

## Universities UK key messaging and Q and A for reactive media questions (21 Feb 2018)

### UCU industrial action:

- The USS pensions scheme has a very big deficit of over £6bn and the cost of future pensions has increased by over a third in 3 years. We can't just ignore this. There is a legal duty to put in place a credible plan to reduce the deficit by this summer. The Pensions Regulator has made very clear that this is necessary as it has concerns about the scheme.
- Without reform, employers and staff would be forced to increase pension contributions to unmanageable levels – an extra £1bn every year. Employers would have to cut other spending on teaching, research, student support and make redundancies to cut costs, so more money could be diverted to address rising pension costs.
- The strike action is very disappointing. UUK remains at the negotiating table, however UCU refuse to engage on how best to ensure the long-term sustainability of the scheme.
- Although UCU has achieved a mandate for industrial action in 64 (61 initially) out of the 68 institutions balloted, the number of UCU members voting in favour of strike action represents an estimate of only 16% of academic staff in those institutions, and 12% of active USS members in higher education.
- Universities are making every effort to minimise the impact of industrial action on students.
- The changes proposed will make the scheme secure, and sustainable, safeguarding the future of universities. University staff will still have a valuable pension scheme, with employer contributions of 18% of salary, double the private sector average.

### Q and A:

#### **How many university staff do you expect will go on strike?**

Although UCU achieved a mandate for industrial action in 64 out of the 68 institutions balloted, the number of UCU members voting in favour of strike action represents an estimate of 16% of academic staff in those institutions and 12% of active USS members in higher education.

#### **What steps are you putting in place to mitigate the impact of possible strike action?**

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Targeted universities will do all they can to minimise disruption to students. Depending on local circumstances, each individual, autonomous university will decide how best to deal with any industrial action and to protect their students.

**Are employees able to take strike action even if they're not union members?**

No, a union can only call on its own members to withdraw their labour and only at a university where they have achieved a lawful result in a statutory ballot. This is currently the case at 61 universities.

**How will universities deal with student concerns and compensation claims relating to their studies being disrupted?**

This is a complex legal area and, of course, the impact of strike action is unknown. The focus of universities is on making every effort to work with students to minimise disruption to their academic experience.

**Will members lose up to £200,000 (or £10,000 per year) in retirement due to these reforms?**

These figures are being quoted without any indication of the assumed level of investment return, which is probably the most important assumption in any calculations. Despite our requests to UCU for these details they have not been forthcoming. What we do know is that the figures relate to an example where someone, not currently a member of the scheme, retires on an annual salary of over £100,000 in today's terms, so it is certainly not a normal career profile.

Critically, this illustration also fails to recognise that, in a world where there is no change to pension benefits, there would be an enormous increase in cost for employers (an additional 7.6% contributions) and employees (an additional 3.8% contributions) to maintain current benefits. This would have far-reaching consequences and would lead to pressures on higher education institutions and not least on jobs.

It is true to say that benefits built up in the future will be lower. UUK commissioned its own modelling from its advisor Aon, and this work suggests that under the proposals, and including standard state pension entitlements, current members should continue to receive retirement incomes equivalent to 80–90% of those that would, hypothetically, have been received under the current benefits. In addition, during the employee consultation (starting 19 March) a benefit modeller is available so that you can better understand the impact of the changes on you.

**These changes have been pushed through without support/mandate from all employers?**

UUK's role is to put forward a workable solution to ensure USS is financially sustainable and capable of providing valuable benefits for all employees. The reform proposals derive from a mandate built on the majority view put forward by employers through a consultation that received responses from institutions employing 92% of USS's membership; extensive advice

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from our professional advisors; regular contact with the Pension Regulator and USS. UUK did not receive a mandate for employers to increase contributions above 18%.

### **Are you continuing to talk to UCU to reach agreement?**

Negotiations between UCU and UUK have been ongoing for the past year. The deadline accepted by both parties for making a decision was extended twice. During this period, UCU has unfortunately been unable – or unwilling – to alter its position. Unfortunately, the union refuses to accept the seriousness of the financial challenges facing the scheme and the possible consequences for universities and jobs if costs aren't controlled. The Joint Negotiating Committee (JNC) reached a decision on proposed benefit reforms in January. The proposal, ratified by the USS trustee, will now be consulted on with affected employees and their representatives. We are also proposing continuing discussions with UCU on four key issues:

- 1) Explore alternative models for risk sharing, which might provide higher certainty about retirement benefits to USS members. An example of an alternative scheme is Collective DC (CDC), which is currently not possible under UK legislation, although this may change in the future.
- 2) Explore a well-defined framework for the future re-introduction of meaningful DB if economic and funding conditions improve, taking advantage of the flexibility of the hybrid model.
- 3) Explore how deficit recovery contributions can be kept as low as possible, so that a greater proportion of employer and employee contributions supports future benefits.
- 4) Engage with stakeholders on the way that any investment de-risking is to be implemented by the USS trustee, for example to ensure that any specific portfolio de-risking approaches deliver the most benefit for the associated expected reduction in target return.

### **Are you prepared to go through another body to resolve this dispute?**

UUK is duty bound to respect the JNC process set out in the USS rules, which all parties have signed up to. The timetable for reaching a decision in the JNC was aligned to the statutory timetable which the Trustee must adhere to in order that the valuation be submitted to the Pensions Regulator by 30 June. This timetable is already strained given the extensions to negotiations which already took place. UUK has suggested further talks with UCU on four key areas (please see answer to question above).

### **How likely is the proposal decided on by the JNC to change through the consultation?**

Employers want to continue to offer valued and sustainable pensions to their employees, now and in the future. The focus now is to listen carefully to the views of members and their representatives. Employers and the USS trustee will consider the consultation responses fully, working with all stakeholders to shape the details of the new benefit structure in its final form, so that it continues to offer not just outstanding value but new flexibility and choice. Previous consultations with members on reforms have led to refinements of proposals in response to members' feedback.

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### **Why did UUK refuse to change its negotiating position?**

It didn't refuse, and in fact UUK revised its initial proposal by tabling an update for the JNC in January 2018 which included modifications that sought to address concerns raised by UCU. UUK has met UCU over 35 times since the start of 2017 to discuss USS reform. During that period (on 19 December), UCU tabled one unaffordable proposal which was not modified during negotiations. There is no way in which employers could have supported the UCU proposal as employers could not afford to increase contributions by c£500m every year, and UUK is unconvinced that employees would want to pay in 35% more to get less pensions benefits than provided at present. Their proposal would necessitate large cuts to budgets in other areas such as teaching and research, and put many jobs at risk.

### **What is the timetable now?**

**Period to mid-March 2018:** USS to prepare consultation documents for employers to issue to affected employees and their representatives, alongside the development and testing of a benefit modeller for members and affected employees, and a consultation website (a period of about 7 weeks is needed beyond the JNC decision to ensure details are prepared for the consultation with affected employees and their representatives). UUK is seeking further talks with UCU on the four issues set out above.

**From 19 March to 22 May:** 64-day consultation period between employers and affected employees, and their representatives is planned.

**End of May/Early June:** Analysis of consultation responses and finalisation of any modifications.

**June/July:** Consultation with UUK and employers on the Statement of Investment Principles, Recovery Plan and the Schedule of Contributions.

**End of July:** Expected completion of the valuation and submission to the Pensions Regulator.

**April 2019:** Likely date for the implementation of the benefit reforms decided upon (to be confirmed).

Q and A and more information on UUK's proposal:

<http://www.universitiesuk.ac.uk/policy-and-analysis/Pages/pensions.aspx>

ends

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