

UCU DISPUTE UPDATES – 28 JUNE & 1 JULY 2019 RESPONSE POINTS FOR USS EMPLOYERS

Is it true that employers have not challenged the USS Trustee to implement the JEP's first report, and are refusing to hold the USS Trustee to account?

It would be entirely inaccurate to suggest that.

Over the course of many meetings, many emails, and many phone calls, Universities UK (UUK) has, on behalf of employers, continuously pushed the USS Trustee to incorporate the Joint Expert Panel's (JEP) first set of recommendations.

Employers have also regularly questioned senior members of the USS executive over their response to the JEP's recommendations, and made clear the need for better information to understand some of the decisions the Trustee has made during this valuation, including on the level of deficit recovery contributions. These views have been expressed by employers through various consultation responses, summaries of which have been published online and formally sent to the USS Trustee by UUK.

UUK has invested considerable time and resource to develop a credible contingent contributions proposal that employers could support, in order to try and convince the USS Trustee to agree to set contributions at the 'lower bookend' of 29.7%. Although the Trustee did not accept the proposal, they subsequently put forward Option 3 in response to the pressure applied by UUK and individual employers. Option 3 adopts the majority of the JEP recommendations and – as this Aon advice note explains – provides a solution to the 2018 valuation that is 'largely in line' with what the JEP recommended.

The Trustee has also agreed to UUK's recent proposal for a moratorium on employers leaving the scheme, instead of a change to the scheme rules that they had initially stipulated was required for concluding the valuation under Option 3.

Following this work by employers to influence the USS Trustee since the publication of the JEP's first report, a solution is now within reach that requires total contributions of 30.7% of salary, as opposed to 35.6% filed under the 2017 valuation. That is a great deal of movement and much of it is down to the pressure applied by UUK, and the Trustee's positive engagement with the JEP's recommendations.

If the full JEP is not implemented, UCU want employers 'to meet the full cost of contribution increases above the rate of 26%, rather than forcing some of them on to members.' Is that possible, or fair?

Since the Joint Negotiating Committee (JNC) was unable to decide how to conclude the 2017 valuation, the scheme's default position of sharing the cost of contributions increases 35:65 between scheme members and employers was enacted. The 2017 valuation documentation - including the schedule of contributions - was subsequently filed with The Pensions Regulator and cannot now be altered.

A decision on how any contributions increases arising from the 2018 should be met is a matter for the JNC, but scheme members should note that the Committee will first need to decide how to conclude the valuation. While employers have indicatively expressed support for Option 3, UCU have not, to date, indicated support for any of the options proposed by the USS Trustee.

By supporting Option 3, employers are committing to increase their contributions from 18% to 21.1% of salary - equating to an extra £250 million per annum over the next two years, and 65% of the overall increase required by the USS Trustee. For many employers this level of contribution is already beyond what is considered sustainable, but it has been agreed to in response to the clear view expressed by UCU that maintaining the current level of benefits is the priority.

In light of this commitment to maintain existing benefits, it is reasonable to ask employees to bear 35% of the increasing costs (equating to an additional 1.6%; 0.8% on current rates - before tax relief). Employers appreciate that the cost of the scheme is increasing for members (and is indeed higher than many employees would choose to pay), but to date UCU has not been prepared to discuss reforms that might suit those members who would prefer to pay less for a different level of benefit.

Without a decision, it is highly likely that the USS Trustee will opt to conclude the valuation under Option 1, with a contribution rate of *at least* 33.7% of salary. The scheme's default cost sharing provisions would then apply, resulting in rates of 10.7% of salary for members, and 23% for employers. Preventing this scenario is one of UUK's highest priorities.

What are the latest developments regarding the allegations made by Professor Jane Hutton?

UUK understands that ongoing investigative work is examining the allegations made by Professor Jane Hutton, a USS board director.

Separately, we understand that a decision to suspend Professor Hutton was taken unanimously by the USS Trustee board - which has other UCU-nominated directors - pending the outcome of a 'separate, independent investigation into her conduct over an extended period of time.'

Without the full details of either investigation it is difficult to comment further, and doing so publicly may prejudice the investigations taking place. UUK has asked The Pensions Regulator and the USS Trustee to keep us updated on these investigations.

USS refused to implement JEP 1; why are employers confident that they will pay heed to JEP 2?

It is not the case that the USS Trustee refused to implement the JEP's first report. In their view, five out of the seven recommendations have been fully or partly incorporated into the 2018 valuation. The Trustee subsequently clarified their reasons for not adopting all the recommendations, but in proposing Option 3 put forward an alternative solution that is 'largely in line' with what the JEP recommended.

UUK and UCU will need to work together to consider and assess the JEP's next set of recommendations, and agree proposals on governance reforms and the 2020 valuation. By working together, employers and UCU will be able to have a significant influence over the future of the scheme, and ensure that the USS Trustee further engages with the JEP's recommendations.

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