USS PROPOSED REFORMS
Frequently Asked Questions

USS Proposed Reforms 2018

1. Why are these changes needed?

Every 3 years, the USS Trustees have to undertake a scheme valuation – this looks at the future liabilities of the scheme compared to current levels of funding. Despite changes to the scheme in recent years, this valuation shows an increasing deficit, estimated at £7.5bn. The costs of maintaining the current level of benefits going forward have increased significantly and would require contribution levels which employers view as unaffordable and unsustainable. Hence, a new benefits structure is proposed, reducing the costs and risks to more sustainable levels.

2. It is not long since the last set of changes – why are more changes being made so quickly after the last set?

Because recent changes have not been sufficient to properly address the deficit issue. Economic conditions, including Brexit, and low interest rates have made it a difficult financial environment for pension funds. The issues associated with providing defined benefits are long-term. Many of us are living longer so providing these benefits has become much more expensive.

3. How has the decision been taken to make this change?

These proposals have been made by the national Joint Negotiation Committee for USS, which has equal representation from employers (UUK) and unions (UCU). The JNC met many times during the past year, but were unable to reach an agreement on the way forward. The JNC chair therefore, used his casting vote to recommend the proposed reforms.

4. Does Newcastle University as our employer have any influence over the proposed changes?

Newcastle University was involved, along with all other scheme employers, through Universities UK. The proposals will now be consulted on formally, so all scheme members will get the chance to comment or suggest revisions.

5. What is the difference between a DC and a DB scheme?

A DB, Defined Benefit, scheme sets the pension benefit up front and contributions have to be made to fund this level of benefit.

A DC, Defined Contribution, scheme, sets the contribution level up front. The pension benefit that results depends on how much is invested through these contributions and how that investment performs when invested by the pension fund manager.
6. **Does this mean that with DC the value of my pension could go up or down?**

   Yes, it does. However, the USS Investment Builder does have a number of fund options, so you can choose a fund which best suits your attitude to risk. This is particularly useful at different times in your career e.g. if nearing retirement you may want to reduce your risk by holding more cash.

7. **Why can we not keep the current DB scheme and pay more?**

   This was considered by the JNC, but employers have said that the levels of contribution that would be required are not sustainable. The current benefits would need an additional 11% of salaries to be added – we already pay 26% of salaries in total.

8. **What is the difference between the USS proposal and the proposal put forward by UCU?**

   The proposal put forward by UCU is quite different – it maintains a defined benefit approach, with a slightly lower accrual rate. A key difference is the cost of providing these benefits. The proposals put forward by the JNC can be provided within the current contribution level, ie.18% employer, 8% employee. The UCU proposals would require employer contribution levels to increase to 23.5% and 10.9% for staff.

9. **Do these changes affect all of my pension?**

   The pension benefits you have accrued up to the date of the new scheme being introduced are not affected. They are protected by law.

   However, from the date of the new scheme being introduced (expected to be April 2019) your pension benefits will accrue under the new arrangements i.e. through the USS Investment Builder.

10. **How can I check the current value of my pension?**

    Statements as at 31st March 2017 were issued in January for 90% of members. USS expect to issue statements to the excluded members in March. The more complex calculations, for example, for those with recent changes to AVC contracts or members who rejoined the scheme during the year have been delayed but will be issued as soon as possible.

11. **Why does the proposal include a reduced contribution option? Surely the scheme needs more contributions?**

    Because the new scheme proposes a move to a DC arrangement there can be more flexibility. You are essentially saving into your own pension pot. For some people they might prefer to save less but of course this will mean less going into their pension pot. We expect that many people will choose to keep their contributions at the current rate of 8%.
12. How do I feed in my views on these proposals?

We anticipate that as in previous consultations there will be a direct means for you to share your views with USS about the proposals and that an online modeller will be available so that you can predict how this might affect you personally.

13. If the decision has been taken by USS, is the consultation likely to result in any changes to the proposals? If not why bother?

The scheme will need to consider the views expressed through the consultation and changes could be made in response. Any benefit refinements arising from the consultation feedback must be approved by the JNC.

14. If the new scheme offers more flexibility, will support/advice be provided to help me to understand the different options and what will work for me?

USS will provide as much information as possible to enable members to understand the different options open to them including on-line modelling tools. The University cannot provide any financial advice to employees but is looking at the possibility of arranging on-site seminars by pension experts to help explain the flexibilities provided within Defined Contribution Schemes. More information in relation to this will be shared in due course.