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RESILE AND RESUBMIT: USS CONSULTATION RESPONSE TEMPLATE

USSbriefs Team, Collaborators and Friends

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Resile and Resubmit: USS consultation response template

USSbriefs team, collaborators and friends

This is a USSbrief that belongs to the OpenUPP (Open USS Pension Panel) series. **#USSbriefs59** ended with a call to UCU members to 'capitalise on a unique opportunity to directly express our views on our scheme to both USS and our employers'—in light of the findings by Sam Marsh (summarised in **#USSbriefs58**), and the broader issues they raised. This USSbrief (#USSbriefs61) provides a consultation template that scheme members are able to use to signal their disapproval of the way in which USS has handled its 2017 valuation.

USS Consultation Response Template

The following is a standard template response to the **current USS consultation** on USS's proposal to impose shared contribution increases on Scheme members and employers, rising from the current rate of 26% of salary to 36.6% of salary. It has been signed by a number of USS members, expert commentators, and UCU representatives, whose names and affiliations are listed beneath it. Members are encouraged to submit this response to signal their disapproval of the way in which USS has handled its 2017 valuation.

This is not simply a petition. Every member of USS has a right to respond to the consultation before its closing date of 5pm on 2 November 2018, and USS is obliged to consider the responses. **There are several ways to respond, and we recommend that you respond in as many ways as possible (i.e. you can do all 4 options, below)**.

1. By logging into the **official consultation website** with your USS membership number and National Insurance number, and completing the online form.

2. By (as the consultation website puts it) 'contacting your recognised trade union or other recognised employee representative body'.

3. By (as the consultation website puts it) 'sending your response in writing to the Nominated Consultation Contact at your workplace, clearly marking it: "USS Employer Consultation". Your written response will then be read by your

employer and submitted to the trustee on your behalf. If you want your written response to be anonymous, let your Nominated Consultation Contact know'.

4. By adding your details to a Google form **here**.

RESPONSE TEMPLATE BEGINS HERE

1. Removal of the match

As a first step in addressing the increased costs of the scheme, it is proposed that the employer match would be removed, which would have the effect of reducing the total combined contribution required from members and employers from 37.4% to 36.6%.

Under the rules, the 1% paid by a member who elected to pay the match will continue (members can elect to stop this).

If you want to respond to this point and/or suggest any changes to it, please comment.

Please see my answer to question 5.

2. Contributions above the salary threshold

It is proposed that members earning above the salary threshold and their employers continue to contribute 20% (members: 8% employers: 12%) to the USS Investment Builder. The remaining elements of member and employer contributions would go towards supporting the USS Retirement Income Builder section of the scheme.

If you want to respond to this point and/or suggest any changes to it, please comment.

Please see my answer to question 5.

3. Contributions shared 35:65 between members and employers respectively

It is proposed that the required 10.6% increase in contributions be shared between members and employers at a ratio of 35:65 respectively.

If you want to respond to this point and/or suggest any changes to it, please comment.

Please see my answer to question 5.

4. Increased contributions under the cost sharing rule

Under the cost sharing rule, member contributions would increase to 11.7% of salary. The trustee proposes to phase this increase:
to 8.8% from 1 April 2019;
to 10.4% from 1 October 2019; and
to 11.7% from 1 April 2020.
If you want to respond to this point and/or suggest any changes to it, please comment.

Please see my answer to question 5.

5. Any other comments

Members of USS and employees eligible to join the scheme are encouraged to share any views on alternative or additional proposals that they think could also address the challenges identified in the 2017 valuation and to share any other comments or any views you may have on any of the proposals.
If you want to do so, please comment.

I have refused to answer questions 1–4 because I do not accept the premises on which this consultation is based. I 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 and even employers to exit the Scheme, causing irreparable damage to its long-term health.

Instead, I wish to offer the following response, which has been collectively agreed and signed by a number of other USS members, expert commentators, and UCU representatives. All signatories have endorsed the statement solely in a personal capacity. It can be found online at **https://medium.com/ussbriefs/resile-and-resubmit-uss-consultation-response-template-4809945fb6bc**

In light of extensive, publicly available analysis from multiple sources — including individual academics with specialist knowledge and the Joint Expert Panel (JEP) convened as a result of the recent industrial action by UCU — I subscribe to the following conclusions:

A. The employer consultations overseen by USS and Universities UK have misled employers, Scheme members, and the public about the health of the Scheme and the nature of employers' risk appetite.

B. In addition to this, USS has, for more than a year, failed to grant employer and member requests for crucial asset growth projections. These projections fatally undermine USS's central argument for its proposed 10.6% contribution increase. They also seriously call into question whether there is any deficit at all and any need for any increase in contributions whatsoever.

C. In light of conclusions A and B, the Scheme does not have a basis for its claim that the proposed 10.6% contribution increase is necessary. By insisting on it, and by failing to resile from its flawed valuation, USS is damaging members' trust in the Scheme and compromising the Scheme's long-term health.

My response to this consultation is that:

1. This consultation must be suspended immediately.

2. USS must consult employers again, making clear to them that previous consultation documents implying the existence of a deficit and the need for a contribution increase were based on incomplete data and erroneous assumptions and analysis. It must then produce a valuation that reflects the Scheme's true health, based on the recommendations of the Joint Expert Panel and on the new material evidence that has come to light.

3. USS must also make a public statement to The Pensions Regulator explaining why this consultation and their previous employer consultation on the 2017 valuation are insecure, and requesting to be exempt from any penalties during the extra time it will take to consult employers and members properly.

SOURCES

On the Scheme's asset growth projections and their implications, see the recent articles by Sam Marsh (**https://medium.com/ussbriefs/a-flawed-valuation-the-laypersons-guide-to-my-findings-on-uss-s-test-1-b9e0c53f5d67**) and Michael Otsuka (**https://medium.com/@mikeotsuka/usss-valuation-rests-on-a-large-and-demonstrable-mistake-691103c94ca6**)

On USS's inadequate responses to Marsh and Otsuka's criticisms, see the following article by Michael Otsuka: **https://medium.com/@mikeotsuka/test-1-de-risking-is-dead-long-live-de-risking-63540ad44e84**

For another example of USS's failure to consult employers properly about the nature of their valuation assumptions, see the following article by Mike Otsuka: https://medium.com/@mikeotsuka/uss-failed-to-make-clear-the-high-level-of-prudence-of-the-september-valuation-a636d8c744f7

For the Joint Expert Panel's criticisms of USS's misleading employer consultation processes and other flaws with USS's handling of employer reliance, investment strategy and future service contribution rates beside those identified by Marsh and Otsuka, see its first report: http://www.ussjep.org.uk/files/2018/09/report-of-the-joint-expert-panel.pdf

RESPONSE TEMPLATE ENDS HERE

Signed and endorsed by

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Karen Evans (UCU USS National Dispute Committee)
Mike Holmes (Edinburgh UCU Pensions Officer/Treasurer)

Additional Comments

Members may wish to comment on other aspects of the Scheme with which they are not satisfied. The following suggestions have not been agreed by the signatories to the above statement. They are suggested by USSbriefs as a far from exhaustive list of criticisms of USS that are relevant to the current valuation in some way. Members are welcome to incorporate and adapt them as they see fit.

Members may wish to comment on:

1. USS's lack of transparency in general, and its persistent, legally questionable refusals to release information to members and member representatives: see further **USSbriefs26**, by Academics for Pensions Justice (APJ), and **USSbriefs59**, by USS Briefs and APJ.

2. The role of employers and their consultation responses in pushing the valuation process towards outcomes that gave them cover to propose closing the Defined

Benefit (DB) element of the Scheme and replacing it with a drastically inferior Defined Contribution (DC) offering: see, most recently, **USSbriefs60**, by Felicity Callard and Jo Grady.

3. The failure of USS and employers to undertake a rigorous equality impact assessment of the aforementioned proposal to close the DB element and the valuation decisions that led to it, despite the fact that DC schemes tend to exacerbate existing gendered and racialised inequalities. See **USSbriefs4**, by Claire Marris.

4. The sustained period in which USS permitted employers to pay less than their current rate, and less than actuarially recommended rates, into the Scheme. This period of underpayment suggests a pattern of excessive deference to employers and disregard for beneficiaries' interests on the part of the Scheme. Furthermore, if the Scheme is currently underfunded, the underpayments are clearly part of the reason for that. See **USSbriefs43**, by Deepa Govindarajan Driver.