



University of
St Andrews

USS flexibilities

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1. Introduction

- 1.1 This policy came into effect on 6 April 2016 in recognition of the changes announced in the 2015 Budget regarding the reduction of the Lifetime Allowance (LTA), and changes to the Annual Allowance (AA). As part of the changes, the LTA reduced to £1m and the HMRC and USS introduced protections to assist individuals.
- 1.2 The University recognises that some individuals may need to take action however independent financial advice should always be taken in the first instance.

2. Protections and Remuneration

2.1 Fixed Protection 2016

- 2.1.1 If an individual has contacted HMRC and successfully applied for fixed protection, HMRC will have given the individual protection of £1.25m as a LTA, providing the individual ceases building up any further pension benefits after 5 April 2016. Although individuals will cease accruing benefits in the USS Pension Scheme because they have opted out of USS, individuals have the choice whether they make a contribution to USS each month to ensure cover remains in place for life assurance and incapacity. This is equivalent to 2.5% of salary. If the individual elects not to pay the 2.5% contribution, then the individual will no longer be covered for life assurance or incapacity cover whilst they remain in employment.
- 2.1.2 If HMRC approves Fixed Protection 2016 for an individual, the University will pay an additional 12% of salary each month to compensate that individual who no longer benefits from employer contributions towards their USS benefits.

2.2 Individual Protection 2016

- 2.2.1 HMRC will provide individuals with their own personal LTA equivalent to their LTA of their benefits as at 5 April 2016, on the condition their LTA is above £1m and below £1.25m. Individuals can choose whether to continue to contribute to USS or cease their contributions, once protection is in place. Individuals should note that any benefits above their LTA will be subject to a tax charge.
- 2.2.2 If the individual elects to continue to contribute to USS then there will be no change to the employer contribution rate.
- 2.2.3 If the individual elects to cease contributing to USS once Individual Protection has been approved, then an Enhanced Opt Out form must be submitted as well as proof of Individual Protection. If the individual wishes to remain covered for life assurance and incapacity cover, even though they are not accruing any additional benefits in USS, then a contribution of 2.5% will be deducted from their salary.
- 2.2.4 If the individual opts out of USS after obtaining Individual Protection 2016, the University will pay an additional 12% of salary each month to compensate that individual who no longer benefits from employer contributions towards their USS benefits.

2.3 Protections implemented by USS

2.3.1 Enhanced Opt Out

- Enhanced Opt Out is available through USS for individuals who are either approaching the LTA or have exceeded their LTA. Through Enhanced Opt Out, individuals will cease accruing benefits in USS, but will be required to contribute 2.5% each month to ensure they remain covered for life assurance and incapacity cover. It should be noted that if the Enhanced Opt Out is cancelled at any time, then it cannot be reinstated in the future.
- If the individual applies for Enhanced Opt Out with USS from April 2016, the University has agreed to pay an additional 12% of salary each month to compensate that individual who no longer benefits from the 18% employer contributions towards their USS benefits.

2.3.2 Voluntary Salary Cap (VSC)

- From October 2016 USS have introduced a Voluntary Salary Cap (VSC) option. The VSC allows individuals to cap the future accrual of pension benefits in the Scheme by setting a salary cap which is below their annual salary, but above the salary threshold set by USS.
- As part of the restructure with USS, the Scheme now provides both defined benefits (DB) and defined contributions (DC) sections for individuals.
- Individuals will receive DB from USS in the form of the USS Income Builder up to the salary threshold. If individual salaries are above the salary threshold, individuals will have benefits in both the USS Income Builder (DB) and the USS Investment Builder (DC).
- If the individual applies for a VSC, contributions will be deducted as normal, up to the VSC. For salary above the VSC, the individual can elect to either contribute the 2.5% on salary above the cap to ensure life assurance and incapacity cover is based on their full annual salary or have their life assurance and incapacity based on the VSC.
- If the individual applies for a VSC, the University has agreed to pay an additional 12% of salary each month on salary above the VSC. This is to compensate individuals who have a taken out a VSC.

3. Considerations

3.1 It should be noted that:

- The responsibility for keeping track of pension benefits in relation to the LTA falls on the individual and not the employer or pension provider.
- It is also the individual's responsibility to manage their own allowance and tax position.
- No more than one change to an individual's USS arrangements in each 12 month period is permitted unless there is a significant change by HMRC or USS. Any application to change must be made in March each year, ahead of the new Tax and Scheme year, which commences on 6 April each year.

4. Additional Information

4.1 More information on the pension taxes can be found:

- USS - <https://www.uss.co.uk/members/members-home/tax-considerations>
- HMRC - <https://www.gov.uk/tax-on-your-private-pension/overview>

5. Version control

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1.0	Migration of document to the Governance Zone	Published	Lisa Harley, Human Resources	19/06/2019
1.1	Change to review date	Published	Lisa Harley HR	02/04/2021
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