

October 2022

Dear Member

**Outcome of the 2022 Consultation on Potential Changes to the University of Southampton Pension & Assurance Scheme for Non Academic Staff (PASNAS)**

I am writing to you because you are a member of the University of Southampton Pension & Assurance Scheme for Non Academic Staff (PASNAS). This letter, which is the legally-required statutory notice, informs you of the outcome of the above consultation and the decision the University has made in relation to the future benefits which are built-up by members and the rate of contributions that are payable. Remember, the pension benefits you've already built up in the scheme are protected by law.

**Outcome of the Consultation:**

The latest valuation, undertaken as at 31 July 2021, showed that the deficit in the scheme had increased to £56.5m, and that the cost of providing the current levels of benefits had increased by 6.55% of salary. As a result, the University put forward for formal consultation proposed changes to the scheme which would re-balance the scheme following the valuation.

The formal consultation with affected members and the representative bodies commenced on 6 July 2022, running for a period of 73 days until 16 September 2022. The University has carefully considered the responses to the consultation which have been received, and has taken these into account in finalising the changes which have now been agreed with the scheme's trustees (and the University wishes to thank those who engaged with the proposals and who offered their comments and views).

Since the date of the PASNAS valuation in July 2021, there have been improvements in market conditions. The possibility of changes in market conditions, and how these might be dealt with, was referenced in the consultation on proposed changes. The scheme actuary has advised, and the scheme trustees have confirmed, that improvements in market conditions from the date of the valuation through to the date of finalising the valuation (October 2022) can be taken into account.

This has resulted in a reduction in the cost of providing future benefits in the scheme by 2.5% of salary, and this has allowed the University to adjust the changes which are to be implemented.

Based on improved market conditions and the careful consideration of all feedback from the consultation, The University has decided upon the following outcomes:

### **An increase in the normal retirement date to 66 for future benefits from 1<sup>st</sup> January 2023**

The scheme's normal retirement date will change to age 66, for future benefits which are earned from 1 January 2023, as proposed in the consultation. PASNAS benefit accrual is currently split by two tranches. Pension accrued up to 31 December 2022 will retain a normal retirement age of 65. A new tranche of pension from 1 January 2023 will have a normal retirement age of 66.

### **An increase in employer contributions from 1<sup>st</sup> January 2023**

The University's contributions, and those of the other employers in the scheme, will increase from 13.85% to 15.6% of salary. The employers will also pay extra contributions to address the increased deficit in the scheme in this latest valuation, and to cover the increased cost of death benefits and of running the scheme.

The proposal in the consultation was for an increase in the contributions paid by members from 7.2% to 8.6% of salary. However, the University has decided not to implement this proposal in light of the improvements in market conditions, following a thorough review of the feedback from trade union representative and members of the scheme, and after having undertaken an equality impact assessment.

### **What do these changes mean to you as a member of PASNAS?**

- Any benefits you accrue from the 1<sup>st</sup> January 2023 will have a retirement age of 66. You should note that this change **will not** affect the retirement age attached to the benefits you have already accrued in the scheme up to 31 December 2022.
- Your current contribution rate will remain the same at 7.2% of salary and **will not** increase.
- From the 1<sup>st</sup> January 2023 the University will contribute more towards your future benefits, and also make substantial contributions to the scheme deficit and to scheme expenses
- The scheme will remain final salary in design, and you will continue accruing benefits in the scheme based on 1/80<sup>th</sup> of your pensionable salary for each year of service (with three times this amount as a lump sum). It is emphasised; the change proposed in the consultation to the rate of pension accrual, to 1/85<sup>th</sup> of pensionable salary, will **not** be made.

For further details on the outcome of the consultation and confirmed changes which will take effect from the 1<sup>st</sup> January 2023, please visit the PASNAS pensions page on SUSSED or email [pasnasmc@soton.ac.uk](mailto:pasnasmc@soton.ac.uk).

Yours Sincerely

Signed on behalf of University of Southampton

Sarah Pook

Executive Director of Finance & Planning