The USS pension scheme is currently going through a valuation - an assessment of its financial health, which is carried out at least once every three years.

### What are the challenges?

Long-term factors, including rising life expectancy and a poorer long-term outlook for investment growth driven by economic uncertainty and historically low interest rates, have made pension schemes more expensive to run.

The USS Trustee, which runs the scheme, estimates there is a large deficit as high as £17 billion, and so it wants much more money in salary contributions from employers and staff to keep pension benefits at the level they are now.

The cost of member and employer contributions have gone up 50% in the last decade – from 6.35% to 9.6% of salary for members and from 14% to 21.1% of salary for employers.

Universities have already confirmed that the current contribution rates are at the limit of affordability.

In addition, members may not want to or be able to pay more. USS is currently a one-size-fits-all scheme with all members paying the same amount – 9.6% of their salary.

On average, one in five staff have dropped out of the scheme due to the current contribution rate. This means that they are missing out on money in the form of employer pension contributions and other benefits associated with the scheme, for example life cover and ill health benefits.

For the 2020 valuation, the USS Trustee has said that the cost to maintain current benefits would need to increase for scheme members substantially – by at least 11% and possibly up to 25% of salary. Both member and employer contributions are already set to rise on 1 October 2021 as a result of the 2018 valuation – to 11% for members and 23.7% for employers.

Since the start of 2020, closer working between employers and the union has led to several changes, including a new valuation methodology and shared valuation principles ‘to provide a financially secure future and retirement for scheme members and their families, and support the long-term needs of the HE sector.’

However, both Universities UK (UUK) and University and College Union (UCU) continue to challenge the credibility of the valuation methodology with the USS Trustee. UUK, the body representing the scheme’s employers, continues to keep the pressure on the USS Trustee to reconsider its approach to the valuation, asking for a stronger and clearer justification for the pricing decisions it has presented.

### What happens next?

Under the scheme's constitution, it is now the role of the Joint Negotiating Committee, which has equal numbers of representatives from UUK and UCU, to decide on how the level of contributions required by the USS Trustee should be paid and/or if benefit reform is needed.

To inform this, UUK is currently consulting the 340 employers in the scheme, seeking views on covenant support measures, contribution levels and affordable benefit structures, together with options for addressing the scheme's high opt-out rate – including looking at flexibility for members so they can pay in less but still benefit from employer contributions and save for the future.

Doing nothing is not an option, as the USS can impose higher contributions without the agreement of the JNC, so it is important that we continue to engage fully and constructively with the valuation process and any consultations.

As a university we continue to work closely with our local trade unions to fully engage with the valuation process. We have outlined our position to date at: [sheffield.ac.uk/hr/uss-valuation/about](sheffield.ac.uk/hr/uss-valuation/about)

**We want to reassure you that your pension built-up to date is secure and will not change.**

### How can I share my views?

We would like to hear the views of members and eligible members to inform our response to the UUK consultation. For this purpose, we would be grateful if you could complete [this short online survey](sheffield.ac.uk/hr/uss-valuation/useful-resources) by 30 April 2021. A formal member consultation is due to be held later in the year.

Read more about the USS valuation at: [sheffield.ac.uk/hr/uss-valuation/useful-resources](sheffield.ac.uk/hr/uss-valuation/useful-resources)