USS EMPLOYER CONSULTATION 2018
SECTION 1
OVERVIEW OF 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

8% for members

18% for employers

= 26%
HOW USS WORKS

DETECTED BENEFIT

The USS Retirement Income Builder
Providing you with security

DEFINDED CONTRIBUTION

The USS Investment Builder
Providing you with flexibility
**BENEFITS IN USS**

**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 8% of your salary above the salary threshold

+ 12% 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
CURRENT SITUATION
Are there enough assets to pay for all the benefits built up to now?

How much will it cost for benefits earned in the future?

THE 2017 USS “VALUATION”

REASSESSED EVERY 3 YEARS
# THE PARTIES INVOLVED

<table>
<thead>
<tr>
<th>USS TRUSTEES</th>
<th>UNIVERSITIES UK (UUK)</th>
<th>UNIVERSITY AND COLLEGE UNION (UCU)</th>
<th>THE PENSIONS REGULATOR</th>
<th>JOINT NEGOTIATING COMMITTEE (JNC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USS</td>
<td>Universities UK</td>
<td>ucu</td>
<td>The Pensions Regulator</td>
<td>JNC</td>
</tr>
<tr>
<td>Ensures the promised benefits built up are paid to all beneficiaries of USS</td>
<td>Supports employers</td>
<td>Supports the staff of universities</td>
<td>Requires the scheme checks it is properly funded for the protection of members</td>
<td>Approves amendments to the rules (made up of 5 UUK and 5 UCU members with an independent chair)</td>
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### THE 2017 USS VALUATION

| **Employers** | UUK’s response indicated that trustee should take a more moderate approach to risk |
| **Scheme Actuary** | Investment return assumption is at the upper end of the acceptable range for a strong covenant |
| **Covenant advisor** | The covenant *is* strong, but trustee should consider reducing risk |
| **The Pensions Regulator** | Investment return assumption is at the upper end of what is acceptable, *if* the covenant is “strong” |
| **Unions** | UCU’s advisers concluded that the current contribution rate is a prudent contribution rate given the current benefit design |
Member contributions up to around **12%** if no changes

**Current Contributions**

- **8%** for members
- **18%** for employers

Employer contributions up to around **25%** if no changes

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JNC DECISION ON 23 JANUARY - REVOKED

JOINT NEGOTIATING COMMITTEE (JNC)

Approves amendments to the rules (made up of 5 UUK and 5 UCU members with an independent chair)

JNC

£55,550

USS Investment Builder (DC)

USS Retirement Income Builder (DB)

Threshold

Salary £000s

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A NEW PARTY IS INVOLVED...

JOINT EXPERT PANEL

JEP

To examine the 2017 valuation

Assess the 2017 valuation

Review the valuation components

Agree future joint approach to valuations
In addition, greater weight should be given to the unique features and strengths of the higher education sector.
THE 2017 USS VALUATION

USS TRUSTEES
Ensures the promised benefits in USS are paid as they fall due

THE PENSIONS REGULATOR
Requires the scheme checks it is properly funded for the protection of members

BUT… the valuation should have been signed off on

30 June 2018
A new Schedule of Contributions needs to be put in place

“Unless and until an alternative has been agreed, consulted upon, and implemented, cost sharing remains the default process for addressing the regulatory and legal obligations of the 2017 valuation”
SIGNING OFF THE 2017 USS VALUATION
REMINDER OF CURRENT CONTRIBUTIONS

8% for members

18% for employers

= 26%
RESULTS OF 2017 USS VALUATION
CONTRIBUTIONS IF NO BENEFIT CHANGES

11.4% higher than current combined contribution
USS are proposing using the cost sharing process in the rules to complete the 2017 valuation.

Increase in contributions to be shared between members and employers:

35:65
SECTION 3
CONSULTATION ON CONTRIBUTIONS
The employer match to be removed from 1 April 2019

10.6% higher than current combined contribution
PROPOSAL – INCREASE IN CONTRIBUTIONS
COST SHARING APPROACH

Phased contribution rises from 1 April 2019

11.7% for members
24.9% for employers

= 36.6%
PROPOSAL – INCREASE IN CONTRIBUTIONS

8.8% for members

From 1 April 2019
PROPOSAL – INCREASE IN CONTRIBUTIONS

10.4% for members

From 1 October 2019
Proposal – Increase in Contributions

11.7% for members

From 1 April 2020
PROPOSAL – INCREASED CONTRIBUTIONS

KEY
- Members’ contributions
- Employers’ contributions

1 APRIL 2019
- 19.5%
  - 8.8%

1 OCTOBER 2019
- 22.5%
  - 10.4%

1 APRIL 2020
- 24.9%
  - 11.7%
The salary threshold for 2018/19 is £57,216.50.
PROPOSAL – WHAT EMPLOYER CONTRIBUTIONS FUND

Currently, the employers’ contribution of 18% funds:

- Benefits in the USS Retirement Income Builder: 13.3%
- Deficit recovery: 2.1%
- Contributions to the USS Investment Builder: 0.4%
- Running costs: 0.1%
- Investment manager subsidies: 0.1%

Total: 18%

From 1 April 2020, the employers’ contribution would fund:

- Benefits in the USS Retirement Income Builder: 17.2%
- Deficit recovery: 1.2%
- Contributions to the USS Investment Builder: 6.0%
- Running costs: 0.4%
- Investment manager subsidies: 0.1%

Total: 24.9%
CONSULTATION 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

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.
Until 5pm on 2 November
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 THIS CONSULTATION

3 SEPTEMBER 2018
Consultation start date

2 NOVEMBER 2018
Consultation end date (responses must be received by 5:00pm)

NOVEMBER 2018
Responses considered and the final changes decided on

FROM DECEMBER 2018
Final position communicated

1 APRIL 2019
Intended date for first phased contribution increase
**TIMELINE**

**STATUTORY REQUIREMENT TO FINALISE THE VALUATION**

- **2017**
  - 31 March 2017 valuation date

- **2018**
  - Sep/Oct 2018: Member consultation on contributions
  - 1 April 2019, 1 October 2019 and 1 April 2020: Phased implementation of increased contributions

- **2019**
  - 1 April 2019, 1 October 2019 and 1 April 2020: Phased implementation of increased contributions

- **2020**

**LONGER TERM SOLUTION TO RUN IN PARALLEL**

- **2017**
  - Sep 2018: JEP report

- **2018**
  - 2018/19: JNC decision

- **2019**
  - 2019: New consultation?