

USS

October 2020 Scheme Changes

May 2020



Why does the schemes Normal Pension Age need to change?

The rules of USS require that the scheme's Normal Pension Age (NPA) keeps pace with the State Pension Age (SPA), so when the SPA increases from 65 to 66 from 6 October 2020, the new scheme's NPA must also change. This will only change if the increase is by a whole year.

For members who retire or cease employment at any point up to 5 October 2020, nothing will change. Their benefits will continue to be calculated using an NPA of 65.

For members who retire or leave on or after 6 October 2020, how we calculate benefits will take into account the revised NPA and benefits accrued from this date will be linked to the new NPA.

How we calculate benefits



What it means in a nutshell

Late retirement from the 1 October 2020 will change – currently benefits accrued up to a member's 65th birthday, the last complete month prior to the month in which they attain age 65 are increased if their date of retirement is on or after their 65th birthday by a Late Retirement Factor (LRF).

Benefits accrued from 1 October 2020 will only be increased by a Late Retirement Factor (LRF) if the member retires from age 66 onwards.

The SPA changes do not apply to Exempt members, but the LRF for Post October 20 benefits will still be from 66 . An exempt member is a person who was age 55 or over on 1 October 2011.

There will be a new tranche of benefits that will need to be considered if taking early retirement (post October 2020 benefits have an age 66 retirement date).

There will be some members who will have both an LRF and Early Retirement Factor (ERF) applied to their benefits.

Example – member attains 65 after the new NPA takes effect.

Member is 65 on 1 January 2021, then retires on 30 June 2021 at age 65 years and 6 months

Benefits accrued up to 30 September 2020 get an LRF applied (6 months later than 65)

Benefits accrued from 1 October 2020 get an ERF applied (6 months earlier than 66)

The next slide shows the detail of the tranches of service and how they are treated.

Tranche	NPA	Retiring prior to age 60	Retiring between age 60 and 63.5	Retiring between age 63.5 and 65	Retiring at age 65	Retiring between age 65 and 66	Retiring at age 66	Retiring later than age 66
Pre Barber (male/female)	65/60	ERF to 65/60	ERF to 65/no ERF for female	ERF to 65/no ERF for female	No ERF	LRF 65 to DOR	LRF 65 to DOR	LRF 65 to DOR
Mid Barber	60	ERF to 60	No ERF	No ERF	No ERF	LRF 65 to DOR	LRF 65 to DOR	LRF 65 to DOR
Post Barber	63.5	ERF to 63.5	ERF to 63.5	No ERF	No ERF	LRF 65 to DOR	LRF 65 to DOR	LRF 65 to DOR
Post October 2011	65 (63.5 if exempt)	ERF to 65 (N/A for exempt)	ERF to 65 (N/A for exempt)	ERF to 65 (no ERF for exempt)	No ERF	LRF 65 to DOR	LRF 65 to DOR	LRF 65 to DOR
Post October 2020	66 (63.5 if exempt)	ERF to 66 (N/A for exempt)	ERF to 66 (N/A for exempt)	ERF to 66 (no ERF for exempt)	ERF to 66 (no ERF for exempt)	ERF to 66 (no ERF for exempt)	No ERF	LRF 66 to DOR

NB - In the table, retiring 'at' 65 or 66 means retiring on the day prior to the 65th or 66th birthday, in order that benefits come into payment with effect from the member's birthday.

What else do we
need to consider ?



Its not just retirement

If a member leaves after October 2020 and has less than two years qualifying service they cannot take their benefits until age 66.

A member leaving post October 2020 will have another tranche of deferred benefits with a NPA of 66.

When does the right to transfer change to age 66 – once they have accrued any age 66 benefits (so date of leaving/withdrawing) has to be after October 2020

Death in service and Incapacity – age 65 will remain in place when calculating future benefits. This is currently being reviewed with our legal team as to whether the rules should be amended.

Other changes



Other changes that will be introduced October 2020

Reverse Commutation Changes

Currently, when converting pension into lump sum and vice versa, we use a commutation factor based on the members age at date of retirement (April 2020 unisex factors introduced).

From October 2020, the pension to lump sum factor will remain the same, but the lump sum to pension factor will change and will become less generous.

Anyone either opting for maximum pension or anything less than “standard” lump sum will potentially receive lower benefits than if they retire before October 2020.

Late Retirement Factors – will be slightly more beneficial to members, at present the late retirement factors since April 2016 can be calculated by multiplying the number of months of late retirement by 0.0035.

Post 1 October 2020 LRF will be calculated based on new “compound” factors, which are slightly higher than the original factors as they take into account the cumulative increase in the benefits,