

**Proposed Detrimental changes to the USS pension scheme &  
Your Employer's Failure to Reach an Agreement with UCU to Protect Your Pension**

**What is the dispute about?**

The employers have developed changes to the USS pension scheme which, if implemented, will cost current and future members thousands of pounds a year in lost benefits.

The proposal on which Universities UK have consulted the USS employers includes: the closing of the final salary section of USS; the move of all members into the career average scheme; setting a £40,000 earnings cap above which career average benefits will not build up; and establishing a new defined contribution pot for contributions on salary over the £40,000 earnings cap, the income from which would depend upon investment performance and not be guaranteed.

Taken together these proposals will mean lower benefits, less guaranteed income in retirement and a worse USS pension than that received by academic staff in 'new' universities who are members of the Teachers' Pension Scheme (TPS).

**How would the employers' initial proposals affect my pension?**

An analysis for UCU by independent experts First Actuarial LLP (FIA) modelled the proposals for a variety of career paths (see table below for profiles), all of which showed significant annual losses:

<i>Mid-career profiles - Current and proposed total benefits converted to annual pension</i>				<i>New Joiner profiles - Current and proposed total benefits converted to annual pension</i>			
Career profile	Current USS Final salary section (£)	Employer's proposals (£)	Annual loss (£/%) FS section members	Career profile	Current USS career average section (£)	Employer's proposals (£)	Annual loss (£/%) Career average scheme members
1	33,231	27,978	-5,253 -15.8%	5	26,158	25,481	-677 -2.6%
2	25,235	22,299	-2,936 -11.6%	6	20,597	19,800	-797 -3.9%
3	39,657	32,316	-7,341 -18.5%	7	30,007	28,204	-1,803 -6.0%
4	46,050	33,604	-12,446 -27%	8	31,917	28,389	-3,528 -11.1%

	Career profile	Profile
Mid-career	1	Age 40, joined scheme at 25, retires at 68 on salary of £45,954
	2	Age 51, joined scheme at 36, retires at 68, final salary of £45,954
	3	Age 40, joined scheme at 25, retires at 68 on salary of £54,841
	4	Age 40, joined scheme at 25, retires at 66 on salary of £75,000
New joiners	5	Age 25, joins now, retires at 68 on salary of £45,954
	6	Age 36, joins now, retires at 68 on salary of £45,954
	7	Age 25, joins now, retires at 68 on salary of £54,841
	8	Age 25, joins now, retires at 68 on salary of £75,000

You can find more career paths analysis and the full FIA report here [www.ucu.org.uk/defenduss](http://www.ucu.org.uk/defenduss)

Explanatory Note: All members of UCU who are employees of your employer are eligible to vote. Exceptions to this are: an employee may not be called to take part in the industrial action because it is known that they will be absent, e.g. on maternity leave or on long-term sick leave during the period when the industrial action is planned to take place. If you will no longer be working (e.g. retiring or taking voluntary severance) when the industrial action is planned for you should NOT vote in this ballot. If you are unclear as to whether you should be voting please contact [mwaddup@ucu.org.uk](mailto:mwaddup@ucu.org.uk)

## **How do the employers' proposals compare to those recently introduced in the new universities?**

The FIA analysis shows that, while acknowledging that contributions are lower in USS, USS members will have significantly lower pension benefits than colleagues working in 'new' universities who are members of the Teachers' Pension Scheme (TPS). For example, take the case of someone aged 40 with 15 years scheme membership retiring at 68 on £45,954. Under the employers' initial proposals their total benefits, converted to an annual pension, would be 38.5% higher per year if they joined TPS now than if they joined the employers' proposed scheme now. Not only would this be highly unfair but it is likely to lead to recruitment and retention problems in 'USS' institutions with staff opting for other employers who offer better pensions.

## **Is USS running out of money?**

No. Since 2011 when the last detrimental changes were made, the fund's investments have grown by £8bn, and returns on investment have outperformed both average earnings and inflation. Last year the fund's investment manager received a pay increase of 50% (to £900k) in reward for "sustained outperformance".

## **Are the employers running out of money?**

No. Overall income for pre-92 institutions has grown by more than a quarter over the last five years, while staff costs as a proportion of income have continued to fall and now sit at just 52.3%. On any definition, pre-92 institutions are doing well and there is simply no case for the pensions they offer to be inferior to those offered by 'new' universities.

## **What about the USS deficit?**

Later this year, USS is likely to report a deficit. While the USS is fundamentally sound nobody denies the challenges provided by increased longevity and other demographic pressures. However, the so called 'gilts plus' methodology used by USS, with support from the employers, to value the deficit introduces substantial volatility into the fund. This has led to an over-reaction by both USS and the employers to the impending deficit.

## **What does UCU want?**

UCU's primary objective is to protect your pension benefits *and* to ensure the sustainability of the fund. We asked your employer to enter into a collective agreement to build into your contract of employment a means to protect your current and future pension benefits. Your employer has declined, hence this dispute. We remain open to negotiations with all parties to ensure the long term stability of USS and its continuing ability to provide a competitive pension package within the sector.

## **If the dispute is not settled, what kind of industrial action is envisaged?**

UCU is clear that without significant industrial action, detrimental changes to your pension entitlement will be imposed. For that reason if members vote yes and there is no negotiated resolution we will be asking you to take action short of a strike in the form of a setting and marking boycott. The union recognises this is a serious measure which may result in the employers making punitive deductions from participating employees' pay but given the amount members stand to lose from these proposals we have no choice. Should such deductions be made by any employer, the union will respond by instituting national strike action.

**Please use your vote to defend your pension**

**Vote yes to strike action**

**Vote yes to action short of a strike**

For more information go to [www.ucu.org.uk/defenduss](http://www.ucu.org.uk/defenduss)

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