

Key messages for members (Issued 5 July 2018)

Update on the USS pensions

The story so far

- Every three years USS is required to carry out an actuarial valuation. During a valuation, the USS trustee establishes how much money needs to be paid for the current level of benefits and whether sufficient money is likely to be available to pay out benefits when they fall due.
- As many members will be aware, the USS Trustee has reported that the March 2017 valuation revealed that:
 - The deficit in the scheme has increased to £7.5 billion (assuming current benefits continue to be built up in the future).
 - The cost of building up future pension benefits has increased by approximately one third.
- The Joint Negotiating Committee (JNC) is a body which has responsibility for considering changes to the scheme rules. The JNC has members appointed by both UCU and UUK, along with an independent chair.
- In January 2018, the JNC decided to make a proposal for pension reforms.
- These proposals were rescinded in April, as stakeholders had agreed to establish a Joint Expert Panel (see below).

The Joint Expert Panel

- Following an agreement between UCU and UUK at Acas in March, a Joint Expert Panel (“JEP”) has been set up to consider the March 2017 valuation.
- The JEP is meeting regularly and we hope will conclude its analysis of the 2017 valuation in September 2018
- The JNC will consider the analysis, and any recommendations, of the JEP before deciding on any changes to benefits and/ or contributions.

USS Trustees board

- The USS Trustee is obliged under the scheme rules and UK legislation to complete the valuation process by 30 June 2018. This deadline has now passed.
- The Trustee must demonstrate to the Pensions Regulator that it is taking all reasonable measures to conclude the valuation.
- As there are currently no proposals to reform benefits, the scheme rules have a mechanism to deal with the increased costs revealed by the valuation.
- This rule (76.4-8) sets out a process for imposing the increased costs on employers and scheme members on a defined cost-sharing basis.
- The USS Trustee is expected to provide further information on the specific increased costs that are proposed later in July.
- The USS Trustee has stated that increases in contributions will be applied progressively. Once there is clarity on the approach, the USS Trustee has indicated

that it intends to consult all affected members and their representatives on the proposed increase to member contributions in the autumn.

- Some related changes would be made. For example, this process would bring an end to the employer matching contribution from April 2019. We expect that more will be said about these things in the USS Trustee's update for members in July.

Next steps

- There are no current proposals for benefit reforms. UUK wants to give the JEP the opportunity to consider the USS valuation and form its views and recommendations; we expect these at the end of September 2018.
- USS have indicated that there will be a consultation with employees on higher contributions through the cost-sharing process (i.e. members paying in more than their current contribution level of 8% of salary). It is expected that this consultation will happen in the autumn and more information will be available on the level of increase later in July.
- The JNC will consider the JEP's analysis and any recommendations and will make decisions about any benefit reforms. Members would need to be formally consulted on any proposed reforms to benefits and/or contributions arising from the JNC.
- Any benefit reform would then, in due course, replace the higher contribution proposed by the USS Trustee. The USS Trustee has advised that it is unlikely that reforms arising from the JNC could be implemented by 1 April 2019. The timing of any reforms would depend on the complexity of the change.
- We (UUK) will provide more details to scheme members once we have more clarity.