

Comparison UCU and EPF pensions proposals for the USS Review :

(Document prepared by EPF)

	UCU proposes	EPF proposes
1.	<p>The retention of a final salary pension scheme.</p> <p><i>UCU's proposal would carry a massive risk to the long-term sustainability of the scheme because it is indefinite and longevity has significantly increased since the scheme was set up.</i></p> <p>[EPF initially argued for CARE for both new and existing staff. EPF modified this proposal in response to UCU's resistance earlier in the discussion stage. UCU's proposals have remained unchanged since first submitted back in January.]</p>	<p>The retention of a final salary pension scheme for existing members.</p> <p><i>A career average revalued earnings (CARE) scheme to be introduced for new entrants only.</i></p> <p>[CARE is a defined benefit scheme under which a pension is based on the average pay earned over the period of membership. The CARE method is fair and equitable because it reduces substantially the risk to USS from members who receive higher than normal pay increases, particularly near retirement age, while still ensuring members can plan on receiving a secure defined benefit pension].</p>
2.	<p>A Normal Retirement Age (NRA) of 65 for all new entrants. Existing members retain current NRA of 60.</p> <p><i>Current longevity patterns are significantly different to those when the scheme was set up in 1974 and changes are now needed to ensure that the USS scheme remains sustainable, attractive and affordable for future generations.</i></p> <p>[The majority of employees in USS have contracts with a retirement age of 65, so for the majority this change will have no impact.]</p>	<p>A NRA of 65 for all members, for both existing staff and new employees and increase age in stages from 65 to 68 between 2024 and 2046, if necessary.</p> <p><i>This is in line with public sector pension schemes and the majority of UK's private schemes. The State pension age has already risen to 65. At present, the government plans to increase the state pension age in stages from 65 to 68 between 2024 and 2046.</i></p> <p>[Increased longevity is one of the key reasons for reforming USS. These reforms need to set the scheme on a sure footing for decades, rather than just until the next actuarial valuation. Raising the retirement age for all is a fair recognition of the reality that we are all living longer, and need pensions that are viable long-term.]</p>
3.	<p>Cost-sharing to be introduced. The employers to meet 65% of the costs and members 35% of the costs.</p> <p><i>At present USS scheme members contribute 6.35% with employers contributing 16% toward costs</i></p> <p>[Funding for HE has been cut, with further cuts likely. HEIs therefore have to reduce their costs, and do have the capacity to absorb ever increasing pensions costs – certainly not without e.g. reducing staff numbers.]</p>	<p>Cost-sharing to be introduced. In future costs will be equally split between employers and scheme members.</p> <p><i>Employers to maintain their [recently increased] contribution rate of 16% with the objective of meeting all past and future liabilities without further economic calls on the employers beyond the current rate.</i></p> <p>[The October 2009 2% increase in employers' contributions (14% to 16%) cost the HE sector nearly £130m a year: equivalent of the annual budget of a medium-sized HEI.]</p>

<p>4.</p>	<p>An increase of 1% on all member contributions rates, apart from those earning £25,000 or less, whose rate will remain the current 6.35% contribution.</p> <p><i>Tiered contributions to be introduced: 1% extra on salaries between £25,001 - £75,000 2% extra on salaries between £75,001– £125,000 3% extra on salaries over £125,001.</i></p> <p>[The tiered proposal does not help the scheme: UCU members (and sector workers in general) earning less than £25K or higher than £125K account for tiny percentage of membership/ are an insignificant number.]</p>	<p>A 1.15% increase in member contribution from 6.35% to 7.5% for all members.</p> <p><i>Both sides recognised that a small increase is part of a fair and reasonable package of reform. However, it does not address sustainability issues beyond the short term.</i></p> <p>[The 0.15% difference between the UCU and EPF proposal is part of a fair and reasonable package of reform in which existing staff in USS retain a final salary scheme that is equipped to meet the costs arising from increased longevity.]</p>
<p>5.</p>	<p>The introduction of a flexible retirement scheme, benefiting members from age 55, and to include members aged 65+.</p>	<p>The introduction of a flexible retirement scheme to members of 55+ with five or more years' service (subject to the change to an NPA of 65 being agreed).</p>

For full details of the proposals from both the EPF and UCU see the EPF website at:

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