

USSEmployers

THE USS 2020 VALUATION

Topical FAQs

26 November 2021

CONTENTS

To help employers respond to questions or to address misleading narratives, the following is an easy access list of resources for topical subjects in connection with the 2020 valuation of USS.

1. 2021 vs 2020 valuation date
2. Impact of proposed changes
3. Is a 35% cut to benefits correct?
4. A rotten retirement/poverty-level pensions/not a good pension?
5. UCU's proposal
6. Other topics

1. 2021 VS 2020 VALUATION DATE

The USS Trustee has made clear that there would be no material difference in the required contribution rate under a 2021 valuation (in fact the USS Trustee's analysis indicates it would be slightly higher than now).

UUK commissioned Aon to prepare some analysis of the decision made by the USS Trustee not to undertake a 2021 valuation. It states that while we might reach a different conclusion on some aspects of the USS Trustee's analysis, the arguable differences are relatively small and that *'carrying out a 31 March 2021 would only be worth the distraction and cost if the outcome for contributions/member benefits would be different'*. It also highlights that any decision to proceed with a 2021 valuation itself carry risks and importantly this would not be a replacement for the 2020 valuation – indeed the Pensions Regulator has provided some relevant inputs on this issue.

Ultimately it is the USS Trustee that decides on these issues.

Related material:

- [USS 2020 valuation FAQs](#)
- [USS THE opinion piece: There is no silver bullet in the pension dispute, November 2021](#)
- [Aon advice note: the merits of a 2021 valuation, October 2021](#)
- [USS Briefing: The likely outcome of a 2021 valuation, July 2021](#)
- [TPR letter to USS: Continuation of the 2020 valuation, July 2021](#)
- [USS Briefing: Why we decided to proceed with the 2020 valuation, March 2021](#)

2. IMPACT OF PROPOSED CHANGES

UUK has worked with the USS Trustee to provide members and employers with an indication of the impact the Joint Negotiating Committee's (JNC) proposals will have on total USS benefits at retirement. This includes benefits already built up in the scheme as well as future benefits, and includes all parts of the scheme (both the Defined Benefit and Defined Contribution elements). For the Defined Contribution element, members have the choice to see what their benefits might be through income drawdown, cash, or if an annuity was purchased. Members also have the option to see their pension income both with and without the state pension, as we believe this is helpful information for retirement planning purposes – for example, if members wished to make additional pension saving.

Generally speaking, those who are closest to retirement will see the smallest effect; those further away will see a bigger effect. For example, on one hand, a member with one year of membership and 40 years until retirement would see a much different impact on their expected retirement benefits compared with, on the other hand, a member who has had 40 years of membership and is retiring next year.

You could use, as a guide, the broad assumption that there might be a 1% reduction in benefits overall for the individual above who is closest to retirement, and around 25% for the member who is farthest away (we think that 25% is UCU's narrative when looking at benefits overall, not just the guaranteed element, and also looking at future benefits only). It is not unreasonable for us to conclude in headline terms, based on the 'middle of the road' personas developed by USS for typical scheme members, that reductions in retirement benefits will be in the range of 10-18%. But we emphasise that we encourage members to consider their own circumstances when using the modeller.

Related material:

- [USS modeller and UCU figures briefing, November 2021](#)
- [USS modeller, November 2021](#)
- [USS personas videos, October 2021](#)
- [UUK illustrations based on the USS personas, October 2021](#)
- [UUK contributions calculator for the start of the 'fall-back' escalator, October 2021](#)

3. IS A 35% CUT TO BENEFITS CORRECT?

The 35% cuts figure that UCU are promoting is misleading because it refers only to the changes to future defined benefits (DB) for an early career member. It fails to acknowledge the future defined contribution (DC) benefits which members will receive. It also fails to acknowledge that there will be no change to previously accrued benefits. Therefore, the 35% figure is focused on just one of three parts of members pension benefits. It also fails to acknowledge the very significant additional contributions that would be necessary to prevent a cut to future defined benefits.

We would encourage all members and eligible employees to use the USS modeller on the consultation website to see the potential impact of the changes upon them individually, based on their own data and circumstances.

Related material:

- [USS modeller and UCU figures briefing, November 2021](#)
- [USS modeller, November 2021](#)

4. A ROTTEN RETIREMENT/POVERTY-LEVEL PENSIONS/NOT A GOOD PENSION?

The Pensions and Lifetime Savings Association (PLSA) recently updated its estimates for the amount of pension required in retirement for various standards of living, with £10,900 being the minimum required per year for a single person.

Under the proposed reforms, a USS scheme member earning £30,000 per annum who has already been in the scheme for 3 years is estimated to receive £14,550 each year if they continue to pay into the scheme until retirement aged 67 - £23,900 if a full state pension is included. A scheme member earning £70,000 per annum who has already been in the scheme for 18 years is estimated to receive £27,600 each year if they continue to pay into the scheme until retirement aged 67 - £36,950 if a full state pension is included.

Related material:

- [PLSA Retirement Living Standards, October 2021](#)
- [USS personas videos, October 2021](#)

5. UCU PROPOSAL

Whilst there was some encouraging dialogue during the JNC discussions with UCU colleagues over the summer, there was no UCU proposal put forward for decision at the JNC.

UUK remains willing to consult employers on any viable and costed proposal for reform from UCU, even at this late stage in the valuation.

Related material:

- [UUK letter to Paul Bridge at UCU, 7 September 2021](#)
- [UUK letter to Jo Grady at UCU, 18 October 2021](#)
- [UUK letter to Jo Grady at UCU, 10 November 2021](#)
- [UUK response to UCU comments on 2020 valuation JNC decision, 1 September 2021](#)

6. OTHER TOPICS

Joint Expert Panel (JEP) recommendations

USS has [confirmed](#) how it has addressed the principal recommendations from the Joint Expert Panel.

Post-valuation experience

Page 11 of the [Actuarial Valuation Report](#) at 31 March 2020 explains the post-valuation experience considerations undertaken by the Scheme's Actuary and the Trustee.

The difference between expected investment returns and prudent assumptions

USS Head of Investment Strategy and Advice, Mirko Cardinale, has written an [article](#) to explain the difference between forecasts for expected investment returns and prudent assumptions. A further [article](#) explains the central projections for future investment returns, and how they changed between March 2020 and March 2021.

Martin Wolf's FT column on 'misplaced prudence'

USS Trustee Board Chair, Dame Kate Barker, [responded](#) to this on 17 November 2021.

UCU potential legal action

USS issued a [statement](#) on 2 November 2021, in response to the UCU letter to Bill Galvin dated 25 October 2021.

The logo for USS Employers features the text 'USSEmployers' in a bold, sans-serif font. The 'USS' is in a dark purple color, and 'Employers' is in a dark blue color. The background of the entire page is a light grey with a pattern of thin, curved lines that create a sense of movement and depth, resembling a stylized wave or a series of concentric, overlapping curves.

USSEmployers

www.ussemployers.org.uk

pensions@universitiesuk.ac.uk

@USSEmployers