What does your USS pension provide webinar transcript

Helen McEwan: Good afternoon everyone. I'm Helen McEwan, chief pensions officer at USS. Thank you so much for joining this webinar today. This is the third in a series that USS have held. Previously we've spoken about governance and valuations, if you missed them then please feel free to check them out under the 'news & views' section of our website. There're also some Q&As on there, which are a combination of all the questions we were asked during the webinars. So if you've got any questions on either of those topics then please just do check out the website and I'm sure you'll find the information you need there.

I'm joined today by two colleagues that I work really closely with on a day-to-day basis. They are Dean Blower who is head of strategy and insight, and Steve Golden who is head of policy, proposition, and employer engagement.

We are really keen, today, to make sure that you leave this session feeling much more fully informed about what your USS pension provides for you and your dependants. You may be aware that our role is to keep the promise that's made to you by your employers that all benefits that are promised to members of the USS pension scheme, those promises will be kept and the benefits paid as soon as they fall due.

What we want to do today is to make sure that we give you an understanding of how we manage those benefits, but also the key elements within it in terms of the options and choices you have when building up benefits and, indeed, when you retire, which is clearly really important, that you understand what those choices are.

I'd just like to point out, though, that while we will be- I'll be asking Dean and Steve a series of questions which will hopefully give you all the high-level information that you need. It is important that you understand that we are not qualified to give you financial advice about your individual circumstances so, if you do feel that you need that, we would strongly encourage you to seek out the help of an independent financial advisor registered through the Financial Conduct Authority.

What I’m going to do, as we have done in all the other webinars, is ask Dean and Steve a series of questions. We’ll probably take about half an hour to get through those, but I do want to ensure that we leave time for questions that you have. There have been a few through already, that have come through on the registration pages, so we’ll be very happy to pick those up as we go.

As always, this session will be recorded so you can watch it back. We will compile the Qs and As, as we did previously, and make sure that you have all the answers to the questions that you need there.

One other thing that I’d like to point out to you is that we’re always really keen to hear your views. There will be a feedback survey at the end of this, which is really quick to complete and would be massively helpful for us in terms of you letting us know what you would like for future topics or things that you don’t feel we’re fully explaining at the moment.

I think I’ve said before to check out our website, which has been vastly improved. Definitely have a look there too, but if there is anything that you would like to ask us we’re very happy to pick that up. You can also now share your views and ask us questions via our Facebook page which is Facebook.com/USSpensions. Please do engage in that if you possibly can.

Before I turn to Dean and Steve, just a few bits of information and background as to what we do at USS. We engage with 340 higher education employers, that’s 460,000 members that actually compile the USS scheme, so it is a very large scheme that comes with considerable legal, regulatory, and fiduciary responsibilities which we are keenly aware of and take incredibly seriously. That said, we’re really passionate about doing the best job we can with the pension scheme and we really do want to make sure that it’s as good as it possibly can be for members. Your feedback in terms of how we deliver that is massively important.

We're very conscious that it's an incredibly valuable pension benefit. Most of the employees at USS are members of the pension scheme, and we want to keep you informed and supported throughout your journey to retirement.

Without any further ado, let's turn to our speakers. I will ask them to introduce themselves. So, Dean, could you please tell us a little bit more about yourself and the role that you have at USS?

Dean Blower: Good afternoon everyone, my name is Dean Blower and I'm head of strategy and insight here at USS. That means that my role is to ensure that we understand our scheme's members and employers and the wider pensions and savings landscape, and that we ensure that our products and services are based on this evidence and are, ultimately, aligned to the sector's needs.

I've been at USS for a couple of years, since 2018. Before this, I had a career as a policy official and as an economist in the civil service and worked on a range of initiatives including introducing automatic enrolment in pensions, expanding early education, and reforming housing benefit.

Helen McEwan: Excellent, thanks Dean. Steve, can I ask you to do the same please?

Steve Golden: Yes, thanks Helen and good afternoon everyone. My name is Steve Golden. As Helen said, I'm the head of policy, proposition, and stakeholder engagement.

Just to explain what that means, policy is a technical piece of work that I'm responsible for which ranges from everything from helping employers understand how the furlough scheme applied to sector works at the beginning of the year to having a controlling influence over the scheme rules.

Proposition is around the member experience and making sure that the experience we deliver members, across the whole journey, is continually reviewed and improved.

Stakeholder engagement is high-level strategic engagement with the sector to support what we do and what the stakeholders need.

I've been here a little longer than Dean. I've been here 20 years in July just gone, and started processing leavers in pension operations. I've had quite a bit of experience on a range of topics throughout the business in my time.

Helen McEwan: Thanks Steve. I think, for disclosure purposes, I've been with USS for 18 months so I depend on both these chaps hugely to keep me- In terms of their information and how the scheme is run.

What they didn't, also, tell you is that they're both parents of very small children. We are hoping that we won't be dive-bombed during this conversation, and that we will be able to carry on our conversation.

Let's get to it guys. First question, Steve, is for you. Could you tell us what, fundamentally, does the USS pension scheme provide to its members?

Steve Golden: Yes, thank you Helen. I will try my best to keep jargon out, although I'll start with some. USS is a hybrid pension scheme. I'll just explain what that means. Classically, there are two types of pension provision. There's a defined benefit, which is a promise that is received when you retire, and there is a defined contribution, which is basically a pot that you build up over time and then you draw on when you come to retire. With the defined benefit pension the employer takes the risk, with the defined contribution pension the individual takes the risk.

We're a combination of both with the DB, the defined benefit, bit designed to give you an income, a secure income with more flexibility around the DC, the defined contribution.

When designing a scheme like that, you have a choice. We're not unusual as a hybrid scheme, there are plenty of them around. We've designed ours so that it's a single scheme, so that you'll benefit in both sections of it. When you come to draw them, you can consider how you wish to do those together rather than kept separate.

It's quite an important distinction between what we do and what other schemes might do, because it gives you more access to flexibility. You can, maybe, leverage more tax-free cash, which we'll talk a bit about a little later.

We made a design decision, under a hybrid scheme, to deliver a product which is a combination of two distinct pieces brought together to provide a single product.

Helen, I'll go onto- Sorry Helen.

Helen McEwan: Sorry Steve. Did you want to tell us more about the defined benefit element of the scheme or was there more you wanted to add there?

Steve Golden: No, I'll get into a bit more detail. In terms of the way the defined benefit scheme works- We call it- You'll see it in the literature that we have, we call it the Retirement Income Builder. It's called that on purpose because it provides that underlying income. You pay contributions to USS, and your employer does also. For that you get 1 75^{th} of your salary for the year, up to a salary threshold, as a pension.

Just to break that down into something that's a bit more understandable, for every £10,000 of pensionable income you have you get an annual pension of around about £130 a year. The salary threshold, above which you are in the DC section of USS or the Investment Builder, is set at just under £60,000. For those who wish a bit more detail, it's £59,585.72. I did need to read that to make sure I've got that right. So you would max out… If your salary was higher than that you max out your annual pension, through the defined benefit section of USS, at around about £800 per annum.

In addition to that pension that you get, you also get a three times lump sum. So, over your career in academia, you build up a pension over a year. When you come to draw your benefit, if that's how you decide to take them, then you'll get a three times lump sum. Normally that's tax free, there are some limits as to the maximum amount of tax-free cash that you can get but you'll generally get a pension plus a three times tax-free cash lump sum. You can switch between the two, you can take more pension if you wish or you can take more cash if you wish, depending on your circumstances.

Helen McEwan: So, Steve-

Steve Golden: Your pension is not…

Helen McEwan: Sorry, I was just going to recap to make sure that everyone is really clear as far as this is concerned. We have a hybrid scheme, we have a DB part which is called the Retirement Income Builder, we have a DC part which is called the retirement Investment Builder. Everyone is a member of the Income Builder, is that right?

Steve Golden: That's right, yes. As your salary increases, if you earn more than the threshold which I said a little earlier, then you are automatically into the Investment Builder, the DC side of USS. If your salary is not over that then you can voluntary pay additional contributions and they are invested into the Investment Builder.

Helen McEwan: Great, thank you.

Steve Golden: Helen, I'll just talk a little bit about the way in which the benefits are inflation proofed. The money that you build up, it doesn't remain the same every year. It retains its value by being linked to the Consumer Prices Index, which is our measure of inflation. So, broadly, it will increase every year in line with Consumer Prices Index, or CPI for short.

That goes for the benefits that you build up, the salary threshold which was lower than it currently is because that is also increased every year by CPI, and the pension when it's in payment as well. So your benefits don't stay flat. Should you leave academia and your pension is left deferred with USS, then that also increases by those measures as well. So it retains the same purchasing power as when you built that up.

Helen, any questions you have on that or…?

Helen McEwan: Yes. I was just going to say, you mentioned death benefit so I wondered if you could tell us more about any other benefits that the pension scheme brings.

Steve Golden: Yes, sure. We describe them as ancillary benefits. These are additional benefits that most people don't realise are included within the pension scheme. For the contribution rate that you pay, as well as the pension you build up, should you die in service then there is a three times salary lump sum which is paid plus a pension which is paid out on an enhanced basis, which is paid to a surviving spouse or dependants that you may have.

Helen McEwan: I think that's-

Steve Golden: Should you be retired-

Helen McEwan: Sorry Steve, I just think that's an important point to emphasise because we are getting some questions around, "Three times what?" So it's three times your salary that's the death benefit or three times the pension that's your death benefit?

Steve Golden: In service… So there is a distinction. While you're in service then it's three times your salary, and it's the salary on which you pay pension contributions. If you work overtime or you get additional payments within the university or the employer that you are with USS for then those additional payments, which are not pension, don't count for that three times lump sum. So, in service, you get three times salary plus a pension.

Should you die after you've retired then there is a pension that is paid. There can be a lump sum payable, that's paid should you die within five years of retirement. If you've left the scheme and you've got what's called a deferred pension with USS then, again, there is a lump sum that's payable which is three times the pension. Then there is a pension payable as well.

There is quite a lot of information on this on the website Helen. I think there's only so much we can talk about in the webinar today. I would encourage, we'll do this as we go through, everybody to- The bits that they hear that they're particularly interested in, please go and take a look at the information on the website as well.

Helen McEwan: Yes. I think this might be an important point to say as well. As a follow-up to this, we will be doing webinars led by [___ 00:15:28] which is part of our initiative to continue to support our members in their decision-making and their understanding of the pension. That will be a much longer, more detailed, session, so we'll give more information about that in the next week or so. That will be coming to you, so that will be helpful as well. As you say, it is on the website.

Could you just say a little bit about incapacity benefit, please, Steve?

Steve Golden: Yes, yes. So the final part of this- There're, kind of, three legs to this which are death in service, death in retirement, and then incapacity benefit. Should you be unable to continue to work due to incapacity and ill health then we might be able to help. There is a pension that is payable to you so long as you've got two years' service, which is based upon what you've served at that point enhanced to your 65th birthday and then payable to you for life. That is payable at whatever age you are at that point.

So it's just an additional bit of security so that you understand you are covered for death in service, for ill health while working, and also for death after retirement so your loved ones are protected. I would just add that it's important that you make sure that your wishes are updated. There is a form called an 'expression of wish' that you need to complete to make sure that, should these things become payable, it's clear to the trustee who you would want them payable to outside of a surviving spouse should you have dependants.

Helen McEwan: I think we've seen a really good example of that recently, haven't we, with our feedback from one of our members who received a pension for quite a long time from ourselves as a result of that.

Steve Golden: Yes, that's right. There was a lady that contacted us, unfortunately her mother had passed away who was 105. She'd received a pension on behalf of her husband who was a member. Her husband had been a member of USS for many years, then had retired and received his pension for a number of years. Sadly, passed away. That left the pension to his surviving spouse, she then received that pension. She passed away at 105 and her daughter called us just to say thank you. The pension made a real difference, both to her father and to her mother for the times that they received it. It was a real help to know that they were secure.

I guess from my perspective, having been here for 20 years and not been at an employer before that for an awfully long period of time, you realise that you are involved in something which is really important. It makes a difference to people's lives.

Helen McEwan: Absolutely, absolutely. Thanks Steve. So we've talked a fair bit about the DB scheme where you've said the responsibility for that is the employer in terms of carrying the risk, and that we build it up based on salary and that we have the threshold. Obviously, over the threshold we have the DC contribution element. So if earn more than the £59,000, exact figure that you mentioned, then you're into the DC. Would you like to tell us a little bit more about that, please, Dean.

Dean Blower: Of course, Helen. You and Steve mentioned that you earn the Retirement Income Builder up to that threshold and if you earn above that threshold you and your employer automatically start contributing to USS Investment Builder, which is the defined contribution or… You might have heard it called the DC part of the scheme. We call it the Investment Builder because you are building a personal investment that is yours individually.

In that situation, if you earn above the threshold, 20% of any salary above that automatically goes into the Investment Builder each month. The Investment Builder is actually open to all USS members. Even if you are below the threshold, you can choose to make additional contributions. That's whether you earn above or below the threshold.

If you decide that you want to transfer in some pension from another scheme to USS, consolidating them, then that transfer will automatically go into your Investment Builder pot. It's really important that, while I'm talking about Investment Builder, every member is building guaranteed benefits via the DB section. Any contributions to the Investment Builder, they're additional, they're not instead.

Regardless, we've got about- Currently, about 80,000 of the active USS members have Investment Builder funds. That's getting on for half our active membership. About half of those are actually actively choosing to make additional contributions.

So what do you get if you contribute to Investment Builder? It's obviously fundamentally different to the Retirement Income Builder in that you are saving a pot of money to use for your retirement and that pot's got your name on it. It gives you more individual choice and flexibility about what you do with it. As I mentioned, the contributions will go in monthly, the regular ones. We send you an annual update but if you look on ‘My USS’ on our portal you’ll be able to, pretty much, instantly see, fully up to date, where your pot is at, at any point in time.

Unlike the Retirement Income Builder section, Investment Builder doesn’t give you any guaranteed level of income. What you get, ultimately, will depend on how much you and your employer have contributed, the investment returns you’ve made on those contributions, and, ultimately, how you decide to use it.

I mentioned [Crosstalk 00:21:14] broadly about the sorts of options that you have in investment. The Investment Builder was designed, we designed it in 2016, we wanted to give members the choice in how they manage their investments. There’re two main options. If you prefer to really have a hands-off approach and let us manage your investments, there’s what we call the ‘Do It For Me’ option. In that case, we manage your investments in line with what we think a typical member might need. If you don’t make any choice, you’re automatically put into this option.

You can also, though, choose an ethical version of that same option. That has special direction on avoiding investing in certain industries or sectors, such as fossil fuels, which you may not want to invest in. Your ethical views, obviously, and my ethical views will be different to each other’s. Everyone’s ethical views will be unique.

As a scheme, we’re always trying to understand what members’ views are and offer the best options that we can. To this end, we’ve got a survey open at the moment where you can- It takes about 10 minutes, and you can tell us what you think about sustainable investment and what you might want from your investment options.

So those options are where you don’t really want to manage your savings yourself. If you do want to have more control, we offer what we call the ‘Let Me Do It’ option. In this one, you can allocate your savings between about 10 different funds. Those choices allow you to vary the level of risk, the level of return you want. You can concentrate on particular parts of the world or you can reflect your ethical beliefs.

It’s really important to just realise that with USS your employer subsidises quite a lot of the costs of managing your pot. There are no regular administration costs. With the exception of any funds that you transfer in, in most cases, investment management costs are also zero so you’re not paying an annual percentage fee, or anything like that, for the investment of your funds.

Helen McEwan: Excellent, thanks Dean. When it comes to taking your benefits- We’ve talked a lot about building them up but when it comes to taking your benefits what’re your options? Would you like to tell us a bit more about that, please, Steve.

Steve Golden: Yes, sure. You’ve actually got a lot of options when it comes to drawing your benefits. That’s quite different to the position we were in, I’ll show how long I’ve been at the scheme now, maybe 10 years or so ago because you would join USS, you would pay your contributions, and everything was dealt with either because the investments were dealt with by our internal investment manager or the benefits that you received were on a prescribed formula.

Two things happened. You’ve now got some DC benefit which Dean has talked more about. Then the government freed up pensions with freedoms and choices legislation. That means you’ve got all kinds of things that you can do when you come to retire. I think… I think what’s probably best to do, Helen, is to review what those options are on the website but importantly-

I think, if there’s only one thing to take away from this session today- I’m sure they’ll be plenty but if there is one thing to take away it’s that you need to engage with your pension far sooner than you realise, and probably far earlier than you would like, because you can design your pension output to suit the lifestyle that you want when you come to retire.

Of course you can draw some benefits at 55 now, which might be before the point that you wish to cease employment but you would like to start to leverage some of the benefits that you’ve built up in your pension provision. You need to think about that, quite hard, quite early on.

Actually, the easiest decision that you should make should be at retirement because you've made all of these decisions early in the journey. That's part of what I look to do.

Back to the beginning where I explained my job role… We need to make sure that these decisions that you've got to draw your benefits, whether you do that flexibly, whether you take it all in one go, whether you leave some money left in there for death benefits. All of those myriad options, you think about them nice and early, you make some decisions, you get advice if that's the right thing to do, and you arrange your benefits in such a way that they support the lifestyle that you wish to achieve when you come to start drawing your benefit.

Helen McEwan: I think, to that point, we have had lots of questions today. So we'll just re-emphasise that we will put the answers to the ones we don't get to on the website. We'll try to get through as many as we can.

We've got three more questions to go. I am conscious of time so I think if we can try to answer the next three questions quite quickly, so we can get to the member questions, that would be helpful.

Steve, yours is the next one in terms of how much it costs members to save in USS. If you could cover that one for me please.

Steve Golden: Yes. Very simply, you pay 9.6% of your pensionable salary to cover the contribution to USS. That's across the whole of your salary whether you pay that to the Retirement Income Builder or whether you're over the threshold and you pay to the Investment Builder as well. You receive tax relief on that, so what you actually pay is less than 9.6% after the tax relief is knocked off.

I think quite a few employers, nowadays, will offer a salary sacrifice scheme where they'll pay your contribution for you for a deduction in your salary, you make a national insurance saving. So it costs you less than you might think because of the favourable tax treatment of your contribution and also because you get a national insurance saving.

There is a modelling tool on the website. You can go and take a look to see precisely how much it costs you to pay into USS.

Helen McEwan: Okay. We are undergoing a valuation Steve, so maybe just say a couple of words on how that might impact the contribution.

Steve Golden: Yes. We can't ignore that. The contribution that's been paid by members and employers has varied significantly over time. The valuation is run every three years. It's a process to go through. The outcome of that process might be that there's a change to the contribution rate. We're on with that process now. Just how that will turn out remains to be seen but there is a possibility, as ever when you run through a valuation process, that the contribution rate that's payable could change.

Helen McEwan: Yes, that's great. Again, I would encourage everyone to check out the website. We cover all these issues, whether it be individual benefits as described by Dean and Steve… And all the valuation updates are on there as well, so please do use it.

We have, as well, noticed really increased engagement on our website since we revamped it in the middle of September. We've gone from something like 9,000 to 34,000 hits in a very short period of time, so really great to see that engagement happening for us.

Just in terms of member contributions, I think it would be good to pause for the members and just chat them through where those contributions go. Steve, could you tell me about DB investments? Then we'll go to Dean just to talk about the DC piece.

Dean Blower: Sorry. I'll take this Helen, if that's okay. I'll keep it brief because of time and the fact that we will be coming back to this, I think, in a future webinar. Just at a very high level, if we start with the contribution to the Retirement Income

Builder section of the scheme, these come in and they're invested by USS Investment Management or USIM as we know it. They are our dedicated, in-house, investment team.

USS actively manages the £75bn fund on a day-to-day basis. It does this with the singular aim of ensuring that there's enough money, ultimately, to pay the benefits that have been promised in the future. USIM exists to serve USS and USS alone, so to serve the members and employers of the scheme. It's got no other clients and no competing interests. What it does is it invests in a full range of assets which includes traditional equities and bonds.

The key thing with USS and USIM is the scale of the scheme. Our in-house management means that we can invest in some things that other pension schemes are unlikely to. In particular, USIM has dedicated teams managing private market assets. They're things that are not traded publicly on the stock market or other such… USS directly owns large properties, it has private equity stakes in other businesses that really fit the long-term investment needs of members in the scheme such as on and offshore wind farms and major parts of UK national infrastructure.

So that's the bulk of the investment done on the DB side. For members who've got savings in Investment Builder, the majority of the day-to-day investment is at the moment currently managed by people outside of USIM although these external managers are appointed by USIM. Rest assured that the objectives of those funds are set based on how we've analysed your needs.

So currently the vast majority of members are at least partly invested in those 'Do It For Me' or lifestyle funds that I mentioned earlier. In these funds you're invested in diversified growth assets mostly when you start. Then, as you approach retirement, we gradually move you into more secure stable assets. We don't know when you will retire, obviously, and most of you probably don't know when you're going to retire at the moment. The important thing to note is you can change what your target retirement age is at any time on 'My USS'. That will mean that we'll automatically adjust when we start that shift.

We recently added those private market assets, that I mentioned just before, to the 'Do It For Me' option. We're one of the first people in the UK to do that. I think we're quite proud of it. That's also a real benefit of the scale that we've got and the in-house expertise.

Now we obviously… We'll talk more, in a future webinar, about the returns on investment but we obviously do all of this to generate positive long-term returns for you. Markets have, obviously, been very volatile in recent years. I would note that, since it's been launched, the lifestyle funds have turned average annual returns of about 4.5% above inflation year on year so it's obviously- We want to deliver that return to help you support you in your retirement.

Helen McEwan: Excellent, thanks Dean. I think the final question, just from both of you, is could you just say a few words on where our members can find more help and support? I'll go to Steve, first, on that one, shall I?

Steve Golden: Yes, thanks Helen. We've worked quite hard, over the course of the last few years, to put as much self-service capacity on the website as we possibly can. So I think that should be your first port of call.

We've mentioned it a couple of times now, but the relaunch of the USS website has also streamlined the process for finding information on there. So it should… When you go in, it will ask you some questions and it should help you get the information that's more relevant to you whether you're new, you're looking to retire, or you've been there for a while. On there, there're also modelling tools which, again, I've also mentioned.

If you wish to speak to somebody then the team in Liverpool are there to help. There's also 'My USS' which is the online portal that you can use, which now renders on a mobile phone, which is incredibly useful because as soon as you log into that, and look on your phone, it gives you your benefits straightaway, which I think is a massive improvement from where we were.

So first port of call, use the online help. If you need to speak to someone, then the team in Liverpool are always there to talk to you.

Helen McEwan: Excellent, thanks Steve. Anything you would add to that Dean?

Dean Blower: Yes. I'd just pick up- I mean you mentioned briefly, earlier, that we've been looking to improve the access that members have to help in making their decisions. In particular, we're shortly launching a series of further webinars that are a bit different to these webinars in that they're really focused on helping you understand your benefits in a bit more detail. So they'll be a range of them, run by a third party, and they'll be focused on particular topics. So they'll be one for when you're joining the scheme, one focusing on preparing for retirement, one for pensions tax. Hopefully, members will find those really useful. We'll be communicating about them shortly.

The only other thing I was going to mention, and you [hit 00:34:28] on it at the start Helen, was that… Particularly key to my role is that we're really keen to find out what you think and what you need. So your input, as members, has really shaped the design of the Investment Builder, it's shaped the redesign of the website and the portal, it's shaped how we've changed annual member statements and lots of the activity that we've got planned over the next few years.

There are a few ways you can really help us. One is to answer surveys like the one that we'll have at the end of this session. You know, my team, we really do look at all the results and try to act on them. The other is that we have a member voice panel which is an online forum, that any members can join, where you can discuss all matters to do with USS with other members. You can also participate in research and testing products when we're looking to make changes to the scheme. That's all Helen.

Helen McEwan: Thank you so much Dean, that is excellent. I think we will now be able to finish up in terms of our overview and, now, move to the questions that people have been asking us. I think this is one we get often, so I think a lot of our members are very keen to go to warmer climes when they retire. We have this one, “If I retire to another country, will I still get my USS pension, will there be any transfer fees? If I move to a different country before I retire, can I transfer USS funds to another pension scheme in that country?” Steve, can I come to you for the answer to that one please?

Steve Golden: Yes. There is a distinction between those two things. If you’ve retired and you move to an overseas country, and you’ve no longer got a UK bank account then… We have an arrangement with Citibank, they offer a service where your monthly payments can be paid directly to an overseas bank account through Citibank. So we can support it through that way if you’ve not got a UK bank account anymore.

If you’ve not retired, and you’ve got benefits that are left with USS which you’re due to take at some point in the future, then you do have the option to transfer them. As ever, with pension provision, it’s not that straightforward. If the overseas scheme is recognised as it’s considered by the UK tax authorities then you can transfer if it’s on that list. If it’s not on that list then you could be- You can still transfer it but it could be subject to a tax charge which is relatively high, 25% of the transfer value or up to 40%.

So the first question is easier to answer. The second one is really something that you need to think about carefully before you go ahead and transfer your benefits, although it is possible to do so.

Helen McEwan: Great, thanks Steve. Next question is for Dean. “What’s the difference between an annuity and a drawdown product?”

Dean Blower: If you have a DC pension, like Investment Builder, you have- Annuities and drawdown are both options that you have for using your pension when you get to retirement or you reach age 55. Purchasing an annuity basically means that you’ll get a regular income for life when you retire. How much income you'll get will depend on quite a lot of factors, the amount of money that you've got in your pot that you're buying the annuity with, market conditions, how old you are when you do it and your health, and whether you want that income to increase once it's in payment, and whether you want there to be a payment to someone, one of your dependants, when you die.

The annuity, effectively, is quite similar in nature to the income you get from the Retirement Income Builder in that, once you've bought it, it's guaranteed.

Effectively, actually, a drawdown is very different, and something that was introduced largely following the freedoms reforms in 2015. This is one of the flexible ways you can take your Investment Builder pot. If you want to transfer your funds into drawdown, you can take 25% of your pot tax-free when you do that. The rest of it will stay invested and you can draw an income on that when it suits you. So you can draw a regular income or you can take funds out as and when you want to. Obviously, because those funds are still invested, you don't have any guarantee. It's not promised for life. What you have in your pot will depend on investment performance.

Helen McEwan: We have so many questions but let's crack on. "Is there anything on the website that forecasts what my pension will be if I retire at different ages and what my DC pot might be if I decide to make additional contributions?" Steve, are you able to answer that one please?

Steve Golden: Yes. We have a benefit illustrator. You can auto-populate that if you put your details into it, it's self-explanatory when you go in, or you can complete it freehand. What that will do is it will project forwards the benefits that you could expect to get. You can play around, if you wish to, with the assumptions that are in there, and it will give you an outcome. I think, just to make sure… When you take a look at that, it shows your defined benefits next to your defined contribution benefits, so the blocks aren't necessarily too easy to correlate to each other. You have to remember that one of them is a pension and one of them is a pot of cash, basically.

Helen McEwan: Great, thank you Steve. "Can I take the whole of my USS Investment Builder pot as cash at retirement or does it have to be used to buy an annuity? What's the government tax-free allowance?" Dean, would you like to comment on that please?

Dean Blower: Yes, I'll certainly try. I'd probably take the second part of the question first actually. You can take, basically, 25% of your overall pension as a tax-free cash sum, subject to some limits if you have a very large pension. Because USS is a hybrid scheme, as we've been talking about, that means you might be able to use your Investment Builder pot to top up how much tax-free cash you get up to that 25% limit. You definitely don't have to take an annuity. There are lots of different- There are a number of other flexible ways of using your Investment Builder, that's if you don't want to use it as tax-free cash when you retire.

These decisions about how to use your pot are not straightforward. There are lots of factsheets available on our website with more information, and there's a section on there about taking your benefits and savings that can provide a bit more information if people want to explore a bit more.

Helen McEwan: Great. Probably just worth stating the obvious, which is our website address is www.uss.co.uk just in case anyone doesn't find us but we should be easy enough to find.

Some more questions. I don't know which one of you wants to take this one but, "Who can be a beneficiary?"

Steve Golden: Helen, I don't mind picking that up. [I wanted to just take an 00:42:12] opportunity to take a look at the website to make sure that I know where this is but- So this is a really broad definition. It doesn't need to be a person, it could be an organisation. So you could leave that money to a charity if you wished to. If you have a spouse then there's automatically a pension that goes to him or her, a civil partner is the same. Beneficiaries, you can nominate whomever or whatever you wish to leave that money to, you just need to make sure that you do fill in the form.

Helen McEwan: Super, thank you. "I'd like to know about the lump sum, tax, how to take it, one payment or staggered, and if taking it reduces pension income." I think that's a really good question. That one for you Dean?

Dean Blower: Yes, sorry, if I can just get off mute that would help.

Helen McEwan: It had to happen. We got 43 minutes in, that's got to be good.

Dean Blower: The simple answer is yes, the- How much tax-free lump sum you take will affect how much income you can receive. In fact, there is a modeller available on the website which you can use to look at different situations where you might take the maximum amount of lump sum available or the minimum amount and what impact that might have on the pension income that you can take.

The tax implications of that might be very simple for most people in that, as long as you're below the 25% limits, that lump sum is quite simply tax-free. It can be really, really, complicated. If you think you've got reasons that you might have a complicated tax situation, I really would consider speaking to a tax advisor.

Helen McEwan: Great. A question here which, again, I think is a really good one. "How does one go about buying an annuity, or does my employer sort that out for me?"

Dean Blower: I can take that one Helen. Your employer may be able to help but if you look at the USS website there is some information about annuities. Also, the government's Money and Pension Service includes an annuity finding tool which is obviously a completely unbiased independent tool that allows you to look at the different options you've got available.

Helen McEwan: Great, thank you. Another question here, "Is it possible to merge an old pension pot from the teachers' scheme with USS? If possible, is it advisable?"

Steve Golden: Helen, perhaps if I pick that one up.

Helen McEwan: Yes.

Steve Golden: Yes you can. This is a question with a twist to it because of the example quoted. Yes, you can transfer benefits into USS but they go into the Investment Builder section. However the teachers' pension scheme is an unfunded public sector scheme, and unfunded public sector schemes will not allow you to transfer into a DC scheme. So it does depend on what the scheme is that you're looking to move.

Again, I think the question goes on to say, "Is it advisable?" That is not something that we can answer, unfortunately. It is something that you'd need to consider carefully, and that it fits with the requirements that you have to draw your benefits sometime in the future.

Helen McEwan: Absolutely. So back to the professional advice there, feels like the right thing.

This is quite a long one. "I understand that as I get closer to retirement age my funds are often gradually moved into less risky investments that have a lower rate of return in order to avoid any last minute drops in value. I believe the approach to this differs on whether I intend to buy an annuity or just

drawdown from the fund in regular payments. When do I need to decide my intensions regarding my pension pot and how do I let the fund managers know of these intentions so that investments can be managed appropriately?”
Dean, I think that’s one for you.

Dean Blower: Yes. In USS, for our lifestyle option, we start gradually de-risking investments from 10 years before your target retirement age. Typically, for most members, they might have a target retirement age of 65, so from age 55, but it will depend on the age that you may have set yourself within ‘My USS’. We’ll let you know when that’s about to happen, we’ll write to you.

What you can do is- While USS doesn’t offer a different managed option that de-risks you in a different way, you do have the option, at that point, of deciding that the ‘Let Me Do It’ option is more suitable for your situation. You can then decide how you want to invest your money yourself, for instance if you did want to keep in growth assets for longer.

Helen McEwan: Dean, is it worth-? I can’t remember if you mentioned this already, apologies if you did. I think it would be worth just commenting on the difference between target retirement age and normal pension age.

Dean Blower: Of course, so the normal pension age is the age at which you can have access to your USS Retirement Income Builder, the DB part of your pension, unreduced. That age increases in line with the state pension age for benefits you’re building up. Your target retirement age is something that you set based on when you think you’re going to be retiring or taking your benefits. That is something that is quite individual to your specific circumstances. For some people, they may be aiming to retire for 60, some people [may be 00:48:37] retiring 70 or 75. You can go into ‘My USS’ and set that yourself, and we will act upon it in terms of the investment de-risking.

Helen McEwan: Great. Another question here, “How can I convert money in the Investment Builder towards my pension?”

Steve Golden: Shall I pick that one up?

Helen McEwan: Yes, [Crosstalk 00:49:06].

Steve Golden: Yes, okay, thanks Helen. The retirement process will inform members, before they come to retire, what their options are. Within the options that you receive in the paperwork that we send out, you will have the option to draw your Investment Builder at that point. You get a choice as to when you wish to take that, how you wish to take it, whether you wish to draw that at retirement. So it’s within the paperwork that we send out.

So it’s probably not that clear at this point unless you’ve read through the information on the website. It’s something that people tend to engage with at the point they’re coming to retire. I’d refer to my point, a little earlier, that you probably need to take a look at what you wish to do with your options far earlier in the process than six months before you come to retire.

Helen McEwan: Thanks Steve. “My contributions are invested in the ‘Do It For Me’ fund, what does a high-risk rating mean?” Would you like to take that Dean?

Dean Blower: Yes, of course. What we are required to do, by law, is set out the different ratings of the funds we offer in relation to the risk. In general, a higher risk fund will be a fund that may be expected to, on average, give a better long-term return but will be more volatile. So that means, at any point in time, it could be more likely to be higher or lower than what we might expect.

So it’s just important to realise when you’re making those… If you’re deciding to make those decisions yourself, that you really think through the implications of having that higher risk in your pension and whether you're prepared to take them. Obviously, you can take financial advice if you really want someone to help you with that.

Helen McEwan: Great. Just a quick reminder to everyone that all these questions will be collated and put on the website and, obviously, this webinar will be recorded to people to re-listen to if they need any clarification of any of the questions. We'll help as much as we can with that.

"Could you explain why the projected annuity rates for the Investment Builder are so low?" Is that one for you Steve?

Dean Blower: It's probably- It'll probably be [___ 00:51:32].

Steve Golden: Dean, I don't mind, you can pick that up if you wish.

Dean Blower: Okay. Again, we're required to provide an estimated or… At least a number for what your Investment Builder funds might be worth in terms of an annuity at retirement. That is obviously doing something which projects something that is a long way in the future. We have to follow a set of rules as to how we do that. That annuity rate, obviously, depends on the conditions in the market. We have extremely low interest rates at the moment, that mean buying any annuity is very expensive.

It's also…. By the rules of the book, we have to make that an annuity that has certain benefits to it such as increasing with inflation. That makes the starting value look even lower when you just look at it as a proportion of the pot you've got. Just to be clear, that's not the only option that you have with that fund. It's just a figure that we're required to give to you in your annual member statement.

Helen McEwan: Great, thanks Dean. A question here, “Can you speak about the way that AVCs work and why they are beneficial?” Who wants to take that one?

Dean Blower: I can again. Obviously, the contributions to USS… USS already provides you very good benefits without making additional contributions, but pension saving is tax advantaged so that means that you may decide that you want to save more in a pension. You can save more in pensions, personal pensions in particular, it doesn’t have to be with USS. If you save additional contributions with USS you have access to the benefits of Investment Builder, so the funds that are offered, including the access to private markets, and also those subsidised investment costs that I mentioned in the main body of the presentation.

Helen McEwan: Great. “So how do I trigger an increase in my monthly contributions?” someone is asking us here. Dean, Steve, who would like to take that one?

Steve Golden: Yes. Sorry Helen, I was trying to get off mute, I was a bit slow. You do it through the portal. Stopping and starting contributions, they’re done through the ‘My USS’ portal. You just log on there, it’s relatively intuitive, and you can start those up. We send an instruction off to your employer.

Helen McEwan: Great, thank you Steve. “Does someone’s company also contribute to the DC part like they do for the DB part?” It’s absolutely worth pausing on that, who would like to take that one?

Dean Blower: I don’t mind taking that. It’s really brief, so… So yes, so any amount of your salary above the threshold, the employer will put in 12% of that amount into the Investment Builder each month.

Helen McEwan: Okay. You broke up for me there Dean, I don't know if it would be worth repeating that one.

Dean Blower: Apologies everyone. Your employer will automatically contribute to Investment Builder if you earn above the threshold. That contribution is 12% of any salary you have above that threshold.

Helen McEwan: Great, thank you, that was much clearer, for me anyway. "If I left USS today, and made no further contributions after today, and didn't role over my funds to another scheme, would I receive the Retirement Income Builder pension and tax-free lump sum outlined in page six of the most recent annual statement upon retirement in 15 years' time, plus indexation?"

Steve Golden: Helen, yes is the simple answer to that. Obviously, I don't know what was in the statement but the benefit that's in there, I think we provide a flat pension in the statements that we send out, will be indexed every year or valued every year to the point at which it's drawn. If it's drawn early it receives an early-retirement reduction. So just bear in mind it'll have a date at which it's paid unreduced.

Helen McEwan: Great, thank you. I'm trying to get through as many of the questions as I can in the time folks, so apologies I'm firing these at you left, right, and centre. "How does changing my retirement age affect the amount of my pension? Say if I retired at 60, for example." Who would like to take that?

Steve Golden: Shall I kick it off from a Retirement Income Builder perspective? This really is quite a complicated question depending on when you joined. To give the simple answer, so the… I see there's another question, kind of, connected to this. The age at which you can draw your benefit, last month, changed to 66 unreduced, and was 65. For some people, who've been with us a long time, that might be 60 but for new-joiners it's generally 65.

If you retired at 60 and the benefit that you'd accrued, that you'd built up, was mainly in the period before October just gone, then you'd have a 5-year reduction, actuarial reduction.

If a lot of that benefit was built up after last month, and you retired at 60, then it would have a 6-year reduction to 66 because we changed the state pension age to 66 last month. It's only for the time that you've built it up, so it's not- All of your benefit isn't determined by that pension age, it's the bit that you built up until it changes which is quite an important distinction. That's not the way other schemes work, they tend to reduce everything at the date you joined whereas we do it by when you built it. I hope that was clear.

Helen McEwan: Yes, it was Steve, thank you. Anything you would add, Dean, on the DC part?

Dean Blower: Only that there is no… You can't take your DC benefits before the age of 55 currently, that's due to increase to 57 in a couple of years. There're no reductions, as such, if you take your DC benefits. It's a pot of money, at that point in time at which you want to take it, that you have choices over.

Helen McEwan: Great, thank you. I think I can squeeze in a couple more. "I started paying a little bit extra into the Investment Builder when employers were matching it. I think they even put in £2 for every £1 we did up to a certain limit. I think this match has now come to an end. If so, how do I go about cancelling this extra payment I make? Thank you." So who would like to take that?

Dean Blower: [___ 00:59:11] I think, Helen. You can go onto 'My USS' and you can navigate to managing your contributions on there. It should be very straightforward for you to cancel that additional contribution.

Helen McEwan: Okay, great, thank you. “Who do I talk to about my personal situation?”

Dean Blower: USS are on hand to answer any questions you might have about your USS pension, so factual questions. If what you really want is to get someone to give you a personalised recommendation then you’ll need an independent financial advisor. There are many ways of finding a financial advisor. One of the things you can do… The government has a directory, which is available on the FCA website, that you can look at. As I say, there are many, many, other ways of finding a financial advisor.

Helen McEwan: Great, thanks Dean. Another really important question. “Is the pension taxable?” Who would like to take that?

Steve Golden: Helen, I’ll pick that up. Yes, it’s taxable in the normal way. You’ll continue to have a personal allowance so it’s just the- It’s the cash amount which is tax-free. The pension goes against your normal allowances and any other income that you might receive from other places.

Helen McEwan: Great. There’s another question on here which is around, “Do you offer one-to-one advice or guidance on pension planning, annuities, etc. or do USS contributors have to contact an independent advisor?” I know the answer to that. It is, contact an advisor but we will try to give as much help and support as we can. Is that fair Dean? I’m just trying to get through as many as I can.

Dean Blower: Yes.

Helen McEwan: Good. See, I answered one, that's got to be good. "How do I find out what my total pension pot is worth?" [Who'd like 01:01:44] to comment on that one?

Steve Golden: Helen, you can ask us or it's certainly available on 'My USS'.

Helen McEwan: Yes, which is great so go to that. "Did you just mention that the notice period required for receiving a pension is six months, can somebody just clarify that?" I think that might have been you, Steve.

Steve Golden: Yes, no, sorry if I gave that… We tend to start to engage with members and employers six months in advance of when they retire. Some do it far earlier than that, some do it far later. There is a point where we'll struggle to process your benefits if you don't give us enough notice. My point, really, is you should engage as soon as you possibly can to think about what you're looking to do. The process to draw it tends to start around about six months before, that's when we tend to start to get the paperwork through.

Helen McEwan: Okay. "I worked many years in Germany, can I bring my German pension saving to USS?" Who's taking that one?

Steve Golden: Helen, I can pick that up. Potentially yes. I'm not 100% familiar with all pension schemes that sit within… We can take overseas transfers in. There are special rules around in terms of the way you carve it out for tax when you come to retire. I think it's one to ask us the question and give us the details of what that pension is.

Helen McEwan: Super. "What happens if you take a sabbatical, pause work in academia?" That one for you again, Steve, or is that a Dean one?

Steve Golden: No, I can pick this up. This is not unusual. We tend to see our members have a career in academia but with breaks every now and again. You, essentially, leave the pension where it is. Then, when you re-join, you continue to build up benefits with us. As I mentioned earlier on, there's no difference in terms of the way that's inflation proofed whether you're an active member or you've left and you come back in. We join the two together.

Helen McEwan: Great. Dean, I think this is one for you. "Are all the investment options, e.g. ethical or do it myself, only available for DC or only DB?" Could you clarify that for everyone please?

Dean Blower: In terms of your personal choice, that only applies to your savings in the DC or the Investment Builder. Obviously, if you… The DB, by nature, is a collective fund so it's invested on behalf of the membership and the employers as a whole.

Helen McEwan: Great, thank you. Last question, then I think we probably do need to wind things up. "Can I make back backdated AVCs as long as it's within the current tax year? If I wish to start making AVCs now, could I backdate these additional monthly payments to April with agreement from my employer? If not, can I make a lump sum contribution?" Who would like to take that last question?

Steve Golden: Helen, I'll pick that up. You would need to do that via- Unless there's been an error, a monthly contribution should've been paid but has not, it should really be a lump sum payment. You can make that payment, if you wish to maximise your tax position, that fits underneath the tax allowances for that year so long as you do that before the end of the financial year.

Helen McEwan: Brilliant, thank you very much to both of you for answering that quick-fire round of questions. I really do appreciate it.

I hope everyone watching has found this webinar useful. As I have said many times, we will record it and we will have the Q&A on the website as soon as we possibly can. We'd love to have your feedback. There's a short feedback survey after this webinar, so please do complete that. We do look forward to you joining us on the next set of webinars which- If you give us feedback, we will try to make sure that we tailor those to your requirements. We do look forward to doing that again very soon. Thanks very much, have a great weekend.

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