

USS Pensions Session

University of Nottingham
2021

isio.



Introductions and Agenda

- University of Nottingham Pension Schemes
- Overview of the USS
 - Retirement Income Builder
 - Investment Builder
- Valuations
- Q&A



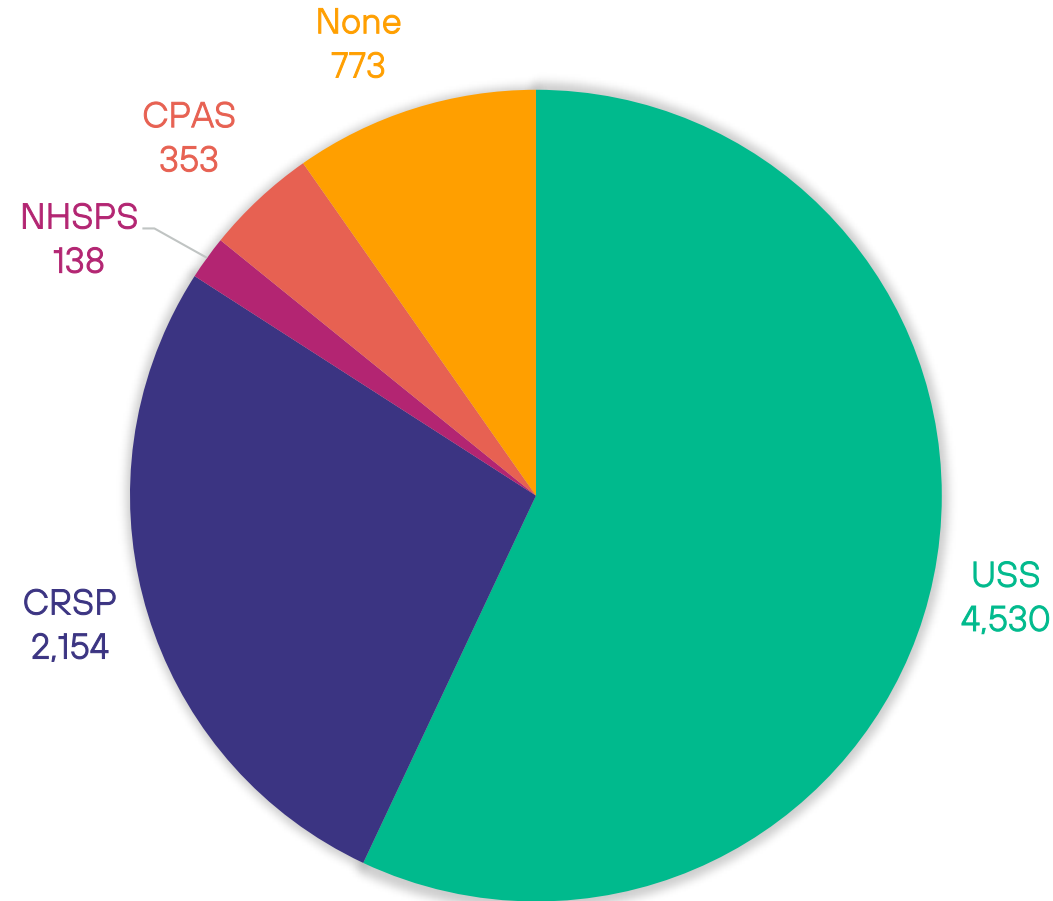
Margaret Monckton

Chief Financial Officer, University of Nottingham

Sophie Ash & Aaron Paxton

Pensions advisers, Isio

University of Nottingham pension membership



Universities Superannuation Scheme (USS)

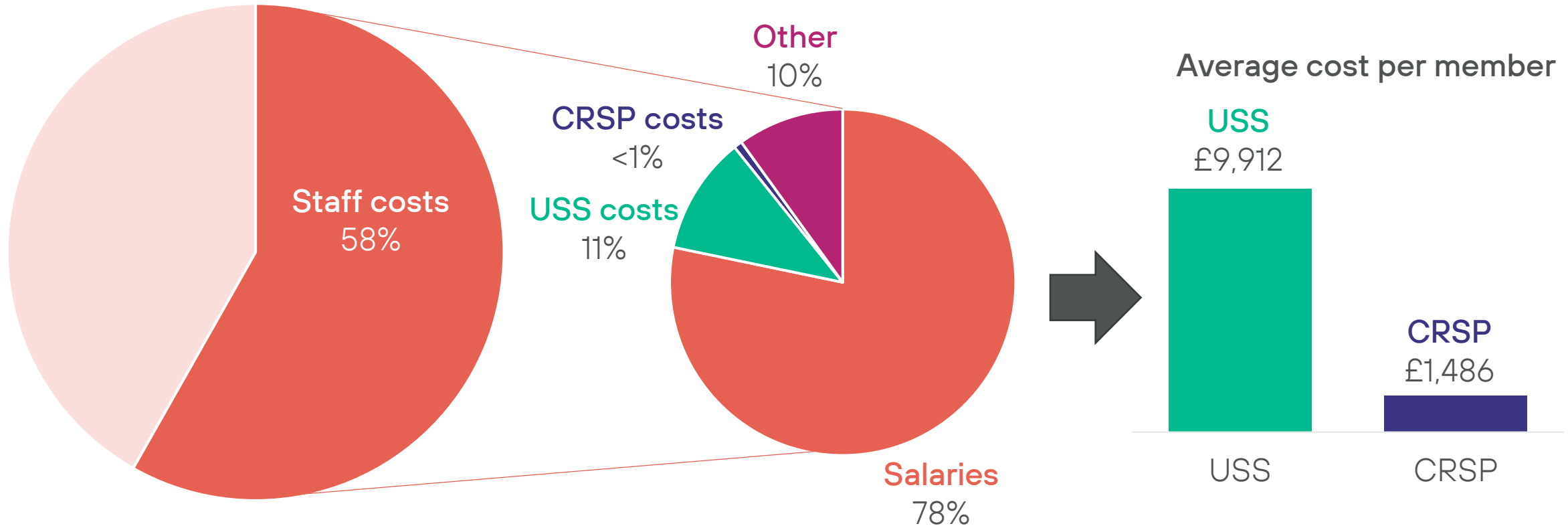
University of Nottingham Contributory Retirement Savings Plan (CRSP)

NHS Pension Scheme (NHSPS)

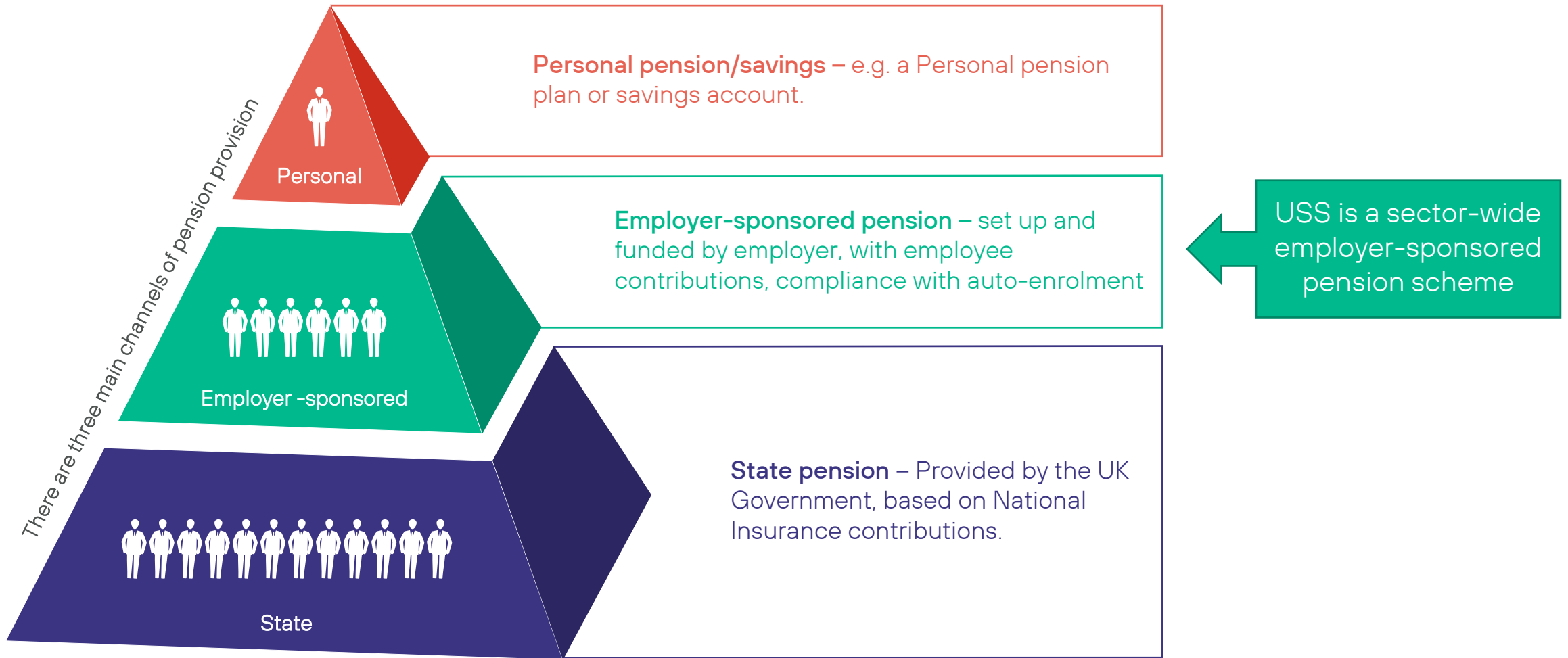
University of Nottingham Contributory Pension and Assurance Scheme (CPAS)

University of Nottingham pension schemes

University spend



Sources of pension benefits



University Superannuation Scheme (USS)

Retirement Income Builder

Defined Benefit

All USS members join this section automatically

Final salary

Career Revalued Benefits



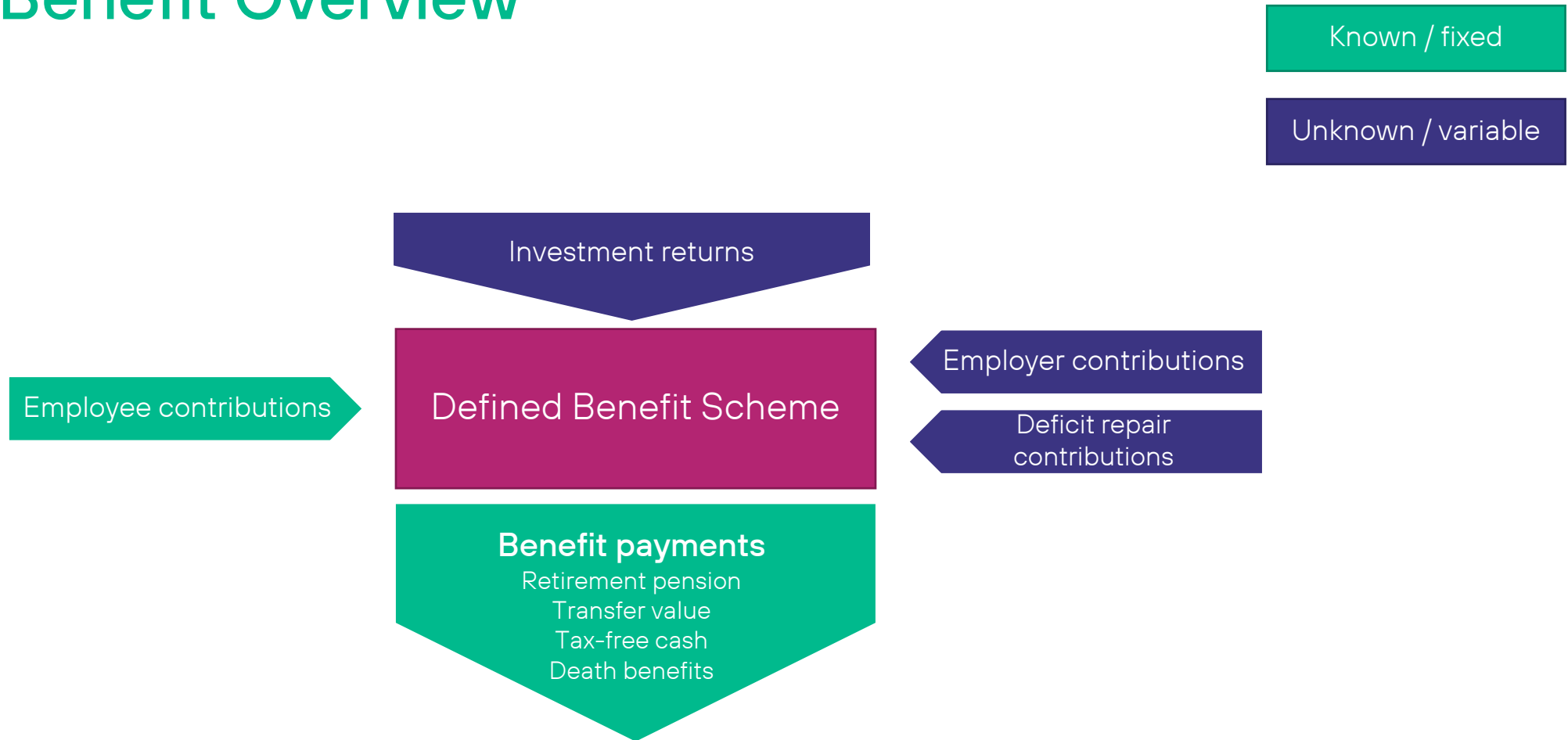
Investment Builder

Defined Contribution

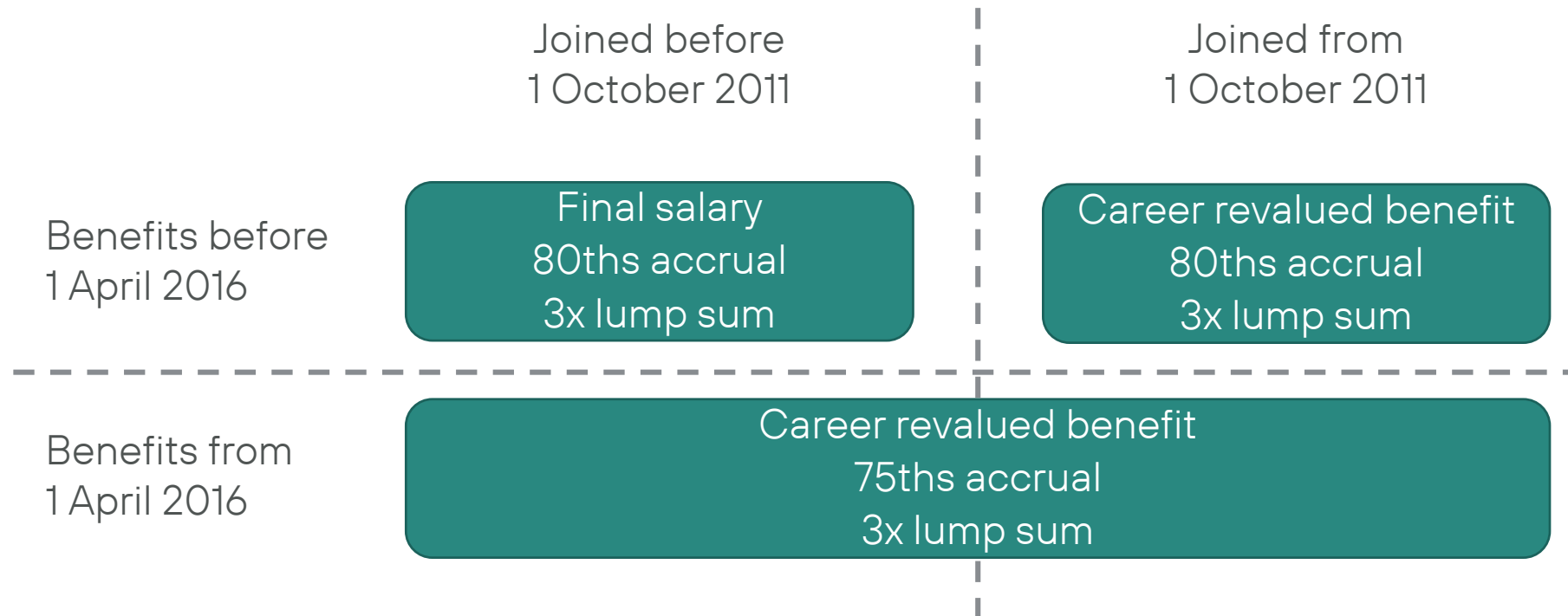
You will have benefits in this section if:

- You have recently transferred benefits from another scheme into the USS
- You earn over c£59,586 pa
- You make additional contributions

Defined Benefit Overview



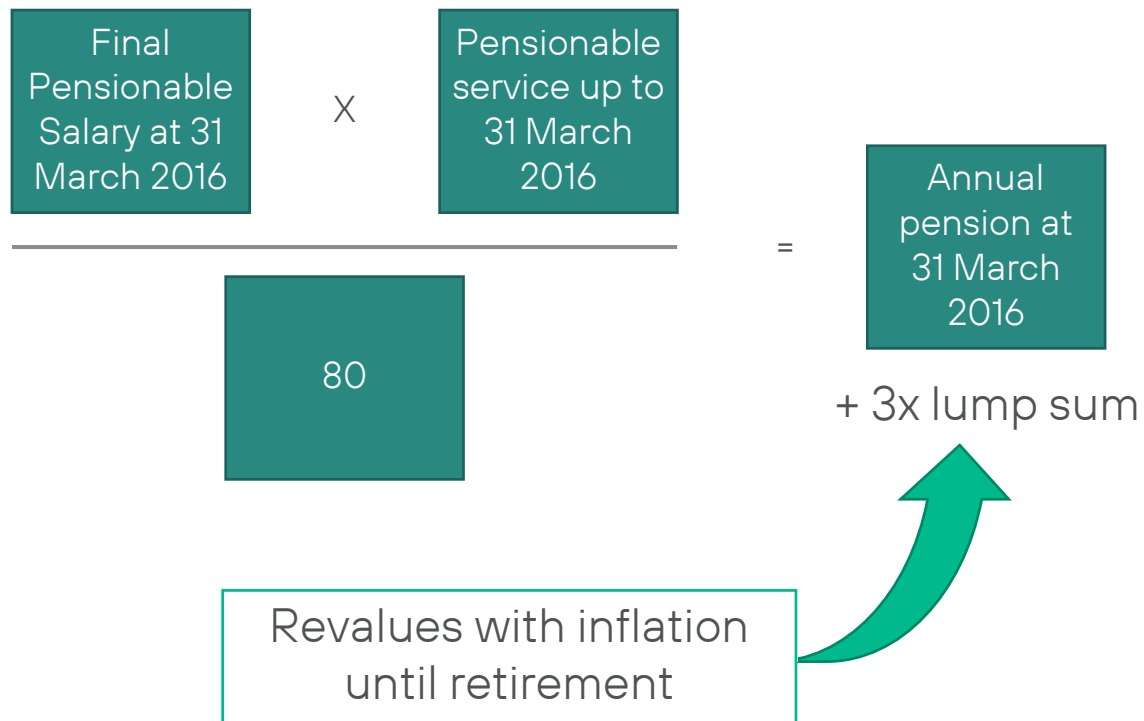
Retirement Income Builder



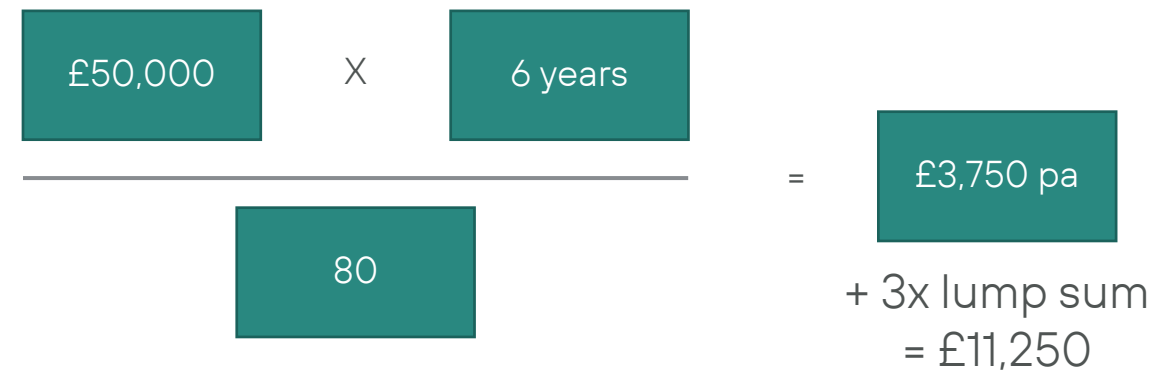
Example member

- Joined on 31 March 2010, aged 56
- Salary progression of:
 - 2015/16: £50,000
 - 2016/17: £55,000
 - 2017/18: £56,000
 - 2018/19: £57,000

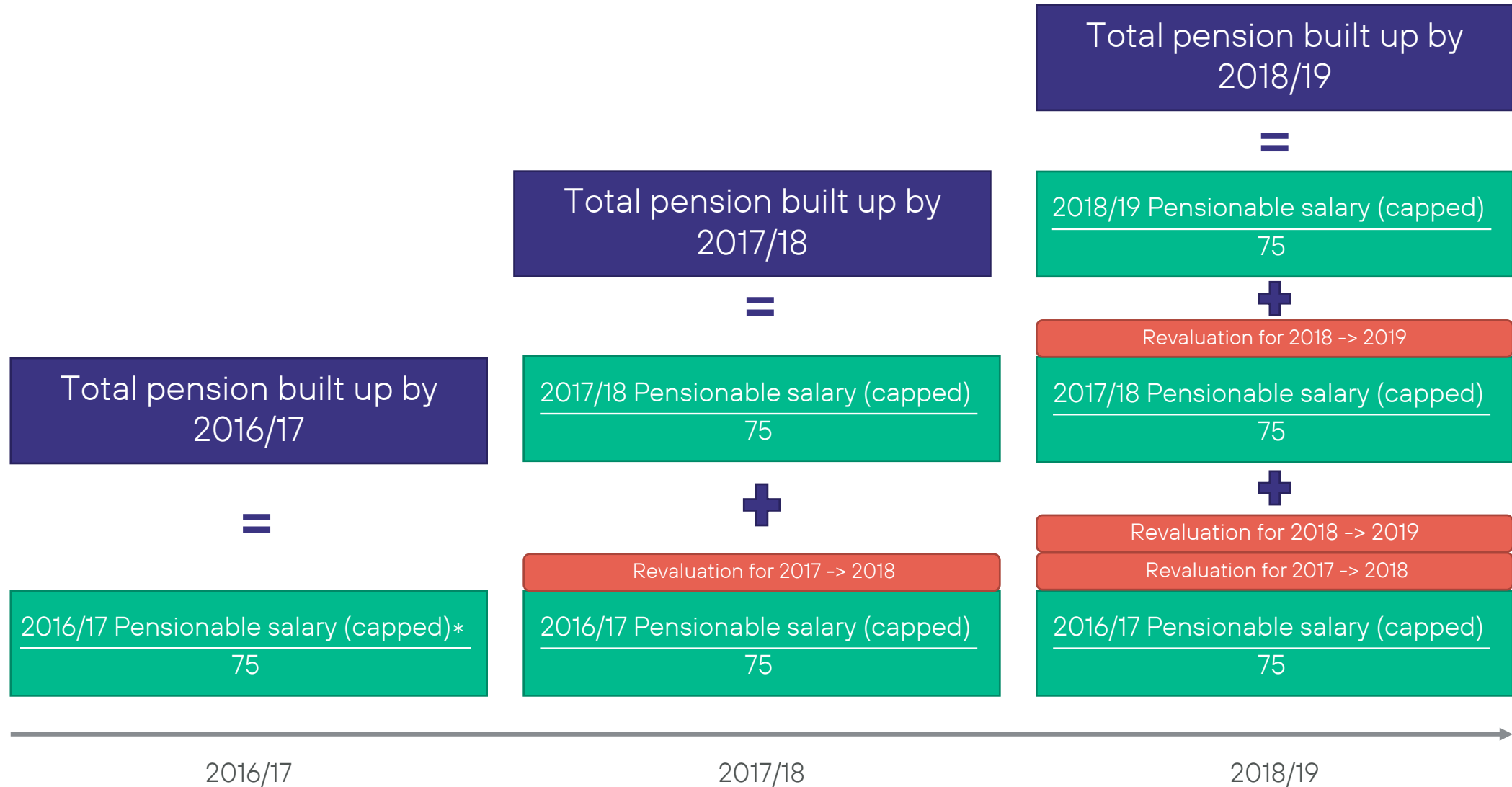
Retirement Income Builder – Final Salary



For our example member, at 31 March 2016:



Retirement Income Builder – Career Revalued Benefit



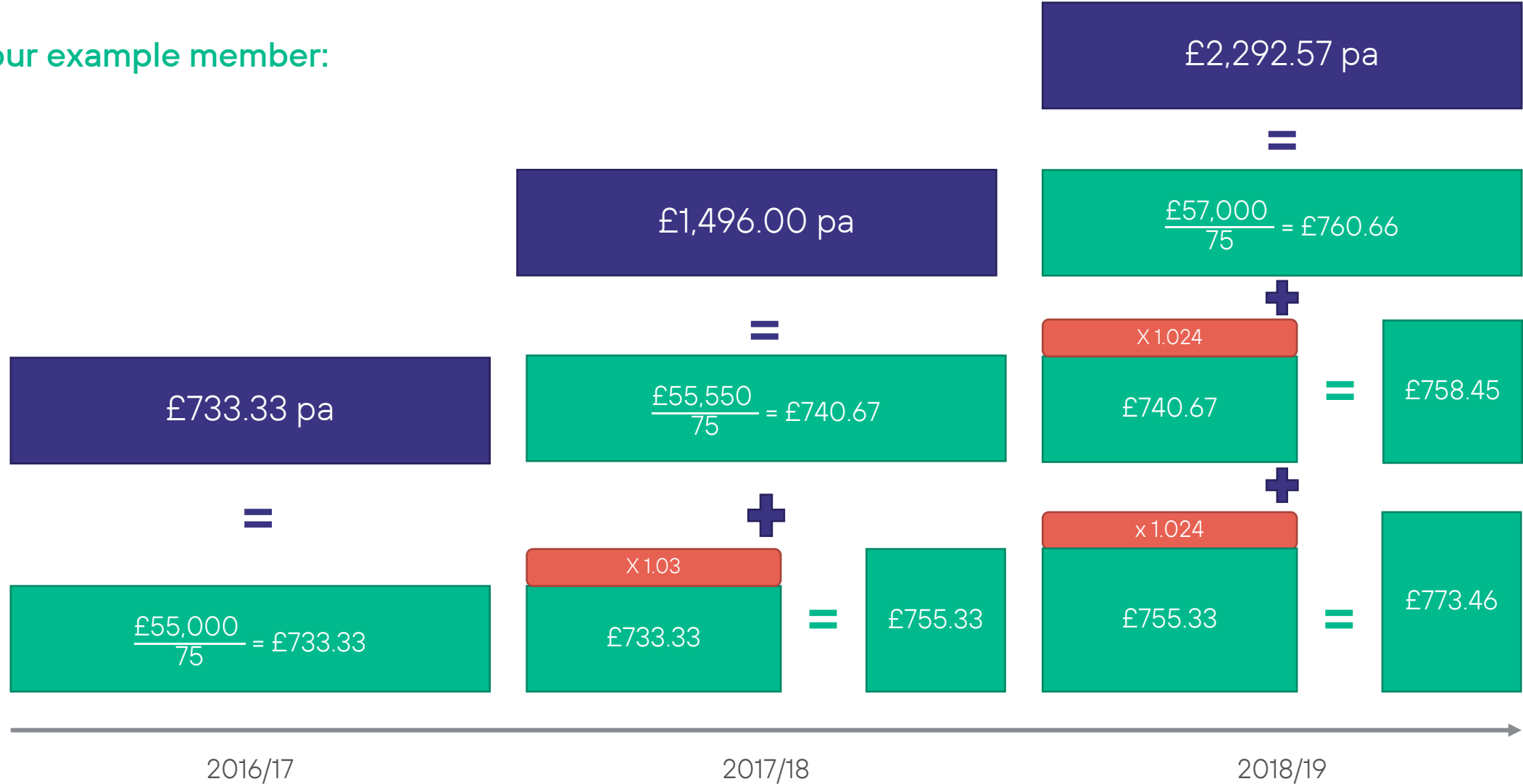
*cap only applies from 1 October 2016

Retirement Income Builder – Career Revalued Benefit

Year	Pensionable Salary (uncapped)	Cap	Pensionable Salary (capped)
2016/17	£55,000	£55,000	£55,000
2017/18	£56,000	£55,550	£55,550
2018/19	£57,000	£57,216.50	£57,000

Retirement Income Builder – Career Revalued Benefit

For our example member:



Contributions



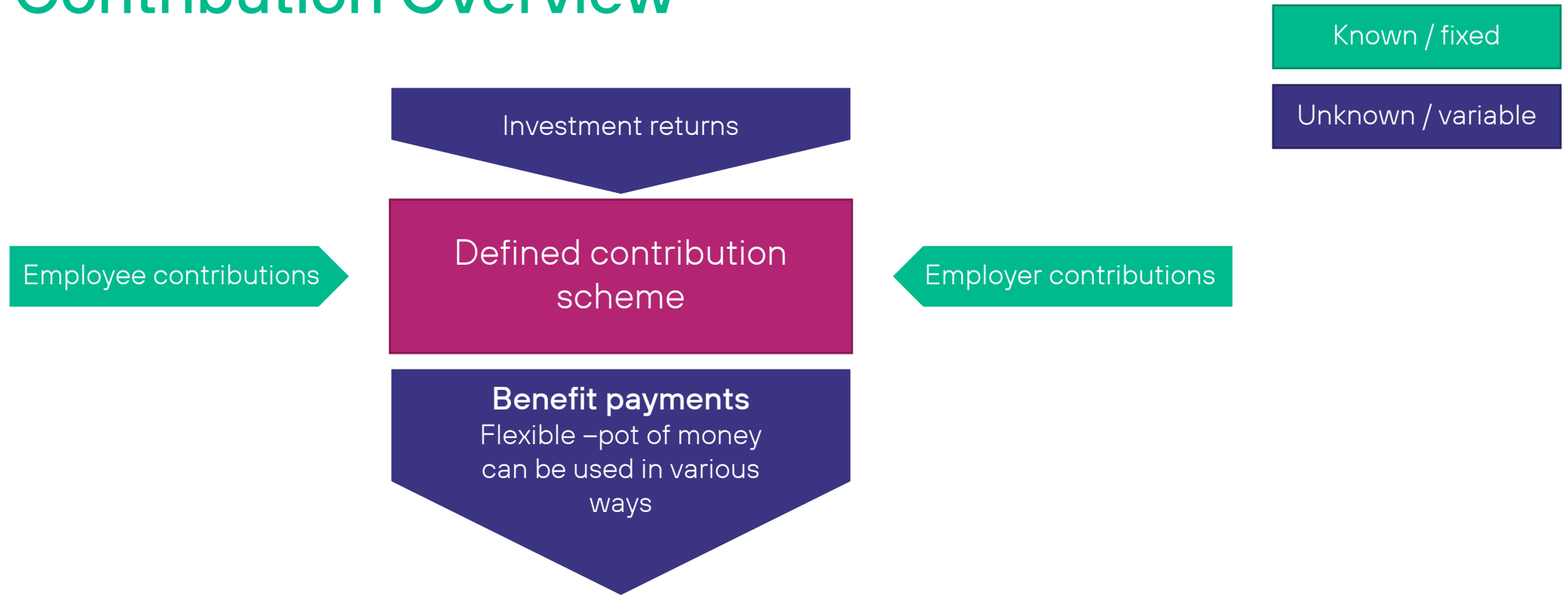
Contributions

Annual salary	The contribution taken from your pay before tax	The impact of your contribution on your take-home pay* (due to tax savings)
£10,000	£80	£80
£20,000	£160	£128
£30,000	£240	£192
£40,000	£320	£256
£50,000	£400	£320

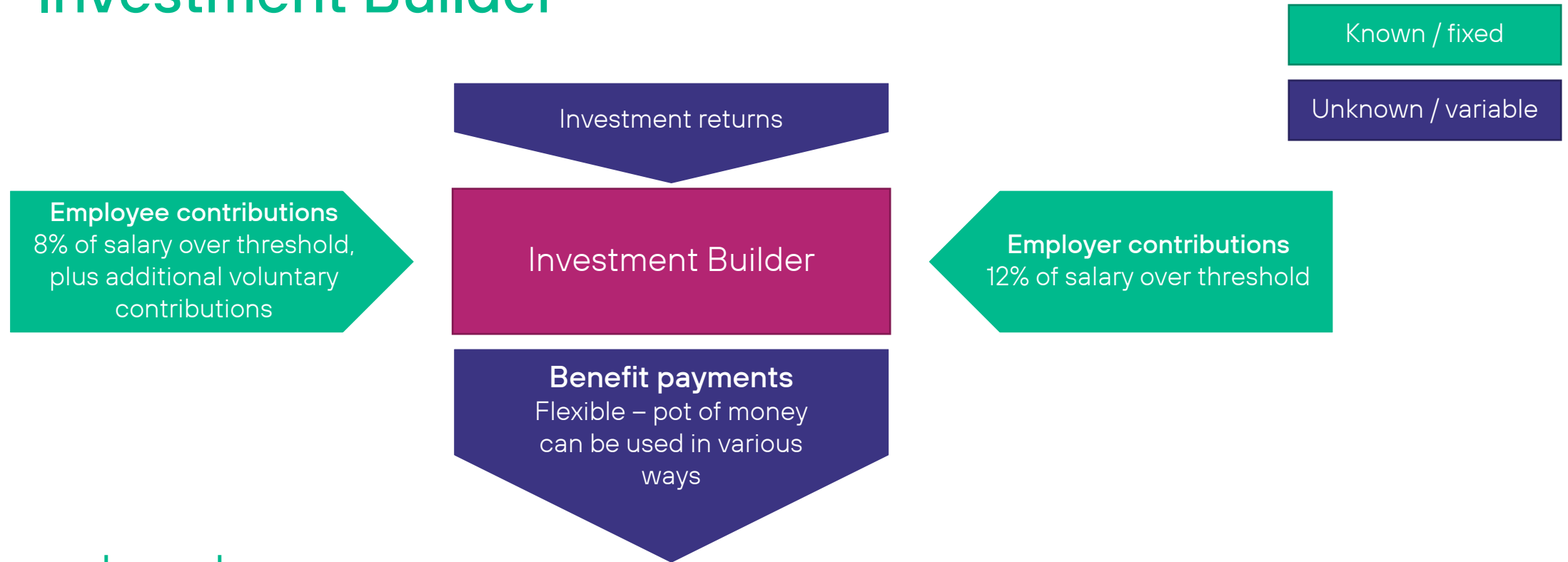
*These are approximate figures based on tax in England, Wales and Northern Ireland. The cost may be different depending on a number of reasons, including if you pay tax in Scotland or pay your pension contributions via salary sacrifice

Source: USS website.

Defined Contribution Overview



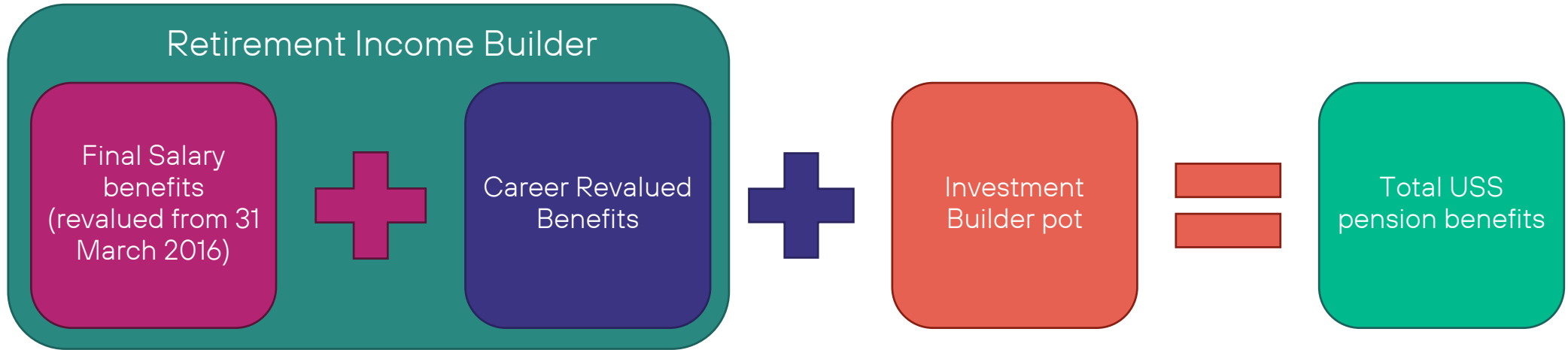
USS – Investment Builder



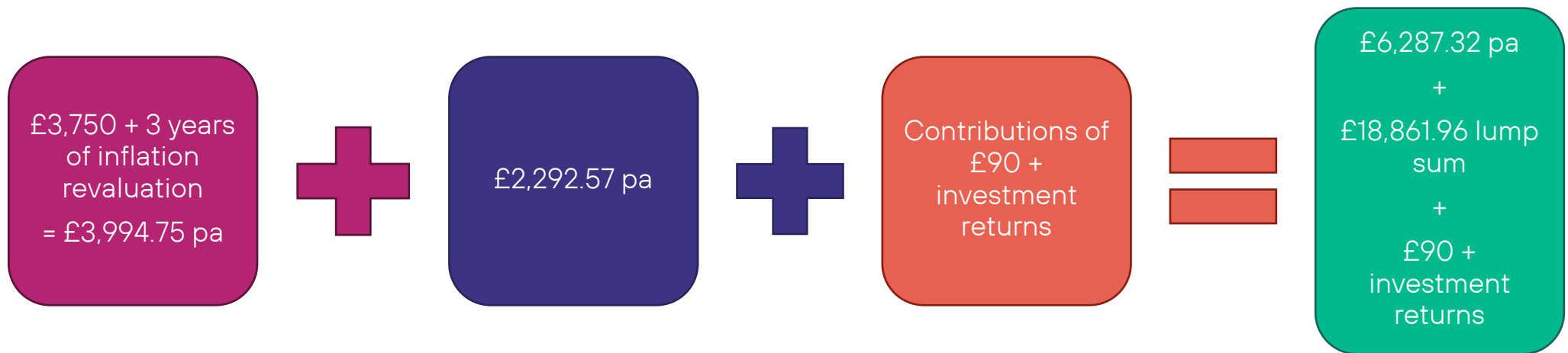
For our example member:

Year	Pensionable salary in excess of cap	Employee contribution	Employer contribution	Total contribution
2016/17	nil	-	-	-
2017/18	£450	£36	£54	£90
2018/19	nil	-	-	-

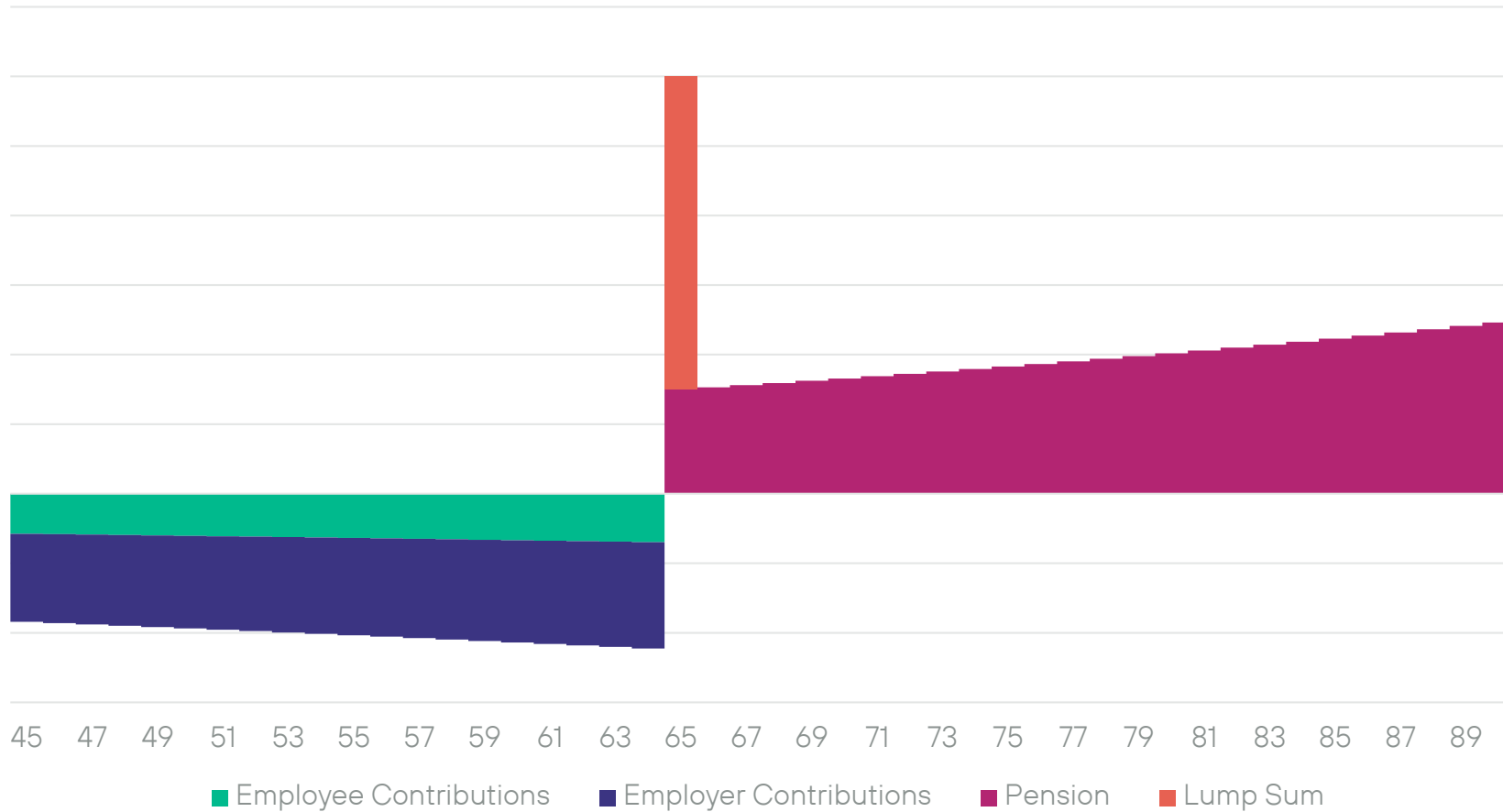
Total benefits



When our example member retires at 31 March 2019 age 65:

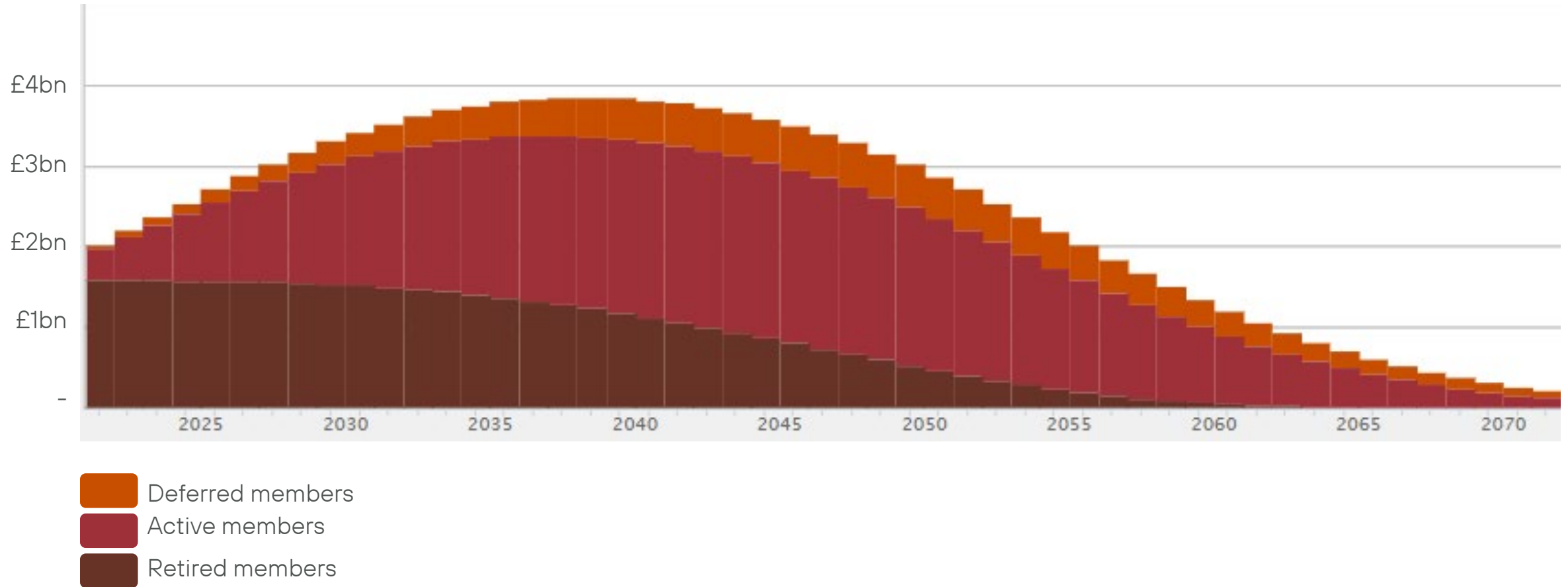


Example DB pension cashflows



Note: Illustrative cashflow projection only

The cost of DB pensions



Note: Illustrative cashflow projection only

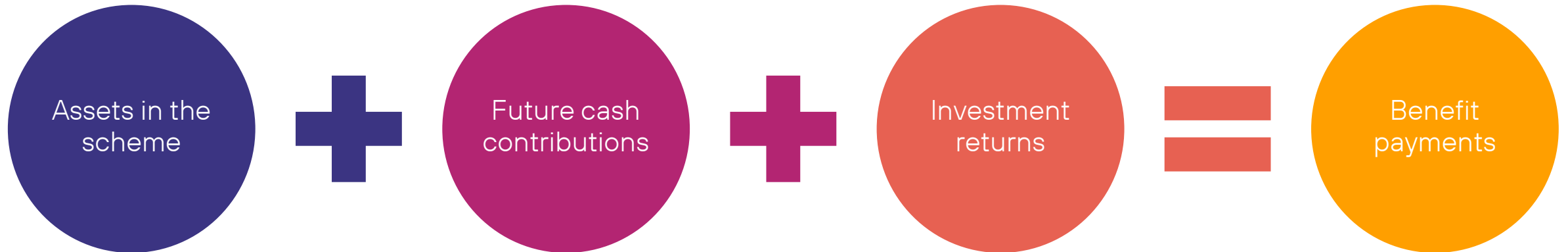
What is a valuation?



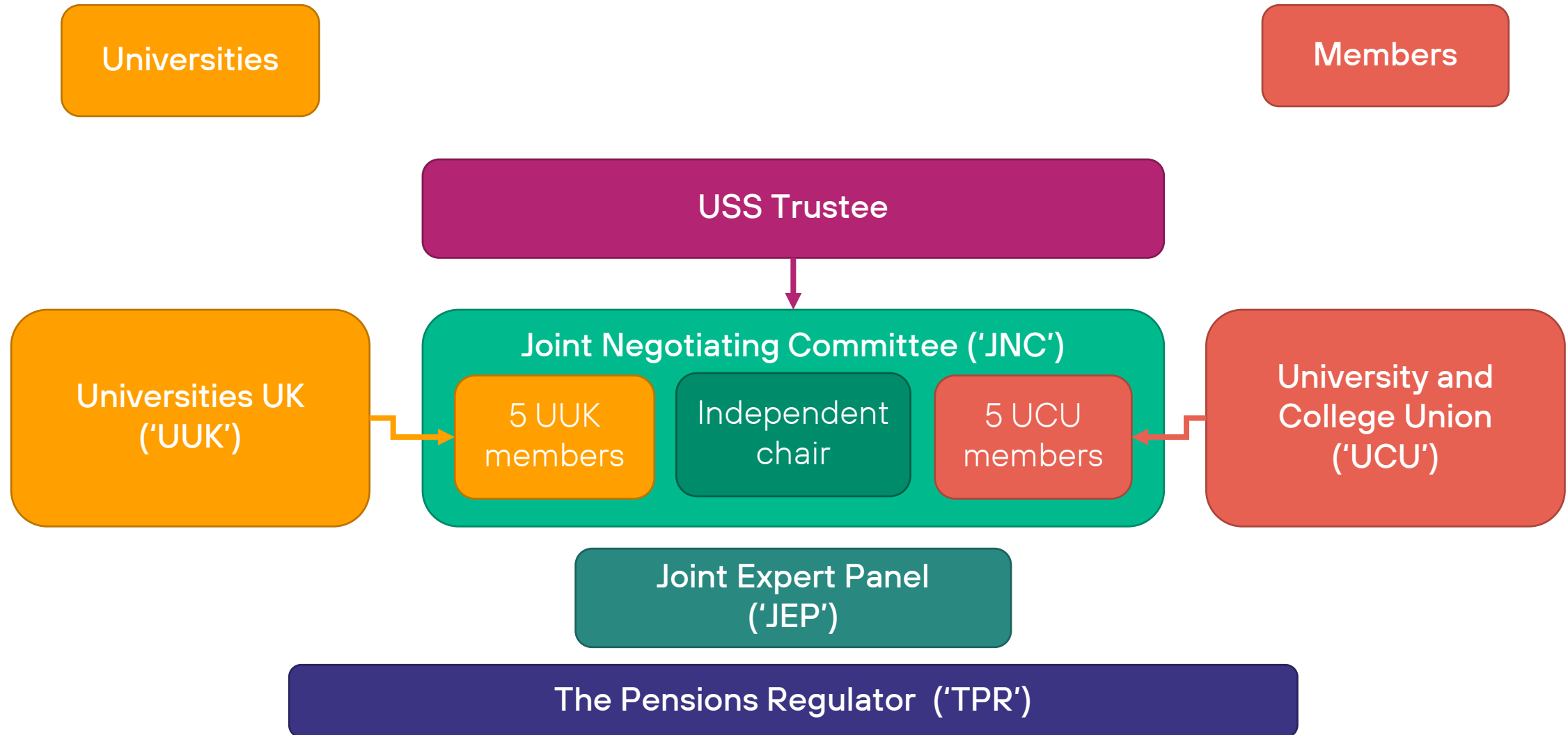
Occurs at least every 3 years



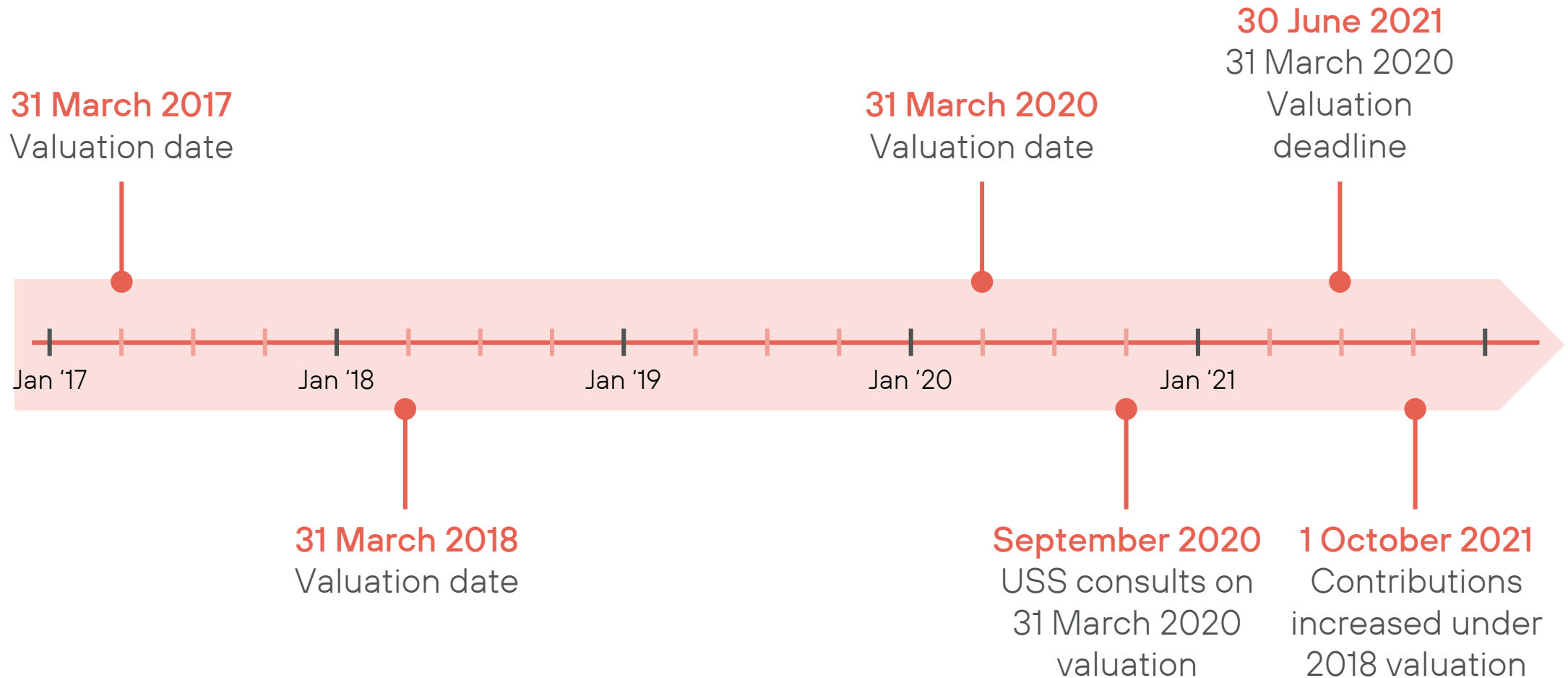
Only need to value DB schemes



Stakeholders



USS valuation timeline



31 March 2018 valuation results



Source: USS website.

Contributions (% of pensionable salaries)		
Dates	Employer*	Employee**
to 30 Sep 19	19.5%	8.8%
1 Oct 19 to 30 Sep 21	21.1%	9.6%
1 Oct 21 onwards	23.7%	11.0%

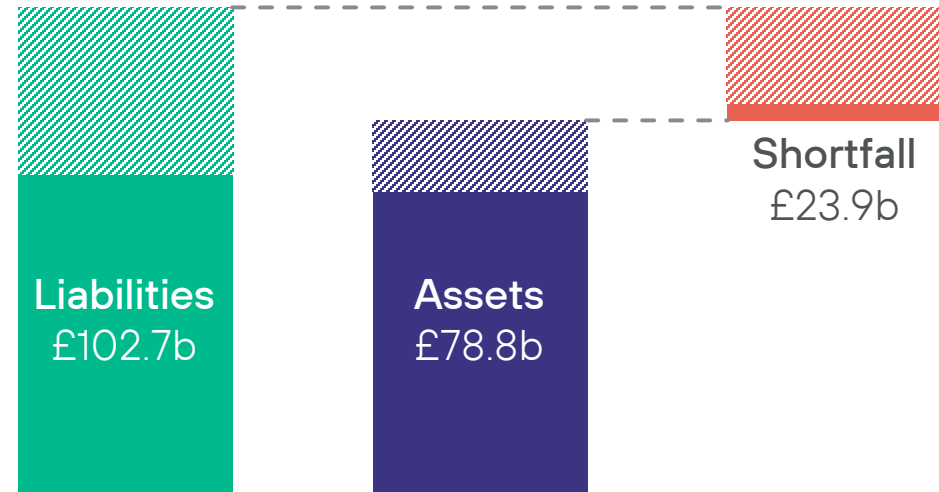
This includes shortfall funding of 6% of salaries

*Applies to total pensionable salary

**Applies up to salary cap, 8% contributions thereafter

Changes since 2018

Position at 30 November 2020



Source: USS website.

Impact of COVID-19:

- Higher mortality
- Impact on the University directly
- Impact on investments held by USS

31 March 2020 valuation consultation

	Current position	Consultation
Shortfall	£3.6b	£9.8b to £17.9b
Total contributions (%)	30.7% of payroll	40.8% to 67.9% of payroll
University cost pa	£44.9m	£59.2m to £97.7m
Employee cost pa	£20.4m	£27.6m to £46.8m

Source: USS website & Isio analysis.

<https://www.nottingham.ac.uk/HR/Universities-Superannuation-Scheme/USS-Consultation-Response-October-2020.aspx>

31 March 2020 valuation next steps

December 2020

We will inform the JNC of the overall contribution rate needed.

March 2021

This is when the JNC needs to have decided how to address the contribution rate.

March 2021 – May 2021

If the JNC decides to make any changes, or cannot reach a decision, this is when employers might need to prepare for a consultation with affected employees.

30 June 2021

This is the statutory deadline for filing the valuation with TPR.

October 2021

This is when contributions are scheduled to increase under the 2018 valuation.

Source: USS website.

Helpful sources

USS

- Web: <https://www.uss.co.uk/contact-us> for an online contact form
- Tel: 0151 227 4711, lines are open 9am - 5pm, Monday to Friday
- Post: USS, 3rd floor, Royal Liver Building, Liverpool, L3 1PY

A benefit illustration tool can be found at <https://www.ussbenefitillustrator.co.uk> which can provide you with an estimate of your USS benefits at retirement

University

- For further questions following this session – email ussqueries2021@nottingham.ac.uk

Q & A

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Disclaimers

- Please note details in this presentation do not override the formal documents which govern the USS. The Trust Deed and Rules of the Scheme, together with any overriding legal requirements, will always take precedence.
- All references to taxation are to UK taxation and are based on our understanding of current UK law and HM Revenue & Customs practice which may change at any time.
- Please be aware that we provide a number of indicative figures and illustrations in this presentation that are critically dependent on assumptions. These assumptions may not be relevant to your specific circumstances, emerge in the future and your personal circumstances could materially differ from illustrations given.
- The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

