

INFORMATION ABOUT PROPOSED CHANGES TO THE SALARY THRESHOLD FOR THE USS RETIREMENT INCOME BUILDER. ANYONE EARNING ABOVE THE THRESHOLD AUTOMATICALLY PAYS CONTRIBUTIONS TO THE USS INVESTMENT BUILDER.

### **The proposed change**

From 1 April 2020, that the salary threshold, currently £58,589.70, will increase each year in line with Consumer Prices Index (CPI) inflation (subject to a cap, which means the maximum increase in any year will be 10%\*) until 31 March 2025 or if earlier, until it is reviewed by the Joint Negotiating Committee (JNC).

This means that, subject to consultation, the salary threshold will continue to increase in the same way it has since the USS Investment Builder was introduced in 2016. Otherwise, it would no longer rise annually from 31 March 2020:

- It will rise in line with CPI inflation every 1 April until 31 March 2025.
- The rise will be capped at a maximum of 10%\* each year.
- The JNC can review the salary threshold at any time before 31 March 2025, with a view to changing this arrangement.
- In the absence of any changes to the USS rules by 1 April 2025, the revaluation of the salary threshold would cease at that point.
- Any subsequent changes to the salary threshold, either as a result of a JNC review or from 31 March 2025, will be subject to consultation with USS members, eligible employees and their representatives.

\* The 'cap' operates so that the rate of increase in official pensions will be applied in full, so long as it is up to 5% a year. If such increase in official pensions is more than 5% in a year, the increase to the salary threshold would also include one half of that year's increase above 5%, up to an overall maximum of 10%.

### **Background**

- In 2016, the USS Retirement Income Builder and the USS Investment Builder were introduced, following a decision by the JNC:
  - The USS Retirement Income Builder is the Defined Benefit part of the scheme, where all members paying contributions build up benefits based on their salary up to the salary threshold.
  - The USS Investment Builder is the Defined Contribution part of the scheme. Members earning above the salary threshold also build savings here.
  - The salary threshold was set at £55,000.
- Under the USS rules, the salary threshold increased each 1 April in line with CPI inflation (subject to a cap, as detailed above), until 31 March 2020 or if earlier, until the conclusion of a review by the JNC:
  - The JNC is part of the USS governance structure. It is made up of equal numbers of members from the University and College Union and Universities UK (representing USS members and employers respectively) and an independent chair.
  - The JNC has reviewed the salary threshold and recommended to the trustee that it continues to increase in line with CPI inflation (subject to a cap, as detailed above) until 31 March 2025 or if earlier, until it concludes another review.
  - The JNC's proposal, subject to consultation, will prevent the salary threshold from remaining static at the current level of £58,589.70 from 1 April 2020.
- As this proposal, subject to the outcome of a consultation, would result in a listed change to USS, USS employers are required by law to consult with those affected and their representatives. This includes:
  - active members of USS – all members making contributions to USS;
  - employees eligible to join USS;
  - recognised representatives of USS members and employees eligible to join USS.