

Dr J Grady
General Secretary
UCU
Carlow Street
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By email

10 November 2021

Dear Jo,

UCU proposed outcome to the USS 2020 actuarial valuation

Thank you for your letter dated 8 November 2021.

We remain extremely disappointed that UCU continues to press ahead with plans for industrial action, and that you will personally be recommending a programme of strike action this term together with further ballots, at your Higher Education Committee (HEC) meeting on Friday. I would urge you to reconsider. After a very difficult 18 months caused by the pandemic, students do not deserve any further disruption through industrial action.

We both know that without changes to the scheme, the USS Trustee has confirmed that it will have to impose further rises in contributions in April 2022, which would increase the member contribution rate substantially each 6 months up to 18.8% of salary from October 2025 – leading inevitably to opting-out with employees missing out on valuable workplace pensions. Similarly, the employer rate would have to increase significantly too (to 38.2% from October 2025), all of which is likely to lead to a series of escalating and material cuts in other areas of university budgets, impacting jobs, research, and the student experience.

While employers appreciate that nobody wants to see a reduction in their future pension benefits, it is clear that the alternative is worse. That is why employers have had to propose changes to future benefits, whilst also pledging additional backing for the scheme to lower cost and make accrued rights even more secure. We cannot act in denial of the problem - no change just isn't an option.

The voice of universities

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In your letter you call on UUK to consult employers on three aspects:

- 1) Withdrawing the employer proposal without providing an alternative would only serve to increase both the member and employer contributions rates to unaffordable and unsustainable levels, with the consequences I outline above. I reiterate, if you have a viable and affordable alternative proposal it would be very helpful if you would share this with our UUK JNC team as soon as possible, and I can then arrange to seek employer views on it.
- 2) Employers are already paying higher contributions to the pension scheme, which have risen from 18% in 2017 to 21.4% of salary (and from 8% to 9.8% for members). There has been no change to future benefits during this period. Additional covenant support has been provided by employers which is worth £1.3 billion a year in contribution terms. We hope that contributions can return to more stable, sustainable and affordable contributions levels in future years – and repeat our wish to work together on lower cost and flexible options for members, and to explore alternative scheme designs such as conditional indexation.
- 3) In terms of a 2021 valuation, you will have read the USS Trustee’s indicative [assessment](#) of the financial position of the scheme as at 31 March 2021. Our colleagues at the JNC have discussed this at length with the USS team over the summer. We have taken actuarial advice from our advisor, Aon, and shared this with you. The Aon advice recognises that it is the USS Trustee which has the legal duty to decide on these issues, and concludes that they see no merit in a 2021 valuation given that this is unlikely to result in a substantively different outcome. The clear view expressed by the USS Trustee itself in its briefing is that there would be no material difference in the required contribution rate (in fact it would be slightly higher than now). It would be helpful if you were able to share any professional advice you have taken which indicates that a 2021 valuation could credibly lead to a better outcome, which the USS Trustee might find acceptable and which it might consider would warrant a new valuation (and which would also be compliant with pensions regulations).

Ahead of your discussions at your HEC meeting on Friday, I would wish to point out that employers are currently consulting with all scheme members and all those eligible to be in the scheme (and of course with representative bodies). This consultation is with a considerably larger population than those potentially involved in industrial action. We are mindful of the need to give everyone the opportunity to have their say on the proposals, and we are therefore encouraging the wider membership of the scheme to share their thoughts on the proposed changes through their employer consultations which run until 17 January 2022.

I welcome the continued dialogue between ourselves and indeed between the negotiating teams involved in the JNC on these issues. And once again, if you have a viable and costed alternative proposal for reform that you would like to be considered by employers, we would be happy to consult all 340 USS employers on this, even at this late stage in the valuation process.

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Jarvis', with a long horizontal flourish extending to the right.

Alistair Jarvis
Chief Executive