

To: All Staff
From Andrew Dodman

Title: Message for Staff regarding potential changes to the Universities Superannuation Scheme (USS)

Dear colleague

I am writing following the notification from UCU that they are balloting their members at The University of Sheffield for industrial action over potential changes to the Universities Superannuation Scheme (USS). I anticipate that this communication will be of interest to all staff who are either members or eligible members of USS, as well as to other UCU members at the University who will be invited to vote in the industrial action ballot which is due to open today, Wednesday 1 October.

The University hopes that all members of USS understand that future benefit changes are unavoidable, both to address the substantial deficit in the scheme and to mitigate the risk that contribution rates will become unaffordable for both employees and employers. No formal proposal for change has as yet been submitted to the USS Joint Negotiating Committee (JNC), a committee of which the UCU has equal membership, and which will determine the benefit changes to be made. Consequently, we believe the UCU ballot to be unhelpful and premature, and counter to the interests of all staff and students.

At the time of the last triennial valuation of the USS, in March 2011, the scheme had a sizeable deficit (i.e. the difference between the scheme's assets and the value of the benefits for which it is liable) of £2.9 billion. In March 2013, this deficit was £11.5 billion and it is expected to be around £8 billion as at March 2014.

Despite significant changes already having been made to the scheme - including, from October 2011, the introduction of career average benefits for all new entrants and employer and employee contribution increases - the sizeable deficit remains volatile and persistent.

USS remains an excellent pension scheme and the task of all the parties involved in the negotiations at the JNC – UCU and the employer representatives, plus the independent chair - will be to ensure that necessary reforms to the benefit structure are agreed while delivering an attractive, affordable and sustainable scheme for future and current employees and for employers. Without changing the benefit structure of USS, it will not be possible to address the deficit and the resulting inevitable contribution increases for both members and employers would be at a level which is simply not affordable for either. This is not a cost-reduction exercise; even with the potential changes to pension benefits being explored, the employer contributions to USS on your behalf are expected to increase significantly above the current level of 16% of salary.

The approach to benefit changes that is being explored by employers is based on an extension of the current career average benefits section to all active members and the closure of the final salary section, i.e. putting all members into the same benefit framework

for their future service. The benefits a member has built up before the date that any changes are implemented will be protected and will be calculated based on their service and pensionable salary at the date of change. The extension of the current career average benefits section alone will not be enough to give all the scheme stakeholders sufficient assurance regarding the financial sustainability of the scheme. In order to reduce the likelihood of future unaffordable contribution increases for both employees and employers UUK, working with the Employers Pensions Forum, is examining a hybrid benefit arrangement which would aim to deliver a balanced and fair pathway for all scheme members. However, to emphasise again, details of the proposed benefit changes that will be submitted to the JNC in the autumn have not yet been finalised, so the UCU material that claims to 'model employers' proposals' is regrettably misleading. Further information on the changes which are currently being discussed can be found here www.employerspensionsforum.co.uk.

The approach to potential benefit changes is still being developed following the recent consultation with participating employers. The outcome of this consultation with employers will shape the proposal that the employer representatives will submit formally to the JNC later this autumn. The JNC consists of an equal number of employer and UCU representatives and the employers are committed to continuing dialogue with our UCU colleagues in the period leading up to the JNC decision on future scheme benefits changes to be proposed to members. Once that decision is made, as is required by statute, we, as your employer, will consult with you about the scheme changes which have been proposed by the JNC, and your views in that consultation will be taken into account by the JNC and the USS trustees before any final decision is made.

As mentioned, we consider this ballot to be unhelpful and ill-timed. For those of you invited to vote, you will be warned on your ballot paper that taking industrial action might constitute a breach of your contract of employment. The University's statement on deduction of pay for strike action and action short of a strike can be found here <http://www.sheffield.ac.uk/hr/az/industrialactionanddispute>. Taking strike action or action short of a strike will inevitably impact on our students and on the earnings of those who choose to participate and we urge you to think of this while considering whether industrial action is an effective way to negotiate change. Strike action will not make the deficit go away or change the requirement for the scheme to put in place an integrated plan to address the deficit.

We ask you to find out more about the issues surrounding USS and consider fully the implications of a yes vote for either strike action or action short of a strike before casting your vote.

Further information will be posted onto the HR web pages and can be found at <http://www.sheffield.ac.uk/hr/guidance/ussconsultation>

Kind Regards
Andrew Dodman
Director of Human Resources