

Agreement reached between UCU and UUK under the auspices of ACAS

On Monday 12 March, ACAS talks on USS concluded with Universities UK (UUK) and the University and College Union (UCU) agreeing to a revised benefit reform proposal (subject to consultation by both parties and subsequent agreement at the USS Joint Negotiating Committee (JNC)).

Headline agreement

Both parties agreed to a **transitional benefit arrangement** outcome for this valuation which maintains a meaningful level of defined benefits (DB) for all scheme members. The transitional arrangement will take effect from 1 April 2019 lasting for 3 years.

To achieve this interim solution both employers and members will be required to pay higher contributions. This includes a total employer contribution of 19.3% of salaries and a total member contribution of 8.7%. These increased contributions are only in place for the duration of the 3-year transitional arrangement.

Given the concerns raised by some employers and UCU about the scheme's valuation methodology and assumptions an agreement has been reached between UCU and UUK to convene an **independent expert valuation group**.

By recognising the agreement on benefits is set as a transitional 3-year solution there is commitment between both sides to engage in meaningful discussions as soon as possible **to explore risk sharing alternatives** for the future from 2020, in particular Collective Defined Contributions (CDC).

Transitional benefit arrangement

Both sides agree to maintain a meaningful element of defined benefit (DB) at this valuation which includes:

| Feature | ACAS talks outcome – to take effect from 1 April 2019¹ |
|---|--|
| Salary threshold | £42,000 |
| Accrual rate | 1/85 th |
| DC contributions above the salary threshold | Remain as 12% above the salary threshold |
| Indexation and revaluation ² | Capped at CPI up to 2.5% p.a. |
| Death in Service and Ill-health benefits | Retained as DB on full salary adjusted in line with revised accrual rate |
| 1% match | Removed |
| Investment Management Subsidy | Retained at a cost of 0.1% (as part of the employer contribution) |

Employer and Member Contributions

Contribution increases are temporary for the duration of this 3-year valuation period at a level of 19.3% of salaries for employers and 8.7% for members. This assumes a

¹ This proposal is subject to ratification by the Trustee Board including their confirmation of cost and level of deficit recovery contributions.

² This includes revaluation of the salary threshold, revaluation of accrual of benefits (pre-retirement) and guaranteed pension increases.

deficit recovery contribution of 4.5%, which is subject to consideration by the USS trustee³.

Independent valuation review

UCU and UUK jointly agree to form an independent expert group on valuation with an independent chair, involving academics and pension professionals, and liaising with USS.

The objective will be to inform the next USS valuation and therefore will be completed by the end of 2019.

The group will consider issues of methodology, assumptions and monitoring, aiming to promote greater transparency and understanding, and will take account of the real strengths, sustainability and viability of the scheme.

Risk sharing alternatives

The agreement on benefits noted above is transitional for the period of this valuation (from 1 April 2019 to 31 March 2022). Recognising this both UCU and UUK agree to work together to explore alternative options for the future of the scheme. The consideration of any alternative would include the potential impact on recruitment and retention, with a view to reviewing the different provision within the sector. The focus of this work will be to develop alternative ways of risk sharing, in line with CDC, seeking to maintain and develop members' confidence in the scheme. This will also include work with Government so that suitable statutory underpinning is available to adopt this.

Industrial Action

Suspension

UCU have a meeting of their Higher Education Committee (HEC) and their Branch representatives tomorrow 13 March. After that meeting concludes (due early afternoon on Tuesday) UUK expect that UCU will suspend industrial action from and including Wednesday 14 March. That suspension is expected to remain in place until a USS Joint Negotiating Committee (JNC) takes place.

Guidance in relation to rescheduling teaching

Both UUK and UCU recognise that trust needs to be rebuilt following this dispute. They also recognise that strike action will lead to the loss of pay. The issue of lower paid Graduate Teaching Assistants who have participated in the action is acknowledged. UUK asks institutions to consider ways in which the financial impact on Graduate Teaching Assistants may be minimised. UCU undertakes to encourage its members to prioritise the rescheduling of teaching in order to minimise the disruption to students.

Status of Member Consultation

The member consultation, on the 23 January JNC decision which was scheduled to start on 19 March, is now suspended until a decision on this revised proposal is made. Employers should not circulate further the statutory materials already received from USS. Further details on the revised dates, consultation material and process will follow once the outcome is known.

Conclusion

³ Recovery plan details will be consulted upon later in the valuation process once the member consultation has concluded.

The work outlined above demonstrates a commitment by both parties to work together and avoid damaging disputes in the future.

University and College Union and Universities UK
12 March 2018