

Inflation protection increases (before and after retirement) to pensions built up from 1 April 2022 (“pension increases”)

Under the proposed benefit structure decided by the [JNC](#) (which was detailed in the statutory [consultation](#) with affected employees), benefits in the USS Retirement Income Builder (the defined benefit part of the scheme, which promises a set amount of pension benefits based on salary and length of service) built up from 1 April 2022 would be granted inflationary increases subject to an annual pension increase cap of 2.5%, i.e. a maximum increase of 2.5% would be granted if the Consumer Prices Index (CPI) exceeded this in a particular year. This is a reduction from the current limit, where CPI is matched in full for the first 5%, and 50% of the excess over 5% is paid, up to a maximum increase of 10%.

Consideration is currently being given by Universities UK (UUK) to maintaining the existing cap on increases for one valuation cycle as a potential modification. This note details the practical effect of this potential modification, consistent with the estimate of the total cost that has been provided to UUK by the USS Trustee.

This would mean that pension increases on new benefits accrued from 1 April 2022 would continue in line with the current approach to indexation up to and including the increase applied in April 2025. Pension increases after April 2025 granted on all benefits accrued under the new structure (i.e. all benefits built up from 1 April 2022) would then be subject to the 2.5% cap on increases.

No benefits built up prior to 1 April 2022 are affected by the potential change in pension increases, these will continue to be in line with the USS [standard pension increase](#).

The salary threshold would not be impacted by this modification. The salary threshold (i.e. the salary above which 8% of member and 12% of employer contributions are invested in the USS Investment Builder, the defined contribution section of the scheme) would be revalued in line with CPI capped at 2.5% from 1 April 2022 onwards, consistent with the proposed benefit structure consulted on with affected staff and their representatives.

Example

The table below compares the position under the JNC proposal detailed in the consultation with that if the modification is adopted. This example shows an active member, earning £34,000 a year, with £3,000 Retirement Income Builder pension accrued as at 1 April 2022. For the purpose of this example, to illustrate the effect on benefits of the cap, future CPI is assumed here to be 3% pa, and for simplicity of the figures, no salary increases are assumed.

This example is illustrative only. The actual effect on benefits would depend on the real level of CPI over any period. If CPI is less than 2.5% throughout, the benefits under the potential modification during the transitional period would be the same as under the original proposal. If CPI is higher than shown, the difference would be greater.

Pension Increase date	Pension under JNC proposal detailed in members' consultation	Pension under JNC proposal detailed in members' consultation with transition option
<p>April 2023</p> <p><i>Note the pension at this date is unchanged by the modification</i></p>	<p>Pre-22 pension increased by 3%: $£3,000 * 1.03 = £3,090$</p> <p>2022/23 new accrual: $£34,000/85 = £400$</p> <p><i>This does not get a pension increase at April 2023</i></p> <p>Total pension: £3,490</p>	<p>Pre-22 pension increased by 3%: $£3,000 * 1.03 = £3,090$</p> <p>2022/23 accrual: $£34,000/85 = £400$</p> <p><i>This does not get a pension increase at April 2023</i></p> <p>Total pension: £3,490</p>
<p>April 2024</p> <p><i>The pension under the modification is higher from this date forward</i></p>	<p>Pre-22 pension increased by 3%: $£3,090 * 1.03 = £3,182.70$</p> <p>2022/23 benefits accrued are increased by 2.5%: $£400 * 1.025 = £410$</p> <p>2023/24 new accrual: $£34,000/85 = £400$</p> <p><i>This does not get a pension increase at April 2024</i></p> <p>Total pension: £3,992.70</p>	<p>Pre-22 pension increased by 3%: $£3,090 * 1.03 = £3,182.70$</p> <p>2022/23 benefits accrued are increased by 3%: $£400 * 1.03 = £412$</p> <p>2023/24 new accrual: $£34,000/85 = £400$</p> <p><i>This does not get a pension increase at April 2024</i></p> <p>Total pension: £3,994.70</p>
<p>April 2025</p>	<p>Pre-22 pension increased by 3%: $£3,182.70 * 1.03 = £3,278.18$</p> <p>2022/23 benefits accrued are increased by 2.5%: $£410 * 1.025 = £420.25$</p> <p>2023/24 benefits accrued are increased by 2.5%: $£400 * 1.025 = £410$</p> <p>2024/25 new accrual: $£34,000/85 = £400$</p> <p><i>This does not get a pension increase at April 2025</i></p> <p>Total pension: £4,508.43</p>	<p>Pre-22 pension increased by 3%: $£3,182.70 * 1.03 = £3,278.18$</p> <p>2022/23 benefits accrued are increased by 3%: $£412 * 1.03 = £424.36$</p> <p>2023/24 benefits accrued are increased by 3%: $£400 * 1.03 = £412$</p> <p>2024/25 new accrual: $£34,000/85 = £400$</p> <p><i>This does not get a pension increase at April 2025</i></p> <p>Total pension: £4,514.54</p>

<p>April 2026</p> <p><i>The same increases apply from this point forward, i.e. a maximum of 2.5% on all benefits built up after 1 April 2022 (however the benefits under the modification are higher)</i></p>	<p>Pre-22 pension increased by 3%: £3,278.18 * 1.03 = £3,376.53</p> <p>2022/23 benefits accrued are increased by 2.5%: £420.25 * 1.025 = £430.76</p> <p>2023/24 benefits accrued are increased by 2.5%: £410 * 1.025 = £420.25</p> <p>2024/25 benefits accrued are increased by 2.5%: £400 * 1.025 = £410</p> <p>2025/26 new accrual: £34,000/85 = £400</p> <p><i>This does not get a pension increase at April 2026</i></p> <p>Total pension: £5,037.54</p>	<p>Pre-22 pension increased by 3%: £3,278.18 * 1.03 = £3,376.53</p> <p>2022/23 benefits accrued are increased by 2.5%: £424.36 * 1.025 = £434.97</p> <p>2023/24 benefits accrued are increased by 2.5%: £412 * 1.025 = £422.30</p> <p>2024/25 benefits accrued are increased by 2.5%: £400 * 1.025 = £410</p> <p>2025/26 new accrual: £34,000/85 = £400</p> <p><i>This does not get a pension increase at April 2026</i></p> <p>Total pension: £5,043.80</p>
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Notes

There are some circumstances in which other pension increases could apply, in particular if the member leaves active service during the period.

In all cases, Retirement Income Builder pensions have an associated lump sum of 3x the pension, which increases in line with those applied to the pension.

If CPI is negative, no increase is applied and pensions do not decrease, with or without the modification.