

**UCUBAN/HE77 21 May 2021**

**University and College Union**  
***All Branch Action Note***

**To** Higher Education Branch Secretaries, Presidents and Chairs

**Topic** Superannuation Working Group (SWG) report on USS to the Higher Education Sector Conference June 2021

**ACTION:** To consider the report and recommendations and circulate to members

**Summary** This Branch Action Note provides a report on developments with USS and outlines the SWG's recommendations to HE Sector Conference this year

**Contact** Paul Bridge, Head of Higher Education

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Dear Colleagues

Please find attached the Superannuation Working Group (SWG) Report to HE Sector Conference June 2021, which appears as motion HE10 on the HE Sector Conference Agenda.

**Paul Bridge, UCU Head of Higher Education**

**ACTION REQUIRED: branches are asked to consider the report and recommendations and circulate to members.**

## **1. Preamble - Drastic Cuts and a Trojan Horse**

- 1.1 Members are facing another huge attack on their pensions. In March 2021, the [USS Trustee released their 2020 valuation](#). It contains three scenarios, all of which are unjustified, unreasonable and unaffordable. In response, [UUK are consulting employers](#) about massive cuts to the defined benefit (DB) element of the existing USS scheme, as well as the introduction of a new and entirely separate defined contribution scheme for the lower-paid. The cuts to the DB element will drastically reduce the level of guaranteed retirement income. They will affect every active member of USS but especially those nearer the start of their careers. The DC-only option will provide no guaranteed retirement income, whatsoever. It will also undermine the main DB scheme.

[UCU has just published an FAQ page](#) where the extent of the attack is laid bare.

## **2. Valuation and Dispute**

- 2.1 Since the previous conference in December 2020, members have been kept up to date on the UCU website: <https://www.ucu.org.uk/strikeforuss>
- 2.2 USS presented the 2020 Valuation in March 2021, [https://www.uss.co.uk/for-members/articles-for-members/2021/04/04132021\\_valuation-update-for-our-members](https://www.uss.co.uk/for-members/articles-for-members/2021/04/04132021_valuation-update-for-our-members)
- 2.3 The 2020 valuation presents three scenarios and the Trustee will not decide on one until the employers have committed to a certain level of covenant support. All of the scenarios continue many of the errors of the previous valuation and propose unreasonable, unjustified and unaffordable contribution rates. Such high contributions would be unaffordable to members and employers, alike. Opt-out rates from USS are already very high, particularly amongst lower-paid members. UUK are consulting employers on a range of measures that they claim will keep the current contribution rates. It will therefore mean a reduction in benefits, leading to more staff opting out, particularly those on casual contracts and other lower-paid staff. Higher opt-out rates will, in turn, put pressure on the viability of the whole scheme.
- 2.4 On 7 April, UUK launched a consultation of employers which closes on 24 May. [UUK launches consultation on 2020 USS valuation of USS Employers](#)
- 2.5 The proposals consulted upon include covenant support measures and reform of benefits. These include lowering of the salary cap to £40K from just under £60K; a reduction of the accrual rate to 1/85 from 1/75, indexation capped at 2.5%.
- 2.6 They also propose a separate low-cost defined contribution (DC) alternative pension aimed at low-paid and temporary staff which could create a two tier workforce.
- 2.7 The General Secretary held a meeting of Pension Officers on 26<sup>th</sup> April. The representatives welcomed the idea of a modeller for members to see potential

loss. This is still in progress at the time of writing. Branches are being asked to engage with employers and report progress via a branch survey. Another briefing for a wider group of representatives was held on 24<sup>th</sup> May to update and receive feedback from branches.

- 2.8 UCU negotiators continue to challenge the USS trustee board's flawed funding methodology and press the case for an alternative which better represents the unique characteristics of the scheme. However, the Pension Regulator continues to support USS's overly prudent approach. Unless a solution is agreed between stakeholders, increases in both employer and member contributions will take effect from 1 October 2021, putting member contributions at 11% from 9.6% initially and possible benefit reductions further away.
- 2.9 The JNC Chair wrote to the Chair of the scheme, asked for an extension of the Valuation, until 31<sup>st</sup> August. This has been granted.

### **3. Superannuation Working Group (SWG)**

- 3.1 The SWG has met frequently over recent months and weeks and have developed five principles which HEC endorsed on 30<sup>th</sup> April:

1. **Progressive contribution structures to enable more low-paid staff to join and stay in USS.**

The high rate of eligible staff opting out of USS membership is extremely concerning. UUK's preferred defined contribution (DC) alternative for low-paid and junior staff will entrench inequality and precarity and reinforce the current low participation in USS. Any resolution should provide equal benefits with equal security to low-paid and junior staff, while making membership of the scheme more affordable.

2. **An end to the downward spiral of contribution increases and cuts to retirement income.**

Scheme members have suffered repeated attacks on their pensions. That must end with any resolution to this dispute, and we need to be sure we won't be back in another dispute with employers in three years' time. The employers need to join us in pushing USS for a long-term solution.

3. **The fund weighted towards return-seeking, ethical investments.**

USS can provide members with good pensions by ensuring that a significant majority of its holdings are in assets that generate relatively high returns. It should stop and ultimately reverse its current tendency to hold an increasing proportion of low-yield, fixed-income assets. USS's holdings in fossil fuels and other ethical shortcomings as an investor are well-known. Employers should work with UCU to explore solutions that will give UCU/UUK a stronger positive influence on the scheme's investment practices and

speed the commitment to Zero Carbon, currently 2050.

#### **4. Commitments from employers on covenant support, governance reform, and lobbying for regulatory change.**

UUK could reinforce their own covenant by committing to a longer moratorium on employer exits from USS than the 20-year period UUK is consulting on. They need to commit more to show support for the scheme and confidence in the sector. Employers must also push for thorough governance and regulatory reform. USS has resisted some of the recommendations of the Joint Expert Panel (JEP). The Pensions Regulator has continued to make inappropriate and poorly-evidenced interventions in the valuation process that disregard the strengths of USS as an open, immature, multi-employer DB scheme. Trust in USS and in TPR is at an all-time low among employers as well as members. Employers must join UCU to explore every avenue to achieve change in the way the scheme is governed, including: board composition; scheme rules; public expressions of no confidence; legal challenges; lobbying for changes to regulation and other interventions at the highest levels of government.

#### **5. Exploration of conditional benefits on terms acceptable to UCU members.**

UUK has indicated some willingness to explore another solution that might constitute a superior alternative to its central benefit cut proposal: conditional benefits (which UUK and its advisers, Aon, refer to as 'conditional indexation'). The details would need to be worked out but essentially this would mean that the protection of benefits against inflation will depend on the extent to which the scheme performs in line with or above the forecasts made at each valuation. Conditional benefits would mean that USS would continue as a collective, mutual, multi-employer scheme with an ability to invest for the long term in growth-seeking assets.

#### **4. SWG recommendations**

1. Defend USS as a predominately defined benefit pension.
2. Negotiate, campaign and lobby for the protection of member benefits at current levels and pressure employers to reject cuts to future benefits.
3. Base its response to negotiations around the "five principles" outlined above.
4. UCU should use all the campaigning and industrial tools at its disposal up to and including a ballot for industrial action.
5. Encourage branches to use the UCU briefings to engage with employers and members to explain the urgency of the threat to their pensions.
6. Task HEC with calling a Special HE sector conference so that branches, through their delegates, can debate and form policy on the direction of the negotiations and industrial dispute.

7. Campaign for USS to have the strongest possible ethical investment policy, covering human rights as well as carbon emissions, and for it to be Net Zero for Carbon well before 2050 (its current “ambition”).

## **5. National Disputes Committee**

- 5.1 The National Dispute Committee continues to meet and consider USS matters.

<https://www.ucu.org.uk/uss-ndc>

## **6. UCU Nominated USS Directors**

- 6.1 In March 2021, following a recruitment process, UCU-nominated trustee, David Watts, UCU member from Aberdeen took up his position on the Board.