Update for members on the 2018 USS valuation

Contribution rate proposal to conclude the valuation

Following consultations with employers and members over the last couple of months USS are proposing to complete the 2018 valuation by implementing ‘Option 3’. This is the preferred choice of 81% of employers, including ourselves.

Three options were tabled for discussion by the Joint Negotiating Committee (JNC). The JNC comprises of staff member representatives from UCU, employer representatives from UUK and an independent chair. Each of the three options has differing contribution rates and corresponding risk to the future financial sustainability of USS. Changes to contribution rates are required to ensure the longevity of the Scheme and to protect benefits for members.

Each of the three options represent an improvement on the current schedule of contribution rates that staff members and employers have to pay, as agreed under the 2017 valuation. Contribution rates will increase significantly in October 2019 (from 8.8% to 10.4%) if ‘Option 3’ for completing the 2018 valuation is not implemented.

‘Option 3’ requires a combined total annual contribution rate of 30.7%. The costs will be shared 35:65 between scheme members and employers unless the JNC decides something different. If there is no change to the contribution split of 35:65, then the level of contributions paid by staff members will be 9.6% (staff members currently pay 8.8%) with employers paying 21.1% of pensionable salaries. It is important to be aware that there will be no change to the current level of benefits for members with ‘Option 3’.

The ‘Option 3’ contribution rates would be fixed until October 2021. Another valuation will be conducted in March 2020. This is a year earlier than the ordinary three year valuation exercise for pension schemes. Contribution rates may change again (upward or downward) depending on the outcome of the 2020 valuation.

Our view on the 2018 valuation

We believe that implementing Option 3 to conclude the 2018 valuation represents the best possible outcome for everyone. Contribution increases in the near future will not be as great as is currently scheduled and there are no changes to member benefits proposed. However, UCU have a ‘no detriment’ stance on changes to the scheme meaning they do not support the proposal. ‘No detriment' policy calls for no increase to member contributions or cuts to scheme benefits. Concluding the 2018 valuation with the proposed ‘Option 3’ contribution rates does not constitute a ‘no detriment’ outcome, as there will be an increase to member (and employer) contributions. UCU are therefore currently planning to ballot their members this autumn to take industrial action.
As a University, we have made every effort to be an active partner in the recent consultations and discussions with USS and UCU through our colleagues at UUK and have lobbied hard to protect your interests as Scheme members. We are very aware of the impact of higher contribution rates and alongside other universities, have pushed USS to negotiate on a better plan to conclude the 2018 valuation. In our view, and in the view of most other scheme employers, Option 3 is preferable as it is the ‘least worst’ option. It goes some way towards addressing the recommendations of the Joint Expert Panel (JEP) Phase 1 report, which was our preferred choice, and UCU’s, to conclude the current valuation. Members and our university will end up paying higher contributions for the same benefits if either of the other two options offered by USS are accepted.

UCU’s request that we cover additional contribution costs for staff

Currently, UCU will not support any of the three options due to their ‘no detriment’ policy and have called for employers to cover the cost of increases to member contributions. This is not directly possible, as the University is legally bound under existing Scheme Rules to adhere to the sharing of contributions between employer and members. The only way in which we could compensate staff for increased pension costs is to give a pay rise that would leave staff in a neutral position. This would cost an estimated £2.3m per annum if ‘Option 3’ is implemented to conclude the 2018 valuation. Excluding capital grants, we have a break-even budget for 2019/20 and cannot afford these increases without incurring job losses or significantly damaging the Bristol student experience and research environment.

What happens next?

The JNC is due to meet next on 20 August where it is expecting to consider a new valuation report prepared by the USS Trustee, in line with Option 3. Depending on the outcome of this meeting, if Option 3 is agreed, a further employer consultation on the schedule of contributions and recovery plan will take place later this summer before the valuation is then concluded.

We will make sure that any new information is shared with you as soon as it is available and that you are invited to share your thoughts in any further consultations over the summer. In the meantime, please visit our pensions webpage to read more and view a new, linked, ‘at a glance’ webpage which will be available shortly which uses helpful infographics to explain the current position and next steps.

Further questions

If you have any questions, please contact Robert Kerse, Chief Operating Officer directly on coo@bristol.ac.uk