

HOW MIGHT BENEFITS CHANGE? USS VALUATION 2020

May 2021

USSEmployers

2020 VALUATION: INDICATIVE TIMELINE

APRIL - MAY 2021

UUK CONSULTATION WITH EMPLOYERS TO OBTAIN A FIRM MANDATE ON WHICH TO NEGOTIATE AT JNC - INCLUDING COVENANT SUPPORT MEASURES AND RELATED REFORM OPTIONS.

PHASE 2

30 JUNE 2021

STATUTORY DEADLINE FOR FILING THE VALUATION WITH THE REGULATOR.

PHASE 3

1 OCTOBER 2021

CONTRIBUTIONS SCHEDULED TO INCREASE UNDER THE 2018 VALUATION.

PHASE 3

MARCH 2021

USS ISSUE VALUATION REPORT TO THE JNC, PROVIDING PRICE FOR CURRENT BENEFITS.

PHASE 1

MARCH - JUNE 2021

JNC MEETINGS TO DECIDE ANY RESPONSE TO THE VALUATION OUTCOME.

PHASE 3

SEPTEMBER - OCTOBER 2021

EMPLOYER CONSULTATION WITH AFFECTED EMPLOYEES AND REPRESENTATIVES ON ANY CHANGES.

PHASE 3

Pricing scenarios for maintaining the current level of benefits

Current contributions

Total payments: 30.7% of salary (21.1% for employers, 9.6% for staff)

Scenario 1

Total price for current benefits:

56.2% of salary

FSC: 37.0%, DRC: 19.2%
Deficit £17.9 bn, 10 year RP
Gilts+2% and 0.5% AOP

Scenario 2

Total price for current benefits:

49.6% of salary

FSC: 34.7%, DRC: 14.9%
Deficit £16.1 bn, 10 year RP
Gilts+2.3% and 0.75% AOP

Scenario 3

Total price for current benefits:

42.1% of salary

FSC: 33.6%, DRC: 8.5%
Deficit £14.9 bn, 15 year RP
Gilts+2.5% and 0.5% AOP

The impact of the pricing scenarios on staff contributions to USS

USS Scenario 1

Total price for current benefits:
56.2% of salary

 University payslip

Name: Example USS Member

Annual Salary:
£40,000

Annual employee payment to USS:
£7,440

Annual employer payment to USS:
£15,040

USS Scenario 2

Total price for current benefits:
49.6% of salary

 University payslip

Name: Example USS Member

Annual Salary:
£40,000

Annual employee payment to USS:
£6,520

Annual employer payment to USS:
£13,320

USS Scenario 3

Total price for current benefits:
42.1% of salary

 University payslip

Name: Example USS Member

Annual Salary:
£40,000

Annual employee payment to USS:
£5,440

Annual employer payment to USS:
£11,400

Current/UUK proposal

Total price for benefits:
30.7% of salary

 University payslip

Name: Example USS Member

Annual Salary:
£40,000

Annual employee payment to USS:
£3,840

Annual employer payment to USS:
£8,440

Employers' objectives

1. A valuable pension scheme for staff including a defined benefit element.
2. Fair valuation assumptions, leading to fair pricing by the USS Trustee.
3. Affordable contributions levels for members and employers.
4. Reducing the number of people priced out of the scheme by introducing an optional low-cost entry route for members.

UUK's alternative path

- USS values employers' covenant support at the equivalent of £1.25 billion per annum.
- UUK is proposing even more valuable employer support measures as part of its current consultation.
- UUK consultation also asks for views on redesigning scheme to a conditional indexation model in which future benefits are linked to performance of investments.
- Employers would be very willing to consider alternative, feasible and affordable proposals from the UCU.

How might benefits change if contributions remain the same?



Eleanor, aged 40.
Department Manager
Salary: £40,000 per year



Under the USS scenarios, Eleanor would have to pay between £1,600 and £3,600 more in contributions to retain her current level of pension benefits.



Currently, Eleanor earns £533 per year towards her annual pension in retirement and a lump sum of three times this amount (£1,600).



Under the best case USS scenario, Eleanor would earn £400 per year towards her annual pension in retirement and a lump sum of £1,200 - a 25% decrease.



Under the UUK alternative, Eleanor would earn £471 per year towards her annual pension in retirement and a lump sum of £1,412 - a 12% decrease.

How might benefits change if contributions remain the same?



John, aged 44.
Senior Lecturer
Salary: £60,000 per year



Under the USS scenarios, John would have to pay between £2,400 and £5,400 more in contributions to retain his current level of pension benefits.



John currently earns £800 per year towards his annual pension in retirement and a lump sum of £2400.



Under the best USS scenario, John would earn £400 per year towards his annual pension in retirement and a lump sum of £1,200.

John would also receive a £3,200 contribution to his DC fund.



Under the UUK alternative, John would earn £471 per year towards his annual pension in retirement and a lump sum of £1,412.

John would also receive a £4,000 contribution to his DC fund.

Reasons for opting out

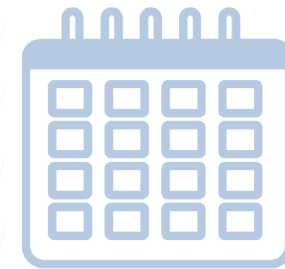
"I can't afford it right now"



"I do not intend to stay in the UK and am concerned about accessing USS benefits overseas"



"I am employed on a fixed term contract"



In summary

- USS is a valuable pension scheme.
- Long-term challenging environment for pension schemes and real terms fall in income from students.
- Made worse by financial impact of Covid-19.
- USS has set very high prices to maintain current benefits in the 2020 valuation.
- In its current consultation, UUK is proposing a way of bringing down these headline costs through covenant support, a different approach by the USS Trustee and affordable benefits including a defined benefit (DB) element.
- Discussions will then take place between UCU and UUK on potential changes to the scheme. Your pensions built up to date are secure and can't be changed.
- Employers want to hear from all staff on how the scheme could best work for you.