



The proposed changes to USS – frequently asked questions (March 2018)

What are the proposed changes?

The salary threshold (the salary which defined benefits currently build up to) would reduce to zero (it is currently £55,000).

All future benefits, until further review, would be built up in the USS Investment Builder (the defined contribution part of the scheme), except death in service and ill health retirement benefits.

There would be no changes to the provision of death in service or ill health retirement benefits. These would remain based on full salary regardless of the salary threshold.

The employer contribution of 18% would cover their cost of future benefits in the USS Investment Builder (13.25%), as well as death and incapacity benefits, the subsidy of investment management charges, deficit recovery contributions, and scheme running costs.

Members would continue to contribute 8% of pay, but would have access to a lower cost option of contributing 4% while still receiving the full employer contribution into the USS Investment Builder of 13.25%.

Members' 8% (or 4%) would include a contribution (0.35%) to partly finance their death in service and ill health retirement benefits.

The 'match' – the additional 1% employer contribution currently available when members contribute an additional 1% to the USS Investment Builder – would be discontinued.

Will my contribution to USS change?

No, the current employee contribution rate of 8% and the employer contribution of 18% would remain unchanged.

Under the proposal 7.65% of your employee contribution and 13.25% of your employer contribution will be invested. The total monthly investment would amount to 20.90% of your pensionable earnings. 0.35% of the employee contribution would be contributory towards maintaining ill health retirement and death in service on a defined benefit basis.

Is my defined benefit additional voluntary contribution (added year/pension) affected by the changes?

Continuing with these arrangements will not change as a result of any agreed changes to USS.

Do the proposals impact on the current ill health and death in service benefits?

Ill health and death in service benefits would continue to be payable on a defined benefit basis.

How would USS manage my contributions to the USS Investment Builder?

You can elect for up to three different types of contributions to the USS Investment Builder:

- The USS default lifestyle option
- The USS ethical lifestyle option
- Self-select funds

The USS default lifestyle option - USS would invest the contributions for you in a mix of investment types and would gradually move from growth investments to moderate growth and then to cautious investments as you near retirement.

The USS ethical lifestyle option - is as per the USS default lifestyle option only the investments are limited by the USS ethical investment guidelines.

Self-select funds - allows you to select how you would like to invest your USS contributions.

Further information on the USS Investment Builder options is available in the [USS Investing in your future](#) guide.

Why have USS assumed salary growth of Consumer Price Indexing (CPI) + 2% for the 2017 Valuation?

The assumption was employed to represent the long-term expectation for the scheme as a whole (the valuation does not individually assess each member's position on the pay spine with the resulting potential future salary growth). Therefore, you may expect a different outcome in relation to your personal salary increases but overall the group experience of the scheme membership is expected to reflect this CPI + 2% assumption in the long term, broadly reflecting long term economic growth, and taking into account the various factors that can impact salary growth (inflation, pay spine, promotion and so on).

Do the proposed changes have an adverse effect on younger members of USS?

The USS trustee is required to undertake triennial valuations to ensure that it can cover the costs of providing future pension benefits to its current membership. The 2017 valuation has identified a deficit of £7.5 billion. USS is required to implement a recovery plan which will ensure the sustainability of the pension fund in the long term. It is recognised that young/new members of USS would not have access to a defined benefit if the proposed changes are implemented and the USS Retirement Income Builder is not reintroduced at a future date.

UCL will complete an equality impact assessment (EqIA) during the consultation period to determine if the proposals will have a positive, negative or neutral impact on the specific equality target groups (as defined within the Equality Act 2010).

The categories include:

- women
- black, Asian and ethnic-minority people
- young people and children
- older people
- disabled people
- lesbian people, gay people, bisexual people and transsexual people
- people from different faith groups.

What will happen to the 1% match?

It is proposed that the 1% match contribution would cease with effect from 1 April 2019 (at the earliest). Affected members will be able to elect to pay non-match additional voluntary contributions via [MyUSS](#).

Can a defined benefit element of pension benefits be reintroduced?

Under the USS proposal, the current Retirement Income Builder salary threshold would be reduced from £55,550 (for the tax year 2017/2018) to zero. The USS trustee will have the option to reintroduce a threshold salary for the Retirement Income Builder if future valuation results are more favourable.

Will USS members have an opportunity to respond to the proposed changes?

In late March 2018, you will be invited to participate in a formal employer consultation on the proposed changes to USS. The consultation period will last for no less than 60 days and responses can be provided in writing or online.

A full consultation document will be distributed in advance of the consultation start date.

A modelling tool will also be available to allow you to make projected comparisons between the USS Retirement Income Builder and the USS Investment Builder. In the interim, there are [a number of modelling scenarios produced by Aon Hewitt for Universities UK available online](#).