



# Changes to SAUL

# What we will cover



- The **Final Salary Plan** – how it works
- Why change is needed
- Summary of changes
- Resources and supporting information
- Questions

# The Final Salary Plan – how it works

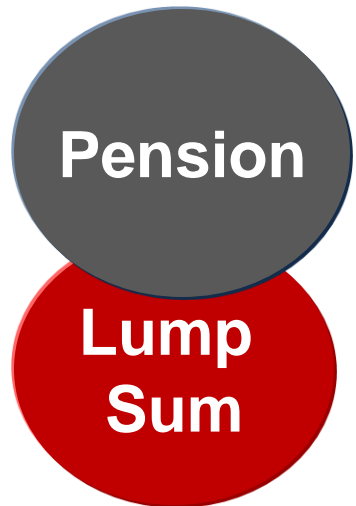
**Defined Benefit:** the benefits you receive are defined in the scheme rules.



Benefits are based on service in the scheme and salary near retirement (**Final Salary**).

# The Final Salary Plan – how it works





The diagram consists of two overlapping circles. The top circle is grey and labeled "Pension". The bottom circle is red and labeled "Lump Sum".

$$\frac{\text{Final Pensionable Salary} \times \text{Pensionable Service}}{80}$$

**3 x Annual Pension**

**Final Pensionable Salary** is usually salary paid in the last 12 months of service

**Pensionable Service** in years and days

- SAUL service
- Transfer in credits
- AVC credits

**Full-time Equivalent** (for part-timers)

## Part-time employment

- Salary and Service are converted to the **Full-Time Equivalent (FTE)**
- Pensionable Salary figure increased and Pensionable Service decreased

A member working 50% full-time hours over a year earning £20,000 pa will have:

- **FTE** Pensionable Salary: £40,000
- **FTE** Pensionable Service: 183 days

# The Final Salary Plan – how it works



## Example calculation

Pensionable Salary: £40,000 pa  
Pensionable Service: 20 years

$$\frac{£40,000 \times 20}{80} =$$

**£10,000 pa  
Pension**

$$£10,000 \times 3 =$$

**£30,000  
Lump Sum**

# Why change is needed



# Why change is needed

	31 March 2011	31 March 2014 (subject to agreement of the 2014 valuation)	31 March 2015 (estimated)
 <b>Money in SAUL</b>	£1,506 million	£1,924 million	£2,370 million
 <b>Cost of benefits promised to Members</b>	£1,581 million	£2,042 million	£2,680 million
 <b>How far the money in SAUL covers the benefits promised</b>	95% funded	94% funded	88% funded
 <b>Deficit</b>	£75 million	£118 million	£310 million



# Why change is needed



- Long-term funding pressures:
  - People living longer
  - Financial market conditions
  - HE funding changes
  - Changes to the State pension

# Why change is needed



- The Trustee is responsible for:
  - making sure that SAUL can pay the pensions promised to Members, and
  - returning SAUL to a 'fully funded' position in a reasonable period of time
- SAUL Negotiating Committee proposed changes to Trustee, which were agreed
- Employer consultation ran from 13 July to 13 September
- Recommendation to the Trustee, which was agreed.

# Summary of changes



## Member contributions

No change – stay at 6%

## Employer contributions

Employer contributions increase to 16%

## Final Salary Plan closes

Final Salary Plan closes on 31 March 2016 – benefits built up to 1 April 2016 are protected by Scheme Rules and by law

## 75<sup>th</sup> Improved CARE Plan for all members

Future pension benefits will build up at an improved rate

## Final Salary Plan closes

- Link between Members' final salary and pension benefits (including transferred-in benefits) will be broken
- Benefits built up to 31 March 2016 protected by Scheme Rules and by law (increased until paid as pensions)
- Members will build up future benefits in the CARE Plan

# Summary of changes



## How does CARE work?

- CARE = Career Average Revalued Earnings

YEAR	CARE SALARY PAID IN THE YEAR	PENSION EARNED IN YEAR (CARE BLOCK) (SALARY/80)	INCREASE (CONSUMER PRICES INDEX ASSUMED 2%)	CARE PENSION AT END OF YEAR
1	£20,000	£250.00	3 years at 2%	£265.30
2	£21,000	£262.50	2 years at 2%	£273.11
3	£22,000	£275.00	1 year at 2%	£280.50
4	£23,000	£287.50	0 years at 2%	£287.50
Total annual pension at end of year 4 =				£1,106.41
Total lump sum at end of year 4 =				£3,319.23

## Main differences between Final Salary and CARE

- Overtime is included in CARE Salary
- Normal Pension Date = last day of the month before your 65<sup>th</sup> birthday, increasing with State Pension Age
- Changes are taking place to the CARE Plan including:
  - Improved accrual rate (75ths)
  - Capped pension increases (2.5%)

(see consultation document for more details)

## One-off service enhancement of 5%

Age	Enhancement
60 and under	5%
61	4%
62	3%
63	2%
64	1%
65 and over	0%

## Unreduced benefits on early retirement

- Pensions are reduced for early retirement
- Currently pensions for members who retire from service from age 60 aren't reduced
- You may still take benefits built up before 1 April 2016 from age 60 without a reduction



## AVC contracts

- AVCs which buy service in the Final Salary Plan will not be affected by the changes

## Changes to future transfers in to SAUL

- SAUL will leave the public sector transfer club on 31 March 2016
- When SAUL leaves the club, pension transfers into SAUL will not be available
- Transfers of pensions out of SAUL will be allowed but will not be done under the club rules

## Combining previous SAUL benefits with current benefits

- Will not be possible after 31 March 2016
- If you are eligible, apply by 31 December 2015
- Eligibility: members who joined before 17 January 2002 (or are within a year of joining)

# Example



**John**

62 years old with 11 years' service on 31 March 2016

Pensionable Salary: £38,000 (increasing to £40,000 on 1 April 2016)

## A) No changes to Plan...

$$\frac{£38,000 \times 11 \text{ years}}{80} =$$

**£5,225 pa  
Pension**  
31 March 2016

$$\frac{£40,000 \times 12 \text{ years}}{80} =$$

**£6,000 pa  
Pension**  
31 March 2017

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## B) Plan closes on 31 March 2016

$$\frac{£38,000 \times 11 \text{ years } \textcolor{blue}{4 \text{ months}}}{80} =$$

**£5,383 pa  
Pension**  
31 March 2016

$$\frac{£40,000 \times 1 \text{ year}}{\textcolor{blue}{75}} = £533$$

$$£533 + £5,491 =$$

**£6,024 pa  
Pension**  
31 March 2017

If inflation 2%, pension would increase to  
£5,491 pa at 31 March 2017

# Resources and supporting information



SAUL website: [www.saul.org.uk/changes](http://www.saul.org.uk/changes)



New calculator



Benefits Estimates



Q&As



Links to more information

# Questions



You can find this presentation at: [www.saul.org.uk/1/1065](http://www.saul.org.uk/1/1065)

We appreciate your feedback: [www.saul.org.uk/1/1064](http://www.saul.org.uk/1/1064)

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