1. Why should we provide our feedback on the proposals, is this really a meaningful consultation or has the decision already been made?

This is not the case, the decision has not already been made. The University is committed to running a meaningful consultation and encourages all affected employees and trade unions to engage with the process and raise any issues, concerns and suggestions they have. This is so they can consider all responses before a decision is made when the consultation period has closed.

2. Why is a Career Average basis being introduced for UMSS?

Building pensions on a Career Average basis is not new. The majority of members in UMSS are already building pension benefits on a Career Average (also called CARE) basis.

3. Why has the proposed accrual rate in the CARE section been set at 1/100ths? Have other rates been considered as part of the review?

As part of the pensions review, the University has considered a range of proposals. It will also consider feedback from employees, and the trade unions with regards to suggested alternatives. The proposed accrual rate is one which offers continued affordability for both the University and members.

Thank you for all of the feedback on the proposed changes to The University of Manchester Superannuation Scheme (UMSS). These Questions and Answers have been provided in response to the consultation feedback received so far.

We are also continuing our consultation discussions with the trade unions. The feedback received is discussed each week, and the website Q&As are updated regularly, so please give your feedback at the earliest opportunity, so that we can include it in our consideration.

The current CARE section was introduced in 2012 and there are currently almost 1,900 members in this section (compared with approximately 1,600 members in the Final Salary section).
4. Can I pay more to get more?
If the proposals were to go ahead, members of UMSS could pay additional voluntary contributions into UMSS to provide additional pension benefits.

5. We have been told that the University can’t afford to pay any more into UMSS, but there are many buildings and other projects that are being invested in. Why can’t that money go into UMSS?
The University has made a strategic decision to invest in its campus and, in 2013, raised £300m of funding for the Campus Masterplan through a bond issue. This money is being used to fund the investment in improved facilities which will benefit both staff and students, now and in the future. A large proportion of the money being spent on the Campus Masterplan has been sourced from external funders such as the government and the Heritage Lottery Fund.

6. Isn’t this just about the University saving money?
Not at all. In making these proposals, the University is not seeking to reduce its financial commitment to UMSS, but neither can it increase its level of contribution to cover the significantly increased costs of future benefit based on the current benefits package.

7. Shouldn’t we wait until the USS proposals are decided? Do those decisions impact UMSS?
USS is a sector-wide pension scheme with around 350 higher education employers that participate. No decisions have yet been made regarding the future benefit structure of USS. At the moment a Joint Expert Panel is examining the valuation of the USS and is due to report its findings and recommendations in the autumn. A consultation on increases to member and employer contributions is due to open on 3 September 2018. The valuation of UMSS, and these resulting proposals are unrelated to the USS situation.

8. What was the process for the UMSS valuation?
The UMSS actuarial valuation was carried out by the Trustee having taken detailed expert advice from its actuary, and in consultation with the University. Both parties agreed the financial assumptions used in settling the valuation. This process and respective responsibilities is in line with the requirements of UK pensions law and how all similar schemes conclude valuations.

9. What will happen if the changes go ahead before the Joint Negotiating Committee for Higher Education Staff (JNCHES) pay dispute is settled? Will that impact the value of my pension from UMSS?
When the JNCHES dispute is settled, the pay and pension implications will be backdatad. This will apply whenever settlement is reached, so if changes go ahead before agreement on the pay award is reached, an adjustment would be made to the calculation of any benefits you have built up in either section of UMSS to 31 December 2018.

10. When does consultation end? Have we had enough time?
The consultation period runs from 18 June 2018 to 31 August 2018, a period of 75 days. The legal requirement for a consultation period of this kind is 60 days, but more time has been allowed to give members chance to consider the proposals over the holiday period. This gives you the opportunity to have your say about the proposals. The University will consider your feedback carefully and it will inform the discussions that it has with the Trustee of UMSS.
11. Has UMSS been mismanaged? We were told that investment returns have been good, but the deficit has increased.

No, UMSS has not been mismanaged but the difference between the value of the assets and the current cost of the pension promises has widened. The cost of pension liabilities is assessed with reference to known expected returns such as those available from long term gilts or interest rates. Where the long term gilt yield is low, this means the current cost of pension promises is higher than otherwise would be the case with higher expected returns. The University has committed to meet the deficit by paying an additional £6m a year, increasing each year in line with inflation.

These changes are being proposed to ensure that the proposed level of pension benefits can be maintained in the future. If the University did not make any changes at this point, the cost of providing the current level of pension benefits in the future would need to increase sharply – and both the University and UMSS members would have to cover this increased cost. This would impact both employees, who would experience higher contribution rates, and the University which would have to consider making significant budget cuts and diverting funding away from our core activities.

12. If these proposals go ahead, can we be sure that there will be no future changes to pensions at the University?

As with the changes made to the scheme in 2012 the intention is that these proposals will keep the scheme affordable and sustainable. However, as with all UK employers providing pensions, we are not in the position to provide any guarantees that there will not be any further changes to pensions in the future.

13. How do these proposals compare with similar schemes?

The University is committed to providing the best possible retirement benefits for all its employees. The contribution rates that UMSS would offer are generous and aim to help you build up your retirement savings with the flexibility of increasing your contributions, or reducing them if there are times when you cannot afford to contribute. Details of pension schemes offered by other universities can be found on the consultation website.

14. How does the proposed DC arrangement differ from my current pension with UMSS?

UMSS is a Defined Benefit (DB) pension arrangement. This provides you with an income in retirement based on a formula using your service in UMSS and your earnings, multiplied by a fraction (known as an accrual rate). The cost of providing these benefits is covered by your contributions and the University’s ongoing contributions. The University also makes extra contributions into UMSS to cover past shortfalls. These are known as deficit contributions.

There are two sections of UMSS – the Final Salary section which has a contribution rate of 7.5% and the CARE section which has a contribution rate of 6.5%.

In the Final Salary section, your pension is currently based on your Pensionable Salary at the point of retirement or leaving, and your Pensionable Service.

In the CARE section, the pension you will receive is based on your Career Average Revalued Earnings (your basic earnings each year, revalued annually in line with the UMSS inflation measure) and your Pensionable Service.

In a DC arrangement, you would build up a pot of money in an individual DC account which you and the University would pay into. Your DC account would be invested with the aim of growing the value of your DC account, to provide you with an income in retirement.

You would choose how much you contribute and could change your contribution rate at any time. At retirement, you would also have choices about what you do with the value of your account.
15. Where would my future benefits build up if the proposals go ahead?

If you are currently in either the Final Salary or the CARE section of UMSS and the proposed changes go ahead, you would build up future benefits in the new CARE section of UMSS with an accrual rate of 1/100th.

Your past benefits in other sections of UMSS would be calculated as at 31 December 2018 and would remain in UMSS until you take them (usually at retirement). They would be increased each year in line with inflation, up to 5%.

You could, alternatively, choose to build up benefits in the proposed DC arrangement. This would give you more choice about how much you contribute, where you invest, and what you do with your savings when you retire.

16. Are part-time workers unfairly affected by these proposals? What about the pensions of those who have worked part-time at some point, but intend to work full time nearer to retirement?

Currently, in UMSS, pension earned in the Final Salary section for periods of part time employment is pro-rated. To ensure that members receive a final salary benefit, the salary is pro-rated up and the service period down. In the Final Salary section of UMSS, benefits are based on a member’s final pensionable earnings, which for most employees, is the last 12 months’ earnings before retirement.

Where an employee works on a part time contract, the final pensionable earnings figure is the full time equivalent of the part time earnings.

For example, following the current rules,

Alex works on a 60% contract with actual earnings of £10,000, so the full-time equivalent is £10,000/60% = £16,667 pa.

- If Alex is employed for 5 years on a 60% contract throughout, the pension will be, 5 x 1/80 x 60% x £16,667 = £625 pa

- If Alex had 10 years full time as well as the 5 years’ part time service, the pension will be: (10 x 1/80 x £16,667) + (5 x 1/80 x 60% x £16,667) = £2,708 pa.

This principle is used for any changes of hours to ensure that proportionate benefits are obtained, all with reference to the full time equivalent of final earnings.

In the CARE section of UMSS pension is earned on actual salary each year so there is no need to pro-rate salary and service. In other words there would be no additional impact to part-time workers.

17. Were the trade unions consulted about the proposals?

The trade unions are being consulted and we have had regular meetings during the process so far. We also expect to receive feedback and potential alternative proposals from the trade unions.

18. Why am I unable to model retiring after age 65?

One of the limitations of the modeller is that members are not able to model late retirement. If you have specific questions relating to your retirement plans, please contact the Pensions Office for a quotation.

19. Who can I talk to if I need advice?

If you wish to seek financial advice you may wish to visit websites such as www.unbiased.co.uk or www.moneyadvice-service.org.uk/en or call 0800 138 7777 between 8am and 6pm Monday to Friday. There are no immediate charges to contact these helplines but if you decide to take further financial advice there may be charges attached which would be at your own cost. You should clarify before taking the advice.