

Annual Member Statement

Assumptions and further information



This factsheet accompanies your Annual Member Statement and provides more information about how we work out what your Investment Builder benefits could be worth when you want to retire. We use assumptions to calculate these and make other projections about your pension.

Statutory money purchase illustration (SMPI)

If you save in the Investment Builder (the defined contribution part of the scheme), your Annual Member Statement includes a summary of your savings up to 31 March 2023, and a projection of how much your savings in the Investment Builder could be worth when you retire. This projection is required by law. It's called your statutory money purchase illustration (SMPI). If you had any funds built from Money Purchase Additional Voluntary Contributions (AVCs) in this statement period, you will receive a separate annual statement and pension illustration from Prudential. You can contact Prudential on 0800 000 000 for support on MPAVCs with them.

The assumptions we use for your projection in the Investment Builder

The value of your savings in the Investment Builder is made up of some or all of the following:

- Any contributions (including additional contributions) you and your employer made up to 31 March 2023;
- Amounts transferred from other pension schemes or switched from Prudential up to 31 March 2023;
- Any investment returns that you receive, minus relevant charges, if applicable.

When we estimate what your savings might be worth in the future, we make some general assumptions. In particular, we need to assume how much you'll contribute in the future and what the investment return might be on your savings. Some of these assumptions are dictated by law, and others are chosen by us based on experience and industry practice. The law governing the calculation of your projection is changing for Annual Member Statements issued on or after 1 October 2023. Where there are differences in the assumptions used as a result, we will highlight this within this document. The amount of pension payable under the Investment Builder will depend on a number of considerations including the performance of your investments, the cost of buying an annuity at the time the pension becomes payable, and how you choose to use your fund. These may be different from any assumptions we make.

At a glance assumptions

How much you contribute

We've assumed you and your employer will continue contributing to the Investment Builder at the same level you were as at 1 April 2023.

Where you're invested

We've assumed you remain invested in the same investment options you were invested in on 31 March 2023.

When you will retire

We've assumed you will retire at your Target Retirement Age which, unless you have told us otherwise, is your Normal Pension Age at the time of you joining the Investment Builder.

How your investments could grow

We make assumptions about the future growth of different investment options over set time periods.

What you'll do with your savings when you retire

We've assumed you will use your savings to purchase a guaranteed income for life (an annuity) at retirement, although this may not be how you use your fund.

The fees that you pay

We've assumed that investment management charges apply, even though your employer currently subsidises some or all of the fees that you pay for investing in the Investment Builder. We've taken this approach because there's no guarantee that your employer will continue the subsidy in the future so it provides a more prudent estimate of your savings at retirement.

Assumptions about your future contributions

We've assumed you will continue to contribute to the Investment Builder at the rate you were contributing at on 1 April 2023.

The contributions you're paying could include:

- Normal contributions, which are contributions from your salary in excess of the salary threshold; and
- Additional contributions.

If you've made lump sum contributions in the past, we don't assume these will continue, even if you elected to do so at the date of the statement.

We assume your employer continues to pay contributions to the Investment Builder at the same rate as at 1 April 2023.

Please note, the 2023 valuation was held on 31 March 2023. As a result, the benefit and contribution structure of the scheme may be reviewed. However, at the time of writing, no changes have been formally agreed

Assumptions about your investments

Assumptions have been made about the nature of the investments made and their potential performance. These are assumptions and may not correspond with your future investment choices or your actual investment returns.

We've assumed that you remain invested in the same fund options as you were invested in on 31 March 2023.

There are two Do It For Me investment options: the Default Lifestyle Option and the Ethical Lifestyle Option. Within these options, your investments are managed for you and automatically change over time to reflect the point you are at in your working life. As you approach your Target Retirement Age (TRA), the mix of investments will move towards a more cautious approach. If you have not made any investment choices, your savings are likely to be invested in the Default Lifestyle Option. If you're invested in either of our Do It For Me investment options, we assume your investments will change automatically as you approach your TRA in line with the automatic movements that are built into these options.

You also have the Let Me Do It option, which lets you choose any mix of funds from the 10 available. With this option, you are responsible for managing your own investments. If you have different investment options for different types of contributions, we take that into account in your calculation.

The investment management charges for each of the USS Funds can be found in the Quarterly Investment Report for the Investment Builder available across the USS website and on My USS, and further information on the costs of buying and selling units and embedded costs and transaction charges (including net investment returns) can be found in the "Chair's defined contribution statement" in the Governance section of our [Annual Report and Accounts](#). You can review and/or change what funds you're invested in at any time by logging in to My USS, where you can find the Quarterly Investment Report for the Investment Builder showing the performance of each fund over the previous quarter and years, along with information about each fund.

Investment growth assumptions

Legislation requires us to calculate your projections in accordance with guidance prepared by the Financial Reporting Council (FRC). The FRC guidance is changing for Annual Member Statements issued on or after

1 October 2023. We are required to use the calculation methodology in the current FRC guidance for Annual Member Statements issued before this date. To find out if your Annual Member Statement was issued before or after the FRC guidance changed, please refer to the date on the front of your statement.

Annual Member Statements issued before 1 October 2023

As in previous versions of the Annual Member Statements, we set assumptions about the future growth of different types of investments over different time periods.

These assumptions are based on long term expectations for economic data, such as:

- Inflation and interest rates;
- Historical patterns in investment markets; and
- Expertise from within USS Investment Management Limited (USSIM) regarding how these different factors interact.

Predicting future investment growth is complex and there’s no guarantee that investments will perform as predicted, so the assumptions we’ve used to calculate your illustration represent our best estimate, based on what we currently know about how your investments might grow. You should also be aware that investment growth is harder to predict in markets where there is less historical data available or where markets aren’t as transparent, such as emerging markets. Past performance is not a guide to future performance.

Finally, the law requires that investment growth assumptions must be consistent with an inflation rate of 2.5% per year. Therefore, the assumed level of growth takes into account this government-stipulated level of inflation, regardless of the current level of inflation.

Annual Member Statements issued on or after 1 October 2023

We are required by law to use a prescribed methodology to calculate the assumptions for the different USS Funds. This methodology is based on the historic volatility (one measure of investment risk) of the USS Funds over a five year time horizon and does not necessarily reflect the Trustee’s or USSIM’s long term return assumptions for the USS Funds.

Finally, the law will continue to require that an inflation rate of 2.5% per year is assumed within the projection methodology, regardless of the current level of inflation.

The assumptions that we’ve used for the future growth of the Investment Builder’s funds are set out below for both Annual Member Statements issued before 1 October 2023 and those issued on or after 1 October:

Fund option/investment funds	Fund growth assumption per year (gross of fees)	
	AMS issued before 1/10/23	AMS issued on or after 1/10/23
Default Lifestyle Option		
USS Growth Fund	5.5%	3.0%
USS Moderate Growth Fund	4.5%	3.0%
USS Cautious Growth Fund	4.0%	3.0%
USS Liquidity Fund	2.5%	1.0%
Ethical Lifestyle Option		
USS Ethical Growth Fund	5.5%	5.0%
USS Ethical Moderate Growth Fund	4.5%	3.0%
USS Ethical Cautious Growth Fund	4.0%	3.0%
USS Ethical Liquidity Fund	2.5%	1.0%

Other Investment Funds		
USS Bond Fund	3.0%	3.0%
USS Global Equity Fund	5.5%	5.0%
USS UK Equity Fund	5.5%	5.0%
USS Emerging Markets Equity Fund	7.0%	7.0%
USS Ethical Equity Fund	5.5%	5.0%
USS Sharia Fund	5.5%	5.0%

Assumptions about the fees you pay

Your employer currently subsidises the investment management charges for investing in the Investment Builder, apart from on any savings you have transferred into your Investment Builder pot. However, in your projection, we assume that the subsidy does not apply because it is not guaranteed to remain in place all the way to your retirement. The fees associated with each of the scheme's investment funds are outlined in the Quarterly Investment Report for the Investment Builder, available on the USS website and in My USS.

Assumptions about how you use your savings when you retire

There are a number of different ways you can take your savings from the Investment Builder. For the purpose of illustrating what you could receive as an income in retirement, we've assumed you won't take any of your Investment Builder savings as tax-free cash, instead using the entire amount to purchase an annuity, which is a guaranteed income for life. We're not suggesting this is the most appropriate course of action for you and we recommend that you carefully consider your choices and their implications and take financial advice, if you're unsure. There's more information on our [website](#), and you can get impartial help and information, backed by the government and free to use from MoneyHelper at moneyhelper.org.uk.

Assumptions about your retirement date

We've assumed you will retire at your Target Retirement Age (TRA). If you haven't chosen a TRA, it has been set at the scheme's Normal Pension Age (NPA), that was applicable at the time of you joining the Investment Builder.

Assumptions about the pension (annuity) your savings can buy at retirement, including survivor benefits and pension increases

If you decide to purchase an annuity, you'll have a number of different choices. You may also be able to get a higher level of income, depending on your health status and the options you decide to include within your annuity. For example, you may prefer not to purchase a dependant's pension.

However, for the purposes of your statement we have to assume you buy an annuity. We also have to assume your annuity will have the following characteristics, depending on whether your Annual Member Statement was issued before, or on or after, 1 October 2023. For statements issued on or after 1 October 2023 there have been changes to the assumptions relating to survivor benefits and the assumed rate of pension increases, to reflect the changes in SMPI regulations (see below).

Assumptions used

	AMS issued before 1/10/23	AMS issued on or after 1/10/23
Age	The age at which you purchase the annuity is your TRA.	Unchanged.
Guarantee	The annuity includes a five year guarantee on your pension so that if you die within 5 years of your annuity starting, your beneficiary will continue to receive your pension for the remainder of that five year period.	Unchanged.
Survivor benefits/ dependant's pension	All members are assumed to be married or have a partner, and it's assumed you purchase an annuity which will pay your spouse or partner 50% of your pension income after you die; Based on averages, in relationships, husbands are assumed to be three years older than wives; In same sex marriages and civil partnerships, there is no assumed age difference.	It's assumed you purchase an annuity which will not pay an income to your spouse or partner – the annuity income will stop when you die (subject to any remaining Guarantee).
Annual increases to your annuity income (pension increases)	It's assumed that your annuity, and any survivor benefits, will receive annual increases at the rate of 2.5%.	It's assumed that your annuity will not receive any annual increases.
Expenses	It's assumed that 4% of your savings at retirement are used to meet the expenses of buying an annuity.	Unchanged.

These assumptions are not guaranteed as future conditions will change.

The SMPI regulations

When we calculate your SMPI, we have to comply with the guidelines set out by the Financial Reporting Council (FRC) in its Actuarial Standards Technical Memorandum 1. As mentioned above, the guidelines are changing with effect from 1 October 2023. Prior to this change they gave us the flexibility to choose some assumptions but in many cases, the assumptions are prescribed. After this change, most of the assumptions are prescribed. You can find out more about the FRC guidelines on [FRC website](http://www.frc.org.uk) (www.frc.org.uk).

Other important information

The scheme will maintain its tax registration under section 153 of the Finance Act 2004. All amounts quoted throughout your Annual Member Statement are expressed in today's prices and calculated as at 31 March 2023. The information given in the statement is given only for the purposes of illustration and does not represent any promise or guarantee as to the amount of benefit that may be received by you or any beneficiaries of the scheme from USS.