



USS



# In Touch

## Your pension benefits are protected

**Welcome to the new issue of *In Touch*. The headline-grabber continues to be our most recent valuation, which I'm sure you've read about in the press.**

There's a lot of information – and misinformation – flying around, so it's important for me to provide reassurance and update you on the facts.

The main thing I'd like to make absolutely clear is that your benefits earned to date are secure and protected. The valuation and any scheme changes won't impact your current pension in any way, but would only apply to benefits built up after the scheme changes come into effect, for those still paying into the scheme.

Our objective is always to be completely transparent with our members, providing you with regular updates and important information about USS and the 2017 valuation.

You can read more about [the valuation](#) on our website. You'll also find useful updates and blogs from me and my colleagues in the [Views from USS](#) section, as well as a number of [videos](#) which you may find useful. We'll also be going into a bit more detail on the following pages.

We're keen to get feedback from you, so please tell me what you think of this edition of *In Touch*, by completing [this short survey](#).

**Bill Galvin**  
Group CEO



# In Touch contents

## USS valuation in a nutshell

Economic conditions, lifestyles and members' personal circumstances change over time, so every three years we have a valuation of the scheme.



## Spring has sprung

Gardens are a popular way to enjoy retirement with your USS pension, so we've pulled together a few ideas to inspire your green fingers, plan your next garden visits and get smartphone app-savvy in the garden.



## State Pension increase

The Government have announced the State Pension increases for 2018, here's how much the benefit will pay during the 2018/19 tax year.



## The changing pension landscape

Low interest rates, high investment costs, longer life expectancies and depressed investment returns are challenging schemes across the UK, and political and economic uncertainty, also play major roles.



## Stay connected

If you're looking for a few stimulating reads about the lives of fellow retirees, there are loads of really good retirement blogs that are full of information and imagination.



# USS valuation in a nutshell



**Economic conditions, lifestyles and members' personal circumstances change over time, so every three years we have a [valuation of the scheme](#).**

We look at the economy, our assets, our investment performance and our outlook for investment returns in the future.

We also review the assumptions we make about our members – things like life expectancy and lifestyle, and we consider the ability of employers to continue to support the scheme in the future.

This allows us to determine whether we have enough money to be able to fund the benefits that have already been built up (our liabilities), and how much employers and members need to contribute to the scheme so we can be confident we can provide the new benefits that members are building up.

**Economic conditions, lifestyles and members' personal circumstances change over time, so every three years we have a valuation of the scheme.**

Our most recent valuation showed the scheme can't continue to provide the current level of new benefits being built up at the contribution rates employers and members pay now.

## The challenge is the investment outlook

The big challenge is the investment outlook. Interest rates have fallen relative to inflation and the price of assets has soared – the cost of accruing future defined benefits has increased by around a third since 2014.

The valuation shows a deficit of £7.5 billion at 31 March 2017, based on updated assumptions. This is the difference between the amount of assets we hold and the amount of money we need to pay the pensions our members have built up.

We had £60 billion in assets as at 31 March 2017, so this gives a funding level of 89%, and we're establishing a new deficit recovery plan dedicated to closing this gap.

While the challenge we face is not unique to USS, we understand the impact it has on our members, and we'll continue to run the scheme in their best interests.

Benefits already built up by our members are protected by law – that means the benefits accrued by retired and deferred USS members, and those already built up by active members paying into the scheme, are secure.

Keep up-to-date on the [latest valuation news](#).

**Benefits already built up by our members are protected by law**

For a glossary of our terms please see more information on our website: [uss.co.uk/important-terms](https://uss.co.uk/important-terms).

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# Spring has sprung

According to [The Horticultural Trades Association](#), 71% of retired or semi-retired people take a great deal of pleasure in their garden.

We understand this is a popular way to enjoy retirement with your USS pension, so we've pulled together a few ideas to inspire your green fingers, plan your next garden visits and get smartphone app-savvy in the garden.

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inspiration, like [Gardeners World](#) and [The English Garden](#). Some top magazines also have online editions, like [Organic Gardener](#) and [House & Garden](#), so you can read them on your phone or tablet.

If you're an avid gardener, the [Garden Plan Pro](#) app, can help you figure out what you should plan and when. It has weather information, planting reminders and tips for crop rotation to help you take care of your garden all year-round.

If you appreciate a beautiful garden but don't like getting your hands dirty, the [National Garden Scheme's](#) website lets you browse over 3,700 private gardens to find ones close to you and get all the information you need about prices, directions and opening times. They also have a great app, [NGS Find a Garden](#), that makes planning your visit even easier.

Or if it's a bit of heritage that you're after, there's never a National Trust location too far away. You can use their [website](#), or the [National Trust – Days Out](#) app, to explore special places from countryside to coast. You can view what's around you, including current events, to plan a memorable day out.

Whether or not you decide to use tech to boost your green credentials, or are inspired to plan your next visit this spring and summer, gardens have so much to offer. **So get out and about and enjoy the sun.**

# State Pension increase

**If you missed the Government's announcement of State Pension increases for 2018, here's how much the benefit will pay during the 2018/19 tax year.**

The 3% increase is the biggest since 2012. Pensioners entitled to the full new State Pension will see an increase of £4.80 a week, and those receiving the full old basic State Pension will see an increase of £3.65 a week.

**3% increase is the biggest since 2012**

The old State Pension will continue for those who reached State Pension Age (currently 65) before 6 April 2016. Anyone who reached State Pension Age on or after 6 April, will be receiving the new State Pension. To read more about both State Pensions visit: [gov.uk/state-pension](http://gov.uk/state-pension).

Pensioners on lower incomes who receive Pension Credit will see a benefit increase of 3% too. However, the threshold for the amount of savings they can have before they get the Savings Credit element, is set to rise to pay for this.

For more information visit [gov.uk](http://gov.uk).

	2017/18 weekly payment	2018/19 weekly payment	Annual increase	Annual payment
Full new State Pension	£159.55	£164.35	£249.60	£8,546.20
Full old basic State Pension	£122.30	£125.95	£189.80	£6,549.40



# The changing pension landscape

**The pension landscape is changing: low interest rates, high investment costs, longer life expectancies and depressed investment returns are challenging schemes across the UK, and political and economic uncertainty, such as Brexit, also play major roles.**

USS isn't immune to these conditions. Like two thirds of UK defined benefit pension schemes in the private sector, we have a deficit – but that doesn't affect our ability to make sustained investments over several years, and [our investment performance](#) against our rolling targets has been strong.

A defined benefit scheme is a type of pension arrangement that gives a set level of benefits at retirement, based on a formula that takes account of your salary each year and length of service.

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In 2006, there were almost 3,500 defined benefit schemes in the private sector still open to new members. Fast forward 10 years, and there's fewer than 700.

Right now, just 19 of FTSE 100 companies offer defined benefit schemes to employees, and according to [moneywise.co.uk](#), 11 of those companies have pension liabilities greater than their equity market value.

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## Praised as part of a creative movement within the industry

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It's almost two years since we became a hybrid scheme, introducing the [USS Investment Builder](#) – the defined contribution section that runs alongside the defined benefit section, the [USS Retirement Income Builder](#).

This approach not only allowed us to keep our defined benefit section open to new members, but is also being introduced by businesses like BT – and being praised as part of [a creative movement](#) within the industry.

A defined contribution scheme is a type of pension arrangement in which the member builds up a pot of savings for retirement. The pot is based on the amount contributed by both the member and the employer, how the contributions are invested and

how those investments perform. It differs from a defined benefit scheme in that it does not offer a 'set level' of benefits.

While the 2017 valuation continues to be a talking point on social media and in the news, Hugh Nolan, president of the Society of Pension Professionals, wrote in [Pensions Expert](#) that USS 'seems like a great deal'.

For the latest insights and commentary from USS on the pension landscape visit [Views from USS](#) page.

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# Stay connected...



## **You work your whole life for the pleasure of being able to retire and spend your days as you choose – but what do you do, if you miss a little inspiration from other people in the workplace?**

Well, if you're looking for a few stimulating reads about the lives of fellow retirees, there are loads of really good retirement blogs that are full of information and imagination. Here are some of the best.

[Notes from Retirement](#) is written by John Brassey, retired MD of Instanta. John charts his retirement (of eight years, so far) and shares stories of his travels, family, hobbies and daily life, and it's a cracking read. If you're looking for a bit of inspiration, it's well worth a visit.

[Julia's Place](#) contains the musings of a retired headteacher who started writing after feeling like she'd lost her purpose when she retired 10 years ago. Over the past decade, the blog's become a lively community, with Julia's adventures prompting lots of sharing and discussion about making the most of retirement.

[Retirement Rocks](#) is a humorous take on retirement by a 62-year-old retiree who left the rat race at just 49. Content ranges from solo travels to discussions and observations of modern life. This one's all about the fun.

[Kathy's Retirement Blog](#) is a bit philosophical – not in a heavy way. It just looks at retirement as a journey rather than a destination. Kathy discusses the emotional elements of retirement, and often writes about how to keep challenging yourself intellectually and physically.

HSBC's [Future of Retirement Global Report](#) is also an interesting read that compares the real-life experiences of today's retirees.

If any of these blogs take your fancy – or if you find some hidden gems that we've missed out – we hope you enjoy the read.

We're keen to gather your feedback on In Touch to influence future issues.  
**Please complete [this short survey here](#).**

