City UCU Newsletter

Special Edition

USS PRESENTATIONS MARCH 2015

Consultation on the changes to the Universities Superannuation Scheme opened on Monday 16 March to Friday 22 May 2015. Members of the scheme at City are being invited to presentations on Thursday 26 and Monday 30 March, at which staff from USS will present on the proposed changes and take questions. If you are attending one of the presentations, what should you ask?

We are grateful to Keele UCU and Warcwick UCU for the points below. For more information, please see http://www.keeleucu.co.uk/wp-content/uploads/2015/03/K-UCU-Guidance-for-USS-Consultation.pdf and http://blogs.warwick.ac.uk/dennisleech/entry/suggestions_for_member/.

The valuation method used to calculate the pensions deficit

The valuation method used by USS has concluded that the scheme is running at a deficit, but this valuation method has come under high-profile criticism. The discounted rate used to value the scheme is based on government bonds which, due to distortions in the gilt market as a result of the government's quantitative easing policy, currently value the scheme artificially low. Little of the schemes funds are invested in gilts, and the valuation method should take account of all of the scheme's investments.

Why has the USS not responded publicly to the arguments by leading actuarial scientists, refuting the methods used to value the scheme?

Proposed transfer of assets to low-growth investments

In their paper, USS - The need for reform, the employers claim that,

> Currently the investment risk carried by USS is relatively high due to the fact that the majority of its assets are held in equities (stocks and shares and other growth assets) rather than government bonds and other liability matching assets.

They, therefore, advocate moving the funds to supposedly safer investments. This step, known as 'derisking', would be highly deleterious; USS's income from its investments would be reduced and it would be unable to meet its future pension payments from its income. The notional deficit would become a real deficit.

Defined-benefit contributions on salaries above £55,000

The scheme proposes to implement defined benefits for all earnings under £55,000 a year, and defined contributions above this. Defined contributions schemes remove members' certainty of the value of their pension in the future and transfer liability from the scheme onto them. This risky and inefficient proposal is disadvantageous to members, because each member has an individual set of investments that can rise and fall separately from other members' funds and has to be administered separately. Pooling of risk between members, providing a predictable income in retirement, is the whole point of a pension scheme, and this is most rationally done through a defined benefit scheme.

What happens to the death-in-service benefit? How will the £55K cap be applied to part-time or casual workers?

The new scheme offers members a worse deal

Under the proposed changes, members will go from contributing 6.5% of their salary for a pension based on 1/80th of their earnings, to paying 8% for a pension based on 1/75th. These terms are poor compared to other career-revalued benefits schemes, in particular the Teachers' Pension Scheme.

Effect on those members still on the final salary section of USS

Members still in the final salary section of USS will see their pension based on their salary as of 1 April 2016, adjusted subsequently for inflation, rather than their actual final salary. This disadvantages anyone still rising on the salary scale at the end of their career, and devalues pensions benefits accrued in the past. Members will not be able to take out new Additional Voluntary Payment agreements after this date.

Drop-in sessions for members:
Mondays 3-5pm, Union Office, C140
Wednesdays 11am-1pm, Cass

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