

Responses to common questions on USS 15 November 2019

‘The increased costs of the scheme lack solid justification’

Under pensions law the scheme needs more money.

The Pensions Regulator (TPR) has repeatedly made clear that the valuation approach (and contribution rate of 30.7%) ‘remains at the limit of what [they] consider to be compliant with legislative requirements for prudence.’

‘Employers can afford to pay 22.7% of salary to deliver no detriment’

There are 340 employers in USS, which range in size and operating model. While a small number may be able to afford a 22.7% of salary contribution, the vast majority would find this unaffordable. To pay this higher level of contributions, they would have to divert significant sums of money from other budgets, with potential consequences for jobs, teaching, and students, including cuts to courses and larger class sizes. Employers have already agreed to increase contributions from 18% to 21.1% of salary to protect member benefits at current levels.

‘Changes of personnel at USS will resolve the dispute’

It is unfair to suggest that individuals at USS have acted inappropriately. The USS Trustee has the primary, legal responsibility to deliver pensions that are promised. An expression of no confidence in the USS Trustee Board or Executive would likely lead to regulatory intervention, potentially resulting in higher contributions increases to the detriment of employers and scheme members.

‘USS misrepresented the position of TPR / suspension of Professor Jane Hutton’

The decision to suspend Professor Hutton was taken unanimously by the USS Trustee board – which has other UCU-nominated directors.

Referring to the suspension of Professor Hutton, TPR recently acknowledged that although they were ‘concerned’ at USS’ representation of them as a ‘gilts plus regulator’, the presentation of their concern that the previous valuation was ‘at the limit of acceptability’ was an appropriate reflection of their views.

UUK ensured that the correct position of TPR on discount rates was communicated to employers on 14 January 2019, in an actuarial note from Aon.

‘Changes to valuation methodology and governance are required’

USS employers are committed to working with UCU and USS to agree and deliver governance reforms and to develop shared valuation principles for the 2020 valuation, including a thorough review of, and likely replacement for, Test 1.

We are awaiting the Joint Expert Panel’s (JEP’s) second report and advice to inform this joint approach. In its 5 November letter, TPR confirmed it had met with the JEP, and pledged to engage with USS and stakeholders once the report is published.