

USS EMPLOYER CONSULTATION 2021

FACTSHEET: the USS Accrual Rate

Introduction

This factsheet explains the USS Accrual Rate, what it is used for, how it works, and the proposed changes to it which are being consulted on as part of the USS Employer Consultation 2021.

Please note that, whilst this factsheet explains the proposed Accrual Rate change on its own, the consultation covers a combined package of proposed benefit changes which would be implemented together if they go ahead. To get a more detailed picture of how your future benefits might be affected by the package of proposed changes you can use the consultation modeller – go to the ‘Modeller’ page on the consultation website (ussconsultation2021.co.uk).

But please remember that the proposed changes will only affect your future benefits built up from 1 April 2022 – what you have already built up before that date will not be affected.

What is the Accrual Rate?

If you're an active member of the USS Retirement Income Builder (the defined benefit or 'DB' section of USS) you build up set benefits each year or part year, based upon a fraction of your salary up to the Salary Threshold. This fraction is called the Accrual Rate.

The Accrual Rate determines how much of your salary you get as a pension (and as a separate cash lump sum) for each year of active membership of the Scheme.

What is the Accrual Rate currently?

At present the Accrual Rate in the USS Retirement Income Builder is $1/75^{\text{th}}$ – this means that for each year (or part-year) of active USS membership, you get a pension based on $1/75^{\text{th}}$ of your salary (up to the Salary Threshold) payable each year on retirement.

You will also get a separate cash lump sum from the USS Retirement Income Builder of $3/75^{\text{th}}$ of your salary (again up to the Salary Threshold) on retirement.

You can find out more about the USS Retirement Income Builder at <https://www.uss.co.uk/for-members/your-pension-explained/retirement-income-builder>.

What changes to the Accrual Rate are proposed?

It is proposed that the Accrual Rate is reduced to 1/85^{ths} (for USS Retirement Income Builder pension) and 3/85^{ths} (for separate cash lump sum) with effect from 1 April 2022.

For more information about why the changes are being proposed, please see the Summary page on the consultation website (ussconsultation2021.co.uk/members/summary).

What impact would these proposed changes have on you, if they go ahead?

You would build up a lower amount of pension and cash in the USS Retirement Income Builder after 31 March 2022, than at present.

Some examples are set out below which illustrate the total pension and cash that would build up in the USS Retirement Income Builder in a single year based on a range of salaries, before and after the proposed changes.

Please note that because the benefit change proposals are a package which would be implemented together if they go ahead these examples also reflect:

- the current Salary Threshold of £59,883.65, and the proposed Salary Threshold from 1 April 2022 of £40,000 (see the [Salary Threshold factsheet](#)); and
- the contributions that would be paid into the USS Investment Builder (the defined contribution section of USS) if you earn more than the Salary Threshold.

Benefits being built up each year before and after the proposed changes:

	BEFORE: current Threshold of £59,883.65 and Accrual Rate of 1/75ths				AFTER: proposed Threshold of £40,000 and Accrual Rate of 1/85ths			
Salary	Salary above the Threshold	DB pension (per annum)	DB cash lump sum	DC fund*	Salary above the Threshold	DB pension (per annum)	DB cash lump sum	DC fund*
£25,000	£0	£333	£1,000	£0	£0	£294	£882	£0
£35,000	£0	£467	£1,400	£0	£0	£412	£1,235	£0
£45,000	£0	£600	£1,800	£0	£5,000	£471	£1,412	£1,000
£55,000	£0	£733	£2,200	£0	£15,000	£471	£1,412	£3,000
£65,000	£5,116	£798	£2,395	£1,023	£25,000	£471	£1,412	£5,000

* If you have savings in the USS Investment Builder (the Defined Contribution or 'DC' part of USS) then you can use those savings to provide additional cash or additional income at retirement.

You can find out more about the USS Investment Builder at <https://www.uss.co.uk/members/your-pension-explained/investment-builder>.

Does this proposal affect the benefits I have built up in USS before 1 April 2022?

No, it doesn't – the change in Accrual Rate will only affect benefits you build up after 31 March 2022.

Please note this information is a summary only, for general guidance. It is not a legal document and does not explain all situations or eventualities. USS is governed by a trust deed and rules and if there is any difference between this publication and the trust deed and rules the latter prevail.