



## **USS UPDATE: IT'S GROUNDHOG DAY!**

**Open meeting on USS: Thursday 5<sup>th</sup> September at 12.30pm in CMR15, Christodoulou Meeting room 15, email [ucu@open.ac.uk](mailto:ucu@open.ac.uk) for the Skype meeting request.**

### ***Pension Valuation Methods***

The valuation of Universities Superannuation Scheme (USS) assets and liabilities is the heart of the dispute. USS establishes whether the scheme is in surplus or deficit, and adjusts contributions. However, there is no fixed valuation methodology. The USS Trustees can adopt many different ways of assessing the scheme's assets and liabilities.

In 2018 UCU went on strike for 14 days to preserve our pension benefits. Strike action was called off because a Joint Expert Panel (JEP) was set up to address how USS works, including the valuation. This panel had representatives appointed by UCU and the employers, with an independent chair. In its first report, it made 7 recommendations for modifying the assumptions of the 2017 valuation. **Both the employers and the union accepted these recommendations and asked the USS Trustees to implement all of them.** The JEP estimated that if all its recommendations were applied to the 2017 valuation, contributions would need to rise from 26% to 29.2%.

However, USS has since announced a 2018 valuation to supersede the 2017 valuation. USS itself clarified that if all the JEP recommendations were applied to the new 2018 valuation, contributions could return to 26% of salary, split between employers (18%) and employees (8%). Yet the USS Trustees have refused to implement several of the most significant JEP recommendations to allow this to happen.

USS has not fully explained why recommendations proposed by the JEP cannot be implemented. One possibility is that this would demonstrate USS had previously been wrong in its approach, which USS refuses to admit. The employers' body Universities UK (UUK) is trying to blame the Pensions Regulator, saying the Regulator's rules are why USS won't accept the JEP recommendations. Actually the Regulator said it was open to being persuaded by USS- -but USS didn't make the argument! UUK could have pushed USS to do so, in order to avoid this dispute, but it didn't.

### ***What 'Option 3' Means and Why It Won't Work***

Because USS refused to accept all the JEP recommendations, it claims the scheme is now in deficit and requires additional contributions. Your contributions, and those of the employers, already increased in April 2019. (For employees this was 0.8%.) USS continues to use the previous approach that was heavily criticized in the JEP report and has developed various 'options' for increasing contributions of which employers prefer 'Option 3' or 30.7% total rate. If there's no new agreement, then emergency measures left over from the discredited 2017 valuation will continue in October. Those are so steep that Option 3 looks reasonable in comparison.

**EMERGENCY MEASURES (2017): employees 10.4% + employers 22.5% = 32.9%.**

**CURRENT OPTION 3: 9.6% employees + 21.1% employers = 30.7%.**

However, Option 3 means contributions would go up again in two years' time to a whopping 34% of salary.

The JEP is due to report again on valuation methodology and governance. UUK says this means the future rises under Option 3 will never happen, because after the second JEP report there will be further recommendations for a new approach and agreement.

### ***It's Groundhog Day! Why We Can't Accept Another Wait-and-See Outcome***

'New approach and agreement'—we've been here before! The JEP was the solution but USS has largely ignored it. If the USS Trustees didn't implement the first JEP report in full, how can we have any faith they will implement the second one? USS has consistently refused to correct a deeply flawed valuation approach. **If we accept Option 3, we will be having exactly the same confrontation again in 2 years.**

### ***Employee/Employer Contribution Rate Split***

UCU Congress agreed a policy of 'no detriment' to members and argues the proposed increases are unnecessary. UUK has claimed that sharing contribution increases between employers and members is necessary according to the scheme rules, but this is false. The Joint Negotiating Committee of USS, which decides the split of contributions, agreed to use a 65%/35% split when there is no other agreement. If both sides agree on the JEP recommendations, why are the employers continuing to allow USS to use discredited methods? The best approach would be for employers to push USS to accept the JEP recommendations. If they continue to fail to do this, they should pay any increases.

### ***Employers Agreed to the JEP But Failed to Honour Its Findings***

Some vice-chancellors, including the Chair of the USS Trustees, are saying publicly that higher pension contributions will translate to job cuts. This is completely unacceptable and offensive, when UCU members have done everything possible (including loss of up to 5% of pay through strike action) to push for reform of the valuation approach and lower contribution rates. Frankly the employers haven't done enough: if they had pushed USS properly there would be no need to re-open this dispute.

### ***Ballot for Industrial Action***

**UCU will be balloting its members for industrial action starting 9 September to 30 October.** In Spring 2018 we were told we were wrong to strike and that we didn't understand pensions. Yet the JEP completely vindicated the UCU position, while criticising UUK, USS, and Pensions Regulator.

UCU wants to avoid this strike but we're not prepared to sacrifice our pensions or keep increasing contributions without good reason. Employers agreed with the recommendations of the JEP. **These must be implemented and employers must support a 26% contribution rate for the 2018 valuation.**

### **GROUNDHOG DAY: IT'S TIME TO BREAK THE CYCLE**

Join the fight to save our pensions. Vote YES to strike action and YES to action short of a strike. For more information watch this video by negotiator Sam Marsh:  
<https://www.youtube.com/watch?v=DTeSm0s4Yms>

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