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Universities Superannuation Scheme Money Purchase AVC Facility (The Universities AVC)

Member's booklet

About the Universities Superannuation Scheme Money Purchase AVC Facility (The Universities AVC)

The Prudential Universities AVC is an arrangement which allowed you to make tax-efficient additional savings on top of your existing Universities Superannuation Scheme (USS) prior to October 2019. This is now closed to new applications, contributions or transfer payments.

Its aims

What this plan is designed to do:

- To help you save for retirement in a tax-efficient way.
- To provide you with continuing optional life cover if you purchased this plan before September 2016.

Your commitment

What we ask you to do:

- To continue to make your life cover payments into your plan.
- To allow your pension pot to potentially grow until you take your pension benefits.

Risks

What you need to be aware of:

- The value of your investment can go down as well as up so you might not get back the amount you put in.
- There are different risks for different funds, please refer to your Fund Guide for more information.
- As the price of everyday goods and services goes up, your money won't stretch as far as the same amount would now. This is called inflation.
- If the total charges and costs are more than any overall growth achieved, your plan will fall in value, possibly to even less than you have invested.
- If you withdraw money from the With-Profits Fund we may reduce the value by applying a Market Value Reduction.
- There may be a delay in buying, selling or switching to or from certain funds.

Payments into the Universities AVC

Regular contributions

On 2 August 2016 the Universities AVC closed to new applications. If you were a Member of the USS at that time your unit linked investments have been transferred into your USS Investment Builder Account.

If you want to continue to save for your retirement, please speak to the USS to find out the options available to you.

Any money invested in the With-Profits Fund and Deposit Fund will remain invested in Prudential unless you actively request a transfer of these Funds across to the USS Investment Builder. Most of the money invested in any other Funds have been transferred over to the USS Investment Builder automatically. If you still have money invested in the unit-linked funds you may choose to transfer these funds across to the USS Investment Builder if you're a Member of the USS.

You can find details of all contributions paid in your annual benefit statement.

Life Assurance contributions

If you were paying for life assurance within this plan before September 2016, you can continue those payments.

Payments are deducted from your salary and passed to Prudential to be invested into your plan.

What if I stop making payments?

The only payments that you can make are for continuing life cover. If you stop making these life cover payments your life cover will cease. If you cease your life cover contributions you will not be able to restart them at a later date.

Where are payments invested?

The Universities AVC is closed to new contributions. The money invested is held in the investment funds you selected. In most cases, the funds remaining in the Universities AVC are invested in the With-Profits Fund and Deposit Fund.

For some members who were not members of the USS in 2016 there are some funds in other investment funds as these could not be transferred to the USS Investment Builder.

For more information about the funds, please read the Fund Guide and Your With-Profits plan – a guide to how we manage the Fund.

All contributions (other than those needed for any additional death benefits if applicable) are invested under the group policy issued to the trustee by the Prudential Assurance Company Limited.

How unit-linked funds invest

Some of the Prudential funds listed in your **Fund Guide** may invest in 'underlying' funds or other investment vehicles. Have a look at a fund's objective and that will tell you where it invests – including if that's in an underlying fund or funds.

If the Prudential fund is investing in just one underlying fund then it's what's known as a 'mirror' fund, as the performance of the Prudential fund broadly aims to reflect the performance of the underlying fund it invests in. The performance of our Prudential fund, compared to what it's invested in won't be exactly the same. The differences between the underlying fund and our fund can be due to:

- additional charges,
- cash management (needed to help people to enter and leave our fund when they want),
- tax,
- timing of investments (this is known as a fund's dealing cycle, it varies between managers and can be several days).

How will I know how my plan is doing?

We send you a statement once a year.

You can also get an quick up-to-date valuation of your plan by registering for our online service at **pru.co.uk/online** or alternatively you can call us.

Can I switch my money between funds?

No, you can't switch your money between funds except at retirement, or if we close an investment fund that you are invested in. We will tell you if this applies to you, or if our policy changes.

Prudential may apply a Market Value Reduction if you switch money out of the With-Profits Fund. Please see the section 'What's a Market Value Reduction?'.

What might I get back?

The amount of benefit you receive will depend on:

- the value of your pension plan when you take your benefits,
- the cost of converting your pension plan into pension income with Prudential or another pension provider,
- any optional benefit features you arrange when you start to take benefits and
- any legal requirements.

You'll receive details of the options available at the relevant time.

When can I take my benefits?

You can start taking your benefits from the age of 55, even if you're still working. You might be able to take your benefits earlier than that if you're in ill health.

Regardless of your age, if you have a life expectancy of less than one year due to ill health, you may be able to take your pension pot tax-free.

If money is taken out of the With-Profits Fund at any time other than your AVC Normal Pension Age or on your death, the amount payable may be reduced to reflect the value of the underlying assets at that time. This is known as a Market Value Reduction (MVR).

There is no maximum age at which you must take your AVC benefit.

What's the AVC Normal Pension Age?

When we talk about your AVC Normal Pension Age, this is the same as your normal pension age in the USS as at the date you join the AVC. It will not change if your State Pension Age or normal pension age in the USS changes. We may also call this your "AVC Policy Age".

What choices will I have when I want to take my benefits?

You've got different options to choose from when it comes to taking your benefits. We'll contact you as you approach retirement to let you know which of these options we may be able to offer you.

Depending on your choices, you might need to move your pension pot to another pension to access some of these options or to access them when you prefer.

Flexible cash or income (also known as drawdown)

You can take out up to 25% of the money moved into your flexible cash or income plan, in cash, tax-free. You'll need to do this at the start. You can then dip into the rest as and when you like. You can also set up a regular income with this option. Any money you take after the first 25% may be subject to income tax.

A guaranteed income for life (also known as an annuity)

You can use your plan to buy an income for life. It pays you an income (a bit like a salary) and is guaranteed for life. These payments may be subject to income tax. In most cases you can take up to 25% of the money you move into your guaranteed income for life, in cash, tax-free. You'll need to do this at the start and you need to take the rest as an income.

Cash in your plan all at once

You can take your whole plan in one go, as a lump sum. Normally the first 25% is tax-free, but you will pay income tax on the remainder. The rate will depend on how much your total income for the year is, including this payment and other earnings for the year. This payment may mean that you will be in a higher tax band (especially if you're still earning). You'll need to plan how you provide an income for the rest of your life.

Take cash in stages

You can leave your money in your plan and take out cash lump sums whenever you need to – until it's all gone, or you decide to do something else with what's left. You decide when and how much to take out. Every time you take money from your plan, the first 25% is usually tax free and the remainder may be subject to income tax.

Take more than one option

You don't have to choose one option – you can take a combination of some or all of them over time, even if you've only got one pension pot.

Your Universities AVC comes with another benefit

You can take your AVC as cash or an 100% tax free cash lump sum providing you take it at the same time as your main USS scheme benefits. The total lump sum you take from the USS (can't be more than 25% of the combined value of the USS benefits you take at that particular time and must fall within the maximum permitted by HMRC rules).

Please speak to your USS scheme administrator for more information.

Whatever you decide to do with your pension pot.

You should shop around as depending on the choices you make, you may find something more appropriate elsewhere, with alternative features, investment options or charges.

When you're deciding what you want to do with your pension pot, you should consider all the options and their tax implications. Pension providers offer different products with different features and options, including the product terms, rates, funds or charges that might be appropriate for your individual needs and circumstances. That's why it's important you shop around. So whatever you decide to do – whether that's a guaranteed income for life (also known as an annuity), flexible cash or income (also known as drawdown) or something else, it's the right decision for you. For some products, like annuities, shopping around will help you get the highest possible income.

Your health and lifestyle can increase the amount of income you can get. Different providers may use different criteria to assess your health and lifestyle conditions. This is known as an enhanced annuity. Prudential do not offer enhanced annuities but you may qualify for an enhanced annuity with another provider and get a higher income. That's another reason why it's very important that you should shop around.

For information about all your options, please speak to a financial adviser or your USS scheme administrator.

What happens if I leave?

If you leave the employment of your USS employer, you can no longer make payments for additional death benefits. The sum assured will no longer apply.

You can leave your money in your plan. Prudential will continue to invest it and take their charges. We'll also continue to send you an annual statement. A Market Value Reduction may apply to any monies taken out of With-Profits funds. Please see the section 'What's a Market Value Reduction?'.

If you want to, you can transfer your plan to another pension plan. Please see below in the section 'Can I transfer money out?'.

Can I transfer money out?

You can transfer out your pension plan to another registered pension scheme or recognised overseas scheme before age 75 as long as you've stopped paying into the plan and haven't previously used any of your pension plan to buy an annuity.

To find out more, you might want to speak to a financial adviser or visit the MoneyHelper website **moneyhelper.org.uk/en/pensions-and-retirement**

What happens to the Universities AVC if I die?

If you die and you still have money in your AVC pension pot, we'll normally pay the value of your pension pot on the instructions of the trustees to your nominated beneficiaries, spouse, civil partner, dependant or legal representative. If you were still making life cover payments when you die, the life cover payment would be included in this payment.

The lump sum is paid by the trustee through a discretionary trust. This means it has discretion to choose who should receive the benefit, rather than you. This is because if you control the benefit it may be subject to inheritance tax.

However, you can nominate who you would like to receive the benefit by completing a Nomination of Beneficiaries form. The trustee will take this into account, but it cannot be bound by your wishes. The trustee can also take into account advice from the associated employer about possible beneficiaries.

If you need a Nomination of Beneficiaries form, please contact your USS scheme administrator. Then simply fill it in and return it to them in a sealed envelope.

What about tax?

The plan is a registered pension scheme. This means it has been registered for tax purposes with HM Revenue & Customs (HMRC) giving it valuable tax advantages in respect of contributions, investments and benefits.

Tax Relief

Regular payments

You'll normally receive tax relief on your contributions. For every £10 you pay into your plan, you will pay less tax – £2 if you are a 20% tax payer – £4 if you are a 40% tax payer. This will be adjusted through your employer's payroll.

Salary Sacrifice

Your employer may refer to this as salary exchange, salary sacrifice or as a smart pension. By giving up part of your salary in exchange for an equivalent amount from your employer, this amount will be exempt from tax and NI contributions. Your employer can give you further information on how much they will contribute to your pension for every £1 reduction in salary.

Annual Allowance

The Annual Allowance is a limit to the total amount of payments that can be paid to defined contribution pension schemes and the total amount of benefits that you can build up in defined benefit pension schemes each year, for tax relief purposes.

Money Purchase Annual Allowance

Taking money out of your pension will sometimes lower the amount you can pay into all the pensions you may have while still benefitting from tax relief. This limit is called the Money Purchase Annual Allowance (MPAA). Your pension scheme administrator or provider will have told you if you are subject to the MPAA at the time they started to pay you.

Lump Sum Allowances

From 6 April 2024 the lifetime allowance was replaced by two new allowances.

The Lump Sum Allowance (LSA)

This is a limit on the amount of tax free lump sums that can be taken from pension schemes.

Lump Sum and Death Benefit Allowance (LSDBA)

This is a limit on the amount of lump sum death benefits and serious ill health lump sums that can be paid without tax.

Where the amount exceeds either of these allowances, you may be liable to income tax.

Capital Gains Tax

You don't pay capital gains tax on your pension funds.

Income Tax

Any money taken out, excluding any tax-free cash, may be subject to income tax. Lump sum benefits payable on death are not normally subject to income tax unless they are over the available lump sum and death benefit allowance, paid out more than 2 years after notification of death or where death occurred after age 75.

Your responsibilities

While the trustee will help you with the information you need, you're responsible for:

- keeping a record of how much Lump Sum and Lump Sum Death Benefit Allowances is used,
- monitoring if your contributions are eligible for tax relief and
- informing HMRC if the total contributions made to this plan, and to any other registered pension scheme, exceed the annual allowance.

Tax rules can change and the impact of taxation (and any tax relief) depends on your circumstances. Before you make a decision you might want to speak to a financial adviser. They can help you understand the tax rules and how they might affect you.

For more information visit **pru.co.uk/tax** or the HMRC website at **hmrc.gov.uk**.

What are the charges and costs?

Prudential charge for managing your plan and your investments. The amount they charge depends on the funds you invest in.

Annual Management Charge

The annual charge is calculated as a percentage of the value of your investment in the fund. If you invest in a unitised fund, charges are taken from your plan by taking deductions from the units in your fund. If you invest in the With-Profits fund, charges are taken in a different way.

For more about our charges please refer to the Fund Guide.

These charges will still apply even though you are no longer paying into your pension pot. We might change our charges in the future.

With-Profits Fund charge

With-Profits Fund annual charge For With-Profits Funds, there are various costs involved with setting up and managing your policy. We deduct a charge from the With-Profits Fund each year to cover these costs.

The charge isn't explicit so you'll not see it being taken from your policy. It's deducted from the underlying With-Profits Fund and is already taken into account when we calculate bonus rates for our With-Profits Fund.

The With-Profits Fund's annual charge depends on the performance of the With-Profits Fund, in particular the investment return and our expenses. If, for example, over time investment returns are higher then we'd expect to increase the charges and if investment returns are lower we'd expect to reduce the charges.

The charge will depend on the investment returns achieved and the expenses incurred by the Fund (higher investment returns will be associated with a higher charge and lower investment returns will be associated with a lower charge). The charge is currently expected to be approximately 0.76% a year if the investment return in the With-Profits Fund is 5% a year (gross of tax).

More information on the operation of the With-Profits Funds is explained in Your With-Profits Plan – a guide to how we manage the Fund.

Further costs incurred by the funds

In addition to our charges, there may be further costs incurred, which can vary over time. Where these are applicable, they are paid for by the relevant fund and will impact on its overall performance.

For more information on these further costs, please read the Fund Guide.

With-Profits charge for guarantees

There is a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee not to apply a Market Value Reduction (MVR) in certain circumstances, e.g. when payments are made because of death or at your AVC Normal Pension Age.

The total deduction for guarantee charges over the lifetime of your plan is not currently more than 2% of any payment made from the fund. Charges may vary if, for example, the long term mix or type of assets held within the With-Profits Fund is changed.

Our current practice (which is not guaranteed) may include additional circumstances when an MVR is not applied. Please see 'What's a Market Value Reduction?' section for more details.

You won't see this charge on your annual statement because we take it by adjusting regular and final bonuses.

What's a Market Value Reduction?

If you take money out of the With-Profits Fund, we may reduce the value of your fund if the value of the underlying assets is less than the value of your plan including all bonuses. This reduction is known as a Market Value Reduction (MVR). It is designed to protect investors who are not taking their money out and its application means that you get a return based on the earnings of the With-Profits Fund over the period your payments have been invested.

We apply any MVR to your plan's value including regular and final bonuses. Please read Your With-Profits Plan – a guide to how we manage the Fund for more information on bonuses. An MVR will reduce the value of your plan and if investment returns have been low, you may even get back less than you have invested in your plan.

We guarantee not to apply an MVR at your AVC Normal Pension Age or on any claims in the event of your death.

Information about the plan

General

The plan is set up under a trust. All benefits under the plan are funded. Contributions to provide benefits are paid into a fund which is held and invested by the trustee. This ensures the money and investments belonging to the plan are kept totally separate from those of the employer. This fund is then used to provide members' benefits as they become due.

Plan trustee

The trustee of the plan is USS Pensions Trustee Limited. The trustee is responsible for managing and administering the plan – and also for looking after its money and investments. Some of the trustee's other duties and powers are described in various sections of this booklet.

Benefit information and documents

Each year you'll receive a statement showing the current value of your pension under the plan. You have the right at any time to ask the trustee for details of your pension plan, including an estimate of the transfer value which would be available if you left the plan. The trustee is only obliged to give you this information once every 12 months. Before making any payment, the trustee may ask you for information and documents they might need to process your payment.

Title to benefits

Your benefits under the plan are personal to you. You can't promise them to anybody else or offer them as security for a loan.

Changes of address

USS will need to know of any change in your address. This is particularly important if you leave the plan before retirement, and also at retirement – when benefits are due to be paid. If USS doesn't have your address, your benefits may not be paid on time.

Please inform USS or Prudential if your address changes.

Pensions on divorce or on dissolution of a civil partnership

There are a number of ways your pension rights may be affected in the event of a divorce – or on the dissolution of a civil partnership. Your solicitor will be able to tell you how your pension might be affected. If you need information about your benefits under the plan, contact Prudential or USS and make it clear why you're asking for the information.

Data Protection Information

For a copy of our latest Data Protection Notice, please visit **pru.co.uk/mydata-cp**. This details how and why we use your personal information (including any sensitive personal information), who we may share it with and your rights around your personal information.

Alternatively, you can request a hard copy to be sent to you by writing to

The Data Protection Officer
Customer Service Centre
Lancing
BN15 8GB

Please note that we collect personal information from you that is necessary for us to either provide you with the product or service you've requested or to comply with statutory or contractual requirements.

Unfortunately if you don't provide all of the information we require this may mean we are unable to provide our products and services to you.

Help and Assistance

Ways to get in touch.

You can write to:

Prudential
Lancing
BN15 8GB

Telephone: **0345 600 0343**

We might record your call for training and quality purposes. To find out more about how we use your personal data please visit **pru.co.uk/mydata**

If something goes wrong

If you have a dispute you're unable to resolve informally, you should contact USS. They will explain the process for raising and dealing with a dispute.

MoneyHelper

General guidance and information on all aspects of pensions is available from MoneyHelper.

MoneyHelper Pensions Guidance
Money and Pensions Service
120 Holborn
London
EC1N 2TD

Telephone: **0800 011 3797**

Website: **moneyhelper.org.uk/en/pensions-and-retirement**

The Pensions Ombudsman

The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: **0800 917 4487**

Email: **enquiries@pensions-ombudsman.org.uk**

Website: **pensions-ombudsman.org.uk**

You can also submit a complaint form online: **pensions-ombudsman.org.uk/making-complaint**

These services are free and using them won't affect your legal rights.

The Pensions Regulator

The Pensions Regulator is the statutory regulator of work-based pension schemes in the UK. Its main objectives are:

- to protect the benefits of members of occupational pension schemes
- to protect the benefits of members of personal pension schemes where direct payment arrangements are in place
- to promote and to improve understanding of the good administration of work-based pension schemes
- to reduce the risk of situations arising which may lead to compensation being payable from the PPF
- to maximise employer compliance and employer duties and the employment safeguards introduced by the Pensions Act 2008.
- in relation to DB scheme funding, to minimise any adverse impact on the sustainable growth of an employer

The Pensions Regulator aims to support schemes and help trustees to get things right.

It provides education and information to those running schemes to help reduce the likelihood of problems occurring. If things go wrong and trustees, employers or professional advisers fail in their duties, the regulator can intervene in the running of schemes and use its powers to ensure things are put right.

Pension Schemes Registry

A register of work based pension schemes has been established as part of a pension tracing service. Its purpose is to help people who have lost touch with their employers. Information on the register is used to determine the most likely location of benefits. The plan has been registered for this purpose.

The registry, which is managed by the Pensions Regulator, has been supplied with details of the plan – and in particular, the trustee's address.

If you wish to use this service, you can write to:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
United Kingdom

If you prefer, you can call them on **0800 731 0193**.

You can also use the online service at **gov.uk/find-pension-contact-details**.

Compensation

The products Prudential Assurance Company Limited (PACL) offer are covered by the Financial Services Compensation Scheme (FSCS). If we get into financial difficulties, you may be able to make a claim. The FSCS is an independent body set up by Government to provide compensation for people where their authorised financial services provider gets into financial difficulties and becomes unable, or unlikely to be able, to pay claims against it. This circumstance is referred to as being 'in default'.

Losses, which may result from poor investment performance, are not covered by the FSCS.

Where does FSCS protection apply?

There is full FSCS coverage if PACL is 'in default'.

- Your pension is protected up to 100% of the value of your claim.
- Any funds you choose to hold in your pension will be included in the value of your claim in the event that PACL is declared 'in default'.

If you hold the Prudential With-Profits fund or Deposit fund in your pension, they are protected 100% in the event of the default of PACL.

All the other funds we offer, apart from those mentioned above are unit-linked, and invest in other funds managed by non-PACL fund managers. FSCS cover does not apply if the non-PACL fund manager were to be 'in default'.

- There is no FSCS cover for unit-linked funds investing with non-PACL fund managers if that manager were to be 'in default'.
- See 'How unit-linked funds invest' for further information on these types of fund (often called 'mirror' funds).

You can find out more information on the FSCS at **pru.co.uk/fscs**, or you can call us.

Information is also available from the Financial Services Compensation Scheme.

Visit their website: **fscs.org.uk**

Or write to: **The Financial Services Compensation Scheme, PO Box 300, Mitcheldean, GL17 1DY**

Or call the FSCS: Telephone: **0800 678 1100**

Where FSCS coverage does not apply, then other factors can come in

As explained in the 'Where does FSCS protection apply?' section, the FSCS doesn't cover every situation. For example unit-linked funds that invest in the funds of non-PACL fund managers (often called 'mirror' funds).

But, where FSCS protection does not apply, there are other factors that could help if the worst happened and a provider was 'in default'. For example, the use of custodians or depositories to provide protection for fund assets, where there is separate legal ownership of assets and legal entities that aren't liable for any losses of a fund manager. In so doing, the intention is that the underlying fund will not be liable for any losses the underlying fund management company incurs.

PACL would aim to recover any money invested in an underlying fund where the fund manager has been declared 'in default', but PACL would not be liable for any loss incurred from the default of the non-PACL fund manager.

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