

STRICTLY CONFIDENTIAL

A Joint Statement on UUK and UCU collaboration towards scheme stability, USS benefit improvements and reduced contribution rates

This statement is agreed by both UCU & UUK subject to completion of their own consultation processes.

UCU and UUK have been building on the work set out in the joint statements issued on [17 February](#), [15 March](#) and [25 May 2023](#) to jointly prioritise the improvement of benefits to pre-April 2022 levels, where this can be done in a demonstrably sustainable manner. We want to provide an update on this work.

Demonstrably sustainable

UCU and UUK have been working with the USS Trustee to consider sustainability through a joint Stability Working Group. The contributions threshold modelling produced by the USS Trustee, which has been published in the Trustee's Technical Provisions consultation documents [[link](#)], provides evidence that improving benefits to pre-April 2022 levels is demonstrably sustainable for at least the next two valuation cycles when the bulk of the surplus, as at March 2023, is retained for this valuation.

Benefit Improvement

Subject to the outcome of the 2023 valuation process and consultations, we agree to recommend that member benefits return to pre-April 2022 levels, for service from 01 April 2024. In summary:

- A higher accrual rate for Defined Benefit (DB) pension of 1/75 of salary and 3/75 of salary for the retirement lump sum.
- An increase in the DB Salary Threshold from £41,004 to within a range of £66,400 to £73,040 (depending on the September 2023 CPI rate); and
- Removal of the 2.5% pa cap on pension increases, both before and after retirement, and replacement with the USS standard pension increase (soft-cap) that was in place before April 2022¹.

A consultation of affected employees and their representatives on the proposed benefit changes was launched on 25 September 2023 and is due to end on 24 November 2023 (www.ussconsultation2023.co.uk).

Contribution Rates

For this valuation, UCU and UUK agree to apply the 'cost-share' rule for the reduction in the contribution rate confirmed by the Trustee for pre-April 2022 benefits. The expected required contribution rate is 20.6%. The split in reduction between employers and members, in accordance with the ratio 65:35 stated in the scheme rules, is expected to result in contribution rates of 14.5% and 6.1% respectively. We agree to make a formal request to the USS Trustee that the new

[1] All defined benefits accrued between April 22 and April 24, existing or additional, will also be indexed at this rate, as will the defined benefit salary threshold.

[2] A member who was active at any time during the period 01 April 2022 and 31 March 2024.

required contribution rate is implemented for employers and members from 1 January 2024.

Benefit Augmentation

In recognition of the significant improvement in the scheme’s reported funding position, and given the lower scheme benefits from April 2022, UCU and UUK have been exploring options and costs for augmenting benefits accrued between 1 April 2022 and 31 March 2024.

We agree that a one-off defined benefit (DB) pension augmentation should be given to scheme members [2] with any service between 1 April 2022 and 31 March 2024. This pension will be increased each year in line with the USS standard pension increase (soft-cap), and will include the associated retirement lump sum and dependants’ benefits.

Subject to appropriate consultation processes by both UCU and UUK, we jointly propose that a one-off DB pension augmentation of £215 will be applied for all eligible members[2], with an associated £645 retirement lump sum for active and deferred members. Pensioner members should receive an additional DB pension augmentation of £26, due to HMRC regulations concerning the payment of tax-free lump sums at retirement. These augmentation proposals will be effective as at 1 April 2024 and will be implemented as soon as possible thereafter.

Future Stability

Both UCU & UUK are committed to continuing to work together to ensure the stability of benefits and contributions at future valuations. This will include working to achieve a moderately prudent evidence-based valuation as a driver of stability in time for the next valuation, as well as investigating other approaches to ensure ongoing stability, such as an optimal investment strategy for an open, immature, and long-term scheme such as USS.

We reiterate our shared agreement to enhancing scheme governance. We will jointly explore options to make mutually acceptable adjustments to scheme design to further enhance stability of the scheme whilst retaining a predominantly defined benefit scheme.

Signed

.....
UCU

.....
UUK

[1] All defined benefits accrued between April 22 and April24, existing or additional, will also be indexed at this rate, as will the defined benefit salary threshold.

[2] A member who was active at any time during the period 01 April 2022 and 31 March 2024.
