USS (UNIVERSITIES SUPERANNUATION SCHEME) MINORITY REPORT 2014

Work longer, pay more, get less – and now there are further attacks. We are going to resist and win

USS is a private pensions scheme, but the attacks on it are part of the wider attacks on public sector pensions. Pensions are deferred wages and therefore any reduction in pensions is a change in our terms and conditions. As the real value of pensions is eroded increasing numbers will face poverty in old age. The employers imposed various changes to the scheme in 2011 which reduced the value of benefits and/or increased contributions for all members. In particular, after October 2011, all new joiners or members leaving USS and returning after more than 30 months were moved to a second tier CRB (career revalued benefits) scheme. The slight concession on redundancy of not facing a reduced pension if you are over the minimum pensionable age (currently 55) will be removed on 1 October 2014.

As a result of decisions at HE Sector Conference 2011 UCU became involved in a modelling exercise together with the employers to compare the value of benefits from the second-rate USS CRB scheme with those from the TPS (Teachers Pension Scheme). This was suspended briefly due to a resumption of the UCU Work to Contract over the attacks on USS and resumed at the HE Special Sector Conference in 2012 . However, this exercise has still been ongoing for about two and a half years without producing significant results.

Every three years there is an actuarial valuation of USS. The date of the current valuation is the end of March 2014. However, the results will not be available until the end of the year and the assumptions to be used are still under discussion. The whole basis of the valuation is flawed, but the valuation process is very dangerous, as all pension schemes are supposed to be what is called fully funded i.e. their assets meet their liabilities. The calculated liabilities are the pensions of all the members in the scheme, but only a small proportion of members are receiving their pensions at any one time and a much large number of members are paying into the scheme.

USS is a financially sound scheme. It is one of the largest pension schemes in the UK with assets of about £40 billion and members in 400 UK universities and other institutions (USS website). Payments of £1.4 billion last year were covered by income from members and institutions of £1.6 billion. In addition to that, the fund's investment income was almost £4.6 billion (Dennis Leech's blog). However, had a deficit of about 9% at the last valuation and this has fluctuated since then, but is currently about 15%. As discussed above this is not a problem. In addition, changes in the assumptions could significantly reduce or even remove the deficit. The prospect of a low evaluation with a significant 'deficit' may be used by the USS Trustee Company and/or the employers to try to push through some combination of an increase in contribution and reduction in benefits.

In response to the small deficit in 2011 the Pension Regulator has asked USS to produce a financial management plan to make the scheme 'fully funded'. The only acceptable proposals in this plan are:

1. A longer period to remove the so-called 'deficit' than the currently agreed 10 years.
2. Reduced 'derisking' i.e. rates of growth of assets which are closer to the real rates and are not very significantly reduced to over-account for the 'risk' that they will be less than calculated.

The totally unacceptable proposals are:

1. Increased contributions. The plan would indicate a figure of about 12%. Sharing this 1:2 between members and employers would mean final salary members paying 11.5% and CRB members paying 12.5%.
2. Reductions in future benefits.

A review of the employers by the firm Ernst and Young showed that they were able, though unwilling to pay more. This paper also suggests:

1. Increased contributions allocated 1:2 between members and employers.
2. The future service benefits of all members, including those currently on final salary to be under CRB.

UCU has informed the USS Executive that we do not find these proposals acceptable.

Circular UCUHE/200 has the following Proposals for Agreement at Higher Education Sector Conference

1. Agrees that negotiators continue to pursue UCU's principal negotiating objective to close the gap between the new Career Average (CRB) section of USS and the final salary section by seeking broad comparability with the TPS;
2. Recognises that this may require moving towards the achievement of our objectives by a series of incremental steps rather than a single comprehensive settlement;
3. Recognises that it may be necessary for HEC to approve the declaration of a trade dispute and ballot in relevant branches for industrial action;

Broad comparability with TPS would be:

1. An accrual rate and default lump sum which would provide a package of benefits of equivalent value to TPS with an accrual rate of 1/57;
2. A revaluation rate based on CPI + 1.6%; and
3. The indexation of benefits in payment without an inflation cap.

In addition, UCU seeks

4. The extension of the current right to an unreduced pension on redundancy;
5. The equalisation of member contribution rates on a tiered basis; and
6. A timetable for the the costing, consideration and implementation of agreed changes.

The other negotiating objectives include the following:

1. The negotiators should explore the capacity of USS to absorb the cost of improved benefits but that, if this proves impossible, the negotiators should be prepared to contemplate the acceptance of increased contribution rates if these can be objectively justified;
2. The negotiators should seek to achieve improved benefits on an "across the board" basis, paid for on an equitable basis by all members of the scheme;
3. The negotiators should discuss the introduction of tiered contribution rates related to salary but that the tiering should be less steep than in TPS;

Our Future Negotiating Strategy

We have been very patient in waiting for the modelling exercise to produce results. It has not done so to date and is unlikely to in the future. The current negotiating strategy is based on CRB and broad comparability with TPS. However, the UCU policy for TPS is based on final salary not CRB. In addition, UCU is not proposing that move members currently still in the final salary scheme move to CRB. These factors clearly underline that the strategy should be based on final salary.

Since pensions are deferred pay and moving members on CRB to final salary would remove an inequality in pensions (and therefore pay) between different groups of members it is appropriate that it is employers who pay the costs. As discussed above, they are in a position to do this. This again needs to be part of our negotiating strategy.

We need to extend the 'recovery' period in the financial plan for as long as possible to reduce pressures to increase costs and reduce benefits. This is one of the issues on which we are likely to have some degree of agreement with the employers and the negotiation will need to be with the USS Trustee Company. We should also support a reduction in de-risking, with a move from investment in gilts to investment in infrastructure. We should also be looking at ethical investment in line with Congress policy.

We are facing a stark choice. We either need to agree significant industrial action or our pensions will be further eroded. From recent experiences of industrial action isolated one day (or partial day) strikes will be insufficient to achieve our aims. We cannot sustain a long dispute with long gaps between action. Therefore, we will need concentrated industrial action, for instance three days a week for a period of several weeks. Yes, this will require members to lose a significant amounts of pay, but the alternative is a further erosion of our pensions and increased contributions. For many members this will mean never being able to retire or a future of living in poverty. The prospect of such industrial action may be useful in concentrating the employers' minds in the negotiations in June and July. Demonstrative action, in the form of, for instance, demonstrations at graduations and open days, would also be a useful form of pressure.

We need to move fast and cannot therefore afford iterative gains as suggested by UCUHE220. USS is looking at changes, probably involving increased contributions and reduced benefits, to be finalised in the autumn of this year, followed by a consultation and implementation in spring 2015. There are currently more members in final salary than CRB, but this is changing and the tip-over point could be as early as October 2015. When this happens it will be more difficult to challenge the two-tier scheme. We should not be stating that were are prepared to 'contemplate the acceptance of increased contribution rates'. This will be interpreted as acceptance of increased contribution rates.

Emergency Motion for HESC

HESC recognises:

1. The modelling process has not delivered anything and is unlikely to in future.
2. The need for sustained industrial action to maintain the value of final salary and improve current CRB pensions.
3. The discriminatory nature of the 2-tier scheme.
4. All future benefits will probably become CRB unless everyone moves to final salary.

HESC agrees that negotiating policy should be based on final salary, employers paying any required increased contributions and overturning the 2011 changes.

HESC mandates HEC to

1. actively prepare members for an industrial action ballot with a recommended yes vote in the autumn if substantial moves are not achieved on the new negotiating objective by then.
2. organise a recall conference in September.

HESC recommends

1. Industrial action including three day strikes each week for an extended period in autumn term.
2. Demonstrative action e.g. at graduations and open days over the summer/autumn

(150 words)

Some Useful Sources of Information

Malcolm Povey's pensions' website: http://tinyurl.com/o6w79k Dennis Leech's blog: http://blogs.warwick.ac.uk/dennisleech USS website: http://www.uss.co.uk/Pages/default.aspx

Marion Hersh

For more information contact me on marion.hersh@glasgow.ac.uk