USS Scheme Changes

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Caution

This presentation does not constitute personal financial advice.

You **must** seek advice from an independent financial advisor before taking any decisions on your personal pensions planning.
Today’s session will cover

• Valuation - background and key information
• Current USS provision
• Proposed Scheme Changes
• UCU Alternative Proposal
• How to find out more
Types of Pension benefits

Defined benefit (DB)

- USS Retirement Income Builder
  - Guaranteed pension income for life (based on a formula)
  - Risk rests with employer (and for past service remains with the employer even if there is a change to future benefit structure)

- Defined contribution (DC)
  - USS Investment Builder
  - Outcome depends on investment returns
  - Options to convert to an income at retirement – annuity
  - Risk rests with the member
Benefits in USS
Current Scheme

USS Investment Builder (DC)
Automatic for salaries £55,550+
Option to make voluntary contributions & choose the match

USS Retirement Income Builder (DB)
Option to make voluntary contributions & choose the match
Current costs

- Deficit & expenses
  - Future benefits (Retirement Income Builder & Investment Builder)
  - Member contributions 8%
  - University contributions 18%

26%
Specific issues with USS

- **Exclusivity**: we have no other option for non-clinical academic staff
- **Mutuality**: we are collectively responsible for the liabilities of the scheme (last man standing)
- **Funded scheme**: TPS and NHSPS are effectively unfunded - creating comparability issues
- **Size**: the largest open defined benefit scheme in the UK: top of the Pension Regulator’s hit list
What is a Valuation?

The Past:
• Are there enough assets to pay for benefits built up to now?

The Future
• How much will future benefits cost?
Key parties involved in Valuation
Valuation Considerations

Cost

Risk

Benefits
Why is there a deficit?

• We’re living longer

• Long term pay rises are faster than inflation and pay differentials are growing

• The impact of the recession has lasted (and will last) longer than we anticipated

• All these issues were with us three years ago ... and have got worse
Valuation Outcome

• Scheme deficit increased from £5.3 billion to £7.5 billion
• To secure same benefits increase in combined contributions of 10% (12 million impact on University)
• The cost of providing current future service benefits has risen by a third
• USS required to satisfy pensions regulator that scheme is sustainable and can meet all current liabilities
University approach

• Contributed to UUK consultation which helped to inform national negotiations
• Kept staff informed of valuation timelines
• Debated cost impact within Executive Board, Finance Committee and University Council
• Required as a scheme employer to accept changes agreed
Proposed Future Benefits

- Reduce salary cap to £Nil
- Future benefits all build up in Investment Builder section (DC element of scheme)
- Contribution levels remain as at present
- Option of reduced employee contributions of 4%
- Potential to return to DB if economic climate improves
- 1% match removed
- All benefits promised to date would be protected
UCU Proposal (Tabled 18\textsuperscript{TH} December)

- Maintain current hybrid arrangements
- Change accrual rate – 1/80\textsuperscript{ths} (currently 1/75ths)
- Cease the 1% match
- Maintain current salary cap - £55,550
- Increased Employee contributions to 10.9% and Employer contributions to 23.5%
- All benefits promised to date would be protected
Next Steps

• USS Statutory Member Consultation from mid-March - 60 day minimum – opportunity to feedback on proposed reforms
• Employer & Trustee consider comments- potential for changes to the proposal
• Valuation process concludes 30th June 2018
• Future Benefit changes from 1st April 2019
How to find out more

- Staff pension pages
  www.ncl.ac.uk/hr/benefits/pensions/uss-scheme.php
- USS website
  www.uss.co.uk/
Any Questions