



29 January 2018

Dame Professor Nancy Rothwell
President and Vice-Chancellor
The University of Manchester

Dear Nancy,

I am writing to you on behalf of University of Manchester members of UCU concerning the dispute we have with you regarding the USS pension fund.

As you know, following the Chair's casting vote at the USS Joint Negotiating Committee (JNC) on Tuesday 23 January, the UUK proposals to fundamentally change USS from a Defined Benefit scheme to a Defined Contribution scheme was resolved without UCU agreement. UCU wants a negotiated solution if possible and we thought it would be useful if we set out the steps you could take which might help to resolve this damaging dispute.

The legal basis of our dispute with you is your failure to reach a collective agreement with UCU which protects the pensions of our members from detrimental changes. We would like you to publicly call for the reopening of national negotiations with the aim of retaining a decent Defined Benefit scheme and commit to increasing the University of Manchester's contributions if necessary to protect this valuable benefit. The current UUK proposal will not be finally endorsed by the USS JNC and Board until the end of June 2018 so there is plenty of time for further negotiations if the position of Universities UK shifts.

This national resolution is clearly UCU's preferred position, but it is substantially in the interests of this institution too. This is because if there is no shift in the national position and the UUK proposal is imposed, industrial action will continue at the University until this institution has met the legal terms of the dispute "to protect our members' pensions" as described above. The cost of doing that will be substantial.

To further aid you in your consideration of this matter we have set out as an Appendix to this letter, our calculations of the monetary losses over the course of their retirement for several typical staff profiles at this institution. A typical member of academic staff who moves from lecturer to professor in a thirty-year career stands to lose £208,000 over the course of their retirement. We have estimated that if the UUK proposal is imposed the typical lecturer would need a compensatory annual payment equivalent to at least four increment points to maintain their estimated retirement income at its current level.

We also all know that the University can afford to contribute more to maintain decent Defined Benefit pensions. The Financial Statements published in December show it is in a sound financial state with cash and total reserves many private corporations would envy

and, moreover, that it recorded a 91% increase in declared profit after overstating the University's share of the USS deficit in the previous year's accounts. Steve Dauncey has also, honourably and honestly, been good enough to admit that the University can afford to increase USS contributions, but does not want to because it would mean re-prioritising M2020, which as you know following last year's local dispute over redundancies is already very unpopular with staff.

Please intervene and contact UUK as a matter of urgency and request that they reopen negotiations, and please reassure staff of your commitment to them as the primary resource of the University by stating publically – like the Vice-Chancellors of Warwick, Loughborough, Glasgow and Bristol – that you want a compromise agreement that retains Defined Benefit pensions.

I would welcome the opportunity to discuss this matter with you as soon as possible.

Yours sincerely,

Gregory

Dr Gregory Lane-Serff
UMUCU President
The University of Manchester

cc.

Edward Astle, Chair of the Board of Governors
Luke Georghiou, Deputy President and Vice-Chancellor
Will Spinks, Registrar and Secretary
Karen Heaton, Director of HR
Stephen Dauncey, Director of Finance
Martyn Moss, UCU North-West Regional Official

Appendix = Estimates by First Actuarial of the loss of income from the UKK proposal over the course of a typical retirement

Member M1			
Scheme	USS – zero cap	USS - £55k cap	TPS
Tax free cash	£58,200	£58,200	£58,200
Pension	£4,600	£9,800	£12,300
Benefits received	£158,000	£270,000	£324,000
Contributions paid	£46,000	£46,000	£59,000
Difference	£110,000	£222,000	£265,000

Member M6			
Scheme	USS – zero cap	USS - £55k cap	TPS
Tax free cash	£118,600	£118,600	£118,600
Pension	£10,500	£17,800	£25,100
Benefits received	£346,000	£503,000	£662,000
Contributions paid	£80,000	£80,000	£109,000
Difference	£266,000	£423,000	£553,000

Member M10			
Scheme	USS – zero cap	USS - £55k cap	TPS
Tax free cash	£144,800	£144,800	£144,800
Pension	£12,100	£21,700	£29,900
Benefits received	£406,000	£614,000	£791,000
Contributions paid	£97,000	£97,000	£135,000
Difference	£309,000	£517,000	£656,000

Member M4			
Scheme	USS – zero cap	USS - £55k cap	TPS
Tax free cash	£102,400	£102,400	£102,400
Pension	£9,400	£15,400	£22,100
Benefits received	£305,000	£434,000	£580,000
Contributions paid	£70,000	£70,000	£92,000
Difference	£235,000	£364,000	£488,000

Member M7			
Scheme	USS – zero cap	USS - £55k cap	TPS
Tax free cash	£70,500	£70,500	£70,500
Pension	£5,600	£11,800	£14,900
Benefits received	£192,000	£325,000	£392,000
Contributions paid	£53,000	£53,000	£69,000
Difference	£139,000	£272,000	£323,000

Member M12			
Scheme	USS – zero cap	USS - £55k cap	TPS
Tax free cash	£15,600	£15,600	£15,600
Pension	£1,600	£2,300	£2,500
Benefits received	£50,000	£66,000	£69,000
Contributions paid	£13,000	£13,000	£16,000
Difference	£37,000	£53,000	£53,000

Example member calculations

University staff

Member	Brief description	Years' service
M1	Researcher, works point 30 to 46	20
M4	Academic lecturer, works point 37 to 43	30
M6	Academic, works point 37 to 50	30
M7	Professor, works point 37 to 48 then band C	20
M10	Professor, works point 37 to 48 then band C to A	30
M12	Academic lecturer, works point 37 to 41, leaves early	5

Directorate of Human Resources

16 February 2018

The University of Manchester
John Owens Building
Oxford Road
Manchester
M13 9PL

Dr Gregory Lane-Serff
UMUCU President

www.manchester.ac.uk

Dear Gregory

I am responding to your letter addressed to the President and Vice-Chancellor, Professor Dame Nancy Rothwell, dated 29 January 2018.

The University of Manchester recognises that the proposed changes to the benefit structure of USS is a difficult issue. Our commitment to increasing deficit contributions into the Scheme remains but the potential cost of future accruals is not sustainable.

Following over a year of negotiation between the employers and UCU we welcome the fact that the Joint Negotiating Committee (JNC) proposal includes the retention of the possibility of re-introducing the defined benefit accrual should the future funding position allow. The University, alongside many in the sector, share the view that higher employer contributions into USS would not be sustainable or reduce the level of risk.

As you know, negotiations between UCU and Universities UK (UUK) have been ongoing for the past year with both sides having met over 35 times to discuss the 2017 valuation. The deadline accepted by both parties for making a decision was extended twice. The JNC, the formal and legally established forum for deciding on changes to USS, reached a decision on proposed benefit reforms in January 2018. The proposal, accepted by the USS trustee, will now be consulted on with affected employees and their representatives starting in March.

UUK is duty bound to respect the JNC process as set out in the USS rules and, which I understand, all parties have signed up to. The timetable for reaching a decision in the JNC was aligned to the statutory timetable which the Trustees must adhere to in order that the valuation be submitted to the Pension Regulator by 30 June 2018. This is already strained given the extensions to the negotiations which have already taken place.

Whilst the University does not agree with your position it does recognise the legal rights of our staff to take strike action on this very important issue.

We will however be entering into a consultation process with the Trade Unions in March on the proposed changes.

Yours sincerely



Karen Heaton
Director of Human Resources

From: Adam Ozanne

Sent: Tuesday, February 20, 2018 4:19 PM

To: Joanne Taylor; Karen Heaton

Cc: President; Gregory Lane-serff; Philippa Browning; Aneez Esmail; Kamie Kitmitto; University and College Union; Martyn Moss

Subject: Letter from Karen Heaton on behalf of President

Dear Karen,

Thank you for your letters of Friday 16th February in response to Gregory's letter to the President of 29th January and my email of 16th January. We appreciate your taking the time to respond on the President's behalf though, frankly, we are also somewhat disappointed that, unlike many other Vice-Chancellors, she will not reply herself when so much is at stake for staff, students and the future of the University itself.

UCU members will be even more disappointed to hear that the President is unwilling to write to UUK to say she is in favour of retaining the defined benefit pensions in this valuation period or to request that UUK reopen negotiations with UCU to that end. We are a large, important University and what we say would count nationally; it might even sway the balance and help avoid the strikes due to begin on Thursday.

Just yesterday, another Vice-Chancellor joined the V-Cs of Warwick, Loughborough, Bristol, Birkbeck, Strathclyde, Glasgow and Goldsmiths in calling for negotiations: Prof. Anthony Forster of Essex University calls for a "principled compromise" to avoid a "costly strike that will be painful and disruptive to all sides" and says university employers must "step up to the plate" to safeguard the defined benefit part of USS. Staff here at Manchester cannot comprehend why you, the President and the rest of the SLT are so determined to get rid of defined benefit pensions and unwilling to push with other V-Cs for a negotiated settlement before it is too late.

To reiterate a few key points:

1. As Prof. Forster says, the "USS trustees are being overly prudent in their [2017 valuation] assumptions, which will potentially undervalue assets and overestimate potential liabilities".
2. In your letter to me you claim that a "majority" of employers stated in their response to the UUK consultation in September that they did not want to see an increase in employer contributions. This is not true: 42% – the percentage of employers who said they wanted the "overly prudent" changes to the valuation assumptions that increased the purported deficit by over £2 billion between September and November 2017 – is not a majority.
3. Returning to the September assumptions (the "technical provisions") and modest increases in contributions of 2% by employers and 1% by employees would enable an acceptable level of defined benefit pensions to be maintained (and be eminently affordable to our university given that its operating surplus went up by over 90% last year largely due to the fact that its share in the USS deficit was erroneously overstated by over £40 million in the previous year's accounts).
4. Most staff at post-1992 universities, such as MMU, pay 9.6% or above into the Teachers' Pension Scheme (TPS) for their defined benefit pensions and there is no reason to say that staff in pre-1992 universities like Manchester would not be willing to do likewise. (At the very least, the University should have asked staff before telling UUK that USS members here would not be willing to do so.)
5. Your letter ignores a key risk involved in switching from defined benefit to defined contribution pensions: the haemorrhaging of USS members as they realise better pensions are provided by TPS universities and elsewhere. (If you need confirmation of this, please see [this research paper by Brown and McInnes \(2014\)](#), which investigates what happened in Canada, the USA and Australia when DB schemes were switched to DC, as is proposed for USS; its key finding is that none of the stakeholders – employers, employees, taxpayers or society at large – were better off.)

6. As I am sure you will know, UCU has agreed to enter into negotiations mediated by ACAS but, regrettably, UUK has declined because, it says, it has no mandate to negotiate from V-Cs. **Our central demand is that the President write to UUK stating unequivocally that she is in favour of retaining defined benefit pensions and requesting that UUK seek meaningful negotiations to that end.**

Finally, you appear to have misunderstood one other minor point. When I requested that the President share with staff her response to the “recent” UUK consultation, I was referring to the consultation that ended just before the JNC meeting on 23rd January, not the September 2017 UUK consultation. You kindly shared the latter with UCU, but have not sent us the former. USS members across the University, irrespective of whether they are UCU members or not, are entitled to know what their employer is saying about the future of their pensions. I would be grateful therefore if you could share the University’s January response by return.

Kind regards,

Adam

Dr Adam Ozanne
UMUCU Branch Secretary
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<http://staffprofiles.humanities.manchester.ac.uk/Profile.aspx?ld=adam.ozanne>

“Power and Neoclassical Economics: A Return to Political Economy in the Teaching of Economics”, Palgrave Macmillan, 2016. Available from: <http://www.palgrave.com/gb/book/9781137553720>

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