USS dispute branch briefing

This document is designed to help branches prepare for the branch delegate meeting on the USS dispute that has been called for 26 May. The meeting will take place alongside another delegate meeting about the other national dispute which the union is currently engaged in – the Four Fights dispute on pay, equality, workload, and job security.

The situation in each dispute is slightly different: whereas there is a formal 'offer' from UCEA, the employer representative in the Four Fights dispute, there is no equivalent 'offer' on pensions from UUK, the employer representative in the USS dispute. However, recent developments mean that this is an appropriate moment to consider the union's position in each dispute at the same time, and make decisions about the future of each one.

The branch delegate meetings have been triggered by the chair of the higher education committee (HEC) in line with decisions taken by the HEC. They will take place on 26 May and be followed by a special meeting of the HEC on 27 May. It is ultimately up to the HEC to decide what to do about the USS dispute, but its deliberations will be informed by the USS branch delegate meeting.

Your branch therefore needs to decide what views and positions your delegate will take to the meeting on 26 May. For guidance on branch delegate meetings, including how branches should aim to consult their members in advance of them, please click here: **https://www.ucu.org.uk/media/10885/Branch-delegate-meetings/pdf/ucu_branch-delegate-meetings.pdf**

What are branches being asked to do?

The HEC needs to decide whether to escalate the USS dispute by re-balloting branches for industrial action as soon as possible, or instead to pause the dispute and keep progress under review, with a view to escalating at a later date and/or altering the union's demands in response to later developments.

As it stands, the HEC has resolved to aim to reballot branches in the USS dispute (and the Four Fights dispute), starting no later than the end of June, or as soon as practically possible thereafter. This delegate meeting is an opportunity for branches to advise HEC on those plans: either to affirm them and continue with them, or to put them on hold, pending further review.

What has happened so far in the USS dispute?

Strictly speaking, the current dispute over USS is about the contribution increases that were imposed on members as a result of the 2017 and 2018 valuations. These took contributions from 8% to 9.6% of salary (as of October 2019), with a further increase to 11% currently scheduled for October 2021.

UCU believes that employers should cover these contributions, because it is fair to do so in the context of what has happened to the Scheme, and the sacrifices UCU members have made to keep their pensions, since the 2011 valuation. It is also necessary to reduce the likelihood that lower paid members will be priced out of the Scheme and leave it, further destabilising the Scheme's funding position and longer term prospects.

Employers have indicated some willingness at different stages in this dispute to offer to cover part (not all) of these contribution increases. In August 2019, employers offered to increase their share of contributions so that members would pay 9.1%, if UCU were to withdraw its planned ballot for industrial action on USS. However, the HEC, on the recommendation of UCU's negotiators, decided that the offer tabled was not good enough to consult members on. As the dispute progressed, discussions continued about the possibility of employers re-tabling or improving on that offer, but ultimately nothing was tabled.

The second wave of strike action, in February and March 2020, did not result in an improved offer from employers. The only significant material concession employers have made during this period was their agreement to keep increasing the salary threshold for accrual of defined benefits in line with inflation for five more years, instead of holding a review and freezing it temporarily as originally scheduled (as the general secretary reported in January this year) [**https://www.ucu.org.uk/article/10533/Update-on-negotiations**].

Although employers have not moved far enough on contributions and other financial issues, our industrial dispute has nevertheless resulted in significant progress on many of the structural issues that have in the past threatened the viability of the Scheme, and will continue to do so if unaddressed. Since members gave the union a mandate for industrial action in October 2019, employers have worked on these issues with UCU more positively than ever before, and they have applied new pressure on USS to improve its governance and valuation processes.

The progress on this front is reflected in a joint position statement that has been agreed by UCU and UUK, covering issues relating to the valuation, the funding of the Scheme, and governance. You can read it here: **https://www.ucu.org.uk/media/10904/HEC1226-appendix-6-Apr-20/pdf/HEC1226-appx6_apr20.pdf**. The statement expresses the way in which the two scheme stakeholders wish to work together and present a united front in some of the representations which they make to USS.

The 2020 USS valuation process is now well underway. Recent valuations have not had satisfactory outcomes and UCU and our professional advisers, First Actuarial, have had serious concerns about the integrity of the processes behind them. The jury remains out on the 2020 valuation, and many of our concerns remain. However, UCU and employers are in a better position to influence it positively than in the past. UCU representatives have been working through a number of different channels to do so, including:

- meetings of the tripartite group convened to discuss the second report of the Joint Expert Panel (JEP) [**https://ussjep.org.uk/**], chaired by the JEP chair, Joanne Segars, and attended by key representatives from UCU, UUK and USS
- the Valuation Methodology Discussion Forum (VMDF) for the 2020 valuation, hosted by USS and attended by UCU and UUK representatives and their actuarial advisers
- the USS Joint Negotiating Committee (JNC), which has been meeting as always throughout this period.

Having said all of this, we are not out of the woods yet. By working with employers, in particular via the VMDF, we have pressed USS for crucial information about the prospects of the scheme, and we have opened up a path to funding the Scheme in a way that would make it affordable and viable for at least the next twenty years. However, it is not yet clear that USS or The Pensions Regulator (TPR) will subscribe to the arguments which we are putting forward.

At the same time, the economic crisis resulting from Covid-19 will create challenges for the Scheme, especially since its most recent triennial valuation date fell on 31 March 2020. TPR has indicated that it will give schemes in this position some flexibility in the way they respond to the economic downturn, but this may not be enough to prevent USS from imposing a high contribution rate as a result of the 2020 valuation. This could lead employers to propose cuts to members' benefits, or to impose further unaffordable contribution increases on members. Although UCU and UUK are working to stress the fundamental soundness of the scheme (given the good long-term prospects for the higher education sector regardless of any short-term crash), the change we are looking for may not come soon enough to avoid such an outcome.

What will happen if we pause the reballot plans?

Pausing our plans to reballot now would mean that we may not be in a position to resume our current industrial dispute over the USS contribution increases at the start of the 2020-21 academic year. However, it would mean that the HEC could keep the progress of negotiations over USS under review.

In this eventuality, it would be possible to construct a new dispute, framed in terms that respond to the latest developments. For instance, if next autumn USS were to signal the likelihood of a high contribution rate in relation to the 2020 valuation, and employers were to indicate that they intended to cut benefits or continue to make members pay too much for their pensions, it would be possible to initiate a new dispute with employers based on whatever was being proposed at the time. The union would have the flexibility to identify the key challenges facing USS at the time and explain them to members as part of any new ballot.

What will happen if we continue to reballot as soon as possible?

If the union were to reballot as soon as possible, and gain another strong mandate for industrial action, we would obtain immediate leverage over employers in our pursuit of reduced pension contributions for members. The ballot as currently planned would close in late September, leaving the union able to take action during the autumn term and up to late March 2021.

However, it would be difficult under these circumstances to respond to new developments. The nature of industrial relations legislation in the UK is such that the grounds of a dispute need to be defined very clearly before ballot papers are sent to members. Any dispute, and campaign to get the vote out, whose terms are decided in June 2020 risks looking obsolete in relation to later developments. This is especially important in the case of USS because the period from summer to autumn 2020 is likely to give us a lot of new information about the outcome of the 2020 valuation. We would know that information but we would be unable to ballot members, or negotiate a resolution with employers, on the basis of it.

May 2020