

# USSEmployers

## Q&As, FEBRUARY 2023 (AN UPDATE TO THE Q&AS PUBLISHED OCTOBER 2022)

1. Of the change in the scheme's financial position, how much is down to improvements in market conditions, and how much is down to the April 2022 reforms?
  2. Why can't we undertake a valuation now?
  3. The [USS September 2022 monitoring](#) suggests that the scheme now has a surplus, and lower future service costs. Isn't this proof that we can now make changes to reverse the April 2022 cuts to benefits?
  4. Are you aware that many employers want to improve benefits as soon as possible, and how do you explain your position to them?
  5. What do you say to the challenge that USS is no longer nationally competitive, and has fallen behind public sector pensions like Teachers' Pension Scheme (and there is [UCU analysis](#) which contends that this is the case)?
  6. Has UUK consistently underestimated the level of cuts?
- 

1. *Of the change in the scheme's financial position, how much is down to improvements in market conditions, and how much is down to the April 2022 reforms?*
  - The scheme's financial position, based on the quarterly monitoring published by the USS Trustee up to 30 September 2022, has improved markedly. The scheme's funding level for all of the accrued benefits (the past service funding position) has moved from a substantial deficit to an indicative surplus, and the cost of providing future benefits has reduced.
  - These improvements are due to a range of factors; the changed economic conditions have had the most substantial impact in recent times, albeit with considerable short-term volatility. The changes to benefits implemented from April 2022 have also had a material impact, primarily on the cost of future benefits (as changes to scheme benefits only affect the future rights which are built-up by members).

2. *Why can't we undertake a valuation now?*

- The USS Trustee made clear during 2022 that, while the funding improvements were very welcome, there were not grounds to undertake an early valuation (for example, because of the continuing short-term uncertainty, and indeed volatility in the position), and they will undertake the valuation as planned as at 31 March 2023 (which is now a matter of weeks away).
- The scheme's stakeholders have however collectively agreed an accelerated timeline for the 2023 valuation, so that if and when an improved financial position is confirmed any positive changes can be implemented as quickly as possible.

3. *The USS September 2022 monitoring suggests that the scheme now has a surplus, and lower future service costs. Isn't this proof that we can now make changes to reverse the April 2022 cuts to benefits?*

- The improvements in the USS funding position indicated by the latest monitoring data are really good news.
- This is periodic monitoring data only, and the USS Trustee makes clear that a valuation, when assumptions are more fully considered, might well produce a different position.
- The changes to benefits which were implemented from April 2022 were made in order to avoid damaging increases in contributions for members and employers, which would otherwise have been imposed following the 2020 valuation. The forthcoming valuation, as at March 2023, will provide a new opportunity to fully review the scheme's financial position and, if indeed the financial position is better, both UUK and UCU will be able to consider positive changes for members and employers (and these will be implemented as soon as possible).

4. *Are you aware that many employers want to improve benefits as soon as possible, and how do you explain your position to them?*

- We welcome the fact that employers are engaging with scheme members and with local trade union representatives on these issues and will do so over the coming months. We know that, like UUK, they will want to respond to the sustained improvements in the scheme's financial position as quickly as possible.
- We (collectively UUK, UCU and the USS Trustee) are beginning preparations for the 2023 valuation early, so that as and when an improved funding position is confirmed, any positive changes to the scheme can be decided on, and implemented, quickly.

5. *What do you say to the challenge that USS is no longer nationally competitive, and has fallen behind public sector pensions like Teachers' Pension Scheme (and there is [UCU analysis](#) which contends that this is the case)?*

- The analysis which is referred to is very limited, based on one particular example individual, and we would encourage any member to be extremely careful of forming any view or opinion based on it.
- There are very substantial differences between schemes that are private schemes established under trust like USS, and public service pension schemes like Teachers' Pension Scheme - for example, in terms of their control and governance, and how benefits and funding decisions are made in relation to them.
- There are also many different scenarios in which a member could be better or worse off under one particular scheme compared with another. Take, for example, circumstances of incapacity retirement, early retirement, late retirement, death in service, etc, or indeed, in other areas of employment and reward outside of purely pensions considerations.
- The analysis also makes very specific assumptions about future inflation, which would produce a very different picture if indeed future long-term inflation outcomes are different.
- We would urge care and caution in reading anything into this analysis.

6. *Has UUK consistently underestimated the level of cuts?*

- This issue has been covered at length over the last year or so, and our position is clear - as set out on the [USS Employers website](#).
- Members should also refer to the [USS Trustee's statement on this issue](#). It has a legal responsibility for the accuracy of communications presented to members, and we would urge members, employers and other interested parties to use the USS Trustee's information as the definitive source.
- The USS Trustee also responded (27 September 2022) to a UCU Superannuation Working Group letter on this matter. The USS letter clarifies the timeline of the information available (including the headline statistics used) in the lead up to the modeller being available.
- We would also reiterate that, in relation to one of the main sources of concern - the effect of the inflationary cap on new benefits of 2.5% per year - the employers have implemented a deferral of this cap until at least the increase due in 2026. The cap could potentially be deferred for longer, as this might be an area which can be addressed at the next valuation if the funding improvements are sustained.