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The slides were presented at the forums along with detailed commentary and should not be taken in isolation from this.

The examples given are approximate and illustrative and should not be taken as estimates of future benefits. A benefits modeller is available on ussconsultation.co.uk



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USS Consultation Staff Forum

March 2015

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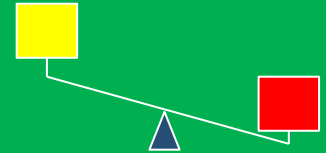
What we will cover

- General context
- Pensions background
- Joint proposals
- Q&A



General Context

- 2014 triennial valuation – scheme in deficit
- Employers & TUs negotiated joint proposals
 - Need to ensure scheme remains affordable & sustainable
- Statutory member consultation now happening
- Proposed date of any changes 1 April 2016
- Affects future pensions, not past

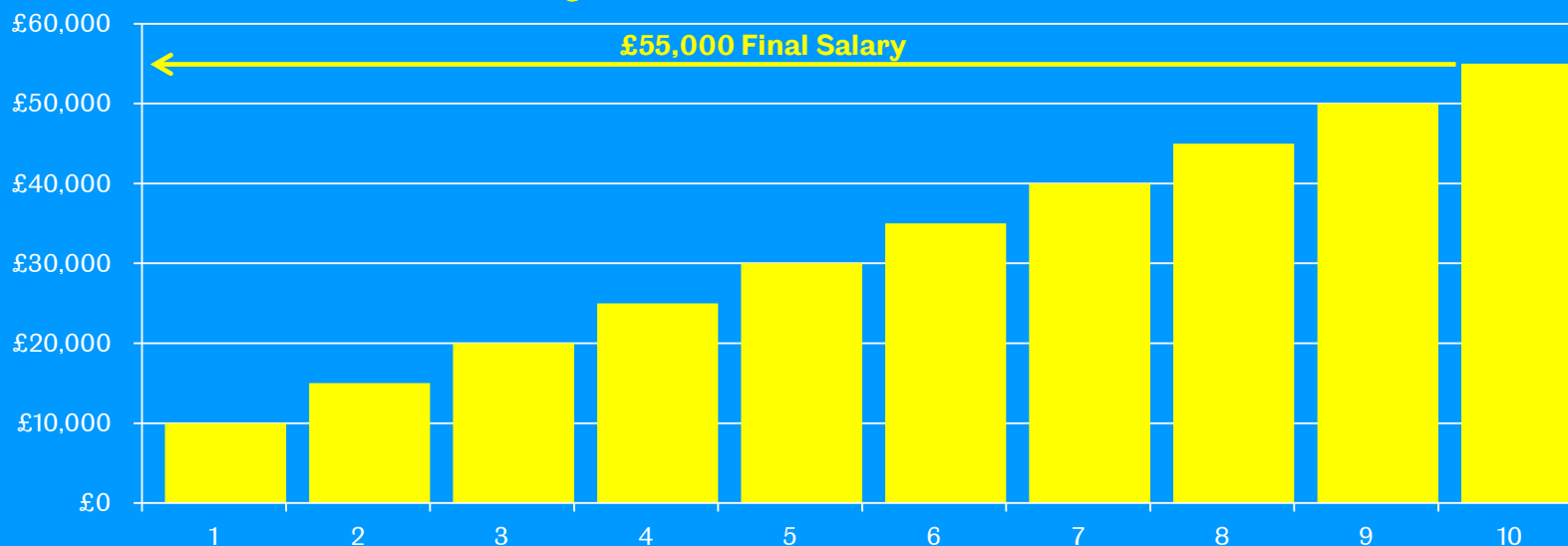


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Final Salary Pension



- E.g. 10 years' service, '1/80th' scheme, final salary £55k
- Pension income = $10/80^{\text{ths}} \times £55\text{k} = £6,875$ /year
- Tax-free cash of 3 x pension = £20,625



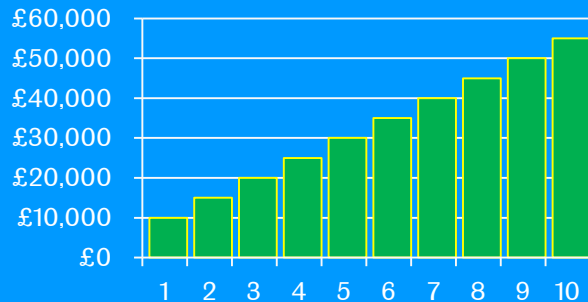
Career Revalued Benefits



- E.g. 10 years' service, '1/75th' scheme
- Pension = £133+£200+£267.....+£733 = £4,333/year
- Tax-free cash of 3 x pension = £13,000
- Amounts re-valued each year
 - Re-valuation at 2.5%/year = c£4,700/year pension



Defined Contribution



- 20% total contribution rate
- £65,000 into pot over 10 yrs

- Contributions invested – aim to grow value
- Choice of investment funds – different levels of risk/potential return
- Risk that value reduces as well as increases
- Convert into income at retirement – now more choice – not just annuities



Joint Proposals - headlines

1. Final salary section to close
2. Current CRB section to close
3. All staff move to existing CRB section (1/75th)
4. Benefits on earnings above £55,000 on DC basis.
5. Optional DC savings of additional 1% of earnings matched by employer (on whole salary)
6. Employer & member contributions increase

Joint Proposals - 1

- Final salary section to close
- All past benefits are protected

E.g. as at 31 March 2016:

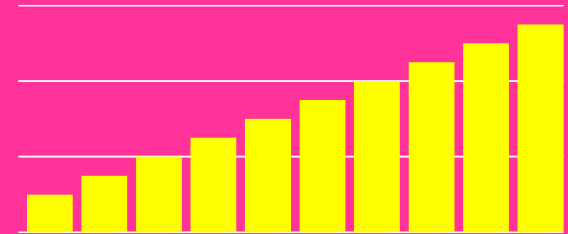
20 years' service

Pensionable salary £40,000

Pension "accrued" = $20/80\text{ths} \times £40\text{k} = £10,000 / \text{year}$

Plus 3 x annual pension (£30,000) tax-free cash

- Pensionable salary is increased each year based on CPI inflation
- Paid on retirement in addition to future benefits





Joint Proposals - 2

- Current CRB section to close
- All past benefits are protected

E.g. as at 31 March 2016:

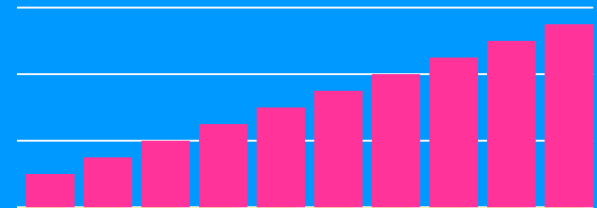
5 years' service

Pension "accrued" =

(Pensionable Salary each year x 1/80th) x re-valuation

Plus 3 x annual pension as tax-free cash

- Pension accrued is increased each year based on CPI inflation (as currently)
- Paid on retirement in addition to future benefits



Joint Proposals - 3

- All future pensions based on Career Revalued Benefits Scheme (CRB)
- Each year “accrue” 1/75th of salary as pension
- PLUS 3/75^{ths} of salary as tax-free cash
- Up to a salary cap of £55,000
- E.g. salary is £55,000

Pension built up each year: $1/75^{\text{th}} \times £55,000 = £733$

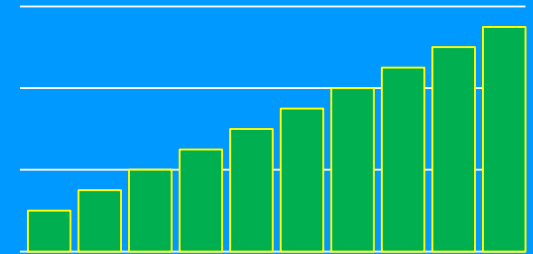
Tax-free cash built up each year: $3/75^{\text{ths}} \times £55,000 = £2,200$

Accrued benefits increased each year based on CPI (as currently)



Joint Proposals - 4

- Benefits on earnings above £55,000 on Defined Contribution (DC) basis.
- Total contribution to DC pot = 20% of salary above £55k (8% member, 12% Uni)



E.g. Salary £75,000

First £55,000 = CRB benefits build up

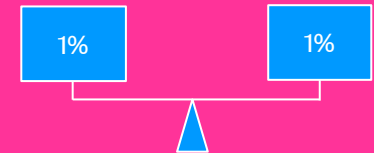
Remaining £20,000 on DC basis @ 20% total contribution = £4,000 per year into pot

Investment returns dictate size of pot at retirement

- Investment choices/default funds/lifestyling to be determined

Joint Proposals - 5

- Optional DC savings of additional 1% of earnings matched by employer (on whole salary)
- E.g. Salary £40,000



Pension benefits on whole salary are CRB based

Member chooses to contribute 1% of £40k to DC pot = £400 per year

Employer matches this with 1% of £40k = another £400 per year

Total = £800 per year into optional DC pot

Investment returns dictate size of pot at retirement

Joint Proposals - 6

- Contribution levels:
 - **Member 8%** (currently 6.5% CRB, 7.5% FS)
 - E.g. Salary £40,000
 - Current CRB member contribution = £217/mth
 - Current FS member contribution = £250/mth
 - Future CRB contributions = £267/mth
 - **Employer 18%** (currently 16%)
 - UoS approx. additional £4,000,000 per year.
 - “Blended rate” – covers all elements of scheme



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In practice:

2016

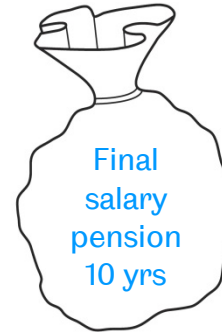


10 years

OFFICE COPY

Employee No.	Employee Name	Payment Date	Net Pay
£40,000			
This Period		Year To Date	
Net Pay			

PLEASE KEEP THIS PAY ADVISE IN A SAFE PLACE. IT MAY BE REQUIRED FOR THE PURPOSE OF SELF-ASSESSMENT.



Final salary pension 10 yrs



2020



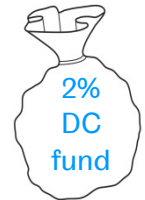
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Employee No.	Employee Name	Payment Date	Net Pay
£55,000			
This Period		Year To Date	
Net Pay			

PLEASE KEEP THIS PAY ADVISE IN A SAFE PLACE. IT MAY BE REQUIRED FOR THE PURPOSE OF SELF-ASSESSMENT.



CRB pension 4 yrs



2% DC fund

2035



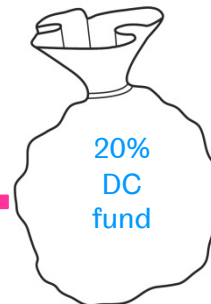
OFFICE COPY

Employee No.	Employee Name	Payment Date	Net Pay
£75,000			
This Period		Year To Date	
Net Pay			

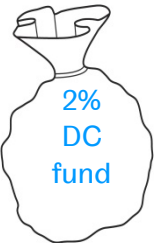
PLEASE KEEP THIS PAY ADVISE IN A SAFE PLACE. IT MAY BE REQUIRED FOR THE PURPOSE OF SELF-ASSESSMENT.



CRB pension 19 yrs



20% DC fund



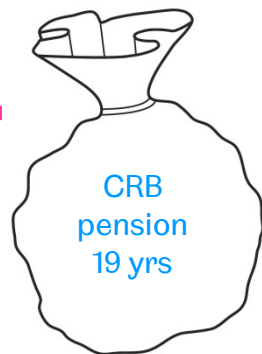
2% DC fund

In retirement:

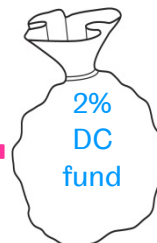
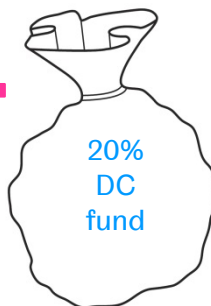
2036 to ????



= income for life + tax-free cash



= income for life + tax-free cash



= choice over how to
access, including
some tax-free cash



Other proposals:

- Public Sector Transfer Club exit
- Transfers in to USS
- Added years & Money Purchase AVCs
- Death in service benefits
- Ill-health retirement provisions
- Cost sharing arrangement in future
- Normal pension age

- NI Changes – April 2016 (*Not part of USS consultation*)



Joint Proposals - Summary

Scheme provision	Current FS	Current GRB	Proposals
Form of defined benefit scheme design	Final salary	Career Revalued Benefits	Career Revalued Benefits
Pension accrual rate	1/80 th of salary for each year	1/80 th of salary for each year	1/75 th of salary for each year
Lump sum accrual rate	3 x pension	3 x pension	3 x pension
Revaluation of benefits during active membership	Linked to final salary	CPI with a cap ("official pensions" increases)	CPI with a cap ("official pensions" increases)
Member contributions	7.5%	6.5%	8%
Threshold for defined benefit accrual	None	None	Salary of £55k, revalued in line with CPI with a cap, reviewed in 2020
Facility to purchase additional defined benefits	Option to purchase added years of pensionable service	Option to purchase additional defined benefits under revalued benefits AVC provision	None
Facility to purchase additional defined contribution benefits	DC AVC facility (currently with Prudential)	DC AVC facility (currently with Prudential)	DC AVC facility will be available
Pension provision in respect of salary above threshold	N/A	N/A	DC provision – total contribution 20%



Next steps & more info

- University web pages:
www.sheffield.ac.uk/hr/guidance/ussconsultation
 - Links to relevant pages & information
- USS web pages:
www.ussconsultation.co.uk
 - Full consultation booklet, video, Q&A & modeller
 - **Leave comments regarding the proposed changes – ends 22 May**

www.uss.co.uk/news/Pages/ValuationFAQs.aspx

- Background on the valuation process