

# 5 FACTS: USS PENSIONS

## 1 CURRENT USS PENSION BENEFITS ARE UNAFFORDABLE

Every three years there is a valuation of Universities Superannuation Scheme (USS) to ensure it has sufficient funds to pay the pensions already earned, and that future contributions into the scheme will cover the cost of anticipated payments for pensions and other benefits, such as ill-health, when due. Calculations are complex and involve making a number of assumptions about the future. The USS Trustees must ensure that the costs and risks are understood, especially if the future does not turn out as expected.

But not too well! Remember the transparency campaign by USS members? Pensions are paid through employer and employee contributions, as well as investment returns. If the current level of pension benefits continued to be available this would result in an additional cost of at least 11.4% of salaries (currently employers contribute 18%; employees 8%.) This would be unaffordable to employers and any increase in the member contribution rate would be difficult for many USS members, particularly early career staff.

## 2 IT IS NECESSARY TO MAKE USS SUSTAINABLE AND SECURE FOR THE LONG-TERM

Change is needed to address the scheme's deficit and the rising cost of future pensions. The independent Pensions Regulator has expressed its concerns over the future of the scheme. Employers' proposals for reform will address the scheme's

funding challenges so that universities can continue to offer attractive pensions benefits to staff. Haven't staff made it clear these proposals are entirely unattractive?

Most universities can't afford to pay more into pensions without diverting money from other central areas, such as teaching or research, reducing their positive impact. Increasing contributions could damage the high standards that students, research funders and others rightly expect. It could even undermine the sustainability of some institutions. The option of no reform would be a dangerous gamble that employers are unwilling to take.

## 3 FOLLOWING THE REFORMS, USS WILL CONTINUE TO OFFER ATTRACTIVE BENEFITS

Employers want to provide good pensions to existing, and future, scheme members. Benefit reforms are needed, and the employers' proposal is to offer market-leading defined contribution saving (through the USS Investment Builder) to all employees, on all salaries, from 1 April 2019.

Understandably, many members want to know what the employers' proposed benefit reform will mean to them. Universities UK (UUK) has worked with its advisors, Aon, to estimate how much members would save towards their pension under the employers' proposals. Aon's modelling is based on USS scheme data to ensure the credibility of the information provided. Aon's modelling demonstrates that through the employers' proposal, competitive and generous pensions will

Overall comments: A good start to addressing the kinds of questions people will have, but at best misleading and at worst just incorrect. Feel free to see me to discuss. There's still time to put this right!

remain even though the scheme faces significant funding challenges. You can view the modelling on the Employers Pension Forum website. Perhaps link instead to Mike Otsuka's blog (Google "Otsuka UUK sow's ear").

While a defined contribution scheme does not offer the same guaranteed pensions as defined benefits, it does have advantages to members such as greater flexibility and choice.

Do you think members prefer security or flexibility? Any thoughts? All members will have their own retirement savings account that they and their employer pay into. These savings will be invested in funds selected by the Trustees, with choice for members if they wish, and employers will pay the costs of investment charges, unlike with many other schemes.

Employers will continue to pay their current contribution of 18% towards USS; that is our pledge. Employers also propose allowing members to pay lower contributions than the current 8%. This means more employees can afford to save for their pension, and more options for members to choose how much they save.

USS offers very valuable life assurance alongside ongoing benefits for family and other beneficiaries. It also offers substantial benefits in the event of ill-health. Employers recognise just how important these benefits are, and propose to maintain them.

The employers' proposal would not involve closing the defined benefits structure entirely; it could be reintroduced if the financial outlook for the scheme improves at future valuations.

"... and we agreed to it". Perhaps mention here that you can always ask for increased de-risking to make it look like the valuation has deteriorated if you so wish.



Universities UK

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*"opinions" (as before)*

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## 4 THE BENEFIT REFORM PROPOSALS ARE BEING CONSIDERED BY EMPLOYEE AND EMPLOYER REPRESENTATIVES

*Perhaps "... have been roundly rejected by employee representatives" is better.*

Any potential changes to member benefits or contributions are negotiated within the Joint Negotiating Committee (JNC), and once decided upon in the JNC any proposed changes will be subject to a full consultation with all affected employees. The JNC is made up of equal numbers of representatives from the employer representative body (UUK) and from the member representative body (UCU), together with an independent chair.

*"would ideally"*

These discussions are still ongoing, but decisions must be taken by the end of the year to meet the Pensions Regulator's statutory timetable to complete the valuation by 30 June 2018.

UUK has met with UCU 28 times since January 2017. Despite this, the union has so far felt unable to engage on the detail of the employers' proposals, or suggest other ways that the scheme could be made sustainable.

*This is categorically untrue, yes? Perhaps take it out. (Could it be considered libel?)*

*Only a handful of times since the valuation was finalised and this proposal presented! Perhaps amend to talk about the meetings since then.*

*Probably should mention that this statutory consultation is meaningless.*

*Internal deadlines always slip! It's only the 30 June one that's externally imposed, and that could be extended with the Pensions Regulator's approval.*

## 5 THE PENSION BENEFITS YOU'VE BUILT UP CANNOT BE CHANGED

There can be no changes to the pension benefits that members have already earned, both under the USS rules and pensions law. Any change to future pension benefits is not expected to come into force until 1 April 2019.

*This is the best section! No problems here. Well done.*

*Definitely have to sort out the rest of this document if you want people to trust these sources! Plenty of work to do, I think...*

## FURTHER INFORMATION

Information on the reasons for the proposed changes is available on the Universities UK website:

- <http://www.universitiesuk.ac.uk/policy-and-analysis/Pages/pensions.aspx>
- <http://www.universitiesuk.ac.uk/blog/Pages/pensions-importance-getting-it-right.aspx>

The Employers Pensions Forum has published a Q&A document addressing the most frequently asked questions for USS scheme members:

- <http://www.employerspensionsforum.co.uk/uss-valuation-qa>

The USS website has information to help members understand the scheme:

- <https://www.uss.co.uk/how-uss-is-run/valuation>



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This information has been issued by Universities UK, which represents over 350 USS employers.

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