USS – 2017 Valuation

January 2018
Today

- Valuation
  - Why, what, where we are now
- What’s next?
  - Latest proposals (what we know so far)
  - Timescales
  - What to expect next
Types of benefits

**Defined benefit (DB)**
- USS Retirement Income Builder
- Guaranteed pension income for life (based on a formula)
- Risk rests with employer

**Defined contribution (DC)**
- USS Investment Builder
- Outcome depends on investment returns
- Options to convert to an income at retirement – annuity
- Risk rests with the member
Benefits in USS

USS Investment Builder (DC)
Automatic for salaries £55,550+
Option to make voluntary contributions & choose the match

USS Retirement Income Builder (DB)
Option to make voluntary contributions & choose the match
Current costs

- Deficit & expenses
- Future benefits (Retirement Income Builder & Investment Builder)
- Member contributions 8%

University contributions 18%

Member contributions 8%

26%
What is a valuation?

Are there enough assets to pay for benefits built up to now?

How much will future benefits cost?
Our approach

- Working group formed
  - UCU, staff, HR, Finance
- Robust challenge – what’s right for UoS
- Transparency & openness
  - https://www.sheffield.ac.uk/hr/thedeal/pensionupdates/ussvaluation
The University does not wish to see costs increased.

We all want a high quality, affordable pension scheme for the long term.

Risk exposure is at its limit – also confirmed by tPR & scheme actuary.

Future scheme change is a real possibility, though we should build in flexibility.

More detail on some of the technical points.
£7.5bn
Future cost:

37.4%

• Combined rate:
  • Deficit contributions (6%)
  • Career Average / Retirement Income Builder
  • Defined Contribution / Investment Builder
  • Scheme administration
  • Other benefits (death in service, ill health retirement etc)
Current Proposal

- Maintain current hybrid arrangements
- Reduce salary cap to £Nil
  - No accrual in the Retirement Income Builder section
- Future benefits all build up in Investment Builder section (defined contribution)
  - Amount going into Investment Builder TBC
- All benefits promised to date would be protected – changes to future benefits only
Proposed future benefits

USS Investment Builder (DC)
For members on all salaries
(Optional to make voluntary contributions & choose the match?)
JNC Meeting
18 Dec 2017

Decision reached

No decision

Member consultation in early 2018

New contribution structure imposed

Process ends 30 June 2018
UCU Proposals (tabled 18 Dec 2017)

- Maintain current hybrid arrangements
- Change accrual rate – 1/80ths (currently 1/75ths)
- Cease the 1% match
- Maintain current salary cap - £55,550
- DC contributions above salary cap unchanged
- Employer subsidy of charges unchanged
- Contributions: Employer 23.5%/Member 10.9%
- All benefits promised to date would be protected – changes to future benefits only
What’s next

JNC Meeting
23 Jan 2018

- Decision reached
  - Member consultation from mid-March 2018
  - Process ends 30 June 2018

- No decision
  - New contribution structure imposed
Decision reached

- Member consultation from mid-March 2018
  - 60 day minimum
  - Opportunity to feedback views on proposed reforms
- Employer & Trustee consider comments
  - Potential changes to proposals
- Valuation process concludes 30 June 2018
- Future benefit changes from 1 April 2019
No decision reached

- Cost sharing rule applies
  - 65:35 split (= 24.11% employer: 11.29% member)
  - Remove the 1% match
  - DC contributions above current salary threshold removed
- Increased deficit recovery contributions
- Valuation process concludes 30 June 2018
What do I need to do?

- Keep looking out for information (see web links)
- Ask questions - pensionmemberupdate@sheffield.ac.uk
- If there is a member consultation, feed in your views re any proposals
Further information

- **TUoS website**
  - [https://www.sheffield.ac.uk/hr/thedeal/pensionupdates/ussvaluation](https://www.sheffield.ac.uk/hr/thedeal/pensionupdates/ussvaluation)

- **USS website:**
  - [https://www.uss.co.uk/how-uss-is-run/valuation?utm_campaign=1003543_USS%20Employer%20Update%20November%202017&utm_medium=email&utm_source=EMFULL&dm_i=2PRX,LIC7,20B8OY,28PLM,1](https://www.uss.co.uk/how-uss-is-run/valuation?utm_campaign=1003543_USS%20Employer%20Update%20November%202017&utm_medium=email&utm_source=EMFULL&dm_i=2PRX,LIC7,20B8OY,28PLM,1)

- **E-mail:**
  - pensionmemberupdate@sheffield.ac.uk
Questions.....?