

## Industrial dispute over changes to the Universities Superannuation Scheme (USS)

### Parliamentary briefing

January 2018

#### Summary

The University and College Union (UCU) is currently in dispute over proposed changes to the Universities Superannuation Scheme (USS) which could see members lose up to £200,000 in retirement.

The proposal from Universities UK (UUK) to end defined benefits within USS would effectively transform the scheme from one with a guaranteed retirement income to a defined contribution scheme where pension income is subject to changes in the stock market. UCU general secretary Sally Hunt has said that the proposal is “the worst offer she has seen from employers in 20 years”.

Members in 61 UK universities have voted overwhelmingly for industrial action to defend their pensions unless an alternative to this proposal is agreed. At the negotiating meeting on 23 January, the chair of the USS board voted to impose the UUK proposal, so strike action now looks highly likely unless this decision is overturned.

Strikes at affected institutions are expected to begin with a two-day walkout on Thursday 22 February, with action then escalating to three-day, four-day and five-day walkouts in future weeks. The planned action will also see members work to contract, refuse to cover classes or reschedule those classes lost to strike action.

UCU wants to avoid disruption is possible by reopening negotiations and working towards a better solution which balances the needs of staff and institutions. We are asking MPs to help us by:

- Writing to the Minister of State for Universities and the Secretary of State for Work and Pensions to raise concerns and ask for an assessment of the current status of university pensions
- Writing to the vice-chancellor of your local USS institution (see [list](#)) asking them to urge Universities UK to revise their position
- Signing [Early Day Motion 619](#) to highlight the importance of retaining competitive pensions in the university sector

If you would like any further information about the USS dispute, please contact [publicaffairs@ucu.org.uk](mailto:publicaffairs@ucu.org.uk) or call 020 7756 2596.

## Background: USS valuation

The triennial valuation of USS, which has 189,000 active members, took place on 31<sup>st</sup> March 2017. The assumptions decided by the USS Trustee Board indicated a deficit of £5bn and suggested that pension costs would need to rise by 6%-7% in total to maintain the level of benefits. A further Technical Provisions revision took place in October, which increased the projected deficit to £7.5bn.

UCU does not agree with the calculations made by USS and has promoted alternative methodology which shows the scheme to be healthy with no need for drastic change. A [report](#) carried out for UCU by First Actuarial focussing on cash flow analysis indicates that the current levels of contributions are adequate to maintain the current scheme.

The [USS annual report](#) also shows that cash flows are positive, the employer covenant is robust, the contributions from active members cover broadly pensions in payment and will continue to do so for the foreseeable future, and there is £60bn in assets to back that up. The deficit can be covered in the deficit recovery plan with a relatively small employer contribution of 2.1%. In a [recent letter](#), the Universities Minister Sam Gyimah pointed to research by USS itself which also suggests that USS employers will remain strong and stable for at least 30 years to come.

## The employer proposal: an end to guaranteed pension income

Universities UK, representing USS employers, has proposed to change USS from a defined benefit scheme - where members would have a guaranteed income in retirement - to a defined contribution scheme where pensions would be subject to changes in the stock market.

Modelling of the UUK proposals by First Actuarial shows that a [typical lecturer starting their career today could lose £200,000 in retirement](#) if the changes are imposed.

The proposal to save money by ending the defined benefit element of the pension scheme has come despite a majority of employers (53%) indicating in a [consultation](#) that they were prepared to accept the proposed level of risk outlined in the USS valuation. Vice-chancellors at Warwick and Loughborough universities have broken ranks to criticise UUK's proposals and the [University of Glasgow](#) has also indicated to staff that its preference would be for the retention of a defined benefit scheme within USS.

The Joint Negotiating Committee for USS, composed of eleven people including an independent chair, five representatives appointed by UCU and five representatives appointed by UUK, failed to reach an agreement at its most recent meeting on 23 January

2018. However, the chair decided to back the UUK proposal which means it will now be imposed.

### **UCU response to proposed changes**

UCU has been pushing for a more balanced approach which would retain the defined benefit element of USS, and we are disappointed that talks have ended with the UUK proposal being imposed on USS members. We are also surprised that the prospect of further talks were been dismissed after [UUK said it hoped to avoid industrial action through further talks with UCU](#).

USS will now begin a consultation with fund members, with a final decision made by the board at the end of June 2018. Further negotiating meetings will take place between now and June at which UCU will continue to fight the proposal to end the guaranteed pension.

A UCU ballot for industrial action closed on Friday (19 January) with 88% of members who voted backing strike and 93% backing action short of a strike. Sixty-one institutions reached the 50% turnout threshold needed to take action. A full breakdown of the results by institution is available [here](#).

Unless an agreed solution is reached, strikes at affected institutions are expected to begin with a two-day walkout on Thursday 22 February, with action then escalating to three-day, four-day and five-day walkouts in the following weeks. Members will also be working to contract, refusing to cover classes or reschedule those classes lost to strike action.

Seven institutions which failed to reach the 50% turnout threshold required to take industrial action are now being reballoted – these ballots will close on Friday 16 February and any institution which meets the threshold will be able to join in the national action from w/c 5 February.

UCU remains committed to finding an agreed solution and wishes to avoid industrial action if possible. However, our members are clear that they cannot accept this attack on their retirement income and are prepared to take sustained action if necessary to defend their pensions.

### **Impact on higher education sector**

As well as the obvious impact on affected members' retirement income, the changes have important ramifications for the recruitment and retention of staff within some of the UK's most prestigious universities.

Two rounds of cuts in USS benefits since 2011 have already left USS members with pensions [worth less than those of school teachers](#) and academics in the sector's other pension scheme, the Teachers' Pension Scheme (TPS).

Further erosion of USS benefits would mean the terms and conditions for staff at neighbouring HE institutions would be increasingly divergent (e.g. Staff at Oxford Brookes University in TPS enjoying significantly better pension returns than staff in USS at the University of Oxford).

Staff at universities provide a crucial public service in ensuring the future supply of skills graduates for our economy; attacks on their pensions are completely unacceptable. This is especially galling in light of the recent focus on levels of vice-chancellor pay which have been an embarrassment to the sector.

### **Next steps**

Strike action is always a last resort and we have always wanted to avoid widespread disruptions on campuses. However, both sides had to be prepared to go that extra mile in negotiations and the employers have failed to do so.

UCU remains committed to finding a negotiated solution which balances the needs of staff and institutions. We are calling on the employers to come back to the negotiating table in order to explore alternatives to their damaging proposal.

We are asking MPs to help us put pressure on the employers to return to negotiations by:

- Writing to the Minister of State for Universities and the Secretary of State for Work and Pensions to raise concerns and ask for an assessment of the current status of university pensions
- Writing to the vice-chancellor of your local USS institution (see [list](#)) asking them to urge Universities UK to revise their position
- Signing [Early Day Motion 619](#) to highlight the importance of retaining competitive pensions in the university sector.

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