University and College Union

STRIKE ACTION BRIEFING NOTES

30 November

USS PENSIONS: SOME MYTHS EXPLODED

Myth 1 Pensions for university staff need to be reformed

This is not true for public sector workers and it is not true for those of us who are members of the Universities Superannuation Scheme (USS). USS is a private occupational scheme and it's the second biggest pension fund in the country. It's in good financial health. There is no pensions crisis or 'demographic timebomb' in the USS scheme.

In fact, the university employers have had a clear agenda from the start to change the terms of the pension scheme, to shift the burden of paying in from themselves and to make us pay more. Partly this is about cutting costs.

But we also believe that one of the reasons they want to do this is because they want to attract private companies into partnerships and possible takeovers. Private companies complain that the USS pension scheme is too generous and they don't want to have to compete with it or pay high contributions.

Myth 2 The university employers' proposals are reasonable

The proposals imposed by the employers place new entrants to the pension scheme on an inferior 'tier', where they stand to lose hundreds of thousands of pounds over the course of their retirement.

It makes it easier to sack our staff more cheaply.

They have also built in a cap on the extent to which the scheme can reflect the rising cost of living. This means that our pensions will lose value over time.

Myth 3 This strike is unnecessary

As trade unionists our aim is to negotiate to protect the value of our members' pensions. But for the last 12 months, our employers have done everything to avoid negotiating properly and have imposed their proposals on members without our agreement.

The USS pension scheme held a sham consultation and then assisted the employers by threatening legal action against our representatives if they did not attend a meeting where they would be outvoted by an 'independent' chair.

Our members are sick of being treated like this and voted overwhelmingly in September to begin a new phase of industrial action. We began working to contract in October and we are taking this strike action today alongside our colleagues in the public sector whose pensions are also under attack.

And some truths...

Fact 1 The truth about the public sector pensions crisis

The government argues that the public sector schemes are unaffordable in their present structure.

But the government's own Public Accounts Committee report on public service pensions on 26th May 2011 stated that the changes based on the 2006 agreement are projected to reduce costs to the taxpayers of £67 billion over 50 years, with costs stabilising at a 1% of gross domestic product (GDP) or 2% of public expenditure.

The National Audit Office report in December 2010 stated that public sector pensions are sustainable and affordable.

Fact 2 Our pensions are not gold-plated

The government likes to say that we cannot afford 'gold-plated' public sector pensions. This is a particularly odious piece of misinformation.

The average pension for lecturers in FE is £9,000 and for HE lecturers £16,400 after years of service. These are not gold-plated pensions.

In truth, the real gold-plating takes place in Parliament and the private sector.

An MP on a salary of £68,000, in a pension scheme with a 1/40th accrual rate, and putting in 15 years of service, can expect a pension of around £26,180.

Meanwhile in the private sector, company directors are doing even better.

The TUC has analysed the pension arrangements of 362 directors from FTSE 100 companies and revealed that the average transfer value (pension pot) for a director's defined benefit (DB) pension is £3.91 million. This would provide an annual pension of £224,121. The biggest pension pot in this year's survey is worth £21.5 million.

The average director's pension is 23 times the average occupational pension (£9,568), and 34 times bigger than the average public sector pension (£6,497).

Fact 3 The real scandal is the failure of the private sector

In fact, if there is a problem with public support for retirement in Britain, it is because of private sector employers' failure.

USS is increasingly unusual in maintaining good pensions provision in a private scheme. According the Office of National Statistics, two-thirds of private sector employees are not now in any employer-backed pension scheme compared to just over half ten years ago.

87% of private sector final salary pension schemes are now closed to new members.

Employer contributions to the newer defined contribution or money purchase schemes are on average less than half that towards final salary schemes.

If employees are not able to make proper pension arrangements during their working lives, the cost of supporting them in retirement is simply passed back to the State and to future taxpayers. Employers who refuse to contribute to staff pensions are passing the costs onto future generations.

So the real problem is not the 'generosity' of public sector pensions but the paucity of private sector provision for its employees.

Fact 4 All taxpayers are subsidising private employers

The government often speaks as though public sector workers and taxpayers are not the same people. But the truth is that we are taxpayers, just like private sector workers and we are all paying for the failure of private sector employers.

The government is currently paying more taxpayers money into private sector pension schemes through tax concessions than into public sector pensions.

In addition, the costs of providing for retirement to the public purse are inflated by the fact that so many private pension schemes have closed, leaving the majority of private sector employees dependent on the state for support.

We want fair pensions for ALL.

The government's answer to the pensions problem seems to be to drag everyone down.

Our answer is to build a campaign for pensions fairness to make sure that everyone can have a decent retirement.