Responses to College survey of USS members

The USS pension scheme is currently undergoing a valuation.

Throughout March 2021, we asked for the opinions of members from across the College on the changes proposed by the valuation.

This sheet outlines the feedback you provided.

Before we begin

What is a valuation?

A valuation is an assessment of whether a pension scheme has enough money to pay the benefits that have been promised to members.

A key part is assessing whether **contributions** – both from employers and employees – are enough to cover these commitments.

This is not an objective determination; amongst other things, it is a risk assessment of market volatility and a prediction of future rates of return.

Why are USS proposing that contribution rates be increased?

A valuation aims to assess what assets a pension scheme currently has to pay the benefits that have been promised to members, and how much it's reliant on investments to make up any shortfall in the future.

In this sense, every valuation is an assessment of risk: how much risk is acceptable for the latter to make up for the former?

This is decided by **The Pensions Regulator**, a governmental body.

A valuation must incorporate **prudence**. This means that a scheme takes into account the possibility that the risks they're taking might not deliver expected returns and, if so, it's still able to cover its commitments.

This valuation has revealed a further worsening of the scheme's **deficit**. Alongside this, the cost of future pension promises has risen.

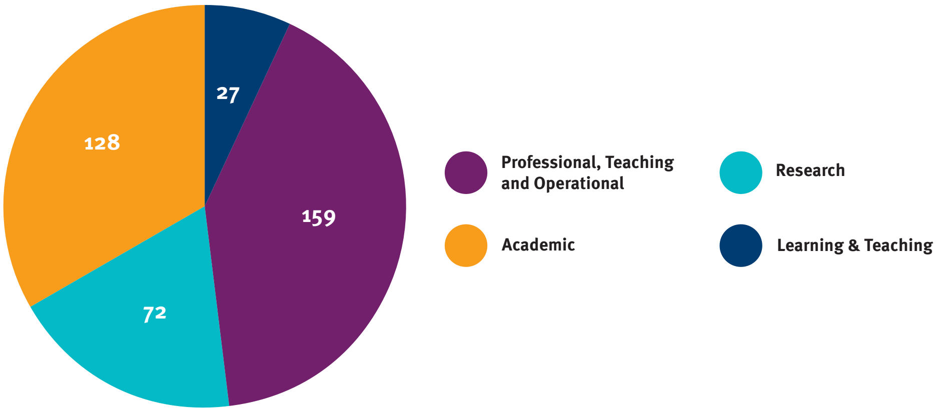
As such, USS have proposed that an increase in contributions is required.

An alternative route would be to reform the current structure. This impacts the benefits members receive in the future.

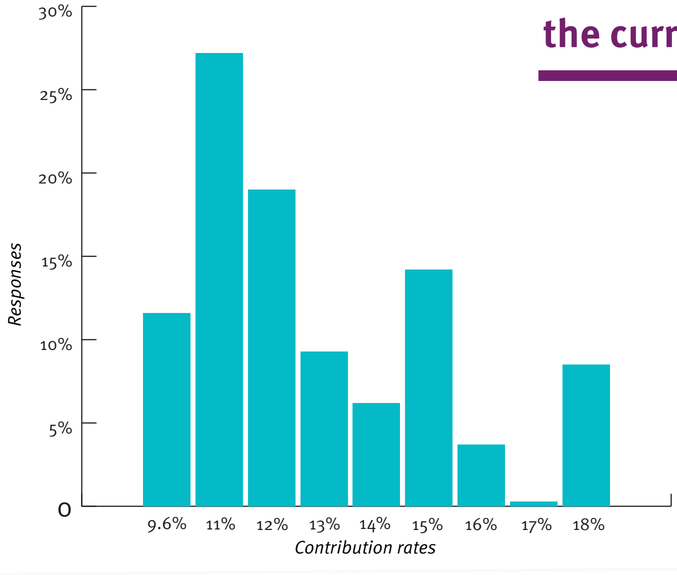
For a glossary on who's who, see:
www.imperial.ac.uk/human-resources/pay-and-pensions/pensions/uss/changes/glossary-of-parties-involves/

Number of respondents

386
TOTAL RESPONSES



At what level would you find contributions required to keep the current benefit structure no longer affordable?

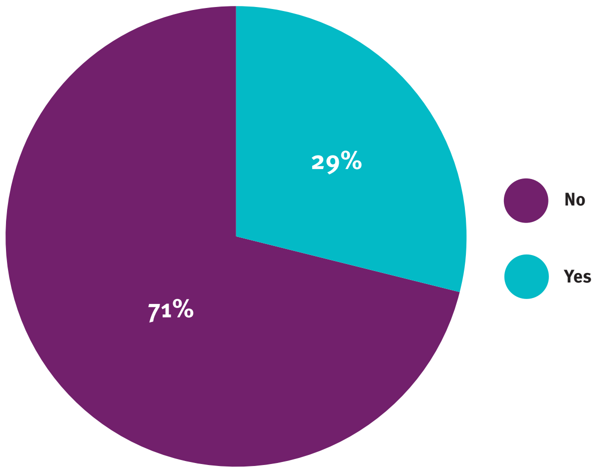


The current USS contribution rate is 9.6%, with this scheduled to increase to 11% in October 2021.

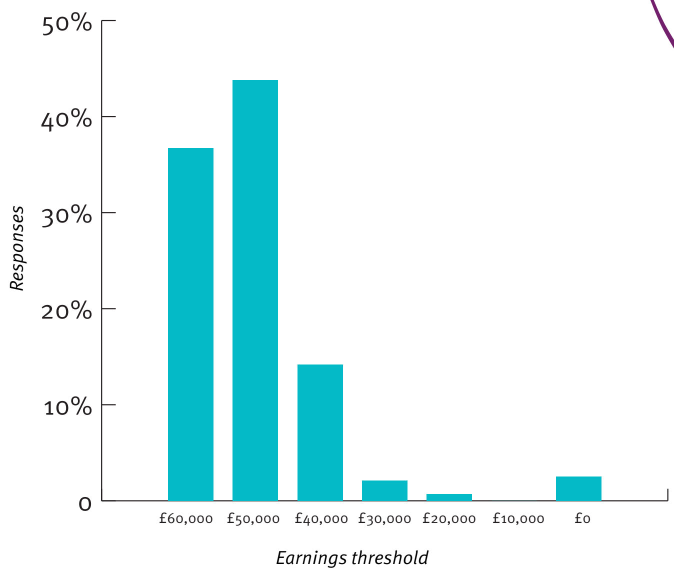
USS have provided three proposed contribution rate increases in the current valuation, ranging from 13.6% to 18.5%.

Would you accept a less generous accrual rate than the current 1/75th in order to maintain a Defined Benefit component?

An accrual rate is the rate at which you build up pension benefits while a member of a Defined Benefit scheme. This accrual rate is a fraction of your salary and is multiplied by the number of years you've been in the scheme.



At what level of earnings threshold (DB to DC) would you consider the scheme still providing good value?



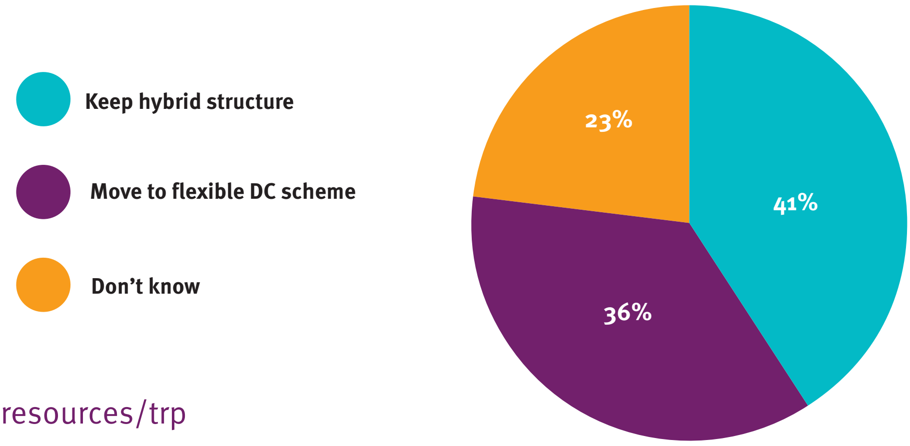
What is the difference between DB and DC?

In a Defined Benefit (DB) scheme, employers provide a specified, fixed, annual pension payment and/or lump sum at retirement. These are generally more expensive, but provides a guaranteed sum.

In a Defined Contribution (DC) scheme , contributions are paid into an investment fund which will change over time. These are generally more flexible, but, due to the fact it is more market-dependent, it does not provide a guaranteed sum.

USS is currently a hybrid. You earn a Defined Benefit on salary up to £59,883pa and a Defined Contribution on salaries above this at a cost of 9.6% of salary.

Would you prefer to keep the current hybrid scheme?



www.imperial.ac.uk/human-resources/trp

What next?

Universities UK (UUK) are undertaking a consultation with employers, set to close on Monday 24 May. We will use the results of our internal survey to feed into this consultation. If you have further comments, you can submit them to **provost@imperial.ac.uk**

Taking this consultation into account, the Joint Negotiating Committee will make a decision on how to respond to the initial proposals from USS and what changes, if any, might be needed. This is expected over the summer.