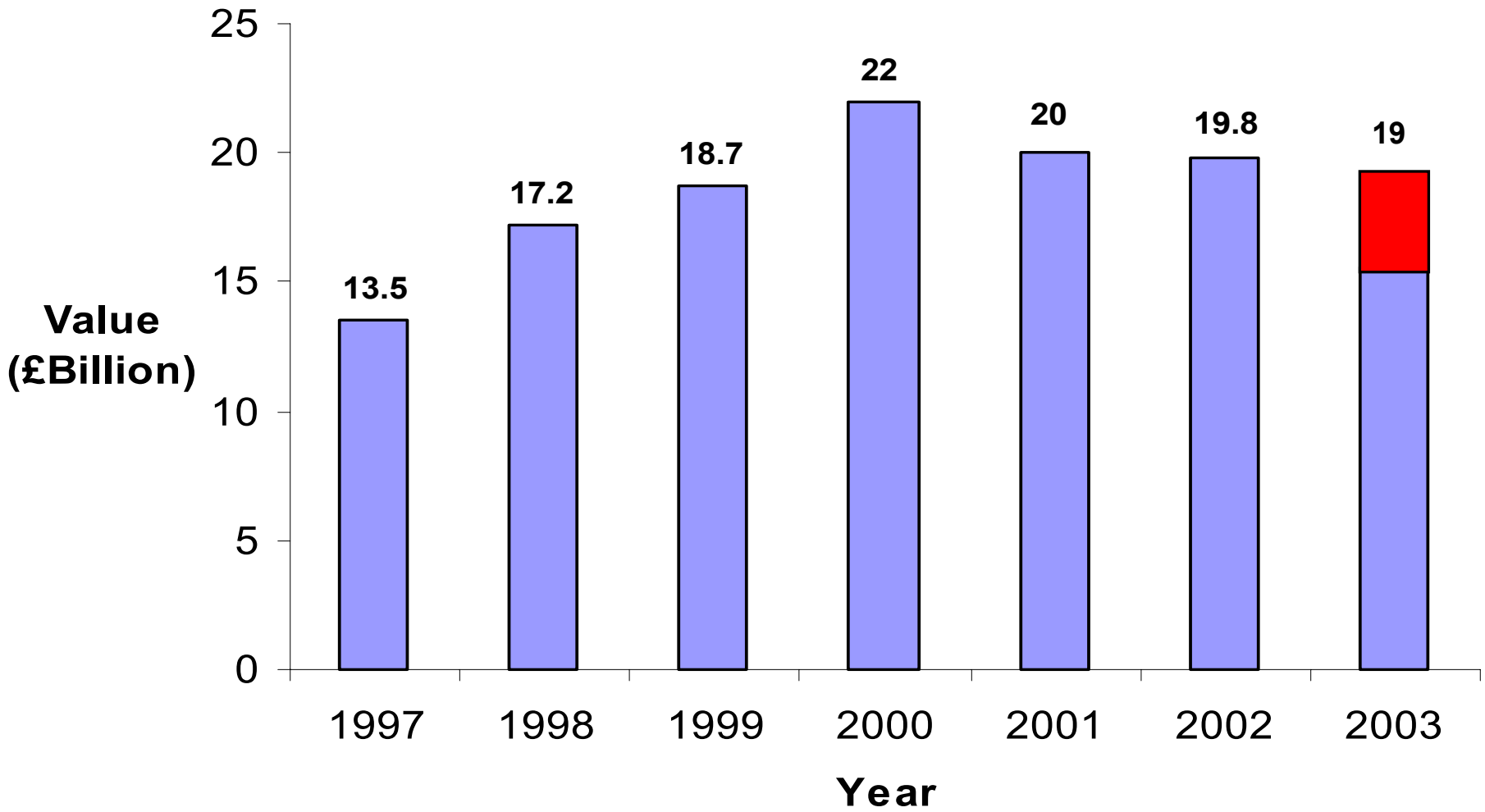


Universities Superannuation Scheme

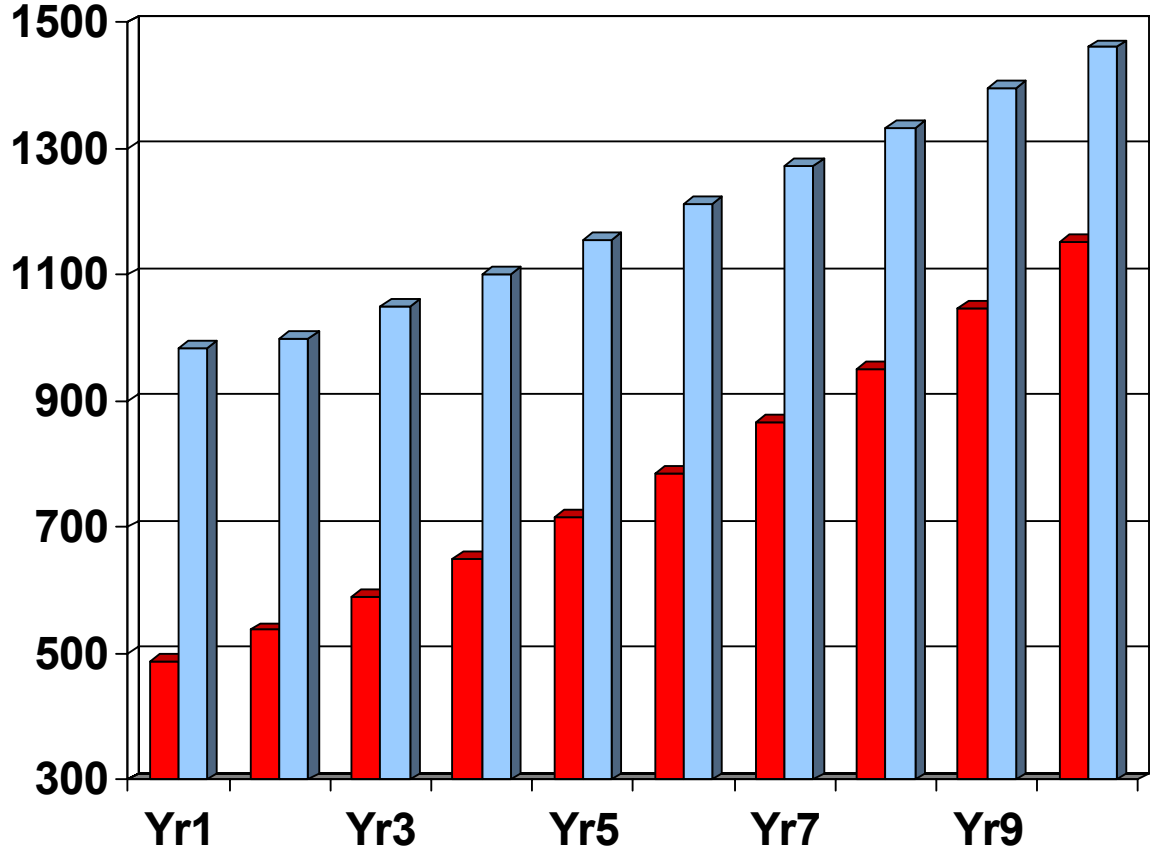
Preparing for retirement

- the fund
- the pension calculation
- increases to pensions in payment
- what happens when you die?
- pension and cash options
- the retirement process
- Prudential AVCs – options at retirement
- allocation
- tax and your pension

USS funding levels



Positive cashflow



■ Benefit Outgoings (£millions)
■ Cash Income (£millions)

- Interim valuation 31 March 2004
- Next full valuation 31 March 2005
- Employer contribution rate review

The pension calculation

- standard benefits provided by the scheme ...

pensionable service

80

x

pensionable
salary

=

annual pension

annual pension

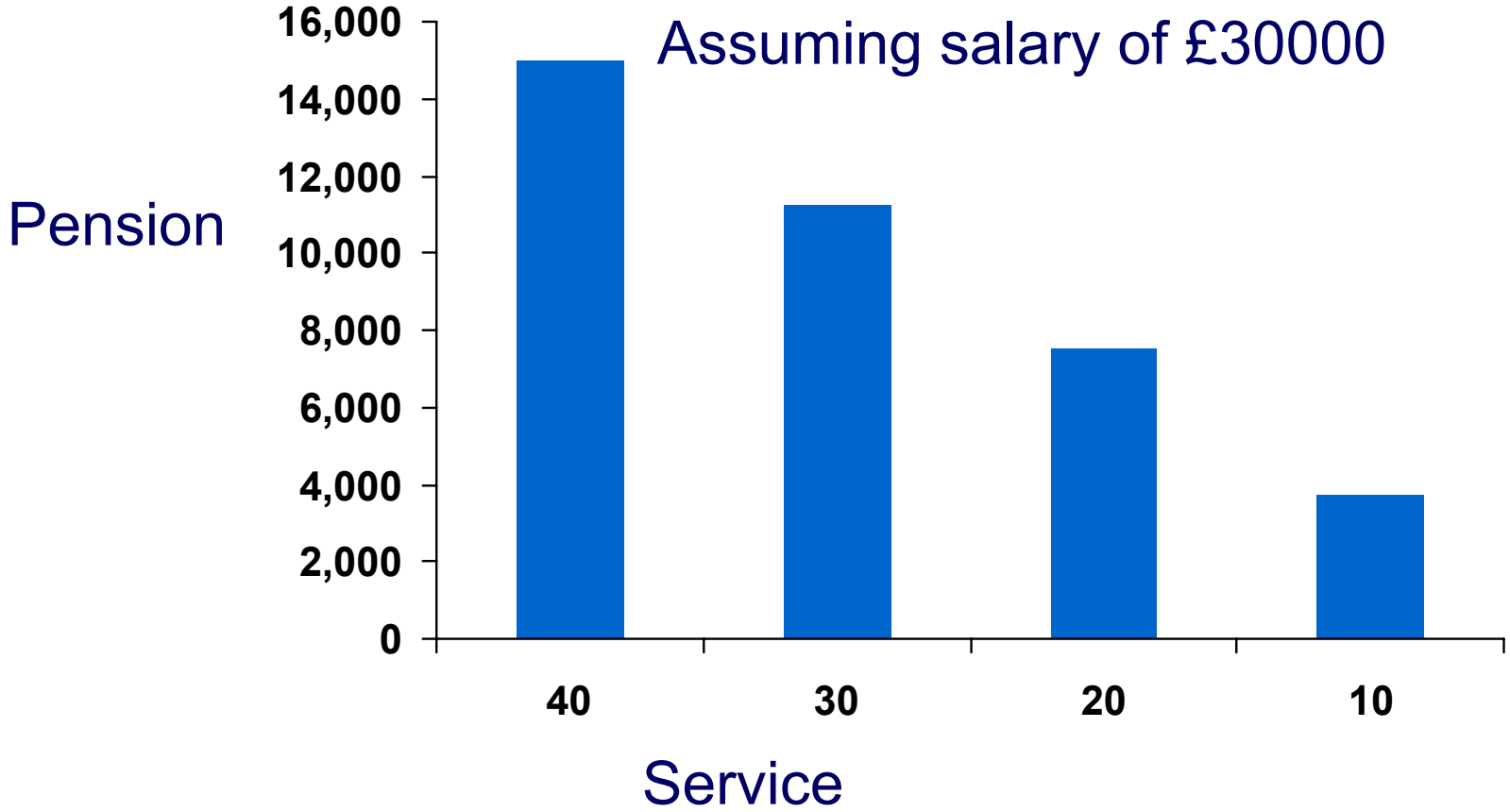
x

3

=

lump sum

What you can expect as a pension



Pensionable Salary

- pensionable salary calculated in most favourable way possible
- based on last 13 years salary history
- all salaries indexed by RPI
- better of best 12 months in last 36; or
- best average over 3 years falling in last 13 years

Pensionable Salary calculation

Sal Date	Salary		RPI increase		Revalued salary	
01/10/2002	23000	X	177.9/177.9	=	23000	
01/10/2001	22000	X	177.9/174.3	=	22454	
01/10/2000	21000	X	177.9/171.6	=	21770	
01/10/1999	20000	X	177.9/166.5	=	21369	
01/10/1998	19000	X	177.9/164.5	=	20547	
01/10/1997	18000	X	177.9/159.5	=	20076	
01/10/1996	23000	X	177.9/153.8	=	26604	
01/10/1995	20000	X	177.9/149.8	=	23751	=24136
01/10/1994	18000	X	177.9/145.2	=	22053	
01/10/1993	14000	X	177.9/141.8	=	17564	
01/10/1992	13000	X	177.9/139.9	=	16531	
01/10/1991	12000	X	177.9/135.1	=	15801	
01/10/1990	11000	X	177.9/130.3	=	15018	
01/10/1989	10000	X	177.9/117.5	=	15140	

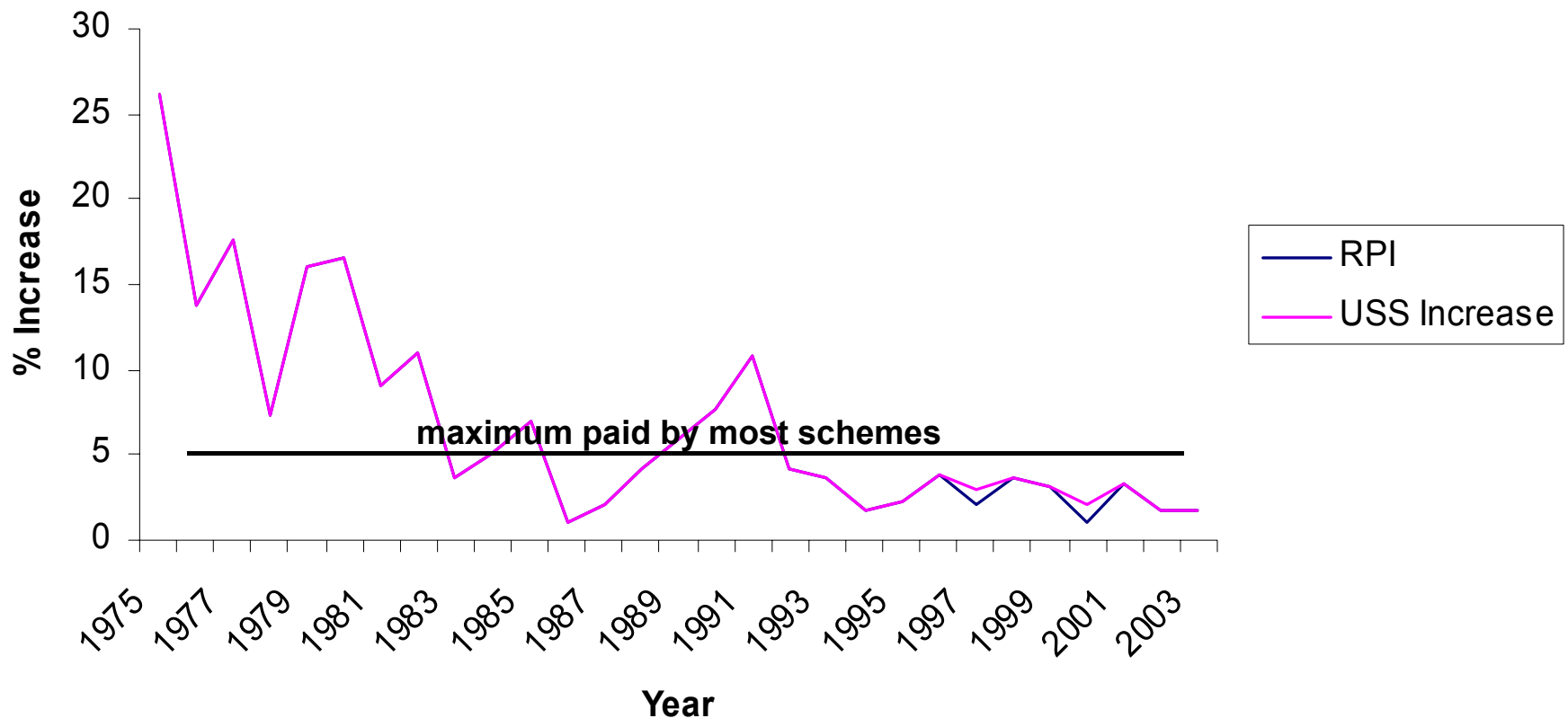
- service through payment of regular USS pension contributions
- service transferred from previous pension arrangements (at appropriate length)
- AVCs / continuation contributions
- maximum permitted service is 40 years

Pension Increases

- all pensions in payment are increased in line with RPI (from age 55 unless ill-health or dependant's pension)
- surplus has twice been used to pay higher increases

Pension Increases

Pension Increase History



Pension Increases – different elements

- main USS pension
- Guaranteed Minimum Pension (GMP)
 - GMP as a result of being contracted-out
 - accrued between 6/4/1978 and 6/4/1997
 - payable from State Pension Age
 - increased partly by USS, partly by the state
- supplementary pensions

Pension increases-different elements

Pension Element	USS Increases			DWP
	Full RPI	RPI to 3%	NIL	Full RPI
MAIN	✓			
GMP – Post 88		✓		✓
GMP – Pre 88			✓	✓

USS What happens on your death?

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Pension benefits

- spouse's/dependants pension of 50% of 'standard pension' – payable for their life
- initial pension for three months at former rate (if service more than 5 years)
- additional provision of children's annuities (to an *eligible child*)
- dependents pensions and trustee discretion (form MO3)

What happens on your death?

Lump sum benefit

- lump sum may be due if you have been retired less than 5 years (form MO1)
- lump sum is calculated as lower of : -
 - 3 X salary, less retirement lump sum and gross pension paid to date of death, and
 - balance of pension to fifth anniversary

USS Examples of lump sum on death after retirement

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Assumes salary at retirement of £30000 and pension of £15000pa (standard benefits) or £18000 pa where no lump sum taken



Pension or Cash?

- you are able to take less cash (or no cash)
- larger pension - lesser lump sum, or vice versa
- standard lump sum is already close to IR maximum
- may be possible to take more cash, subject to Inland Revenue limits
- option given when retirement figures given

Commutation examples

Based on £1000.00 lump sum

Age	Male	Female
65	£76.00 pa	£66.80 pa
64	£73.90 pa	£65.20 pa
63	£71.90 pa	£63.70 pa
62	£70.00 pa	£62.30 pa
61	£68.20 pa	£61.00 pa
60	£66.50 pa	£59.80 pa

The retirement process

- employer submits quotation request (usually 3 months prior)
- quotation issued to member together with option forms
- USS issues final retirement figures to employer once option forms received
- lump sum paid to bank account on day of retirement, or can be paid by cheque
- pension starts on 21st of month

Prudential AVCs-Options at Retirement

- Prudential AVC fund must be used to buy additional pension
- pension can be purchased from : -
 - Prudential
 - another pension provider (open market option)
 - USS

Converting Prudential AVCs to USS service

- only applicable at point of retirement
- cannot exceed 40 years USS service
- additional option to purchasing from Prudential/another provider
- service counts for pension only-no lump sum

- quote of AVC conversion with main quote
- member must arrange for an open market quote independently
- USS quote based on fund value at date of quote, fund value cannot be guaranteed but conversion rate is
- USS must be advised of choice no later than 1 month before retirement
- AVC contributions end on receipt of option

- option to give up part of your pension to provide an extra pension to your spouse/dependant on your death
- two types
 - cancellable
 - your pension restored to full amount if spouse/dependant dies before you
 - non-cancellable
 - permanent reduction to your pension

Allocation-eligibility

- you are eligible if : -
 - active member with 5 years or more service
 - OR
 - you retired less than a month ago
 - OR
 - married after retirement, having retired less than 6 months ago
 - OR
 - leaver entitled to deferred pension and aged 50 plus

Allocation-eligibility

- you are not eligible if : -
 - you are retiring due to ill-health (any existing allocation stands)

OR

- membership is suspended

OR

- you are absent from work due to sickness

Allocation-How much?

- you can allocate as much as you like so long as your pension is not less than : -
 - the allocated annuities
- OR
- the Guaranteed Minimum Pension

- scheme lump sum is tax free
- pension is subject to tax under PAYE
- no P45 upon retiring, details passed to USS pensions payroll
- change of tax office

Inland Revenue Limits

- as an approved pension scheme, total benefits must sit within Inland Revenue limits
- three Inland Revenue regimes, based on date of joining
- USS will advise if a change is permissible and possibly advantageous
- option needs to be made in writing for post 89 regime