USS Valuation outcome

Member consultation presentation

welcome to brighter
Agenda

Background

The proposals

The consultation
Overview of benefits in USS

- Pension and cash on retirement
- Flexibility of when and type
- Additional contributions
- Death and ill-health benefits
- Tax relief on contributions
- Paid in addition to State Benefits
Contributions to USS

9.8% of your salary from YOU

21.4% of your salary from your EMPLOYER
Benefits in USS

Defined Benefit (DB)
- Retirement Income Builder
- Formula

Defined Contribution (DC)
- Investment Builder
- Pot
Retirement Income Builder – defined benefit

\[
\text{Build up rate} \times \text{Salary (up to threshold) EVERY year - £59,883.65} \times \text{Annual increases up to certain limits} = \text{Pension}
\]

\[
\text{Pension} \times 3 = \text{Tax-free cash}
\]
Investment Builder – defined contribution

8% of your salary above the salary threshold from YOU

+ 12% of your salary above the salary threshold from the UNIVERSITY

= 20%
Current benefits in USS

Retirement Income Builder (Defined Benefit)

- 75ths
- Annual increases
- Plus tax free cash (3 times pension)

Investment Builder (Defined Contribution)

- £59,883.65
- 20%
- CPI up to certain limits

Contributions

9.8% members
Valuation

Liabilities
What USS think they should have

Past

Assets
What USS have

One year of new benefits

Deficit
Valuation

Liabilities
What USS think they should have

Investment returns

Inflation

Life expectancy

Assets
What USS have

% Contribution rate

New benefits building up each year

Deficit contributions
Different parties involved

- **USS**: Ensures benefits paid and does calculations
- **Universities UK**: On behalf of employers
- **UCU**: On behalf of members
- **The Pensions Regulator**: Requires schemes funded properly
- **Joint Negotiating Committee (JNC)**: Makes decisions
The 31 March 2020 valuation

- **Preliminary results:** c42/50/56%
- **UUK proposals**
- **USS calculations:** 31.2%
- **JNC decision**
- **MEMBER CONSULTATION**

2020 valuation

- March 2021
  - Members 9.6%
  - Employers 21.1%
  - Total 30.7%

- May 2021
  - Covenant enhancing measures

- June 2021
  - 31 August 2021
  - 1 October 2021

- 1 November 2021
  - Members 9.8%
  - Employers 21.4%
  - Total 31.2%
The proposals

What next?

Benefits in USS

Agenda

Background

The proposals

The consultation
The proposed changes

**WARNING**

The material that follows is our interpretation of the proposals.

If there is a discrepancy between the information in this presentation and that provided by USS, the USS information is correct.
Proposed package of benefit changes from 1 April 2022

- Retirement Income Builder (defined benefit)
  - 75ths
  - 85ths
  - Annual increases
  - Plus tax free cash

- Investment Builder (defined contribution)
  - Limited to 2.5% p.a.
  - 20% annual increases
  - Plus tax free cash

Contributions: 9.8%

Salary £000s:
- £40,000.00
- £59,883.65

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Retirement Income Builder – proposed from 1 April 2022

Build up rate × Salary (up to threshold) EVERY year - £40,000 × Annual increases Maximum 2.5% p.a. = Pension

Pension × 3 = Tax-free cash
Investment Builder – proposed from 1 April 2022

- 8% of your salary above the salary threshold from YOU
- 12% of your salary above the salary threshold from the UNIVERSITY

= 20%
Proposed package of benefit changes from 1 April 2022 – short service

Retirement Income Builder (defined benefit)

Investment Builder (defined contribution)

85ths

£40,000.00

20%

Member Contributions x Factor

Annual increases

Plus tax free cash

LEAVING WITH BETWEEN 3 MONTHS’ AND 2 YEARS’ SERVICE
### The fall-back position if no changes are made to the scheme

<table>
<thead>
<tr>
<th>Date</th>
<th>Members (% of salary)</th>
<th>Employers (% of salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 1 April 2022</td>
<td>11.0%</td>
<td>23.7%</td>
</tr>
<tr>
<td>From 1 October 2022</td>
<td>12.9%</td>
<td>27.1%</td>
</tr>
<tr>
<td>From 1 April 2023</td>
<td>13.9%</td>
<td>29.1%</td>
</tr>
<tr>
<td>From 1 October 2023</td>
<td>15.0%</td>
<td>31.0%</td>
</tr>
<tr>
<td>From 1 April 2024</td>
<td>16.0%</td>
<td>33.0%</td>
</tr>
<tr>
<td>From 1 October 2024</td>
<td>17.1%</td>
<td>34.9%</td>
</tr>
<tr>
<td>From 1 April 2025</td>
<td>18.1%</td>
<td>36.9%</td>
</tr>
<tr>
<td>From 1 October 2025</td>
<td>18.8%</td>
<td>38.2%</td>
</tr>
</tbody>
</table>
Proposed changes – no other changes to benefits

Past benefits not changed

Would only affect benefits built up after the change

1 April 2022
Proposed changes – no other changes to benefits

Past benefits not changed

Death in service

Ill-health

Normal retirement age

1 April 2022
Consultation website
Consultation website – Modeller

Benefit modeller

Important notes and disclaimer

Purpose

This benefit comparison modeler ("modeller") has been created to provide you with the opportunity to compare your estimated future pension benefits in USS under the current scheme structure and the proposed benefit structure set out in the USS Joint Negotiating Committee’s resolution of 31 August 2021.

The modeller does not contain any entitlement/guarantee to the benefits shown and should be used only to compare an estimation of your potential benefits. The information shown in this modeler is based on the information currently available and the assumptions as detailed below and in the notes accompanying the modeler. Your benefits at retirement will always be calculated in accordance with the Rules of USS at the time the benefits become payable and any overriding legislation. If there are inconsistencies between this modeler and the Scheme Rules, the Scheme Rules will always prevail.

General notes

All modeler results are shown in values in today’s terms. All benefit figures are rounded to the lower £10. All cost figures are rounded to the nearest £1.

☐ I have read and understood these notes and disclaimer

Continue to the modeller →
Consultation website – Modeller

**Benefit modeller**

Please enter the following details

This modeller has not been pre-populated with your information, usually because you have not received a benefit statement. Please enter your salary below. If you are a part-time member simply enter the annual salary you receive, not its full-time equivalent.

Please only enter numerical characters (no £ or , or %)

<table>
<thead>
<tr>
<th>Annual salary</th>
<th>£50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of birth</td>
<td>01/04/1976</td>
</tr>
</tbody>
</table>

Your current USS benefits

Please only enter numerical characters (no £ or , or %)

<table>
<thead>
<tr>
<th>Your USS Retirement Income Builder benefits as at 31 March 2021</th>
<th>£12,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>If you have funds within the USS Investment Builder, please enter the value and the relevant dates below. You can find a value for these on your 31 March 2021 annual member statement, or via my USS (see below).</td>
<td></td>
</tr>
<tr>
<td>Your USS Investment Builder fund value</td>
<td>£0</td>
</tr>
<tr>
<td>Your USS Investment Builder fund value as at date</td>
<td>01/04/2021</td>
</tr>
</tbody>
</table>

If you’re registered for my USS, you can view the current value of your fund value on the my USS website.
Consultation website – Modeller
Consultation website – Modeller

Sami
Age 30
Salary £40,000
Just joined USS

Chris
Age 45
Salary £60,000
15 years in USS

Lena
Age 60
Salary £80,000
30 years in USS

<table>
<thead>
<tr>
<th>Pension</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>Proposed</td>
</tr>
<tr>
<td>£24,500 pa</td>
<td>£14,100 pa</td>
</tr>
<tr>
<td>£80,000</td>
<td>£190,000</td>
</tr>
</tbody>
</table>

Overall reduction approx. 28%
when all benefits converted into guaranteed pension

<table>
<thead>
<tr>
<th>Pension</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>Proposed</td>
</tr>
<tr>
<td>£35,500 pa</td>
<td>£33,800 pa</td>
</tr>
<tr>
<td>£160,000</td>
<td>£175,000</td>
</tr>
</tbody>
</table>

Overall reduction approx. 3%
when all benefits converted into guaranteed pension

<table>
<thead>
<tr>
<th>Pension</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>Proposed</td>
</tr>
<tr>
<td>£29,000 pa</td>
<td>£21,500 pa</td>
</tr>
<tr>
<td>£135,000</td>
<td>£220,000</td>
</tr>
</tbody>
</table>

Overall reduction approx. 16%
when all benefits converted into guaranteed pension
Consultation website – Responding to the consultation
Consultation website – Responding to the consultation

**The specific proposals**

**Fall-back position**

**Low cost options**

You can save your draft response as many times as you need to, as you work through the questions, but you can only submit your response once.

- The second (question 6) asks for your views on the fall-back proposal for contribution rate increases if the JNC recommended package (or another JNC-agreed package) is not decided and executed before 28 February 2022.
- Finally, we ask (in question 7) if you have any views on lower cost options for USS members in the future, or any general comments (question 8).

Please remember, this is your opportunity to give your views on the proposed package of benefits and the contributions payable, and all responses will be read and considered before any final decisions are made.
Timeline

Member consultation

1 November 2021

Consultation ends

17 January 2022

Responses considered

Final position communicated

28 February 2022

Earliest date for any changes

1 April 2022

Responses considered

Final position communicated

Earliest date for any changes
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