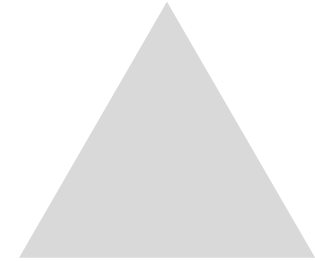


HEALTH WEALTH CAREER



USS EMPLOYER CONSULTATION 2018



AGENDA



OVERVIEW OF USS BENEFITS



CURRENT SITUATION – THE 2017 VALUATION



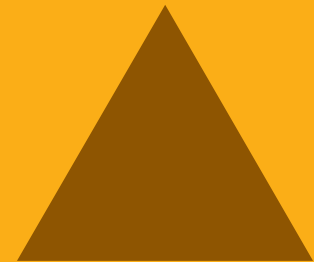
CONSULTATION ON CONTRIBUTIONS



WHAT HAPPENS NEXT?

SECTION 1

OVERVIEW OF USS BENEFITS

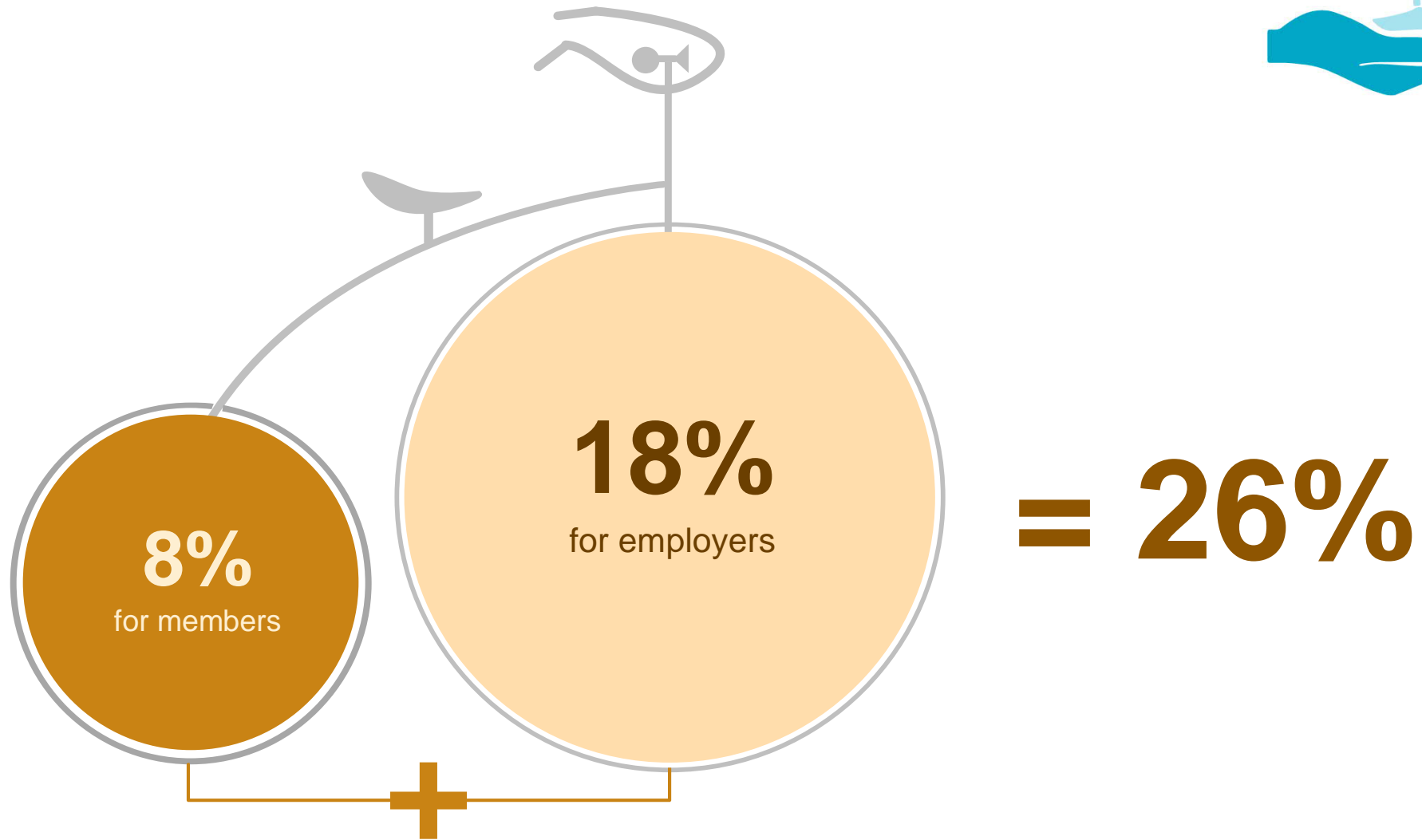


YOUR BENEFITS AS A USS MEMBER



- Regular Income
- Cash on Retirement
- Flexibility of benefits
- Top up savings
- Ill-health benefits
- Death benefits

CURRENT CONTRIBUTIONS



HOW USS WORKS



**DEFINED
BENEFIT**

**The USS Retirement
Income Builder**

Providing you with security

**DEFINED
CONTRIBUTION**

The USS Investment Builder

Providing you with flexibility

BENEFITS IN USS



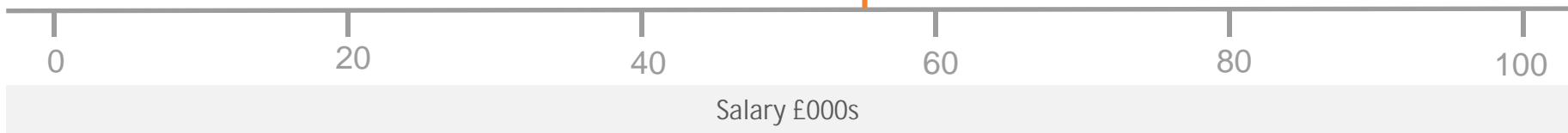
£57,216.50*

USS Retirement Income Builder (DB)

1/75th of annual salary up to a prescribed threshold, with the option to make voluntary contributions to the USS Investment Builder and choose 'the match'

USS Investment Builder (DC)

Automatic for salaries of £57,216.50* and over with the option to make voluntary contributions and choose the match

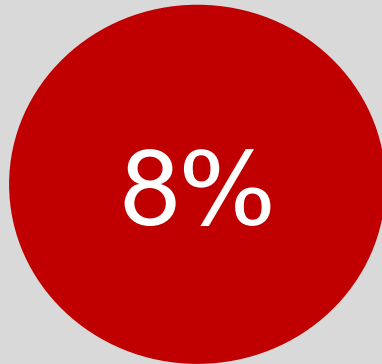


***2018/19: The threshold increases annually, broadly in line with the Consumer Price Index measure of inflation**

USS INVESTMENT BUILDER – ABOVE THRESHOLD



You contribute



of your salary above the salary threshold

+

Your employer contributes



of your salary above the salary threshold

INTO THE USS INVESTMENT BUILDER

This is in addition to your benefits in the USS Retirement Income Builder



USS INVESTMENT BUILDER – “THE MATCH”

If you contribute
an additional

1%

or more of your salary

+

Your employer also
contributes an additional

1%

of your salary

INTO THE USS INVESTMENT BUILDER

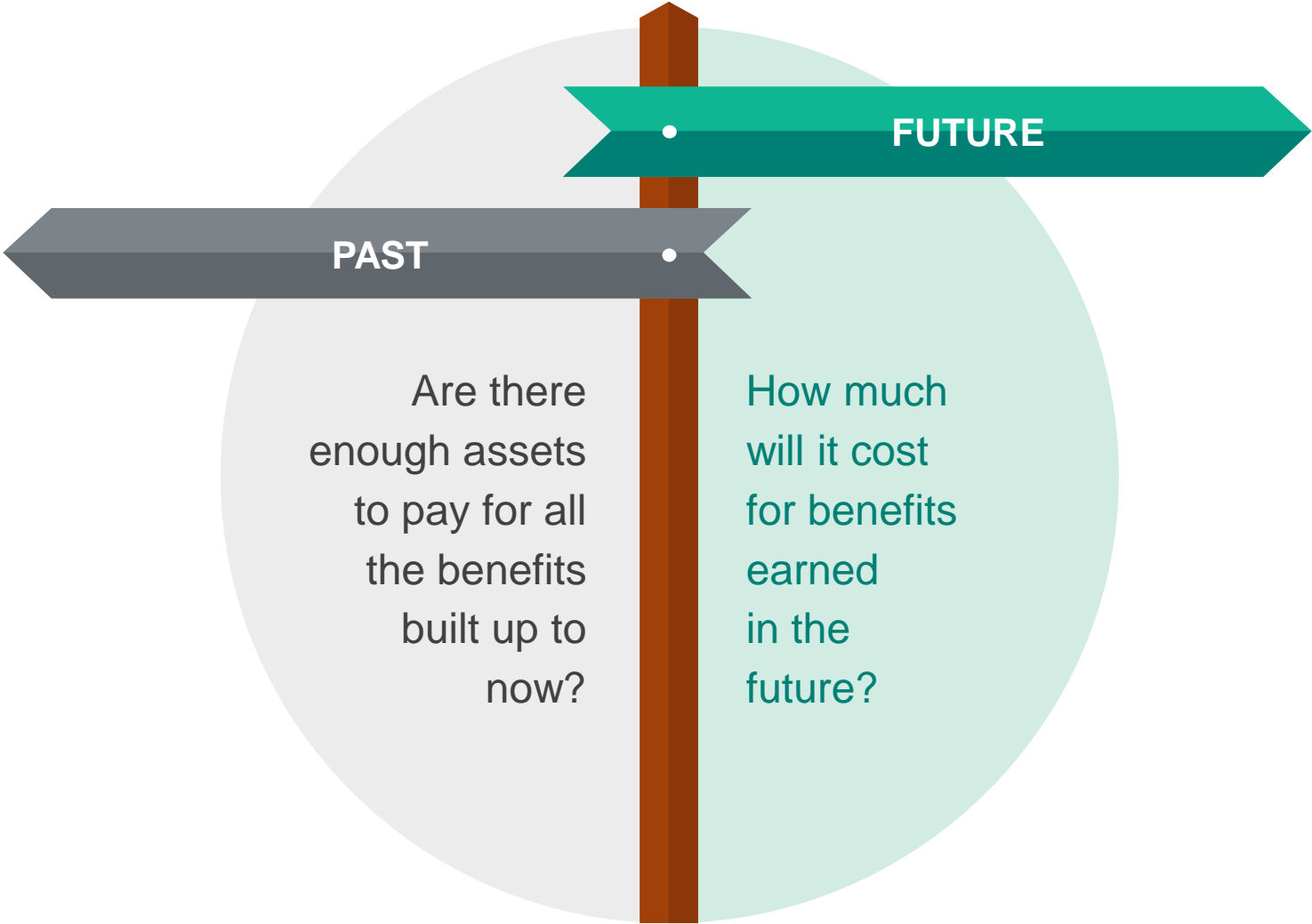
You can choose to pay more, but your employer will only match the first 1%

SECTION 2

THE 2017 VALUATION

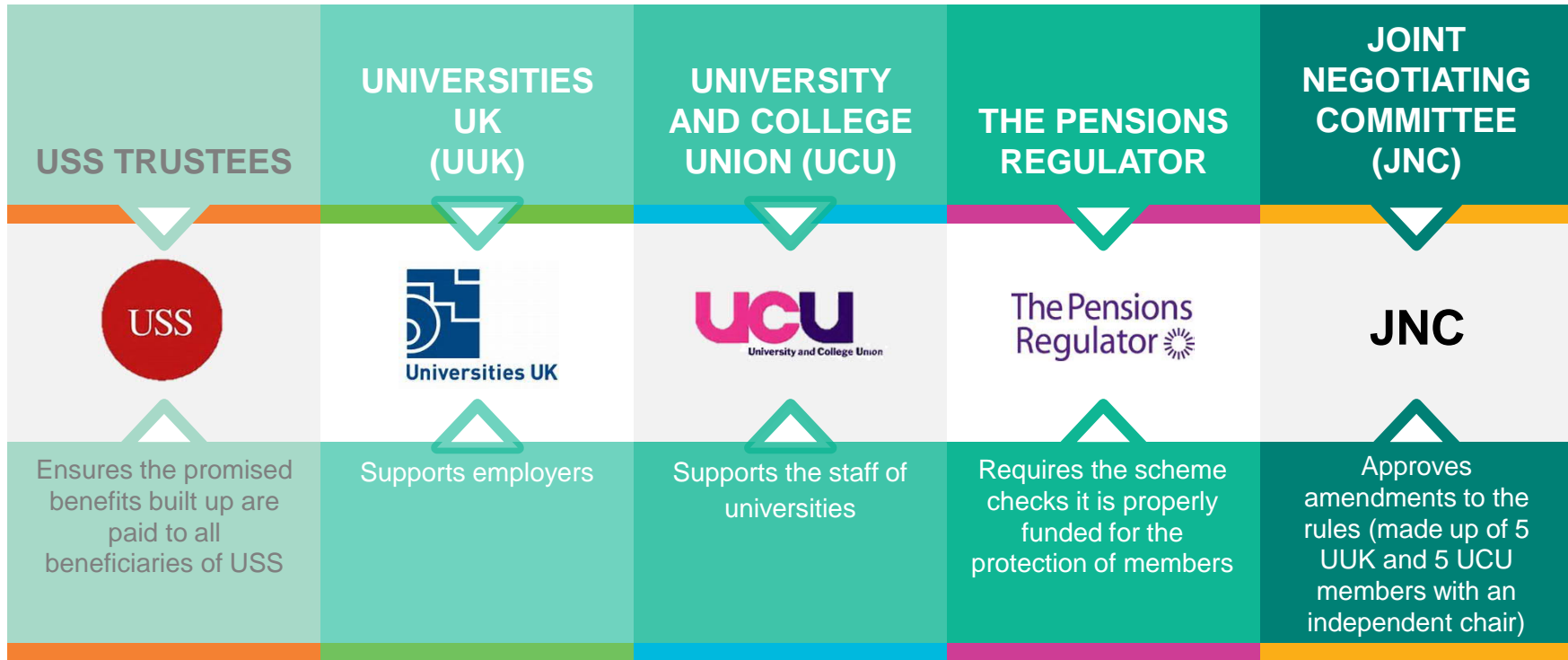


THE 2017 USS “VALUATION”

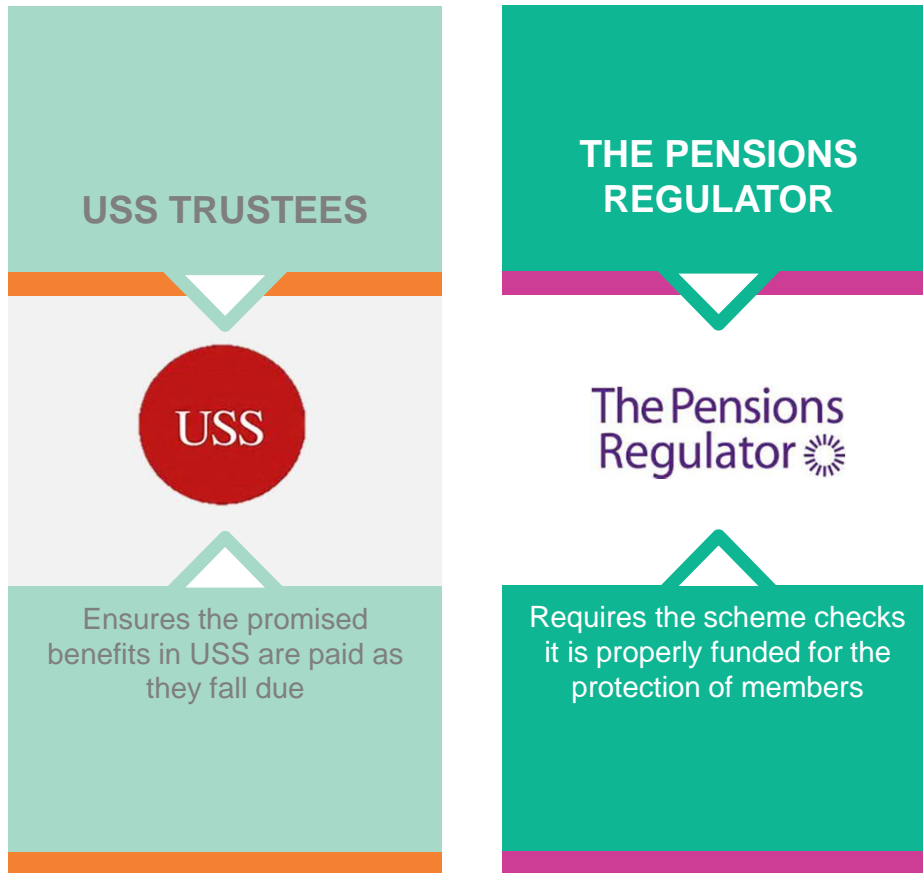


REASSESSED EVERY 3 YEARS

THE PARTIES INVOLVED



THE 2017 USS VALUATION

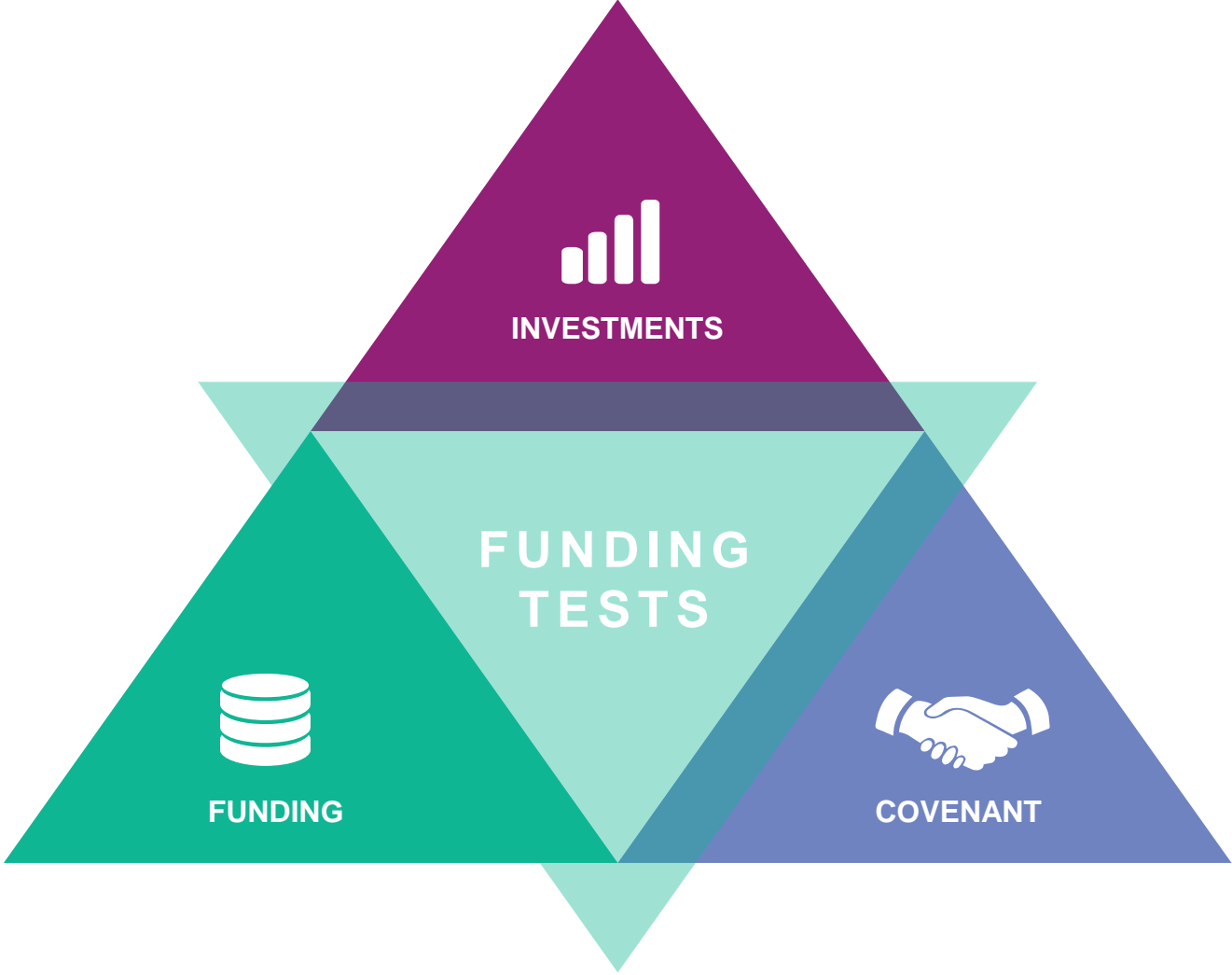


Assumptions about the future to assess the funding position should be,

“chosen prudently, taking into account the degree to which the employer covenant can support a range of likely adverse outcomes.”

The Pension Regulator’s Code of Practice No. 3 Funding Defined Benefit Schemes

THE 2017 USS VALUATION INTEGRATED RISK MANAGEMENT



THE 2017 USS VALUATION

Majority of feedback suggested the valuation was set at close to maximum risk appetite

Employers

UUK's response indicated that trustee should take a more moderate approach to risk

Scheme Actuary

Discount rate is at the upper end of the acceptable range for a strong covenant

The Pensions Regulator

Discount rate is at the upper end of what is acceptable, *if* the covenant is "strong"

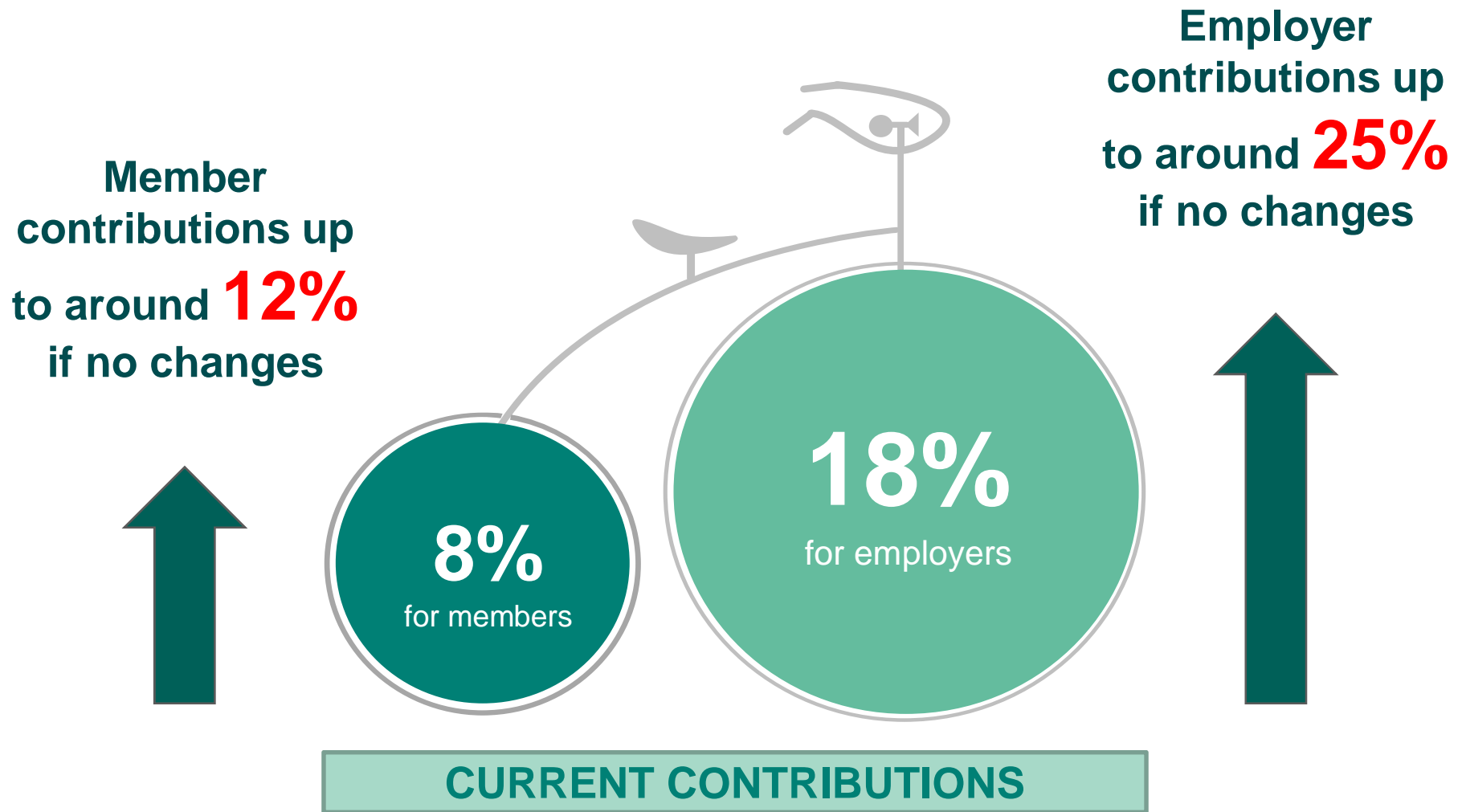
Covenant advisor

The covenant *is* strong, but trustee should consider reducing risk

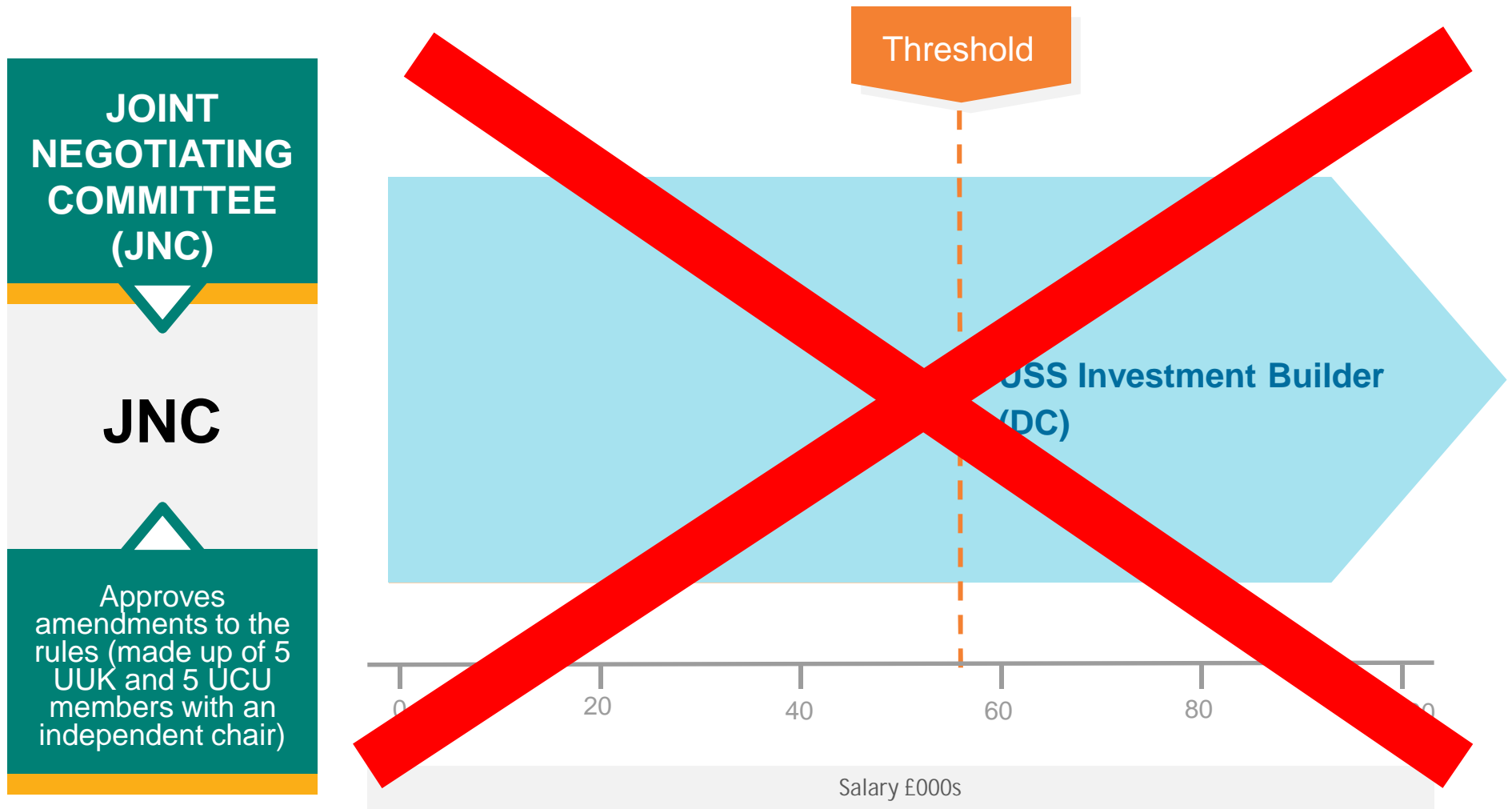
THE 2017 USS VALUATION HOT TOPICS

- “The Scheme Actuary is being too cautious”
 - Assumptions are “optimistic” relative to typical UK pension schemes
 - Regulatory expectations
- “Interest rates will rise”
 - Basis takes account of market expectation for future rises
 - Related issues: rising inflation?
- “This is down to poor investment returns”
 - USS reports return of +12% per annum over 5 years to March 2017
 - Expectations of difficult investment conditions over short-term

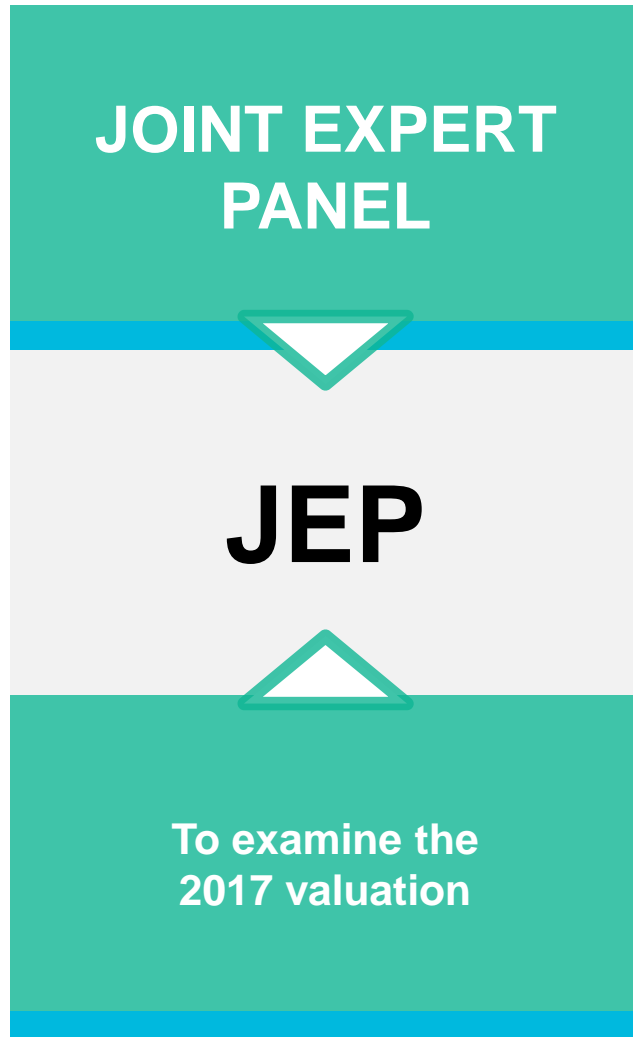
THE 2017 USS VALUATION



JNC DECISION ON 23 JANUARY - REVOKED



A NEW PARTY IS INVOLVED...



Assess the 2017 valuation



Review the valuation components

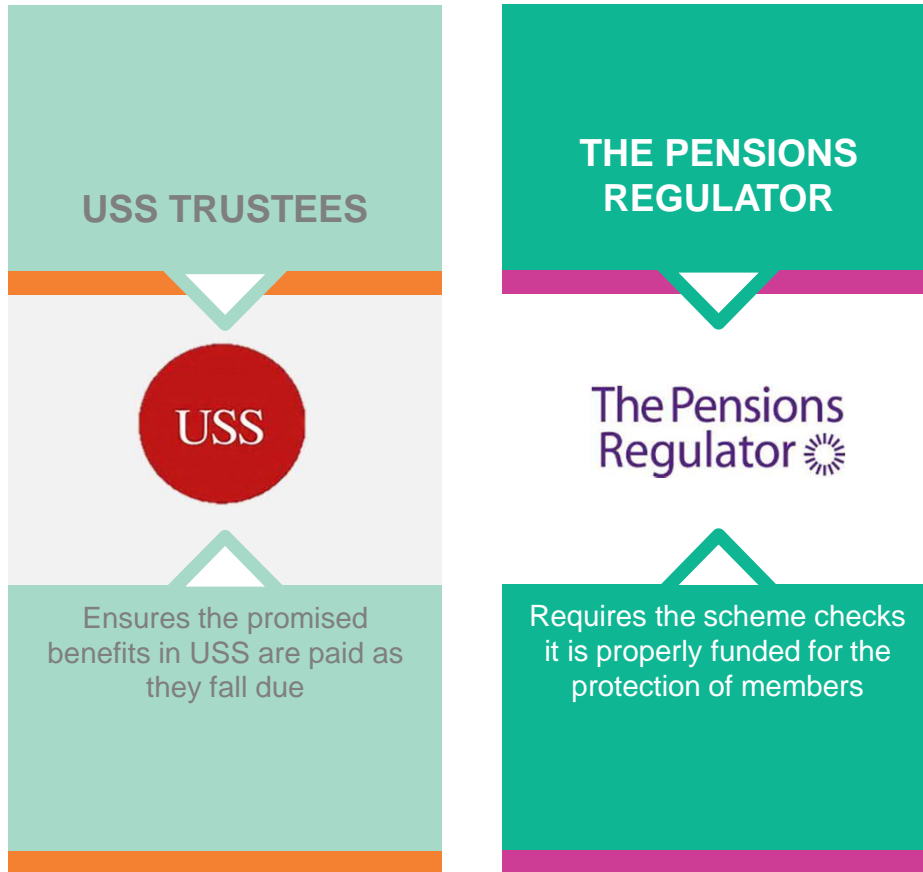


Agree future joint approach to valuations



Initially report back to UUK and UCU in September 2018

THE 2017 USS VALUATION

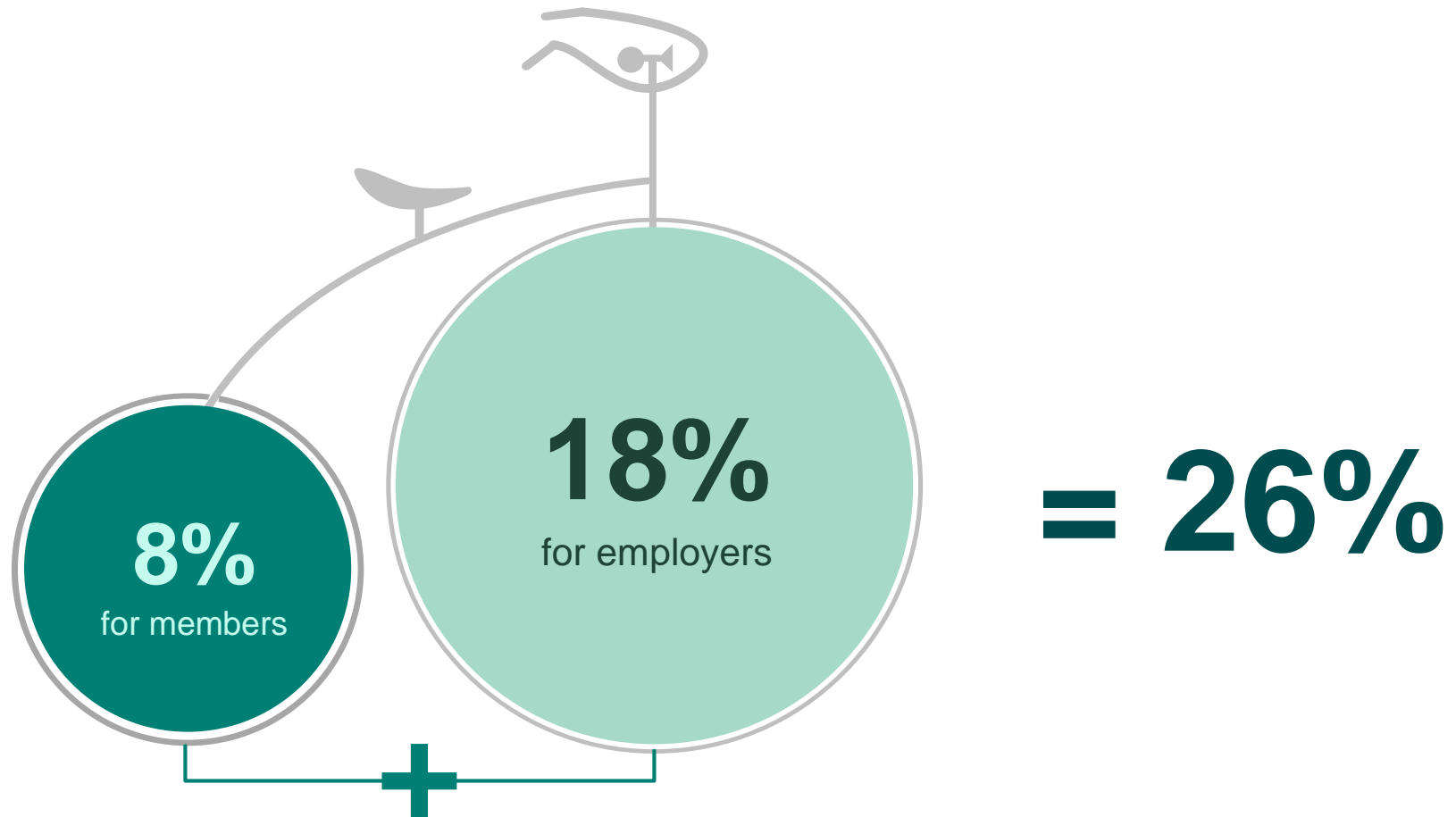


**BUT... the valuation
should have been
signed off on**

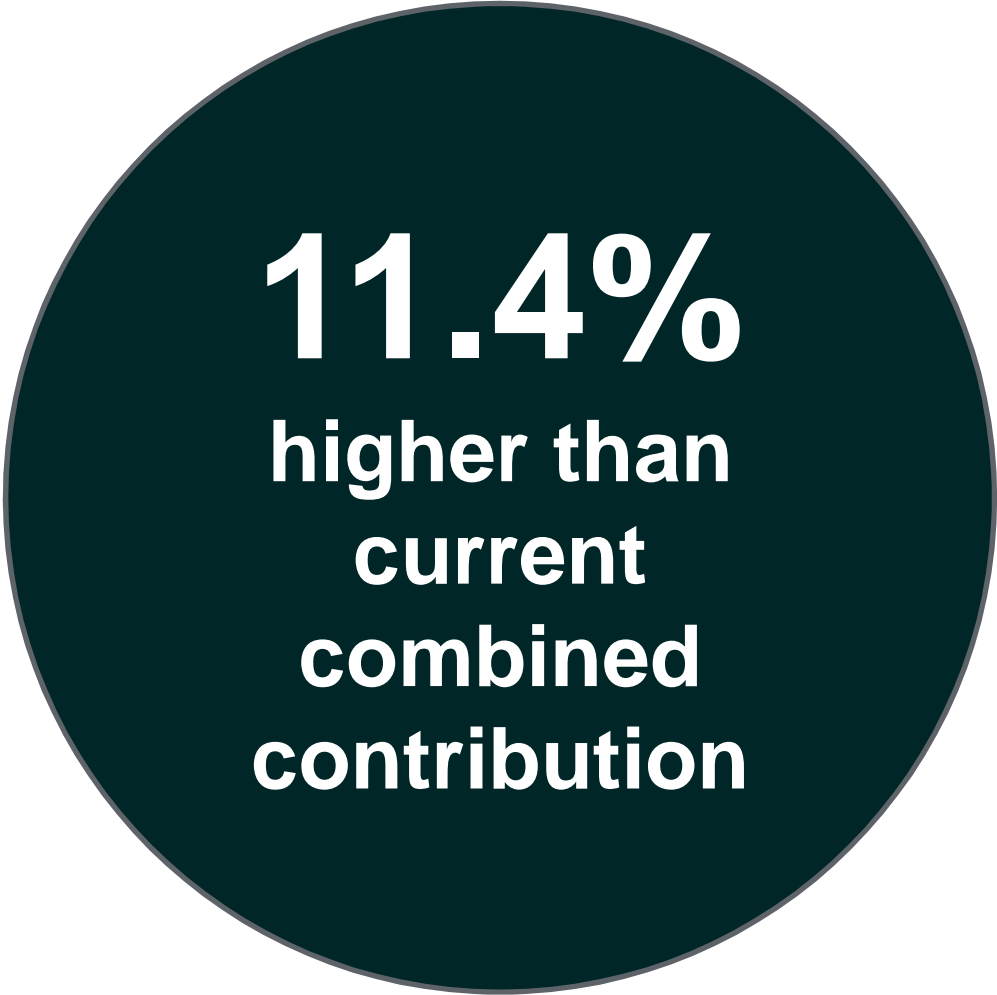
30 June 2018

**A new Schedule of
Contributions needs to
be put in place**

SIGNING OFF THE 2017 USS VALUATION REMINDER OF CURRENT CONTRIBUTIONS



**RESULTS OF 2017 USS VALUATION
CONTRIBUTIONS IF NO BENEFIT CHANGES**



11.4%
**higher than
current
combined
contribution**

RESULTS OF 2017 USS VALUATION “COST SHARING RULE”



USS are proposing using the cost sharing process in the rules to complete the 2017 valuation

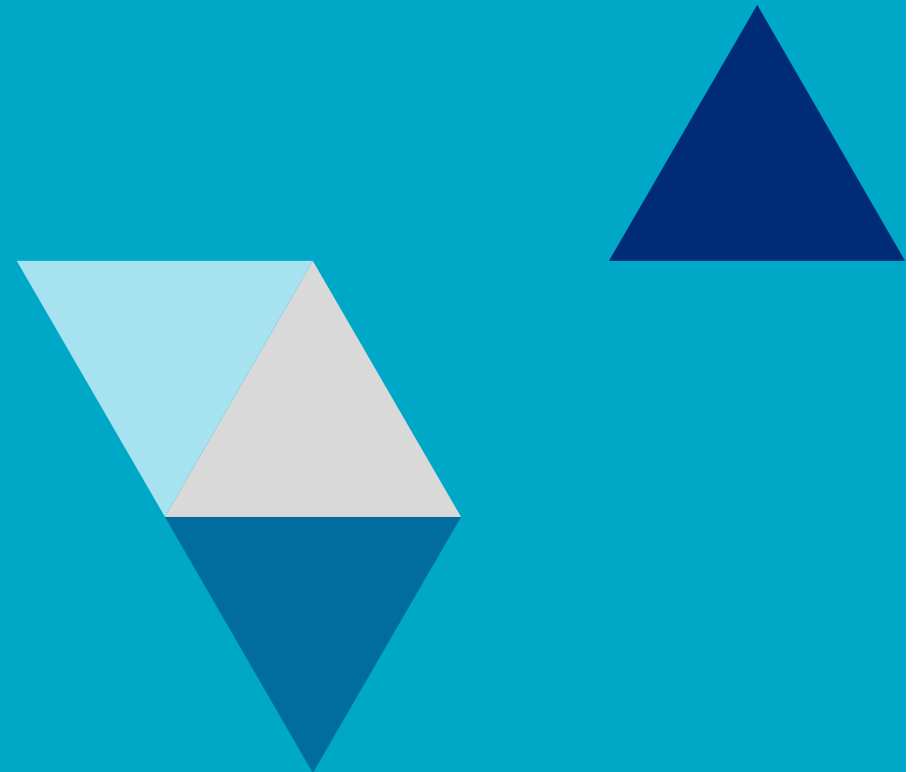
Increase in contributions to be shared

35:65

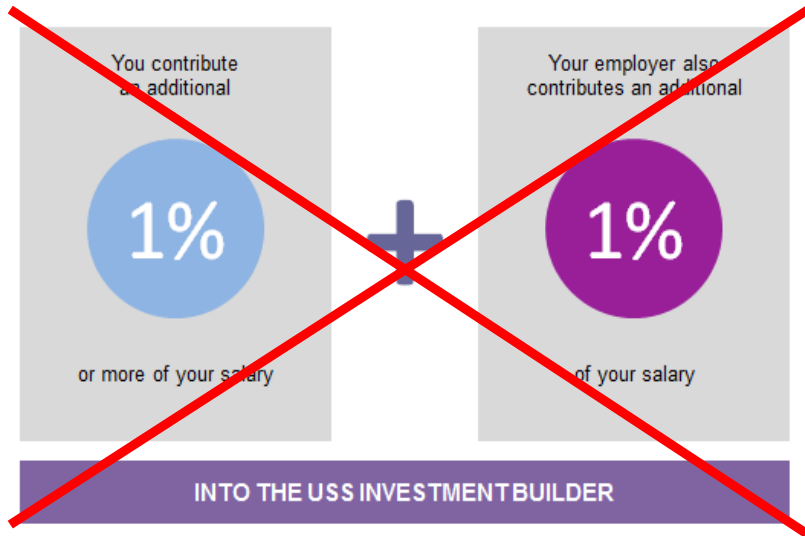
between members and employers

SECTION 3

CONSULTATION ON CONTRIBUTIONS



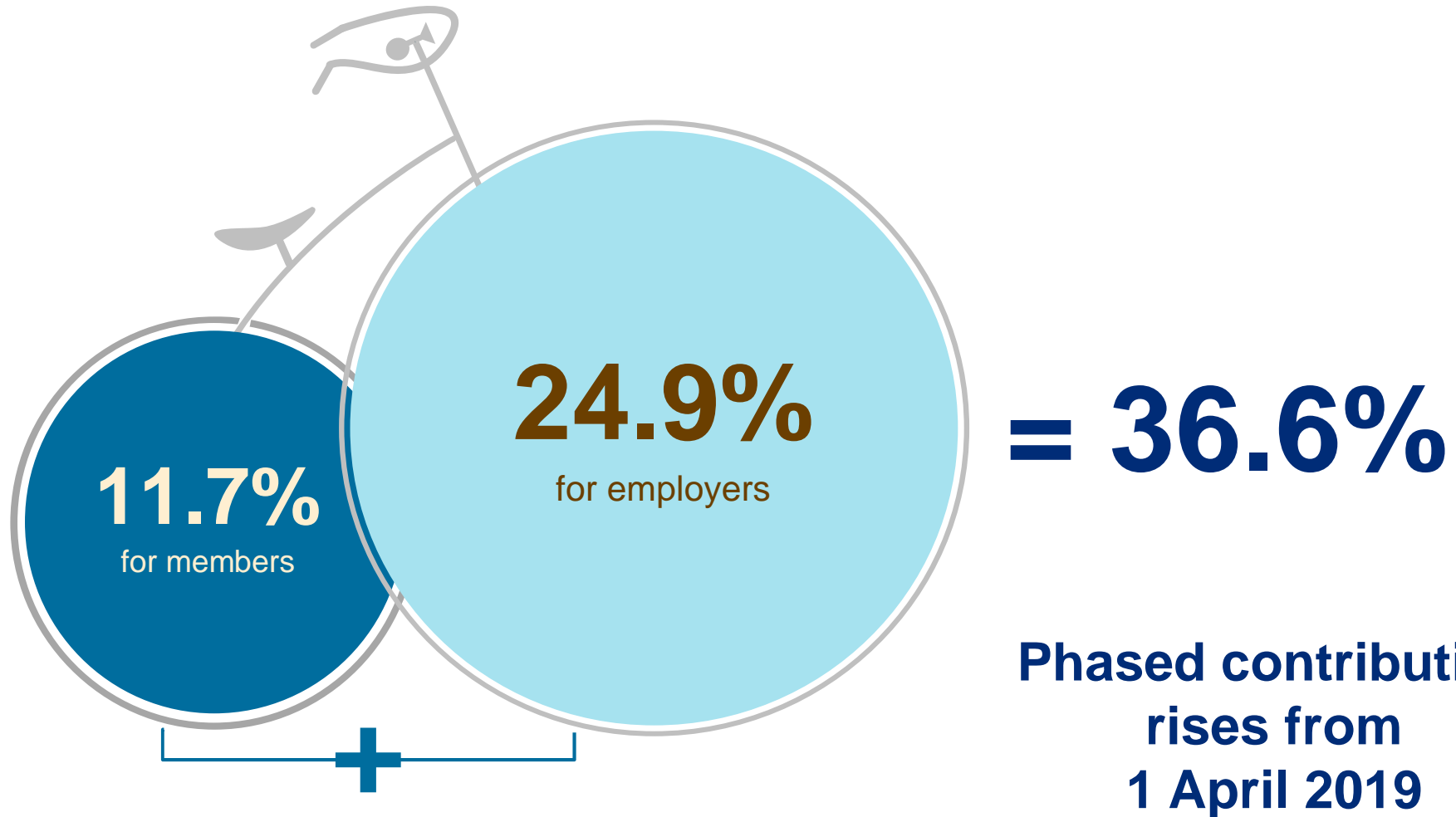
PROPOSAL – THE EMPLOYER MATCH REMOVED



10.6%
higher than
current
combined
contribution

**The employer match
to be removed from
1 April 2019**

PROPOSAL – INCREASE IN CONTRIBUTIONS COST SHARING APPROACH

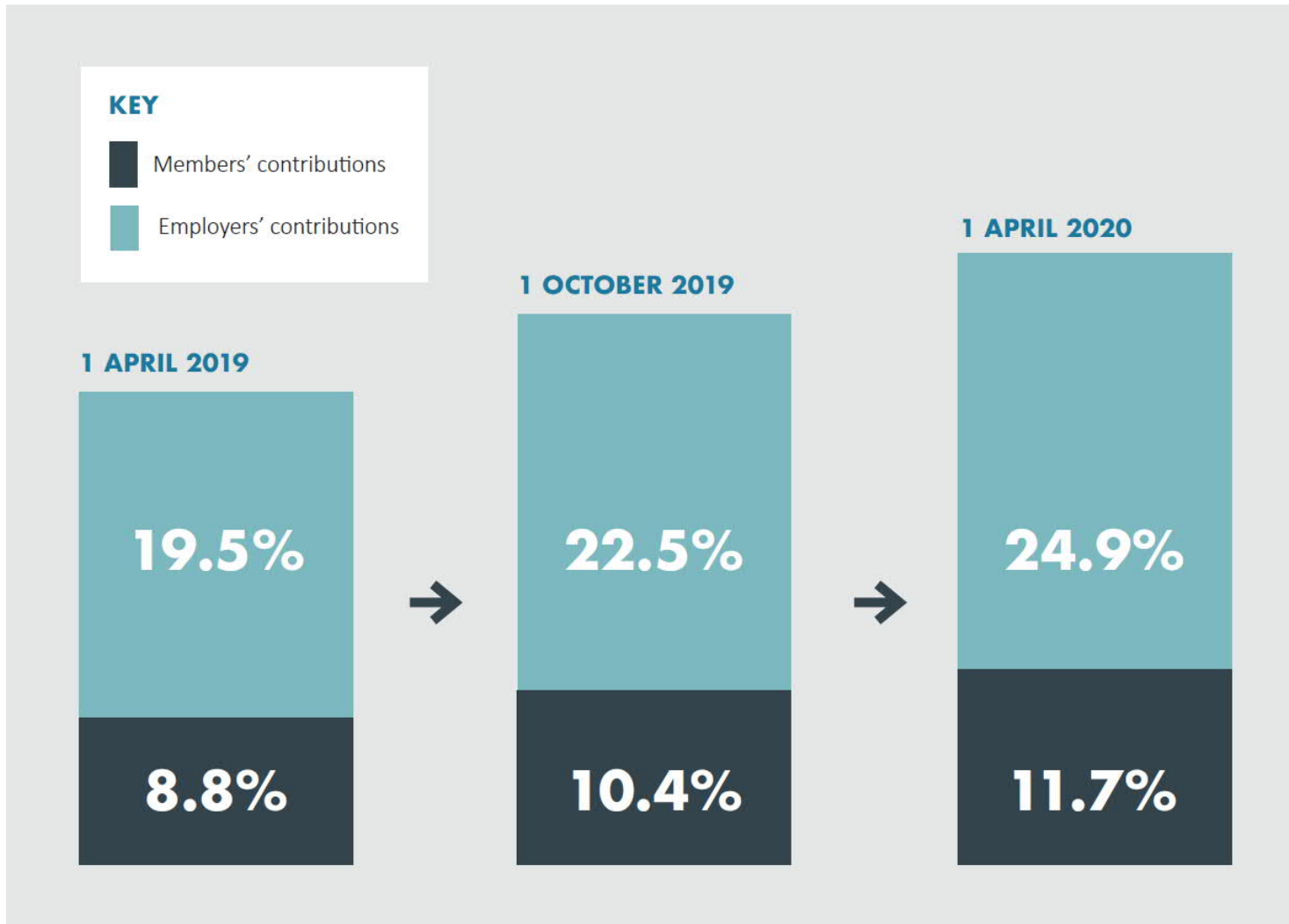


PROPOSAL – INCREASE IN CONTRIBUTIONS



From 1 April 2019

PROPOSAL – INCREASED CONTRIBUTIONS



PROPOSAL – INCREASED CONTRIBUTIONS

WHAT DOES IT MEAN FOR ME?

Example: £36,000 salary = £3,000 per month (pre-tax)		
% of salary	Monthly deduction	Monthly change
8%	£240	Current position
8.8%	£264	£24
10.4%	£312	£72
11.7%	£351	£111

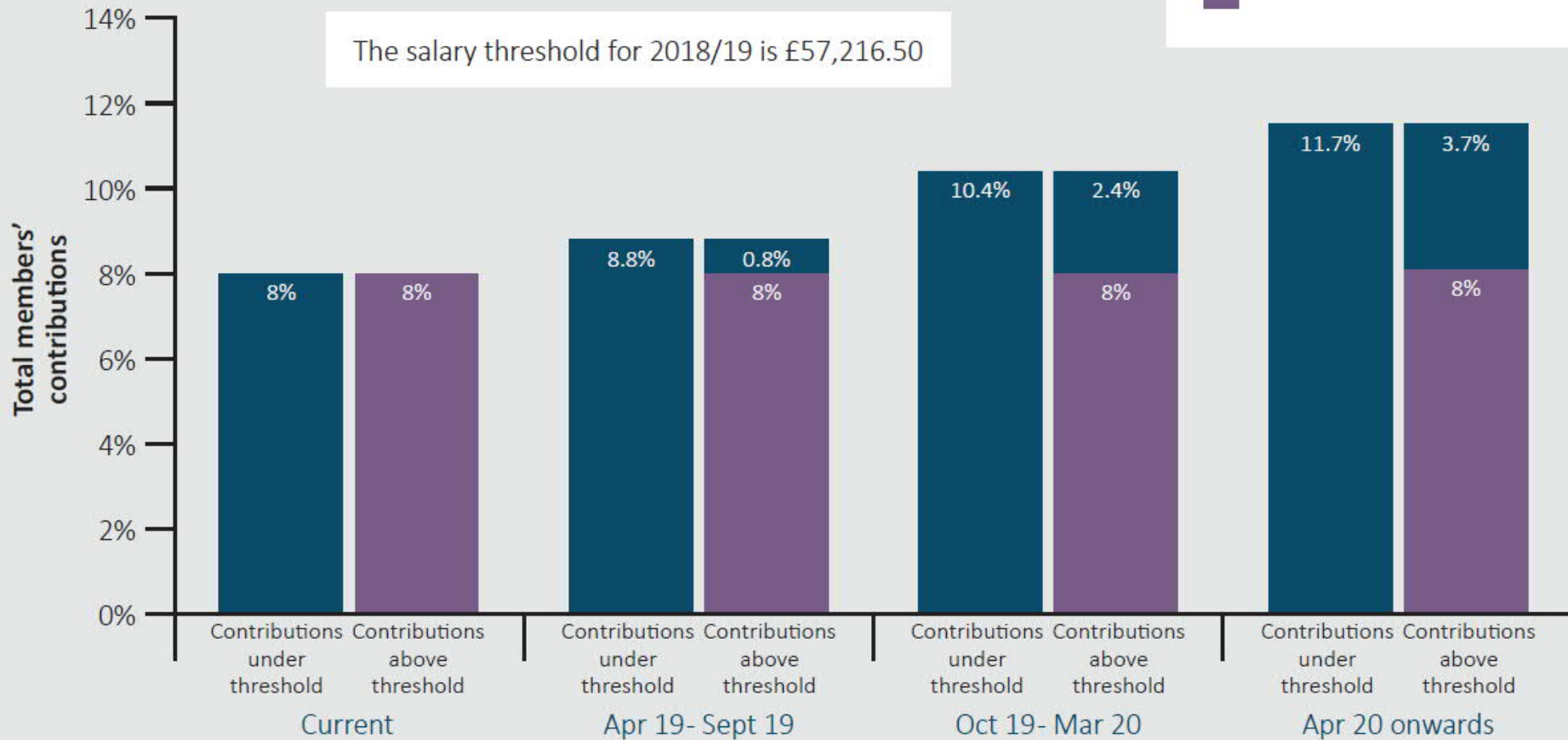
Please note: This is a pre-tax example; the exact deduction would most likely be marginally lower depending on tax and salary sacrifice arrangements. The above information is indicative only and should not be relied upon by you.

PROPOSAL – MEMBER CONTRIBUTIONS

WHAT MEMBER CONTRIBUTIONS FUND

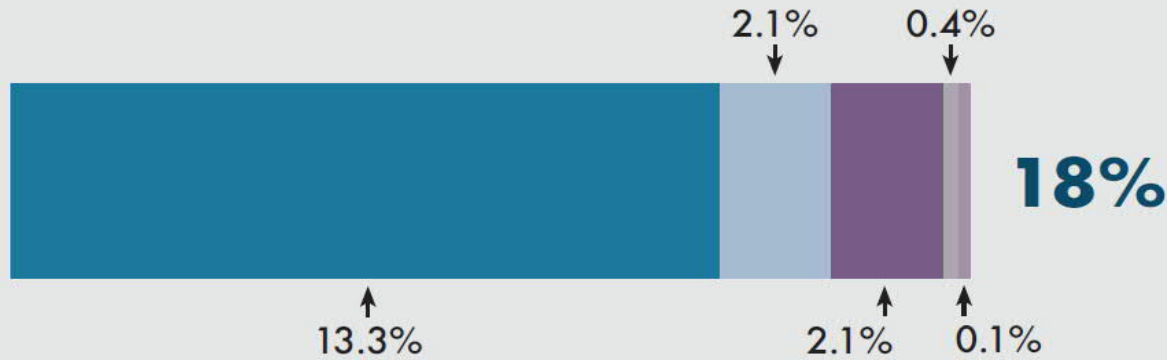
KEY

- USS Retirement Income Builder
- USS Investment Builder



PROPOSAL – EMPLOYER CONTRIBUTIONS

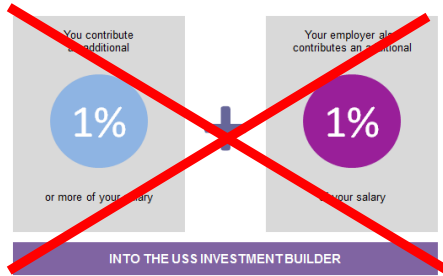
CURRENTLY, THE EMPLOYERS' CONTRIBUTION OF 18% FUNDS:



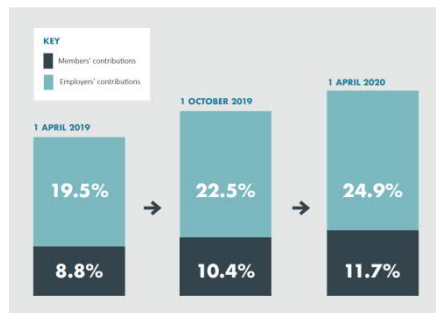
FROM 1 APRIL 2020, THE EMPLOYERS' CONTRIBUTION WOULD FUND:



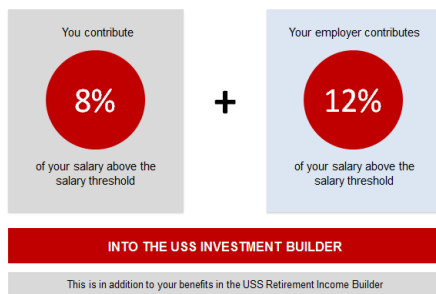
PROPOSAL - SUMMARY



- **The employer match will be removed from 1 April 2019**



- **Phased contribution rises from 1 April 2019**



- **No change to the amounts going into the USS Investment Builder above the salary threshold**

RESPONDING TO THE CONSULTATION

2018 Consultation by Employers

USS EMPLOYER CONSULTATION

Employer Logout

Home | About | Documents | Q&As | Video | Respond | Modeller | Glossary

Welcome to ussconsultation2018.co.uk
See how the proposed scheme changes may affect you. Find out about the consultation process and submit your response to the proposals.

You now have access to the secure areas of the consultation website, including the response form and the benefit modeller.

Respond
Leave your response to the proposed changes to USS.

Benefit modeller
See how the proposed changes may affect you.

Not submitted

Respond **Benefit modeller**

About the consultation
Find out more about the employee consultation

Consultation documents
View and download documents on the proposed scheme changes

Q&As
See answers to the most frequently asked questions

Video
Watch the video explaining all the proposed changes or check out the series of short video summaries

Members, eligible employees and member representatives

Members, eligible employees and member representatives will be able to login to:

www.ussconsultation2018.co.uk

From 9am on 3 September.

RESPONDING TO THE CONSULTATION

Share your thoughts on:

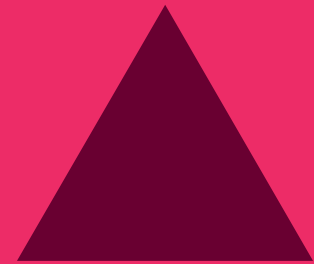
- **The match**
- **Cost-sharing**
- **Phased contribution increases**
- **Contributions to USS Investment Builder above salary threshold**
- **Alternative / additional proposals to address challenges from 2017 valuation**



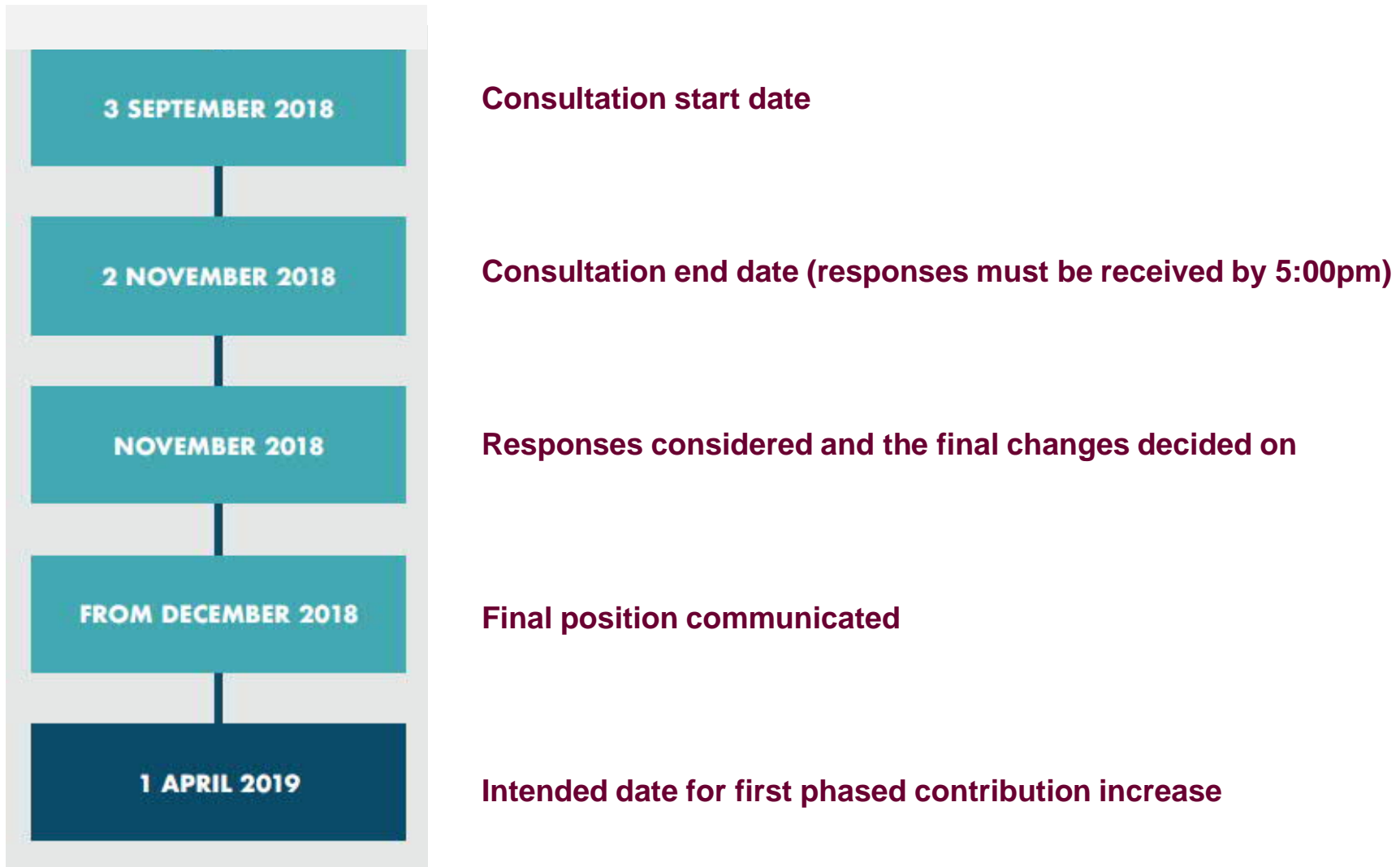
www.ussconsultation2018.co.uk

SECTION 4

WHAT HAPPENS NEXT?

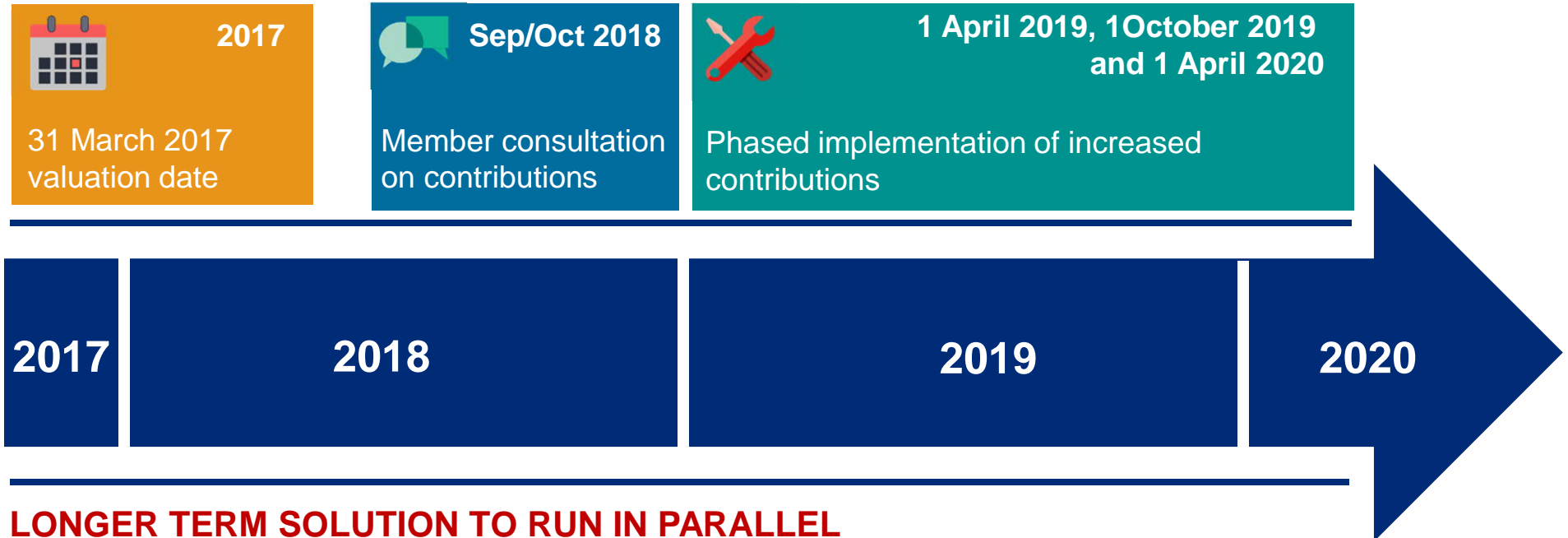


KEY DATES FOR CONSULTATION



TIMELINE

STATUTORY REQUIREMENT TO FINALISE THE VALUATION



LONGER TERM SOLUTION TO RUN IN PARALLEL





MERCER

MAKE TOMORROW, TODAY