Union leaders must talk with employers to protect pensions and young people’s futures

The impact of preserving unaffordable pensions benefits for university staff would hit the current and next generation of students hardest, Universities UK warns today.

Universities UK remains at the negotiating table to engage with University and College Union (UCU) on the long-term sustainability of the scheme and is continuing to suggest further talks. If a credible, affordable solution were to be put forward by the union, employers would want to consider it.

The cost of future pensions has risen by one-third in the last three years, and the Universities Superannuation Scheme (USS) has a deficit of £6.1 billion, which by law must be reduced.

An extra £1 billion pounds a year would be needed to maintain current pension benefits.

To meet union demands, employers will have to make cuts to teaching, jobs, and research to move more money into paying pensions. This would harm the high quality of education students currently have and future generations and their parents rightly expect.

Despite year-long negotiations between Universities UK, representing over 350 employers, and UCU, the union has been unwilling to move from its one unaffordable proposal at all, refuses to accept the level of risk facing the scheme and is quoting future pensions figures without revealing how they’ve been calculated.

For example, the union continues to claim that members will lose up to £200,000 in retirement (£10,000 a year), without being willing or able to demonstrate how they arrived at that figure.

Universities are doing all they possibly can to protect students on the first day of strike action. Employers are reporting a mixed impact at those institutions affected.

A spokesperson for Universities UK said: “Union leaders need to listen to the concerns of the Pensions Regulator and USS. Pensions risk is very real. Their dismissal of the funding challenges is hugely concerning, the very reason employers and the scheme must act responsibly to protect pensions and students. We remain at the negotiating table to engage with UCU on the long-term sustainability of the scheme and we continue to seek further talks. If a credible, affordable solution were to be put forward by the union, employers would want to consider it.

“This industrial action is targeted at students. It will be young people and the next generation of students who will also suffer if their education deteriorates because employers are forced to make cuts to pay more into pensions. Employers are committed to continuing to pay in 18% to staff pensions for the next five years, double the private sector average.”

Key facts:

- Universities UK has met UCU over 35 times in the last year to discuss USS reform. Following an intervention from the Pensions Regulator, and a strict legal deadline (30 June), both parties agreed a deadline to agree reform proposals to make the scheme sustainable. This deadline was extended twice.
The Joint Negotiating Committee (JNC) – the formal and legally established forum for deciding changes to USS which includes joint membership by UCU and Universities UK – reached a decision on proposed benefit reforms in January. It recommended the employers’ proposed changes to make the scheme secure and sustainable and ensure that staff pensions remain attractive, with the independent chair casting a decisive vote.

A number of misleading claims are being made about Universities UK’s proposal, which are addressed in this Five Key Questions document. For example, UCU claims members will lose up to £200,000 in retirement. However, UCU’s figure is for someone earning over £100,000 in today’s terms and without any indication of the assumed level of investment return, which is probably the most important assumption in any calculations. 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.

Pension benefits already built up are protected by law and cannot be changed retrospectively.

The USS trustee already takes considerably more risk than almost all other schemes because the scheme is supported by over 350 strong, and long-standing employers. Unlike most remaining defined benefit schemes, USS does not enjoy a government underwrite guarantee.

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Notes

1. USS is one of the largest private pension schemes in the UK and is the principal scheme for academic and comparable staff in UK universities and other higher education and research institutions. Universities UK is representing the views of more than 350 higher education employers on USS reform proposals.

2. USS is governed by a clear set of scheme rules. Any changes to these rules need to be decided on through the JNC. The JNC brings together an equal number of representatives from Universities UK and the University and College Union. The JNC has an independent chair who oversees discussions between employer and member representatives, and can choose to cast a deciding vote if agreement between both parties cannot be reached.

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