



Announcement for employee members and prospective members of the  
University of Aberdeen Superannuation & Life Assurance Scheme

## Changes to your pension

**Making sure you have a good income when you retire is very important. This is why the University offers you membership of the University of Aberdeen Superannuation & Life Assurance Scheme (the Scheme).**

**This newsletter contains important news about some changes to our Scheme. If you are not currently a member of the Scheme this will still affect you if you decide to join in the future.**

### **about the changes**

Last year, a new law affecting pensions was introduced regarding age discrimination. As a result of this new law, the University intends to make two minor changes to the Scheme which are summarised below:

1. The opportunity to continue to build up pension benefits after age 65.
2. The requirement for members who are building up a pension to contribute at all times.

Full details of these changes and what they mean to you are set out in the table inside.

The second change would mean that in future some members approaching retirement would contribute more than before. The University is consulting the Support Staff Liaison Committee in relation to this proposal. Further details are included inside.

**Steve Cannon**  
**Secretary**  
**December 2007**

# Scheme changes ... and how they affect you

This table explains the changes that the University intends to make to the Scheme and how they affect you.

Current position	What's changing?	What does it mean for me?
<b>1. The opportunity to continue to build up pension benefits after age 65</b>		
Under the Scheme, pensionable service ceases at age 65.	You will be able to build up benefits beyond age 65 (subject to a maximum retirement age of 75) as long as you remain an employee of the University. You will continue to pay contributions after age 65 and the University will also continue to pay contributions on your behalf. This is not compulsory. Members will be allowed to stop contributing at age 65 if they wish. In this case their benefits will be based on their salary and service at that time.	This provides you the <b>opportunity</b> to build up more pension as well as <b>more flexibility</b> about when you choose to draw your pension.
<b>2. The requirement for members who are building up a pension to contribute at all times</b>		
Member and Employer contributions stop on 31 July before reaching age 65 or the completion of 40 years pensionable service (if earlier).	It is proposed that you will pay contributions right up until your retirement age including the period from 31 July to your 65 <sup>th</sup> birthday. Similarly, contributions will continue up to reaching 40 years pensionable service. The University will also contribute over these periods.	Your contributions and those paid by the university will continue throughout the time you are building up pension benefits.

## Questions and Answers

Although these seem to be minor changes, we appreciate that you may have questions about them. We have attempted to cover the likely areas where you might want to know more.

### Q1: Why are these changes being proposed?

Last year, a new law stemming from an EU Directive was introduced regarding age discrimination which affects pensions. The changes are contained in the Employment Equality (Age) Regulations 2006. Very broadly, this new law means that Scheme Trustees must ensure that they do not discriminate against members on the basis of age where members are not in materially different circumstances.

### Questions on building up a pension after age 65

#### Q2: How will I be able to build up benefits after age 65 in future?

There will be no need to do anything. If you remain as an employee of the University, contributions will continue to be deducted from your pay once you have reached age 65. The pensions department will however contact you shortly before you reach age 65 to give you the option to stop contributing at that time.

#### Q3: Will I still be able to retire at age 65?

Yes. The Scheme's Normal Retirement Age is still 65. This change only applies to staff who are

continuing to work after reaching that age. You will still have the option to draw your benefits from your Normal Retirement Age even if you remain an employee after that date

#### Q4: What about service after completing 40 years service?

The Scheme rules were changed last year to allow members to continue to build up benefits after reaching 40 years pensionable service. This is inclusive of Bonus Credits (see Q18 and Q19).

Like reaching age 65, contributions will continue to be deducted from your pay once you have completed 40 years. The pensions department will also contact you shortly before you reach 40 years to give you the option to stop contributing at that time.

#### Q5: Will the University make contributions for this period as well?

Yes, the University will contribute whenever the members are contributing.



**Q6: When will this change take effect?**

The option to continue building up benefits after age 65 is already in place. Affected members have been offered the opportunity to re-start their contributions.

**Questions on paying contributions for all service**

**Q7: Why is the University proposing that contributions should be paid for the last few months before I retire?**

The current position is that contributions are not paid after the 31<sup>st</sup> July before you reach age 65 or the completion of 40 years service. Having obtained legal advice, the University and the Trustees believe that it is no longer appropriate to operate the Scheme in this way. This is because there is a risk that this may breach the new age discrimination rules.

The other reason is to simplify administration. If no change was made members approaching age 65, who wished to continue building up their pension, would stop contributing on 31 July for a few months and then need to start again when they reached their birthday. The same applies for those approaching 40 years pensionable service.

**Q8: How many people will this affect?**

There are currently around 700 employees who are members of the Scheme. In recent years, around half a dozen members have stopped contributing on 31 July each year. The period that they are not required to pay contributions will depend on when their birthday, or their anniversary of joining the Scheme, falls in the year. It will therefore range from a few days to nearly a year.

**Q9: Will the University make contributions for this period as well?**

Yes, the University will contribute whenever the members are contributing.

**Q10: Will this affect the finances of the Scheme?**

The requirement for members and the University to pay contributions for this short period will clearly mean more contributions are being paid into the Scheme which is good news for its funding. It will however make no significant difference to the University's pension costs.

**Q11: What does the consultation cover?**

The University wishes to change the way members contribute to the Scheme. By law, the University must now therefore carry out a consultation process in relation to this type of change. The University will be consulting the Support Staff Liaison Committee for a period of 60 days starting from 7 January 2008.

Note, the University is not obliged to consult in relation to the option to build up benefits beyond age 65.

This announcement has been issued to all members and prospective members of the Scheme in advance of the consultation period to ensure that you are all aware of the changes being proposed and have the opportunity to contribute to the consultation process.

The closing date for the consultation process and for submitting any written comments is 7 March 2008.

**Q12: How can I participate in the consultation process?**

You should contact your Support Staff Liaison Committee representative if you wish to comment on the change being proposed. You should do this quickly so that the Support Staff Liaison Committee (Amicus, Unison and TWGU are all represented on this committee) can draw together any response it wishes to make within the 60 day consultation period.

**Q13: When will this proposed change take effect?**

Depending on the outcome of the consultation process, the University intends to make the rule amendment in time for next July so that there will be no cessation of contributions on 31 July 2008.

A number of members have stopped contributing on 31 July 2007. Their contributions will only start again if they wish to build up further benefits beyond age 65 (or on reaching 40 years service).

**General questions**

**Q14: Have the Trustees agreed these changes?**

Yes. The Trustees have received legal advice in relation to these proposed changes and have agreed with the University that they are necessary to comply with the new laws on Age Discrimination.

**Q15: I am not currently a member. How can I join?**

Application forms can be obtained from Michelle Slater in the Finance Office. Michelle's contact details are given at the end of this announcement.

**Q16: This is all very complicated. Can I see a simple explanation of the way the Scheme works?**

The Trustees are currently updating the members handbook for the Scheme. This sets out in simple terms all the main benefits of the Scheme. It will reflect all the changes made to the Scheme in recent years in a single place.

**Q17: I thought the University was changing the way we pay contributions so we could save tax and NI?**

The University is also planning to make this change shortly. There will be a separate announcement on this over the next few weeks.

**Q18: What are Bonus Credits?**

Prior to 1994 the Normal Retirement Age was 60 for females and 65 for males. The entry age to the Scheme was 24 at this time. This meant that females could only accrue a maximum of 36 years pensionable service. Therefore, a Bonus Credit of up to 5 years was granted to female members who were employed in their early 20s before 1994. The Bonus Credit was pro rated if the member left service before age 60.

**Q19: I am entitled to a Bonus Credit. If I accrue more than 40 years of service will I receive my Bonus Credit on top of my service within the Scheme?**

Yes, your Bonus Credit years will be in addition to your actual years of service. Your pensionable service is made up of your years since you joined the Scheme and your Bonus Credits. The pension in respect of your Bonus Credit will be based on your Final Pensionable Salary at your actual retirement date (or date of leaving if earlier).

## further information

### General queries

This newsletter provides an overview of the main changes to the Scheme. If you have any questions about the information in this newsletter or would like more information, please contact the Pensions Administrator, Miss Michelle Slater at the Finance Office, Kings College. Michelle's telephone number is 01224 272289 or email: [pensions@abdn.ac.uk](mailto:pensions@abdn.ac.uk).

You can also find out more about the Scheme on our intranet site at

[www.abdn.ac.uk/finance/pensions/index.html](http://www.abdn.ac.uk/finance/pensions/index.html)

### Independent financial advice

If you want specific advice, you will need to speak to an independent financial adviser (IFA); by law, neither the University nor the Trustees are authorised to give you financial advice. IFA Promotion Ltd will be able to give you details of an IFA in your area. You can contact them by

calling: 0800 0853250

visiting: [www.unbiased.co.uk](http://www.unbiased.co.uk)

You should bear in mind that you may have to pay for the services of the IFA, although IFA Promotion Ltd's service is free.

### Finding out more

If you want to find out more about the new legislation or about pensions in general, why not take a look at the following Government sites:

Financial Services Authority:

[www.fsa.gov.uk](http://www.fsa.gov.uk)

The Pension Service:

[www.thepensionsservice.gov.uk](http://www.thepensionsservice.gov.uk)

HM Revenue & Customs:

[www.hmrc.gov.uk/pensionsschemes](http://www.hmrc.gov.uk/pensionsschemes)