

# Key Features of the Universities Superannuation Scheme Money Purchase AVC Facility

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If you would like a Braille, large print or audio version of this Key Features, please contact us at:

Prudential, Stirling FK9 4UE

## › About this booklet

- › This booklet is for the Key Features for our Universities Superannuation Scheme Money Purchase AVC facility.
- › For the purposes of this booklet all references to "AVC facility" will refer to the Universities Superannuation Scheme Money Purchase AVC Facility. All references to the Universities Superannuation Scheme will be the USS.
- › If you are thinking about whether our AVC Facility may be right for you, this booklet will help you make that decision.
- › Please read it and keep it in a safe place. Please also read "A Guide to Fund Options" and "Your With-Profits Plan – a guide to how we manage the Fund".
- › If you still have questions about our AVC Facility after reading this booklet, please call us on 0845 6000 343. If you have a financial adviser, please contact them in the first instance.

## **The Financial Services Authority**

The Financial Services Authority is the independent financial services regulator. It requires us, Prudential, to give you this important information to help you decide whether our Universities' AVC Facility is right for you. You should read this information carefully so that you understand what you are buying and then keep it safely for future reference.

## ➤ About our Universities Superannuation Scheme Money Purchase AVC Facility

It is a savings plan designed to help you to build up a pot of money to provide an additional pension and /or lump sum for your retirement and is subject to the rules of the USS.

## › Its aim

- › To help you save for your retirement in a tax-efficient way.

## › Your commitment

- › To make payments into your plan by regular and lump sum payments.
- › To allow the money in your plan to grow until you take your retirement benefits.

## › Risks

Risk factor	Where you can find more information
› The value of the investments that make up your plan can go down as well as up. The value can even fall below the amount you invested.	We explain this in "Where do you invest my contributions?" on page 8.
› There are different risks for different funds.	You can find information about each fund in "A Guide to Fund Options".
› If money is taken out of the With-Profits Fund at any time other than your normal retirement date 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).	We explain this in "What is a Market Value Reduction?" on page 12.
› Tax rules may change in the future.	We explain this in "What are the tax advantages of investing in the AVC facility?" on page 10.
› Inflation will reduce what you can buy in the future.	

## › Questions and Answers

### Your AVC Facility

#### How much can I pay into my AVC Facility?

The Universities Superannuation Scheme currently restricts the maximum you can pay into your Money Purchase AVC facility between 1st April and the following 31st March to the lower of:

- › 100% of salary less main scheme contributions, or
- › £50,000 (the Annual Allowance) less main scheme contributions.

Main scheme contributions also include Added Years AVCs.

There is a limit on the tax relief you receive on your contributions. For more information please read "What are the tax advantages of investing in the AVC facility?" on page 10.

Your employer will take your payments directly from your salary and send them to us.

The government's Pension Credit guarantees a minimum income if you're on a low income. If you have little or no other retirement provision, the income you receive when you take the benefits from this plan could reduce the amount you receive as a Pension Credit.

#### Where do you invest my contributions?

You choose which funds you would like to invest your money in, from the fund range available. We use your money to buy units in these funds.

Different funds offer different types of investment. For example, some only invest in property, others invest directly in the stock market, and others invest in a wide range of assets. Each fund has its own level of potential growth and risk. Usually, funds with more potential for growth carry more risk.

The performance of the funds isn't guaranteed. The value of your investment can go down as well as up. If it goes down, you could have less money in your plan than you paid in.

For information about the Funds you can choose from, please read "A Guide to Fund Options" and "Your With-Profits plan – a guide to how we manage the Fund"

## **Can I switch my money between funds?**

You can switch your money between funds at any time. We currently don't charge you for this. If this changes in the future we will let your pension scheme trustees know.

We may apply a Market Value Reduction if you switch money out of our With-Profits Fund. For more information about this, please read "What is a Market Value Reduction?" on page 12.

## **Can I take money out of my plan?**

You can't withdraw money from your plan. It can only be used to provide you with retirement or death benefits. For more information about this, please read "How do I turn the value of my AVC pot into an income?" on page 15.

## **Can I transfer my plan?**

You can transfer your plan, along with your main scheme benefits, to another pension arrangement at any time before you start to take your pension benefits. We won't charge you for this.

We may apply a Market Value Reduction if you transfer money out of our With-Profits Fund. For more information about this, please read "What's a Market Value Reduction?" on page 12.

Transferring funds between pension providers is an important decision, so we recommend that you speak to a financial adviser first.

## **Can I transfer money from another pension plan into this one?**

Should you wish to transfer any other AVC benefits into the AVC facility you should approach your pension scheme administrator in the first instance.

Transferring funds between pension providers is an important decision, so we recommend that you speak to a financial adviser first.

## What are the tax advantages of investing in the AVC facility?

### Tax Relief

AVCs are deducted from your salary before tax and passed to Prudential for investment. This means if you normally pay tax you'll qualify for immediate tax relief on your payments, so for every £100 that goes in your pension pot, it will cost you £80, with the £20 normally paid to the taxman going into your pension instead. If you're a higher rate taxpayer, it'll only cost you £60, with £40 going into your pension instead of the taxman.

### Annual Allowance

The government limits the amount that can be contributed every year before incurring tax penalties. This is called the "Annual Allowance". The level of Annual Allowance is currently £50,000. If you exceed the Annual Allowance, a tax charge of up to 50% of the excess amount will be payable.

However, any unused allowance from 'pension input periods' ending in the previous 3 tax years, may be carried forward to increase your Annual Allowance for the current year (provided you have used the current annual allowance first and you were a member of a registered pension plan).

Your Annual Allowance includes:

- any contributions you, your employer or anyone else makes to all your money purchase pension plans
- any increase in the value of benefits under your main scheme and any other salary related pension schemes, also known as Final Salary, Defined Benefit or Career Average schemes. The formula used to value your pension to establish how much of the annual allowance you have used has changed. Please speak to your main scheme administrator if you require further information.

Together, these are known as your "pension inputs". Your pension inputs are assessed against the Annual Allowance for the tax year in which the "pension input period" ends. For information on your pension input period please contact your main scheme administrator.

If you are affected by this limit you may wish to contact a Financial Adviser, for which you may be charged.

### Lifetime Allowance

If the value across all your pension funds exceeds the Lifetime Allowance at the time you take your benefits, a tax penalty will be payable on the excess amount. The limit for

2011/12 is £1.8 million and with effect from 6 April 2012 will reduce to £1.5 million. The government has introduced protection, which you will need to apply for by 5 April 2012 if you expect the value of all your pensions to be over £1.5 million at the time you take your benefits. If you are affected by this limit you may wish to contact a Financial Adviser, for which you may be charged.

### **Capital Gains Tax**

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

### **Tax-free lump sum**

When you decide to start taking your benefits from your scheme, you can take up to 100% as a tax free lump sum. To find out more information, please read "Can I take any of the money invested in my AVC pot as a lump sum?" on page 15.

### **Income Tax**

Any pension income will be taxed as earned income.

This information is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, as at February 2011. These tax rules could change in the future without notice.

The impact of taxation and any tax relief depends on your individual circumstances. For more information about tax, please go to HMRC's website: [www.hmrc.gov.uk/rates](http://www.hmrc.gov.uk/rates).

### **What are the charges?**

We make charges for managing your plan and your investments. The amount we charge depends on the funds you invest in. For more information, please read "A Guide to Fund Options".

Our charges may vary in the future and may be higher than they are now. Further details can be obtained by referring to the scheme policy conditions which are held by the Trustees.

For most funds we calculate the charge daily and take it monthly from your plan by cancelling units. We calculate the charge for the With-Profits Fund differently.

Please remember that we'll keep taking our charges, even if you stop your regular payments.

## **With-Profits Fund charges**

The With-Profits Fund's management 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 than we would expect to increase the charges and if investment returns are lower we would expect to reduce the charges. We currently expect this charge to be 1% a year, based on the assumption that future investment returns from the With-Profits Fund will be 7% per year. We deduct this charge through the bonus mechanism.

## **With-Profits guarantee charges**

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, for example when payments are made because of death or at your normal retirement date. Our current practice (which is not guaranteed) may include additional circumstances when an MVR is not applied. Please see "What is a Market Value Reduction?" for more details.

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

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. Our charges may vary in the future and may be higher than they are now. Charges may vary if, for example, the long term mix or type of assets held within the With-Profits Fund is changed. For more information about bonuses and charges, please read "Your With-Profits Plan – a guide to how we manage the Fund".

## **What is a Market Value Reduction?**

If you take money out of the With-Profits Fund, we may adjust the value of your fund if the value of the underlying assets is less than the value of your plan including all bonuses. This would also apply if the trustees of your plan transferred part, or all, of the scheme. This adjustment 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 the 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 amount payable on full or partial withdrawals and if investment returns have been very poor, you may get back less than you have invested in your plan.

We guarantee not to apply an MVR at your normal retirement date or on any claims due to death.

### **Our current practice on applying a MVR**

We may apply a Market Value Reduction to any full or partial withdrawals as a result of switches or transfers out of the With-Profits Fund.

We do not currently apply an MVR to withdrawals as a result of early or late retirements.

We reserve the right to change our current practice on Market Value Reductions at any time, without prior notice, and this would apply to existing plans and any new plans or top-ups. Examples of reasons for a change would include significant changes in the investment market or because the number of people moving out of the fund increases substantially.

### **Can I use the AVC facility to contract out of the State Second Pension?**

You can't use this facility to contract-out of the State Second Pension.

### **How will I know how my plan is doing?**

We will send you an annual statement, which shows how your plan is doing.

Alternatively, you can phone our Customer Service Centre on 0845 6000 343 and a member of our team will give you an up-to-date valuation.

## What happens if I change jobs?

If you leave the USS your contributions will stop and your AVC plan will remain invested (you can restart contributions after a career break when you rejoin USS).

Any charges will also continue to be taken until you take your benefits.

Alternatively, you may transfer your AVC account, together with the main scheme benefits, to another Registered Pension Scheme, or where your employer has provided you with a refund of main scheme contributions, your AVC account will be refunded.

Plan rules state that if you have been a member for less than a certain period of time (with a maximum of two years), you will receive a refund of that part of your account that relates to your own contributions. This refund is subject to a tax charge, currently 20% on any refund up to £20,000 and 50% on any excess.

We may apply an MVR to any monies taken out of the With-Profits Fund. Please refer to "What is a Market Value Reduction?" on page 12.

## What if I want to cancel my plan?

You cannot cancel your plan, and can only get your contributions back when you retire.

However, you can stop, start, increase or decrease payments into your plan at any point.

## What happens if I move abroad?

Please note Prudential is not able to accept new monies from customers living overseas. If you move abroad and are no longer a resident of the UK this will have an impact on your ability to top up this product.

## Other options available

You have the option of buying added years AVCs within USS and you should contact your USS administrator for more details. There may also be other options available to you. For information about all your options, please speak to a financial adviser.

## › Questions and Answers

### Taking benefits from your AVC

#### **When can I start taking my benefits?**

The government currently allows people to start taking their benefits from the age of 55, even if you are still working. You may be able to start taking your benefits earlier if you're in ill health. Under the terms of this contract you are currently required to take your benefits by age 75.

#### **How do I turn the value of my AVC pot into an income?**

The value of your AVC pot includes money you've invested, less charges plus any growth. This value is known as your pension fund. You can use your fund to buy an income known as an annuity. In return for some or all of the money invested in your plan, you'll be paid a regular income for the rest of your life.

You don't have to buy your annuity from the same provider you invested your pension fund with.

#### **Can I take any of the money invested in my AVC pot as a lump sum?**

You can usually take up to 100% (as long as this isn't more than 25% of the total value of all your pension funds combined) of your pension fund as a tax-free lump sum when you retire, if your AVC fund is more than 25% of your combined funds then you can use the surplus to buy additional pension under the USS. Under the terms of the current contract you will need to do this by your 75th birthday.

These tax and scheme rules could change in the future without notice.

## How much will my income be?

You use your pension fund to buy an annuity, which will pay you an income. The size of your pension fund will depend on many factors such as:

- the amount that has been paid into the plan
- how long you have been making payments
- the performance of the fund(s) you have invested in
- the age you choose to take benefits
- the amount of charges you've paid.

The size of your income will depend on many factors such as:

- the size of your pension fund
- the type of annuity you buy
- your age when buy your annuity
- your sex
- the annuity rate at the time you take your benefits.

## What happens if I die before I take my benefits?

If you die before you start taking your benefits, we'll pay the value of your AVC pot as a lump sum to your spouse, civil partner, nominated dependant or legal representative. These benefits may be liable to inheritance tax.

While your AVC account will be paid to your spouse, civil partner, nominated dependant or legal representatives, you can also use your AVCs to fund extra death benefits for your spouse or dependants. Premiums for this life assurance increase every three years for a given level of cover. For more information about inheritance tax rules, please go to HMRC's website: [www.hmrc.gov.uk/rates](http://www.hmrc.gov.uk/rates).

## › Other information

### How to contact us

If you have a financial adviser, please continue to use them as your first point of contact.

If you don't have a financial adviser, you can call us on **0845 6000 343**. The opening hours are 8.30am to 6pm, Monday to Friday.

You can also contact us by:

You can also contact us by:

**Post: Prudential  
Universities AVC  
Administration  
Stirling  
FK9 4UE**

**Via our website: [www.pru.co.uk/uss](http://www.pru.co.uk/uss)**

### How to make a complaint

If your complaint is advice related please contact your financial adviser.

If we do anything that you're unhappy about, we'll always try to put it right if we can.

To do this we need to know exactly what the problem is. So please write to us with all the details of what has happened. Please send your complaint to

**Prudential  
Customer Relations Unit  
Stirling  
FK9 4UE**

Copies of our complaint handling procedures are available from this address.

If you'd rather phone, you can call us on 0845 6000 343. To make sure we have an accurate record of what you tell us, we may monitor or record your call.

We hope that we will be able to handle your complaint in a way that satisfies you. But if we can't, you can speak to one of the following organisations:

**The Financial Ombudsman Service**  
**South Quay Plaza**  
**183 Marsh Wall**  
**London E14 9SR**

**Telephone: 08000 234 567**

**The Pensions Ombudsman**  
**11 Belgrave Road**  
**London**  
**SW1V 1RB**

**Telephone: 020 7630 2200**

**The Pensions Advisory Service (TPAS)**  
**11 Belgrave Road**  
**London**  
**SW1V 1RB**

**Telephone: 0845 601 2923.**

The Pensions Advisory Service is an independent, government funded body that gives free advice to members of the public about pensions.

These are free services. Using them won't affect your right to take legal action. We can help you find the appropriate organisation to handle your complaint.

## **Your client category and why it matters**

The Financial Services Authority (FSA) is the independent financial services regulator. It asks companies to categorise their clients based on their involvement in and familiarity with financial services. This helps to make sure we send the right information to the right people. For example, information for an individual customer should assume less knowledge than information for a financial services company.

You're categorised as a "retail client". This means you get the highest level of protection by getting the clearest explanation of what you're buying and more detail about the risks. This means the information we send you is clear, balanced and indicates any relevant risks. Your category does not affect your right to lodge a complaint with the Financial Ombudsman Service.

If you have any questions about your client category, or think your category should be different, please call our Customer Service Team on **0800 000 000**.

## **Conflict of interest**

We want to make sure that we uphold our reputation for conducting business with integrity. That's why we have drawn up a policy to deal with any conflicts of interest.

If you would like to know the full details of our Conflict of Interest Policy, please contact our Customer Service Team on **0800 000 000**.

## **Law**

The law and courts of England and Wales will decide any dispute.

## **FSA Registration**

Prudential Assurance Company Limited is entered on the Financial Services Authority (FSA) Register, FSA Reference Number 139793. The FSA Register is a public record of all the organisations that the FSA regulates.

You can contact the FSA at:

**The Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS**

**Telephone: 020 7066 1000**

## **Compensation**

We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. For more information, please contact:

**The Financial Services  
Compensation Scheme  
7th floor, Lloyds Chambers  
Portoken Street  
London  
E1 8BN**

**Telephone: 0207 741 4100**

**[www.fscs.org.uk](http://www.fscs.org.uk)**



[www.pru.co.uk](http://www.pru.co.uk)

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