

# The planned changes to USS'S money purchase AVC arrangement with Prudential:

An update: 16 May 2016

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**This communication contains important information about USS's money purchase AVC (MPAVC) arrangement and we ask you to read this carefully, in conjunction with the update entitled 'Your USS – an overview of the future', which has been sent to you along with this communication, and the May 2016 USS Monthly member email.**

We last wrote to you in March 2016, giving details of changes USS was planning on making to the MPAVC arrangement with Prudential.

A recap of these changes is as follows:

- The MPAVC arrangement with Prudential will close to new and existing contributors from 30 September 2016.
- From 1 October 2016, a new defined contribution section of the scheme will be introduced called the USS Investment Builder.
- If you wish to pay additional contributions (including the 1% match) from 1 October 2016 onwards, these will be invested in the USS Investment Builder.
- If you wish to make additional contributions into the USS Investment Builder you will be required to make an election via an online application. You will receive more information about this in due course.
- **There will be two exceptions to the closure of the MPAVC arrangement.** If you are a regular contributor to the Prudential With-Profits Fund, you may be eligible to continue paying contributions into this fund. Please see the section below – 'Future contributions in certain circumstances to the With-Profits Fund'.
- If you currently pay life assurance premiums as part of the MPAVC arrangement, these will continue unless you decide otherwise.
- Turning to the issue of funds already built up, most of the (MPAVC) funds already built up to 30 September 2016 will be transferred to the USS Investment Builder in 2017; some funds in specific circumstances will remain invested with Prudential. More information on this is covered below in the section 'Money purchase AVC funds already built up'.
- **You do not need to take any action now, but you should start to think about the implications as you will need to take action at a later point if you wish to make additional contributions into the USS Investment Builder.**

## The USS Investment Builder

The USS Investment Builder will launch on 1 October 2016. Further information on the Investment Builder and its features, and on investment choices available, is included in the update entitled 'Your USS – An overview of the future'.

USS believes that the USS Investment Builder will offer better value for money for members and, for this reason, the MPAVC arrangement with Prudential will close to new entrants and on-going contributors from 30 September 2016 with the exception of the specific group set out in the next section. Further information on the benefits of the USS Investment Builder was provided in the MPAVC communication issued in March 2016 and further detail will be included in the May member email.

## Future contributions in certain circumstances to the With-Profits Fund

**If you have recently contributed to the With-Profits Fund (or are arranging to do so), please read this section:**

USS has decided that certain members will be able to choose to continue to pay into the With-Profits Fund of the MPAVC arrangement for a transitional period running until 30 September 2019.

The key reason for this is because there is not a directly comparable fund available in the USS Investment Builder, so USS wants to ensure these members in particular have adequate time to make a decision on paying into the USS Investment Builder and which fund (or funds) to choose, if required. Furthermore, some members - particularly those close to retirement - may need to consider whether they value the particular features of the With-Profits Fund over those available from the Investment Builder. You can find out more about the With-Profits Fund by accessing the [Prudential MPAVC website](#).

If you are currently contributing to With-Profits Fund in the MPAVC, or have done in the recent past, or are arranging to do so, you may be eligible to continue paying into that fund if you wish.

To be eligible you must be an active member of the scheme and meet at least one the following criteria:

- (1) You have paid a contribution to the With-Profits Fund in May 2016 (i.e. a contribution has been deducted from your May salary) OR
- (2) You have paid a contribution or contributions into the With-Profits Fund in the 12 months to May 2016 (i.e. from 1 June 2015) OR
- (3) Before 16 May 2016, you have taken active steps to commence, or if you had ceased to resume, paying contributions to the With-Profits Fund.

If you are eligible under (1) or (2) above, we will send you a further communication in June detailing the steps you need to take if you want your With-Profits Fund contributions to continue after 30 September 2016. If you think you fall under (3) above, please refer to the frequently asked question on [USS For the future](#) for more information.

If you would like to check whether you are currently making With-Profits Fund contributions please check your latest annual statement from Prudential (you should receive this by 20 May). You can also contact Prudential directly or use the online service [www.pruretire.co.uk](http://www.pruretire.co.uk). Its website enables you to check the current value of your plan, access information on funds and review or change your investment choices.

Please note that if you do not wish to continue paying contributions into the With-Profits Fund after September 2016, this will not impact any guarantees or final bonus on your fund you may be entitled to from Prudential. Please see the frequently asked question on this matter.

## Money purchase AVC funds already built up

USS has no plans to transfer existing With-Profits Fund and Deposit fund into the USS Investment Builder unless you make a positive election to do so. However for those funds other than With-Profits Fund and Deposit fund (referred to as 'unit-linked funds') there will be a gradual transition to the USS Investment Builder. To clarify:

- With-Profits funds and Deposit funds which have been built up until 30 September 2016 will remain invested in 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 these funds which means the case for making an automatic transfer of the funds already built up is not as straightforward as it is for other funds. Please see the **With-Profits Fund and Deposit Fund factsheets** for further information.
- 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. This transfer is expected to start in 2017. USS is in the process of determining the most appropriate date. This transfer will be automatic and funds built up will be mapped to an equivalent fund in the USS Investment Builder. You will have the option to select a different fund to transfer to if you wish.

**You do not need to make any decisions straight away but should start thinking about this, ahead of fuller information being provided to you on Investment Builder fund options in July.** USS will contact you early in 2017 and will give you adequate notice, of when it plans to move funds from Prudential to the USS Investment Builder. There will also be an option to transfer your funds earlier if you so wish on an individual basis. We will send further information on how to do this later in the summer.

## MPAVCs for Life Assurance

**If you pay premiums to Prudential to purchase life assurance, please read this section:**

If you have paid premiums to Prudential within the 12 months to May 2016, or have taken active steps before 16 May 2016 to commence or resume premiums, then these will continue from 1 October 2016. If you are unsure whether you are paying life assurance premiums, please check your latest annual statement from Prudential or contact Prudential. You don't need to do anything unless you wish for these premiums to cease.

## Further information

If you need further information at this stage, you will find some dedicated **frequently asked questions** on the '**For the future**' site. You can also contact USS with questions about these planned changes via the **USS website**.

For details of your funds please see your latest MPAVC annual benefit statement issued by Prudential (you should receive this around 20 May 2016), or you can view up to date Prudential fund values at **www.pruretire.co.uk**. Prudential's website enables you to check the current value of your plan, access information on funds and review or change your investment choices

**You may wish to take financial advice if you plan to review your current investments.**

## What will happen next?

If you fall into the group that is eligible to continue making contributions to the With-Profits Fund, we will contact you in June 2016 with further details, including the action you will need to take if you wish to continue those contributions.

We will write to all members of the MPAVC arrangement, regardless of the funds to which you make contributions, later in the summer with more details on the fund transfer process, including timescales and any action required by you.

You will also continue to receive information on the USS Investment Builder over the course of the next few months including more information on the funds available and the online application process.

Please note that nothing in this factsheet affects any existing arrangements for members paying additional contributions to purchase added years of pensionable service or revalued benefits – these are unaffected by, and are quite separate to, the Prudential money purchase AVC arrangement discussed in this factsheet.