

# USS Developments

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# USS Benefits



- Currently 2 types of benefit

## 1. Retirement Income Builder

### Defined Benefit (DB) on salary up to threshold (£55,550)

- $1/75^{\text{th}}$  of salary
- Pension increases (in service and retirement) at CPI up to 5%, plus half of any excess above 5%
- Member pays 8%
- Employer pays 18%
- Pension payable from State Pension Age

# USS Benefits (2)



## 2. Investment Builder

### Defined Contribution (DC) on salary above threshold

- Pot of money invested and used to fund retirement
- Contributions to pot
  - Employee – 8% of salary above threshold
  - Employer – 12% of salary above threshold
  - Option to pay more (all salary levels) – employer will match up to 1% of salary up to threshold

# Governance Arrangements

- Funded pension scheme
  - Pot of money
  - Investments
  - Defined Benefit part is subject to valuation regulated by Pensions Regulator
- Scheme run by trustees
- Benefits and rules negotiated by Joint Negotiating Ctte
  - 5 members appointed by UCU
  - 5 members appointed by UUK
  - 1 independent chair with casting vote

# Actuarial Valuation Process

- Every three years
- Run by trustees
- Value assigned to defined benefit pensions
  - Accrued Service – compared with assets
  - Future Service – expressed as % of salary
- Based on member data (age, sex, pay level) and assumptions (longevity, inflation, investment returns)
- Assumptions must be agreed with employer
- 15 months to finalise report and revised contributions
- Contributions must be agreed with employer

# 2014 Valuation

- Signed off July 2015
- Assets = £41.6bn
- Past Service cost = £46.9bn
- Deficit = £5.3bn
  - Being paid off over 16 years with extra employer contribution of 2.1% of salaries
- Future Service cost of DB pension = 20.1%
- Total Future Service cost (inc DC) = 23%

# 2017 Valuation so Far



- 31/3/17 Assets at £60bn
- Summer 2017 – USS Trustees say that their initial assumptions would see:
  - Deficit of £5bn
  - Future service cost increase by 6%-7% of salary
- 1/9/17 - Trustees consult with employers (UUK) on assumptions
  - UUK wanted more “moderate” approach to risk
  - Revised assumptions and calculations:
    - Deficit of £7.5bn (repair contributions would increase from 2.1% to 6%)
    - Total future service contributions of 37% of pay
- 17/11/17 - UUK announce proposal to close the DB Section
- 17/11/17 - UCU announce ballot for industrial action

# UUK's proposal

- Effective date unknown
  - Valuation should be signed off by June 2018
- No further pension built up in DB section
  - All rights accrued before closure would be protected
- All pension to be built up in DC Section
  - No reduction from current total contribution levels
  - No guarantee of income from DC
  - Members pensions exposed to investment markets
  - Increased flexibility on how to use pension savings?
  - What do members need to contribute to get maximum employer contribution



# Changes?

- Rules say default change arising from change in cost of scheme is that contributions change
  - members bear 35% of any cost change and employer bears 65%
- Other rule changes must be passed by JNC and trustees
- Must be subject to statutory 60 day consultation with members and recognised TUs
- Cannot impact on past service
- General position in private and public sectors
  - Is move to NHSPS an option, if changes come in?