pruretire.co.uk. Their website enables you to check the current value of your plan, access information on funds and review or change your investment choices.

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 latter prevail. Every effort has been made to present accurate information at the date of publication and 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.