

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
- http://europa.eu/youreurope/citizens/work/retire-abroad/state-pensions-abroad/index_en.htm

The basics

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

USS -benefits

Service after 1 April 2016

- Career Revalued Benefits
- Pension = $1/75^{\text{th}}$ 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.

USS – How much does it cost me?

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 = $1/75^{\text{th}}$ x salary*

Lump sum = 3 x pension

* up to 'salary threshold of £55,000 (2016/2017 figure)

USS – example

	Pension calculation	Pension for year	Banked pension	Inflation calculation	Revalued banked pension
Earnings in year					
£30,000	$1/75 \times £30,000$	£400.00	£400.00	$£400.00 \times 1$	£400.00
£30,900	$1/75 \times £30,900$	£412.00	£812.00	$(£400.00 \times 1.02) + £412.00$	£820.00
£31,827	$1/75 \times £31,827$	£424.36	£1,244.36	$(£820.00 \times 1.03) + £424.36$	£1,268.96
£32,782	$1/75 \times £32,782$	£437.09	£1,706.05	$(£1,268.96 \times 1.015) + £437.09$	£1,725.08
Total		£1,673.45			£1,725.08

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

Contributions	£1,015.00
Payment to S2P*	(£292.00)
Refund subject to tax @ 20%	£723.00
Tax	(£144.60)
Interest	£17.00
Refund	£595.40

* 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 = $(£1,333.85 \times 30)^{2.5} = £2,867.81$ per annum

Capital value of benefits = $(£2,867.81 \times 20) + (£2,867.810 \times 3)$
= £65,959.63

Discounted value = $(£65,959.63 \times 30)^{3.5} = £23,499.99$

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)

USS – Recent changes

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%

USS – Recent changes

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

Name	Position	Phone	E-mail
Sue Curryer	Head of Pensions	332214	sue.curryer@admin.cam.ac.uk
Andrew McDonald	Deputy Head	331207	Andrew.mcdonald@admin.cam.ac.uk
Gill West	Senior Clerk (A – K)	332228	gillian.west@admin.cam.ac.uk
Jacqui Panter	Senior Clerk (L– Z)	332229	Jacqui.panter@admin.cam.ac.uk

ANY QUESTIONS?