

## **Flysheet: USS Pension Scheme Debate Congregation 30th November 2010**

The resolution before Congregation on 30 November seeks to ensure both that members of the University's staff who are currently making contributions towards their pensions to the Universities Superannuation Scheme [USS], or who are eligible to do so, have adequate information on which to base their response to the consultation taking place on proposed changes to the scheme. It also seeks to ensure that USS members and those eligible to become members are individually balloted by the University on the proposals for change, and that the result of that ballot forms the basis of the University's own institutional response to the consultation.

The changes which are planned are ones that have been put forward by the employers' side on the USS Joint Negotiating Committee [JNC], through the Employers Pension Forum [EPF]. If implemented - the intended date of implementation is 1 April 2011 - they will fundamentally and for the foreseeable future dramatically change the scheme and reduce the pension benefits available to members through it.

The changes will:

- raise for most members the age at which they will be permitted to retire with an unreduced pension (the 'Normal Pension Age' [NPA])
- raise employee contribution rates
- change the basis for calculating inflation-proofing increases in pensions, in ways which are likely to lead to smaller increases than at present
- base pensions on career average earnings (revalued for inflation), rather than on final salary as at present, for new entrants to the scheme and for people rejoining it after a gap of more than six months.

They will, in fact, mean that all members and potential members of the scheme who have not already retired will almost certainly be worse off when they come to draw their pensions, and for many near the beginning of their careers pensions will be some thousands of pounds a year less than they would be under current arrangements. The total lifetime loss for some is likely to run well into six figures.

The EPF have justified the proposed changes on the need to secure the long-term safety of USS. In doing so they are taking advantage of the current public concerns about the nation's economic situation and about the affordability of existing pension schemes, but USS is not a scheme that is in any sense in crisis. It is a very large and fundamentally very safe scheme. Its huge financial resources dipped a little a couple of years ago, but not to the extent that urgent and drastic action was necessary, and they have recovered quite well in the most recent period. The scheme has to be formally valued every three years, and the next occasion for this will be March 2011. There is good reason to think that the valuation will show the scheme to be in good health, and it is therefore perverse to be pushing through detrimental changes when a favourable valuation is likely to follow in a matter of a small number of weeks.

Furthermore, alternative changes have been put forward by the University and College Union [UCU], which officially represents all employee members and potential members for USS purposes, whether UCU members or not, and which is the other body represented on the USS JNC. The JNC having been equally divided over the proposals for change, the EPF proposals were adopted only by the independent chair casting his vote in their favour.

The changes proposed by UCU would provide for some increases in employee contributions (on a tiered basis), and would raise the NPA for new entrants but leave it unchanged for all existing members of the scheme. These proposals by UCU would, we are confident, be fully sufficient to give what additional stability the scheme's finances might be thought to need. In so doing, the proposals would

- retain the final salary basis for pensions for all USS members
- protect the current basis for the calculation of inflation-proofing increases in pensions
- retain greater protection for members leaving and rejoining the scheme

For staff of the University of Oxford to be well enough informed to make a meaningful response to the consultation which the University, as employer, is required to conduct, they must have information about the alternative to the EPF proposals. So far, only the latter have been explained and advocated in the consultation documents that have been sent to all USS members by the University. That is why the resolution, if passed, will require that the UCU proposals are also circulated, with supporting arguments.

Additionally, in order that the University's institutional response to the consultation properly reflects the views of all its members, the resolution, if passed, will require that a ballot of all affected staff be conducted and the result used as the principal response from this institution.

Pensions may be very much at the front of the minds of colleagues who are approaching retirement. For many at an earlier stage in their career, they may well be rather further towards the back of the mind. But pensions constitute a very significant part of the set of rewards all USS members earn from their employment. They pay contributions out of their current salary in order to have the benefit of a pension. Similarly, the University pays a contribution to the scheme on their behalf towards that pension. Changes to USS which have the effect of increasing members' contributions and reducing the benefits eventually received are the same in effect as a reduction in pay. All the University's current and future USS-pensionable staff will be affected to a smaller or (in very many cases) a larger - frequently much larger - extent.

It is vital, therefore, that changes which are both unnecessary and very detrimental are not implemented. The passing of the resolution by Congregation on 30 November would be a significant step towards preventing that implementation. We therefore urge all our colleagues who are members of Congregation to attend the meeting and to vote in favour of the resolution.

Roger Undy, Said Business School  
Marc Thompson, Green Templeton College  
Linda Scott, Green Templeton College  
Kate Blackmon, Merton College  
Margaret Watson, Bodleian Libraries  
Ruth Bird, Bodleian Libraries

Sandra Meredith, Faculty of Law  
Lionel Mason, St Peter's College  
Timothy Mawson, St Peter's College  
Christina Redfield, Wolfson College  
Rowan Tomlinson, New College  
Ken Mayhew, Pembroke College