How did we get here? A USS timeline

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The industrial action over pensions in 2018 was a watershed moment in higher education industrial relations. The higher education sector is now facing the prospect of another round of strikes over the Universities Superannuation Scheme (USS).

Pensions is fundamentally a guessing game. Pension schemes estimate how much they need right now to be able to pay out in the future. And of course, it's deeply technically complex. So it's not surprising that almost every aspect of the history of the row over USS is heavily contested by at least one of the parties involved.

Yet the seriousness of the 2018 pensions dispute, the fact that the issues that sparked it remain fundamentally unresolved, and the extent to which it grew to symbolise wider discontent over trends in higher education, make it necessary to have a stab at explaining how we got here. David Kernohan and Ant Bagshaw's guide to the dispute from March 2018 remains a useful source.

Terms refresher

USS: the Universities Superannuation Scheme is one of the largest private pension schemes in the UK. There are more than 350 employers in the scheme, including a number of universities and a range of higher education organisations including mission groups, representative bodies and sector agencies. The USS trustee, chaired by University of Birmingham vice chancellor David Eastwood, has the responsibility of ensuring the scheme is adequately funded, has an appropriate investment strategy and is well-run.

Valuation: the USS trustee is required by law to undertake an assessment of the scheme's assets and liabilities every three years, drawing on the advice of actuaries, and taking into account any other factor that could influence the scheme's funding position, including economic conditions, the appetite of employers for risk, and pensions law. Having done this, the trustee makes an estimate of what may need to change in order to ensure the scheme is adequately funded and the contributions are sufficient to pay for future benefits. Given that much of this involves future predictions it is not an exact science, which can create tensions over how different factors are interpreted and the consequences arising from those interpretations.

UUK: Universities UK is a representative organisation for UK universities. It has responsibility for representing USS employers (even though not every USS employer is a UK university).

UCU: the University and College Union is a trade union supporting workers in further and higher education in the UK, with 120,000 members. It has responsibility for representing USS members (even though not every USS member is a member of UCU).

JNC: the Joint Negotiating Committee, established under USS rules, is a panel of union and employer representatives with an independent chair that is tasked with deciding how any change in the contribution rate to the pension scheme should be applied – whether by increasing the contributions of employers, scheme members or both, or changing the benefit structure to maintain contributions at their current rate.

tPR: the Pensions Regulator has a statutory duty to monitor pension schemes and take steps to ensure they remain financially viable.

DB: a "defined benefit" pension scheme in which a scheme commits to paying an employee a defined pension on retirement, often calculated in relation to salary.

DC: a "defined contribution" pension scheme in which employers and employees contribute to a pension pot which is invested for the employee, and used to generate income on retirement which is dependent on how well those investments have performed. USS is currently a mixture of defined benefit and defined contribution – a proportion of a member's salary up to an agreed threshold is paid into a defined benefit pot, and the remainder into a defined contribution pot.

JEP: the Joint Expert Panel of independent pensions experts, created by UUK and UCU following the failure of the JNC to reach agreement over how to fund USS at the 2017 valuation, and the industrial action that resulted. The JEP was tasked with reviewing and reporting on the 2017 valuation, and with looking ahead to comment on future funding arrangements for USS.

Acas: the Advisory, Conciliation and Arbitration Service, the independent body that advises on workplace relations and supports conciliation and mediation in industrial relations disputes.

Timeline

March 2017-February 2018

Following a valuation in March 2017, USS announced that the pension scheme had a deficit which needed to be addressed. UCU immediately disputed the valuation, declaring the scheme in "rude health", and rejecting the "bespoke" methodology used to reach the deficit prediction.

Throughout 2017, in response to the valuation, employers strongly emphasised the need for pension contributions to be capped at 18 per cent and proposed moving to a de facto defined contribution scheme, with the option of returning to a defined benefit scheme in the future if the valuation improved. Employers argued that defined contribution schemes offered more flexibility; UCU on behalf of scheme members argued that they would take on more risk as future benefits would be less certain. UCU characterised the move as further encroaching marketisation of universities; in comparison, universities under financial pressure and concerned by the upward pressure on pensions costs, largely viewed the move as both inevitable and necessary.

The JNC met on a number of occasions, with no resolution. At the December 2017 meeting, in the absence of a joint proposal, the independent chair cast his vote in favour of the employers' proposal. UCU launched an industrial action strike ballot; in January 2018, on a 58 percent national turnout, 88 percent voted for strike action. There were 14 strike dates at 61 universities across the UK with a large overall turnout. On the eve of the strike, YouGov reported that 61 percent of students polled supported the strike, with half blaming universities for the dispute. A group of students occupied the UUK building, declaring solidarity with striking staff. Others started asking questions about cancelled lectures and raising the prospect of compensation. Sam Gyimah, then universities minister, said that universities should consider compensating students for lost teaching time.

For many of the staff involved, the industrial action encompassed more than the pensions dispute, and came to symbolise resistance to higher education marketisation and managerialism. Communications on both sides tended to increase tensions. Social media enabled the proliferation of communications outside established channels, with analysis and commentary on USS created and shared by union members and local branches as well as national spokespeople.

A serious issue for USS was that by law, the 2017 valuation should have been completed by the end of June 2018, including consultation with members on new contributions and benefits agreements. In the absence of an agreement between UUK and UCU the trustee could trigger USS rule 76 that would permit increased contributions to be imposed on employers and scheme members at 24.9 per cent and 11.4 per cent of salary respectively.

UUK and UCU negotiators developed a new proposal under the auspices of Acas which retained a defined benefit scheme for employees paid up to £42,000, and increased employer contributions to 19.3 percent. UCU general secretary Sally Hunt put the proposal to UCU members, and UCU branches rejected it.

March-December 2018

In March 2018, UUK and UCU introduced a proposal to establish a Joint Expert Panel, which would review the USS valuation and agree a joint approach to future USS valuations. UUK and UCU agreed that there would be no changes to pensions while the new valuation was ongoing. UCU members and USS employers supported the proposal: UUK reported that it now understood the "clear wish" of employees to have a "guaranteed" pension, but hoped that negotiators would be "open-minded" when they came to the table. UCU's Sally Hunt noted that they had "come a very long way" since January.

In September 2018, the Joint Expert Panel produced its first report which contained five recommendations: the re-evaluation of the employers' ability and willingness to bear risk; the adoption of more consistency between the 2014 and 2017 valuations, which would allow for the outperformance of investments; the need to ensure the intergenerational fairness of the scheme by smoothing contributions rather than allowing them to rise and fall; the need to use the most current information relating to market performance, and the need to understand the higher education sector as a whole.

The JEP unanimously agreed that these changes would have an impact on the previous valuation and would reduce the deficit prediction. But they also made clear that they couldn't make recommendations on benefit contributions – that would be the job of the Joint Negotiating Committee. Sally Hunt once again reported that they had "come a long way", praising the panel's "significant piece of work". UUK also welcomed the report and its recommendations, and suggested that any eventual solution would likely be a combination of the recommendations. Notwithstanding, subsequent meetings of the JNC were unable to reach agreement on a way forward to conclude the 2017 valuation.

January-September 2019

In January 2019 USS announced that given no resolution had been achieved on the 2017 valuation it would impose increased contributions, but would reduce the total slightly in light of a revised employer appetite to risk, and would stagger the increases over a year between April 2019 and April 2020. A new valuation as at March 2018 could potentially mitigate or avoid these cost increases, if employers and UCU could reach an agreement.

In May 2019 the USS trustee published three options for completing the 2018 valuation:

- An increase in contributions of scheme members to 10.7 per cent and employers to 23 per cent, applicable from April 2020 and reviewed in 2021/22
- An increase in contribution of scheme members to 9.3 per cent and employers to 20.4 per cent, with employers undertaking to underwrite additional contributions of up to 6 per cent if required, to reduce the risk of lower contributions
- An increase in contributions of scheme members to 9.6 per cent and employers to 21.1 per cent, but with a review a year earlier, in 2020/21

The Pensions Regulator wrote to the USS trustee indicating that the conclusion of the 2017 valuation was at the very limit of what it considered acceptable and noting that if the scheme were to carry more risk it would wish to see contingency plans in place to fund the scheme, especially in light of Brexit and the potential outcome of the Augar review of post-18 education and funding and the associated potential cut to undergraduate fees.

In June, UCU warned of renewed industrial action if employers did not rule out both contribution increases and benefit reductions, in line with UCU's policy of "no detriment", and accused employers of failing to exert pressure on the USS trustee and the Pensions Regulator. Employers responded that to rule out detriment to scheme members would be unlawful, based on the expressed views of the Pensions Regulator, and that if they did, the increases in contributions scheduled under USS Rule 76 would be virtually guaranteed, because there would be no conclusion to the 2018 valuation. UCU said that if there were contribution increases to be made, employers should shoulder them in full.

In August 2019, employers proposed adopting a version of option three in which employers would contribute an additional 0.5 percent for two years (which would result in a member contribution of 9.1 percent) in exchange for the cancellation of the planned ballot for industrial action, with a further valuation in 2020. UCU characterised the offer as an attempt to ban strike ballots for two years, a condition it described as "ludicrous" (and which UUK called "misinformation") – and rejected it.

On 22 August the Joint Negotiating Committee decided to adopt option 3, increasing both employee and employer contributions to 21.1 percent for employers and 9.6 percent for members. The decision was not unanimous and the independent chair made a casting vote.

On 9 September 2019 the UCU ballot for industrial action will commence, incorporating action over both pay and pensions, following the failure of national pay negotiations to come to an agreement. The Universities and Colleges Employers Association (UCEA) has advised employers to implement pay uplifts from 1 August rather than awaiting the outcome of any agreement that may be reached as a result of the prospect of, or arising from, industrial action.