

USS EMPLOYER CONSULTATION

Dear colleague

Notice of statutory consultation by employers in relation to the Universities Superannuation Scheme

This letter and the enclosed leaflet have been sent to you as you are eligible to join the Universities Superannuation Scheme (USS). Together, they are formal notice of a statutory consultation in relation to USS and details about proposed changes to USS. Please read both documents carefully, as you may wish to respond to the consultation.

Summary of proposed changes

- Member contributions to increase from 8% to 8.8% of salary from 1 April 2019
- Further increases to member contributions to be phased in at 1 October 2019 and 1 April 2020
- Employer contributions would also increase on the same dates
- The employer match would be removed from 1 April 2019. Members who have opted to pay 1% match contributions would continue to do so, unless they elect to cease paying via My USS
- 8% of member contributions from salary above the salary threshold would continue to be saved in the USS Investment Builder, with the excess supporting the benefits of the USS Retirement Income Builder.

Background

On Friday 27 April 2018, USS's Joint Negotiating Committee (JNC) withdrew the benefit proposals it had decided on in January 2018 (<https://www.uss.co.uk/withdrawn-changes>). As such, employers will no longer be consulting with members on those proposals. However, no alternative proposals have yet been decided upon by the JNC.

Instead, a separate Joint Expert Panel (JEP) has been established by Universities UK (UUK) and the University and College Union (UCU) to assess the 2017 valuation. The USS trustee is engaging constructively with the JEP, which is expected to report back to both parties in September 2018. To find out more about the JEP, visit <http://www.ussjep.org.uk>.

The valuation and funding USS with increased contributions

The USS trustee has a statutory obligation to complete the 2017 valuation and, in doing so, must be able to demonstrate to the Pensions Regulator that the scheme is sustainable: that it has sufficient funds to pay the pensions promised, or a credible plan to recover any shortfall. The trustee must also address the funding requirements for future pension promises.

Based on an extensive assessment, and following discussion with employers via UUK, the trustee has concluded that the combined contribution rate (required to continue the current level of benefits in the future and repair the deficit in funding for pensions already earned) has increased from 26% of salaries (split 8% member / 18% employer) to 37.4%.

'Cost sharing'

Under the cost sharing provisions of the scheme rules, any increase required to the contribution rate (that cannot otherwise be addressed by a JNC decision on benefit and/or contributions changes) is split 35:65 between members and employers respectively.

This default 'cost sharing' process (Rules 76.4-8), which the trustee must follow, was introduced through the JNC in 2011 (and amended in 2014) at the request of UUK and UCU (via the JNC) as a contingency should the JNC not reach a decision on benefit and/or contributions changes.

More details on 'cost sharing' and how it affects the scheme are in the enclosed leaflet. You can find additional information at www.ussconsultation2018.co.uk from 3 September.

Your feedback is important

This is your opportunity to tell us your thoughts on the proposals. You should read all the information in this enclosed leaflet and visit the employer consultation website at www.ussconsultation2018.co.uk, which will contain additional details and a response section for your feedback.

We recommend that you consider all the information on the employer consultation website, before you leave your response. To respond, log into www.ussconsultation2018.co.uk. To log in, you will need to complete a verification process with your nominated consultation contact, via the website.

Your questions answered:

Will I be affected?

Yes. As you are eligible to join USS and you may wish to do so in the future, it is important that you are aware of the contributions you would pay.

What will I be consulted on?

In the enclosed leaflet, you are given full information on what you are being consulted on. In response, you can provide any comments you wish (see below on how to do this). Any comments you do make will be read and considered by your employer and by the trustee.

When does the consultation start and end?

The consultation will start on 3 September 2018, closing 60 days later on 2 November 2018 (responses must be received by 5:00pm).

Where can I get more information about the proposed changes and respond to them?

You will find more information at www.ussconsultation2018.co.uk, from 3 September 2018. You can also access resources, such as Frequently Asked Questions, a glossary of terms and an illustration of how any changes would impact your contributions. Statutory information will also be available in Welsh (braille and large print formats are available on request).

You will need to login to www.ussconsultation2018.co.uk, to leave your response. To log in, you will need to complete a verification process with your nominated consultation contact, via the website.

Can I have some more background on how USS is funded?

Please visit USS's website, for information on the valuation and the scheme's funding position: www.uss.co.uk/how-uss-is-run/valuation.

I was previously a member of USS; will this affect any pension benefits I have already built up?

No – if you are retired or a deferred member of USS, any pension benefits you have already built up are protected by law.

Have your say

This consultation is your chance to have your say, and I would strongly encourage you to take this opportunity. If you have any questions, please get in touch with a member of the pensions team.