

Proposal agreed to reform USS Pensions

23 January 2018

Pensions



The Joint Negotiating Committee (JNC) has today agreed a proposal to put the USS pension scheme on a secure and sustainable footing while offering the best pensions that can be afforded by both employers and employees.

The JNC is the formal and legally established forum for deciding changes to USS, which provides pensions for academic and other university staff. Difficult economic circumstances have resulted in the scheme having an increased deficit and a significant increase in the cost of future defined pension benefits of more than a third since 2014.

The proposal agreed today was put forward by Universities UK, on behalf of more than 350 higher education employers. It offers market leading defined contribution pension benefits on all salaries from 1 April 2019 with a commitment to consider in three years' time if defined benefits can be re-introduced should the scheme's funding conditions improve.

A Universities UK spokesperson commented on today's decision:

"The reform proposal will tackle the scheme's deficit and the significant rise in the cost of future pensions so that universities can continue to offer attractive pensions to staff, now and in the future. It will also ensure that contributions remain affordable to both staff members and employers.

"Today's decision is a necessary step to put the scheme on a sustainable footing for the long-term. Our focus now is to work with USS and UCU to shape the details of the new benefit structure so that it offers flexibility, choice and market-leading defined contributions pensions."

UUK's proposal will also offer members greater flexibility and choice. All members will have their own retirement savings account that they and their employer pay into. USS Trustees will offer a range of funds for members to choose where to invest their savings, and employers will pay the costs of investment charges, unlike with many other schemes.

UUK has designed a lower-cost saving option to ensure that USS remains a suitable scheme for all. In this option, members can pay contributions of 4% rather than 8% of salary while still benefitting from the 18% employer contribution. USS would continue to offer very valuable life assurance and substantial benefits in the event of ill-health.

Pension benefits already built up are protected by law and cannot be changed retrospectively.

Following a series of over 30 meetings to discuss USS reform with UCU a negotiated settlement could not be found. The UCU proposal which was tabled today would have increased financial contributions to unmanageable levels for employers and many employees – UCU proposed an increase of 35% in member contributions to get lower pensions benefits and increasing employers' contributions by c£500 million a year. Employer contributions have already risen by 30% over the last decade and further increases are not affordable.

Employers will now hold a consultation with all members - expected to run for 60 days from mid-late March - on the possible impact of these changes on individuals. Any changes would not come into force until 1 April 2019.

Notes

1. USS is one of the largest private pension schemes in the UK and is the principal scheme for academic and comparable staff in UK universities and other higher education and research institutions. Universities UK is representing the views of more than 350 higher education employers on USS reform proposals.
2. USS is governed by a clear set of scheme rules. Any changes to these rules need to be decided on through the JNC. The JNC brings together an equal number of representatives from Universities UK and the University and College Union. The JNC has an independent chair who oversees discussions between employer and member representatives, and can choose to cast a deciding vote if agreement between both parties cannot be reached.

Source: <http://www.universitiesuk.ac.uk/news/Pages/Proposal-agreed-to-reform-USS-Pensions.aspx>