On 23 January 2018, the USS Joint Negotiating Committee (JNC) decided on a package of proposed changes to USS, designed to respond both to the increased cost of providing the current benefits, and the need for contributions to meet the scheme’s increased funding deficit, identified as part of the 2017 valuation. As an employer that participates in USS, the next step is that we provide you with information about the proposed changes, and consult on them.

The views of our employees are important, and we have therefore decided to consult not just with the relevant representative body (or bodies), but individually with all affected employees (that is, current contributing members of the scheme and employees who are eligible to join USS or who become eligible during the consultation period).

This consultation is your opportunity to engage on the proposed scheme changes, seeing their effect and sharing your thoughts on them.

Should the proposed changes take effect, they would only affect any USS benefits you build up in the future, once any scheme changes have been implemented. Any changes to the pension benefits you’ve already built up in the scheme are secure and protected by law.

As an affected employee, you should read the information in this leaflet and the detailed consultation supporting document, which will be available on the employer consultation website at www.ussconsultation2018.co.uk from 16 March.

Please respond to the consultation via the consultation website. We will consider all responses received. Your views are important, and as your employer, we will review all of the responses, as will the USS trustee, so any potential modifications to the proposals can be identified and considered appropriately.
THE SECTIONS OF THE SCHEME THAT THE PROPOSED CHANGES AFFECT

Active members of USS currently contribute 8% of salary to the scheme, and in common with all employers that participate in USS, we make an overall employer contribution of 18% of salary on their behalf.

The scheme has two sections: the USS Retirement Income Builder and the USS Investment Builder. You may currently be saving in one or both of these sections.

THE USS RETIREMENT INCOME BUILDER

At the moment, when you become a member of USS, you automatically join the USS Retirement Income Builder.

This provides you with a set level of retirement income, based on your salary during each year of membership of the scheme and how long you’ve been a member.

Every year, you earn 1/75th of your salary (up to the salary threshold*), and at the end of each year, your benefits are calculated and ‘banked’. They’re then increased broadly in line with inflation, each year.

On your retirement, you’ll also receive a tax-free lump sum of three times the level of your USS Retirement Income Builder pension.

*The salary threshold is £55,550 for 2017/18. It increases annually, broadly in line with inflation.

THE USS INVESTMENT BUILDER

The USS Investment Builder is a flexible way to save for the future, allowing you to invest in one or more funds offered by the trustee.

You can build up a fund based on how much both you and we, as your employer, contribute and on the investment returns those contributions generate, minus any investment charges. It also gives you the option to make additional contributions.

If you’ve earned above the salary threshold (£55,550 for 2017/18), transferred money into USS from another pension scheme after October 2016 or made additional contributions, you’ll have built up a USS Investment Builder fund.

There are various ways in which you can use this fund, including as a tax-free lump sum, investing in a drawdown product or buying an annuity, which will provide a guaranteed income for life.
SUMMARY OF PROPOSED CHANGES

The following is a summary of the proposed changes to USS. Should they be implemented, they would take effect from 1 April 2019, at the earliest.

**SALARY THRESHOLD**

Under the proposals, the salary threshold used to calculate your future USS Retirement Income Builder benefits would reduce to £0. The salary threshold would be reviewed at future valuations. All your benefits from the effective date would be built up in the USS Investment Builder.

**REduced**

Any USS pension benefits you’ve already built up in USS are protected by law.

The proposed implementation date for the changes is 1 April 2019, at the earliest.

The bulk of all contributions would be saved in the USS Investment Builder.

More information about the proposed changes will be set out in the detailed consultation supporting document, available from 16 March 2018 at www.ussconsultation2018.co.uk.
YOUR CONTRIBUTION RATE

Under the proposals, you would continue to contribute 8% of your salary to USS. The bulk of your contributions would be used to build your USS Investment Builder fund, with 0.35% of your salary (up to the current salary threshold as though it had remained in place) continuing to fund part of your death in service and ill health benefits. As your employer, we would continue to pay an overall contribution of 18% of your salary to USS: 13.25% to your USS Investment Builder fund, and the remainder contributing towards reducing the scheme’s deficit, your death in service and ill health benefits, the subsidy of USS Investment Builder fund charges (so your fund builds more quickly) and the expenses of operating the scheme.

LOWER COST SAVING OPTION

Under the proposals, your standard contribution would be 8%, but you would have the option of paying a lower contribution rate of 4% of your salary. If you were to choose this option, we would continue to pay our contribution rate of 18%, with 13.25% going to your USS Investment Builder fund.
THE MATCH

Under the proposals, we would no longer match the first 1% of any additional contributions you make to your USS Investment Builder fund. You would still be able to make additional contributions.

DEATH IN SERVICE AND ILL HEALTH BENEFITS

The proposal is that there is no planned change to the provision of your death in service and ill health retirement benefits. Death and ill health benefits would continue to be part-funded by a contribution of 0.35% of your salary, up to what the annual salary threshold would be, as if it had not reduced to £0. From 1 April 2019, death benefits payable on death after leaving service will accrue in the USS Investment Builder. For details on the impact of the proposed changes to your death/ill health benefits after leaving service, please see the detailed consultation supporting document at www.ussconsultation2018.co.uk

0.35% of your contribution (up to the salary threshold as though it were not reduced) would continue to part-fund these benefits

Any additional contributions would be saved in the USS Investment Builder but would no longer be matched
The proposed changes are not yet confirmed, and a consultation by employers on the proposals will now take place. The key dates are:

**NOW**

Initial details of the proposals and where to find more information are provided to you.

**19 MARCH**

Consultation start date.

**22 MAY**

Consultation end date.

**JUNE**

Your responses are considered, and the final changes are decided on.

**FROM JULY**

Any benefit changes decided upon will be communicated to you.

**1 APRIL 2019**

The earliest date for any changes to be implemented.

**WHAT TO DO NEXT**

Visit the consultation website at www.ussconsultation2018.co.uk

- View further information about the proposed changes.
- Submit your views on the proposed changes.
- Use the consultation modeller to estimate the possible impact on your future benefits from the scheme.

Information will be available on the consultation website from 16 March 2018. USS members, prospective members and employee representatives will be able to log into the secure area from 9am on 19 March 2018.