

## **USS employer consultation – University of Oxford Response**

The rules of the University Superannuation Scheme (USS) include a default cost sharing process for dealing with circumstances where an actuarial valuation reveals an increase in the employers' aggregate contribution is required and the Joint Negotiating Committee (JNC) does not decide how to respond to it. Under the cost sharing process, the increased cost of providing the scheme's benefits is addressed through cost sharing between members and employers – revising the contributions payable to the scheme so that they provide the required level of funding. The proposed changes to the scheme are "listed changes" for the purposes of The Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006 (as amended for multi-employer schemes), so a statutory consultation with affected employees and their representatives (Oxford UCU) has been undertaken by the University as employer.

In support of the consultation, the University ran 4 briefing sessions with bookings from over 250 employees and over 140 attendees. The Oxford UCU has encouraged its members to give feedback on the consultation. The online responses (112 in total) from affected Oxford employees have been reviewed and submitted to USS. The responses have been considered, and this document provides a summary and highlights some areas of particular concern. In giving an overview of the consultation, this document is necessarily selective in choosing which of the many suggestions to put forward. In addition, we have chosen to make some additional comments of our own to address concerns that were expressed. Our aim is to highlight what we see as the main concerns with the hope that the most credible, equitable and stable solution for our employees and other members of USS can be reached.

In the light of submitted responses and of points raised during the briefing sessions, the University asks that the USS trustee board considers and takes into account the findings of the Joint Expert Panel when completing the 2017 valuation and if undertaking a valuation as at 31 March 2018. It would hope that the proposed level of contribution increases in October 2019 and April 2020 for both employees and the University will not be implemented in light of the information in the JEP's report.

This submission is an overall assessment of responses from Oxford members that has been made by officers of the University with this summary reviewed by representatives of the Oxford UCU and the Oxford USS Review Working Group.

In the online questionnaire employees were asked about key changes (see annex 1 for a summary):

1. removal of the match.
2. For members earning above the salary threshold they and their employers continue to contribute 20% (members: 8% employers: 12%) to the USS Investment Builder.
3. The required 10.6% increase in contributions be shared between members and employers at a ratio of 35:65 respectively.
4. Under the cost sharing rule, member contributions would increase to 11.7% of salary. The trustee proposal to phase increased contributions under the cost sharing rule to 8.8% from 1 April 2019; to 10.4% from 1 October 2019; and to 11.7% from 1 April 2020.
5. Other comments.

### **Themes emerging were:**

#### **Valuation**

A significant minority (42%) of respondents has used the standard response prepared by [USSbriefs](https://medium.com/ussbriefs/resile-and-resubmit-uss-consultation-response-template-4809945fb6bc) and signed by a range of UCU pensions experts and committee members. <https://medium.com/ussbriefs/resile-and-resubmit-uss-consultation-response-template-4809945fb6bc>

These members do not accept the premises on which this consultation is based, in light of the JEP report's conclusions and new analyses refuting the deficit, and have grave and urgent concerns that the contribution increases which USS is demanding from members and employers are unwarranted, and that they may cause members to exit the Scheme, causing irreparable damage to its long-term health. They ask that the consultation be suspended and new valuation based on the recommendations of the JEP and on new evidence be undertaken.

The credibility of the valuation was called into question by other respondents.

### **Match**

Removal of the match is an erosion of the value benefits package. It was seen as an incentive to save. There was disappointment that it was to be removed after such a short period.

### **Contributions above the threshold**

The approach was considered unfair to high earners as the effect was to for members to pay in excess of 11% of salary and only 8% paid into their DC pot, with the balance to support the DB section. This group had already been adversely affected with the introduction of the salary threshold in 2016.

### **Ratio of cost sharing 35:65**

There was little or no support for this approach. The financial impact on members was an issue.

### **Increase in contributions**

This was unwelcome by the vast majority. Particular concern was expressed about the impact of those on lower salaries and junior researchers. The proposals could cause financial hardship and one respondent might opt out of the scheme as a result.

### **Other**

Intergenerational fairness was mentioned in some responses. Also the worsening resulting package of benefits for UK academics compared with international market was highlighted as an issue for recruitment, retention, and long term reputational impact.

## Annex 1

The proposed changes are as follows:

### **1. Removal of the USS Investment Builder employer matching contribution**

#### ***Current position:***

Each active member of USS is currently given the option to select the “match”; both the employer and member then pay an additional contribution of 1% of salary to the USS Investment Builder.

#### ***Proposal:***

The employer’s 1% matching contribution would no longer be payable from the proposed date. The member match would continue and any members who currently take the match would continue to make their 1% contribution unless they elect to cease paying.

### **2. Member contribution rate**

#### ***Current position:***

Subject to salary sacrifice arrangements, active members of USS currently pay contributions of 8% of full USS salary.

#### ***Proposal:***

Under the proposals, and subject to salary sacrifice arrangements, active members would pay increased contributions as follows:

- 8.8% p.a. of salary from 1 April 2019;
- 10.4% p.a. of salary from 1 October 2019; and
- 11.7% p.a. of salary from 1 April 2020.

The element of the member contribution which would be paid to the USS Investment Builder above the salary threshold would remain at 8.0% p.a. of salary throughout, with the balance being payable to the USS Retirement Income Builder.

### **3. Employer contribution rate**

#### ***Current position:***

Employers pay 18% p.a. of salary to the USS Retirement Income Builder, with 12% p.a. in respect of salary above the salary threshold being paid to the member’s USS Investment Builder.

#### ***Proposal:***

Under the proposals, employers would pay increased contributions as follows:

- 19.5% p.a. of salary from 1 April 2019;
- 22.5% p.a. of salary from 1 October 2019; and
- 24.9% p.a. of salary from 1 April 2020.

The element of the member contribution which would be paid to the USS Investment Builder on salary above the threshold would remain at 12.0% p.a. of salary, with the balance being payable to the USS Retirement Income Builder.