



17 February 2011

Dear Colleague

The University has now completed its period of consultation on the proposals to change aspects of the future pension benefits of the UASLAS Pension Scheme. I wrote to you in September 2010 with details of these proposals.

The consultation has been a valuable opportunity to meet with you and to listen to your views on our proposals. After very careful consideration I am pleased to advise you that we have amended some of our proposals and also withdrawn one completely. The changes that are being made are still extremely important if we are to continue to provide an affordable and sustainable defined benefit pension option for our Support Staff.

I should like to take this opportunity to thank all staff for their helpful contributions to the consultation exercise and would urge you all to read the attached Closing Consultation Notice carefully to find out how these changes will affect you.

Yours sincerely

Professor Stephen D Logan
Senior Vice-Principal



February 2011

Closing Consultation Notice

The University undertook a period of consultation with members on proposed changes to the benefit structure of UASLAS, the University of Aberdeen Superannuation and Life Assurance Scheme. During consultation we received feedback from many of you, in member presentations, through emails and via our campus trade unions. We delivered five presentations across the University, met with the members' pension committee and received numerous emails. We would like to thank you for taking the time to engage with the process. Your feedback has been extremely useful in helping us clarify what is important to members.

At the end of the consultation period, 30 November 2010, the University took time to reflect on the feedback received. Having listened to your comments and given careful consideration to all the feedback from many sources, we are now in a position to confirm the following changes will be made to UASLAS in 2011:

- **With effect from 1 August 2011 the Scheme will operate on a Career Average Re-valued Earnings (CARE) basis**

Benefits earned up to 31 July 2011 will be based on your service up to that date and your final pensionable salary at retirement or date of leaving if earlier i.e. your benefits earned up to 31 July 2011 *will be unchanged* and continue to be linked to the growth in your salary.

- **Increases to pensions once in payment**

Pensions accrued from 1 August 2011 will increase in line with the Consumer Prices Index, subject to a maximum of 5% per annum. Pension increases on benefits built up to 31 July 2011 *will remain unchanged*.

We will ensure that the transition is as smooth as possible for everyone.

In this document we:

- Confirm the proposal and the decisions made following consultation;
- Set out what happens next.

This notice has been sent by the University of Aberdeen to all active members of the University of Aberdeen Superannuation & Life Assurance Scheme (UASLAS or the Scheme) and all employees eligible to join.

Important changes to the proposals

In your first consultation letter dated 9 September 2010 and the member presentations we set out the following proposals for UASLAS:

- A Career Average Re-valued Earnings (CARE) benefit structure in the future;
- Changes to the early retirement terms for certain members for future service;
- Reduction to increases for future pensions in payment.

The feedback we received focussed on the reasons for the proposed changes along with detailed points on the proposals themselves. We also received many helpful comments from our trade unions. In view of the feedback, we have made three important changes to the original proposals:

- We have changed the implementation date for the changes. The date originally proposed was to be 1 April 2011. The University has decided to move this date back by four months to 1 August 2011, to coincide with the Scheme year.
- We have increased the provision for future pension increases. The original proposal was for pension increases to be linked to inflation with an upper limit of 2.5% a year. Following feedback, the University has decided to raise this upper limit to 5% a year.
- We proposed changes to the retirement age for certain members who joined before 1 August 1994. The University has withdrawn this proposal.

Your feedback is set out in the summary on the next page.

Other Scheme changes

Prior to the consultation commencing we advised of further changes being made to benefits:

- The facility to pay Scheme B Added Years AVCs will be withdrawn for all members from 1 August 2011;
- Additionally, the facility to retire with no actuarial reduction on completion of 40 years service is being withdrawn for new entrants from 1 August 2011. Existing UASLAS members will not be affected.

What is the role of the Trustees?

The Trustees are responsible for looking after the Scheme. The University has engaged in detailed discussions with the Trustees in relation to the consultation process and the actuarial valuation. The Trustees have agreed with the changes and have assisted in reviewing this Notice. The Trustees have now instructed their lawyers to make the required changes to the Scheme's rules.

Summary of feedback received and the University's response

Your comment	Our response
<ul style="list-style-type: none"> ▪ You wanted to ensure that pensions are protected from the impact of high inflation 	<p>The University has decided to increase the upper limit on inflationary increases from 2.5% to 5% each year. The increases will still be based on the Consumer Prices Index.</p> <p>In years when CPI inflation is in double figures there will be a formal mechanism – written into the Scheme rules – to consider whether an increase above 5% is affordable.</p>
<ul style="list-style-type: none"> ▪ You wanted to know if the University was reducing its spend on pensions 	<p>The University is not saving money – all the savings emerging from changing the Scheme rules are being channelled instead towards meeting the Scheme's funding deficit.</p>
<ul style="list-style-type: none"> ▪ You wanted to delay or introduce a transition period for introducing the benefit changes 	<p>The University considered that introducing a transition period would not deliver the required savings in the short term and, for a scheme the size of UASLAS, would be complicated to administer.</p> <p>Instead the University decided to defer the changes for all members until 1 August 2011, which coincides with the start of a new Scheme year.</p>
<ul style="list-style-type: none"> ▪ You wanted to know that benefits built up before 1 August 2011 are unchanged 	<p>We confirmed in a number of questions and at member presentations that benefits that have already built up will not be affected by these changes.</p> <p>Benefits already built up will continue to be linked to final salary and there will be no change to the way that they increase in payment.</p> <p>The administrators have agreed to provide two-part annual statements, showing benefits built up before and after 1 August 2011, so that this is clear.</p>
<ul style="list-style-type: none"> ▪ You were concerned that your retirement plans would be affected by the proposed changes in early retirement terms ▪ Some of you offered to pay higher contributions to protect this benefit; others asked for this proposal to be phased in 	<p>Following feedback on this and in recognition of the impact this proposal would have had on our longer serving staff, the University has withdrawn the proposal in relation to pre 1994 members.</p>
<ul style="list-style-type: none"> ▪ You wanted to understand more about the impact of the proposed change 	<p>In response to your questions, we issued two Q&A documents which were posted on the intranet and prepared an additional worked example. We also produced a spreadsheet modeller to help staff understand the impact on their own benefits.</p> <p>Finally, we arranged a second series of member presentations to help members who were unable to attend the initial sessions.</p>
<ul style="list-style-type: none"> ▪ You wanted to understand how the results of the 2010 UASLAS actuarial valuation will impact on the consultation 	<p>The Trustees have shared the initial results of the UASLAS actuarial valuation with the University and campus unions. These results have been taken into consideration in finalising the benefit changes that the University has decided to introduce.</p>

What happens next?

Consulting with staff about the proposed changes has been an important part of the introduction of the new Scheme benefits. The University is working with the Trustees over the coming months to make sure that the benefits are introduced as smoothly as possible.

Key points and timeframe:

Month	Activity / Communication	Detailed information
February	Close of Consultation Notice	<ul style="list-style-type: none">▪ This notice confirms the final benefit changes.
June	Trustees Annual General Meeting – Tuesday 14 June 2011, 12:30pm, Kings Conference Centre	<ul style="list-style-type: none">▪ The Trustees will provide further information and answer questions on the benefit changes at their Annual General Meeting.▪ The Trustees will also provide an update on the 2010 actuarial valuation which is expected to be completed by then.▪ There will be a sandwich lunch served from noon before the AGM. Further notification will be given in May as usual.
July	Revised member booklet	<ul style="list-style-type: none">▪ The new booklet will describe in detail the way the new benefits are calculated.
August	Start of new Scheme year	<ul style="list-style-type: none">▪ You will begin to accrue benefits on the new CARE approach.
Autumn	Annual benefit statement	<ul style="list-style-type: none">▪ A new-style benefit statement will be produced, showing separately benefits built up before and after 1 August 2011.

How can I find out more?

If you have any further questions about how these changes will affect you, please contact Suzi Laing, Pensions Administrator, in the Finance Office, or email her on: pensions@abdn.ac.uk.