

Subject: Notice of statutory consultation

Notice of statutory consultation by employers in relation to Universities Superannuation Scheme

This email is formal written notice of a statutory consultation in relation to USS. It contains details about proposed changes to USS benefits, which would take effect from 1 April 2024 if implemented.

Please read this notice carefully, as it will affect you as an active member of USS, as someone eligible to join USS (referred to as “affected employees” in this notice) or as a recognised representative of affected employees, and you may wish to respond to the consultation.

In March this year, the Joint Negotiating Committee (JNC) asked the trustee to price benefits, subject to the outcome of the 2023 valuation process and consultations, at pre-April 2022 levels for service from 1 April 2024. As such, this consultation seeks comments from affected employees and their representatives on these potential benefit changes, which the JNC approved as the basis for statutory consultation. Following a JNC recommendation for benefit changes, which is anticipated after the close of this consultation, the trustee will then formally propose those benefit changes as an update to the scheme rules.

You can respond to the consultation on the consultation website or through your employer. All responses received during the consultation period will be considered before any final decision is made and implemented.

The consultation will begin on 25 September 2023 at 9am. The closing date for responses is 5pm on 24 November 2023. Any responses received after that will not be considered.

Part One: Key Information



Summary of the JNC's proposed changes

The JNC has proposed improvements to your benefits. The changes would see the pre-April 2022 benefit structure re-introduced with effect from 1 April 2024. The JNC has proposed the following:

1. Salary threshold increase

It is proposed that the salary threshold will increase from the current level of £41,004 to within the range of £66,400 to £73,040 with effect from 1 April 2024 (the threshold applied will be determined by the annual rate of CPI inflation to September 2023).

The salary threshold would continue to be increased annually in line with inflation (subject to a cap) and it is proposed that the cap increases from 2.5% to a maximum of 10% for benefits built up from 1 April 2022, with the increases applying as follows:

- Where inflation (currently CPI) is 5% or less, the increase would be matched.
- Where CPI is more than 5% but less than 15%, the increase would be 5% plus half of the percentage increase over 5%.
- Where CPI is 15% or more, the increase applied would be 10%.

2. A higher accrual rate for your defined benefits

It is proposed that the rate at which you build benefits in the defined benefit part of the scheme, the USS Retirement Income Builder, will increase as follows:

- Currently, you get 1/85 of salary (up to the salary threshold) in defined benefit pension each year and 3/85 as a lump sum on retirement.
- It is proposed to increase this to 1/75 pension and a 3/75 lump sum respectively.

3. Higher cap for future pension increases

It is proposed that the cap on increases to benefits built up from 1 April 2022 goes up from 2.5% to a maximum of 10% (before and after retirement) to take into account inflation. This increase will be capped as follows:

- Where inflation (currently CPI) is 5% or less, the increase would be matched.
- Where CPI is more than 5% but less than 15%, the increase would be 5% plus half of the percentage increase over 5%.
- Where CPI is 15% or more, the increase applied would be 10%.

What to do next

- Read more about the proposals below and on the [consultation website](#) from 25 September 2023.
- Use the modelling tool on the consultation website to understand how the changes could impact you.
- Give your views on the proposals before 5pm on 24 November 2023 so your voice is heard. You can do this from 9am on 25 September 2023, by following the login process on the consultation website or by giving your response to your employer. Any views you give on the website will be anonymous – your employer will not be able to identify you in your response.

Part Two: Your contribution

Contributions to the defined benefit part of the scheme (the USS Retirement Income Builder)

It's anticipated that the contributions required to fund the JNC's proposed benefit changes will be lower than those being paid today and will see both members and employers paying less than the 9.8% and 21.6% respectively that is currently contributed.

The contribution rate required will be determined by the trustee, once UUK has completed the Technical Provisions consultation with employers and responded to the trustee. Then, the JNC will decide how contributions are split between members and employers. If the JNC does not reach a decision on how contributions are split, the default cost-sharing rule will be applied. This would see the reduction in contributions split between members and employers on a 35:65 basis.

Contributions above the salary threshold to the defined contribution part of the scheme (the USS Investment Builder)

Currently, 20% of your salary above the salary threshold (8% from your contribution above the salary threshold and 12% from your employer) is paid in to the defined contribution part of the scheme, your USS Investment Builder.

Whilst the overall 20% of salary will remain unchanged, the JNC will confirm, later in the year, whether the proposed split of member and employer contributions within that 20% will change.

Part Three: Further Information

Why the changes are being proposed

As part of the 2023 valuation, it is anticipated that the trustee will determine that, as at 31 March 2023, USS has a funding surplus of £7.4bn, on a 'Technical Provisions' basis, which would mean that USS is 111% funded.

It's also anticipated that the combined member and employer contribution rate required to fund the current benefits provided by USS would reduce from the 31.4% currently required from members and employers (9.8% and 21.6% respectively) to 16.2%.

In light of the improved funding position and outlook, the JNC has approved to consult on a package of changes to improve benefits for members. The proposed changes on which you're being consulted are anticipated to require a combined contribution rate from members and employers of 20.6%. These are provisional results at this stage, and the final contribution rates will be confirmed later in the 2023 valuation process following the trustee's determination of the overall contribution rate.

The JNC is a body established under the USS rules and is made up of UUK and UCU representatives as well as an independent Chair. It is responsible for deciding how to address the overall contribution requirements and funding position of the scheme – through changes to benefits and/or contributions paid.

The JNC's proposed changes and improvements to benefits, would see the pre-April 2022 benefit structure re-introduced, with effect from 1 April 2024.

For more information on the valuation, go to the [USS website](#). You can also read more on the [consultation website](#).

What USS membership currently provides

The defined benefit part of the scheme – the USS Retirement Income Builder

When you join USS, you automatically join the **USS Retirement Income Builder**. This is the defined benefit (DB) part of USS. When you retire, it gives you a guaranteed income, based on benefits built up through contributions from you and your employer during your career.

Currently, every year, you build up a retirement income worth 1/85 of your salary, up to the salary threshold. This threshold is currently £41,004. At the end of each year, your benefits are calculated and 'banked'. They are then increased broadly in line with inflation (subject to a maximum cap each year, currently 10% but this cap is set to reduce to 2.5% from 2026 and be applied to benefits built up from April 2022).

When you retire, you will also receive a tax-free lump sum. This is worth three times your annual defined benefit (USS Retirement Income Builder) pension.

There may also be benefits payable to your spouse or civil partner/dependant(s)/child(ren) after you die.

The defined contribution part of the scheme – the USS Investment Builder

If you earn above the salary threshold, have made additional contributions or have transferred in benefits from another pension arrangement since 1 October 2016, you'll have savings in the USS Investment Builder. This is the defined contribution (DC) part of the scheme and it allows you to invest in one or more funds offered by the trustee.

The amount you build up in the USS Investment Builder depends on how much both you and your employer put into it. It also depends on how well your investments perform, minus any investment charges.

You can use your USS Investment Builder savings in various ways. These include as a tax-free lump sum, investing in a drawdown product or buying an annuity that gives you a guaranteed income for life.

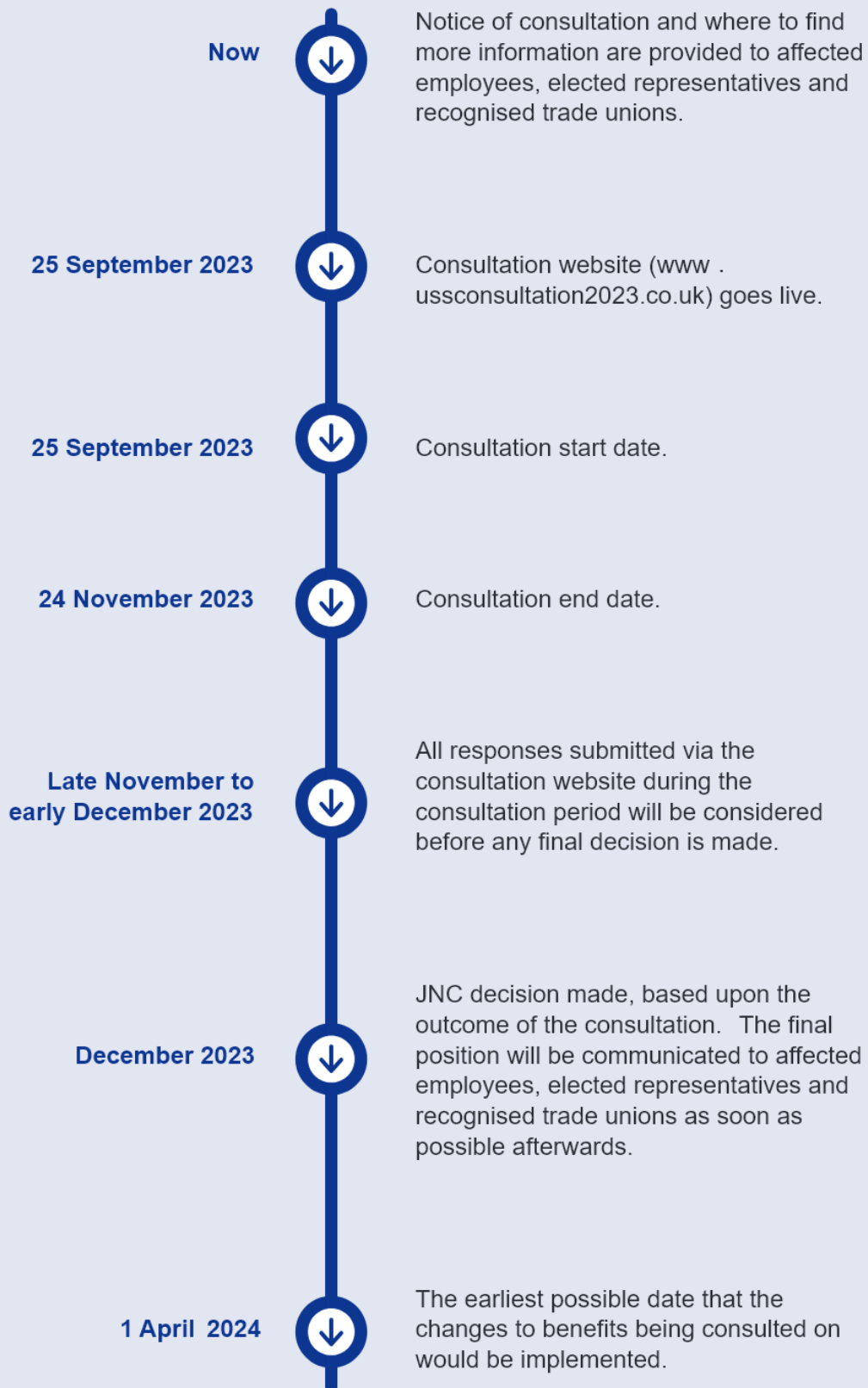
Any USS Investment Builder savings you have when you die will be paid to your beneficiaries as a lump sum. Currently, funds passed to your beneficiaries will be tax-free if you die before age 75 and they are paid out within a relevant two-year period (or taxed at the recipient's marginal rate (if paid to a qualifying person) if you die after age 75.

Benefits payable on death or ill health

USS members get valuable death benefits, which can include a lump sum of three times their salary and a pension for a spouse, civil partner, eligible dependants or eligible children. There are also benefits which will provide support if you become ill and have to stop working, subject to meeting the eligibility criteria.



Key dates



Tell us your views