Members will be very reliant on the USS scheme for retirement income
- USS members often reported that the scheme was their only pension and, therefore, would be integral to their retirement income. This was particularly prevalent amongst faculty members.
- Older members generally felt comfortably off and in a stable financial situation. This is in stark contrast to younger members who were often struggling to make ends meet and had high levels of job insecurity.
- Reasons for voluntarily opting out are primarily about affordability. However, younger members in general are also feeling the pinch and a minority of current members said that affordability and doubts about the future of the scheme may tip them over the edge.

USS pension is a valued workplace benefit, and serves as an effective retention tool
- Although the USS pension is valued by many members and non members, it was not an effective recruitment tool. That said, it is an important retention tool and the multi-employer nature of the scheme is a highly valued feature when looking to move roles within the HE sector.
- A ‘generous pension’ is an important workplace benefit to most members, but less important to the younger ones, where the focus was more on benefits today than their future selves.
- By and large, the USS scheme is still seen as a ‘generous scheme’, although more so amongst those with personal experience of DC schemes.

Younger members were concerned that the ‘one size fits all’ scheme is under pressure due to affordability and the changing working patterns in the HE sector
- All members recognise the risks faced by the scheme if opt out rates increase, and felt that there are several forces at work.
- Younger members are particularly worried about the impact on opt out rates if contribution rates go into double digits. However, older members are generally too vested in the scheme and can afford to make higher payments to maintain ‘the promise’.
- There was a recognition across all ages that DB works well for those in full time, stable, permanent employment in the UK – but this is a diminishing pool of workers, even in the HE sector.
Older members were not always supportive of the idea to allow flexible contributions, fearing that this will put scheme benefits more at risk of further dilution in the future

• Across the groups, members felt that there was value in the collective nature of the scheme, but could also see some risks.
• When prompted to think about the ‘binary’ nature of the pension scheme, younger respondents could see that more flexibility around contribution levels might be helpful, but older respondents were more reluctant to make a change as they felt that this could put future benefits at risk of further dilution.

Members want a secure income for life, even if this means they have to pay more for it

• Exercises to unpick what is important to for members delivered very consistent results. Overall, members want their pension to deliver a known, inflation-proofed income for life, without having to make any investment decisions themselves.
• Members taking part in this research broadly agreed that this was very much aligned with the benefits their USS pension was currently delivering.
• When asked to make an explicit choice, members overwhelmingly wanted a known and predictable retirement income, even if their contributions might change (over predictable contributions and uncertain pension outcome).
• When asked to say which of these they think relates to the current USS scheme, members felt that they were currently getting the worst of both worlds – uncertain payments in return for uncertain benefits.

Members want better communications, and see the JEP as providing the ‘single source of truth’

• Members, especially faculty staff, were very concerned about the current state of the USS scheme, and do not have a good understanding of how the current situation has arisen. Many respondents felt that current communications about their scheme have been contradictory and confusing, and could be significantly improved.
• Poor communications and constantly moving goalposts have eroded understanding of and trust in the scheme. Respondents were looking to JEP to shine a light on the issues and create a period of stability and certainty for at least the next 5 years.
AGENDA

01 METHODOLOGY & SAMPLE
02 UNDERSTANDING MEMBERS
03 VALUE OF PENSIONS AS A WORKPLACE BENEFIT
04 HOPES AND CONCERNS
05 MEETING FUTURE NEEDS
06 IMPROVING MEMBER UNDERSTANDING
07 RECOMMENDATIONS
We ran 2 hour exploratory sessions to explore what members understand about their pensions and how well the pension fits with their working lives.

**Understanding Members**
Warm up session to explore personal circumstances and work histories and the importance of their USS pension to their future financial well-being in retirement.

**Value of Pensions as a Benefit**
Answer booklet exercises to capture thoughts on the importance of a generous pension as a workplace benefit, and perceptions of whether the USS pension is a ‘generous’ scheme.

**Hopes and Concerns**
Moderator led discussion on how members and non-members feel about the USS scheme, awareness and views on current and future employer and employee contributions, and understanding around the issues faced by the scheme.

**Meeting Future Needs**
Moderator led discussion to explore changes in the HE sector, current working practices. Exercises to determine what features of a pension scheme are important to than and how well the USS pension meets their stated needs.

**Improving Member Understanding**
Moderator led discussion on levels of trust in the scheme, perceptions of current communications and hopes for the outcome of the JEP process.
This report makes use of verbatim comments and graphics to support the findings

1. Verbatim Comments

These are respondent quotations, based on interview recordings with only very minor editing. The respondent quotations demonstrate their own views and perceptions, and may not always be factually correct.

2. Graphical Representations

The number of respondents giving a particular response is shown in some report sections as the (n). Counts are provided to indicate the spread and balance of different behaviours or views among consumers.

Such counts are based on interviewer interpretation of qualitative responses given by respondents and, as such, not all responses have been captured in every instance, resulting in a varying (n).

All counts are indicative only and should not be regarded as statistical measures.
Respondents were recruited by the Pension Manager at their institutions and were screened to reflect a broad spectrum of membership

- Invitations to participate in the research were sent to Pension Managers at a wide range of institutions.
- Recruitment was driven by the objective to hear the voices of members who are less engaged with their pensions in this research as they are less unlikely to have made their views known to the JEP through other channels.
- Ignition House provided a set of questions for the Pension Managers to support the screening and selection of potential respondents.
- Groups were recruited to contain six respondents who self-report low to medium levels of knowledge on pensions and retirement planning in general.
  - A roughly 50/50 gender split.
  - A rough 50/50 split between academic and non-academic staff.
- Pension Managers were asked not to recruit people who may unduly influence group discussions.
In total we spoke to 113 people across 8 HE institutions.

We looked for a mix of:
- Members and those who have opted out
- UK and non UK nationals
- Mix of union and non union members
- Less engaged – based on self reporting of knowledge on pensions and retirement planning

We screened out those who are:
- Current or past USS trustees
- Current or past members of the USS Joint Negotiating Committee or attendees at the UUK Employers Forum or the UCU Superannuation Working group
- Union Representatives
- Academics working in the area

**Focus Group Research**
- 13 x 120 minute focus groups with members of the USS scheme
- Cambridge, Glasgow, Imperial, LBS, Manchester, Oxford, and Leicester
- Separate groups by age: under 40s, over 40s

**Depth Interviews**
- 6 telephone depth interviews with USS members from Birkbeck
- 11 face to face depth interviews with those who were eligible to be members of the USS scheme, but who had opted out
The 113 respondents break down into a good mix of segments

Focus Groups

**LOCATIONS**

- Cambridge: 12
- Glasgow: 17
- Leicester: 9
- London: 28
- Manchester: 14
- Oxford: 16

**# OF RESPONDENTS**

- Mixed aged group

Depth Interviews

**GENDER**

- Men: 45
- Women: 51

**F2F INTERVIEWS: OPT OUTS**

- Under 40s: 7
- Over 40s: 4

**TELEPHONE DEPTHS**

- Over 40s: 6
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04 HOPES AND CONCERNS

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USS members and opt-outs divide into four natural segments; faculty vs non faculty staff and over 40s vs under 40s

**Over 40s**

- Over 40 faculty members who took part in the research typically had long-standing careers in academia and had rarely worked outside the HE sector. They had been through the process of BA, Masters/PHD, post-doc to tenured post. More often than not, this was with the same institution.
- The exceptions to this were concentrated in Birkbeck and LBS, where faculty members had been in private sector jobs, and/or had several teaching jobs in HE institutions.
- The over 40 non-faculty members who took part in the research had a much more diverse career; and their pension provision reflected this. Often they had been in professions such as IT, finance and accounting, HR and recruitment.

**Under 40s**

- Although the younger faculty members who took part in the research had only worked at one or two institutions, there was a sense they might have to move around more than previous generations, both to progress their careers and due to more short-term contracts.
- There was also a sense that, unlike their older colleagues, they may have to move outside the HE sector due to a lack of opportunity, not through choice.
- Again, we observed a distinct split between faculty and non-faculty members, with the non-faculty members who took part in the research having a more varied career outside of the HE sector. This was particularly noticeable amongst the London participants.
Older members generally felt comfortably off and in a stable financial situation

- The over 40 members we spoke to felt secure in their jobs and were not actively seeking to move or change profession.
- That said, some faculty members were attracted to working abroad (typically in the US) in the latter stages of their career, if an opportunity came along.
- Several non faculty staff who had joined the university later in their career were actively seeking to maximise their pension provision via the USS scheme and this was a key reason for them to stay in the HE sector.
- A minority of faculty staff had their own consulting businesses and a couple were contributing to a SIPP through their own company.
- Most over 40s were homeowners and generally felt comfortably off, or at least not struggling any more. That said, only the most senior staff reported having significant external savings for retirement outside of their USS pension.
- Older members felt that they could afford increases in pension contributions of the order of magnitude suggested, and they would not be triggered to opt out.

"To be honest, I quite like the interaction of my work and am not desperate to get away."
Manchester, Non Faculty >40s

"I like my work, but I am not sure where I will be in the future… I may move to the States, where academics get paid comparatively well."
London, Faculty >40s

"I had a number of pensions that I consolidated into a SIPP and I still have some generous final salary pensions from my previous positions."
Glasgow, Non Faculty >40s
This is in stark contrast to younger members, who were often struggling to make ends meet and had high levels of job insecurity.

- The younger faculty members we spoke to were a mix of short-term contracts and permanent staff.
- There was a strong sense across all age groups that it was becoming more and more difficult for younger academics to find a tenured position, and this was a source of great frustration and anxiety for some.
- All of our under 40 groups expressed concern that they had not had a substantial pay rise in many years, whilst the cost of living is increasing.
- A significant number of the under 40s reported that they were struggling financially and that there was little wriggle room in their finances to accommodate large increases in pension contributions.
- A number of members in the under 40s focus groups told stories of colleagues who are building up debt, and yet are still paying to the USS scheme. They questioned whether it was worthwhile carrying on with the USS pension for people in this position.

I haven’t seen an increase in my pay in real terms, it’s costing me money to come to work. Trying to make payments happen is all very good, but the cost of your mortgage and insurance keep going up, train tickets are now a fortune, eventually it becomes unsustainable.

Glasgow, Non Faculty <40s

When you look at the number of people applying for jobs, it’s hundreds of people for one post, while it was maybe tens of people in the past.

Cambridge, Faculty >40s

As a post doc you don’t know whether you will have a job… jobs are very precarious and you might not have a choice but have to move.

London, Faculty <40s

Because of all the fixed term contracts, it’s very difficult to manage things like a mortgage and it adds instability, which I am starting to find tiring.

London, Faculty <40s
Amongst our opt out respondents, the financial situation of the younger group was very different to the over 40s, and is the primary driver for opting out

**Over 40s, Opted out**
- We spoke to four faculty employees who were over 40 and had opted out of the scheme. All bar one gave tax reasons as the reason for their opt out ‘decision’. These opt out cases were very comfortably off and could afford to continue pay into the scheme if it was beneficial for them to do so.
- As a result there was no material difference in the way they viewed the USS scheme, compared to peers in the same age group who were still members.
- All highly valued the USS scheme, especially as the majority of their entitlement had been built up in the final salary scheme.
- They were keen to see the scheme continue to thrive for the next generation.
- One older faculty member with a partner also in the USS scheme was looking to cash in her USS pension completely to ‘spread their risk’. She was unmarried and were concerned that the trustees would be under pressure to be stricter on discretionary payments to civil partners in the future.

**Under 40s, Opted out**
- The under 40s who had opted out were a mix of faculty and non faculty staff. The primary reason given for opting out was unaffordability at the current contribution rate. Unpromoted, these respondents called for more flexibility in the scheme.
- Faculty staff felt that they were in a precarious employment situation (short term contracts) and that this, coupled with affordability issues, meant they could not take advantage of the scheme right now. That said, all felt that the scheme was valuable, and they would strive to become members in the future when their personal situation was more stable.
- Non faculty staff were less certain about whether they would join the scheme in the future. Although they felt they had reasonable job security today, they were unclear whether they would stay in the HE sector in the long term. This, coupled with the current noise surrounding the future of the scheme, meant that they could see less value in giving up a substantial proportion of their salary for unknown future benefits.
Affordability issues are not restricted to opt outs; younger members are also feeling the pinch and doubts about the future of the scheme may tip them over the edge.

- Several younger members reported that they were on the cusp of opting out of the USS scheme due to affordability.
- This was particularly the case in London, Oxford and Cambridge, where the cost of housing is high.
- They are starting to consider whether they ‘can do better’ themselves by investing their own contributions, perhaps into housing or other assets.

“I am thinking of leaving USS because I only have a fixed term contract, I don’t know where I am going to be next, whether I will have work or what is going to happen, so USS doesn’t make much sense to me at the moment.”

Cambridge, Faculty <40s

“I’m not really sure anymore whether USS is worth it for us… if it will pay in the long run.”

London, Non Faculty <40s

“We haven’t had a pay increase in real terms for years and that’s bumping up against any increases in the pension. And then, if the contributions go up, but the scheme get’s worse – that’s when we reach a point of ‘I’ll just do it myself’.”

Glasgow, Faculty <40s
Unprompted, many older members also mentioned issues with affordability – especially for younger members – and felt that it was the primary reason for people opting out of the scheme.

Members in all groups said that the future ‘health’ of the scheme depended on making sure that the scheme was open and attractive to new members. None were aware of the opt out rates at their institution, nor of the opt out rates for the USS scheme as a whole, but they felt it was important for USS to monitor this on a regular basis and understand any changes.

Older members were concerned about whether the scheme is still attractive to younger members of staff.

Beyond affordability, members gave a couple of other reasons for why members were opting out; issues with short term contracts leading to unstable incomes and an uncertain futures, and the lack of incentive for those who only plan to be in the UK academic system for a short period of time (and little understanding of what happens to the pension money if members move abroad).

There was a sense in all groups that opt out rates are likely to increase in the future, both due to structural changes to employment in the HE sector and a lack of trust in the scheme.

In our department we have about 250 post docs and I would say that 1% took up the pension. That worries me. Because they’re on fixed term contracts, they’ve got crippling student debt, because they’ve been a student for years, they’re trying to live in Oxford and the thought of paying 8.8% just doesn’t appeal to them. They can’t do it.

Oxford, Non Faculty >40s

When you’ve got people in their 30s or 40s, quite often they don’t want to go into the pension. They’re at that stage in life where they just need that money right here, right now. And it’s quite difficult persuade them with the benefits of why they should join when it’s just another £x per month that they need for their rent.

Oxford, Faculty >40s
Outside of the USS pension, most have very limited exposure to equity investments, and are not particularly comfortable to take these sorts of risks

- Few have significant savings or other assets outside of their ‘rainy day’ money, house and pension provision.
- Preference for cash based savings, and limited exposure to equity investments.
- Limited pension diversification – it was common for members to have only belonged to the USS scheme or to have transferred entitlement in from other (often public sector) employments.
- Limited exposure to and understanding of DC pensions amongst faculty. Low awareness of the flexibilities offered by DC schemes at retirement.
- A general fear of the risks and uncertainty involved with DC, particularly amongst faculty who would need to spend time to increase knowledge levels to make themselves comfortable to make decisions.
- Faculty believe they have the ability to become more knowledgeable, but have little interest in doing so. Non faculty generally prefer to leave investment matters to the ‘experts’.
The difference in career pathways between faculty and non faculty members is reflected in their pension arrangements

- More than half of non faculty member respondents had at least one additional pension to their USS provision.
- Nearly two-thirds of faculty member respondents had only ever been members of the USS scheme.
- One or two faculty members per group had partners who were also members of the USS scheme. And more generally, their partners were more likely to be in DB pensions (teachers, local government, etc.) than we would observe in the general population.
- Non faculty members had had more exposure to DC pensions than we observed amongst faculty members. That said, even amongst this group it was more common for members to have worked in public or third sector roles (local government, NHS, charity sector) than we would see in the general population.

I have moved into HE from other sectors, but if you choose to be an academic, then that is a career for life. This is the first time I have been in a USS pension scheme. I have a number of different pension schemes – a mix of DB and DC – from previous employments.

Glasgow, Non faculty <40s

As a senior lecturer in history I have been here for 28 years. Before I came here I had a one year job at York University. I haven’t got any other pensions apart from the USS scheme.

Glasgow, Faculty >40s

I have worked in the university for 12 years, I have only ever held a USS pension here and that’s the only pension I have ever paid into. I have just merrily sailed along…

Oxford, Faculty <40s
Older faculty and non faculty staff generally had a strong interest in ensuring the scheme’s future.

**‘Henry’**
- Mid 50s
- Faculty
- Loves his work, phased retirement plan

- Henry has always been an academic and the USS scheme is his only pension.
- His partner works in the NHS and also has a DB scheme and they are currently in a comfortable financial situation. They are homeowners with the mortgage nearly paid off.
- Henry is heavily invested in the scheme and engaged with it through the union. He wants to do everything in his power to make the initial promise happen for his retirement, and can afford contribution increases.

**‘Simone’**
- Late 50s
- Non faculty
- Set date of 65 in mind for retirement

- Simone works in university administration. Before this, she had a number of different roles that came with a mix of DB and DC pensions.
- Her partner also has relatively good DC and DB pension provision. They own their own home outright and have few financial worries.
- Simone knows very little about the scheme, has only engaged since the changes, and is unhappy with increased contributions.
- Although she has a fixed retirement age in mind, Simone has not thought about how to make that happen, but feels that with the USS scheme ‘topping up’ existing provision she is likely to be fine. She has no intention of opting out as she wants the security of the USS pension and recognises the value of the scheme.
Faculty and non faculty staff under 40 had more uncertainty about their future, and some are less bought in to the future of the scheme

- **Louise**
  - Early 30s
  - Faculty
  - At risk of opting out
  - Enjoys her work, not thought about retirement

  - Louise is an American academic, currently working on a three year contract. She has a small DC scheme from another, brief, employment.
  - Her partner also works for the university and is in the USS scheme. They are renting, and high housing and living costs are leaving them with little to save at the end of the month.
  - Louise is unsure about what the future holds and where she might work – possibly back in the US. Being unsure how USS works for a retirement abroad and worried about affordability, she is likely to opt out of the scheme when contributions are raised.

- **Jasmine**
  - Late 20s
  - Non faculty
  - Opted out
  - Thinking about the here & now, retirement too far in future

  - Jasmine works as an administrator in the university. She has had a previous job with a workplace pension, but this is small.
  - She is single and is currently renting. While she doesn’t feel financially well off, Jasmine has decided to live for the ‘now’.
  - She has opted out of USS, as the 8% contribution is too large a part of her salary. Jasmine would rather have the money to spend today, but does think that will change when she gets older.
  - She thinks USS is unfair, as it is more affordable and a better deal for older members on high salaries.
Many members felt that there was an intergenerational disparity for the academics’ job security and financial well-being in the HE sector, which could affect the future stability of the scheme.

- There was a strong recognition amongst many faculty members that the life of a young academic was very different today than their experience.

- They reported that it always was difficult to get a tenured academic position, and that they also had had to ‘serve their time’ in short term contracts. However, there was a sense that the past a tenured post was pretty much always available after around 5-8 years. Today, there was general agreement this is no longer the case.

- Members of all ages agreed that younger academics typically face higher levels of debt and higher housing costs today than their older counterparts faced at the start of their careers.

- A small minority mentioned that contributions to the USS scheme were lower in the past, making it more accessible to younger academics at the start of their career.

No, it was not [financially] difficult to join the scheme. It was only 6.35% when I joined and you had SERPS as well... So it wasn’t that bad… And you thought you were getting a good deal. I don’t think young post docs see it the same way today.

Oxford, Faculty >40s

Academic career pathways were perhaps a bit smoother, it was always competitive… but now institutions have less money for lectureships and long-term contracts.

Cambridge, Faculty >40s

Also, when I was younger I didn’t have student debt. We were lucky enough to have education at a much lower cost and that’s something you also have to consider. I’ve got a 35 year old who works for me and is still paying off her student debt and doesn’t think she’ll ever manage to pay it off.

Oxford, Non Faculty >40s
Academics tend to see themselves going into some sort of phased retirement, whereas those in a post-92 institutions and support staff are more likely to have fixed dates (often 65) in mind, dependent on affordability.

**Phased retirement**

I see phased retirement as something beneficial. My dad did that, he worked for such a long period of time and having that transition period was really beneficial for him. So it is something I personally would like to do.

Manchester, Faculty >40s

I get paid for doing math – it’s great! I can’t see myself stopping what I do, as long as I can do it.

London, Faculty >40s

Some of the greatest works by historians were created in so-called retirement… that would be the only reason I would want to retire. I think I will be teaching for a while yet.

Cambridge, Faculty >40s

**Fixed date**

I’m retiring at the end of October, after 39 years and 4 months. I’ve reached 60 and some of the advice says ‘don’t go before you’re 60’.

Manchester, Non Faculty >40s

I would like to go as soon as possible. It’s not that I don’t like my job, but I would like to retire when we can afford to… Probably at 65.

Oxford, Non Faculty >40s

I like the idea of retiring over time, but I don’t think that can happen in our department, I don’t think you could request that. But it would be a nice idea.

Manchester, Non Faculty >40s

I want to go at 55. I’m done with working.

London, Non Faculty <40s

I get paid for doing math – it’s great! I can’t see myself stopping what I do, as long as I can do it.

London, Faculty >40s
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Faculty members had not joined the HE sector because of the USS pension, but the pension was slightly more of a recruitment driver for older non faculty staff.

- Regardless of age, faculty members were attracted to their job because of the reputation of the institution, the nature of the job, and their career prospects. This was also true for faculty who had opted out of the USS scheme.

- Non faculty member said that the pension had been a major reason for joining the HE sector. However, it was common for faculty members to mention that the (final salary) pension to some degree made up for (perceived) higher salaries they could have got in the private sector. There was general agreement that this message had been reinforced to them over the years in pay communications from their employers.

- Generally, we also found that the USS pension was not a strong recruitment driver for non faculty staff either, except for a minority of the over 40s who were looking to ‘top up’ person provision in the final years before retirement. Non-faculty members coming from the private sector were generally far more interested in total rewards, and felt that the pension simply made up for slightly lower pay.

From a recruitment perspective; on the academic side that is what everyone is used to and expects. But if you’re coming from the private sector then it is a real draw for people.

Glasgow, Non Faculty <40s

I didn’t know much about pensions at all, just having finished my PhD and it seemed a very long time away then. But I had a quick meeting with a financial advisor as part of buying a house and they told me with alacrity that I should sign up. So I did and didn’t think much more about it until the first set of benefit changes.

Cambridge, Faculty >40s

It’s not a tremendously better pension than I had with my previous [private sector] position. But a multi-stakeholder pension, rather than a [single] company one, has less risk. And at my age I am looking to ‘exit’ risk.

Glasgow, Non Faculty >40s
Many older members joined the USS scheme because they felt it was compulsory, while younger members were often encouraged by parental guidance.

- Many older members joined the scheme many years ago and their recollection of why they joined was somewhat hazy. It was common to hear that they felt that it was compulsory to join the scheme at the time and they had no choice. There was also a general sense it was something everyone did, and they went along with the flow.

- The final salary scheme was described as ‘gold plated’ and older members could often recall being told by their family that it was one of the best schemes around and they would be silly not to join. They also agreed that although it was always tough to manage financially on HE salaries, the USS scheme seemed more affordable in the past (as it is only fairly recently that contributions have started to increase).

- Younger members value DB pensions, and also often cited their parents’ experience with DB schemes as something they would like for themselves. They want and value their employer contribution, and recognise the scheme is still ‘good’, albeit not as good as it was.

- One older member cited their experience with the scheme: 

  "It was just something you did [joined the pension]… and it was part of the deal; you would not get paid as much, but you would get a good pension."  
  Glasgow, Faculty >40s

- A younger member remembered their family’s encouragement: 

  "When I was offered this job my mum told me to definitely take it, because I wouldn’t get a pension like that elsewhere."  
  Manchester, Non Faculty <40s

- Another younger member shared a story from a family member: 

  "When I joined the scheme and found out that it was still a final salary pension and I knew from my dad who used to work in payroll for a bank that final salary schemes were thin on the ground and so that it was a good thing."  
  Cambridge, Non Faculty <40s"
VALUE OF PENSIONS AS A WORKPLACE BENEFIT

USS pension is an important retention tool and the multi-employer nature of the scheme is a highly valued feature

- Although they had not considered the pension when they started working in the HE sector, USS members frequently mentioned that the pension played a significant part when considering jobs outside the HE sector. Those actively considering a move were often very aware of the relative value of the USS scheme.
- The ability to move between institutions while staying within the same pension scheme was also a highly valued feature of the scheme by the vast majority of respondents, both faculty and non faculty staff members.

When you move between universities… you might be with one of the big guys, like Manchester, but for your personal career progression you might find that the right job for you comes up at a smaller university. Where this might be a risk, with USS there is consistency. It’s part of the appeal of staying within the sector.

Manchester, Non Faculty <40s

Without the pension you would lose a major incentive to working in administration in the university sector; if I can command a higher salary with a similar lack of certainty about my retirement elsewhere, why would I stay in this sector? So the pension is a very big deal, compared to the private sector. It’s the big thing.

Cambridge, Non Faculty <40s

It’s a massive priority for me. I was recently offered a job in the private sector with a higher salary, but it didn’t come with anywhere near the level of employer contributions on the pension. And doing the math on that was one of the key reasons why I chose to stay.

London, Faculty <40s

The attractive pension has been a factor of keeping me in the university sector. I knew it was a good pension I was entering into, it was an attractive benefit. If that was gone, there would be less holding me to working in higher education.

Manchester, Non Faculty <40s
A ‘generous pension’ was consistently ranked in the top 3 most valued employee benefits across all locations by USS members.

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<tr>
<th>Benefit</th>
<th>Ranking</th>
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<tr>
<td>Size of the Salary</td>
<td>1</td>
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<tr>
<td>Amount of Holiday</td>
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<td>Generous pension</td>
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<td>Flexible Working Hours</td>
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<td>Private Medical Insurance</td>
<td>5</td>
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<td>Generous Sick Pay Scheme</td>
<td>6</td>
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<td>Maternity/ Paternity Benefits</td>
<td>7</td>
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<td>Childcare/ Life cover</td>
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- **Size of the Salary**: Ranked as the most valuable benefit by the vast majority – and, if not the most valuable, then a close second. No material difference between under and over 40s.
- **Amount of Holiday**: Almost 7 members in 10 rank holiday in their top 3. No difference between under and over 40s.
- **Generous pension**: Overall, 6 in 10 members ranked pensions in their top 3, and 8 in 10 ranked it in the top 4 choices. More highly ranked by <40s.*
- **Flexible Working Hours**: Overall, 4 in 10 ranked this in their top 3 benefits. No material difference between under and over 40s.
- **Private Medical Insurance**: Ranked more highly by over 40s.
- **Generous Sick Pay Scheme**: No material difference by age.
- **Maternity/ Paternity Benefits**: Ranked more highly by under 40s.
- **Childcare/ Life cover**:
- **Gym Membership**:

*4 in 10 of the under 40s ranked pensions outside their top 4 compared to just 4 members over 40.
A pension is an important benefit to most members, but less important to the younger ones, where the focus was more on benefits today than their future selves

- We saw a consistent pattern in our employee benefits ranking exercise: salary, holiday, pension and flexible working hours were consistently mentioned as the most important benefits.
- In the few instances where there were exceptions to this pattern, these were most likely to be the under 40s non faculty members.

"My top three were: Flexible working hours, generous amount of holiday, size of salary and then the generous pension scheme."

Cambridge, Faculty >40s

"1. Size of the salary. 2. Flexible working hours and generous pension scheme was number 3. I was least interested in gym membership – I’ve already got one – private medical insurance and childcare. Life insurance cover was in the middle; it’s valuable."

London, Faculty <40s

"Size of the salary, followed by generous amount of holiday and maternity and paternity benefits… pensions came at number 5."

London, Non Faculty <40s

"The size of the salary, flexible working hours and a generous amount of holiday are my top three. Pension came in fifth, with private medical insurance just above it. It was a close call to be honest, because I am not that bothered about either. I think part of it is about the ‘now’ vs ‘in X-amount of time’."

London, Non Faculty <40s

"I am more interested in the more immediate benefits, like flexible working hours, annual leave, pay… and how much is coming out of your salary is much more noticeable than how much your employer is putting in… it doesn’t really seem to mean anything. It’s all very abstract and the reality of life is, how much am I getting paid and have left at the end of it?"
Members gave varied responses when asked to say what a ‘generous pension’ meant to them

- For some, the benchmark of whether a scheme is generous or not is other open DB schemes, such as SAUL, the Teachers’ Pension Scheme, the Civil Service Pension Scheme, the Police Pension Scheme, and the Local Government Pension Scheme. In comparison, the USS scheme was not seen to be as generous as these schemes, given the amount they now pay in and the changes in the benefit structure.
- There was a sense that all final salary schemes were ‘generous’, but there were more mixed views on career average schemes, especially amongst faculty members.
- All groups felt strongly that any type of DC scheme was not generous. When probed by the moderator whether this was about the fundamental risk sharing nature of DB as opposed to the individual risk inherent in DC, or about the level of employer contributions, this was not something they had explicitly considered. On balance, the risk sharing component was the more important driver of their negative perceptions.
- A small minority felt a non-contributory scheme was ‘generous’ and that theirs was not, especially as their employee contributions rates have increased significantly over the past few years.
- A minority mentioned that a ‘generous’ pension scheme has inflation proofing (specifically linking RPI not CPI and with no cap). When probed, the cap is more of an issue than the inflation measure used.
What does a ‘generous pension’ mean to you? (1/2)

The university scheme is generous in my opinion, compared to what is available elsewhere and 3% contributions.

Glasgow, Non Faculty <40s

I would say that it is the career average part of the pension that is generous and that makes it really good compared to a legal minimum 3% one, where it’s just a pot of money that is subject to all sorts of forces outside everyone's control. Where, if you retire a year before a stock market crash, you’re in serious trouble. I doesn’t have the guaranteed income at the end – that’s a tier of itself, above that of any other scheme.

Glasgow, Non Faculty <40s

Generosity is a relative value: So it used to be final salary, which was very generous. I am now career average, which is generous enough… and I would see anything less than career average as less generous. So, DC to me is not generous at all, because you’re divesting your own investment decisions to someone else. At that point, if they’re just throwing it on the market and seeing how it goes, I might as well give it a go myself. Whereas, when they’re saying, “you give us money and in return we guarantee you a share of your salary in retirement – that’s probably a better deal. So I see guaranteed benefits in retirement as the sense of generosity, rather than the financial amount being put in.

Cambridge, Non Faculty <40s

Throughout my career until now, the maximum an employer has put into my pension is 5%. If I would have received 18% it would have made a big difference in my career to date. And even in DC terms it would still be a generous scheme compared to the private sector, but the risk element of it makes it less generous.

Cambridge, Faculty <40s
I talk to other people, my wife, for example, works for M&S and their pension scheme is nothing like ours. And even though contributions seem fairly expensive, we are paid fairly well and that almost covers that. But what the university is putting in is huge, compared to other organisations – that’s the selling point, with the university more than doubling what you put in. I feel like it’s value for money for what we’re getting.

Manchester, Non Faculty <40s

I see two sides to generosity: One is the size of the pension in retirement, which is reasonably good in USS compared to other schemes. But also, the security of the pension in retirement, which is excellent in USS compared to other schemes. So, with the scheme that I was in in the private sector, which was a money purchase scheme there was a lot of risk. With the USS scheme you get a reasonably good pay out, which is also a reasonably guaranteed pay out. And since for me, the big advantage of having a pension scheme is the idea that actually you know that you can retire at some point: it’s more than just the money, it’s also the security. That is, for me, what generosity means in that context.

Oxford, Faculty <40s

What the university contributes; 18% to 19% - that is high. Very high, compared to other places. I know that we’re having to pay that bit more, but relatively I would say that this is a good scheme.

Manchester, Faculty >40s

I think only teachers, nurses and policemen have better pensions.

Manchester, Non Faculty >40s
The perceptions of the generosity of employer contributions in the USS scheme was often determined by the knowledge of what employers were offering elsewhere.

- Exploring perceptions of the level of employer contributions in more detail, the vast majority of faculty participants in our research were not aware of what employer contributions are paid elsewhere, or based their comparisons on occupations such as civil service, fire, police or local government.
- Non-faculty members, who were more aware from experience of the level of employer contributions in the private sector, did feel that their USS scheme was still very generous, despite the recent changes.
- One or two participants in each group were not aware of the exact level of employer contributions in their own USS scheme.
- Current AE employer rates came as a shock to many, and helped to put their scheme in perspective.
- Matched employer and employee contributions would be more generous than many private sector DC schemes, but this was not seen as a ‘generous’ scheme by most USS members.

"It’s only when you become more engaged with pensions and you compare what you have to what you can get elsewhere, outside the university sector, you realise how good the scheme is."
- Oxford, Faculty <40s

"Before this my employer only contributed 3%, even though the USS scheme is expensive in contribution terms, it is worth it."
- Manchester, Non Faculty <40s

"I don’t know what exactly the university is paying in… I don’t really know much about pensions or what I could expect elsewhere."
- Cambridge, Non Faculty >40s

"I didn’t know that about contributions [rates], I had never really thought about it… but it is rather good what we get."
- Glasgow, Faculty <40s
Most groups felt that the Final Salary scheme was the better type of pension, but often recognised that there had been ways to ‘game’ the system, which they felt were unfair and a contributing factor to the issues the scheme is now facing.

When I joined the university it was, “you can leave at 60 with no reduction”, which was the case and was the case for a good couple of decades and then it suddenly turned to, “oh no, that’s not happening now”. Granted, there has probably been abuse of the system, with people who got large promotions six months before they were due to retire and therefore end up with a bumped-up salary in retirement that their institution does not have to pay for, but the scheme itself has to pick up the slack there.

Glasgow, Faculty >40s

Part of the issue is that USS has not had sufficiently carefully written rules. With the result that for the last twenty years clever employers have ripped off the fund by giving early retirement and such like. And slowly, slowly have the rules been tightened up, so that clever vice chancellors can’t rip off the fund. And I believe there are more rules coming through, probably in the next couple of months.

Cambridge, Faculty >40s

The final salary scheme seemed shockingly unfair, with some people who gamed the system and got a promotion right at the end of their career and then retired. That benefits individuals, but not the system.

London, Faculty <40s
Across the groups members felt that there was value in the collective nature of the scheme, but could also see some risks.

**BENEFITS**

- Scheme is perceived to be too big to fail (some felt that the government would have to step in to bail it out).
- Multi-employer nature of the scheme means that the risk is reduced for those working in smaller or less financially stable institutions.
- Willingness of faculty staff to strike for the scheme strengthens the bargaining position of the non faculty staff.
- Senior faculty staff are also in the scheme, which strengthens the bargaining position (this was particularly felt by the non faculty members).

**RISKS**

- Financial burden could fall disproportionately on the ‘richer’ institutions who may decide to go their own way (example of Trinity College cited in most over the over 40 groups).
- Stability of the scheme relies on the future generations of members being willing to pay to keep the promises made.
HOPES AND CONCERNS

Members, especially faculty staff, were very concerned about the current state of the USS scheme, as it was often their only pension and would be integral to their retirement income.

<table>
<thead>
<tr>
<th>Faculty Staff</th>
<th>Non Faculty Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many faculty members had consolidated previous pensions into USS when they joined the scheme.</td>
<td>Many non-faculty members had consolidated pensions into USS, where they could.</td>
</tr>
<tr>
<td>Only a minority of faculty members with previous jobs reported that those had also come with a DB pension (e.g., TPS, LGPS, charity sector and so on).</td>
<td>Some had deferred private sector or personal DC schemes.</td>
</tr>
<tr>
<td>They only had a very limited exposure to DC pensions, primarily through the Prudential AVC scheme, the match, or experiences with friends and family.</td>
<td>They had a mixed exposure to DC pensions, but still lower than in the general population.</td>
</tr>
</tbody>
</table>
Younger members are worried about contribution rates going into double digits. Older members are too vested in the scheme and can afford to make higher payments to maintain ‘the promise’

Contribution rate in double digits could be a tipping point for more opt outs amongst the more financially stretched younger members, and those who don’t see a long-term career in HE.

It’s an age thing: when I was first moved into USS, I actually didn’t want to go in because the contributions were so much higher.

London, Non Faculty <40s

It’s pushing it to the point where it is going up any higher that people will start dropping out. The closer your contribution gets to double digits… losing 10% of your salary into a pension is a lot to swallow.

Cambridge, Non Faculty <40s

My fear is that, ok, I can afford whatever it’s going up to in April 2020, but what happens when they turn around in a couple of years time and do this exercise again and then the pension goes up to 15% contributions and then 20%. The level of increase their expecting from employees and the time period that they’re giving for it is very steep. And all that is on the basis of an evaluation, which is disputed by various actuary type folk.

Glasgow, Non Faculty <40s

Over 40s will pay more contributions. None talked about opting out. They have too much vested interest in the scheme, and can afford the proposed higher contributions.

While you’re working, ok, you might not like that contributions are going up from 8% to 11.5% or whatever it is, but you’re working and you can do it, because when you’re retired and not working you need to know; can I pay the bills? Can I afford to eat? So you need to know that you’re getting what you were promised.

Manchester, Non Faculty >40s

When you get to your late 40s you start thinking, “I need to know what my income is going to be at retirement, I really don’t care what I pay into it, as long as I know what I am going to get, because that is what I am planning for.”

Manchester, Faculty >40s
Concerns were raised about inflow of new members and higher opt out rates if contribution rates go over 10%.

The benefits are going down and the costs are going up… what about the younger generation? How are you going to attract people to think about their pensions with that?

Cambridge, Non Faculty <40s

One of the good things about USS is that it’s cash positive, so there is more money coming in than contributions being paid out. But if large chunks, particularly younger members drop out then there is going to be a problem in years to come. And that might be hard to reverse if the benefits are not particularly attractive.

Cambridge, Faculty >40s

The scheme is even worse off in terms of being able to afford to pay for its aging members’ pensions, because people are opting out. And I know that we have a massive opt out rate…

London, Non Faculty <40s
HOPES AND CONCERNS

Respondents were challenged to think about whether DB pensions were still fit for purpose in the modern world, and recognised the challenges faced by the scheme.

When USS scheme was set up
- Mostly full-time, permanent contracts
- Higher propensity of single income households with stay-at-home women
- Single employer/ single career
- All retired at a set date: 60/65
- Limited life expectancy in retirement

Today
- Higher incidence of university education
- People are becoming ‘adults’ later – kids, housing, marriage in 30’s not 20’s
- Insecure working patterns
- Higher female labour market participation, with resulting child care requirements
- Part time and flexible working patterns
- Phased retirement
- Increasing life expectancy
- More international members
There was a recognition that DB works well for those in full time, stable, permanent employment in the UK – but this is a diminishing pool of workers, even in the HE sector.

USS is actually amongst many reasons why I am trying to leave academia, because they don’t listen to our needs. We’re all on fixed term contracts and I don’t think it is a suitable contract for academics who are on a three year contract and don’t know whether they are going to be employed on unemployed. 30 years ago people finished their PhD and got a lectureship, now they expect us to do post docs for like 10 years. If you’re keeping your jobs and moving between universities then USS is a good idea, but actually we don’t know if we’re going to get employed.

Cambridge, Faculty <40s

For the post docs in my team, USS is not a good thing to them. Because, even if they stay in academia, which they generally want to, they generally actually don’t necessarily want to be working in the UK and that is something that USS doesn’t sit very well with – the increasing internationalisation of the sector.

London, Faculty >40s

The final salary scheme has always been based on quite a conventional career model. That you start your career and that you have a steady career, without career breaks for children or caring for parents, and then you go on an upward projection and finish at the top. And a lot of peoples’ careers are not like that now. Things have changed.

Glasgow, Non Faculty >40s
HOPES AND CONCERNS

When prompted to think about the ‘binary’ nature of the pension scheme, younger respondents could see that more flexibility around contribution levels might be helpful, but older respondents were more reluctant to make a change.

• Younger members in London and the SE unprompted raised the issue of inflexibility and the unfairness of the binary system. This was less prevalent in Manchester where many were able to get on the housing ladder.

• Non-faculty members often expressed surprise at the high level of employee contributions as the entry requirement for the scheme.

• The binary nature of the scheme came as a shock to those who experienced DC pensions elsewhere. This group are much more open to having flexibility.

I think there would be a bit of a worry about introducing a flexible contribution scheme, because at the moment everyone knows what we’re doing and getting. I think some people would be very nervous about making such a change.

Manchester, Non Faculty >40s

I think having some flexibility is really important, because everyone is at a different life stage and some people can afford it while others can’t. So there needs to be that option of flexibility.

Glasgow, Non Faculty <40s

There are other options out there, where you can put in 4% or 6%. At different points in your life putting that much into your pension isn’t necessarily affordable all the time and it is disappointing that there isn’t another option for you, you only have in or out.

London, Non Faculty <40s

Flexibility, being able to move contributions would be good. If you, for example, go from being married and the two of you have decent wages coming in to all of a sudden having a family the money you have available to spend reduces because you have little people to feed. Equally, as your kids get older and they move out, you’re going to have a bit more cash. For that it would be good to be able to flex it, but the all-or-nothing, it-is-what-it-is doesn’t work.

Glasgow, Non Faculty >40s
 Across the groups, members felt that there was value in the collective nature of the scheme, but could also see some risks

**BENEFITS**

- Scheme is perceived to be too big to fail (some felt that the government would have to step in to bail it out)
- Multi-employer nature of the scheme means that the risk is reduced for those working in smaller or less financially stable institutions
- Willingness of faculty staff to strike for the scheme strengthens the bargaining position of the non faculty staff
- Senior faculty staff are also in the scheme, which strengthens the bargaining position (this was particularly felt by the non faculty members)

**RISKS**

- The financial burden could fall disproportionately on the ‘richer’ institutions who may decide to go their own way (example of Trinity College cited in most of the over 40s groups)
- The stability of the scheme relies on the future generations of members being willing to pay to keep the promises made
- The current ‘one size fits all’ nature of the scheme unites all; some were concerned that any fragmentation of the scheme or the benefits (through increased flexibility) weakens this unity and is a threat to the future of the scheme
Members could see both risks and benefits to being in a multi-employer scheme, but on balance the benefits outweighed the risks.

Bigger schemes are more diversified, there are different institutions with different strengths and weaknesses, which broadens the risk. And makes it less likely to fail. Although should that happen the consequences would be severe, but it makes them less likely to happen.

Manchester, Non Faculty <40s

From the point of view of someone at Oxford University, the multi-employer part of it makes it riskier because there are a number of universities who have well publicised financial problems right now.

Oxford, Faculty >40s

It’s one of the things that gives me more faith in the USS scheme than I have in other pension schemes I’ve been in. Because it’s a bigger group, all in it together, because things like all the reviews have been triggered by the academics going on strike, I have more faith in it because I am in the same pot as the academics. You’ve essentially got 400-500 companies in the UK that would have to go bust and stop paying into that scheme, it’s a massive cooperative paying into it, whereas with other [DB] pensions only one company has to go bust.

London, Non Faculty <40s
AGENDA

01 METHODOLOGY & SAMPLE
02 UNDERSTANDING MEMBERS
03 VALUE OF PENSIONS AS A WORKPLACE BENEFIT
04 HOPES AND CONCERNS
05 MEETING FUTURE NEEDS
06 IMPROVING MEMBER UNDERSTANDING
07 RECOMMENDATIONS
Members had a consistent view about the essence of a workplace pension, mentioning saving, deferred income, and providing an income when you are no longer working.

- Respondents were asked to write a description of the essence of a pension, using very basic language.
- Responses were surprisingly consistent across all groups – referencing deferred pay from both member and employer which is set aside to provide an income for life to pay for essentials when you are no longer working.

- A pension is like a bank account - we save money to pay for things when we are older and have to stop working. Lots of people join together to pay together a share together rather than just doing it ourselves.

- Work pays me to do work for them now. A pension is where work and me are paying now so that when I finish I still get paid a little bit of money when I’m not working anymore.

- A pension is a special long term savings account which is supposed to provide you with a salary when you are retire or are no longer working.

- A pension enables you to have a lifestyle that is comfortable without working - it means you give up some money now for later.

- When we get old and can’t earn a salary anymore we need to live and eat. So we could either save some money now in the bank but even better lots of people with a shared interest and similar life get together and pool their money. It makes for safer returns in the long term as long - as they people managing it are honest.

- You and your employer pay in every month. And when you can’t work anymore it pays for food and heating and so that you can enjoy the rest of your life.

- A pension enables you to have a lifestyle that is comfortable without working - it means you give up some money now for later.
Overall, members want their pension to deliver a known, inflation-proofed income for life without having to make any investment decisions themselves.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mentioned as Top 5 Choice</th>
<th>Mentioned as Top 5 Choice</th>
<th>Mentioned as Top 5 Choice</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>All Members N=91</td>
<td>Under 40s N=37</td>
<td>Over 40s N=54</td>
</tr>
<tr>
<td>A retirement income that grows in line with the cost of living</td>
<td>79</td>
<td>32</td>
<td>47</td>
</tr>
<tr>
<td>Not having to worry about the money running out if I take too much or live a long time</td>
<td>74</td>
<td>29</td>
<td>45</td>
</tr>
<tr>
<td>A known and predictable retirement income for life even if the amount I contribute each year can change</td>
<td>55</td>
<td>21</td>
<td>34</td>
</tr>
<tr>
<td>Not having to worry about the impact on my income if stock markets fall</td>
<td>55</td>
<td>17</td>
<td>38</td>
</tr>
<tr>
<td>A guaranteed income for your spouse or partner when you die</td>
<td>36</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td>Not having to make investment decisions about my pension</td>
<td>34</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>The flexibility to access cash lump sums or an income from your pension pot from age 55 even if you are still working</td>
<td>28</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Ability to pass money left in your pension on to who you choose when you die</td>
<td>25</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>The choice to pay lower contributions in return for a reduced pension for a period of time</td>
<td>23</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td>The choice to make my own investment decisions about my pension</td>
<td>16</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Ability to change the amount of income you get at different stages of your retirement</td>
<td>12</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Knowing how much I am going to contribute each year even if that means I won’t know how much pension I’ll get</td>
<td>12</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>
Results of the ‘what matters to you’ exercise were very consistent and respondents agreed that this was very much aligned with the benefits of their USS pension:

**“Retirement income that grows with the cost of living”**

“Not having to worry about the money running out”

- That’s important because you need to know that you will be able to pay your bills. Now and in 15, 20 years.
  - London, Non Faculty <40s

- It’s one of the things we were promised; an index linked pension.
  - Cambridge, Faculty >40s

**“Not having to make investment choices”**

“Not having to worry about stock market risk”

- It’s important that that side is being taken care of and that I don’t have to think about things like investments and fund-picking, but I can concentrate on doing what I am doing here.
  - London, Faculty >40s

- I don’t want to have to think about investments. That is what USS is there to do, and I am happy for them to do it.
  - Cambridge, Non Faculty >40s

- With USS you don’t have that risk, where you are linked to the stock market, as you are with a DC pension and can end up coming out short or as a millionaire, just depending on when you retire.
  - Glasgow, Faculty <40s

- As I get older, I want to be less exposed to investment risk with my pension. That is one of the reasons I moved to the HE sector.
  - Glasgow, Faculty >40s
When asked to make an explicit choice, members overwhelmingly wanted a known income, even if their contributions might change.

A known and predictable retirement income for life even if the amount I contribute each year can change

Knowing how much I am going to contribute each year even if that means I won’t know how much pension I’ll get

- When asked to explicitly make a choice, the vast majority of members selected “a known and predictable income for life, even if the amount I contribute each year can change” over “knowing how much I am going to contribute even if that means I won’t know how much pension I’ll going to get”.

- When asked to say which if these they think relates to the current USS scheme, members felt that they were currently getting the worst of both worlds – uncertain payments in return for uncertain benefits.
What respondents said about this choice

I am just very risk averse and when I am retired, I won’t be in the same position to bring in more money. So, now I can be more flexible, even if that may be really hard at the moment.

London, Faculty <40s

It all depends on the level of change in the contributions. If they went up by maybe 1%, then I would be fine with that, but if it is between 5-15% year on year then that’s not so good.

London, Non Faculty <40s

It’s all just uncertain, isn’t it. But the trouble with the other option is that if it was a difference of £100 per year you might think I can bear that uncertainty, but if your pension could vary in 10s of thousands of pounds then that doesn’t make sense.

Glasgow, Non Faculty >40s

…It all depends by how much it will go up. If it suddenly jumps to 50%, then I can’t do that. I have a mortgage to pay, so there would be a limit to what I could afford. That would the not leave me the choice.

Oxford, Non Faculty >40s

I don’t have any faith in whether anything I pick now will be on the table when I retire. But it is the better option.

London, Faculty <40s

The other one I only see going up. It’s not going to get less…

London, Non Faculty <40s

Knowing what I will get in retirement is what is valuable to me. That is the risk I need to negate while working, not having enough later in life.

Cambridge, Non Faculty <40s

Ideally, I’d want both. But because I don’t know where I will work next, it makes sense to be more flexible now.

Cambridge, Faculty <40s
AGENDA

01 SAMPLE
02 UNDERSTANDING MEMBERS
03 VALUE OF PENSIONS AS A WORKPLACE BENEFIT
04 HOPES AND CONCERNS
05 MEETING FUTURE NEEDS
06 IMPROVING MEMBER UNDERSTANDING
Most respondents understood certain aspects about the USS scheme well, while showing very limited understanding about others

**Understood well**
- Scheme is under pressure as people are living longer – but some groups mentioned that increases in life expectancy are slowing.
- The changing nature of university life means that the inflexibility of the current scheme will not suit all.
- It is important to keep up the flow of new members to keep the scheme open – a couple even described it as a ‘Ponzi scheme’.
- It is a multi-employer scheme, which spreads risk across the HE sector.
- There are some issues with funding, and the scale of the problem is driven by the underlying assumptions used. Employers and unions have different views on what assumptions are ‘correct’.

**Not well understood**
- Whether the pressures on the USS scheme are unique.
- Whether the pressures on the USS scheme are permanent, or just a function of the current economic climate.
- Is the scheme really unaffordable – perception that universities are either wealthy enough to pay, or can be run more efficiently.
- The time horizons of the promises made, and whether it is realistic to expect a scheme with a 50+ year future not to undergo any change.

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**IMPROVING MEMBER UNDERSTANDING**

Most respondents understood certain aspects about the USS scheme well, while showing very limited understanding about others.
Many felt that current communications about their scheme have been contradictory and confusing, and could be significantly improved.

When I arrived in this job, I thought I had a good handle on pensions because I had been working in it. Ever since everything has changed. And every 6 months you receive a newsletter that is telling you something else has changed. Nothing feels well communicated.

Glasgow, Faculty >40s

It’s very hard to know what state the scheme is in when we are not getting clear information from the pension fund. Right now, the JEP came back with “we think the trustees are making up numbers”. Right now we’re left with bad information.

Cambridge, Non Faculty <40s

I don’t think any of this has been communicated well. The trustees make decisions without communicating anything about their process or why.

Oxford, Faculty >40s

Many of us work on projects, where the ‘single source of truth’ is important and we don’t have that for our pensions.

London, Faculty 40s

It used to be that every year ‘the man from the USS’ would come. And there was always talk of this being the best pension scheme in the world. And then the first year the trouble started, they sent someone from another company. They outsourced the bad news to some external company.

Glasgow, Non Faculty >40s

When we signed up we thought; we have a single source of truth, we know what we’re getting and we don’t have to do any worrying. And now we do have to worry and we don’t have information and we don’t know who to trust.

London, Non Faculty >40s
Poor communications and constantly moving goalposts have eroded understanding of and trust in the scheme

- Respondents were often not sure what the scheme is any more, and most are very confused about why the current issues have arisen.

- There was feeling that they are paying more and more in for the same or less benefits. Most groups expressed surprise that things have got worse in such a short space of time and this is often attributed to ‘bad management’ by USS.

- Unprompted all groups raised a lack of trust in the scheme, USS and the trustees.

- Respondents were also not sure that they are getting the full picture from union communications either, but tend to trust these more than the ‘official’ messages from employers or USS.

"I went to a lunchtime briefing several months ago, where someone from the pension and the head of HR talked about it. And that is the first time I had really ever thought about the changes. In that sense it was very useful, when they explained about the deficit that they think is emerging in the scheme. It was illuminating because I am not very good at reading the literature that just arrives by mail."

Glasgow, Non Faculty >40s

"It’s hard to know, we get so much information that makes it more complicated to understand. So many versions of information that you are less likely to trust anyone. When we signed up we thought we knew what we were getting, now we have to worry and don’t have information – I feel like the trust and security bit is gone."

London, Non Faculty >40s

"I have a low level of confidence in the whole process. It’s just been a bit of a riot since it started, with everything. They don’t know what they’re doing and then they’re getting challenged…it’s just all been a bit woolly. It doesn’t give you much confidence in a scheme that is supposed to be serving countless HEIs…why cant it get that right?! And it’s that, that’s making me nervous, rather than the increase that is about to happen."

Glasgow, Non Faculty <40s
Respondents were looking to JEP to shine a light on the issues and create a period of stability and certainty for at least the next 5 years

- If there needs to be change - and members were not convinced that this is the case - they would rather see small changes over time than a wholesale reform.
- There is a sense that the constant changes over the last few years makes the scheme confusing and it is difficult to keep track of what the benefits actually are any more. As such, members are looking for a period of stability to increase trust in the scheme.
- Most were looking for more transparency and are hoping that the JEP will produce an unbiased and simple explanation of what is going on and why – to be the new ‘single source of truth’.
- Questions about what USS would do in the future as and when interest rates increased and the scheme became over-funded – would the employers have pension holidays again or would USS reduce employee contribution rates or improve benefits?

A period of stability would be really appreciated. For the first 20 years no questions were ever raised, for the last 8 years it has changed every flipping year. I am in my late 50s and would like a couple of years where things just remain stable so that I can get my head around it all would be really helpful.

Glasgow, Faculty >40s

I think more clarity is always useful, and it will also safeguard more people opting in in the future. Because if it becomes more expensive and less understood, I think it will adversely affect the scheme in the long-term. Transparency is important for that.

London, Faculty <40s

If the JEP just come back and say, sorry it’s 11%, without justifying how they have come to a conclusion, which is what we have had in the past… then, no, I think we would be a bit upset about that. It’s that transparency and communication of how they’ve come to that’s important.

Manchester, Faculty >40s
AGENDA

01 METHODOLOGY & SAMPLE
02 UNDERSTANDING MEMBERS
03 VALUE OF PENSIONS AS A WORKPLACE BENEFIT
04 HOPES AND CONCERNS
05 MEETING FUTURE NEEDS
06 IMPROVING MEMBER UNDERSTANDING
07 RECOMMENDATIONS
RECOMMENDATIONS

Provide a clear, simple, unbiased view on why the issues have arisen and explain in lay persons terms how there can be such differing valuations of the current scheme position.

Give a view on which of the valuation methods is the most suitable for the USS scheme and why, and what this means for the deficit and future funding requirements.

Help members to understand the long-term issues facing the scheme and what impact these will have on future funding rates.

Understand current opt out rates by segment (faculty, non faculty, career stage institutions) to see particular groups are affected by affordability issues.

Consider the option of flexible contributions, with appropriate communications to help members understand what they are giving up.

Help members understand the relative value of the current employer contributions compared to other schemes.

Create a period of stability in the scheme, so that members can adjust to the new norm and start to have faith in their future benefits and trust in how the scheme is being managed.