

USS update, May 2021

Dr Sam Marsh
Senior Vice-President, Sheffield UCU
Elected UCU negotiator on USS

5 May 2021

USS: recent history

- 1975-2011: Final salary defined benefit (DB) scheme;
- 2011: Final salary section closed to new entrants; career average DB scheme introduced;
- 2016: Final salary closed to new accrual; hybrid scheme introduced: part DB, part defined contribution (DC) for higher earners;
- 2018: A proposal to close the DB section entirely led to major industrial dispute in Higher Education;
- 2019/20: Further industrial dispute over increased contribution rates.

All of these changes were precipitated by valuations of the DB scheme.



The
Pensions
Regulator



Universities UK



REPORT OF THE JOINT EXPERT PANEL

September 2018

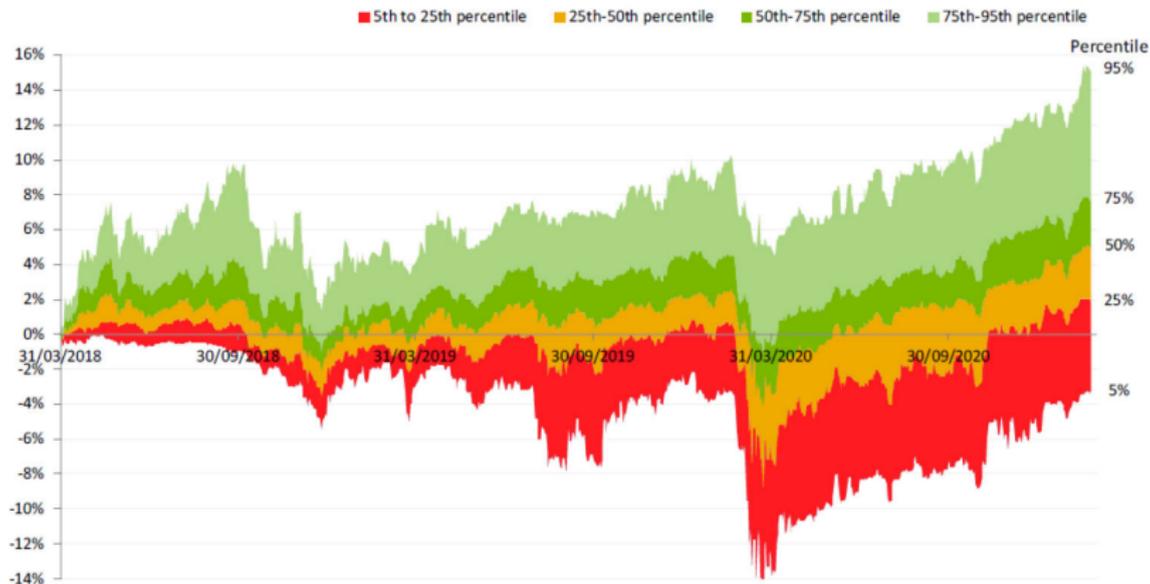
Links:

- [First report of the Joint Expert Panel](#), September 2018
- [Second report of the Joint Expert Panel](#), December 2019

Where are we now?

- A 2020 valuation, dated at 31 March 2020, is underway.
- USS claim a huge deficit and total contributions needed of 42%–56% (cf 26% pre-2018 dispute). Why?

This is illustrated in the chart below, which shows how the funding position of schemes set up on Aon's Risk Analyzer (a web-based daily monitoring tool) has developed since 31 March 2018 up until 28 February 2021.



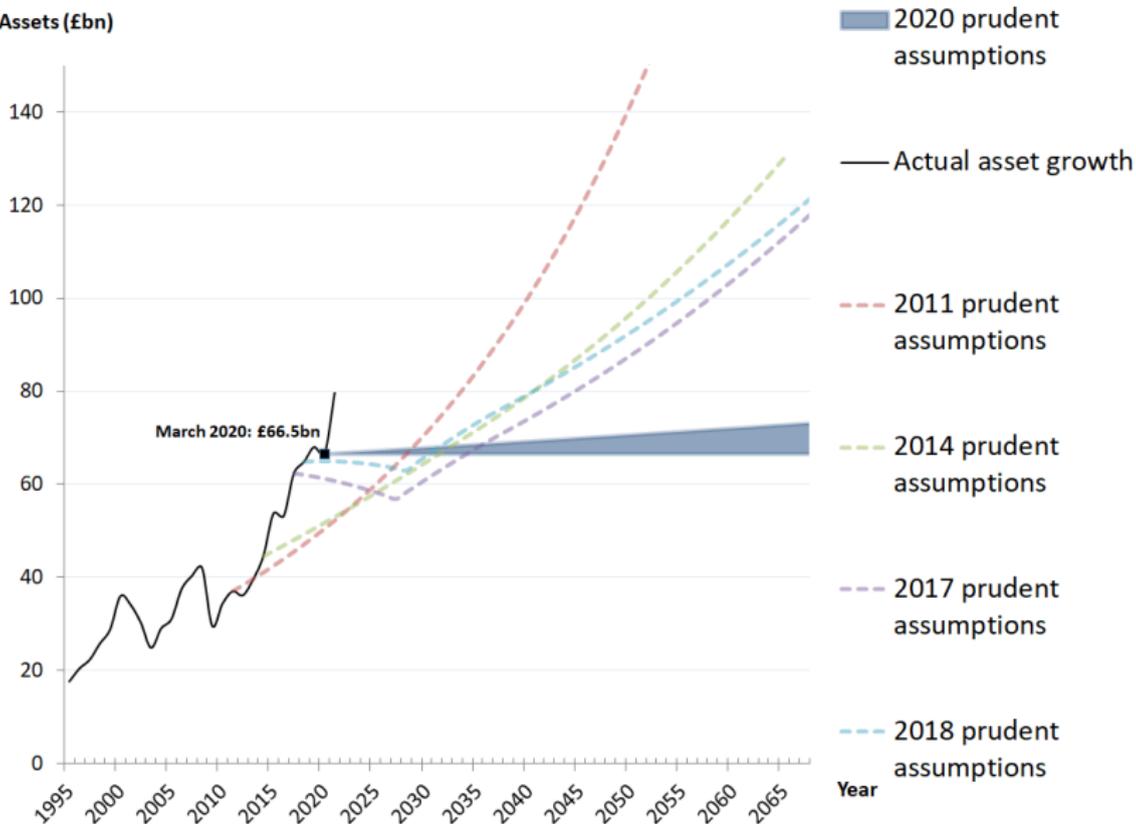
From: [Aon comments on March 2021 materials](#), 9 April 2021

Real-terms asset growth and forecasts for USS, 1995-2068

Asset values from CPI-adjusted reported annual returns, calibrated to £66.5bn as at March 2020;

Forecasts are from the real (CPI) discount rates used in actuarial valuations as at dates shown

Assets (£bn)



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 - (i) reduces the 'accrual rate' from 1/75th to 1/85th;
 - (ii) reduces the DB cap from £60k to £40k;
 - (iii) caps inflation protection at 2.5%;
 - (iv) includes a "flexible, low-cost DC option" aimed at lower-paid members.

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- The proposal is currently with individual employers for comment.

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- UCU's negotiators are working to **five principles**:
 - (i) Progressive contribution structures to enable more low paid staff to join and stay in USS.
 - (ii) An end to the downward spiral of contribution increases and cuts to retirement income.
 - (iii) The fund weighted towards return-seeking, ethical investments.
 - (iv) Commitments from employers on covenant support, governance reform, and lobbying for regulatory change.
 - (v) Exploration of conditional benefits on terms acceptable to UCU members.

More information

- **How extreme prudence and misguided risk-management sent the USS into crisis**, Sam Marsh, USSbriefs, 23 March 2021
- USSbriefs:
 - <https://medium.com/ussbriefs>
 - <https://twitter.com/ussbriefs>
- Me on twitter: https://twitter.com/Sam_Marsh101