UCU conference on proposals to change USS pension fund

Thursday 9th November, Manchester

Background to the conference

USS is the pension scheme for academic and academic-related staff in pre-1992 universities. It is controlled by a board made up of representatives from both employers and UCU. Two of these representatives work at Bath University: Glynis Breakwell (since 2009) and Steve Wharton (since 2016).

It is the largest private pension scheme in the country. As such, it is - unlike other public sector pensions - subject to control by the government's pensions regulator, who has significant influence over decisions about contributions/benefits.

There have been two significant changes to the USS scheme in recent years (2011 and 2014). Both reduced members benefits and increased contributions from both employers and members. The changes

- replaced pensions based on final salary to pensions based on career average earnings
- Introduced a defined contribution scheme (i.e. one which has no guaranteed benefits) alongside the existing defined benefits scheme (which does have guaranteed benefits). The defined contributions scheme applies to earnings over £55k. The effect of shifting from defined benefits to defined contributions is to transfer risk from employers to workers.

UCU secured some significant changes to the 2011 and 2014 proposed changes, but most members are worse off and those who are worse off are younger and more likely to have protected social characteristics.

The employers now claim that there is a significant and growing deficit in the scheme, and they are trying to link this to the problem of increasing student debt. The story that they are putting out is that current pensions can only be sustained by increasing student debt. UCU does not accept the deficit story, and has been challenging the actuarial methods used to value the USS scheme assets. Much of this is technical and difficult for members to engage with. However, the attempt to impose further detrimental changes to the scheme is politically motivated. The employers, with government support, are using both the regulator and the story about student debt to try to push through further cuts to pensions. This is part of a wider political strategy of reducing both occupational and state pensions. For those working in universities, it also is part of the wider political strategy of the marketisation of higher education.

The current situation

- The employers continue to maintain that the USS scheme has a big hole in its assets that needs to be filled by making further changes to benefits and contributions. We do not yet know what these are, but they will make the scheme worse for members than it is now.
- The employers are likely to present their proposals to the USS board within weeks. The board has to consult USS members, and the 60-day consultation period is likely to take place in early 2018
- UCU has been trying to get the matter examined by the House of Commons Pensions Select Committee, and these efforts are continuing
- UCU has been talking to the Labour Party about its proposals for HE funding, but this will take more time than we have before the employers come up with their proposals
- Employers attitudes are hardening because of uncertainty over HE funding and over relations with the EU
- UCU has pointed out that the scheme has performed well in the last few years. It recently showed a surplus of £8.3 bn. UCU negotiators have also pointed out that recent and planned rises in interest rates have significant effects on scheme assets. The problem is not with the assets or how they have been invested. The problem is that the employers are still wedded to a framework for valuing the scheme's assets, monitoring its performance and assessing risk

that leads to the conclusion that there is a large deficit that must be dealt with by reducing benefits and increasing contributions. We ‘need a big stick to force them to abandon it’.
- In October UCU held a consultative ballot of its members in pre -1992 universities. On a 57% turnout, 88% voted in favour of industrial action to defend pensions. This is well within the new legal restrictions which make it illegal for unions to take action unless 50% of members vote.
- UCU has written to employers to say that unless it receives certain reassurances about the future of the scheme by Monday 13th November, we will be in dispute with them.

Conference decisions

- The guiding principles for UCU in any dispute about the future of the USS pension scheme are equity and inter-generational fairness
- UCU will refuse to accept detrimental changes to the USS pension scheme, and continue to identify viable solutions which allow a collective approach to pensions and the retention of secure benefits for members
- There will be a ballot of members for effective industrial action to protect pensions. This is likely to be held within weeks rather than months.
- If members support action, it will include a range of options to suit local circumstances
- Recognising that the attack on our pensions is politically motivated rather than an attempt to deal with a shortage of funds in the scheme, UCU has to run a campaign that is political, reaching out to students, other unions and the wider public to defeat both the ‘black hole’ and ‘student debt’ narratives.

For decision by the branch

- To endorse decisions taken by the Manchester conference, in particular the call for effective industrial action to protect pensions
- To call on UCU negotiators to continue to seek a solution to any dispute that is consistent with the decisions of the Manchester conference
- To call a further meeting of members when USS publishes any proposals that are detrimental to scheme members, or when UCU calls a ballot of members, whichever is sooner.
- To publicise these decisions to branch members and set up a pensions protection network with reps from all departments in the university.