Pensions for Post Docs

Your USS Pension
AGENDA

The basics

State pensions
Private pensions

USS

Benefits
How much does it cost me?
How are my benefits calculated?
What if I leave before retirement?
What if I remain in USS until I retire?
Benefits for your dependents
The basics

State Pension (assume reach State Pension Age after 5 April 2016)

- SPA currently 65 (male), female increasing to 65 by April 2018
- SPA will increase to 66 by October 2020 and 67 by April 2028
- Single Tier Pension (STP)
- Currently £151 (2016/2017) per week
- Increases in payment in line with CPI
- 35 years ‘Qualifying Service’ for full pension
- Reduced pension if at least 10 years ‘Qualifying Service’
- Complex transitional provisions
The basics

State Pension

- May have rights to state pensions in more than one EU state
- Claim in country you live in/last worked in
- Calculation
  - pension if always in that country
  - pension in each EU state and aggregate
  - will receive higher amount
- Care re differences in state retirement ages
Private pensions

- On top of any state benefits
- Individual or employer sponsored
- Legal requirement for all UK employers to provide employees with access to an employer sponsored pension scheme = auto-enrolment
- Scheme must fulfil certain criteria
- Employer must contribute
- Employees must be automatically enrolled, but can opt out
- USS is the auto-enrolment scheme for researchers
- **NOTE: if take up new position will be re-enrolled**
The basics - types of private pension

**Defined contribution (DC)**

- an investment

- benefits depend on
  - amount paid in
  - how well the investments do
  - choices at retirement

No guarantees about the level of benefit at retirement
The basics – types of private pension

Defined Benefit (DB)

- Benefits not dependant on contributions and returns
- Calculated by formula relating to salary and service in the scheme
- May be final salary (FS) or Career Revalued Benefits (CRB)
- USS has FS (closed 31/03/2016) and CRB sections
- Employee contribution rate set by scheme rules
- Employer pays balance of cost
Service after 1 April 2016

• Career Revalued Benefits
• Pension = 1/75\textsuperscript{th} of earnings in year
• Annual ‘blocks’ of pension revalued
• Revalued ‘blocks’ added together at retirement
• Lump sum = 3 times pension
• Employee contribution = 8.0%
• Employer contribution = 18.0%
USS – how much does it cost me?

Employee = £30,000 x 8.0% = £2,400.00*

Employer = £30,000 x 18%  = £5,400.00

* Your USS contribution is deducted from your pay before your tax liability is calculated.
Salary Sacrifice

- Automatically entered in University’s salary sacrifice scheme for pension contributions in fourth pay period
- Deduction made from your pay equivalent to your own contributions to USS
- University pays a contribution on the same amount to USS on your behalf
- Savings in National Insurance contributions for you and University
- Contributions paid under this arrangement cannot be refunded
USS – How are my benefits calculated?

Pension = \( \frac{1}{75^{th}} \times \text{salary}^* \)

Lump sum = 3 x pension

* up to ‘salary threshold of £55,000 (2016/2017 figure)
### USS – example

<table>
<thead>
<tr>
<th>Earnings in year</th>
<th>Pension calculation</th>
<th>Pension for year</th>
<th>Banked pension</th>
<th>Inflation calculation</th>
<th>Revalued banked pension</th>
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</thead>
<tbody>
<tr>
<td>£30,000</td>
<td>1/75 x £30,000</td>
<td>£400.00</td>
<td>£400.00</td>
<td>£400.00x 1</td>
<td>£400.00</td>
</tr>
<tr>
<td>£30,900</td>
<td>1/75 x £30,900</td>
<td>£412.00</td>
<td>£812.00</td>
<td>(£400.00 x 1.02) + £412.00</td>
<td>£820.00</td>
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<tr>
<td>£31,827</td>
<td>1/75 x £31,827</td>
<td>£424.36</td>
<td>£1,244.36</td>
<td>(£820.00 x 1.03) + £424.36</td>
<td>£1,268.96</td>
</tr>
<tr>
<td>£32,782</td>
<td>1/75 x £32,782</td>
<td>£437.09</td>
<td>£1,706.05</td>
<td>(£1,268.96 x 1.015) + £437.09</td>
<td>£1,725.08</td>
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<tr>
<td>Total</td>
<td></td>
<td>£1,673.45</td>
<td></td>
<td></td>
<td>£1,725.08</td>
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</table>
USS – what if I leave before retirement?

- Less than 2 years membership
  - Refund
  - Preserved pension based on employee contributions
  - Transfer to another approved pension arrangement

- 2 years or more
  - Preserved pension
  - Transfer to another approved pension arrangement
USS – what if I leave before retirement?

• **Refund**
  
  • Own contributions only*
  
  • Deductions to restore in state pension (for pre-March 2016 service only) and for tax

*Salary sacrifice

  • Automatic from 4th pay period
  
  • Give up part of salary equivalent to own USS contributions
  
  • Employer pays equivalent contribution to USS
  
  • Not refundable
USS – what if I leave before retirement?

Refund example

<table>
<thead>
<tr>
<th>Contributions</th>
<th>£1,015.00</th>
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</thead>
<tbody>
<tr>
<td>Payment to S2P*</td>
<td>(£292.00)</td>
</tr>
<tr>
<td>Refund subject to tax @ 20%</td>
<td>£723.00</td>
</tr>
<tr>
<td>Tax</td>
<td>(£144.60)</td>
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<tr>
<td>Interest</td>
<td>£17.00</td>
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<tr>
<td>Refund</td>
<td>£595.40</td>
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</tbody>
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* Note – payment to S2P only applies to any service in USS before 31 March 2016.
USS – what if I leave before retirement?

Transfer payment (CETV)

- If less than 2 years’ service value of “employee” contributions, including those paid by employer under salary sacrifice

- If 2 years or more service

- Amount USS actuary estimates needs to be invested today to provide promised benefits at retirement

- Assumptions about inflation and investment returns
USS – what if I leave before retirement?

Calculation of transfer value (more than 2 years service)

Assumptions

Pension at date of leaving = £1,333.85 per annum

Revaluation = 2.5% per annum

Years to retirement = 30

Investment return (discount rate) = 3.5% per annum
USS – what if I leave before retirement?

Calculation

Revalued pension = (£1,333.85 x 30)^2.5 = £2,867.81 per annum

Capital value of benefits = (£2,867.81 x 20) + (£2,867.810 x 3)

= £65,959.63

Discounted value = (£65,959.63 x 30)^3.5 = £23,499.99

Transfer value = £23,499.99
USS – what if I leave before retirement?

Where can I transfer my benefits?

• Transfer to any registered pension scheme in UK

• Transfer to overseas pension scheme if Qualifying Recognised Overseas Pension Scheme (QROPS)

• https://www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops

• Legal requirement to take advice if CETV >£30,000

How do I investigate a transfer?

• Ask administrator of your new scheme to contact USS

• Will need your signed authority

• Quote your UK National Insurance number
USS – what if I leave before retirement?

Preserved Pension

- Based on contributions if less than 2 years membership
- Based on accumulated pension if 2 years or more
- Revalued in line with Consumer Price Inflation (CPI)*
  * If CPI 5% or less full revaluation, 5% to 15% revaluation is 5% plus half of the excess, 15% or above revaluation is 10%
- Payable on retirement
- Paid for life
- Can receive even if not living in UK
USS – what if I remain in USS until I retire?

At retirement

- Revalued pension amounts added together to give total pension
- Standard benefit includes retirement lump sum of three times starting pension
- Option to trade pension for additional lump sum (and vice versa)
- Pension increased in line with CPI (capped)
- Payable for life
- Can be paid if not living in UK
USS – benefits for your dependents

- Life assurance of 3 x salary
- Income protection
  - Spouse/dependant/civil partner
  - Children
- Update your beneficiary details
  - Death benefit nomination form (3 x salary)
  - Registration of financial dependant form (dependant’s pension)
Phase 1

- 1 April 2016
- Closure of final salary section – benefits calculated as if leaving service
- Statements to be issued autumn 2016
- New CRB section for all future service – Income Builder
  - Accrual = 75ths
  - Based on all earnings
  - Employee = 8%; Employer = 18%
Phase 2

- From 1 October 2016
- Introduction of salary threshold for CRB section (£55,000)
- Introduction of defined contribution section for earnings above threshold (Employee 8%, Employer 12%) – Investment Builder
- Introduction of ‘matching’ contribution (Employee 1%, Employer 1%)
- Can pay AVCs to Investment Builder
- Register via My USS
  - www.uss.co.uk
Dedicated website

- Factsheets
- FAQs
- Regular updates
- Modellers
- My USS
Information and contacts

USS website

www.uss.co.uk

University Pensions Office website

http://www.pensions.admin.cam.ac.uk/
## Information and contacts

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Phone</th>
<th>E-mail</th>
</tr>
</thead>
<tbody>
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<tr>
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ANY QUESTIONS?