

From the Employers' Side of the Negotiating Committee
c/o STC 1 King's Arms Yard, London. EC2R 7AF

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Dear Harry and Glyn

As promised at our meeting on 8 September, I am writing to summarise the Employers' proposals in order to assist you in your consultation with your Trade Union colleagues.

As you know these proposals are the result of the long term funding pressures on the scheme that have crystallised following the triennial actuarial valuation in March 2011. A secondary funding valuation of 81% and a significant gap between contribution rates (19%) and the real cost of benefit accrual (26.6%) coupled with the broader concerns affecting all defined benefit schemes – increased longevity and falls in equity returns - are among the compelling reasons that make some change imperative.

Many defined benefit schemes are closed to new entrants, including some in the higher education sector. The SAUL employers, however, remain strongly committed to maintaining quality defined benefit pension provision for our support staff but some changes are necessary to ensure that SAUL remains an affordable, sustainable and attractive defined benefit scheme for current members and future generations. These are set out below. It is important to note that none of the

changes proposed affect the rights of pensioners, or deferred pensioners, who left (or leave) prior to the effective date of the changes which is 1 April 2012.

- Normal Pension Age for new entrants will be 65 and thereafter will be linked to increases in State Pension Age. Benefits taken before Normal Pension Age will be reduced but for new entrants only. Leavers from the Final Salary Scheme who move to deferred status will have a reduced pension if pension is taken before 65 (other than on ill-health).
- Member contribution rate for final salary benefits will remain at 6%.
- In accordance with current Scheme rules, increases to pensions in payment and revaluation of deferred benefits will be in line with official pensions (CPI from 2011). Service built up after the effective date will be capped as follows:

Increase in CPI	Increases payable by SAUL
5% a year or less	The same increase
More than 5% but less than 15%	5% plus 50% of increases above the 5% level
15% or more	Overall ceiling of 10% p.a.

- Deferred members on the day before the effective date who rejoin the scheme within 30 months of the effective date will be entitled to rejoin the final salary section.
- Active members on the day before the effective date who leave on or after the effective date and rejoin within 30 months of ceasing to be a member will be entitled to rejoin the final salary section.
- With effect from 1 April 2012 all new entrants will be entitled only to a reduced pension on redundancy, unless the employer agrees otherwise as part of local or individual negotiation.
- For members *in post* prior to 1 April 2012 special protection arrangements in the event of redundancy before age 60 will apply: benefits for service up to the implementation date will continue to be exempt from any actuarial reduction; benefits accrued *from* 1 April 2012

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will, however, be subject to reduction in line with arrangements for new members. The consequence of this is to protect all service accrued up to the implementation date.

- A new CARE section of the scheme will be created for new entrants from the effective date.
- The benefits will be based on 1/80th pension plus 3/80ths cash lump sum formula and revalued annually in line with increases in official pensions (CPI) as described above.
- The contribution rate for new entrants will remain at 6% of salary.
- The employers' contribution rate will remain at 13%.
- A mechanism for sharing any future funding surplus will be agreed.
- Service qualification for ill-health retirement (with benefits based on potential service to NPA) will be two years contributory, rather than qualifying, service to SAUL .

We believe that these proposals adequately address funding pressures whilst offering a high level of protection for existing staff and an attractive defined benefit pension provision for new entrants.

Yours sincerely



Chris Gosling
Acting Chair of the Negotiating Committee

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