

## **Briefing for members on the USS consultation**

### **Background**

Members will recall that agreement was reached in April 2018 to set up a joint expert panel (JEP) to assess the 2017 valuation and make recommendations to UCU and UUK. This panel is due to produce its first report by the end of September 2018.

The agreement reached between UCU and UUK in April also led to the formal withdrawing of the employers' previous proposal to remove the guaranteed 'defined benefit' ('DB') pension and replace it with a fully 'defined contribution' ('DC') pension, the size of which would be dependent upon investment performance.

In USS's view, the withdrawal of the employers' proposal and the fact that the JEP will not report until later this month, meant that the Trustee was required to put in place cost sharing proposals to ensure that the fund can cover the cost of current pension benefits whatever happens in the JEP. It is important to understand that these proposals are based on the contested 2017 valuation which is now the subject of the JEP's first report.

In UCU's view, the decision of USS to press ahead with this consultation even though the report from the JEP is imminent is unfortunate, not least because it will create confusion among members and employers.

However, it is important to point out that even under the cost sharing proposals made by USS, current benefits (except for the 1% match) are fully protected – a significant step forward from where the dispute started when the average member faced cuts in their cumulative retirement benefits running into hundreds of thousands of pounds.

### **The detail of the cost sharing proposal**

Based on the contested 2017 valuation, which is currently being investigated by JEP, USS believes that the total contribution rate of 37.4% required to fund current benefits is 11.4% higher than the total contributions currently required by the scheme of 26%. USS is also proposing to remove the 1% matching contribution meaning that the total required contribution rate, in their view, is 36.6%.

Therefore, USS propose that members' normal contributions would increase from 8% to 8.8% from 1 April 2019, and the employer contribution would increase from 18% to 19.5%. Under the proposal, further increases in member contributions would take place on 1 October 2019 (to 10.4%) and 1 April 2020 (to 11.7%). At the same time employer contributions will increase to 22.5% and 24.9% respectively. From USS's perspective "these increases will ensure that, by 1 April 2020, the total contributions being received by the trustee will be sufficient to cover the costs of future benefits and deficit recovery contributions."

### **UCU's position and the role of the JEP**

UCU has established policy that rejects the excessively prudent way in which USS values the health of the scheme. In UCU's view the 2017 valuation has significant flaws and with the methodology leading to a representation of the scheme which was overly pessimistic. It was the lack of consensus within the sector about the valuation that led to the dispute and the setting up of the JEP. The panel is an independent body whose members have been appointed by UCU and UUK. It is chaired by Joanne Segars OBE. In addition to making recommendations on the 2017 valuation, the JEP has also been asked to look, in a further report, at underlying issues within USS with a view to providing advice on how the stakeholders should approach future valuations.

The JEP's report is the first independent study of the 2017 valuation and its recommendations will need to be taken seriously by all parties. Since no one yet knows what the JEP's recommendations will be it is impossible to be certain but it is likely that they will have an impact upon the cost sharing proposals made by USS.

#### How you can help UCU

The USS consultation website is now open at  
<https://www.ussconsultation2018.co.uk/members/abouts>

Members can respond to the consultation here  
<https://www.ussconsultation2018.co.uk/members>

In your response, UCU would ask that you consider making the following points:

\*You highly value the current benefit package, support the retention of the defined (e.g. guaranteed) pension and believe that USS is an important part of the recruitment and retention package for universities

The 2017 valuation is contested and is currently the subject of a report from the joint expert panel (JEP). You expect USS to engage seriously with any recommendations made by the JEP.

\*Because the 2017 valuation is contested, and the JEP is yet to report, you do not consider the case has yet been made for even relatively minor changes in benefits such as the withdrawal of the match payment

\*You believe that serious engagement by USS with the work of the JEP is key to improving confidence in the scheme among members

\*If they were every implemented in full the cost sharing proposals would lead to significant hardship for many scheme members such as the low paid or those without contract security