UNISON response to the “Mutuality within USS – The scheme’s admission terms and their role in scheme mutuality” consultation document

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UNISON is the largest public sector union in the UK. It is also the largest union for support staff in higher education institutions, representing over 40,000 members in universities. Since the expansion of USS in the last decade we represent a substantial number of members eligible for USS membership in a wide range of posts across participating institutions.

General Comments

UNISON welcomes this review of the admission terms to the Universities Superannuation Scheme (USS) and regards this as long overdue. We support the overall principle of mutuality but believe that the application of the ‘exclusivity rule’ can have an adverse impact on some specific groups and some flexibility should be introduced for these staff.

We very much support the USS as being the qualifying pension scheme for pensions auto-enrolment purposes for eligible employers and do not wish to see latitude for relevant employers to be able to offer cheaper alternatives. This would only serve to undermine the current and future financial sustainability of the pension scheme.

UNISON has long argued that support staff promoted into USS eligible grades should have a choice to remain in their Self Administered Trust (SAT) should they wish to and that if they decided to join the USS (having previously been contributing to a final salary pension scheme) that they should be able to join the final salary section of the USS.

This is because we have seen many scenarios where staff are promoted to a higher grade (typically 6 or above) and end up in a pension scheme potentially worse than the SAT they were accruing pension benefits in prior to being promoted.

Having to switch pension schemes also leads to a break in continued pensionable service, requiring a member to defer their SAT benefits or elect to transfer these into the USS. We have seen numerous examples of members being offered far inferior service credits on transferring their accrued pension benefits despite the specifics of their SAT and the USS being similar.

One such example involved a support staff member at Durham University being offered a service credit of 5 years 242 days in the USS in exchange for the 13 years and 1 month service they had accrued in the University of Durham Pension Scheme, despite their
increased salary being only marginally higher, not being too far away from their Normal Pension Age and the scheme particulars being relatively close.

Although we very much wish to see the USS as being the qualifying pension scheme for auto-enrolment purposes for eligible institutions we do believe that the current admission terms potentially discriminate against females whom typically represent 65% to 70% of support staff and the likely population of those promoted to USS eligible grades and hence subject to potential pension detriment.

UNISON urges the USS Trustee Board to take the opportunity to slightly amend the current admission terms so as to give member choice to promoted support staff to qualifying USS grades that feel it would better suit their needs to remain in their current SAT or at the very least to allow any current final salary member, the right to retain access to a final salary scheme post promotion.

**Question 1 – Do you believe that a mutual approach to funding continues to be the most effective way to fund the scheme? If not, how should it be changed to make it more effective and why?**

Yes UNISON supports the mutual funding approach and a consistent standard employer contribution that is the same for all employers.

**Question 2 – The review (the scope of which is set out in Section 2 on pages 3 and 4) is focused upon the immediately critical aspects of the USS admission terms and mutuality within USS, would you want other aspects to be considered?**

UNISON believes it is imperative that the USS is the qualifying pension scheme for auto-enrolment purposes for eligible employers. However we continue to remain concerned that many support staff promoted to a USS qualifying role are disadvantaged in pension terms through their promotion and this cannot be right.

We would like such members to be given the choice to remain in the Self Administered Trust (SAT) pension scheme they were in prior to their promotion should they believe this to be more beneficial for them.

UNISON also feels there should be no fixed cut–off date for promoted support staff to potentially remain eligible for the USS final salary section rather than the Career Average Revalued Earnings section.

Ultimately promotion should be seen as something to aspire to and we remain concerned that potential pension losses post promotion can act as a disincentive for career progression.

UNISON believes that admission arrangements should be reviewed to relax the rules that bar profit making employers from participating in the scheme. The anticipated increase in privatisation in the higher education sector is likely to impact on current USS members who may find themselves ineligible for continued membership of the scheme post transfer. We would support arrangements similar to those in the Local Government Pension Scheme that
allow private companies to have admitted body status in the scheme subject to financial guarantees.

Question 3 – Do you believe that admission terms (set out on pages 5 to 7) are a key part of the mutual funding approach of the scheme?

UNISON agrees that the admission terms are an important element of the mutual funding approach of the scheme but does not believe that allowing promoted support staff to remain in their SAT pension scheme should they wish to would cause significant cause for concern in this respect.

Promoted staff represented around 4% of new joiners to the scheme in the period from October 2011 to May 2012. Many of these staff are likely to continue to join the USS on promotion anyway, so the numbers actually opting to maintain SAT membership are likely to be small. However, for these individuals it is likely to have a significant impact on their pension on retirement.

Question 4 – To what extent do you believe that changes to the admission rules would lead to a breakdown in mutuality of funding as described in section 7 (pages 7 to 13): In particular:

(a) Do you believe that if some institutions were to start to provide options other than USS for USS-eligible staff, similar behaviour would be triggered in other institutions?

Yes we believe it is entirely possible that if institutions were allowed to offer an alternative pension scheme for USS eligible staff many would look to offer a cheaper alternative, particularly with the onset of pensions auto-enrolment.

UNISON believes it is vital that the USS remains the sole qualifying pension scheme for pensions auto-enrolment purposes.

(b) Do you agree that disturbing the flow of new entrants would lead to the harmful funding cycle set out on page 9 of the consultation?

We agree that it’s important for the current and future sustainability of the pension scheme for there to be a steady intake of active members, particularly among the younger population. We do not foresee that potentially allowing promoted support staff to remain in their current SAT should they wish to is likely to cause any undue financial alarm to the pension scheme.

(c) Do you agree that the question of sectionalising the scheme would arise in the above circumstances? If so, do you believe that the effects of sectionalisation are those set out on page nine?
We’d agree that sectionalisation of funding is more likely in the scenario of a significant drop in new members joining the pension scheme. Given the onset of pensions auto-enrolment and what we believe to be a relatively small number of promoted support staff that may wish to remain in their SAT we do not expect this to be a likelihood.

(d) Overall, do you agree with the Trustee Board's general view that the changes to admission terms would compromise the mutuality principle which would be damaging for the scheme and its sponsoring employers?

No, as long as the USS remains the qualifying pension scheme for auto-enrolment purposes with there being an exception for promoted support staff who choose to remain in their SAT, we consider it unlikely that there will significant damaging consequences to the funding position of the scheme.

Question 5 – Do you believe that the admission rules should be relaxed in either or both ways as set out in Section 9 (on page 14)? What other options for change (if any) do you think should be considered? (You will note from page 16 that the trustee company has discretion under the scheme rules so that institutions are permitted to operate other arrangements for specific groups)

UNISON’s view is quite simply that promoted support staff should have a choice to remain in their SAT should they wish to and that if they decided to join the USS (having previously been contributing to a final salary pension scheme) that they should be able to join the final salary section of the USS.

Flexibility already exists for those staff with access to health service or a statutory right to another scheme. We believe there is scope for extending this flexibility to allow member choice for promoted staff.

Currently we believe that some employers already ‘bend the rules’ when defining ‘comparable staff’ and ‘eligible employees’. In some instances this results in some groups of staff being treated less favourably. If rules were clear that there was member choice it would result in a clearer and more transparent process for scheme members.

Question 6 – Would you be content for greater flexibility being introduced at the risk of increasing contributions and possible sectionalisation of the scheme?

We would only welcome this increased flexibility if it is was simply restricted to promoted support staff being able to remain in their SAT should they wish to and if they do move from an existing final salary scheme, that they retain the right to join the final salary section of the USS.

We would also like to see consideration given to amending the scheme rules in such a way so as to allow anyone not currently eligible to join with a relevant employer to be enrolled into the USS rather than a cheaper alternative, if the employer is required to provide such an
employee with a qualifying pension scheme for auto-enrolment purposes. This should only serve to help the funding position of the USS as well as providing a better pension scheme for the employee concerned. Given the demographic of this membership group, we believe it is unlikely that this change would result in higher contribution rates to the scheme.

**Question 7 – Do you believe that there are options other than the 5 set out in Section 10 (on pages 18 and 19), and if so what are they?**

It is UNISON’s strong view that any support staff member promoted to a USS eligible grade should retain the right to remain in their SAT pension scheme should they wish to. Hence we favour option (b) of those listed in this consultation document.

This option is logical and fair as it would help to ensure a support staff pension scheme member can at the very least retain their current pension terms on a promotion.

UNISON would support the USS as the default pension scheme post promotion but with the individual having a “window” of opportunity to elect to remain in their SAT pension scheme should they wish to.

As an absolute minimum members with access to a final salary pension scheme at the point of their promotion must be able to retain final salary pension provision post promotion.

We do not understand why the current “transitional protection” in this respect has a fixed cut off date given that staff can be promoted to USS eligible grades at any point and the potential loss of final salary pension accrual could potentially act as a real aspirational disincentive to seek promotion.

Support staff in post in October 2011 should be treated no less favourably than other staff in post at the time. We do not see this as an ‘undesirable option’ as the numbers benefitting from this benefit will diminish within a number of years but is an important safeguard for those staff affected.

**Question 8 – Do you believe that there are other impacts that the board should consider in relation to auto-enrolment (page 21)?**

UNISON agrees that the USS should be the default pension scheme for automatic enrolment purposes for all eligible USS institutions (subject to appropriate promoted support staff no detriment protections).

We believe it is essential that all institutions are made very aware of their need to auto-enrol and re-enrol eligible staff into the USS at their relevant Staging Dates and that they cannot offer cheaper alternatives to USS eligible staff.

We welcome the amending of current USS rules to enable re-employed pensioners and re-employed flexible retirees to be automatically enrolled in the scheme under the pension auto-enrolment requirements (rather than a cheaper, relatively meaningless alternative) and wonder what, if any, categories of staff will be excluded from joining the USS but will need to be enrolled in an alternative qualifying scheme, probably at minimum levels?
Given that it's difficult to see any USS excluded staff from being able to generate meaningful pensions through being auto-enrolled into a minimum required scheme we would welcome consideration of the appropriateness of further rule revisions with a view to seeing if there are other groups of staff that should be able to join the USS.

**Question 9 – Having now considered the consultation document and provided your answers to the questionnaire, are you broadly supportive of the present admission terms?**

Yes but UNISON is strongly of the view that these admission terms need to be amended so as to ensure promoted support staff do not suffer potential pensions detriment.