

Briefing note on the proposed USS changes

For current USS members, the only changes they will see on implementation are a pension age of 65 (rather than 60 or 63½) applied to their *future* service and a contribution increase from 6.35% to 7.5%. Those over 55 will only see the latter. Members will also have the valuable benefit of a new flexible retirement scheme.

Taking the changes in more detail:

- Existing members will retain a final salary pension – widely seen as an exceptionally good benefit. USS will be one of the few remaining schemes in the UK doing this. Unlike other schemes, it will even be possible for existing members to leave for up to two and a half years and rejoin still retaining this benefit*.
- The Career Average Re-valued Earnings (CARE) scheme presents a very good, defined pension for future employees and now has an improved revaluation rate for the accrual of benefits*. It is unaffordable to continue to offer a final salary scheme to everyone forever.
- Increases in longevity alone are requiring changes in pension schemes everywhere; academics are amongst the longest living working groups.
- Lord Hutton's review of public sector pensions recommends that CARE schemes are introduced for all, to provide a fair and affordable pension on the basis of his view that final salary pensions unfairly favour the highest paid at the expense of the contributions from the lower paid.
- Employee contribution levels of 7.5% and 6.5% remain very reasonable.
- A pension age of 65 is the norm now for almost every pension scheme in the UK. This change (only for those aged under 55) only affects future service and only impacts on an individual's pension if they want to retire early in the future.
- Until April 2013 scheme benefits would remain payable without actuarial reduction from age 55 where a member with five or more years' pensionable service retires early on the grounds of redundancy. From 2013 employers will decide whether to pay an unreduced early pension for any scheme member in these circumstances. This is consistent with the rules in most other pension schemes, as it is the employer who has to pay these costs.
- The caps on revaluation of benefits – both CARE accrual, deferred benefits and pensions in payment – have all been increased substantially to provide better assurance to members against inflation*.

* These features are modifications to the changes introduced in direct response to the representations made by members during the consultation.

This package of changes is reasonable and moderate. It is the result of nearly three years of negotiations with UCU, culminating in approval at the USS Joint Negotiating Committee and the USS Trustee Board (on both of which UCU has full representation), and subject to an extensive member consultation.

Students, taxpayers and others looking in on HE are unlikely to regard industrial action as a justified response to moderate changes and are unlikely to be willing to pay in the future to support the rising costs of pensions.

We cannot afford to see scarce financial resources going to fund an unreformed pension scheme; USS needs to remain sustainable, attractive and affordable for all: employers and members, current and future.

For full details on the changes see -

<http://www.employerspensionsforum.co.uk/en/pension-schemes/uss-review.cfm>