Universities Superannuation Scheme: University response to UUK consultation

The University last week submitted its response to UUK’s employer consultation on the next steps in resolving the 2020 valuation of the Universities Superannuation Pension Scheme (USS).

The USS Trustee announced earlier this year that the cost of preserving the current level of benefits provided by the scheme had risen significantly – from 30.7% of salary to between 42% and 56% of salary. Further information and background on these figures, and an initial response from the University’s Pensions Working Group, are available on the University’s website, along with other information about the scheme.

In its response to UUK, the University said its preference would be for work to start immediately on a new scheme design that involved risk and reward sharing (for example, conditional indexation), with members and employers absorbing slightly higher contributions until October 2022 when the new design should be implemented. This, the University argued, had the potential to provide a sustainable, affordable and high-quality pension.

The University also considered the merits of a proposal put forward by UUK that would see the current DB/DC hybrid structure and contribution levels maintained, but with a reduction in benefits and inflation proofing. The University said that if this turns out to be the only viable option, it should only be adopted for the minimum period necessary to deliver a new scheme design. The response also considered measures required to enhance the strength of the employer covenant, and the desirability of having an additional, lower-cost, and more portable section of USS available for lower-earning staff.

Employers have since heard from the USS Trustee that while there is interest from all parties in exploring conditional indexation, or an alternative scheme that better balanced risk and reward, this is likely to take longer than 18 months, and is not therefore a viable option as part of this valuation.

USS has also said that UUK’s proposal could be implemented for 34.7% of salary, and possibly closer to the current contribution level if employers took action to strengthen the employer covenant.

UUK will now consider all employer responses to see if it can table a formal proposal in negotiations with UCU, the member representative. UUK documents can be found on its website. UCU may also wish to table a formal proposal. Its latest position on the 2020 valuation can be viewed on its website. Formal negotiations via USS’s Joint Negotiating Committee are scheduled to end in August this year, but the statutory completion of the valuation will take longer, and it is likely that USS will increase contributions in October.

The University will hold another open meeting for staff next month. Details will be emailed shortly to all USS members and eligible members at Cambridge.