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**October 2014**

Dear Colleague

### **University Superannuation Scheme (USS)**

**This letter is directly relevant to those EIS-ULA members who are members of the USS, or who chose to move to the USS if they accept a promoted post within their HEI at some date in the future.**

I write to update you of the developments regarding the USS.

The USS is the pension scheme that Scottish pre-1992 Universities (and the University of the Highlands and Islands) use for academic staff and some others. It is the second largest private pension scheme within the UK. The governing body of Universities Superannuation Scheme Ltd is the trustee board with 4 directors appointed by Universities UK (representing the Employers), 3 directors appointed by the University and College Union (UCU) (representing staff), and between 3 and 5 directors that are independently appointed. The Chair is an independent director.

The USS currently has two sections. Both are defined benefit schemes. In a defined benefit scheme the benefits to be paid are set out in the scheme rules. The two sections are:

- A Final Salary scheme for University staff who joined the scheme before October 2011. (Benefits paid are linked to the final salary of members.)
- A Career Revalued Benefits (CRB) scheme for staff who joined the scheme during or after October 2011. (Benefits paid are linked to salary over a member's career.)

The UCU took industrial action in 2011 to prevent the introduction of the CRB section, but it was unsuccessful in this aim. It is our view that the USS CRB scheme provides inferior benefits to other similar public sector schemes, e.g. Civil Service and the planned CRB schemes for Teachers in Scotland, England and Wales.

The Universities (as Employers) have been developing proposals to change the USS for all existing scheme members. In part, this is because there is a deficit within the USS fund.

The EIS has asked the Employers for the detail of these proposals – but they have not been forthcoming. It has been reported in the press ([www.ipe.com/countries/uk/uss-employers-revise-pension-proposals-as-union-continues-strike-ballot/10003557.fullarticle](http://www.ipe.com/countries/uk/uss-employers-revise-pension-proposals-as-union-continues-strike-ballot/10003557.fullarticle)) and at Universities UK ([www.universitiesuk.ac.uk/aboutus/AssociatedOrganisations/Partnerships/EPF/Documents/EPFBriefingJuly2014.pdf](http://www.universitiesuk.ac.uk/aboutus/AssociatedOrganisations/Partnerships/EPF/Documents/EPFBriefingJuly2014.pdf)) that these proposals amount to:

- From April 2016 the USS will be a hybrid scheme – a defined benefit pension on salaries up to £50k and defined contribution pension on salary in excess of £50k. (Benefits in a defined contribution scheme are dependent on the investment of contributions and stock market performance.)
- The defined benefit element of the proposed hybrid scheme would be Career Revalued Benefits (CRB) with contributions capped a salary level of £50k.
- The defined contribution element of the proposed hybrid scheme would be a pension pot used to purchase an annuity with the value dependent on market performance. This would apply to contributions from salary above the £50k cap.

Once the University Employers have finalised their plans, they will submit them to the Universities Superannuation Scheme Ltd for the consideration of the Directors. Any change to benefit provision requires consultation with USS members. There will be a USS wide consultation at this point. I understand the Employers wish to implement the changes from April 2016.

The UCU have lodged a trade dispute with employers (that use the USS) regarding the proposals and a clear majority of members have voted for industrial action. The UCU has given notification that it will begin an action short of strike action (an assessment boycott) on November 06, 2014. The EIS will be writing to members separately regarding this.

The vast majority of EIS members in Scottish Universities are members of the STSS. There are small numbers of EIS members in pre-1992 Universities (and UHI) that are USS members. It is not currently our intention to ballot you for strike action. However, should USS members ask us to ballot members then we could do so.

The EIS will submit evidence to the USS consultation. This will take place when the Employers take their finalised proposals to the USS Board.

I copy below some figures relating to existing pension scheme benefits:

### USS

### STSS

	Grade 8 Lecturer (salary £44k appointed prior to 1 October 2011) - employee contribution	Employer Contribution		Grade 8 Lecturer (salary 44K) employee contribution	Employer Contribution
USS Final Salary Scheme	7.5%	16%	STSS Final Salary Scheme	9.9%	14.9%
	Grade 8 Lecturer (appointed Oct 2011 and later) employee contributions				
CRB Scheme	6.5%	16%			

I copy below some figures relating to reported changes to the USS and planned changes the STSS (CRB to be implemented April 2015) using the latest figures available in the public domain at the time of writing.

**USS**

**STSS**

	Grade 8 Lecturer (salary £44k) employee contribution	Employer Contribution		Grade 8 Lecturer (salary 44K) employee contribution	Employer Contribution
USS Hybrid Scheme – CRB only since salary is below £50k cap	6.5%	18%	CRB Scheme	9.9%	14.9%
	Grade 10 Professor (salary £75k) employee contribution	Employer Contribution		Grade 10 Professor (salary £75k) employee contribution	Employer Contribution
USS Hybrid Scheme – CRB pension for the first £50K plus defined contribution element from contributions on the salary above £50k cap (e.g. annuity dependant on market conditions).	6.5%	18% up to £50k cap (for CRE element)  12% after £50k cap (for defined contribution element)	CRB Scheme	11.6%	14.9%

It is our view that the CRB scheme proposed by the USS has inferior terms to the planned STSS CRB scheme to be implemented for Post 1992 Universities in Scotland (and all school and FE establishments) from 1 April 2015. I should also state that the USS has previously agreed with the UCU a cost sharing arrangement (2/3rds of the increase being paid by the employers and 1/3 by scheme members).

It is our view USS members that joined the scheme before 1 October 2011 will be financially disadvantaged in retirement if the current proposals are implemented. Furthermore, the planned CRB £50k limit means that those earning above £50k will be hit the hardest, this include those USS members that joined after October 2011 but earn over £50k.

Yours sincerely



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Further & Higher Education

