

This specification document sets out the University and College Union's (UCU) proposals for changes to Universities Superannuation Scheme and has been produced with assistance from the Trustee to ensure that there is sufficient level of detail for rule amendments and a revised schedule of contributions ("SoC") (together with any amendments necessary for other documents under the Pensions Act 2004) to be introduced. The Trustee's assistance in its preparation does not represent endorsement of this proposal relative to any other, whether from UCU or any other USS stakeholder.

Specification of the proposed modifications to USS contribution rates

This specification sets out the University and College Union's proposals for changes to USS. In order for the proposals below to be implemented, the JNC will need to recommend to the Trustee that the Scheme Rules are amended, in accordance with Rule 79.7 (Power of JNC to recommend amendment). If the JNC makes such a recommendation to the Trustee, the Trustee will take steps to implement the recommendation, unless it appears to the Trustee on actuarial advice that one of the conditions at Rules 79.7.1 to 79.7.5 is met.

All defined terms used in this document with a capitalised initial letter are as defined in the USS rules dated 19 November 2015 (as amended by fifteen deeds of amendment).

UCU proposes that:

- (a) the resolution of the JNC dated 31 August 2021 (which recommended benefit changes in response to the rule 76.1 report with an effective date of 31 March 2020) is revoked no later than 28 February 2022 with current benefits being retained. Such revocation shall take effect only when the replacement resolution (at b) comes into effect;
- (b) a replacement resolution of the JNC recommending changes in the rates of member contributions payable as set out in section 1 of this specification is made by a resolution of the JNC on or after the date of revocation referred to in (a) above but no later than 28 February 2022; and,
- (c) changes to the employer contribution rate would be implemented by the Trustee exercising its unilateral power under Rule 6.1 (subject to consultation with UUK on the SoC (together with any amendments necessary for other documents under the Pensions Act 2004)).

Under the Scheme Rules as amended by the Fifteenth Deed of Amendment, in the event that the steps at (a) and (b) above are completed no later than 28 February 2022 the current 20 year rolling moratorium on employer exits without Trustee consent shall remain in place and no "Benefit Change Revocation Event" shall have occurred.

This specification is underpinned by the assumption that the covenant support package put in place in response to the 31 March 2020 valuation outcome shall remain in place unchanged. As well as the 20 year rolling moratorium on employer exits without Trustee consent, as provided for by the Fifteenth Deed of Amendment, that package includes the Trustee's debt monitoring framework dated 30 September 2021. In order for that assumption to be correct, the following further conditions must be met:

- UUK reconfirms the position that the debt monitoring and pari passu arrangements will effectively operate at an individual employer level through a combination of separate policies of the Trustee, the Scheme Rules and information requirements in Employer's deeds

of accession. Employers understand the arrangements and they individually have responsibility under them, and UUK is generally supportive of the debt monitoring framework; and,

- A revised SoC shall include, in accordance with the Debt Monitoring Framework dated 30 September 2021, provision for the acceleration of employer deficit contributions and in the same terms as currently set out in section 5 of the current 2020 SOC dated 30 September 2021.

1. Effective dates and contribution rate changes

1.1. Contribution rates

The proposed contribution rate changes contained in this specification are to be effective from 1 April 2022 (the “effective date”), escalating as set out in the table below and to be included in the SoC, and are based on indicative pricing provided by the Trustee.

Date	Employer contribution rate	Member contribution rate	Total contribution rate
1 April 2022	23.7%	11%	34.7%
1 October 2022	25.2%	11.8%	37%
1 April 2023	26.5%	12.5%	39%
1 October 2023	27.8%	13.2%	41%
1 April 2024 until end of recovery plan	29.1%	13.9%	43%

1.2. Apportionment of DC contributions on Salary in excess of the Salary Threshold

The approach for DC contributions will continue unchanged. Active Members and Employers will pay contributions as a percentage of full Salary in line with the SoC and contributions on Salary in excess of the Salary Threshold will be apportioned to the Member’s DC Account as follows:

- Of the Employer’s total contribution, 12% of Salary in excess of the Salary Threshold shall be apportioned to the Member’s DC Account. These contributions will fall within the overall, blended, uniform employer contribution rate; and
- Of the Member’s total contribution, 8% of Salary in excess of the Salary Threshold shall be apportioned to the Member’s DC Account.

1.3. Contributions to the Supplementary Section

0.35% of Salary up to and including the Salary Threshold will be allocated to the Supplementary Section of USS. Contributions will continue to be allocated to the Supplementary Section from the total combined contribution rate.

2. Benefits applicable prior to, on, and from the effective date

There will be no change to the benefit design of the Scheme, meaning that the pre-1 April 2022 design continues on and from that date.

3. Uniform employer contribution rate

The approach of a blended, uniform employer contribution rate will continue to apply for all Employers in USS in respect of all Active Members of the hybrid arrangement. This percentage of Salary contribution rate includes all Employer contributions both towards DB benefits under the

Scheme and contributions apportioned to Members' DC Accounts in respect of Active Members of the hybrid arrangement. The uniform employer contribution rate is to be a minimum employer contribution rate as specified by the SoC. The uniform employer contribution rate is subject to the Trustee's power under Rule 6.1 (Ordinary employer contributions) to determine the employer contribution rate required to satisfy the rights of Members to benefit under the Scheme.

4. Member contribution rate

Subject to salary sacrifice arrangements from the tiering effective date, Active Members of USS will be required to pay contributions of a percentage of Salary as set out in section 1, above. The existing provision for special member contributions will continue to apply.