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Warning
The material that follows is our interpretation of the proposals.

If there is a discrepancy between the information in this presentation and that provided by USS, the USS information is correct.
Agenda

- Background
- The proposals
- The consultation
Agenda

- Background
- The proposals
- The consultation

What next?
Overview of benefits in USS

- Pension and cash on retirement
- Flexibility of when and type
- Additional contributions
- Death and ill-health benefits
- Tax relief on contributions
Contributions to USS

9.8% of your salary from YOU

21.4% of your salary from your EMPLOYER
Benefits in USS

Defined Benefit (DB)
- Formula
- Retirement Income Builder

Defined Contribution (DC)
- Pot
- Investment Builder
Benefits in USS

- Retirement Income Builder (defined benefit)
- Investment Builder (defined contribution)

Salary £000s

£59,883.65
 Retirement Income Builder

Build up rate \times \text{Salary (up to threshold)} \times \text{Annual increases up to certain limits} = \text{Pension}

\text{Pension} + \text{Tax-free cash} = \text{Pension} \times 3 = \text{Tax-free cash}
Investment Builder

8% of your salary above the salary threshold from YOU

+ 12% of your salary above the salary threshold from the UNIVERSITY

= 20%
Current benefits in USS

Retirement Income Builder (Defined Benefit)
- 75ths
- Annual increases
- Plus tax free cash (3 times pension)

Investment Builder (Defined Contribution)
- 20%
- CPI up to certain limits

£59,883.65

Contributions
- 9.8% members

Salary £000s

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Current benefits in USS

Retirement Income Builder (Defined Benefit)
- 75ths

Investment Builder (Defined Contribution)
- 20%

Annual increases

Plus tax free cash (3 times pension)

Contributions
- 9.8% members

Salary £000s

Contributions

£59,883.65

CPI up to certain limits
Valuation

Liabilities
What USS think they should have

Assets
What USS have

Future
One year of new benefits

Past
Deficit

% Contribution rate
New benefits building up each year
Deficit contributions

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Valuation

Liabilities
What USS think they should have

- Investment returns
- Inflation
- Life expectancy

Assets
What USS have

% Contribution rate

New benefits building up each year
Deficit contributions
Different parties involved

- **USS**
  - Ensures benefits paid and does calculations

- **Universities UK**
  - On behalf of employers

- **UCU**
  - On behalf of members

- **The Pensions Regulator**
  - Requires schemes funded properly

- **Joint Negotiating Committee (JNC)**
  - Makes decisions

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The 31 March 2020 valuation

Preliminary results: c42/50/56%

Members 9.6%
Employers 21.1%
Total 30.7%

March 2021:

May 2021:

June 2021:

31 August 2021:

1 November 2021:

UUK proposals

USS calculations: 31.2%

JNC decision

MEMBER CONSULTATION

1 OCTOBER 2021
Members 9.8%
Employers 21.4%
Total 31.2%

Covenant enhancing measures
The proposed changes

**WARNING**

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Proposed package of benefit changes from 1 April 2022

- **Retirement Income Builder (defined benefit)**
  - 75ths
  - 85ths
- **Investment Builder (defined contribution)**
  - 20%
- **Annual increases**
- **Plus tax free cash**
- **Limited to 2.5% p.a.**

Contributions 9.8%

Salary £000s

£40,000.00
Retirement Income Builder – proposed from 1 April 2022

Build up rate \times \text{Salary (up to threshold) EVERY year - £40,000} \times \text{Annual increases Maximum 2.5% p.a.} = \text{Pension}

\text{Pension} \times 3 = \text{Tax-free cash}
Investment Builder – proposed from 1 April 2022

8% of your salary above the salary threshold from YOU

+ 12% of your salary above the salary threshold from the UNIVERSITY

= 20%
Proposed package of benefit changes from 1 April 2022 – short service

Retirement Income Builder (defined benefit)

Member Contributions × Factor
85ths

Investment Builder (defined contribution)

20%

£40,000.00

Annual increases

Plus tax free cash

LEAVING WITH BETWEEN 3 MONTHS’ AND 2 YEARS’ SERVICE
The fall-back position if no changes are made to the scheme

<table>
<thead>
<tr>
<th></th>
<th>Members (% of salary)</th>
<th>Employers (% of salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 1 April 2022</td>
<td>11.0%</td>
<td>23.7%</td>
</tr>
<tr>
<td>From 1 October 2022</td>
<td>12.9%</td>
<td>27.1%</td>
</tr>
<tr>
<td>From 1 April 2023</td>
<td>13.9%</td>
<td>29.1%</td>
</tr>
<tr>
<td>From 1 October 2023</td>
<td>15.0%</td>
<td>31.0%</td>
</tr>
<tr>
<td>From 1 April 2024</td>
<td>16.0%</td>
<td>33.0%</td>
</tr>
<tr>
<td>From 1 October 2024</td>
<td>17.1%</td>
<td>34.9%</td>
</tr>
<tr>
<td>From 1 April 2025</td>
<td>18.1%</td>
<td>36.9%</td>
</tr>
<tr>
<td>From 1 October 2025</td>
<td>18.8%</td>
<td>38.2%</td>
</tr>
</tbody>
</table>
Proposed changes – no other changes to benefits

Past benefits not changed

Would only affect benefits built up after the change

1 April 2022
Proposed changes – no other changes to benefits

- Death in service
- Ill-health
- Normal retirement age

Past benefits not changed, only affect benefits built up after the change.

1 April 2022
Agenda

- Background
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Benefits in USS

Valuations
Consultation website
Example members

Aria
- Age 37
- Salary £30,000
- USS member for 3 years

Bryn
- Age 43
- Salary £50,000
- USS member for 8 years

Chloe
- Age 51
- Salary £70,000
- USS member for 18 years
Consultation website - modeller

Pension benefits - no changes

Aria’s contributions would rise to 12.9% of salary (£220 a month) by October 2022 (then further increases after that).

At current rates, Aria’s projected total USS pension benefits would be worth £17,250 a year when she retires.

Pension benefits at retirement - proposed changes

Aria’s contributions would remain 9.8% of salary (£170 a month)

With the proposed changes, Aria’s projected total USS pension benefits would be worth £14,350 a year when she retires. This is 16% lower than under the current rates.
Pension benefits - no changes

Bryn’s contributions would rise to 12.9% of salary (£366 a month) by October 2022 (then further increases after that).

At current rates, Bryn’s projected total USS pension benefits would be worth £24,800 a year when he retires.

Pension benefits at retirement - proposed changes

Bryn’s contributions would remain 9.8% of salary (£279 a month)

With the proposed changes, Bryn’s projected total USS pension benefits would be worth £20,300 a year when he retires. This is 18% lower than under the current rates.
Consultation website - modeller

Pension benefits - no changes

Chloe’s contributions would rise to 12.9% of salary (£436 a month) by October 2022 (then further increases after that).

At current rates, Chloe’s projected total USS pension benefits would be worth £30,800 a year when she retires.

Pension benefits at retirement - proposed changes

Chloe’s contributions would remain 9.8% of salary (£332 a month)

With the proposed changes, Chloe’s projected total USS pension benefits would be worth £27,600 a year when she retires. This is 10% lower than under the current rates.
Consultation website – Responding to the consultation
Consultation website – Responding to the consultation

Respond

You can save your draft response as many times as you need to, as you work through the questions, but you can only submit your response once.

Welcome to the response area of the consultation website.

Here you can submit your response to the consultation with your views on the proposals. You can save your draft response as many times as you need to, but you can only submit your response once.

There are three themes in this response section:

- The first (questions 1 to 5) asks for your views on the Joint Negotiating Committee’s recommended package of benefit changes (see below);
- the second (question 6) asks for your views on the fall-back proposal for contribution rate increases if the JNC recommended package (or another JNC-agreed package) is not decided and executed before 28 February 2022.
- Finally we ask (in question 7) if you have any views on lower cost options for USS members in the future, or any general comments (question 8).

Please remember, this is your opportunity to give your views on the proposed package of benefits and the contributions payable, and all responses will be read and considered before any final decisions are made.
Consultation website – Responding to the consultation

The specific proposals

Fall-back position

Low cost options

You can save your draft response as many times as you need to, as you work through the questions, but you can only submit your response once.

The specific proposals

Fall-back position

Low cost options

The specific proposals

Fall-back position

Low cost options

Please remember, this is your opportunity to give your views on the proposed package of benefits and the contributions payable, and all responses will be read and considered before any final decisions are made.
Consultation website – Questions
Timeline

Member consultation

Consultation ends

Responses considered

Earliest date for any changes

1 November 2021

17 January 2022

28 February 2022

1 April 2022

Fall-back deadline