

USS Pensions Session 6

University of Nottingham
March 2022

isio.



Introductions and Agenda

- Outcome of JNC vote and impact on benefits
- What do I need to do?
- Longer-term pension workstreams, including low-cost option
- Recent developments
- Q&A



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Benefit changes

Agreed on 23 February 2022

	Initial JNC Recommendation	Revised JNC Recommendation
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.

Compromise between stakeholders

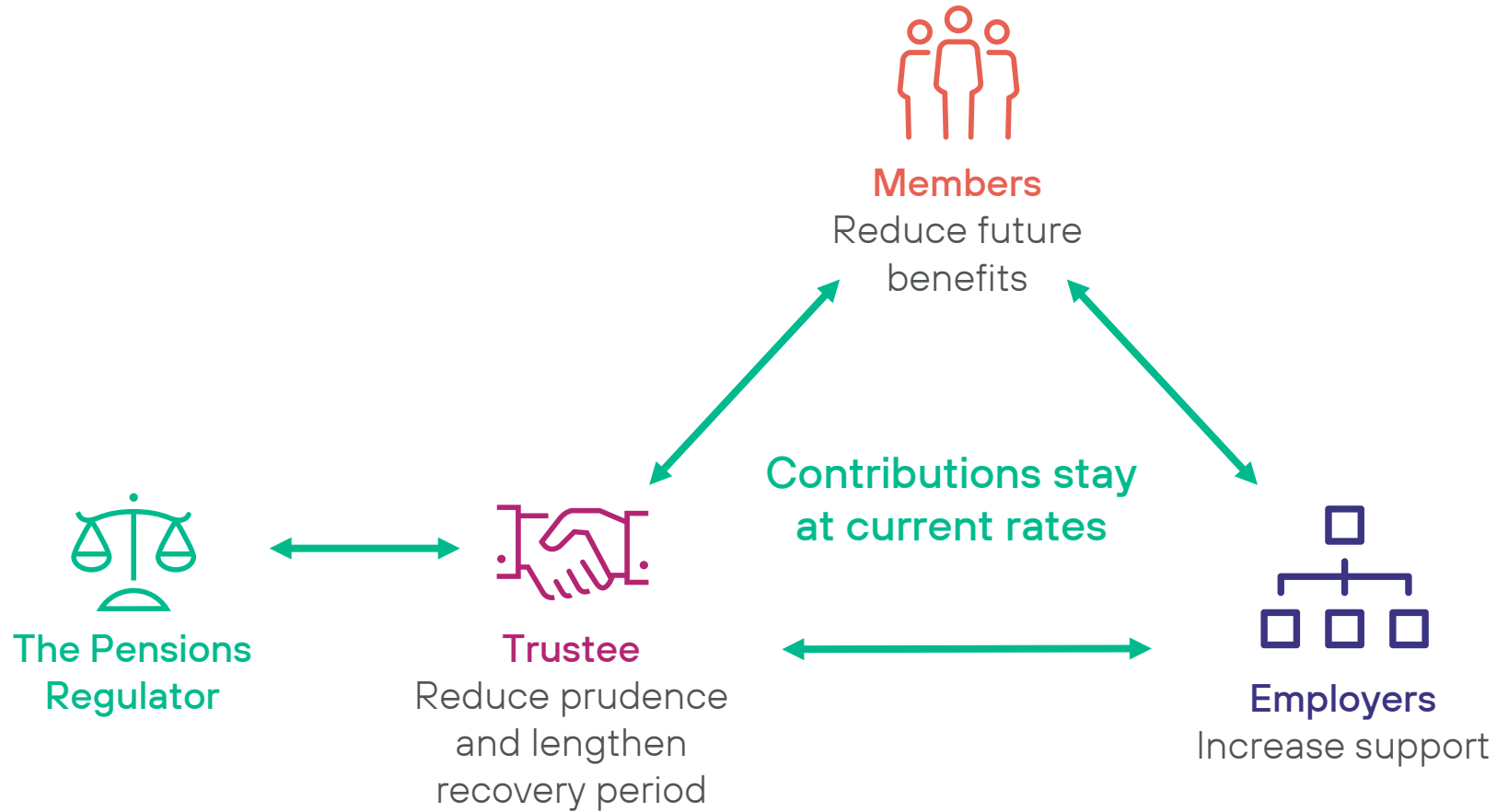
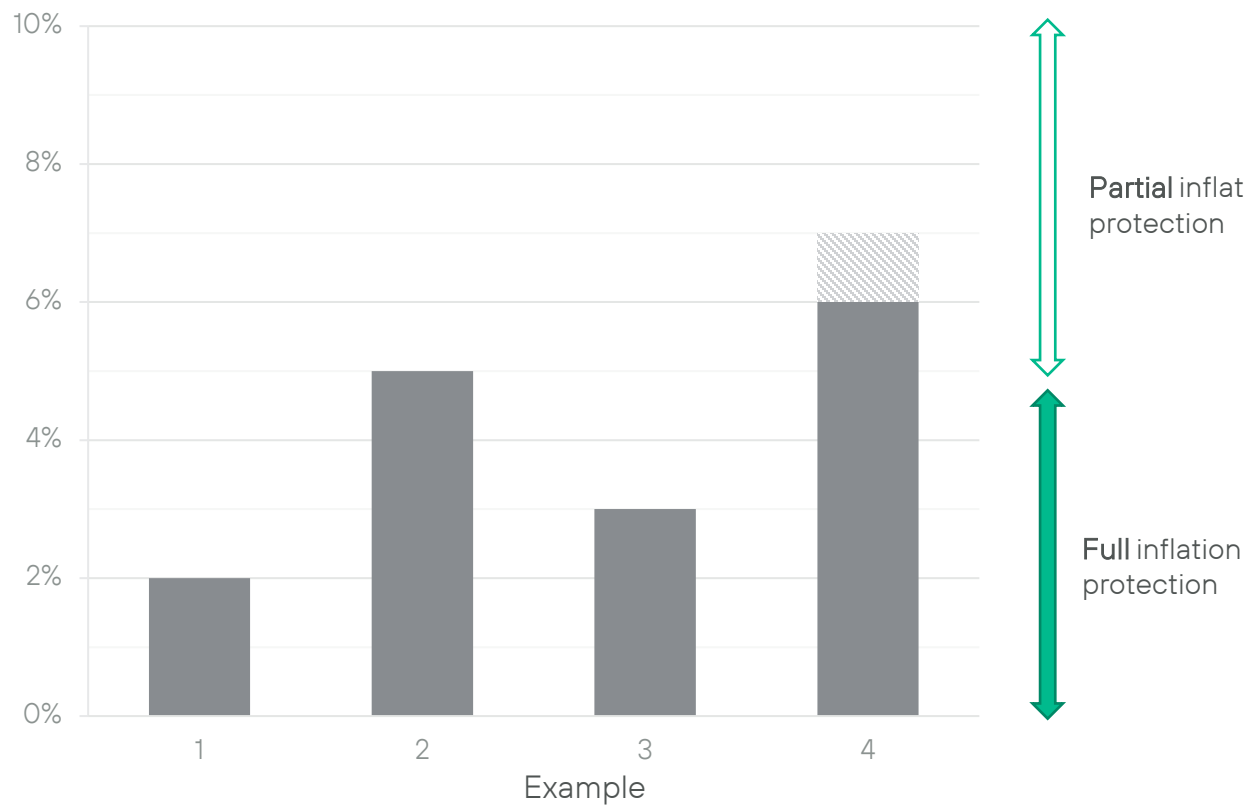


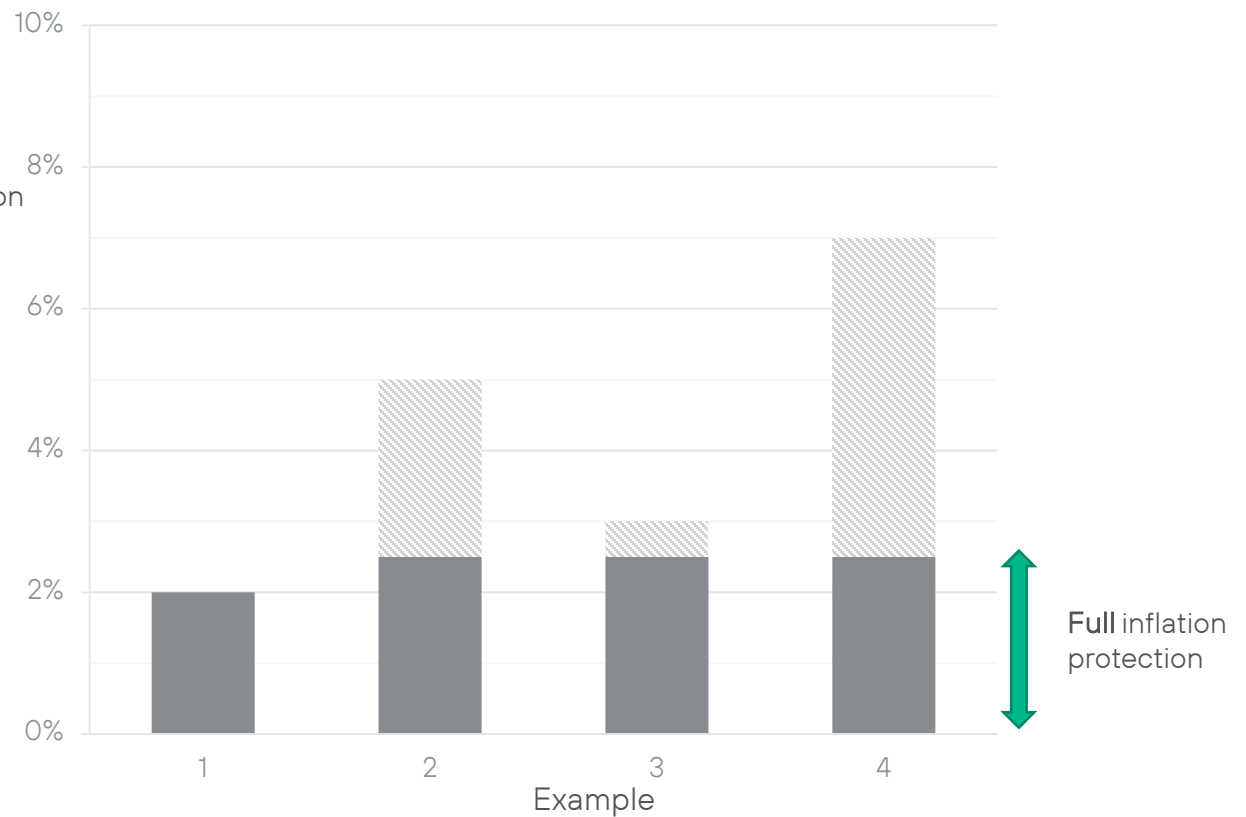
Illustration of pension increase change

- January 2022: 5.5%
- Bank of England target: 2%
- Over last 5 years, CPI has been above 2.5% 17 times
(source ONS data-based on monthly CPI)

How current pension increases work

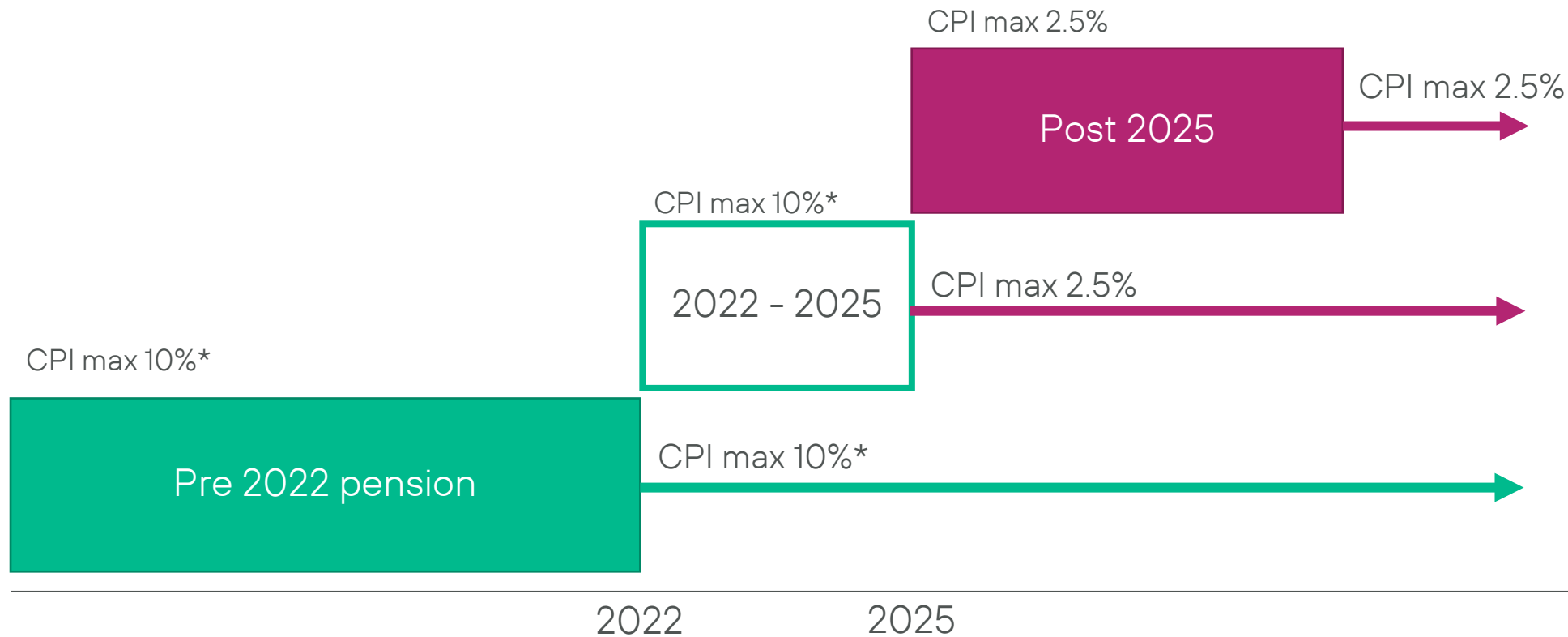


How future pension increases will work*



*increases apply to pension earned from 2022, with a temporary modification up to 2025.
Current increases continue for pre 2022 pension

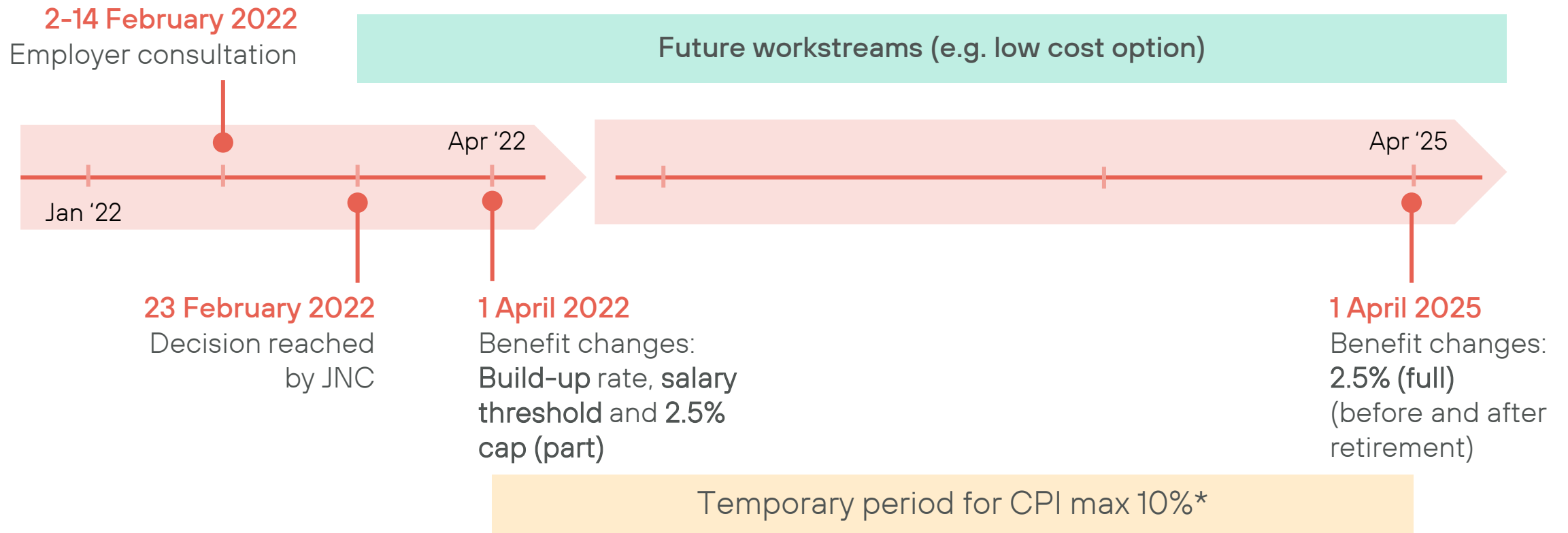
Inflationary protection and the 3 year modification



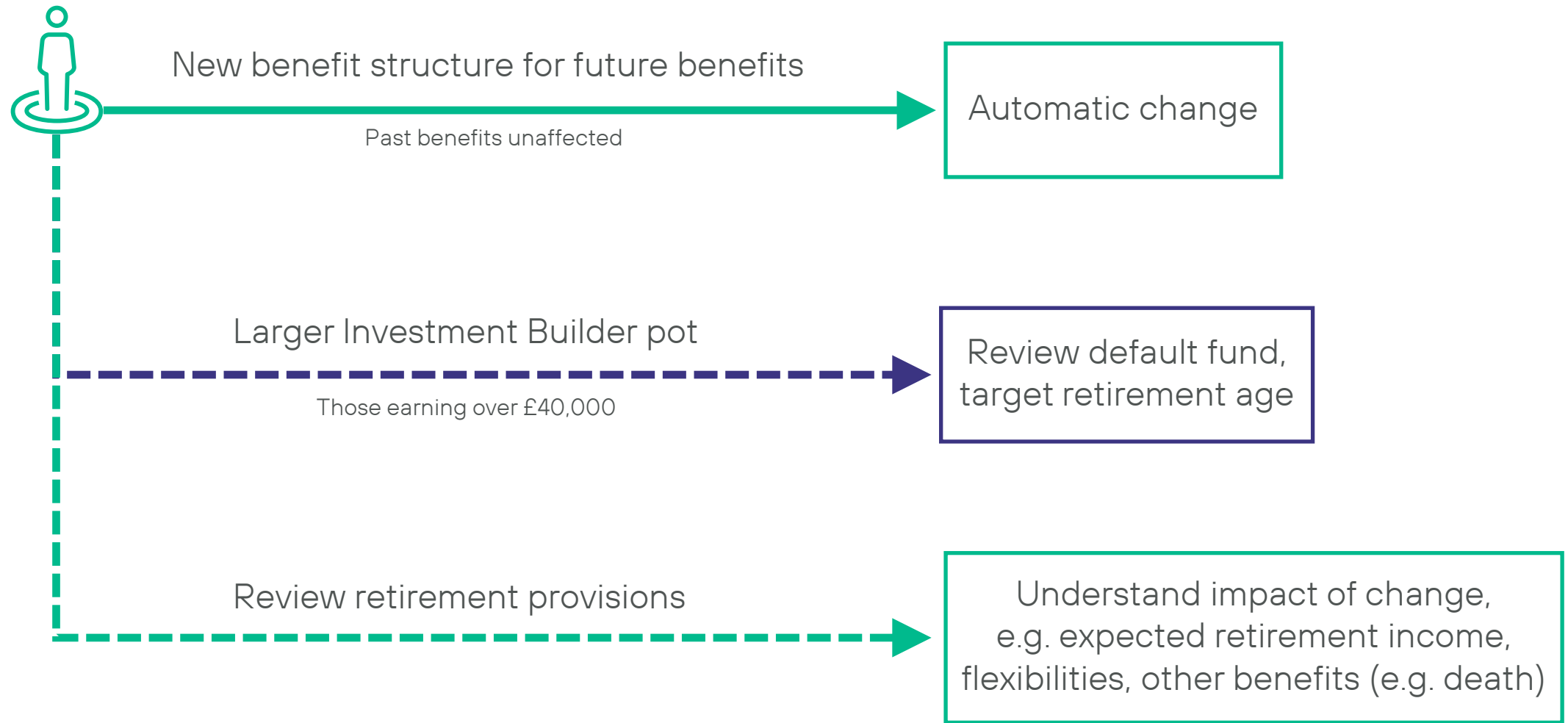
*Pensions currently increase in line with CPI up to a cap of 5%, with 50% of the next 10% i.e. overall cap of 10% pa increase if CPI at or above 15% p.a.

Applicable on CARE benefits before payment and on pension increases in payment

Current timeline



What do I need to do?



Flexibility from the Investment Builder

When you retire you have lots of choices and flexibility on how to take your retirement benefits



Buy an annuity
(an annual pension)

&/or



Take as cash (up to 25% is
tax-free)

&/or



Flexible access to
your money

If you buy an annuity it can be tailored to your needs:



Allow for your health

&/or



Inflation increases

&/or



Dependant
benefits

Longer-term pension workstreams

Employers have promised to work with UCU on the following:



Low cost / more flexible option – Working group formed to explore lower cost benefits options within USS, to report by April. First meeting was in December 2021, including UUK and UCU representatives



Major governance review – Agreement to review USS governance once 2020 valuation is complete. Timescale expected to be 6 – 9 months.

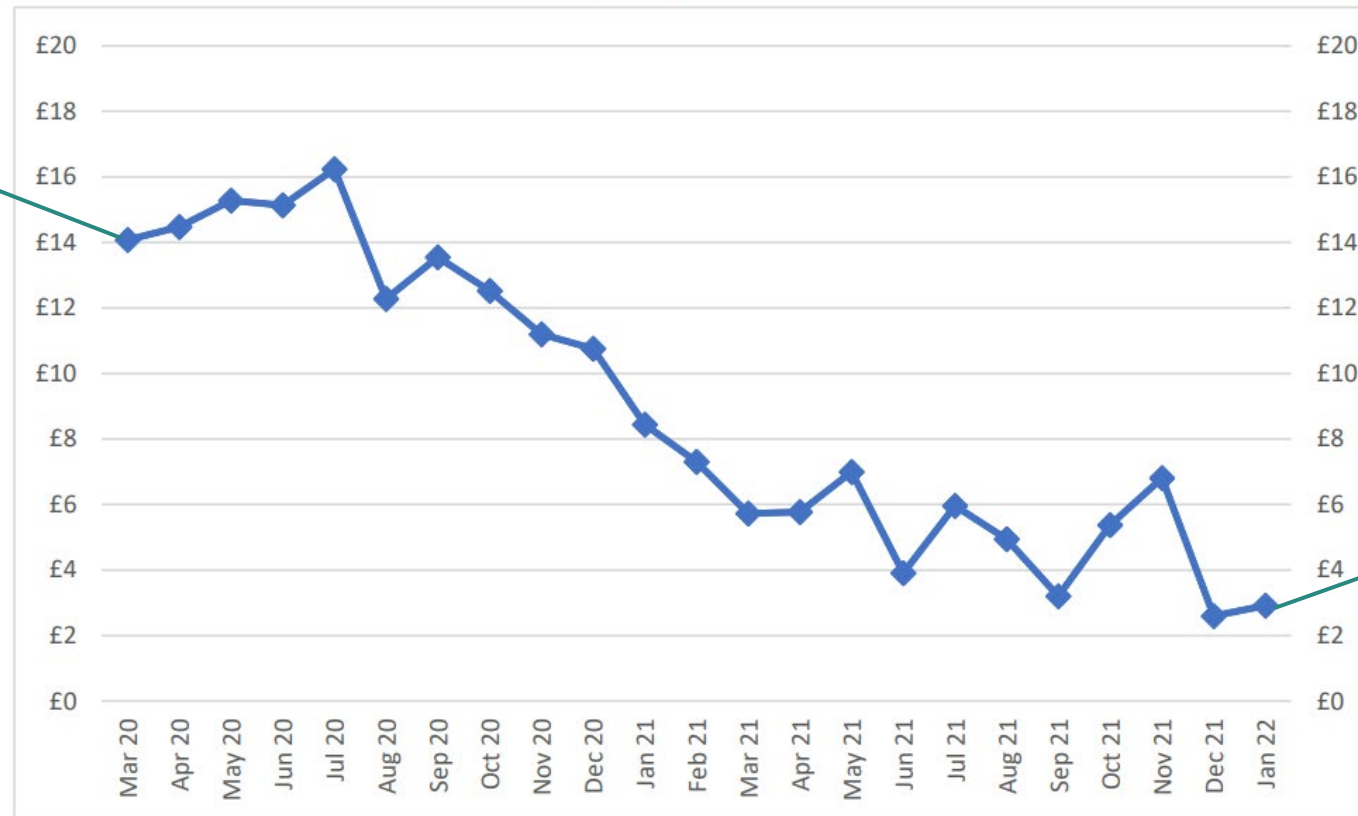


Long term solution – Consider options such as Conditional Indexation to provide better value for money before the next valuation. Timeline planned for it to be included in 2023 valuation.

Recent developments

Developments for USS

Technical Provisions Deficit (£bn)



31 March 2020
 Assets: £66.5bn
 Liabilities: £80.6bn

31 Jan 2022
 Assets: £89.3bn
 Liabilities: £92.2bn

Source: Interim monitoring report, USS website

Deficit only represents the cost of past benefits, most of the 31.2% cost is for future service

Developments for USS

Future service contributions required (including DC)



Source: Interim monitoring report, USS website

31 March 2020

Future service contributions: 24.9%
Deficit reduction contributions: 6.8%
Total contributions = 31.2%

Some volatility and remains higher than 31 March 2020

Developments for the Higher Education Sector

- New government plans for the sector

Next steps

1. Change in future benefits from April 2022, and any actions you may wish to take
2. Longer term workstreams
3. 31 March 2023 actuarial valuation

Q&A

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 (Likely to be updated to reflect post April 2022 benefits).

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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