Important forthcoming changes that may affect your net pay

We are writing to inform you about a number of changes made by the UK Government and the Universities Superannuation Scheme that will come into force from April 2016. These changes will have an effect on your net take home pay if you currently pay national insurance and pay into a private pension scheme like the Local Government Pension Scheme (LGPS) or Universities Superannuation Scheme (USS).

In summary these changes are:

**Abolition of National Insurance Contracted-Out Rates:**

On 6 April 2016 the current basic state pension and state second pension (S2P) will be abolished and replaced by a single-tier state pension. The abolition of S2P will also mean the end of contracting-out. The measures to implement the single-tier state pension and abolition of contracting-out are contained in the Pensions Act 2014.

Currently members of approved contracted-out pension schemes (including USS and LGPS) pay lower national insurance contributions. The lower rate of national insurance is currently 10.6% instead of the standard rate of 12% on earnings between £676 a month and £3,337 a month. So from April 2016 your national insurance contributions will go up by 1.4% on earnings between £676 and £3,337 each month.

If you do not pay into either of the pensions schemes above you will already be paying the standard rate of national insurance contributions on earnings above £676 so you will not be affected by this change.

**Changes to the Universities Superannuation Scheme (USS):**

As part of changes to the Universities Superannuation Scheme (USS) previously consulted on nationally, USS will introduce a new hybrid scheme to which new and existing members will move from 1st April 2016 onwards.

The new hybrid scheme is composed of a Career Revalued Benefit (CRB) section which comes into effect for new and existing members from April 2016 and a Defined Contribution (DC) section for earnings over £55,000 which starts in October 2016.

If you currently belong to the USS pension scheme your deductions will currently be as set out below based on one of two schemes.

1. The USS Final Salary section (shown as PensionPlus on your epayslip) accrues a pension based on your final salary and the employee contribution rate is 7.5% of pensionable salary.
2. The USS Career Revalued Benefits section (shown as Pensionplus CRB on your epayslip) accrues a pension based on your average salary each year and the employee contribution rate is 6.5% of pensionable salary.

The employee (and employer) contributions for the new USS hybrid scheme will increase from April 2016. The employee contribution rate for the new hybrid USS scheme will be 8% so your contributions will increase from 1st April 2016 by either 0.5% or 1.5% depending on which scheme you are currently contributing to.

**Pension Tax Reforms:**

The March 2015 budget announced that the Life Time Allowance (LTA) will reduce further to £1m from April 2016. Certain protection mechanisms will be available for individuals with material pension savings at 5 April 2016.

The July 2015 budget announced that the Annual Allowance (AA) will be tapered from £40,000 to £10,000 from April 2016 on a sliding scale. For every £2 of taxable income that an individual earns over £150,000 per annum (including the value of pension savings), their AA will be reduced by £1 until it has tapered down to £10,000 for those earning £210,000 or more, inclusive of pension savings.

A further explanation of these changes is available on the USS website:

http://www.uss.co.uk/Documents/July%20Budget%20Announcements.pdf

We will be circulating details of the options that USS has recently agreed to assist with mitigation of the impact of the LTA and AA changes to those members of staff who are potentially affected by these changes.

A number of you will have attended the sessions run by USS that were held in the University in November. For those of you who were not able to attend these sessions the USS has produced a number of video guides on the scheme changes which are available at: https://forthefuture.uss.co.uk/en/member-area/scheme-change-video-guides

We wanted to make sure that these important changes were flagged up with you as soon as possible.

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