

Dear Colleagues,

USS Pension Scheme: next steps

Earlier this month we shared the news that the USS Joint Negotiating Committee (JNC) had reached a decision on how the funding challenges facing the USS pension scheme should be addressed. I now share with you an update on how the University is going to take matters forward.

Context

The JNC decision involves a requirement that Universities UK (UUK), on behalf of the 340 USS employers, agrees to three proposals.

- The first is a new 'schedule of contributions', which is the proportion of salary that members and the employer pay into the pension scheme each year.
- The second is a revised 'deficit recovery plan', which determines how quickly the pension scheme is able to make up the deficit that USS has calculated exists in the scheme.
- The third is the 'statement of funding principles' which establishes some new rules and obligations on the part of the employers that give the USS Trustee greater confidence that it will be able to meet all its obligations to members (the so-called 'employer covenant'). One of these new rules is a rolling 20-year agreement that employers cannot leave the scheme without the agreement of the USS Trustee. This moratorium increases the strength of the employer covenant and allows USS to assess a lower level of contributions from members and the employer.

The JNC package retains a defined benefit element to the USS pension, alongside a defined contribution element. The proposals require a 0.2% increase in member contributions (to 9.8%) and a 0.3% increase in employer contributions (to 21.4%). This increase is significantly less than the increase that would take effect from 1 October 2021 in the absence of an agreement. While any increase in contributions will be a concern for USS members, these measures will help to keep the scheme affordable and put USS on a more sustainable footing.

The USS Trustees Board has now accepted the JNC's recommendations and plans to take them forward, subject to further consultation with UUK employers and members.

University Executive Committee approach supported by University Council

Durham University's governing body, University Council, and the University Executive Committee (UEC) have carefully considered the proposals from UUK. Having done so, we have concluded that the UUK proposal is the best outcome that can be reached at this time.

The UEC understand that any increase in member contributions will be disappointing, as will the changes to the scheme's benefits. But our view is that these changes are unavoidable; the scheme is now *at the absolute limits of affordability*, for both members and employers, and the employers have gone as far as they can to strengthen the employer covenant. This position was fully endorsed by Council when it met in person last week.

The revised scheme remains part of a generous [reward and benefits](#) package offered to colleagues in the University. It is now one of only 11% of defined benefit schemes available to new entrants in the UK, offering members a set amount at retirement, protection for any dependents and flexibility in how you take your pension.

It is important to note that the JNC only had *one* proposal on the table that it could consider. UUK has made it clear that there was *no alternative costed proposal* that could be considered by the JNC and consulted on with employers (a necessary step to ensure any employer covenant support).

UUK wrote to UCU on 7 September 2021 inviting a formal submission of any alternative proposal, but nothing has been received at the time of writing. UUK remains committed to meaningful discussions with UCU, but there needs to be a clear set of proposals to consider.

What now?

The Pensions Regulator, which has ultimate jurisdiction over the scheme under the Pensions Act 2004, has made it clear to UUK that the JNC proposals are only *just* acceptable. The Regulator has further indicated that unless the JNC proposals are accepted in a timely manner, then a rapid and significant increase in contributions will be required. Over three years this would raise member contributions from 11% to 18.8% of salary, and employer contributions from 23.7% to 38.2% of salary – the combined contributions would be a sector-crippling 57%. So there is a real imperative to reach an agreed outcome even if it is one that falls short of the joint aspirations of members and employers.

The University Council and UEC share a responsibility for ensuring the University's financial sustainability. We believe that protecting the jobs and future of *all* our employees – those in the USS scheme and those who are not - is a responsibility that falls upon us all. We recognise our role as one of many employers in the scheme, and that through common purpose there is collective security.

As an employer we regularly meet with all the recognised Trade Unions, including UCU. Our strong and constructive working relationship has been pivotal to the progress we have made over matters such as significantly reducing the number of staff on casual contracts and ensuring that colleagues are consistently paid in line with our terms and conditions. Throughout the pandemic, we have worked closely together to protect the health and safety of our staff and students, whilst continuing to deliver the best possible education experience and undertake world-leading research.

The UCU members of the JNC did not endorse the UUK proposals. We regret this development. We understand the strength of feelings that UCU members (and others) hold regarding the USS scheme which has, as we know, been the source of repeated industrial action over the last few years. Members of the UEC have met recently with colleagues from the Durham UCU to discuss the Union's concerns. The views of DUCU expressed at this meeting were shared with our University Council.

In our discussion with UCU it has been stressed that it is UUK – and not each individual University - that negotiates collectively on the 340 scheme members with the USS, and that the latter through its Trustee Board, is legally accountable to the Pension Regulator.

As the Pension Regulator will not accept a more generous proposal, we consider that further significant changes to the proposals cannot be achieved, no matter how hard the employers push the USS Trustee. This said, we will continue to encourage UUK to consider any alternative proposals, so long as they do not result in a further increase in the pension contributions of our staff or of the University.

UCU national leadership is now calling for further action, which will include asking Durham University UCU members to take part in industrial action on pensions. We will continue to meet with and work constructively with Durham UCU as we are mindful of avoiding any impact on our University, our staff and our students. We are particularly trying to prevent

disruption to our students' education, mindful of the challenging circumstances caused by the pandemic.

Next steps

We encourage you to find out more about the valuation process, the UUK proposal and what this all means for you. In doing so, we also ask you to carefully consider the impact on all our staff – members of USS and those who are not – and our students of opposing the proposals and taking industrial action. We will work hard to explain clearly to the University community why we consider the UUK proposals to be the best way forward.

The USS employers' consultation, to which we have contributed, is now closed and we will publish our response on [our web pages](#), as we have done previously. We expect that the member consultation will run from mid-November to mid-January.

In parallel with the consultation, UUK has committed to work with employers, members and the UCU to progress three important workstreams: developing a low-cost defined benefit and defined contribution scheme; the potential for Conditional Indexation (which would allow for higher pensions if the schemes investments performed better than the prudent assumptions used in calculating contributions); and on a Governance Review of the USS. We encourage you (and the UCU) to engage with both the consultation and these workstreams in the coming weeks and months to help shape the future of the USS scheme.

We will update you further in the coming weeks through our usual internal communications channels. You can also stay up to date at the [USS pensions](#) page of our website.

Antony Long

Acting Vice-Chancellor & Warden