

1. Overview of current position of the USS reform process (as at 15th January 2015) and timeline of next steps

- The indicative results of the most recent triennial valuation of the USS in March 2014 show that the USS scheme deficit was £13,000,000,000 (£13 billion). At the time of writing, the deficit is now estimated to have risen to more than £20,000,000,000 (£20 billion) because of adverse market conditions.
- The USS trustees are required to produce a recovery plan in order to address this substantial scheme deficit over a reasonable period and the plan has to be submitted to the Pensions Regulator by July 2015.
- A potential joint proposal for reform has been developed over the last two months of intense negotiations between Universities UK (UUK) and University and College Union (UCU) negotiators. These talks followed well over a year of discussions with the UCU, USS and our advisers on scheme funding and benefit reform, and close consideration of a range of options by the Employers Pensions Forum (EPF).
- An overview of the potential joint proposal for reform is included on page 6.
- The importance of maintaining an attractive benefits package is a view that the employers share with scheme members and UCU as their representative. The employers want to agree a proposal for reform that offers an attractive, affordable and sustainable pension scheme, for both current and future members.
- This potential joint proposal is dependent on the USS Trustee Board adjusting further some of the proposed assumptions relating to the 2014 scheme valuation at its meetings in January. UUK provided a detailed response to the Trustee Board's consultation on the assumptions in December 2014. UUK's response urged the USS Trustee Board to make a number of changes to the proposed technical provisions assumptions for the 2014 valuation and the deficit recovery plan in order to avoid an approach that is, in its view, unnecessarily prudent, to the potential detriment of the scheme's stakeholders.
- The UCU's HE Committee decided (on Wednesday 14th January) to put this potential joint proposal to its members in a consultative ballot, the results of which will be known in time for the USS Joint Negotiating Committee (JNC) meeting on 29th January 2015. The employers' representatives will support this potential proposal at the JNC if the UCU members of the JNC also support it. The UCU's HE Committee has also decided to suspend the industrial action that was due to resume on Friday 16th January 2015 while the union consults its members.
- An online benefits estimator will be launched by Monday 19th January to allow scheme members to approximate their potential future pension benefits under these potential reform proposals at www.benefitestimator2015.com

- The next formal Joint Negotiating Committee (JNC) meeting will be held on 29th January and it is intended that a final decision on a scheme reform proposal (that will then be the subject of a statutory consultation with employees) will be made at this meeting.
- Reform is both essential and urgent. If reform proposals are not agreed, to address the deficit whilst maintaining current benefits would mean the USS Trustee Board having to impose increases in member contributions to around 12% and in employer contributions from the current 16% to 25%. This would mean less take-home pay for USS members and an employer contribution level that would leave many universities with little choice but to fund this imposed increase by reducing long term staffing expenditure by recruitment freezes, greater salary restraint and redundancies. Further details about why the reforms are necessary and urgent are included on page 12.
- There will then be a statutory consultation by employers with USS members (and other USS eligible employees who are not scheme members) on the reform proposals decided at the JNC on 29th January. This consultation is expected to begin in mid-March and must continue for at least 60 days. The consultation will be supported by a suite of communications material for members including a dedicated USS website which will incorporate a benefits calculator in order to help members understand how they will be affected by the proposed changes. Shortly after a reform package has been recommended by the JNC on 29th January USS will write to employers with further details about the consultation.
- USS will also write to employers shortly about their statutory responsibilities and the logistical considerations regarding any scheme changes.

USS Reform - Timeline of next steps

15th January	Draft joint proposal for reform published by UUK and UCU
15th January	UCU announces consultative ballot of pre-92 members on draft joint proposal for reform (ballot to close by 26 th Jan)
15th January	Joint Negotiating Committee (JNC) meets
15th January	USS Trustee Board meets
19th January (latest)	Online benefits estimator launched at www.benefitestimator2015.com
19th January	Employers Pensions Forum USS Group meets
23rd January	USS Trustee Board meets to further consider the valuation assumptions
Late Jan	USS will provide some further information about employers' statutory responsibilities in relation to any consultation they are required to carry out with affected employees around proposed changes to future benefit arrangements and the logistical support available from the trustee company to conduct any such consultation
28th January	UCU meeting to consider the outcome of the consultative ballot
29th January	Joint Negotiating Committee (JNC) meets. It is intended that a decision on a scheme reform proposal is made at this meeting
Early Feb	USS will formally notify employers of the proposed changes and provide further details of the statutory requirements for employers to consult with affected employees. The process for registering institutions to enable the consultation to be carried out will begin
16 March (subject to current timetable)	Statutory consultation with USS members on JNC proposals for reform begins (consultation to run for a minimum 60 days)
March/April/May	Employers to review all consultation responses received from their affected employees
June /July	Consultation responses and any employer feedback considered by the USS Trustee Board
June / July	Trustee board to advise JNC of the consultation response and the JNC to decide upon changes to future benefit arrangements.
Summer 2015	Actuarial valuation and recovery plan submitted to the Pensions Regulator
1st April 2016 (earliest)	Reforms, including changes to future benefit arrangements and contribution rate adjustments, implemented