



USS Valuation and Benefit Changes 2014-15

Consultation comments/feedback: University of Sheffield

1. Closure of final salary section & redefining the final salary link

- We agree that closing the final salary section and adopting Career Revalued Benefits for all members is a necessary and fair approach.
- We agree that the stated impact of redefining the final salary is so significant as to make it a viable option in the interests of reducing the deficit and the pressure on contribution levels for both employers and employees and that this would assist with the future stability of contribution levels.

2. Career Revalued Benefits for all up to a salary threshold

- We agree that career average schemes (Career Revalued Benefits) provide arguably a fairer means of providing pensions than final salary schemes as those who have significant salary increases at the end of their careers are not being funded by those with more typical steady increases in pay.
- We would like to ensure that a significant majority of its staff are covered by the salary threshold. This is not achieved by a threshold of £40,000. Subject to affordability limitations the University would like to explore the possibility of this threshold increasing (for example at £50,000 it would cover c80% of our eligible staff and at £60,000 c90%).

3. Introducing a DC option for eligible staff with salary >£40k (and additional flexible DC pot)

- We anticipate that a DC option above a salary threshold may be perceived as a less attractive option, particularly for higher earners who may be the high performing/profile staff we particularly wish to retain.
- In the interests of providing additional options regarding pension provision for this group, we would welcome an exploration of additional flexibility regarding the amount of employer and member contributions which could be chosen by either an employer or employee into the DC section.
- We believe this would allow both the University and members to make more informed decisions around pension provision to suit particular individual circumstances.
- An additional flexible DC pot up to the CRB salary threshold would be an interesting and welcome addition to encourage additional pensions savings amongst those at the lower end of the earnings range.

4. Transitional arrangements

- We note a lack of any mention of transitional arrangements in the proposals at this stage and we would welcome exploration of the impact of providing for a period of transition for those approaching retirement, noting that for this group, the impact of any changes, whenever implemented would be less than for members further from retirement.
- Similarly, we would welcome further exploration of the impact on the deficit and contribution levels of alternative dates of implementation for some/all members.

5. Sector-wide communications

- We wish to encourage the EPF and UUK to expedite its planned communications for the sector noting that UCU are well advanced in this area and are therefore in a position to influence the narrative around the proposed changes.
- It may be helpful in terms of the communications/consultation process to explicitly state what alternatives were looked at and the impact they would have had on deficit, costs and sustainability, so that it is more clear to members/staff that there hasn't been a "race to the bottom" but rather that the option presented for consultation has been arrived at by sound judgement and rational argument.

6. USS Trustees' guiding principles for scheme funding

- We believe that the guiding principles adopted by the scheme trustees are sensible and provide a balanced way of approaching scheme funding, noting in particular:
 - Aiming for no increase in the scheme's reliance on the covenant of the sector during a 20 year horizon and, where opportunities arise, seeking to reduce the reliance on the covenant.
 - Delivering stability of contributions within a pre-defined range of probabilities linked to contribution parameters.
 - Investment risk and tail risk need to be managed to provide appropriate cover for rare circumstances, but with a potentially significant impact on the funding position.