



# CONCLUDING THE USS 2018 VALUATION

The employer position

**USSEmployers**



# Headlines

- Pensions benefits to remain unchanged
- Employers supported the conclusion of the current valuation based on a continuing strong covenant, with total contributions of 30.7% of salary
- Employers will pay the bigger share of the contributions increases 65:35 with members. Contributions from 1 October 2019:
  - 21.1% for employers
  - 9.6% for members
- Without this decision, much higher contributions would have been due in October 2019 and April 2020 for both members and employers
- The Joint Expert Panel (JEP) will report in autumn with recommendations to reform scheme governance and future valuations



# Background

- No agreement on 2017 valuation: USS concluded it by creating a **35.6% backstop** from April 2020 (with interim increases in April 2019 and October 2019), but agreed to carry out a new 2018 valuation to consider the JEP recommendations.
- USS presented a **30.7% contribution solution** to the 2018 valuation which superseded the backstop increases from October 2019. This is broadly in line with the JEP report and retains current levels of benefits at a lower price for both members and employers than the backstop, until October 2021 when higher contributions will be due (11% for members, 23.7% for employers)
- This solution was formally consulted on and discussed by the USS Joint Negotiating Committee. Employers reluctantly support the solution; UCU opposed it.



# Contribution rates

	Pre April 2019	April 2019	<del>October 2019</del>	<del>April 2020</del>	Confirmed 1 October 2019
Member	8%	8.8%	<del>10.4%</del>	<del>11.4%</del>	9.6%
Employer	18%	19.5%	<del>22.5%</del>	<del>24.2%</del>	21.1%
Total	26%	28.3%	<del>32.9%</del>	<del>35.6%</del>	30.7%



Without this decision, members would have faced higher contributions under the backstop

Members' monthly pension contributions (pre-tax) under the 2017 backstop		
Salary of average scheme member*	October 2019 (10.4% of salary)	April 2020 (11.4% of salary)
£45,256	£392	£430

Alternative decided by JNC (9.6% of salary)

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£362

\* The average salary of a USS member as at 31 March 2017 was £42,659, which updated by an increase of 3% per annum equates to £45,256 as at 31 March 2019.



## Why 'no detriment' cannot be supported

- Employers have agreed an increase of 3.1% of salary to maintain benefits: contributions of 21.1% equate to employers paying an extra £250 million per year into the scheme
- Extra measures agreed by employers give even stronger support for pensions promises
- Contributions at this level will be extremely challenging for employers. To go higher would likely result in job cuts - impact on teaching and learning, student experience, and estates
- It is clear that a 'no detriment' solution, where total contributions remain fixed at 26%, will not be acceptable to the USS Trustee or The Pensions Regulator

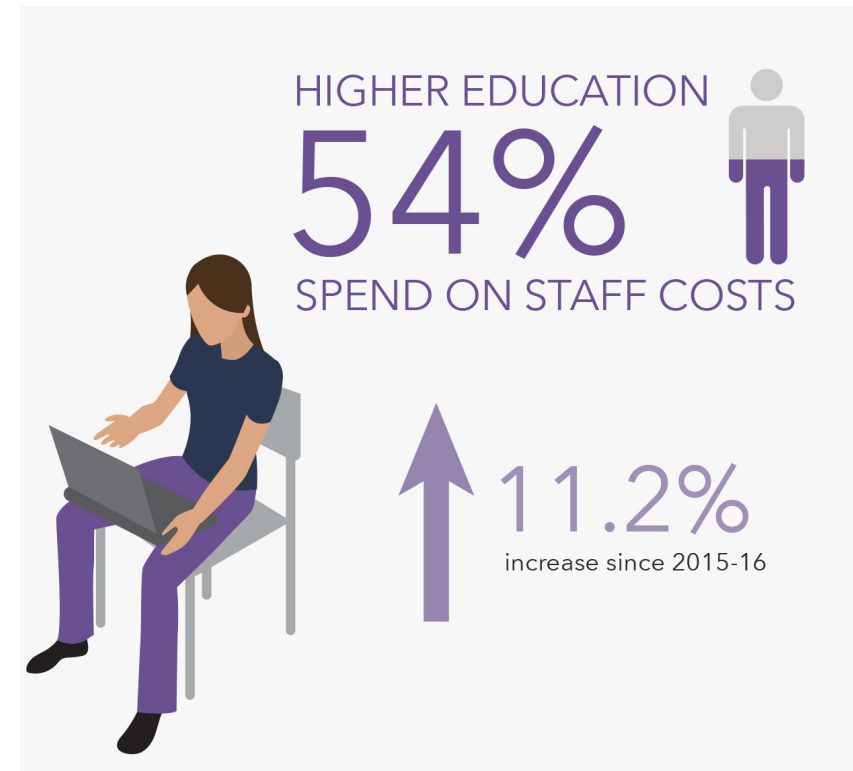


# UCU rejected a compromise offer

- During the Joint Negotiating Committee's discussions over how to split the increase in contributions, employers put forward an alternative proposal
- The UUK negotiators offered to pay an additional 0.5%, resulting in a reduction of the member rate to 9.1% - exactly aligned with what was proposed by the Joint Expert Panel- on the condition that there would be no industrial action over pensions - subject to consultation
- This offer was rejected by UCU who indicated they were unwilling to compromise, and refused to pay more than 8%



## Investment in staff







# Other points UCU make; and the employer response

- **'If you applied full JEP to 2018 valuation the rate would be 25.5%'**
  - The JEP's solution was proposed as 'one of a number of possible paths the Trustee could adopt to bring about a rate of <30%'.
    - The panel had access to 2018 data when conducting its report: if a rate of <26% was possible they would have said so.
    - The Pensions Regulator has made clear that the 2018 valuation '*remains at the limit of what we consider to be compliant with legislative requirements for prudence*'
    - According to Aon, UUK's actuarial advisers, Option 3 is 'largely in line' with what the Joint Expert Panel recommended
    - Contributions of 30.7% would be within a fraction of a percent of what the JEP deemed possible



# Other points UCU make; and the employer response

## 'Employers have not pressed USS to adopt the JEP recommendations'

- This is entirely inaccurate. Responses to consultations are available online - [www.ussemployers.org.uk](http://www.ussemployers.org.uk) - and show the strength of feeling of employers regarding USS' position on many issues (DRCs, upper bookend, timescales etc)
- Over the course of many meetings, many emails, and many phone calls, UUK has, on behalf of employers, continuously pressed the USS Trustee to incorporate the JEP's first set of recommendations.
- Trustees of UK pension schemes are separate (from employers and other stakeholders) under UK pensions law. This provides fundamental protection so that members' pensions are safe.



# Other points UCU make; and the employer response

**'In light of Professor Jane Hutton's allegations, there should be a vote of no confidence in the USS Trustee'**

- We understand that investigations are being undertaken following the concerns raised by Professor Jane Hutton, a USS board director. Without the full details it is difficult to comment, and doing so publicly may prejudice the investigations taking place.
- However, it is worth noting that the USS Trustee has confirmed the decision to suspend Professor Hutton was supported unanimously by the board, including the independent and other UCU-nominated directors.
- Employers have asked The Pensions Regulator and USS to keep stakeholders updated on this matter.

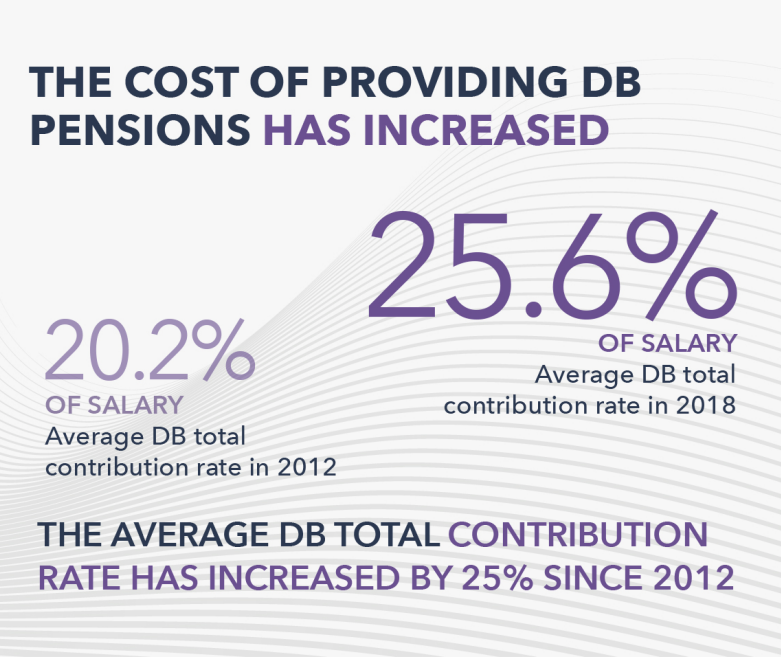


## Joint Expert Panel: Phase 2

- The JEP has been undertaking a second phase of work, looking at the 'valuation process, methodology and governance' and 'considering how the long-term sustainability of the scheme can be secured.'
- The panel will report in the autumn, and its findings will inform the next valuation of USS in 2020
- We hope its work will help to regain the confidence of scheme members following recent controversy over the way things are being run
- A long-term sustainable solution is in everyone's interest
- JEP 2 will explore long-term options on flexibility - as the current model may not be appropriate for all employers and (for example) not all members want to pay the same contribution level



# USS will remain a highly valuable staff benefit





# Summary

- Employers support concluding the current valuation with total contributions of 30.7% of salary, and share contributions increases 65:35 with members. Benefits will be unchanged
- Without this, much higher contributions would have been due in October 2019 and April 2020 under previous 'backstop'
- The Joint Expert Panel will report in autumn with recommendations to reform scheme governance and future valuations, and employers want to work with the union to improve confidence in the valuation process
- The next valuation of the scheme will take place in 2020