USS Valuation outcome

Member consultation presentation

welcome to brighter
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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.
Agenda

- Background
- The proposals
- The consultation
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)

- Formula

- Retirement Income Builder

Defined Contribution (DC)

- Pot

- Investment Builder
Benefits in USS

- **Retirement Income Builder (defined benefit)**
- **Investment Builder (defined contribution)**

Salary £000s

£59,883.65
Retirement Income Builder – defined benefit

\[
\begin{align*}
\text{75th} & \times \hspace{1cm} \text{Salary (up to threshold)} \hspace{1cm} \text{Annual increases}
\end{align*}
\]

EVERY year - £59,883.65

\[\text{CPI up to certain limits}\]

\[\text{Pension}\]

\[
\begin{align*}
\text{Pension} & \times \hspace{1cm} 3 \\
\text{Tax-free cash}
\end{align*}
\]
Investment Builder – defined contribution

Above salary threshold of £59,883.65

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)
- 20%

CPI up to certain limits

Salary £000s

Contributions
- 9.8% members

£59,883.65

9.8% members

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Valuation

Liabilities
What USS think they should have

Future
Past

Assets
What USS have

One year of new benefits
Deficit

£55,550

Retirement Income Builder
(Defined Benefit)
Valuation

Liabilities
What USS think they should have

Future

Past

Assets
What USS have

% Contribution rate

New benefits building up each year

Deficit contributions

£55,550

Retirement Income Builder
(Defined Benefit)

7 5ths

20%

Past

Future

Assets

Liabilities

What USS have

What USS think they should have
Valuation

Prudent

Investment returns  Inflation  Life expectancy

% Contribution rate

New benefits building up each year

Deficit contributions
Valuation

Prudent

Investment returns

Inflation

Life expectancy

% 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%

Member contributions with Cost Sharing: c13.5% to 18.5%

March 2021

Members 9.6%
Employers 21.1%
Total 30.7%

Covenant enhancing measures
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: 31.2%
- 31 August 2021: JNC decision
- 1 November 2021: 1 OCTOBER 2021 Members 9.8%, Employers 21.4%, Total 31.2%
The proposed changes

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Proposed package of benefit changes from 1 April 2022

Retirement Income Builder (defined benefit)
- 75ths
- 85ths

Investment Builder (defined contribution)
- 20%

Annual increases
- Plus tax free cash

Limited to 2.5% p.a.

Contributions 9.8%

Salary £000s

£40,000.00
£59,883.65
Retirement Income Builder – proposed from 1 April 2022

85th

Build up rate

×

£

×

Annual increases
CPI Maximum 2.5% p.a.

= 

Pension

Salary (up to threshold)
EVERY year - £40,000

+ 

Pension

×

3

= 

Tax-free cash
Investment Builder – proposed from 1 April 2022

Above salary threshold of £40,000

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)

- Member Contributions × Factor
- 85ths

Investment Builder (defined contribution)

- 20%

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

- Death in service
- Ill-health
- Normal retirement age

Past benefits not changed. The changes only affect benefits built up after the change on 1 April 2022.
Agenda

Background

The proposals

The consultation
Consultation website
Consultation website – Modeller
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></th>
<th>Pension</th>
<th>Cash</th>
<th></th>
<th>Pension</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td>£24,500 pa</td>
<td>£80,000</td>
<td><strong>Proposed</strong></td>
<td>£14,100 pa</td>
<td>£190,000</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td>£29,000 pa</td>
<td>£135,000</td>
<td><strong>Proposed</strong></td>
<td>£21,500 pa</td>
<td>£220,000</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td>£35,500 pa</td>
<td>£160,000</td>
<td><strong>Proposed</strong></td>
<td>£33,800 pa</td>
<td>£175,000</td>
</tr>
</tbody>
</table>

**Overall reduction approx. 25%**
- when all benefits converted into guaranteed pension

**Overall reduction approx. 15%**
- when all benefits converted into guaranteed pension

**Overall reduction approx. 3%**
- when all benefits converted into guaranteed pension
Consultation website – Responding to the consultation
Consultation website – Responding to the consultation

Respond

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 specific proposals
- Fall-back position
- Low cost options

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.
Consultation website – Questions
Questions or feedback via the University

hrussconsultation@kent.ac.uk
Timeline

Member consultation

1 November 2021

Consultation ends

17 January 2022

Responses considered

Fall-back deadline

28 February 2022

Earliest date for any changes

1 April 2022

Final position communicated
Q&A

- Background
- The proposals
- The consultation