Transcript Points of Interest and Q&A Session on Pensions and USS

BM Brendan Mulkern:

Good morning everyone.
My name's Brendan Mulkern and I provide pension support for the university and my role today is to lead on the briefing that we have on USS on your university pension and USS. USS has been running, of course, for many, many years, providing good workplace pensions for people who work in universities. It's grown more complex over the years. I've worked with USS directly since 2001 and since then, when the scheme was relatively straightforward in those days, over recent times, it's become much more complex through iterative changes that have been made in recent times.

But despite the scheme getting more complex, there's an ever-greater importance these days on being able to explain and understand the scheme in simple terms. So that's really the focus for today's briefing is to look at some of the common questions that we see raised on USS and to try and answer those in plain and simple terms. That's the objective of this briefing on USS today and I hope you find that interesting.

What we're planning to do is use a series of common questions that we've seen members raise in recent times and provide responses to those common questions. Hopefully some of those will have given members a nudge to related questions that they have and we've included also in this presentation towards the end some questions that have been raised during the two live presentations which we delivered on this briefing. I hope you find that kind of format helpful.

(Slide 2 of presentation)

BM Brendan Mulkern:

These are the common questions that we intend to cover.
First of all, what are the basic benefits of the scheme? That's always important, of course. People want to understand those fundamentals, so

we'll run through. It isn't just about Retirement pension. There's a range of benefits that the scheme provides, so we'll look at what those are.
How do I transfer in benefits to my investment builder account? So already this is looking at somebody who's maybe become a member, but maybe has pension rights elsewhere from previous workplace pension saving that you've built up. So we can look at whether you can transfer that in and what the pros and cons of doing that might be.
How do we make additional contributions? There can be many reasons why people want to pay extra in order, perhaps to make up for lost time to increase the overall benefits that they're going to receive. So we'll look at that.
Why don't the benefits that I've accrued in the scheme match the contributions I have made? That's a common query where people look at their account in the USS Portal and they want to understand the value of contributions that's shown there compared to the overall build up that they've they have within the scheme. I'll explain hopefully around that.
Then some kind of quick-fire questions.
What is an accrual rate and why is that important?
A question. My contract is less than two years. Is it worth staying in USS in those particular cases?
I'm not from the UK. What happens to my pension benefits if I move back overseas? Crucial question - many, many people affected by those circumstances.
Then, what happens to my pension if I reduce my hours or perhaps have a period of unpaid absence?

These are some really common questions that are received by the pensions team and generally put to you assess, so hopefully they'll have interest to you.

(Slide 3 of presentation)

BM Brendan Mulkern:

Just by way of context, the important thing to note is that this presentation is not guidance or specific advice on your pension.
Sometimes you may want to take advice in relation to your pension choices, perhaps at retirement when you've got some options regarding the pension and lump sum that you're due to receive from the scheme. In that case, you may want to access the government's money helper service. The Money helper service, independent, impartial set up by government. They've got a really helpful guide in for people who want to seek financial advice and the best way to go about that. So please do refer to the money helper's guide if you believe that you want more help in relation to making some of your Pensions decisions.
But importantly, this is not a guidance or advice in any formal terms.

Note that changes have recently been introduced to USS, changes to contributions were implemented on the 1st of January. Changes to benefits were actually implemented on the 1st of April 2024, and we've incorporated those changes into this particular presentation.

The initial presentation of this was in February 2024, but now as April 2024, those changes to contributions and benefits have now been finally implemented and we've anticipated them in the responses to these to the common questions.
We've met every effort to, of course, to make sure that the details are correct in this presentation, but if there's any need to refer to the definitive information, then that is within the USS scheme rules, and that's available. Those are available on the USS website and you can get all the details there. OK. I hope that's helpful.

(Slide 4 & 5 of presentation)

BM Brendan Mulkern:

Let's move to the first common question. What are the basic benefits of the scheme?
Well, you will be familiar with the fact that in the UK there are two main types of pensions, two main types of workplace pension. One known as DB defined benefit, and one known as DC or defined contribution.
These are two different flavours of retirement pension saving, quite different, and I'll explain a little bit about the differences.
But in essence, with the defined benefit pension scheme, that's the kind of scheme where the scheme rules and it's terms provide for a promised level of retirement benefit normally measured in relation to the amount of service, membership, that you have within the scheme and measured by reference to your salary. So it's a predictable, more predictable level of workplace pension scheme and you can have some kind of certainty over the level of benefits that you're going to gain from it.

Defined contribution type pension saving is different in that that's really about paying in your contributions and normally with your employer paying in as well, but those contributions are building up a fund of money and that fund of money is invested and then that fund of money is used at retirement to buy you your retirement benefits.

You don't know exactly how large the fund is that you're going to build up under a DC scheme. Therefore, you don't have the same certainty that you have within a DB scheme, but nevertheless, DC pension saving can be attractive because you can have options and choices at retirement which can look slightly more favourable than some of the options out of a defined benefit pension scheme.
For example, things like your investments could do very well during your working career, which means that you build up a very sizable pension pot within DC, but people have different preferences and what you've got is the difference between more predictability within the DB scheme, less predictability, but maybe some more options and potential where the defined contribution to deliver good retirement income.
USS has got both types of pensions saving within its design.
What it has actually is defined benefit type structure on all salary up to what's referred to as the salary threshold, and then people start earning DC type pension rights on salary above the threshold.

Now, in recent times, that salary threshold has been £40,000 a year, so all benefits earned on salary up to £40,000 a year were defined benefit in nature and DC on any salary above £40,000 a year.
Now from the 1st of April 2024, that salary threshold has increased to just over £70,000 a year. So now the first £70,000 of an individuals salaries are all defined benefit pension savings building up, and it's only DC on salary above that £70,000. I think the value was actually £70,296 for the period 2024-2025.
I mentioned the two types of pension saving are different, let's just take a quick look at how they're different.

First of all, defined benefits. Well, as I mentioned, that delivers a promised level of retirement income Retirement. So that's your pension, regular income, payable to you once you retire.

In USS's case, there is also separate lump sum, so the standard package within USS is for you to have a retirement pension awarded at retirement and to have a separate lump sum amount tax free, which is yours to spend or invest upon reaching your retirement and the drawing of your benefits.
Those are standard benefits, but you can actually exchange or convert pension to lump sum or lump sum to pension. So more recently US has provided this option where you can maybe tailor your particular retirement choices. So, for example, if you want slightly more tax free cash, you can take that extra tax free cash by accepting a slightly smaller retirement pension.
So again, those are choices which will be presented to you as in when you choose to draw your benefits from USS. You can normally access your defined benefits from age 55 but note that that minimum pension age is increasing to 57 from April 2028.
And bear in mind you don't have to draw your benefits from age 55. Of course, you can carry on working, carry on building up your pension rights through to the time when you will normally retire, when you choose to retire from your employment at the university and choose to draw your benefits. The normal pension age right now is actually 66 within USS. That's gradually planned to increase in line with increases to state pension. So, there is another step in the normal pension age through to 67, which will come in the in the coming years. But at the moment, the normal pension age is 66.
But again, you're free to retire from the minimum age of 55 currently, but it's linked to the actual ceasing of your employment with the university.
Defined contribution pension saving is different because as I mentioned, you're building up a fund of money and that's built up, invested and used to provide you with income Retirement.
So, we're saying in both cases the contributions that you pay into the scheme attract tax relief, so that provides a nice advantage whatever pension scheme your part of, or for the whole of your USS.
Clearly at retirement you can choose how you want to use your defined contribution pension pot and you there'll be choices that are provided to you. Generally speaking, you can take up to 25% of that pot as tax free cash. You may be able to take more, but the vast majority of people will always be able to take up to at least 25% of the fund as tax free cash.

And there are other flexible options for people to use for drawing your money, but again, only from 55 increasing to 57 from April 2028.
Two different kinds of scheme, essentially all in the one single scheme – USS.

It's known as a hybrid scheme because it's got these two types of benefit linked to your salary threshold and all salary up to that salary threshold level is earned on a DB basis, but with DC in addition.

(Slide 6 of presentation)

BM Brendan Mulkern: I've talked a little bit there about the pension and that's clearly the central benefit that the scheme provides, but the scheme does also have a number of other features which make it attractive and make it a good workplace pension scheme.

First of all, the inflation proofing of your pension payments, so you know that upon reaching retirement and upon commencing receipt of your pension, your pension is going to increase each year that it's in payment for the remainder of your life.

There are specific rules about the exact way in which Pensions increases are applied, and generally speaking these changed mainly in 2011 and so it depends whether you've got service and the scheme before 2011 or after 2011, but nevertheless generally speaking increases are linked to CPI, it's only when CPI runs at rates higher than 5% per annum that there is an adjustment in relation to benefits which have been earned after 2011.
But a big advantage of the scheme is this inflation proofing by reference to CPI.
I've talked about the fact that you got a separate tax relief lump sum on retirement, and that makes US scheme particularly attractive because that's yours to spend or invest and use throughout your retirement as you choose.
In addition to your pension income, in the event of death, there are considerable benefits payable from USS.
There's a lump sum death grant of three times salary in the event of your death in service, and we'd always encourage people to complete the expression of wish form. Please look on the USS website for the expression of wish if you've not filled in this form. This is where you can declare who you would want to receive any benefits in the event of your death and that means that the benefit can be payable on a tax advantage basis.
So, look for the expression of wish form and please complete one of one of those.
But the lump sum death benefits are particularly advantageous element to the USS in the event to be a death before retirement.
There are also pensions for your beneficiaries in the event of your death.
So, you know that in that event there would be a benefit payable for you or an ongoing benefit in addition to the death benefit, the lump sum, an ongoing pension benefit to your spouse, civil partner dependents and or children's, eligible children if you have them.

So, a really strong package of cover from the pension scheme if the worst happens and you were to suffer from death in service.
There are benefits also payable in the event of ill health. So, if your work is interrupted, if you're membership of the scheme and employment comes to an end because you're unable to carry on working, then the scheme provides benefits in those cases.
USS has something called partial or total incapacity benefits, depending on the degree of ill health that an individual is suffering, and in certain cases, but under total capacity, the benefits can be payable at an enhanced rate, again an important element to protection in the scheme is that you can get early payment of in potentially enhance benefit if you fall ill and can't work again and build up further pension rights.

There's also lots of other options for people in terms of retirement. You can retire early before the normal pension age. You can retire late after the normal pension age. If work continues after the normal pension age of 66, then of course you can carry on working and carry on and building up scheme membership.

The schemes upper age, the final time for latest date for building up benefits is age 75 and at age 75 USS would be paying out benefits to all individuals, even if they're still in employment at that time.

And then something called flexible retirement where individuals take an agreed reduction in their working commitment and then draw an element or part of their pension rights - carry on working in the remaining part of their employment and carry on building up pension rights in that remaining part. So flexible retirement is a nice addition to the scheme, allowing you to take some benefits out of the scheme in return for a set reduction to your working commitment.

You can transfer in. You can transfer out to the scheme. They're also permissible, and you've got benefits for early leavers. Many people, of course, don't reach retirement age in their employment, with the University of Southampton, you may well move on to a career with another employer. Maybe entirely disconnected to this employment with Southampton, so you can hold your benefits. Have them what's referred to as deferred within you assess and then draw those benefits at a later date, and that's a good advantage knowing that your benefits are going to be safe in USS and that you'll draw upon them later.
All of that it those benefits are now within an overall cost of 6.1% for the Member for you as Members, you get tax relief as I mentioned, and you can gain salary sacrifice on those contributions. So, you can pay lower National Insurance alongside those pension contributions.

The employer contribution at the moment is 14.5% of salary. Remember the contributions don't always stay the same.

We've seen contributions as high as 9.8% for members in recent times, but at the moment contribution level is 6.1%. But yeah, those can change from time to time in relation to the, normally the three yearly, evaluation of the scheme reviews the level of contributions being paid.

(Slide 7 of presentation)

BM Brendan Mulkern:

Let's move on to the next question then. How do I transfer in benefits to my USS Investment builder?

So really important element to this question which is introducing this term investment builder. Investment builder is the name that USS gives to its DC defined contribution section and that's the only part of the scheme that can now accept transfers.

In the past, the DB part of the USS was able to accept transfers in, but that's not permitted anymore, but you certainly can still transfer your pension rights into USS, but they will go into the defined contribution section, which is known as investment builder.
So, you may have pension rights in another previous pension scheme that you've built up, and you may think there's an advantage in transferring those benefits over to USS. Maybe the benefit the thoughts of consolidating your pension rights together is attractive. Having all your pension in one place, you might think that this is likely to be your long-term future career. This is what your predominant pension rights are going to be, for example, and therefore you want to bring your pension rights across and consolidate them all within USS.

You can do that, and there's a form available on my UUS, that's the USS portal, which allows you to commence the process.

It can take some time, but you can initiate that process and name the previous pension rights and the people who administer it so that USS can start to make inquiries on your behalf.

I emphasize it's not always advantageous to transfer. These are decisions that you will need to make.

For example, your previous pension rights might be DB defined benefit in nature. You might want to think carefully then about transferring and you may choose to leave them where they are because you remember if you transfer them into USS there will become defined contribution type pension saving. And you certainly need to get financial advice these days where the value of any DB rights has safeguarded benefits and more than £30,000 in value.
So there's an extra hurdle if you've got a large value of pension rise to the DB in nature that you wish to transfer into USS.
But even if your previous pension rights are DC in nature and you're contemplating transferring it into USS's DC section, you still want to think about that carefully.

Is that in your best interest to make that transfer? And there are, you can find questions on the USS website which will help you to think about whether the transfer is a good move for you.
Have you got any special rights or attachments related to those previous pension rights that you should not give up by making a transfer to USS? They will be lost if you transferred to USS.
Who are those previous pension rights invested with?
What are the likely investment returns that you're going to gain on those previous pension rights?
And are you going to do better equal or better in your investments with USS?
Will there be any charges or penalties on moving your pension rights from your previous pension arrangement to USS?
These are all really important questions, but the thing I suppose I would emphasize is you can initiate the process. You can see what the transfer would be if it were made from a previous pension arrangement into USS. Then you're in a better position to make a decision based on these pros and cons of making such a transfer.
And yet, as I said, you can initiate the transfer by downloading and completing the form that's on my USS.

(Slide 8 of presentation)

BM Brendan Mulkern: Can I make additional contributions?

Well, many members choose to make additional contributions, there can be so many reasons why people want to actually pay extra.

Maybe you haven't been a member of a pension scheme during parts of your working career. You've had gaps during your working career that you want to now fix in terms of building up extra pension rights.

Well, there's a facility that you USS have again, it's through the USS Investment Builder and in order for you to pay extra contributions from your salary, build up an additional pension saving pot which will be used in order to supplement your retirement benefits overall, when you choose to draw them.

You can choose how much extra you want to save. You can save money either as an extra percentage of your salary, or you can choose a fixed level. I want to pay an extra £50 per month for example and you can change that amount as you wish from time to time you can increase decrease that commitment.
The big advantage is paying extra contributions attracts tax relief. So, for a basic rate taxpayer, essentially every one pound that you invest only costs you 80 pence in net terms.
Remember though, with pensions saving, it's unlike pension saving in your bank or building society and that you're making pension saving, getting the really attractive tax relief. But that is saving for the future. That is only able

to be drawn at the point that you choose to draw your benefits from USS, so it's not liquid pension saving that you can draw upon at any time, of course, unlike a bank or the site, but you get the big advantage of the tax relief on contributions on the way in.
There are choices over how you might choose to use your pension saving pot that you've built up through additional contributions.

There are always HMRC limits, but you can for example take your savings as tax free cash.

Many people actually, depending on the size of their AVC, additional volunteer contribution fund, can actually take the whole of the additional pension serving as tax free cash. A tremendous advantage from the additional pension saving.

So certainly, some of your benefits, if not the entirety of your pot is tax free cash.

But there's other alternatives, like for example something called 'UFPLS' where you choose to take periodic cash payments from your additional pension pot.

Normally 25% of those individual withdrawals can be tax free and the remaining 75% to be subject to tax that your then marginal rate. So you can make periodic withdrawals.

You can move your investment builder saving to something called a drawdown product. That's where you say for example, I would like to draw down on this pension saving over a period of 10 years. And I know that over that period of 10 years, I'll have regular additional income and it will be exhausted after a period of 10 years and I'll revert to my then substantive pension that I'm getting from USS. It can supplement your pension income for a fixed period like that. Drawdown can be is becoming a more attractive option for people who've got additional pension saving or DC type pension saving.
You can investigate that option in order to be able to use your additional pension saving.
Or you can go for something like a good old annuity, and they've always existed where people choose a regular fixed income payable for life and use their fund to buy that and that's another choice which people are.

You can combine. So, you may want to take quarter 1/4, say for example if your additional pot as tax free cash and use the remaining 3/4 to buy in the annuity. And that's an option that people could choose because they want that blend of tax-free cash but also additional top up to the regular income choices is good. And the AVC facility allows you those options.

(Slide 9 of presentation)

BM Brendan Mulkern:

A common question we get is when people look at their My USS account and look at the value of the contributions that are recorded there as having built up and concerned if that doesn't match the total contributions that, for example, they've seen on the payslip. Now one of the reasons, or the main reason for this is, the contributions the Member contributions that are shown in your MY USS record when you access it are only those contributions that are paid by you to the investment builder section.
A common question we get is when people look at their My USS account and look at the value of the contributions that are recorded there as having built up and concerned if that doesn't match the total contributions that, for example, they've seen on the payslip. Now one of the reasons, or the main reason for this is, the contributions the Member contributions that are shown in your My USS record when you access it are only those contributions that are paid by you to the investment builder section.
So remember, we've had a period during which the salary threshold has been £40,000 a year. So many people came into the investment builder section because they were, earned more than £40,000 a year and they were paying pension contributions, but it was only on the salary above £40,000 a year that those investment builder contributions are being paid.

Well, my USS will only show the contributions that are attributable to the investment builder product, i.e. contributions that you paid on salary above the threshold.
The contributions that you pay to the DB, the main DB section of USS, which should actually happen today, they do call that income builder.
They won't be shown separately on your My USS account, so there's nothing unusual or untoward about the fact that you will only see in terms of your member contributions in your my USS record, the contributions that you're actually making to the investment builder part of the scheme.
Remember, overall, the contributions that in total go to the investment builder account are 20% of your salary.
That's your 6.1 on salary above the threshold, and a 13.9% contribution overall from members, which makes up that 20% of salary above the threshold. And that's the amalgamation contribution that goes to an individual's investment builder account.

(Slide 10 of presentation)

BM Brendan Mulkern:

These are a bit more quick-fire questions that we would have.

What is an accrual rate?
Well, an accrual rate, well, it's a way to compare different defined benefit pension schemes. So, this is about defined benefit pension schemes and how you might measure them and they all generally speaking have a rate of accrual and accrual rate which is defined in the schemes terms.
This is the rate at which benefits build up within that scheme, normally expressed as a percentage of salary.
Now the accrual rate for pension in USS is 1/75th of your salary up to the threshold for each year that you pay in.

So, if you earn £50,000 a year you will earn 1/75th of that £50,000 that you earned during that year as a pension, and that's the amount that will build up each year of your membership of the scheme.
Schemes are different. You may see schemes that are 80ths, you may see schemes that are 60ths and they are different, some more generous than others, but USS accrual rate has been a 1/75th pensioner cruel.
Now, importantly, with USS there is also a lump sum which builds up and that builds up at the rate of 3/75ths of salary up to the threshold for each year of membership. So, you're getting three times the pension amount as a build-up of your tax free lump sum each year that you are in membership of the scheme.

What happens with USS is you're building up these years of credits, pension credits and lump sum credits, and then the total value of those credits each revalued through to retirement, will be used to provide you with your final total pension from USS and your final total lump sum. So, you're building up those yearly credits by your years of membership, but essentially 1/75th is a pension accrual rate, and that's the headline accrual rate for people who are members of USS.
So, another question, my contracts less than two years, is it worth staying in the USS scheme?
This is framed as staying in, of course, because many people who take up employment with the university are automatically admitted to membership of the scheme, and it's a question many people are employed on fixed term contracts of course. You don't know whether that contract going to be renewed and therefore is their advantage in starting your pension as soon as possible.
Well, I think we would always argue that there is advantage in doing that. It's a good pension scheme, the 6.1% contribution that's currently being paid for the benefits that it provides looks good value generally by reference to workplace pension saving.
Many people would give a great deal for that employer contribution that's going in towards those benefits of currently 14.5% of your salary.
Now of course, your contract might be renewed at some point in the future. And before you know it, you would have been in employment for a much longer period with the university and then you will be glad that you will have been a member of the pension scheme and been able to immediately start building up those years and days of pensionable service for your, for your eventual benefits.
Remember, you still get tax relief on the contributions that you're paying in, of course. So that's an advantage.
And remember also that even if you were to leave the scheme and you'd only leave employment with the university and only actually paid in say for 18 months, you've got pension rights there. Pension and a lump sum based on the 18 months that you've paid in that you could either pick up again in the future if you gain a future employment in which you can again join USS, or that you could transfer out to another destination.
Or ultimately you could leave them in the scheme and draw them at retirement, even though they will be a relatively small sum because you've been in the scheme less than two years, there's still a pension and lump sum that you can draw upon.

And of course, you get called for things like death in service.
Throughout the period of your membership, I'll always say there's also a worst-case scenario. If you really want your contributions back, these are just the contributions you paid and you've not been in salary sacrifice for the period of membership, then you can even take a refund of your member contributions if you do indeed spend less than two years in the scheme. That's not good value because it basically puts you back in the position as though you've never been in the scheme in the first place, but nevertheless it's an ultimate backstop of receiving your own contributions if you've been in the scheme not being in the salary sacrifice arrangement.

So, lots of reasons to be a member of the scheme in even if you're contract upon commencing employment is for less than two years.

(Slide 11 of presentation)

BM Brendan Mulkern:

Another question

I'm not from the UK. What happens to my benefits if I move back overseas?
So people might envisage them having a period of membership in US, but can they carry those benefits back to their home country as and when they return?
Well, yes you can.
USS Pays Pensions overseas, many, many thousands of pensions overseas to people who spent careers in the UK Higher education, built up USS pension rights and then returned to their home country, and those arrangements will continue.

Sometimes the tax arrangements on paying those pensions can be a little more complex, but nevertheless you will normally pay tax in your resident country on any overseas income that you receive from USS.

You can if you wish, transfer your USS benefits to an overseas pension scheme if you're going to an established pension arrangement in another country and that's what's referred to as a recognised scheme by the UK revenue, then you can in fact transfer your USS pension rights overseas. Those don't happen very often, but some of the big university pension schemes that operate throughout the world, they are occasionally recipients for USS pension rights. So that, that option is possible, but it needs to be an established, recognised scheme which would receive it, but otherwise, you know, you can leave your benefits deferred within you assess and choose to draw them, even though you may well return all the series to receive them.
What happens to my pension if I reduce my hours, or I have a period of unpaid absence?
Well, if you reduce your hours, then your salary on which you're paying pension contribution will reduce and therefore the build-up of pension and lump sum that you have during that period will be lower than it would otherwise have been.

Pension contributions are expressed as a percentage of your pay and therefore if you're paying a lower level of contribution overall into the pension scheme, because your salary is lower then you will have an appropriately adjusted period.
But remember, the scheme is keeping track of your salary during every year of your working membership of USS, and therefore we're making appropriate adjustments all the way through for any periods of full time working compared to any periods where people are earning a lower salary.
Turning to the issue of unpaid absence. Well, generally if people are absent, but they are still receiving pay, then they'll still continue to pay pension contributions during that period of paid absence.
If you're going to have a period of unpaid absence, then generally your pension contributions will stop, and you won't be building up pension benefits during that period of unpaid absence.
You will still actually remain in membership of the scheme, but you won't actually be building up any active benefits. You're still building up benefits, of course if you remain in employment with the university, you'll still be in membership of the scheme.
The option for people who have had a period of unpaid absence is that they can make an approach through their employer normally to the trustee to go back and make contributions for any period of unpaid absence. And if you're interested in doing that, then there are some special rules which can apply for people in order to make those contributions for a period of unpaid absence. You don't have to do that, and you may well choose instead to have a period of unpaid absence - simply recorded as a gap within your pensionable record, but if you want more information about this then you can contact the pensions team at the university or indeed there is a there are some USS Pages which talk about dealing with different periods of unpaid absence, and there's one in particular that I've linked to there which deals with the rules regarding parental and family leave.

(Slide 12 of presentation)

BM Brendan Mulkern:

A little more on tax relief and salary sacrifice.

You may already be in salary sacrifice because for many they've more recently been entered into salary sacrifice automatically from the 4th month of their employment. This means that contributions are automatically paid by the university on your behalf, so your contributions and their own contribution are automatically paid entirely by the university. And through this arrangement you pay a lower level of National Insurance contribution. What happens is, for the fact that the university is paying your contributions on your behalf, and adjustment is made to your salary. You actually have an appropriately adjusted lower salary. The fact that you've got that lower salary but are no longer paying your own pension contributions means that you will pay a lower National Insurance contribution. The university itself will pay a lower National Insurance contribution as well, through people who are in the salary sacrifice arrangement. These are all approved by the revenue.

They can be a neat way for people to make an additional saving in their own National Insurance contribution and have the employer make their pension contributions on their behalf and achieve the saving in that way.
If you're not in salary sacrifice, but you'd like to be, then there is a page on the university's intranet which where you can find out more information and actually make an inquiry about getting into salary sacrifice for your pension contributions. And as I mentioned, it can be a way to make an additional saving of National Insurance through your pension scheme membership.

(Slide 13 of presentation)

BM Brendan Mulkern:

Avoiding pension scams.
Unfortunately, this a more common occurrence. You may well have seen TV adverts, which are run by the Pensions Regulator, to trying to encourage people to be extremely aware or beware of any approaches.

These are from organizations which are trying to encourage people to transfer. Normally, their pension rights to destinations which for example, are offering guaranteed high investment returns, or often the promise of giving you access to your benefits before age 55.
Now, as I mentioned earlier, the minimum pension age within the UK is 55 by law for any approved pension scheme. So any of these arrangements are offering you something that's not permissible within the UK pension scheme rules.

Unfortunately, many people who transfer to these destinations end up not getting, for example, high returns that were initially promised or they pay a very high price for being able to access some of the money before age 55. They're often complete scams, and people actually have lost the entirety of their pension saving by moving their money to these destinations.
Luckily, the USS trustees are incredibly alert to these issues to anybody wanting to transfer to a destination to that does not appear to be approved. But we're also asking members, if you receive any approach to make this kind of movement or transfer of your pension right, you should alert the university's pensions team and you should also activate action fraud, which is helped, assisted by the Pensions Regulator, to identify these organizations that are encouraging people to transfer pension rights to dodgy destinations where it's likely that they will not get the promised benefits and they could in fact lose their pension rights overall.
Your pension of course is an incredibly valuable asset and take great care of it and certainly alert the university's pensions team and action fraud if you get any approach. These are too good to be true in terms of the offers that are made, and there's much more profile about them now and you should just set the extremely wary.

(Slide 14 of presentation)

BM Brendan Mulkern:

And finally, money helper money helper is a government run impartial service which can provide information for people who've got Pensions queries.
Whether you're in DB or DC type pension saving, you can find out more about that your pension and ask the questions and get good, independent, impartial answers.
The money helper link is there, and I would encourage you to use money helper and it's proving to be really successful for people who've got defined contribution type Pensions.
You may have some of that, of course, within USS If you're over 50, you can actually arrange to have a discussion with somebody at money helper, but there's lots of other support and guidance that is there for you, so please do access the money helper service and it's a good way to find out more about your pension.
OK, Cearah. I should hand to you now to, I think, to coordinate the additional Q&A's that we've seen.

CW Cearah Wurdeman:

Right. Thank you very much, Brendan.
So, we're just going to run through some of the main questions that we received in the live sessions in February and March.
And one of the questions that came up is if you could provide more information regarding the new change to the salary threshold which is taking effect from the 1st of April with it increasing from around 40,000 to over 70,000. How would that impact people's benefits going forward?

BM Brendan Mulkern:

Yeah. Thanks Cearah.
So that's been a really important change because as I mentioned the salary threshold is the salary up to which you actually build up defined benefits within USS and its only salary above the salary threshold which is allocated to the DC or investment builder section of the scheme.
That salary threshold went down to 40,000 in recent times and in the last year has been at 41,000, just over 41,000.
So that simply meant that you were building up on DB pension rights on all salary up to £41,000 a year. Going forwards from the first to April 2024. That salary threshold is increasing dramatically to just over 70,000, 70296 per annum. So, all salary up to 70,296 is now going to be around from the 1st of April 2024 onwards on a DB basis within the DB section defined benefit section of USS and it's only salary above 70,296 that will actually be earned only defined contribution basis.
Now there are many, many people who were within that salary band who maybe when the salary threshold was at 40,000, most of their pension saving was DB, but the element above 40,000 was DC in the investment builder, but now the salary threshold moves up to just over 70,000, all of their pension saving is going to be DB in nature, so that's been quite a big shift to actually move members from maybe predominantly DB pension saving to a position where the vast majority of Members now will earn less than 70296 and therefore the whole of their pension saving will be DB.

Unless, of course, they make additional pension saving to top up which we spoke about and obviously that would always be to the DC Investment builder section.
So, it's an important change from April 24 that moves more pension saving to be DB in nature going forwards.

CW Cearah Wurdeman: Perfect. Thank you.

Another question that came up quite a bit was is that a few individuals have various pension plans from previous employments. How would they go about putting those all together into one pension pot? And should they consider transferring it into the USS Investment builder?

BM Brendan Mulkern: Yes. So consolidation, as they call it, can often appear attractive. You know, I've got three or four different Pensions from different careers that have had different employers that have had previously. I would like to bring them all together, not straightforward, and you need to pick these schemes individually and approach you assess to apply to transfer them.
But as I mentioned during the slides, it's really important that people don't think that that's an automatic best option for them. They need to look at each of those Pensions transfers to see if it's in their benefit to transfer and, for example, are any of those schemes DB?

If they're defined benefits in nature, then they may want to leave those schemes where they are.
They may be better not consolidating, transferring that benefit to USS, but even if they're DC in nature, they need to think about whether there will be any penalties or charges by transferring, whether they're likely to get better investment returns on that money within USS compared to the current pension provider that's managing those funds, whether they've got any additional benefits and earlier retirement age prompts attached to any of those pension rights compared to what they will get if they choose to transfer the benefits into USS, it can seem attractive to bring all those benefits together. What did they say? Something like on average, people have 10 different sets of pension rights during their working career.

I could see the attraction to bring all those pots together, and you can do that if you wish by applying to transfer them into USS.
But it should not be considered an automatic thing and you should consider each of them very carefully, because there can, in certain set of circumstances, be penalties upon transfer.
And it may be in your best interest to leave your money where it is.
Again, money helper can help with this because you may want to be pointed to the relevant pros and cons that you should consider.
You may also want somebody to give you more formal advice as to whether this is in your best interests or not.

So again, money helper might be able to help people who want to make a decision, but if you want to start the ball rolling, you can download the form from my USS and ask them at least to investigate a transfer at that stage, not making any decision to actually formally proceed.

CW Cearah Wurdeman:

Alright, thank you. And another question that we have received is with regards to the normal pension age, which is currently 66 for USS, are individuals able to work past this normal retirement age and continue being an active member of USS until they decide to retire?

And what is the latest age they can remain in the scheme before they have to take their benefits?

BM Brendan Mulkern:

Yes, thanks, Cearah.

Yes, you can. And many people do. They carry on working. This is the first thing. Their employment continues beyond age 66, and they can choose just as anyone else can to continue to be a member at the scheme. And many people continuing membership of the USS and in employment for years after the normal pension age and their pension rights will continue to build up and they'll earn new pension rights, just the same way from the contributions that they make.
As I mentioned, USS as an approved pension scheme will need to pay your benefits at age 75. So that's generally considered to be the upper point for payment of pension rights.
Your employment is another matter, of course, and that will be a matter of your contract of employment with the university about what your latest retirement age can be.
But the two things are linked, and of course you can carry on paying into the pension scheme after the schemes normal pension age.

CW Cearah Wurdeman:

Another question around retiring and pension ages it with the USS Investment builder.
The target retirement age. Does that have to be the same as the date you plan to retire or is it based on the schemes pension age?

BM Brendan Mulkern:

Yes. So, when you when you pay into the USS Investment Builder, you will need to set what's referred to as the target retirement age within. When you do that within my USS, normally you would want to set your target retirement age to the date that you can best determine is the date you would want to draw your pension benefits. Remember, there can be many reasons why your employment might end before then.

But actually, what is the date in which you believe you are likely to draw your pension benefits or want to draw your pension benefits?
That's the age that you would normally put down for your target retirement age.
That's because the target retirement age actually implements this automatic process of moving investments to more secure type investment the closer somebody is to their retirement age.
Generally speaking, with investments, the further out you are from Retirement, the more you will want to be invested in growth assets. Assets that can give you those strong long term returns on your funds but closer to retirement you want your funds to be invested in a different mix.
Normally, something that will have less variation in values so that in the immediate years before retirement you don't see a big alteration in the amount of your investment fund.
So this is something unique to the investment builder relevant to the scheme, but generally set your target Retirement days there from the date you can best guess you think you're going to want to access your pension benefits.
Remember you can change that from time to time as well, so it is possible to update that if your plans change in the future point.

CW Cearah Wurdeman:

Great! Now, another question we got is you mentioned with regards to the additional contributions and pension contributions. There's tax relief associated to that, which is 20%. For those taxpayers on the higher rate would they get the equivalent pension tax savings on their pension contribution?
Say, for instance, if they're on a 40% tax band.

BM Brendan Mulkern:

Yes, they would, yeah.
So, a 40% tax payer, that individual pay in AVC's every pound that they pay into the AVC will only cost them 60 pence because of the advantage of the higher rate tax relief. So yeah, tax relief is granted at the marginal rate as they refer to it on pension contributions. So, if you're a basic rate tax payer, 20% relief. But for a higher rate, tax rate will be 40% relief for most people.

CW Cearah Wurdeman:

Right. Thank you.
Another question we got is if an individual leaves the university and they are in the USS scheme, if they move to another institution that has USS as a pension scheme as well, will they be able to continue contributing to the same pension pot with USS?

BM Brendan Mulkern:

Yes, that's one of the big advantages of USS and one of the reasons it was originally set up in in 1975 was it could allow for people to have a career around the UK higher education sector.
So yes, if you move to another employer who operates USS, then you can take up membership of USS again in that employment, whether there's

been a break or not and simply seamlessly pick up your previous USS pension rights and carry on building up new pension rights with that new employer. That's a big attraction.

CW Cearah Wurdeman:

I think that was all the main questions that were highlighted and that came up quite often in the live sessions. Was there anything that you had additional that you wanted to add, Brendan?

BM Brendan Mulkern:

No, I think that's those have covered the main questions that we had.

CW Cearah Wurdeman:

Right. So just to let everyone know, watching this recording, we will be making a copy of the presentation slides available as well and that will allow you to access any links that are in the presentation like for money helper and the fact sheets. But if you do have any questions, please contact the pensions team and we'll gladly assist.

BM Brendan Mulkern:

Thanks Cearah. Thank you.

CW Cearah Wurdeman:

Brendan again, thank you very much.