

## **RESPONDING TO THE FORMAL CONSULTATION ON CHANGES TO THE USS PENSION SCHEME**

Please find below points you may wish to make in response to the prompt questions posed in the USS consultation paper. These are only suggestions. You should feel free to add your own comments.

UCU will be sending a separate formal response to the consultation.

### **FINAL SALARY SECTION MEMBERS**

#### **USS consultation discussion points**

##### **Do you have any comments on the proposed change to end the link to final salary?**

I note that the radical changes being proposed to my pension are predicated on a deficit which has been calculated using a contested methodology. I note that challenges to the methodology have not only been made by UCU but also by a number of large employers. Adopting a more realistic approach to calculating the funding position, one which reflects the actual assets in which the scheme is invested, would considerably reduce the deficit and question the need for such radical proposals.

I consider that when I joined USS I was given a reasonable expectation that my pension would be based on my final salary. I consider that the proposed changes are inconsistent with those widely held expectations.

I understand that the employers and UCU have agreed to review the USS Board's excessively prudent approach to funding and I ask that this be given a high priority.

For the future, if benefits are to move to a career revalued benefits (CRB) design, I believe the scheme should be planning to improve both the accrual rate and the revaluation rate. As a minimum, USS should be matching the benefits of other public sector pension schemes (i.e. TPS in post-92 institutions) within the higher education sector.

##### **Do you have any comments in relation to the proposed treatment of transfers-in for final salary section members?**

The proposal to withdraw from the public sector transfer club may create recruitment issues. There may be also be a disincentive to apply for promotion if success would mean placement in an inferior USS scheme without the ability to transfer service from other schemes.

##### **Do you have any comments in relation to the proposed treatment of Added Years Additional Voluntary Contributions (AVCs) for final salary section members?**

I do not agree that USS should be able to cancel the contract I signed to purchase additional years' service in the final salary section, effective from 31st March 2016.

All of the literature about the AVCs I purchased indicated that the additional years would be added to my earned service and that it would be linked to my future final average salary. USS should honour the original commitment and enable me to continue to purchase additional years' service in line with the original contract.

It is not a reasonable alternative to offer me the ability to take out a new contract in an inferior (CRB) section of the scheme.

I note that USS considers that it can modify the benefits I will earn based on my future service in the scheme, but I do not accept that it can alter the added years' AVC. USS should honour my AVC service, in line with the original terms.

**Do you have any comments in relation to the proposed treatment of Money Purchase Additional Voluntary Contributions (AVCs) for final salary section members?**

I understand that up to 31 March 2016 my fund enables me to purchase service in the final salary section of USS. I would expect the money-purchase fund value at 31 March 2016 to be clearly identified and increases accrued to that part of my money purchase fund should be used when calculating the additional service purchased in the final salary section.

**Do you have any comments on the proposed treatment of multiple appointment members?**

There should be equal treatment in the scheme for part-time and full-time staff. As such, actual earnings should be used to determine the level of contributions payable, rather than full-time equivalent salary.

## **CRB SECTOR MEMBERS**

### **USS consultation discussion points**

**Do you have any comments in relation to the proposed treatment of transfers-in for current CRB section members, and prospective members?**

I am concerned that there may be issues in relation to transfer from USS and non-USS institutions within the UK HE sector.

**Do you have any comments in relation to the proposed treatment of Revalued Benefits Additional Voluntary Contributions (AVCs) for current CRB section members, and prospective members?**

**I want my contract to be fully honoured. The closure of this facility reduces USS's attractiveness to potential members.**

Do you have any comments in relation to the proposed treatment of Money Purchase Additional Voluntary Contributions (AVCs) for current CRB section members, and prospective members?

I understand that up to 31 March 2016 my fund enables me to purchase service in the CRB section of USS. I would expect the money-purchase fund value at 31 March 2016 to be clearly identified and increases accrued to that part of my money purchase fund should be used when calculating the additional service purchased in the CRB section.

**Do you have any comments on the proposed revised Career Revalued Benefits section of the scheme?**

Although the proposal is to improve the CRB section by improving the accrual rate, I am concerned that USS is failing to match the benefits available from the Teachers' Pension Scheme, the other major pension scheme in the higher education sector for my type of post. USS should be planning to improve both the accrual rate and revaluation rate in the CRB section in the future.

The revaluation should be in line with uncapped CPI for active members.

**Do you have any comments on the proposed initial level of the salary threshold?**

I do not accept that there should be a threshold; defined benefits should be based on members' full salary. However, as a minimum, the salary threshold should be linked to the top of the nationally agreed pay spine. This requires urgent review.

**Do you have any comments on the proposed revaluation of the salary threshold?**

The threshold should be increased to reflect the top of the nationally agreed pay spine. If this is not possible then the threshold should be revalued in line with RPI and if that is rejected by uncapped CPI.

## **DEFINED CONTRIBUTIONS SECTION**

### **USS consultation discussion points**

**Do you have any comments about the proposed creation of a defined contribution section for employer and member contributions on salary above the threshold (55,000 as at the implementation date)?**

The proposal is essentially for a hybrid scheme. The 2011 Independent Public Service Pensions Commission (Hutton Report) rejected hybrid schemes on grounds of increased complexity in terms of administration and ease of understanding, and the cash flow implications caused by the loss of contributions on earnings above the cap.

The current proposals are not transparent or simple. In fact, the lack of information on the defined contribution fund (for example, the investment options that will be available, or who will administer the scheme) undermines the consultation.

I would prefer all my earnings to be covered by the defined benefits section, and for the defined contribution section to be removed.

**Do you have any comments in relation to the proposed contribution rates for the defined contribution section?**

Ahead of any further engagement the trustee may undertake on the defined contribution section, do you have any comments on the range of funds to be provided (including the default fund), the charges payable by members, or any other aspects of the defined contribution proposition?

I understand that the employer is to pay the administration charges and in the default fund the management costs. I believe that the employer should pay the same contribution to the management costs of all funds. Not to do so restricts the individual's ability to make choices on their investment options. In particular, it would disadvantage members who would wish to be ethically invested or invested in accord with Shariah principles.

There should be full transparency of costs, management fees and investment fees.

Governance arrangements should ensure that the selection of the funds and their operation is based on best value for members and low operating costs.

The selection funds should be able to be used for continuing investment after I retire, so that I continue to maintain the maximum flexibility of my fund and do not have to pay the costs of movement to other products.

I would expect to be able to view the performance of my fund in real time.

**Do you have any comments on the options the trustee should make available for members as to how they might use their defined contribution account at retirement or upon leaving giving particular thought to the recent changes to legislation which provide people with more freedom over how they choose to use a defined contribution pension when they retire?**

The scheme should cater for the additional flexibilities to be introduced from 6 April 2015. For example, I should be able to choose to withdraw my DC fund as I wish, or should be able to arrange to purchase an annuity. The fund should also allow for flexible drawdown, and the option, at any time, to use the remainder to purchase an annuity.