Ten reasons why USS is a scandal waiting to bite back

Sam Marsh, Sheffield UCU

5 February 2018

Reason 1

USS's best estimate is that they hold a huge surplus, significantly over £8bn. That's more than £20k for every USS member.

Summary of Technical Provisions and Contribution Requ

	Best Estimate
Accrued liability (TP)	£51.7bn
Assets	£60.0bn
Deficit on TP basis	–£8.3bn*

Source: USS 2017 Actuarial Valuation, September 2017

Reason 2

USS's best estimate also shows that we are overpaying for the current benefits (26% current versus 22.5% best-estimate for the future).

Summary of Technical Provisions and Contribution Requ

	Best Estimate
Total contributions (employer + employee):	
Future service cost	22.5%
*Deficit contribution***	0%
Total contribution	22.5%

Source: USS 2017 Actuarial Valuation, September 2017

Reason 3

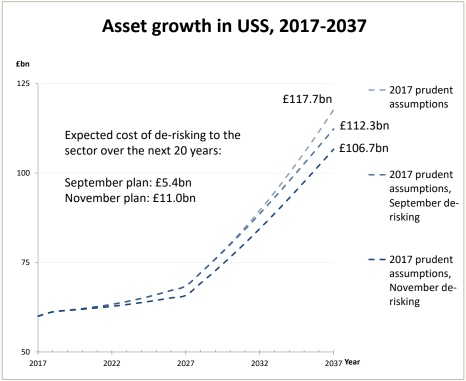
By USS's own admission, a change to the investment plan ('de-risking') is the sole reason for the deficit and the need for increased contributions.

[2] Figures of a £0.5bn deficit and a 26% required contribution rate were confirmed to the Working Group by a USS representative.

Source: Letter to Sir Keith Burnett by Sheffield UCU, 29 November 2017

Reason 4

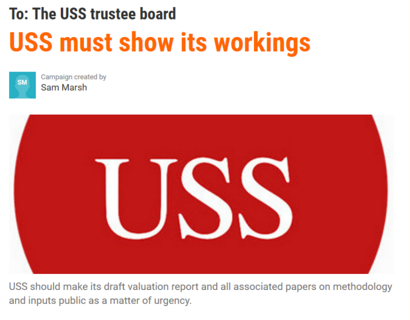
USS's de-risking plan is expected to cost universities an eye-watering £11bn over the next 20 years.



Source: data based on figures from USS's Actuarial Valuations, available on Sheffield UCU's USS: 2017 valuation resources page

Reason 5

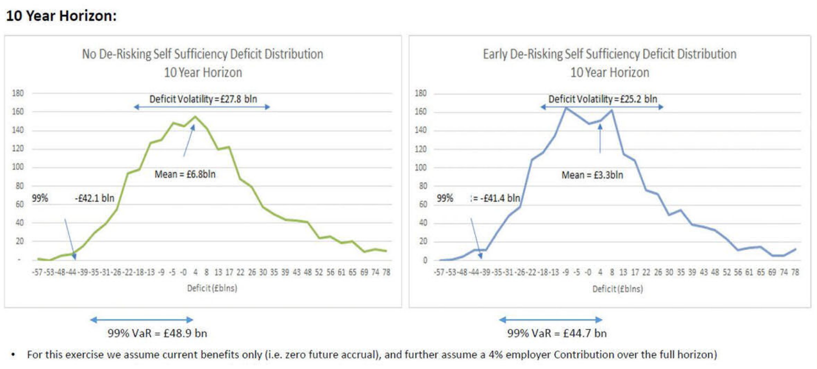
USS have been evasive on the details of their calculations, with justification way below academic standards.



Source: Academics urge universities' pension fund to explain shortfall, Josephine Cumbo, Financial Times, 19 September 2017

Reason 6

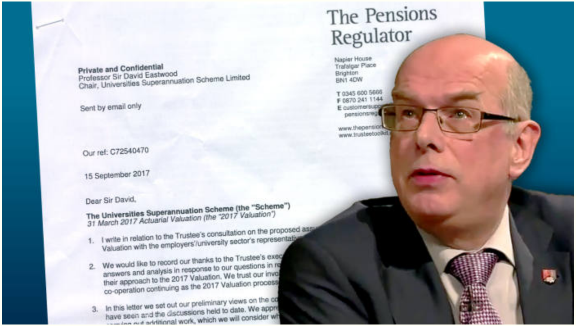
Recent information on the effect of the de-risking strategy shows the large increase in cost comes with almost no protection against downside risk.



Source: USS presentation to Imperial, November 2017

Reason 7

The Pensions Regulator intervened at a key point in the consultation with employers, shaping Universities UK's response in which they called for increased de-risking.



Source: UK universities retirement fund 'weaker' than claimed, fears watchdog, Josephine Cumbo, Financial Times, 11 October 2017

Reason 8

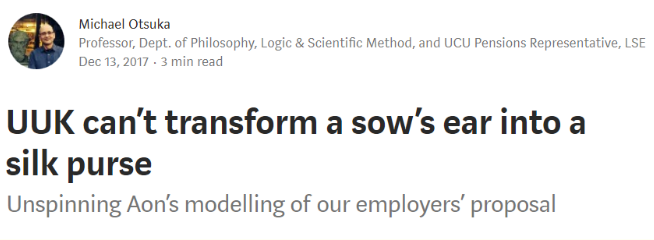
The proposed end to defined benefits will increase pressure for more de-risking, which could ramp up costs for universities.

> "Safer assets are only safe as long as the company has a strong enough covenant that it can keep pouring more and more money in... Pension funds are getting poorer returns as a result of this strategy, but also it weakens the covenant, and companies are not having that money available for investment."
>
> Sir Brian Souter, President of the Institute of Chartered Accountants of Scotland

Source: Sir Brian Souter, BBC Today Programme, 4 December

Reason 9

The investment forecasts Universities UK used in modelling their DC proposal are significantly higher than those used to value USS, and would show a surplus if applied there.


Michael Otsuka
Professor, Dept. of Philosophy, Logic & Scientific Method, and UCU Pensions Representative, LSE
Dec 13, 2017 · 3 min read

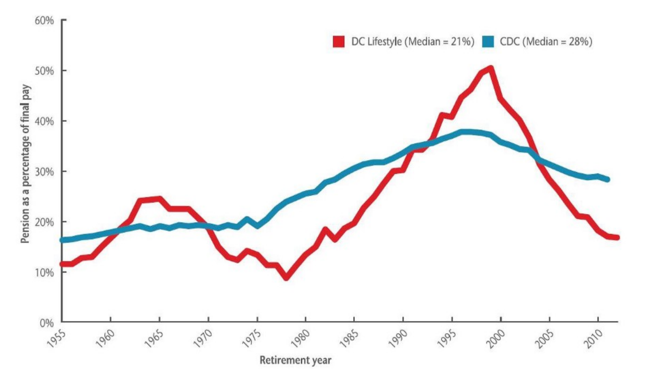
UUK can’t transform a sow’s ear into a silk purse

Unspinning Aon’s modelling of our employers’ proposal

Source: UUK can’t transform a sow’s ear into a silk purse, Mike Otsuka, 13 December 2017

Reason 10

Even accepting the dubious USS calculations, there are much, much better solutions than that Universities UK is painting as the only option.



Source: How UUK's pension proposal could be greatly improved on, at no cost or risk to employers, Mike Otsuka, 26 November 2017

More resources

Sheffield UCU have put together a page of resources relevant to the valuation. You can find links to technical documents, articles, petitions, letters and more there.

http://ucu.group.shef.ac.uk/campaigns/pensions/uss-2017-valuation-resources/