University of Dundee

University of Dundee Superannuation and Life Assurance Scheme (UODSS)

Member Consultation

YOUR GUIDE

TO THE PROPOSED CHANGE TO THE UNIVERSITY OF DUNDEE SUPERANNUATION AND LIFE ASSURANCE SCHEME (“UODSS”)

11 April 2022

You have received this guide, as you are either a member or eligible to be a member of the University of Dundee Superannuation and Life Assurance Scheme ("UODSS").
You may have received the previous communications issued in March and August 2021 regarding proposed changes to UODSS. After careful consideration of staff feedback, we have revised our proposals.
The University's key objective is to reduce the risk of future rises in contributions as well as improving accessibility of pension saving for employees. In order to achieve this, the University is proposing to amend how future benefits build up within UODSS with effect from 1 January 2023.

The proposed changes are:
- **Benefits will build up in a different way from 1 January 2023, based on 1/100th of your Pensionable Salary earned each year instead of the current 1/80th of Pensionable Salary.**
- **Normal Pension Date will increase from age 65 to age 68 for benefits built up from 1 January 2023.**
- **Member contributions to UODSS will increase from 1 January 2023 from 7.75% of Pensionable Salary to 8.75% of Pensionable Salary.**
- **Entry to UODSS will close from 1 January 2023 and a new Defined Contribution arrangement will be set up for new members.**
- **Death in service benefits will be extended to all staff at grade 6 and below who are entitled to join UODSS, even if they decide not to join UODSS or the new Defined Contribution arrangement.**

The benefits members have already built up within UODSS are protected and not affected by this consultation. A comparison of the pension benefits before and after the proposed changes is shown on pages 7 and 8. Please refer to the enclosed **"Questions and Answers"** for full details of the proposed changes.

We believe this revised offer is a substantial improvement on our initial proposal and delivers a strong pension benefit package which supports a wider range of staff than currently delivered by UODSS, with access to new benefits particularly for those at the lower end of the pay scales.

PURPOSE OF THIS GUIDE

This guide and the enclosed **"Questions and Answers"** provide details of the proposed changes to the UODSS, an explanation of what these changes would mean for you, and the reasons why the University believes these changes are necessary.

The University would like to hear your views and this notice marks the start of a consultation period for you to feed back on the proposals.

The consultation will run until Friday **24th June 2022**. If you have questions or comments about the proposals, you will have until this date to contact the University so that your views can be taken into consideration. Please see the **"Engaging with the process"** section on the next page for further details.

Nothing will be finalised until after the consultation period ends on Friday 24th June 2022. All representations from current and eligible members of UODSS and the recognised trade unions will be considered before any decisions are made.
If you require this document in an alternative format please e-mail your requirements to pensionchanges@dundee.ac.uk.

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NEXT STEPS

The University has given careful consideration to these proposals. We value your views and the consultation is your chance to have your say and provide feedback on the proposals as well as your chance to ask questions.
All responses will be considered before a final decision is made on the proposed changes.
We recognise that you are likely to have questions on the proposed changes. Therefore, **a series of group member consultation sessions will be held in April and May 2022**.
These sessions will provide an opportunity for employees to hear more about the proposals and raise questions and/or concerns.
These are the sessions scheduled so far (all 45 minute sessions). The on campus sessions will take place in the Dalhousie building, main campus, Dundee. There is no need to register for the sessions in advance. However, due to COVID restrictions, capacity in the lecture theatre is limited to 80 people therefore you may have wait for a later session if this capacity is exceeded.

Date	Time	Location
27 April 2022	4pm 5pm 6pm	Dalhousie building, Lecture theatre 3, room 3F01
28 April 2022	7am 9am	Dalhousie building, Lecture theatre 3, room 3F01
3 May 2022	2pm 3.30pm 4.30pm 6pm	Webinar via Teams Dalhousie building, Lecture theatre 3, room 3F01
4 May 2022	7am	Dalhousie building, Lecture theatre 3, room 3F01

Details on how to join the **webinar on 3 May** is available on the website:
https://www.dundee.ac.uk/collections/uodss-member-consultation
The webinar on 3 May will be recorded and posted to the website.

ENGAGING WITH THE PROCESS

As well as asking questions about the proposals, the consultation gives you the chance to provide feedback and share your views on the proposals.
There are several ways to submit questions and provide feedback including:

- Attending one of the member consultation sessions.
- You can email the "UODSS proposal for change" email address at pensionchanges@dundee.ac.uk
- You can write to UODSS Consultation, Pensions Consultation, HR & OD Directorate, 7th Floor Tower Building, University of Dundee, Nethergate, Dundee, DD1 4HN

Questions about the proposals will be answered in a "Frequently Asked Questions" document, which will be updated regularly during the consultation process and posted on the University's website, which can be found at https://www.dundee.ac.uk/collections/uodss-member-consultation. An initial **"Questions and Answers"** document is included with this Member Consultation Guide.
Feedback on the proposals will be collated and considered before making a decision on the changes.

THE CONSULTATION PROCESS

After the end of the consultation period (Friday 24th June 2022), the University will carefully consider the feedback and views received during the consultation, before making a decision on whether to proceed with the proposed changes or to amend the proposal.

You will receive confirmation of the outcome of this consultation process and will be provided with more information if the proposal is to proceed.

Proposed timescale	
11 April 2022	Initial announcement letter and member pack issued to all active members and staff eligible to join UODSS
April / May 2022	Group member consultation sessions
24 June 2022	Consultation closes
25 June 2022 to 31 August 2022	University consider responses to consultation and a decision made on the future arrangements
September 2022	Letters to employees confirming outcome of consultation
November/December 2022 [TBC]	Group presentations for relevant staff on new arrangement details and member decisions/options if proposal for Defined Contribution arrangement is implemented
31 December 2022	Proposed final date to be able to join UODSS
1 January 2023	Proposed date of employee contractual enrolment into the new Defined Contribution arrangement (for eligible staff not currently in UODSS)

FINANCIAL ADVICE

Neither the University nor the Trustees can provide you with advice in relation to these changes. If you want individual financial advice you should contact a financial advisor. If you need help finding a regulated financial adviser, you can visit the Financial Conduct Authority website https://www.fca.org.uk/consumers/finding-adviser. The adviser will inform you of any charges that apply in return for their advice.

WHY ARE CHANGES BEING PROPOSED?

There are two types of pension benefits in the UK, "Defined Benefit" and "Defined Contribution".

In a **Defined Benefit** scheme like UODSS your pension benefit is 'defined' by a set formula related to your salary and service. This enables you to work out with reasonable certainty how much pension you will have when you retire. You pay a fixed contribution each month (expressed as a percentage of Pensionable Salary) and the University contributes to the cost of providing the benefit.

Defined Benefit pension schemes were once commonplace within the UK but over recent years there has been a move towards Defined Contribution arrangements. This has been driven by the increasing cost, uncertainty and relative inflexibility associated with Defined Benefit pension schemes.

In a **Defined Contribution** arrangement, contributions from you and the University are paid into your individual Defined Contribution account. The contribution rates are defined in advance and the account is invested in accordance with your instructions from a choice of investment options. Pension is built up based on the contributions made and the investment returns on that pension pot. At retirement, you decide how you want to use the money built up in your account to provide benefits for retirement.

Currently, members in UODSS contribute 7.75% of Pensionable Salary towards the cost of providing future benefits being built up, the University contributes 28.3% towards these costs and, in addition, the University pays an extra monthly lump sum of £291,667, increasing by 3% each year, towards removing the funding deficit in UODSS.

The funding deficit is the shortfall in the assets held by UODSS compared to what is required to pay all the benefits built up to date. UODSS has a formal actuarial valuation every three years. The most recent valuation as at 31 July 2020 showed an increase in the deficit compared to the previous valuation.

The cost of providing future benefits in UODSS is also increasing. This means that costs will increase to maintain the current level of benefits. Increasing life expectancy means that more money is needed as pensions are being paid over a longer period of time. Low interest rates are also limiting the investment returns of UODSS meaning that more money is required to pay pensions in the future.

The outcome of the 2020 valuation is that the University pays £4m more every year for the current level of UODSS benefits. This is not a sustainable position for the University and is unfortunately a key reason for the need to change your pension benefits.

You may be aware that a range of cost saving initiatives are underway across many areas of the University and these cost reduction plans are in addition to challenging growth plans to drive up our income. These actions are being taken to protect the University and ensure it has a reliable financial plan for the future. We need to ensure that existing benefits that have already been accrued are secure and ensure that future pension benefits are affordable for the University and its employees.

The University's objectives for the change are:

- Continue to offer benefits which provide a dignified retirement for its employees
- Lower risk for the University
- Reducing the risk of future rises in contributions
- A desire to offer a lower entry level pension scheme to improve accessibility of pension saving for employees
- Increased benefit flexibility for members

The University remains committed to providing a competitive package of rewards encompassing pay, benefits and pension. We believe that this proposal is the best way to ensuring benefits are affordable and sustainable, taking account of staff feedback and concerns expressed through the unions regarding the changes proposed in 2021. In particular, following discussions with the unions, the University has decided to retain the Defined Benefit structure of UODSS for members at 31 December 2022 rather than moving to a Defined Contribution arrangement for all service from 1 January 2023. The University is proposing that members share in the increased cost of providing these benefits through a 1% increase in their contributions with the University meeting the balance of the cost of providing the benefits.

WHAT ARE THE BENEFITS IN THE PROPOSED PENSION SCHEMES?

The benefits offered for current members in UODSS are summarised in the table below together with the benefits that would be provided in the future if the proposals go ahead. For further details of your current benefits in UODSS, please refer to the UODSS Member Guide and accompanying factsheets, available on the University's Pensions Office website https://www.dundee.ac.uk/payroll-pensions/pensions/uodss

	Current benefits in UODSS	Post 1 January 2023 benefits in UODSS (for members on 31 December 2022)	Post 1 January 2023 benefits in Defined Contribution arrangement (for new members)
Benefits	Pension earned before 1 August 2011 is equal to 1/80th of your Final Pensionable Salary for each year and month of service up to that date. In addition, you receive a tax-free cash lump sum equal to 3/80ths of Final Pensionable Salary for service to 31 July 2011. From 1 August 2011 you build up a block of pension equal to 1/80th and a block of tax-free cash equal to 3/80th of the Pensionable Salary you earn each year.	From 1 January 2023 you build up a block of pension equal to 1/100th and a block of tax-free cash equal to 3/100th of the Pensionable Salary you earn each year.	Defined Contribution fund for future benefits
Normal Pension Date	65	68 (in respect of benefits built up from 1 January 2023 only)	Normally 65 but members can choose a different target retirement date
Early retirement	Retirement currently available from age 55 but reductions for early retirement may apply if retirement is before age 65	Retirement currently available from age 55 but reductions for early retirement may apply if retirement is before age 68	Defined Contribution fund can currently be accessed from age 55
Member contributions	7.75% (at present)	8.75%	2-8% (but you can pay higher contributions if you wish to)
Death in service lump sum	4 x Pensionable Salary **plus** return of member contributions	4 x Pensionable Salary **plus** return of member contributions	5 x Pensionable Salary **plus** return of Defined Contribution fund

	Current benefits in UODSS	Post 1 January 2023 benefits in UODSS (for members on 31 December 2022)	Post 1 January 2023 benefits in Defined Contribution arrangement (for new members)
Death in service pension for spouse or dependant	Pension payable for life, equal to one half of the pension you would have received had you retired at your Normal Pension Date (or date of death if later), calculated using the Pensionable Salary at the date of death.	Pension payable for life, equal to one half of the pension you would have received had you retired at your Normal Pension Date (or date of death if later), calculated using the Pensionable Salary at the date of death. Prospective service to Normal Pension Date based on post 1 January 2023 benefit build up.	No specific benefit – Defined Contribution fund used to provide benefits
Ill health benefits	**Full incapacity** – immediate unreduced pension plus a cash lump sum (includes a service enhancement on top of Pensionable Service completed) **Ill-health** – immediate unreduced pension plus a cash lump sum	**Full incapacity** – immediate unreduced pension plus a cash lump sum (includes a service enhancement on top of Pensionable Service completed) Service enhancement used to buy extra blocks of CARE pension based on post 1 January 2023 benefit build up. **Ill-health** – immediate unreduced pension plus a cash lump sum.	Income protection at 50% of salary (less employment and support allowance) after 52 weeks deferment **plus** Defined Contribution fund available on retirement without enhancement

I AM CURRENTLY A MEMBER OF UODSS – WHAT DOES THIS MEAN FOR ME?

In order to help you understand how the proposal would impact your future pension benefits at retirement, we have included three examples to illustrate the possible impact of the University's proposals. Whilst this does not show how the proposal could impact you individually, or consider your own circumstances, these examples are designed to help you broadly understand the effect of the proposed changes on your retirement benefits.

To create these examples we have used a number of assumptions about the future, including:

- what future price inflation will be;
- how the example members' salary might grow in the future, from now to retirement;
- the illustrations use the current early and late retirement factors in place in UODSS which are reviewed from time to time by the Scheme Actuary so may change in the future. Different factors apply to pension and cash benefits; and
- you do not exchange any of your pension for a further cash lump sum.

As a result, **the figures shown in the examples are estimates based on example profile members and are for illustration purposes only. The actual benefits available to you will depend on your own circumstances and therefore would be expected to differ.** Details of the specific assumptions underlying the illustrations are set out in the "**Assumptions used in the illustrations**" section below. In particular, **it is assumed that your salary would grow in line with inflation**. The illustrations are shown at age 65 and age 68 and assume that the members **continue to pay contributions to UODSS up to age 65 or 68**.

EXAMPLE 1

- Member is age 35 (at 1 August 2022)
- Member joined UODSS at age 30 (CARE benefits only)
- Member's salary is £22,300 a year (at 31 July 2022)
- Member's projected salary at age 65 is £46,800 a year
- Member's State Pension Age is currently 68

Projected benefits at age 65 and 68

	No change to UODSS (member contributions 7.75% of Pensionable Salary)	After proposed changes to UODSS (member contributions 8.75% of Pensionable Salary)
Defined Benefit Pension (retirement at age 65)	£20,100 p.a.	£14,400 p.a.
Defined Benefit Lump Sum (retirement at age 65)	£60,300	£46,400
Defined Benefit Pension (retirement at age 68)	£25,800 p.a.	£20,400 p.a.
Defined Benefit Lump Sum (retirement at age 68)	£71,300	£59,900

Note that the member is **also** likely to be able to obtain a **state pension** from their state pension age. As at **April 2022** the **full** state pension based on 35 years of National Insurance contributions or credits was £185.15 per week (or approximately **£9,630 a year**). The member may also have pension from previous employers or personal savings to supplement the above pension income.

EXAMPLE 2	- Member is age 49 (at 1 August 2022) - Member joined UODSS at age 26 (Final Salary and CARE benefits) - Member's salary is £29,100 a year (at 31 July 2022) - Member's projected salary at age 65 is £43,200 a year - Member's State Pension Age is currently 67

Projected benefits at age 65 and 68

	No change to UODSS (member contributions 7.75% of Pensionable Salary)	After proposed changes to UODSS (member contributions 8.75% of Pensionable Salary)
Defined Benefit Pension (retirement at age 65)	£20,500 p.a.	£17,800 p.a.
Defined Benefit Lump Sum (retirement at age 65)	£61,500	£54,800
Defined Benefit Pension (retirement at age 68)	£26,300 p.a.	£24,300 p.a.
Defined Benefit Lump Sum (retirement at age 68)	£72,700	£69,200

Note that the member is **also** likely to be able to obtain a **state pension** from their state pension age. As at **April 2022** the **full** state pension based on 35 years of National Insurance contributions or credits was £185.15 per week (or approximately **£9,630 a year**). The member may also have pension from previous employers or personal savings to supplement the above pension income.

EXAMPLE 3	- Member is age 56 (at 1 August 2022) - Member joined UODSS at age 41 (Final Salary and CARE benefits) - Member's salary is £25,700 a year (at 31 July 2022) - Member's projected salary at age 65 is £32,100 a year - Member's State Pension Age is currently 67

Projected benefits at age 65 and 68

	No change to UODSS (member contributions 7.75% of Pensionable Salary)	After proposed changes to UODSS (member contributions 8.75% of Pensionable Salary)
Defined Benefit Pension (retirement at age 65)	£9,200 p.a.	£8,100 p.a.
Defined Benefit Lump Sum (retirement at age 65)	£27,600	£24,900
Defined Benefit Pension (retirement at age 68)	£11,800 p.a.	£11,400 p.a.
Defined Benefit Lump Sum (retirement at age 68)	£33,400	£32,400

Note that the member is **also** likely to be able to obtain a **state pension** from their state pension age. As at **April 2022** the **full** state pension based on 35 years of National Insurance contributions or credits was £185.15 per week (or approximately **£9,630 a year**). The member may also have pension from previous employers or personal savings to supplement the above pension income.

Assumptions used in the illustrations

Inflation:

Rate of increase in inflation is 2.5% a year.

Salary Growth:

We have assumed that your salary would grow in line with inflation.

I AM NOT CURRENTLY A MEMBER OF UODSS – WHAT DO I NEED TO KNOW?

You have three options under the proposals:

1. **Join UODSS by 31 December 2022 to start building your pension entitlement under the existing scheme structure and receive the proposed new Defined Benefits from 1 January 2023.**
   For further details of current benefits in UODSS, please refer to the UODSS Member Guide and accompanying factsheets, available on the University's Pensions Office website https://www.dundee.ac.uk/payroll-pensions/pensions/uodss.

2. **Join the proposed Defined Contribution arrangement from 1 January 2023.** For more information on the proposed Defined Contribution arrangement, please refer to the Section below 'Tell me more about the proposed Defined Contribution Arrangement'.

3. **Do nothing and continue to not participate in the pension arrangements.** The University strongly encourages you to save for your retirement if you can and is offering a range of options to help you do so, including a low-cost entry-level savings option in the Defined Contribution proposal. However, it is your choice whether to save for your retirement.

TELL ME MORE ABOUT THE PROPOSED DEFINED CONTRIBUTION ARRANGEMENT

Contribution structure

The proposed contribution levels under the Defined Contribution arrangement are set out below. These are unchanged from the proposal communicated in August 2021. As a member of the Defined Contribution arrangement, you will have flexibility and choice about how much to pay in (subject to meeting any minimum level that may be required by legislation). The more that you choose to contribute, the more that the University will pay into your account, up to a maximum level.

If you do not make a choice about how much to pay, you will automatically be entered into the entry level below where you will pay 5% of your Pensionable Salary, which would make you eligible for a University contribution of 10% (giving a total contribution into your account of 15% of Pensionable Salary).

You have the flexibility to pay more or less than 5%, as shown in the table on the next page. You can also pay more than 8% if you wish although the maximum the University will pay is 13%.

All contributions as % of Pensionable Salary	Your contribution	Proposed University contribution	Total paid into your DC pension pot
Minimum level	2%	10%	12%
	3%	10%	13%
	4%	10%	14%
Entry level	5%	10%	15%
	6%	11%	17%
	7%	12%	19%
	8%	13%	21%

Investment choices for your DC pension pot

There will be a choice of investment options and a "default fund" (where your contributions will be invested if you do not wish to make a choice). You will invest your DC pension account (or 'pot') to benefit from investment returns, protecting and growing your fund ready for your retirement. More details will be available on the investment options, including how to select the best option for your needs if the proposed changes go ahead.

Retirement benefits

At retirement, you decide how you want to use the money built up in your account (which includes the contributions paid and any investment returns) to provide benefits for retirement. Unlike a Defined Benefit scheme, you can decide how you want to invest your money before retirement, and how you want to take your money in retirement providing a much more flexible benefit that you can tailor to your needs and circumstances, both in terms of the contributions you pay in and the form of benefits that you take out.

Legislation in the UK provides you with freedom and choice as to how you use the money in your Defined Contribution account. For example, you could:

- purchase an annuity (a pension for life) to provide you with a guaranteed income in retirement;
- take out cash as lump sum(s); or
- take out regular cash withdrawals.

The value of your Defined Contribution account at retirement is not guaranteed and depends on how much you contribute and how your investments perform. If a pension is provided, the amount depends on the cost of purchasing this at retirement.

IF I JOIN THE DEFINED CONTRIBUTION SCHEME, WHAT MIGHT MY BENEFITS BE IN THE FUTURE?

IMPORTANT: This section should be read in line with the "Notes on the illustrations" section below.

In order to help you understand how the proposal would impact your future pension benefits at retirement, we have included two examples to illustrate the possible benefits you could build up under the University's proposals. Whilst this does not show how the proposal could impact you individually, or consider your own circumstances, these examples are designed to help you broadly understand the effect of the proposed changes on your retirement benefits.
To create these examples we have used a number of assumptions about the future, including:

- how contributions paid into the proposed Defined Contribution arrangement might grow with investment returns; and
- how much it might cost to buy a pension (i.e. an annuity) with the estimated Defined Contribution fund at retirement (should you choose to do so).

In the proposed Defined Contribution arrangement, you are able to make decisions that would affect the ultimate level of benefits you receive. These include:

- the level of future contributions you choose to pay into the arrangement;
- the funds that you choose for your and the University's contributions to be invested in; and
- how you plan to use your fund at retirement.

The higher the contributions you pay, the more money the University will put in (up to 13% maximum). Once you have chosen a contribution level, the biggest factor in determining how much your Defined Contribution fund will be at retirement is the investment return you receive.

This cannot be known in advance, and will depend upon any investment choices you may make, and also how the economy performs. The higher the investment return, the more you will receive, and if you have a long period until your retirement, this can have a very large effect on what you receive. We have illustrated two different levels of return labelled "higher" and "lower" but in reality the return you receive could be less than the "lower" level, or indeed more than the "higher" level.

The examples below assume that the members elect to take 25% of their Defined Contribution fund as cash and the remaining Defined Contribution funds are converted into a lifetime pension from age 65, increasing in line with inflation and with an attaching spouse's pension of 50%. There are many different types of pension that can be "purchased" with a Defined Contribution fund at various different costs.

All figures are shown net of expenses. Details of the specific assumptions underlying the illustrations are set out in the "**Assumptions used in the illustrations**" section below. In particular, **it is assumed that your salary would grow in line with inflation**. All the illustrations are shown at age 65 and assume that the members **continue to pay contributions to the University pension arrangement up to age 65**.

EXAMPLE 4

- Member is age 20 when they join the Defined Contribution arrangement at 1 January 2023
- Member did not join UODSS
- Member’s salary is £17,500 a year (at 1 January 2023)
- Member’s projected salary at age 65 is £53,200 a year
- Member’s State Pension Age is currently 68

Projected benefits at age 65

	Proposed Defined Contribution scheme (Member / University contributions)		
	5%/10%	**2%/10%**	**8%/13%**
Defined Contribution Fund (higher investment return)	£641,700	£513,400	£898,400
Defined Contribution Lump Sum	**£160,400**	**£128,300**	**£224,600**
Defined Contribution Pension	**£9,800 p.a.**	**£7,800 p.a.**	**£13,700 p.a.**
Defined Contribution Fund (lower investment return)	£501,800	£401,400	£702,500

Note that the member is **also** likely to be able to obtain a **state pension** from their state pension age. As at **April 2022** the **full** state pension based on 35 years of National Insurance contributions or credits was £185.15 per week (or approximately **£9,630 a year**). The member may also have personal savings to supplement the above pension income.

If instead of joining the Defined Contribution arrangement this member joined UODSS at 31 December 2022 to build up benefits on a Defined Benefit basis, the projected pension at age 65 is estimated at £19,100 a year with a cash lump sum of £63,000. This would require a member contribution of 8.75% of Pensionable Salary.

EXAMPLE 5	- Member is age 40 when they join the Defined Contribution arrangement at 1 January 2023 - Member did not join UODSS - Member's salary is £25,000 a year (at 1 January 2023) - Member's projected salary at age 65 is £46,300 a year - Member's State Pension Age is currently 68

Projected benefits at age 65

	Proposed Defined Contribution scheme (Member / University contributions)		
	5%/10%	2%/10%	8%/13%
Defined Contribution Fund (higher investment return)	£236,300	£189,000	£330,800
Defined Contribution Lump Sum	**£59,100**	**£47,300**	**£82,700**
Defined Contribution Pension	**£3,900 p.a.**	**£3,100 p.a.**	**£5,400 p.a.**
Defined Contribution Fund (lower investment return)	£207,600	£166,100	£290,700

Note that the member is **also** likely to be able to obtain a **state pension** from their state pension age. As at **April 2022** the **full** state pension based on 35 years of National Insurance contributions or credits was £185.15 per week (or approximately **£9,630 a year**). The member may also have pension from previous employers or personal savings to supplement the above pension income.

If instead of joining the Defined Contribution arrangement this member joined UODSS at 31 December 2022 to build up benefits on a Defined Benefit basis, the projected pension at age 65 is estimated at £9,200 a year with a cash lump sum of £30,500. This would require a member contribution of 8.75% of Pensionable Salary.

Notes on the illustrations

- The figures shown have been calculated using various assumptions as indicated in the section below which are consistent with the principles set out in the guidance on Statutory Money Purchase Illustrations (SMPIs) as set out in Technical Memorandum 1 (version 4.2) published by the Financial Reporting Council. SMPIs are pension projection statements that all defined contribution plan providers are required to issue to their members each year.

- The illustrations make certain general assumptions about the type of investments in which funds would be held and the possible performance of those investments. This may not be the same as the actual investments in which your funds would be held or the performance of those investments, which can go up as well as down.

Assumptions used in the illustrations

Inflation:

Rate of increase in inflation is 2.5% a year.

Salary Growth:

We have assumed that your salary would grow in line with inflation.

Pre-Retirement Investment Return:

The investment returns assumed for the illustrations have been based on the expected return from a diversified growth fund (these funds hold a combination of asset classes including equities and bonds).
Higher investment return (gross return per annum): 5.00% p.a.
Lower investment return (gross return per annum): 4.00% p.a.
The assumptions are not intended to be a definitive guide to future investment returns or the performance of the funds available in the proposed Defined Contribution arrangement.
Investment management charges vary between different types of fund. The illustrations assume that the investment returns above are net of such charges.
The investment returns illustrated are not intended to be minimum or maximum returns. The actual returns received could be less than the "lower" level, or indeed more than the "higher" level.

Cost of purchasing a pension

The cost of purchasing a pension can vary significantly over time in line with market conditions and depends on the precise form of pension purchased. The assumptions underlying the member examples in the guide are set out below. Based on these assumptions, the cost of buying £1 of pension in the examples above is around £45.
Net interest rate for inflation linked pension: -2.60% p.a.
Allowance for the expenses of annuity purchase: 4% loading to the annuity price

GLOSSARY OF TECHNICAL TERMS

Career Average Revalued Earnings (CARE) - A **Defined Benefit** pension scheme where the pension is not based on final salary at retirement but is, instead, based on average salary whilst a member of the scheme. Each year of pension you build up is linked to inflation and the inflationary increases are applied each year until the date of retirement.
Consumer Prices index (CPI) - This is the main measure of inflation used by the UK government. Some of your benefits in UODSS will increase in line with CPI.
Defined Benefit (DB) – A pension scheme where the amount paid out to the member depends on a formula incorporating salary and length of service. The amount of pension (benefit) is known in advance (defined), although the ultimate cost of providing this is uncertain.
Defined Contribution (DC) – An arrangement where contributions paid by a member and their employer build up (with investment returns) in an individual account and, at retirement, a decision is made how the money built-up is used.
Final Pensionable Salary - The pay used to work out your pension from UODSS earned before 1 August 2011. It is calculated as the greater of:

a) Your highest basic earnings (before any Salary Sacrifice and excluding any special pay such as (but not restricted to) bonus, commission or non-contractual overtime, but including any contractual overtime) received during any 12 consecutive months in the three Scheme Years ending with the Scheme Year immediately before you retire or leave Pensionable Service; and

b) Your basic earnings (as described in a)) received during the 12 months ending on the date you retire or earlier date of leaving Pensionable Service.

Independent Financial Adviser - An individual or a firm that is licensed by the financial watchdog, the Financial Conduct Authority, to carry out the business of advising on and selling financial products. Independent Financial Advisers are not committed to sell any single firm's products and are obliged to give "best advice" when recommending products to clients. If you need help finding a regulated financial adviser, you can visit the Financial Conduct Authority website **https://www.fca.org.uk/consumers/finding-adviser**. The adviser will inform you of any charges that apply in return for their advice.
Normal Pension Date – This is currently your 65th birthday.
Pensionable Salary – The amount of your basic earnings (excluding any special pay such as (but not restricted to) bonus, commission or non-contractual overtime, but including any contractual overtime).
Pensionable Service – This is the period of service you complete with the Employer after you join the Scheme. It normally ends on your Normal Pension Date, or when you leave the Scheme if earlier.
Scheme Year – This is a period of twelve months commencing on 1 August each year.

YOUR NOTES