

Text of letter from Prof Robert Allison, Vice-Chancellor and President of Loughborough University, in response to the January 2018 consultation by Universities UK (UUK) regarding negotiations over the 2017-18 USS triennial valuation, with highlights added by UMUCU.

“Thank you for your email dated 21 December 2017 in which you seek comment on UCU’s benefit reform proposal, tabled to the JNC (Joint Negotiating Committee) on 19 December. I note that a decision is not expected to be made in the JNC until 23 January 2018 and that further negotiations between UCU, UUK and the USS trustee are expected to take place. I am pleased to provide the following comments to inform your stance in the negotiations.

Before commenting on the specific proposals outlined in your letter I would like to record my disappointment that the proposals tabled by UUK to the JNC did not more closely reflect Loughborough’s response to the previous consultation.

While I share the view of many in the sector that higher employer contributions to USS would be unsustainable and have a desire to ensure that the risk of higher contributions being required in extremis is minimised, I had hoped that moving to a zero salary threshold for defined benefits (essentially creating a defined contribution scheme in all but name) could be avoided with a more nuanced approach.

With so many interdependent factors at play I feel that the initial UUK proposal failed to demonstrate modelling of various options for accrual rates, contribution rates and DB salary thresholds and did not make the case for an extended deficit recovery period supported by the strong financial covenant offered by the sector.

I am informed by UCU locally that their modelling demonstrates that the September 2017 Technical Provisions would make it possible to retain an active defined benefit scheme without significant contribution increases, potentially avoiding any contribution rises at all if discussion were to also take place regarding the employer match and/or accrual rates. While I have not seen modelling to support this, it is my understanding the Pension Regulator would decline to opine on any particular set of assumptions while they remain hypothetical and so some of the de-risking that appears to have taken place between September and November, ostensibly in response to institutions’ response to the UUK consultation, should not be considered set in stone and could be revised.

In your email you cite a UCU formal proposal and make two specific calls for evidence. I am aware that the UCU proposals were tabled to the meeting but not proposed for a vote, at the request of the chair. Furthermore, I understand discussion at the JNC also included a call for a return to September technical provisions assumptions, this is not reflected in the proposals circulated in your email. I therefore believe that responding to the two points in isolation misses the important aspect of de-risking and revisiting valuation assumptions. I could indeed cite examples of how increased costs falling to the institution would inevitably results in cost cutting elsewhere, I am concerned that this distracts from a call to revisit more fundamental valuation assumptions while time still permits.

In summary, I urge UUK to maintain meaningful negotiations at the JNC, to aspire to the maintenance of a defined benefit scheme and to revisit valuation assumptions and/or the

deficit recovery period proposal rather than looking solely to contribution increases as an alternative solution. I consider it essential that negotiations continue for as long as may be necessary to achieve an agreement, even that means continuing discussions into March which could still ensure the USS trustee meets regulatory timelines.

I do realise that there are difficult issues to resolve here and this will require compromise from both sides. I must support my colleagues who are members of USS and have them at the forefront of my mind. In this regard, I can only urge you to more reasonably reflect a position (outlined above), which I believe to be in their best interests.”

The University of Manchester branch of UCU welcomes Prof Allison calls for an active DB scheme to be retained and for a return to the September Technical Provisions (TPs). The TPs were unaccountably changed in November despite the fact that in the previous UUK consultation 58% of universities declared that they were content with the level of risk they represented or (5%) could accept more risk. The UCU negotiators and trustees on the Board have been arguing for months now that returning to the September TPs, dropping the 1% match and extending the deficit recovery period by 2-3 years would go a long way towards permitting a DB scheme to continue without significant contribution increases. It is fantastic that another V-C has come out saying the same.

UMUCU also welcomes Prof Allison’s recognition that UUK has not fully explained UCU’s position to employers. As Prof Allison notes, UUK did not tell employers that UCU is calling for a return to the September technical provisions, which more accurately reflect the view of the majority of employers (in fact, 58% of them) regarding risk; as Prof Allison says, this means the consultation “misses the important aspect of de-risking and revisiting valuation assumptions”.

UMUCU urges Prof Dame Nancy Rothwell to make a similarly constructive statement and to share with staff the University’s response to the December-January UUK consultation. USS members have the right to know what the University is saying about their pensions; the University’s consultation response is not commercially sensitive information and should not be kept secret.