

Universities Superannuation Scheme (USS)

UUK call for evidence January 2018

UUK sought evidence on two questions:

- Employer contributions: A majority of employers have told UUK that they could not support an increase in employer contributions beyond the current 18% of salaries. What impact would an increase in employer contributions to 23.5% of salaries have on your institution? Concrete examples of the kind of impact this would have will be extremely helpful.
- Member contributions: In 2016, just 7% of respondents to UUK's survey believed that members would be willing to pay higher contributions with some benefit reductions. What impact do you think that a 35% increase in the amount members need to pay for reduced USS benefits would have? Do you have any supporting evidence you can share with UUK on this?

USS Working Group Response

Employer contributions:

An increase of employer contributions to 23.5% of salaries would cost the University in excess of £22 million per annum. This level of increase is not one that the University would wish to support. This level of additional expenditure would eliminate around a third of the University's target surplus that is needed to fund future investment plans. In meeting the current targets the University has already put stringent headcount controls in place and run a voluntary severance scheme. Any further savings to meet increased pension costs may need to come from further headcount reduction.

As stated in the earlier response to UUK, the University is not willing to increase the regular contribution above 18% to support a future benefit package which is ultimately unaffordable. However, if a marginal increase was deemed necessary the University would only be able to agree to such an increase if it was directly related to paying off or reducing risk in respect of the past service deficit (for example by reducing recovery plan length and/or increasing prudence in the recovery plan assumptions). The University notes, however, the potential impact on "Test 1" if regular contributions are increased.

Employee contributions:

An increase from 8% to 10.9% in employee contributions would represent a significant reduction in take home pay. With the 1% Match only a minority of employees (less than 23% of members at the University) have been able and willing to contribute more for additional benefits. This would suggest that members are not keen to see pension deductions increased. Under the UCU proposals employees would be required to pay more for a reduced level of pension benefits.