

USS Pensions Session 5 - follow up

University of Nottingham
9 February 2022

DRAFT – 8/2

isio.





Introductions and Agenda

- What's changed since 26 January 2022 - Employer consultation
- Responding to questions

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Chief Financial Officer, University of Nottingham

Professor Andy Long

Provost and Deputy Vice-Chancellor, University of Nottingham


Sophie Ash

Pensions adviser, Isio

Tim Domanski

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Recap of proposed changes

	Back-stop	Proposal
Covenant actions		
Ban on exits	None	20 years
Debt monitoring	None	Yes (for all but smallest universities)
Pari passu	Not in force	In force (with higher threshold)
Recovery period	10 years	18 years
Total contributions (from 1 Oct '21)	Current  Increasing to (by Oct 2025)	Total: 31.2% Universities: 21.4% Staff: 9.8%
	Total: 34.7% Universities: 23.7% Staff: 11.0%	Total: 57.0% Universities: 38.2% Staff: 18.8%
Future benefits	No change	Reduced
Salary threshold	£60k	£40k
Accrual rate	1/75ths	1/85ths
Increases	CPI max 10%*	CPI max 2.5%
DC contributions	20%	20%

Worth £1.3bn a year to the sector

Equivalent to a £30m saving per year for the University

*Pensions currently increase in line with CPI up to a cap of 5%, with 50% of the next 10% i.e. overall cap of 10% pa increase if CPI at or above 15% pa

Source: UUK website.

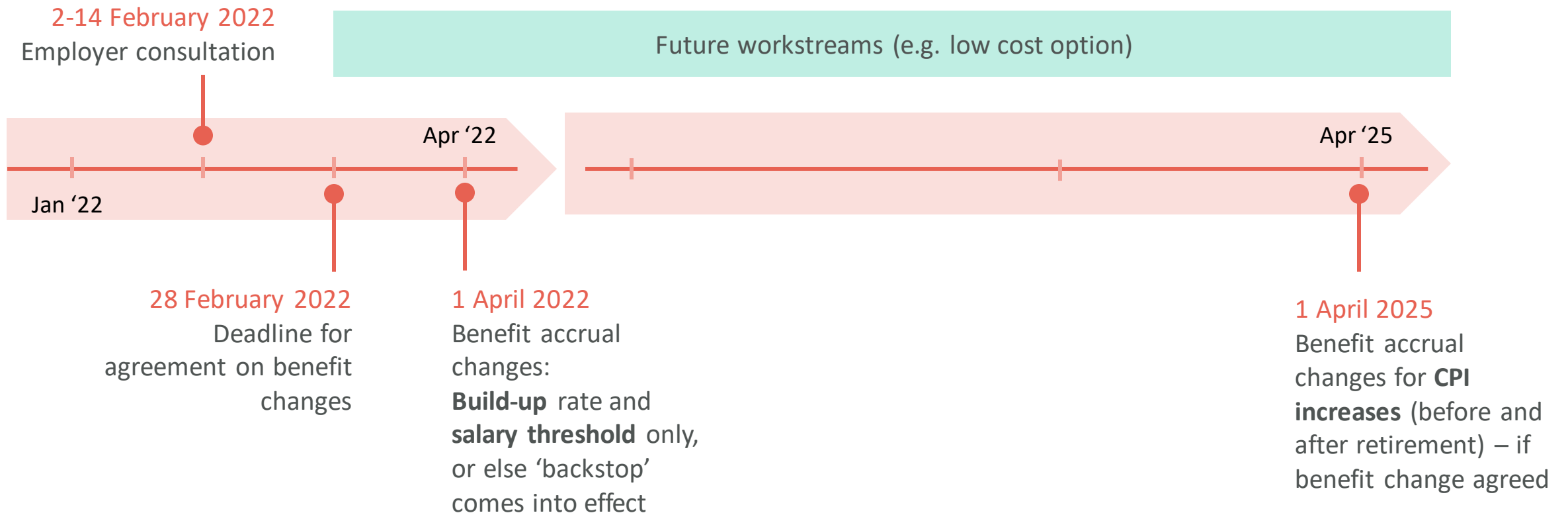
Employer consultation – changes to proposal

	Proposal	Employer consultation
Covenant actions		
Ban on exits	20 years	20 years
Debt monitoring	Yes (for all but smallest universities)	Yes (for all but smallest universities)
Pari passu	In force (with higher threshold)	In force (with higher threshold)
Recovery period	18 years	18 years + modest extension
Total contributions (from 1 Oct '21)	Total: 31.2% Universities: 21.4% Staff: 9.8%	Total: 31.2% Universities: 21.4% + 0.2% for 2 years Staff: 9.8%
Future benefits	Reduced	Reduced
Salary threshold	£40k	£40k
Accrual rate	1/85ths	1/85ths
Increases	CPI max 2.5%	CPI max 10%* until 2025 then CPI max 2.5%
DC contributions	20%	20%

*Pensions currently increase in line with CPI up to a cap of 5%, with 50% of the next 10% i.e. overall cap of 10% pa increase if CPI at or above 15% pa

Source: UUK website.

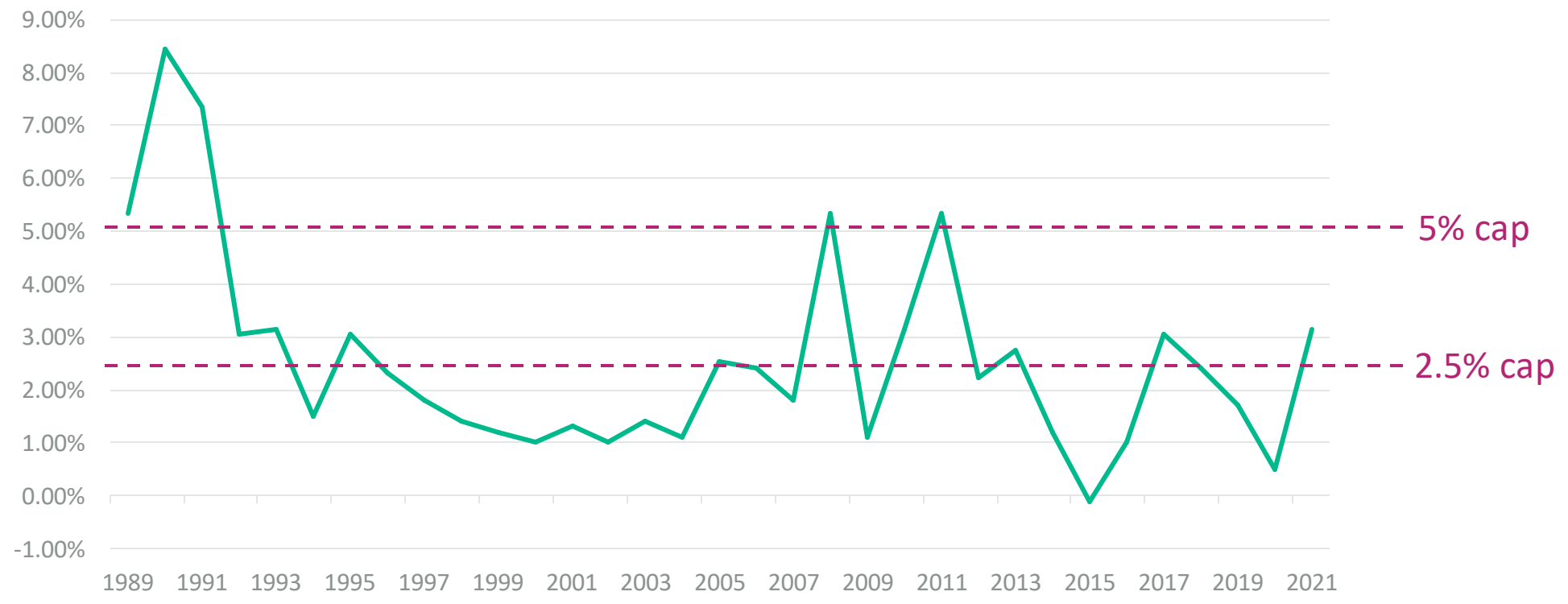
Current timeline



Legislative inflation cap
2.5% for pension in
payment from 2005

Bank of England target is
2%

Historic inflation 1989-2021



Source: UK CPI September inflation rate, ONS

Available models

USS Consultation model USS Consultation 2021

The screenshot shows the 'USS EMPLOYER CONSULTATION' website. At the top, there is a blue header with the title and a 'Employer' button. Below the header is a dark blue navigation bar with links: Home, Summary, Proposals, Modeller, Supporting Information, FAQs, and Glossary. A prominent orange banner reads 'Please note the consultation closed at 5pm on 17 January 2022'. The main content area features a dark blue box with the text 'Welcome to ussconsultation2021.co.uk See how the proposed scheme changes may affect you.' Below this is a photograph of a diverse group of people in a meeting. To the right of the photo is a light blue box with login and registration options: 'Existing/active member ? Use the modeller and/or leave your response to the proposed changes. Log in', 'If you aren't a current USS member, or can't log in ? Register to use the modeller and/or leave your response to the proposed changes. Register', and 'If you are a deferred or pensioner member please click here.' At the bottom, there is a white navigation bar with icons and labels for Summary, Proposals, Modeller, Supporting, FAQs, and a 'CONSULTATION CLOSED' banner.

Also available:

UCU

Member Details - USS Modeller (ucu.org.uk)

USS benefit illustrator

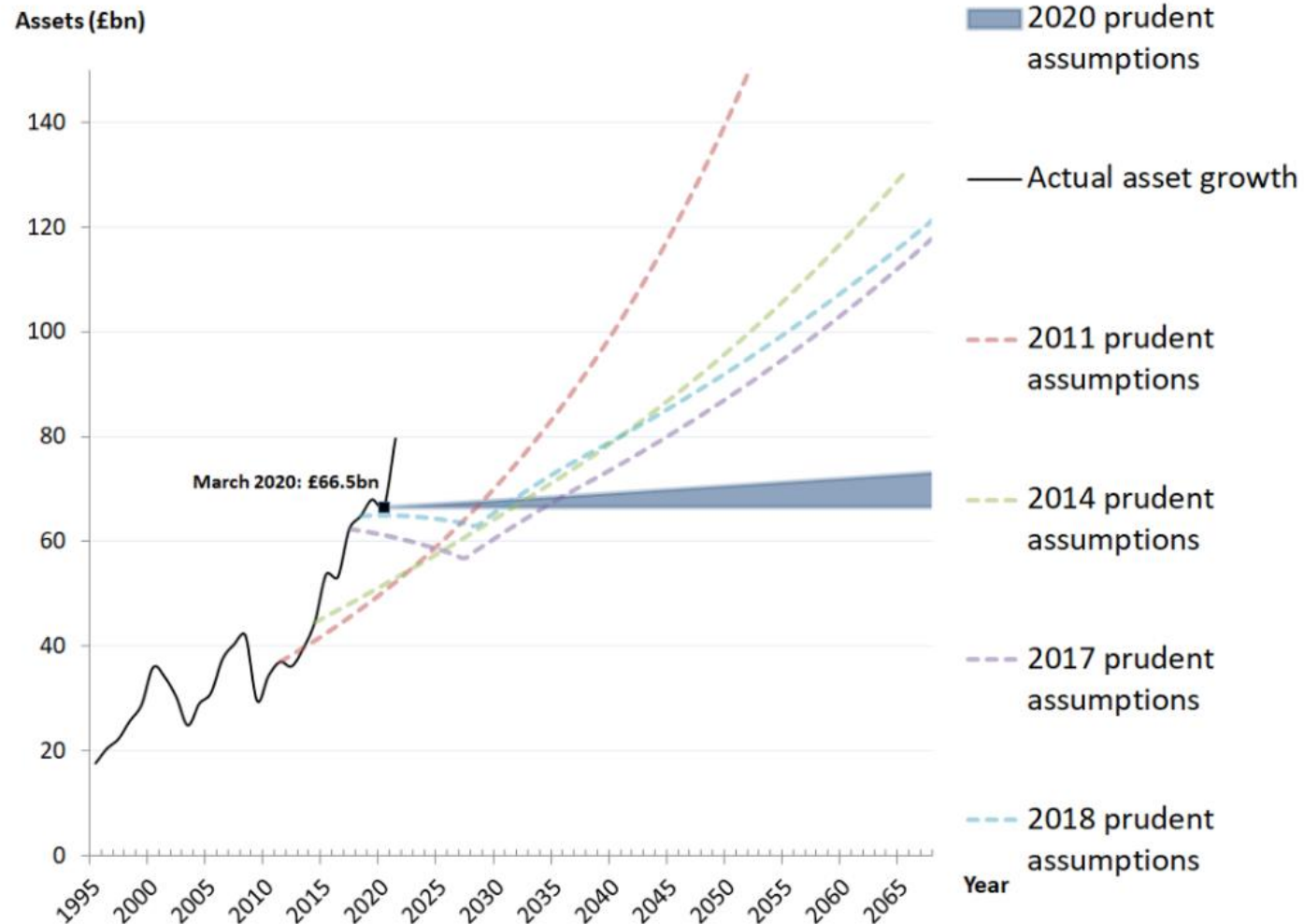
Benefit Illustrator (ussbenefitillustrator.co.uk)

Other models in public domain

Valuation Prudence

Real-terms asset growth and forecasts for USS, 1995-2068

Asset values from CPI-adjusted reported annual returns, calibrated to £66.5bn as at March 2020;
Forecasts are from the real (CPI) discount rates used in actuarial valuations as at dates shown



Source: USSBriefs106
[How extreme prudence and misguided risk-management sent the USS into crisis | by USSbriefs | USSbriefs | Medium](#)

Further information

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

USS Consultation webpage (noting consultation closed): [USS Consultation 2021](#)

UUK

- More detail from UUK can be found on their USS-specific website - www.ussemployers.org.uk

UCU

- UCU benefits modeller can be found here - [Member Details - USS Modeller \(ucu.org.uk\)](#)

University

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

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