

USS Pension FAQs

Why have increases in USS contributions been implemented?

At least every 3 years, the USS trustee has, by law, to undertake a scheme valuation, which re-assesses the financial position of the scheme. This involves looking at the value of all the pension commitments already built up, and comparing that to the current assets, as well as the cost of making new pension promises in the future. The USS trustee undertook its latest valuation as at 31 March 2018, which confirmed a scheme deficit of £3.6bn. In order to reduce this deficit, contributions from both employers and employees must increase in order to meet this deficit, and to continue to provide the existing scheme benefits to its members.

What level of increase in contributions have members faced?

Contributions are paid as a percentage of salary, and prior to April 2019 the member contribution rate was 8.0%. Rates increased to 8.8% from 1 April 2019, and to 9.6% from 1 October 2019.

Is the University paying higher contributions too?

Yes, the University's contributions were 18% prior to April 2019. They increased to 19.5% from 1 April 2019 and to 21.1% from 1 October 2019.

How are increases in contributions shared between employers and members?

The scheme rules state that any increases in contributions are shared in a 65:35 basis between employers and members respectively (unless the scheme's negotiating body decides otherwise). This means that employers bear a two-thirds share of any increases, with members paying one-third.

Is USS in deficit?

The USS trustee is the body responsible for scheme funding issues, and after consultation it has concluded, having taken specialist advice, that a deficit existed in the scheme at the most recent valuation. The trustee must have regard to its legal duties, and to regulatory bodies such as the Pensions Regulator. There is a range of views amongst other interested experts and observers regarding the financial position of USS, but the trustee is legally responsible for decisions on funding and contributions and in that respect is definitive.

What role does the Pensions Regulator play?

The Pensions Regulator requires the trustees of defined benefit (DB) pension schemes to undertake a valuation at least every three years. The main purpose of this valuation is to ensure that the contributions paid into DB schemes are sufficient to provide a high level of security for members' benefits. The valuation is subject to detailed regulations and the Pensions Regulator –

which is an independent body established by government through the Pensions Act 2004 – can intervene if the approach taken is deemed by the regulator not to be sufficiently prudent and does not therefore sufficiently protect members' benefits.

Is this the final increase in pension contributions for members?

We can't say that it will be. The nature of defined benefit (DB) schemes is that the funding position is reviewed regularly and contribution rates adjusted accordingly in the light of economic trends, scheme demographics, investment returns etc. The contribution rates now applicable are due to run until 30 September 2021, when they are due to increase further. However, there will be a further valuation of the scheme in the meantime (as at 31 March 2020 but set to conclude in late 2020) and this will review the rates of contributions required from October 2021. We will also have the publication of the second report from the Joint Expert Panel in late 2019, which stakeholders will want to take into account in the 2020 valuation. So in short, the contributions are expected to remain at these levels until later in 2020, but after that things are less certain.

What outcome does the University and College Union seek?

In relation to USS, the union has a position of no detriment in which it seeks no changes to benefits, and no increases in member contributions above 8%.

Given the different approaches to assessing the financial position of a pension scheme, could the scheme be in a better position than stated?

There is no single definitive way for a trustee to assess a scheme, although there are pensions laws, and indeed the specific rules of USS, which govern the approaches that can be adopted.

Importantly the USS trustee is the body that is responsible in law, and under the USS rules, for setting the assumptions and making any assessment. In doing this, the trustee must take specialist advice from a qualified actuary and look at factors like the strength of the employers and how much risk they can bear, and the legal requirement to set prudent assumptions.

When will the Joint Expert Panel (JEP) publish its second report?

We do not have a precise date; the latest information from the JEP (at <https://ussjep.org.uk/>) is that we will see the report later this year.

Will the recommendations from the JEP's second report be taken into account?

The plan is for the JEP's recommendations to be published so that they can be taken into account in the 2020 valuation of USS (the planning for which will begin towards the end of 2019). Both Universities UK and the University and College Union, the scheme's primary stakeholders, have commissioned the JEP to undertake its second report so that some of the more fundamental issues

which it identified in its first phase of work, but could not then look at in detail, can be fully considered and investigated. The trustee has also indicated its willingness to consider the JEP's recommendations¹, once the stakeholders have done so and developed their own positions.

What is the University doing to resolve the dispute with UCU?

USS is a national pension scheme, and the dispute requires a sector-wide solution. No individual University can determine what is decided. As one of the c340 participating employers in USS, we have been very much involved in the various consultation exercises throughout the USS Valuation process.

However, we welcome ongoing talks and negotiations at a national level between UUK, the USS trustee and UCU as they maintain their dialogue regarding the USS valuation, which we hope will come up with a solution to resolve this current dispute.

¹ <https://www.ussemployers.org.uk/sites/default/files/field/attachemnt/letter-bill-galvin-to-alistair-jarvis-23.8.19.pdf>