

Universities Superannuation Scheme

Presentation for USS members

- what is USS?
- how much does it cost?
- what are the main benefits?
- USS website development and Service Statements
- how can I increase my benefits?
- questions?

What Is USS?

- large, centralised, final salary scheme for university teachers
- over 200,000 members
- more than 350 employers participate

Tax simplification

- Government Green Paper issued on 17/12/2002
- changes with effect from April 2006
- tax privileges and State pensions unchanged
- tax limits simplified
 - overall lifetime limit of £1.5m fund value
 - earliest retirement age of 55
 - tax free cash limit of 25% of fund value
 - annual contributions up to 100% of earnings
 - limit on annual accrual of £215,000

What Does It Cost?

- members pay 6.35% of salary (gross contribution)
- employers pay balance of cost - currently 14% of salary
- fund value was approximately £15.6 billion as at 31 March 2003

USS Monthly Contributions Calculator

actual cost

3.67%

£106

£23

£21

£61

gross contribution

less tax relief

less NI saving

actual contribution

annual
salary

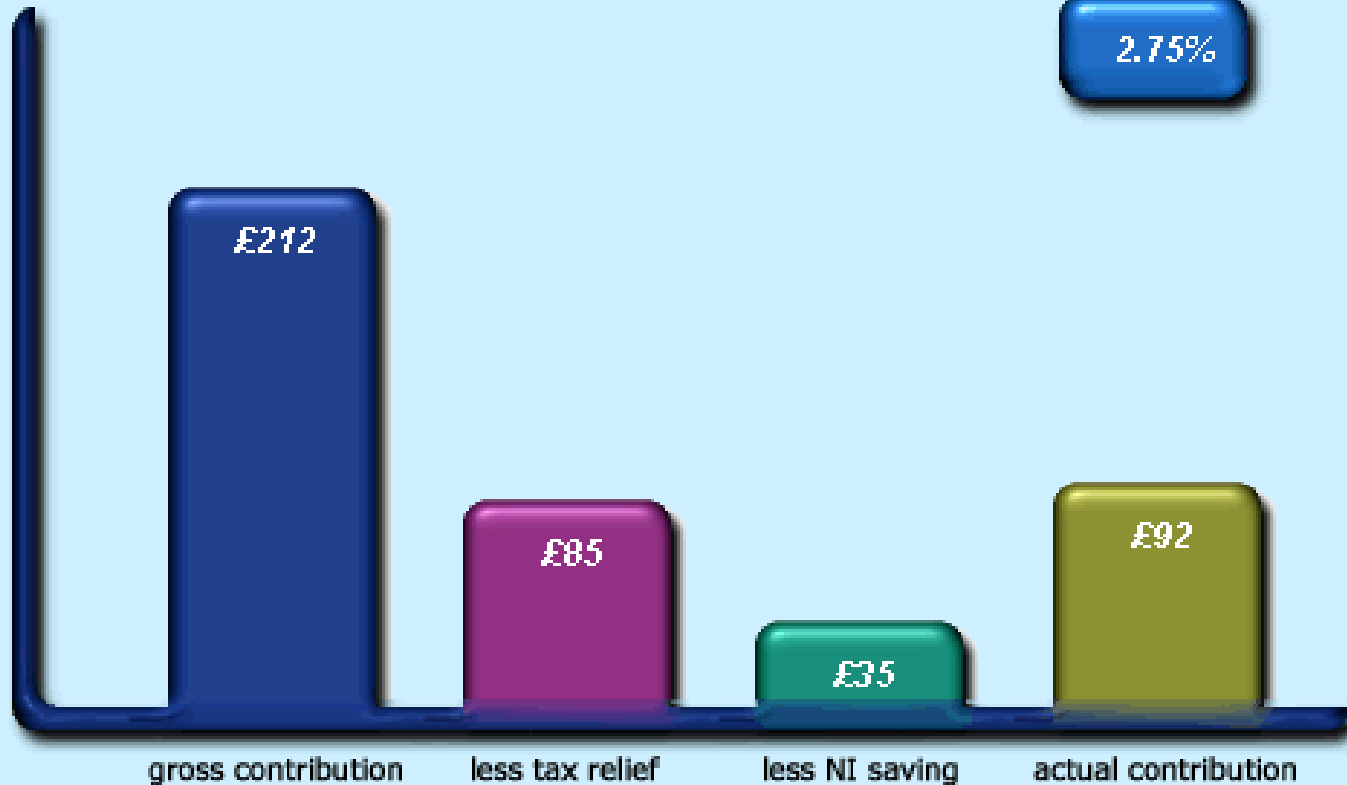
£20,000



USS Monthly Contributions Calculator

actual cost

2.75%



annual
salary



£40,000

Retirement Benefits

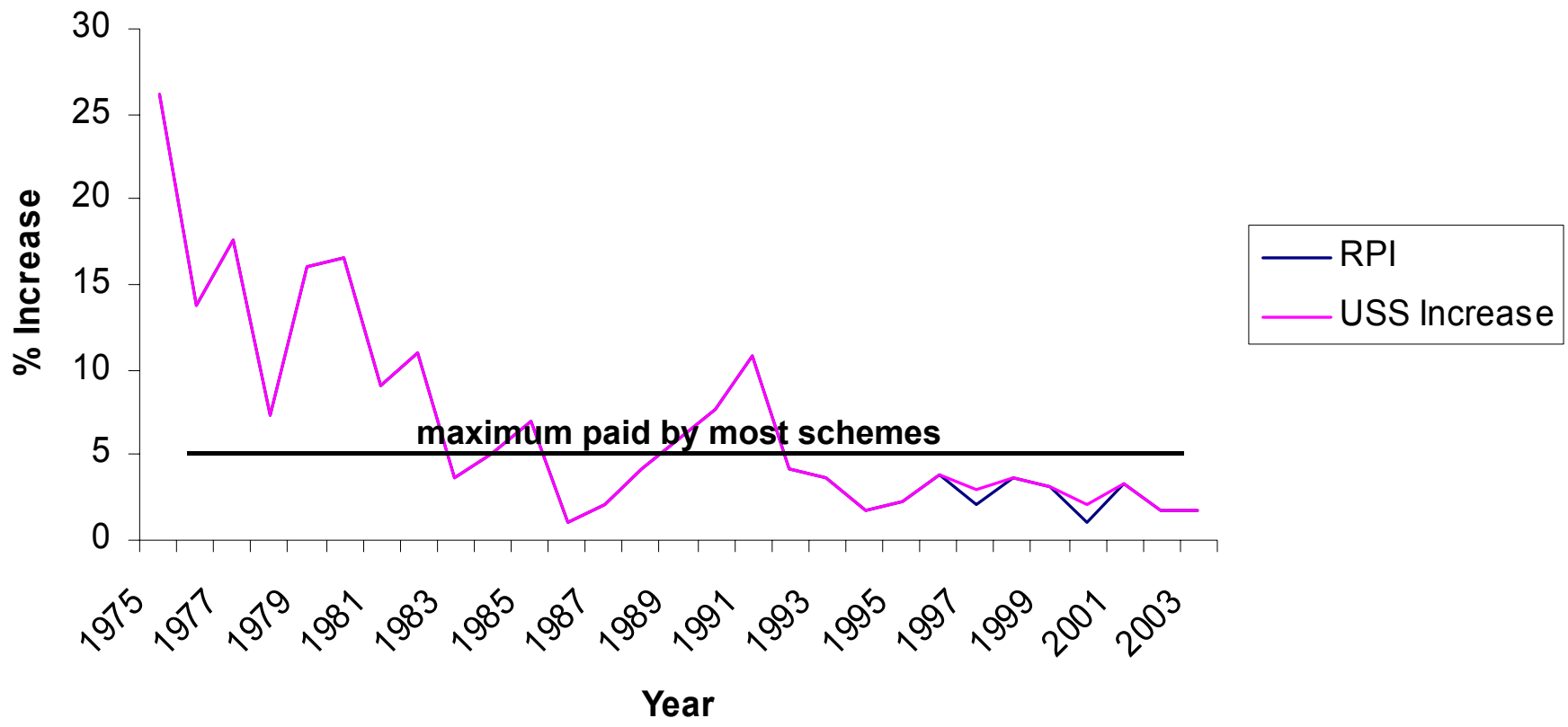
- pension on retirement of $\frac{1}{80}$ th of pensionable salary for each year of pensionable service
- plus tax free lump sum of 3 times annual pension
- commutation may be possible to exchange cash for pension and vice versa

Death Benefits

- lump sum of 3 times salary on death in service
- spouse's/dependant's pension equivalent to half member's pension projected to age 65
- children's pensions equivalent to $\frac{3}{4}$ of member's projected to age 65
- $\frac{3}{8}$ ths if only one child

Pension Increases

Pension Increase History



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	

Retirement Options

- early retirement between 50 & 60 due to redundancy or at request of employer - no actuarial reduction
- compensation scheme available to employer
- from age 60 in accordance with contract or with employer's consent
- ill-health retirement benefits projected up to age 65

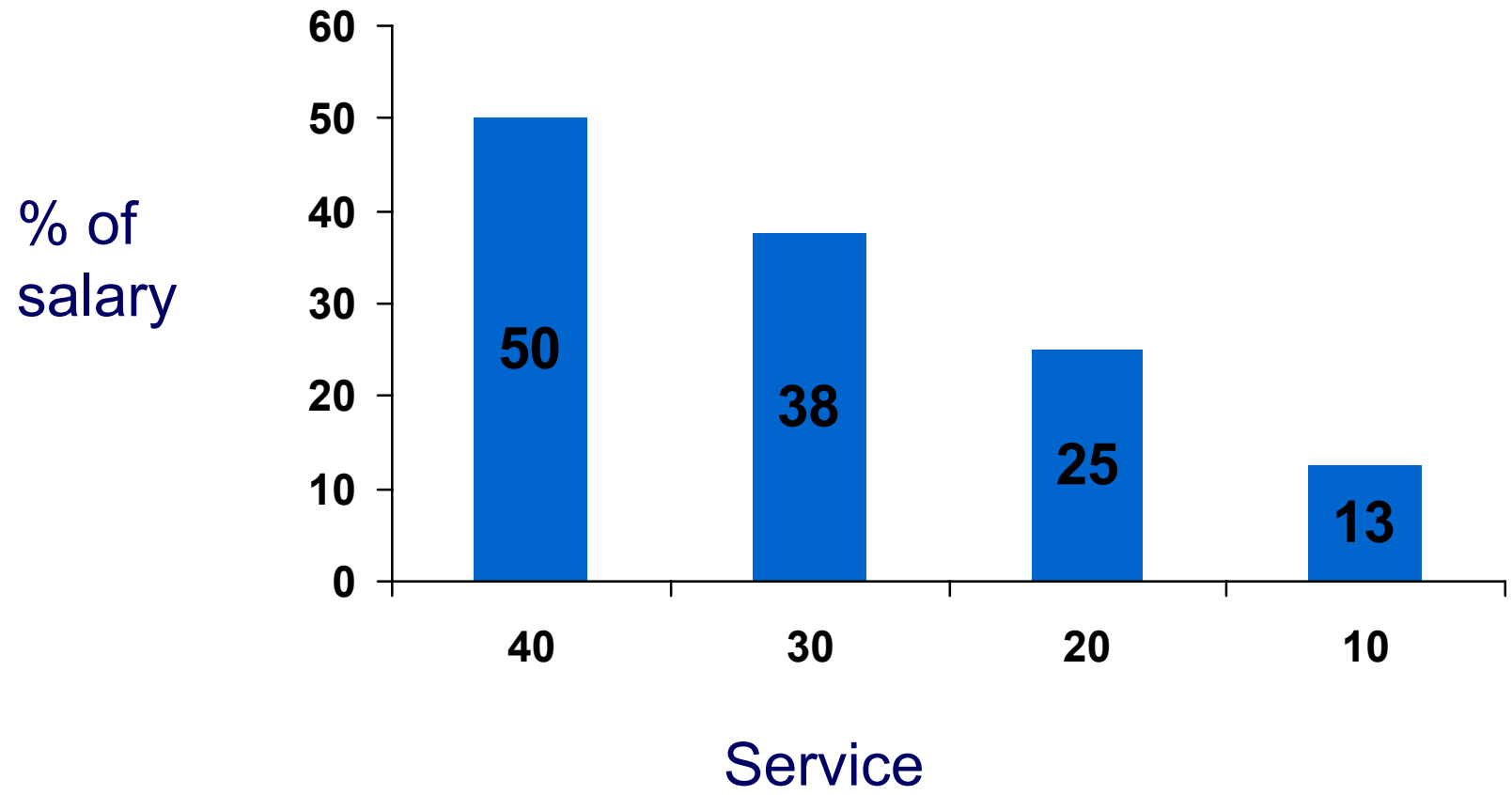
Leaving Service

- transfer to another USS institution
- deferred pension & lump sum
- refund option if less than 2 years service—(less tax and NI)
- option to transfer to another scheme
 - public sector transfer club
 - private transfer
- on re-joining deferred pension cancelled and service added together

Final Salary v Money Purchase

- money purchase
 - contributions invested to provide benefits
 - majority of fund must be used to buy pension
 - benefits dependant upon investment performance, amount paid in and cost to buy pension
- final salary
 - benefits dictated by service and salary progression

What you can expect as a pension



- replacement for benefit statements
- benefit modellers
- secure on-line link to USS database for future

USS Benefit Modeller

Your total service at your selected retirement age is:
32 years, 2 days

To look at the possibility of buying additional service, use the link to the added years AVC modeller.

at selected retirement age

pension

£12,002

tax-free cash

£36,006

spouse's pension

£6,001

up to 29 February 2004

pension to date

£1,364

tax-free cash to date

£4,093

spouse's pension to date

£682

death in service lump sum

£90,000



retirement age 65 years 0 months



final salary £30,000

Additional Voluntary Contributions (AVCs)

What Are AVCs?

- suitable for members who can't achieve maximum benefits or wish to retire early
- tax efficient way to buy extra pension benefits
 - contributions deducted from salary
 - tax relief granted at source
 - current limit of 8.65% additional contributions

Added Years

- final salary benefits
- low risk

Money Purchase

- money purchase
- choice of investment determines risk

Added Years vs Money Purchase

Added Years

- increases pension, lump sum and dependents benefits
- special provisions in the event of death or ill-health

Money Purchase

- increases pension only
- no specifically advantageous treatment

Added Years vs Money Purchase

Added Years

- maximum 40 years

Money Purchase

- up to Inland Revenue maximum

Added Years vs Money Purchase

Added Years

- no penalties for ending contributions
- no charges

Money Purchase

- no penalties for ending contributions
- annual charge depending on investment choice (max. 1%)

Added Years vs Money Purchase

Added Years

- monthly or lump sum contributions
- direct from salary
- change in amount requires new contract

Money Purchase

- monthly or lump sum contributions
- direct from salary
- you can change amounts or stop/restart easily

Added Years vs Money Purchase

Added Years

- does not increase death lump sum

Money Purchase

- you can buy additional 1 X salary life cover by paying small premium

Added Years vs Money Purchase

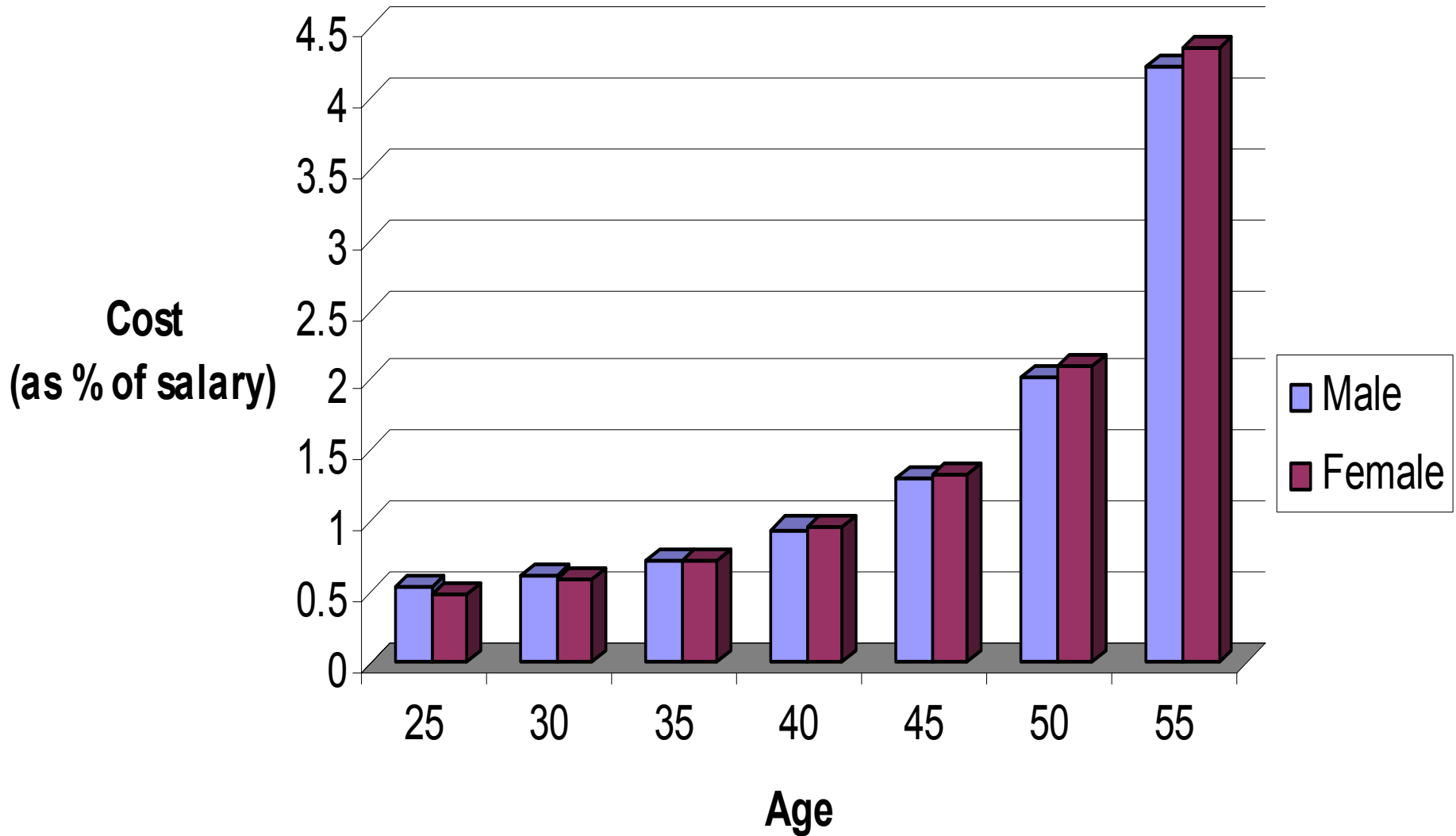
Added Years

- become payable when you retire from USS

Money Purchase

- flexibility to take AVC benefits up to age 75
- fund used to buy pension from provider/open market/USS

Cost to buy 1 year for age 60 retirement



USS Added Years AVC Modeller

 % monthly

 years

 lump sum

net cost
£96.33

4.94%

gross cost
£123.50

service
7 years
307 days

decimal
94

additional pension
£2,940

additional tax-free cash
£8,821

retirement age 65 years 0 months

future salary £30,000

>For help move the pointer over a component

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Additional Voluntary Contributions

- AVCs are not the only way to save for retirement
- AVC funds must be used to secure retirement benefits only

What AVC Route Is For Me?

- USS cannot advise you which option to choose
- Added Years or Money Purchase (or a combination of each)
- request your own information
- seek independent financial advice

- Pensions office contacts
- USS website – www.usshq.co.uk
 - slides available here
- Prudential
 - Website www.pru.co.uk
 - Helpline 0845 070 0007
- Independent Financial Adviser Promotions Helpline on 0800 085 3250 or at www.ifap.org.uk