

A Summary of Investment Options

USS's new hybrid structure is being introduced this year. On 1 April the USS Retirement Income Builder came into effect providing a defined benefit pension on a career revalued basis for all members. From 1 October a salary threshold will be introduced with contributions on salary above £55,000 being paid into USS Investment Builder, a new DC section. All members have the option of making additional voluntary contributions into the USS Investment Builder. The first 1% of any additional contributions made by a member will attract a matching 1% contribution into the USS Investment Builder from the member's employer.

There will be 12 investment options in the USS Investment Builder:

Do it for me – lifestyle funds

- Default lifestyle – an option which gradually shifts how it invests over time. During the period up to 10 years before retirement age it invests in the growth fund. At 10 years from retirement it gradually diversifies to include the moderate growth fund. At five years from retirement it begins to shift further so that it is fully invested in the cautious growth fund and cash fund at retirement;
- Ethical lifestyle – similar to the default lifestyle but avoiding certain types of investments.

Let me do it – self-select funds

- Growth fund – a mixture of investments which includes a majority of higher risk/higher potential return options;
- Moderate growth fund - a mixture of investments which includes a balance between higher risk/higher potential return options and lower risk/lower return options;
- Cautious growth fund – a mixture of investments which includes a majority of lower risk/lower potential return options;
- UK equity – a mixture of investments made up from UK publicly traded stocks and shares;
- Global equity – a mixture of investments made up from global publicly traded stocks and shares;
- Emerging markets equity – a mixture of investments made up from global publicly traded stocks and shares from developing countries;
- Sharia fund – a mixture of investments which are compliant with Islamic financial law;
- Ethical equity fund - a mixture of investments which includes a majority of higher risk/higher potential return options and do not include some clearly identified types of investment;
- Bond fund – a mixture of investments which include government bonds and other forms of secure debt;
- Cash fund – all money is held as cash – low risk and low return.

In designing the default lifestyle strategy, the trustee used both stochastic modelling of members' capacity for risk, combined with quantitative and qualitative feedback from the survey and focus groups to design a series of diversified growth funds which members will automatically move between as they approach retirement.

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In the research summary three groups were identified – do it for me, help me to do it, and I want to do it myself. Members will be able to direct their contributions into *USS Investment Builder* into either one of the lifestyle funds or any combination of the self-select funds. In order to provide clarity around these options for members USS has amalgamated the help me do it and I want to do it myself groups into a single let me do it grouping. The trustee is currently seeking a provider for the funds within the USS Investment Builder and will release more detail about charges and expected returns when that provider has been formally appointed. Employers are subsidising charges, and whilst we are still finalising the self-select fund charges indications are that some or all of these will be free of charges for several years.