



USS

For members, for the future



USS Member Research
FocUSS on Members
2019/20

Introduction

USS is here for our members. Our sole aim is to give them all secure, valuable and flexible pension benefits that support them in later life.

A huge part of this means working together to understand what our members want from their pension. We have a duty to ensure we understand the value of our services to members and how we can improve this, which we take very seriously. Members also tell us how important the scheme is to them – 88% say their USS pension is central to their retirement plans so it's vital that we build the scheme around their needs.

In 2016, USS became a hybrid pension scheme providing both a guaranteed defined benefit (DB) pension (USS Retirement Income Builder) and a flexible defined contribution (DC) pension (USS Investment Builder)¹. Combined with the pension freedoms that were introduced by the government in 2015 and changing approaches to working in later life, members have more choice than ever – the choice to build a DC pot, choice about how they want to invest their DC contributions and choice around when and how they take their pension.

We understand that pensions and retirement are daunting issues for many and we want to make sure we offer the right support. This is why we continuously research our members' needs, so that we understand who they are, what they do and why, and how they think and feel. This supplement provides a summary of some of the key member insights that are informing development of the scheme.

How we research our members' needs

- Our two **annual surveys** cover our active member base and give us a statistically robust view of what our members think about, and how they interact with, USS.
- We gather feedback from members at specific **touchpoints**, such as when they receive a retirement quote.
- We do **ad-hoc research** – online and offline research with small groups of active members gathering their views on specific topics.
- We use the **administrative data** we have on what our members are doing and when to help us understand their needs and behaviours.²

¹ Members accrue guaranteed pension benefits in USS Retirement Income Builder on salary up to £58,492 per year. Employer and employee contributions above this threshold, additional member contributions, and any transfers-in are assigned to an individual's USS Investment Builder account.

² All member data used in this report is subject to change but is correct as of 31/3/2019.

A profile of Active USS members

the new defined contribution element, will vary depending on their demographic profile, and the stage they are at in their working life.

Almost all of our active members work in the higher education sector, but this covers a wide range of characteristics and job roles (**Figure 1a** breaks down the demographics of our total membership).

On average, USS members earn more than the UK population as a whole (average salary **£41k per annum**). However, one in five earns less than £20k per annum - two thirds of this group are part time workers or on variable hours contracts. The same proportion have salaries above £57k pa (the 2018 threshold for automatic contributions to the USS Investment Builder). The majority of USS members are aged 36-55 but more than a quarter are aged under 35.

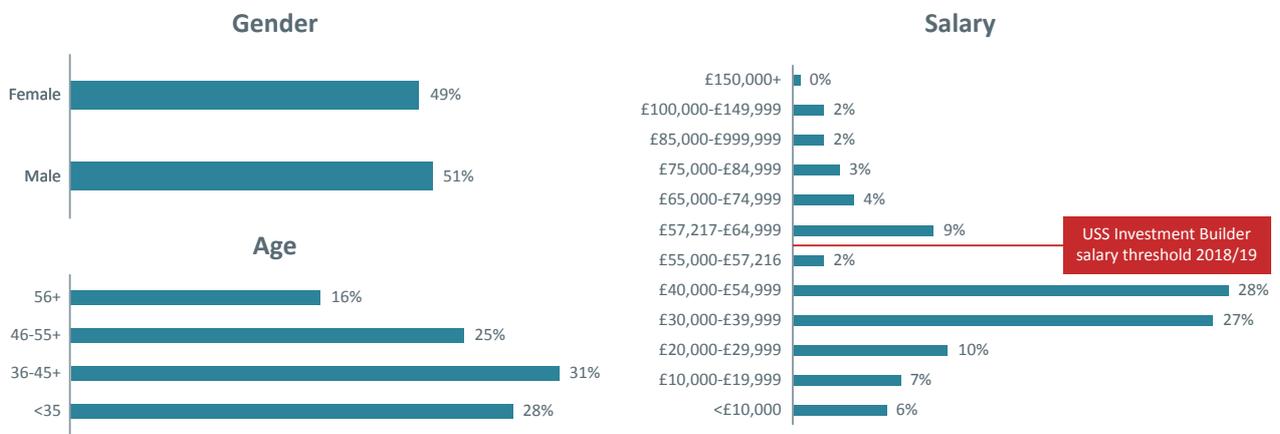


Figure 1a - (above) – Demographic breakdown of our members. (Source: Internal Member Data)

In **Figure 1b** (below) we look at what our current active members have told us about their working arrangements. USS is often thought of as a pension scheme for academics but according to our most recent survey, only half of our active members responding to the survey fit this description – the rest work in various non-academic roles.



Figure 1b - Active members job roles (Source: Member Perception Survey. Base: All Respondents = 2297)

The retirement journey

Understanding the characteristics of our membership is the starting point. Individual member needs will differ depending on how close a member is to retirement and what decisions they are facing.

Figure 2 (below) shows the high-level journey of a USS member – showing the different key stages.

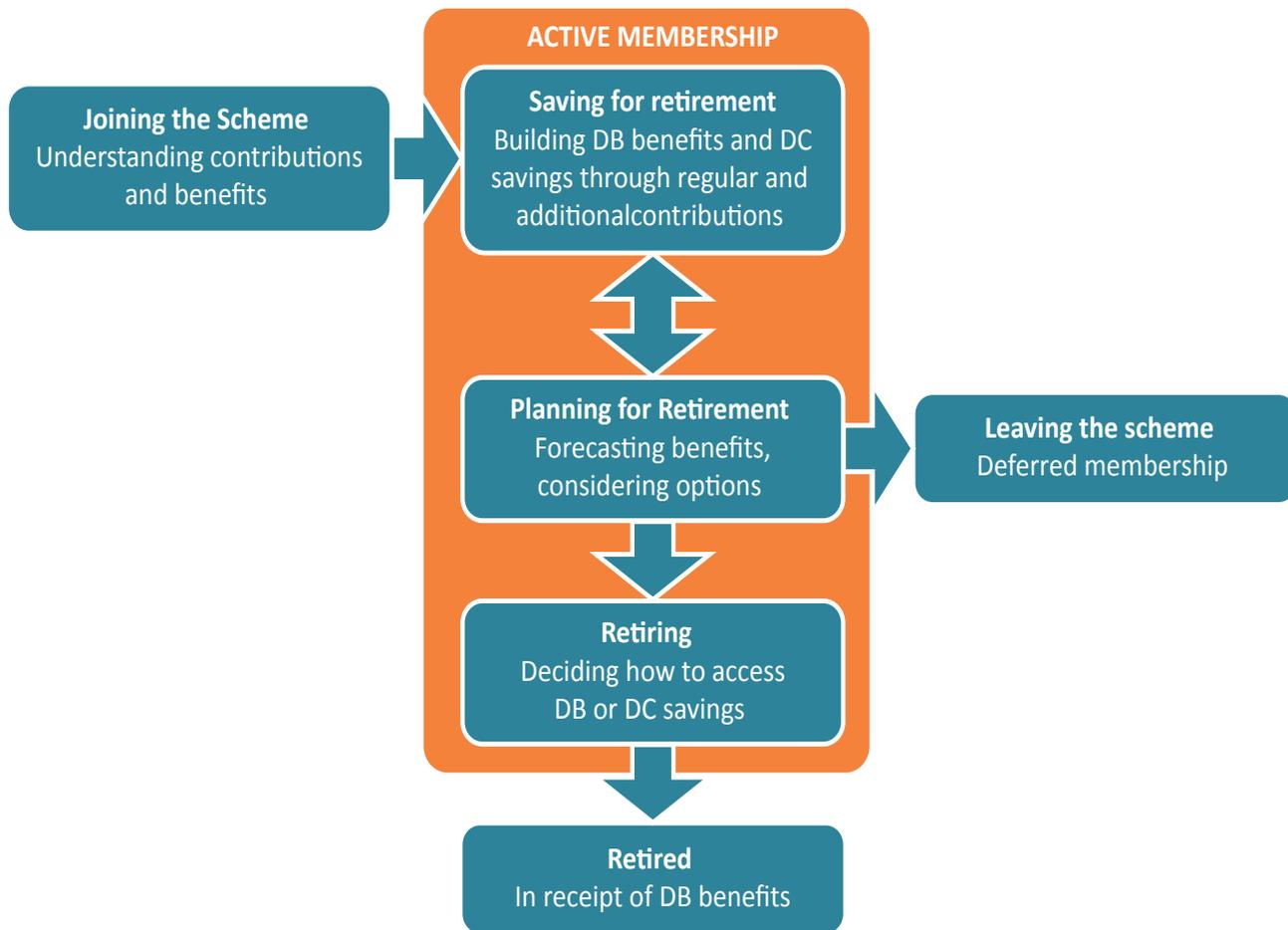


Figure 2: Our USS members’ retirement journey.

Research we have conducted with individuals approaching retirement tells us that this journey is not linear – in particular members may go through several stages of actively planning for retirement before actually taking their benefits, including reviewing their current position and making adjustments to their saving activity as their needs and expectations change.

Understanding how this works in practice, what triggers movement between different stages of the journey and how we can be ready to provide appropriate support when that movement happens is a key element of our approach to improving member experience.

Joining the scheme

“[I] thought the website and joining was very easy and helped understand what was involved” –Respondent, Member Perception Survey. Female Support Staff 45-54, Joined Scheme less than a year ago

“I just started recently and I didn’t have time to think about it...just go with the flow. Let’s do it and then think about it later.” Participant USS focus group – joined scheme in the last year

Members who are new to the scheme – having joined less than two years ago – represent **22%** of our overall membership.

They are, naturally, younger (average age **33**) and earning less (average salary **£35k**), although members who are more advanced in their careers may join us later in life from organisations and employers not participating in USS.

Members that join USS are happy with the services and information we provide, with **84%** telling us they’re happy with the overall joining process. But they are likely to need more support to understand the USS pension and what it means for them.

Listening to the reflections of new joiners has given us a valuable insight that their engagement with USS might be the first time that they have thought about retirement saving. As such detailed descriptions of how the scheme works may not be appropriate for those who first require an understanding of some of the basics of pensions and saving.

As **Figure 3** (below) shows, our new joiner members are less aware of the key benefits of we provide than the average member. We’re currently reviewing the communications we send to new joiners to make sure we tell members, in plain English, what they need to know and do to make the most of their USS pension.

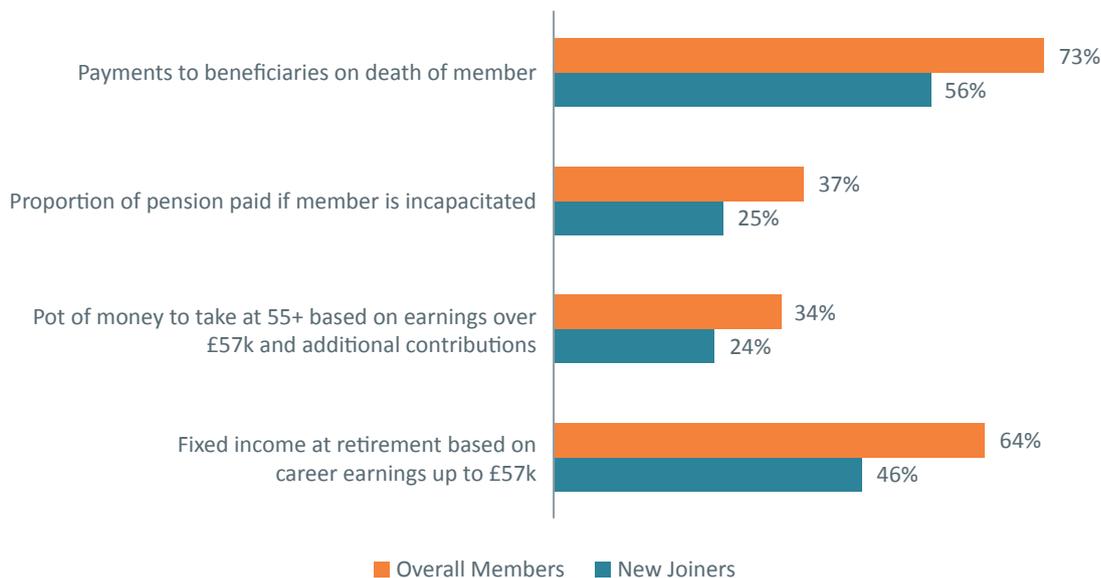


Figure 3 - Active New Joiner member % awareness of USS Benefits (Source: Engagement and Action Survey 2019 Base: All Respondents = 1,587 New Joiners = 458)

However, **15%** of eligible employees choose not to join the scheme. In **Figure 4** we show opt-out rates at different ages, expressed as a proportion of all employees in a particular age bracket who had the opportunity to join in the last financial year.

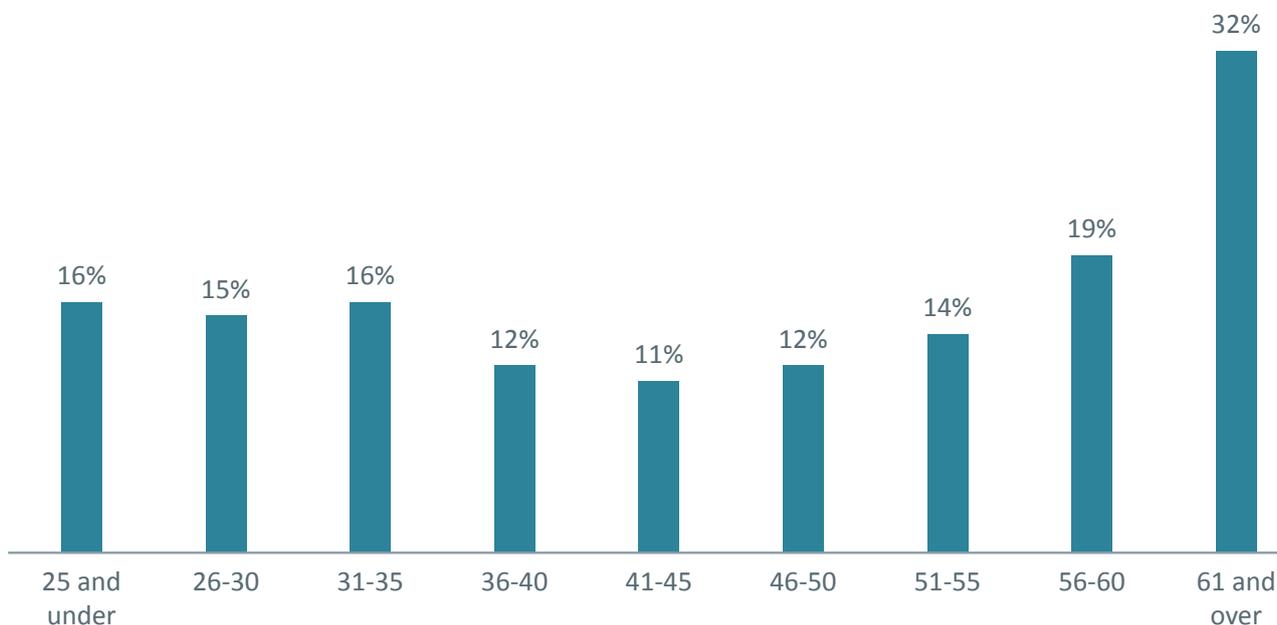


Figure 4 - Proportion of potential joiners opting out at different age bands (Source: USS Internal Data, April 2019)

Members are slightly more likely to opt out if they join at a young age. These members may be earning a little less, and indeed data from NEST, the scheme set up by Government to support automatic enrolment, suggests that affordability is the strongest driver of pension opt-outs among the under 25s.³

We have recently asked our participating institutions to collect additional data on those who opt out of the scheme. Among those members who have chosen to give us a reason for opting out, affordability was the most common with **27%** of those who responded giving this as a reason, rising to **30%** for those under 45.⁴

Those who join close to retirement are also more likely to opt out – this could be because they will already have other arrangements that they prefer to maintain. Our annual surveys this year show that **65%** of members who are less than five years from retirement have private savings that they expect to contribute significantly to their retirement income.

Saving in the scheme

“There are two big points, when you sign on and when you retire and there’s a big, big, big gap in between. It would be nice to have checkpoints... it’s just reconnecting you to the pensions process, not just two beat points at the start and the end.”

Focus group participant, joined the scheme three years ago.

³ NEST Insight/Vanguard – How the UK Saves 2018

⁴ USS Employer Opt-Out Survey, Jan-Apr 2019. Respondent base n=846, <45s n = 714

Engaging with the scheme

The primary channel through which members can engage directly with USS is our online portal, My USS. After registering, members can use My USS to monitor and manage their pension savings. Currently, **40%** of our active membership is registered with My USS.

Members can also use My USS to boost their pension savings by making additional contributions. **Figure 5** shows that the older our members get, the more likely they are to be doing this – although only a minority of them are doing it overall.

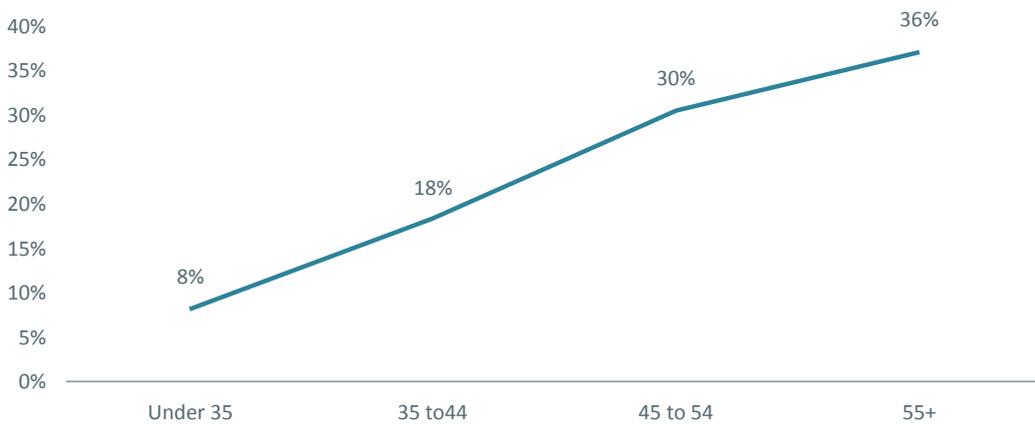


Figure 5 - Additional Contributions by age (Source: USS Internal Data, April 2019)

Managing Defined Contribution savings

As members age and their salaries grow, they become more likely to have savings in the USS Investment Builder, as shown in **Figure 6a**.

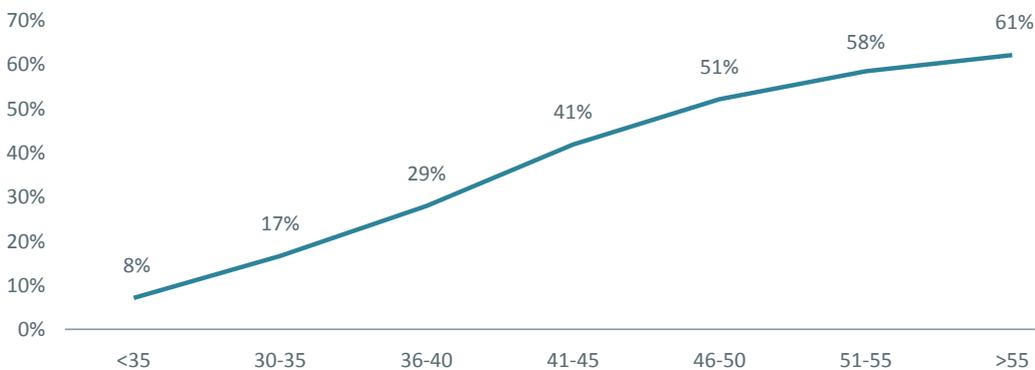


Figure 6 - Proportion of members with savings in USS Investment Builder (Source: USS Internal Data, April 2019. Members with USSIB Savings = 77,500)

The average pot size among those with savings in USS Investment Builder, as of April 2019, is £9,500. This has been growing steadily since the defined contribution element was launched – and we expect this trend to continue.

Members who contribute to the USS Investment Builder have a range of investment options. They can choose the USS Default Lifestyle Fund – this is where they’ll build a pot if they don’t make an investment decision – or the USS Ethical Lifestyle Fund. Both of the lifestyle funds gradually reduce investment risk as members get closer to target retirement age and prepare to access their benefits.

Alternatively they have the option to use the “Let Me Do It” option if they are interested in a more active approach to fund management since this option allows them to select their own fund choices and invest some or all of their contributions across 10 self-select funds.

As **figure 7** shows, the vast majority of our members remain in the default lifestyle fund, although a significant proportion use the self-select option for at least some of their savings.



- Default Lifestyle Only
- Ethical Lifestyle Only
- Combination of self-selected funds

Figure 7 - Investment Choices for Members with Savings in USS Investment Builder (Source: USS Internal Data, April 2019. Members with USSIB Savings = 77,500)

The “Let Me Do It” option allows members to manage the risk involved in their investments by distributing them between a range of blended funds which represent a decreasing level of risk from growth to moderate to cautious.

They can also choose funds that focus on specific **types** of investment: equities, bonds or cash, and different geographic focuses. Finally, there are two “Let Me Do It” funds designed for members with particular values or beliefs – an ethical equity fund and a fund which is Sharia-compliant.

While only a small proportion of our members are currently choosing our ethical funds, we acknowledge the growing interest in such investments. When asked, **79%** of our members expressed an interest in ethical investment and just under half (**44%**) believe that investment returns should not take priority over ethical concerns.

As an increasing proportion of our members begin to accumulate savings in USS Investment Builder, it is crucial that we help them to understand how investments work and make decisions that are right for them.

Using defined contribution savings

One of the features of the USS as a hybrid scheme is that it allows members added flexibility in the way they take their benefits. Members have the option to:

- take up to 25% of their overall combined pension as a tax free cash lump sum at retirement. For many, this means the entirety of their DC pot can be withdrawn tax free. This is the most common use of DC savings amongst members retiring at present.
- take smaller cash lump sums. This option has recently been made available to members aged over 55 who have not yet retired giving them a way of using their DC benefits flexibly before making the decision to retire from the scheme.
- leave their money invested with the scheme beyond retirement – although only **9%** of individuals retiring since September 2018 have done this. These members can withdraw the funds at a later stage, via cash lump sums or transferring out to buy an annuity or “drawdown” product.

We know from recent surveys that one third (**36%**) of our members are not aware of the options available to access their USS Investment Builder funds. We’re considering how we can support our members to make the decisions that are right for them, including enhancing the information available on the USS website and facilitating members receiving more tailored guidance on their retirement options.

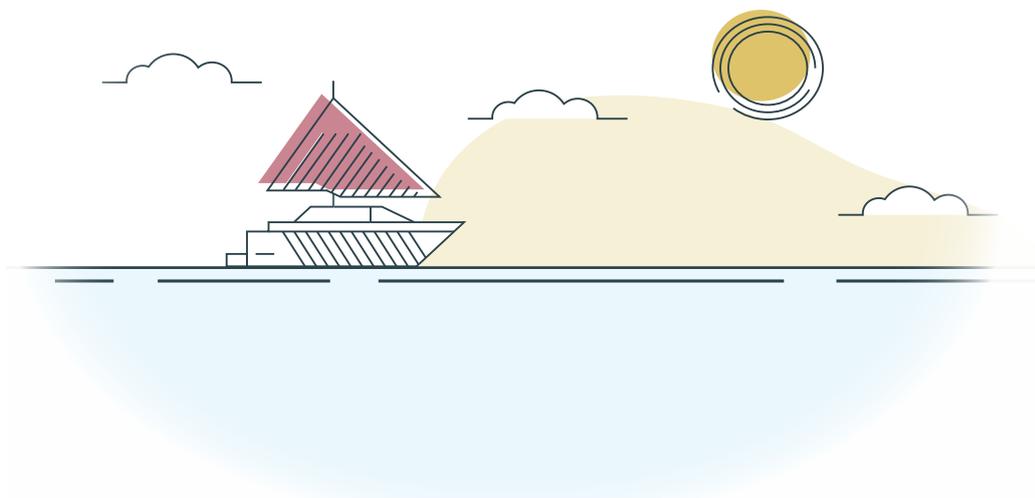
Leaving the scheme

Deferring benefits

Academic research is a life-long vocation for many, but 19,000 members left their USS employer in 2018/19, the majority of whom will have left to work for an institution or employer that does not participate in the scheme. These members become deferred members of the USS.

We have around **150,000** deferred members, representing **36%** of our total membership. The average age of a deferred member is **45** and they can expect an average annual income of around **£2,300** from their USS pension.

Currently only **4.3%** of our deferred members have savings in USS Investment Builder and the average size of their savings pot is quite small at **£6,300**, reflecting its comparatively recent introduction.



Retiring

“Retirement for my generation is a lot more complex than it used to be for previous generations” **Online qualitative panel participant, less than 5 years from retirement.**

“I really do wish I’d thought about pension decades ago and in particular looked at my options when I joined the scheme.” **Online survey respondent, in receipt of a final retirement quote.**

Members within 10 years of the state pension age have on average built up enough savings in USS Retirement Income Builder to provide an average annual pension of £14k pa, plus a lump sum of £42k that can be taken immediately at retirement. The **38%** who have built up savings in USS Investment Builder have accumulated an average savings pot of **£16,000**.

Going through the retirement process is a crucial time for a members’ relationship with USS. It is the point at which all the effort that they have put in to building and managing their pension will pay off.

We have recently started to survey members at the point when they receive their retirement quote, in order to appreciate how well they understand the process and the different options that we provide. Our findings show that, in general, members are happy with their pension amount, with **83%** saying that our quote suggested that their retirement income would be either what they expected or more than the amount they expected.

We are pleased to report that the majority of members rate both our retirement service and the information we provide in the quote very highly (as shown in Figure 8, below).

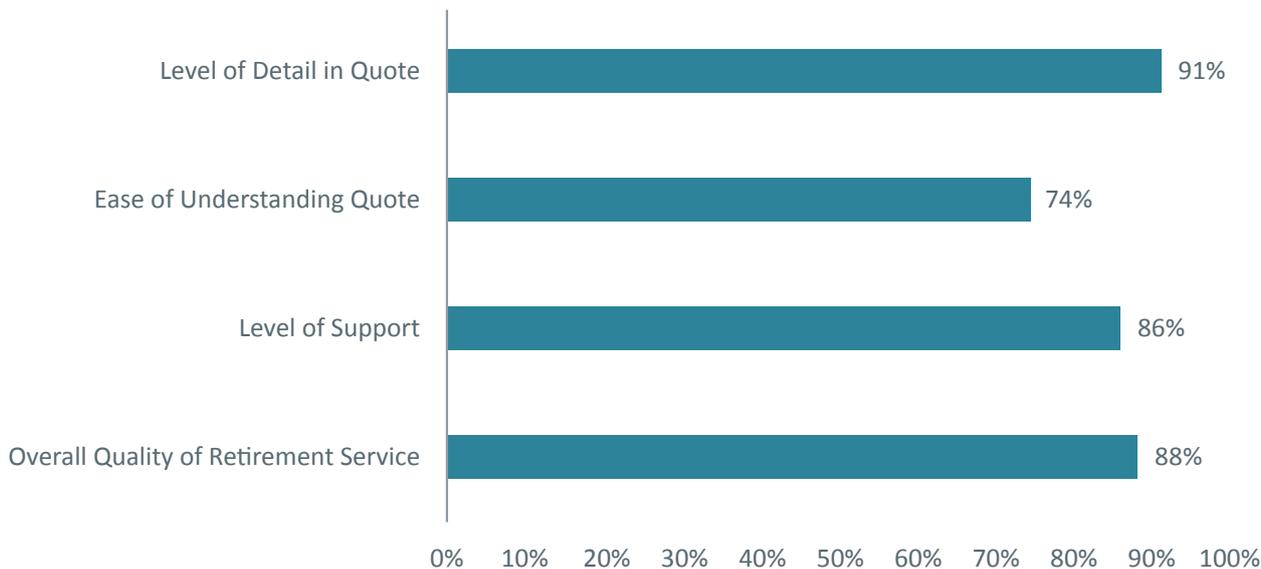


Figure 8 - Percentage of retiring active members rating the USS Retirement Quote Service as ‘Good’ or ‘Very Good’ (Source: Retirement Quote Survey. Base: All Respondents = 50)

We currently have over **69,000** members receiving retirement benefits, representing **17%** of our overall membership.

We still maintain a relationship with our members who are in retirement via the In Touch magazine. This publication updates pensioner members about USS news as well as giving them ideas on retirement living.

We know that in 2018 **88%** of In Touch readers found the information in it relevant to them. Over half (53%) are keen on articles on investment performance, and our retired members have also told us that they are interested in articles on the HE sector more generally.

What members think of USS

Our overall relationship with members

Recent disputes and controversy over the valuation may have impacted members' views of USS as a whole. In the most recent survey (November 2018) **31%** of our active members view their relationship with USS positively, 46% have a neutral stance towards us or could not articulate their attitude, and 23% felt the relationship was negative. Further analysis confirmed that these scores have been affected by the valuation and associated changes to the scheme's contributions and benefits – these are the things most commonly mentioned when members are asked about potential areas of concern.

Members are happier with the benefits the USS scheme provides – **47%** rate them as good or very good, and only 11% rate them negatively.



Figure 9 - Overall active member relationship to USS, and rating of USS benefits (Source: Perceptions Survey. All Members n = 2,278)



Our communication with members

Effective communication with members is critical, to help them understand their pension, the options they have and any changes to the scheme and to stimulate the necessary level of engagement at all stages of the retirement journey to make sure that members achieve the retirement outcome that they want. It is important to us that we support our members to make the pension decisions that are right for them.

We have piloted an approach where we communicate directly with members rather than through employers – and this year we have made further improvements to our Annual Member Statement which are designed to make it easier for members to understand the important details about their pension.

These efforts are having a positive effect – as we can see in Figure 10, more people this year rated our communications highly overall, and with reference to timeliness and ease of understanding.

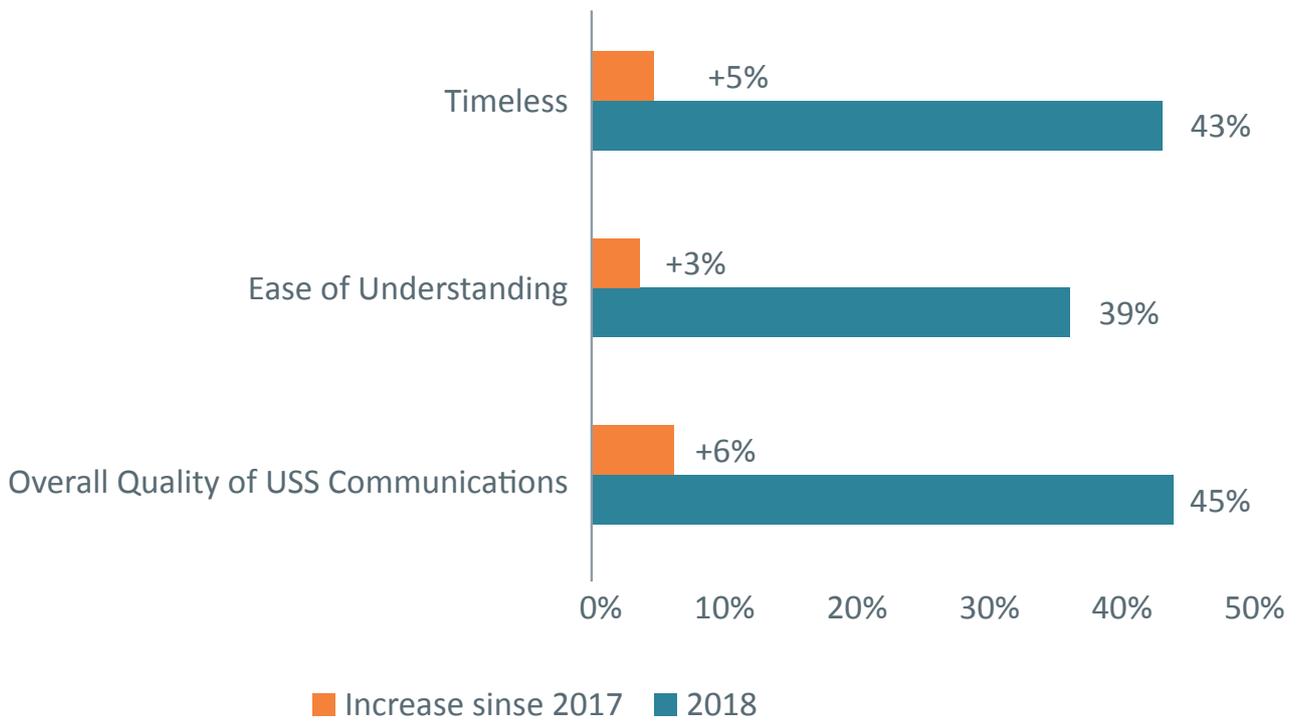


Figure 10 - Members Rating USS communication features as good/very good (Source: Perceptions Survey n = 2,276)

Looking at how useful members find their individual communications from us, we can see from Figure 11 that the majority rate all communication types as ‘useful’ or ‘very useful’. The changes to the Annual Member Statement have been received particularly positively, with 85% of members who recalled the statement (which itself was 85% of all active members) rating it highly.



Figure 11 - Members rating specific USS communications as ‘Useful’ or ‘Very Useful’ (Source: Perception Survey. All recalling each communication type n = 1,173 – 1,941)

The service we provide

We have also made improvements to the service we provide to members, particularly My USS. As Figure 12 shows, the majority of USS members who use the My USS portal have found it easy to manage their pension, even in advance of the improvements we expect to make in the near future.

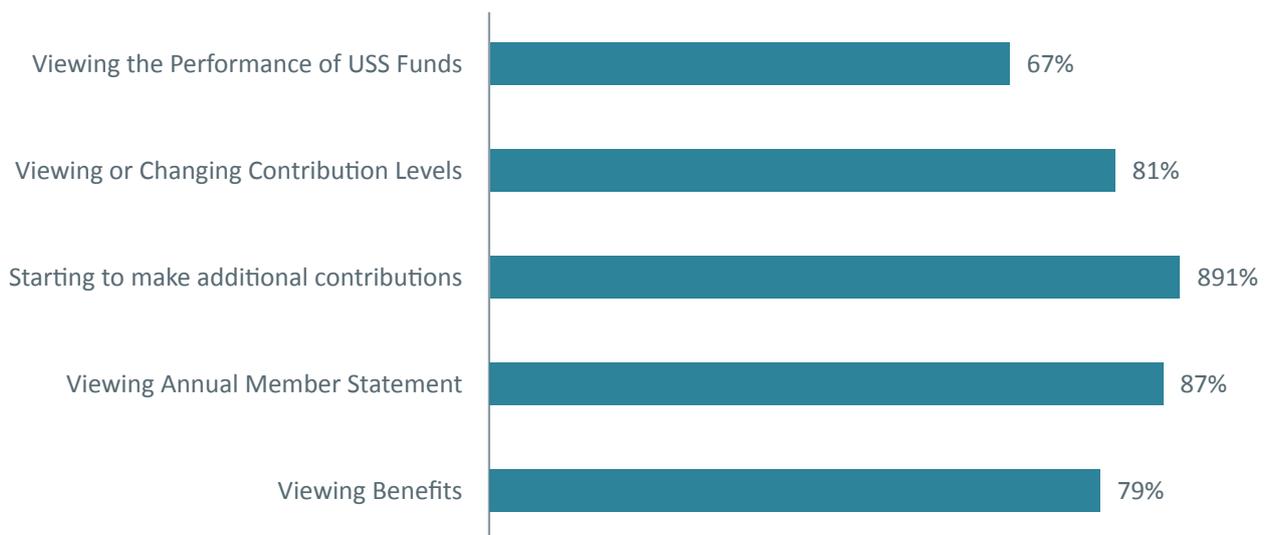


Figure 12 - Percentage of members finding particular pension management activities easy/very easy on My USS (Source: Perceptions Survey. Base: Respondents Undertaking Listed Action n = 149 - 966)

What we do with our research

Our research helps USS to understand how whether what we do works for our members, and where there are opportunities to do things better.

Improving member experience

We have been looking at the key stages of our members' journeys to ensure that we develop a member experience that is:

- **Personal** - finding information relevant to their needs
- **Accessible** - it is easy to achieve what they want to
- **Valued** - they trust that the USS cares about them and their goals
- **Reassuring** - USS helps them feel confident about making the right decisions for their retirement

We are identifying where we can improve, whether that be small changes that make things easier for members, or more strategic enhancements such as development of My USS and USS Investment Builder.

The insight from our research programme drives this work. We have already used this approach to identify opportunities to improve the way we communicate with our members when they join the scheme, so that they have a clear idea of the benefits on offer and the actions they can take. We are currently looking at the complex experiences members can have when they start actively planning for their retirement, and how we can support them in making the critical decisions about how and when they take and use their USS pension.

We are planning to enhance our view of the member experience by launching the 'Voice of the Member' panel – a direct channel through which members can talk to us and to each other about their experience of USS. The panel will launch later in the year, and we will start inviting members to join shortly.

Driving value for money

We have a duty to members to make sure that the money we use to administer the scheme is deployed in the most effective way possible, ensuring value for money for both members and employers.

By giving members the right tools at the right time and continuously investigating the impact of the changes we make, we make sure that the activities we invest in, from IT development to the provision of direct support via our member helpdesk, are having a positive impact on our members at all stages of their retirement journey.

We would like to thank all of our members who have helped us by responding to surveys or taking part in other research activities. As our member research activity develops, we continue to welcome your participation and feedback.

Technical Appendix

Member Perceptions Survey

The member perception survey was completed online by a total of 2,278 active members at a selection of 220 participating institutions, selected to ensure that organisations with a wide range of total member numbers were represented. The survey ran between November 21st and December 14th 2018.

Engagement and Action Survey

The engagement and action survey was completed online by a total of 1,536 active members at a selection of 110 participating institutions, again selected to ensure that organisations with a wide range of total member numbers were represented. The survey ran between March 14th and April 12th 2019. The demographic profile of respondents was tested against that of our overall membership, and it was determined that no weighting was required.

Retirement Quote Research

Since January 2019, active members who have received their retirement quote have been invited via a link on the quote to complete an online survey. Results shown here reflect the 46 responses received by 31st March 2019

In Touch Magazine

USS Pensioners are invited to complete an online survey when downloading their copy of 'In Touch' magazine in 2018. Results shown here reflect the 149 responses received in response to the feedback survey overall

Opt-Out Survey

Employers were provided with a short survey to pass on to individuals who chose to opt out of USS. Anonymous response data is aggregated and passed on to USS on a quarterly basis. Results shown reflect the 846 responses received as at 31st March 2019.

Retirement Research – Online Panel Group

A group of five participating institutions invited members who were less than ten years from retirement to participate in this research via an emailed link to a screening survey

The 21 participants selected by this process were given access to an online panel tool, where they were guided through a series of moderated online tasks including polls, discussions and hypothetical planning exercises to understand their attitude and approach to retirement.

Recent Joiner Focus Group Research

Two USS institutions sourced a total of 10 volunteers who had joined the scheme in the last five years, with at least two being 'new joiners' as defined above. They took part in a two hour professionally moderated discussion about their experience of joining the scheme.

Internal Data

All internal member data was extracted for analysis on March 31st 2019 and is correct as of that date.