

Policy beliefs

Below you will find a summary of the policy beliefs derived from the research.

- While many USS members do not currently have any experience of DC saving, and are not confident in making investment choices, a substantial number would feel empowered to engage in decisions if they were provided with the right information and materials by the trustee and their employers;
- For the small minority of members expected to be very actively engaged more detailed information should be readily available where possible, including specific information around the investment options, underlying fund managers, and the charging structure within the USS Investment Builder, provided this does not compromise the trustee's ability to make improvements and respond to changing circumstances;
- The communications materials and engagement strategy for the new hybrid scheme in the early years of the USS Investment Builder should address members' key concerns and uncertainties around the new scheme structure and how it affects them personally, and should highlight their options around making additional contributions, active investment choices, and retirement options (including tax implications) within the scheme. Members already close to retirement should be made aware of the choices that will be available to them from the outset and the potential tax implications of the different options;
- USS members in the USS Investment Builder will generally have greater risk capacity than members in pure DC arrangements and could target a relatively high rate of investment return within a growth phase, and beyond, because of the DB underpin within the scheme. The relative role of the DB underpin will be kept under review as the hybrid arrangement overall, and the USS Investment Builder specifically, evolves;
- Generating investment returns will particularly impact the levels of retirement benefits for members for whom the USS Investment Builder will make up a significant part of their overall retirement savings provision from USS;
- Many members will not make significant contributions into the USS Investment Builder until part way through their working life. Maintaining the potential to generate strong investment returns through a member's mid and late career will therefore be important in order for the USS Investment Builder to offer an attractive investment return and retirement outcome to those members;
- Younger members within USS are expected to have a higher capacity for risk than older members given their longer horizon until retirement and, associated with that, their ability to recover from investment losses; The attitudes to risk of USS members are diverse: salary and gender are more important drivers of USS members' risk appetite than their age, with high earners and men generally having higher risk appetites than lower earners and women, and with younger and older members generally having similar levels of risk appetite, once salary and other factors have been taken into account;

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- Understanding the role of the DB underpin relative to the USS Investment Builder within USS can be an important driver of appetite for investment risk, with members appearing more relaxed about investment risk in the USS Investment Builder once they understand the relative role of their USS Retirement Income Builder and their USS Investment Builder in delivering retirement income;
- Members already close to retirement (within 5-10 years from retirement) generally identify the USS Investment Builder as a “top up” on their existing retirement savings within USS. Within this group there is a diverse range of views – with a small minority of members having either a very strong appetite for capital protection or a very strong appetite for taking lots of risk;
- Across the USS membership there is a significant minority of members who have expressed the wish to take an active approach to ethical investment and who are expected to find fund options that screen out certain issues attractive. Examples of these issues include arms manufacture, environmental issues, tobacco, fossil fuels, worker exploitation and child labour. In addition, there is a smaller minority of members with a positive interest in Sharia-compliant investment options in the USS Investment Builder;
- The majority of USS members reaching retirement in the early years of the USS Investment Builder will be withdrawing their fund as a cash free lump sum (under current tax rules);
- The retirement objectives of members are expected to evolve as the funds within the USS Investment Builder grow – the design of this section, including the glide path within the default strategy and pre and post retirement options for members will be actively governed to maximise the likelihood of achieving good member outcomes at retirement;
- A minority of USS members may have an appetite to keep their USS Investment Builder invested or to access a drawdown product at retirement; very few members are expected to annuitise given the secure, guaranteed income provided by their USS Retirement Income Builder already accrued.