

9 February 2022

Dear Martin,

Thank you for your email to Mike and the committee dated 21<sup>st</sup> January 2022. By now I'm sure that you will have seen that the University and College Union (UCU) [issued a set of new proposals](#) for the Universities Superannuation Scheme (USS) on 26<sup>th</sup> January 2022 which are aimed at averting widespread industrial action across UK campuses in February and beyond.

These new proposals would see retirement benefits protected in return for a small increase in contributions for both members and employers ahead of a new evidence-based valuation of the scheme. A USS consultation of scheme members concluded on 17<sup>th</sup> January 2022, and UCU understands that a significant majority preferred increasing contributions of members and employers in order to protect benefits over the alternatives, including benefit cuts. Moreover, USS confirmed on Thursday 20<sup>th</sup> January that its assets have jumped to over £92bn, more than £25bn higher than the previous valuation.

Last year UCU tabled proposals that would have protected benefits and averted December's strike action, but Universities UK (UUK) refused to provide the same level of covenant support to underwrite UCU's proposals as they provided for their own. This has been a repeated point of contention in our meetings and seems to have been subject to misinformation.

I think it is important to make clear that [UCU tabled costed, formal proposals as agenda item 3.2 of JNC papers](#) for the meeting of 13<sup>th</sup> August for discussion. Subsequently, Sam Marsh, USS UCU negotiator, [offered to update](#) VCs on the proposals. The alternative UCU proposals are detailed alongside UUK cuts clearly in the table in [this WonkHE article](#).

Despite UCU having tabled the proposals at JNC however, UUK refused to provide covenant support for any proposals other than their cuts. Whilst these UCU proposals operated within the catastrophic 2020 valuation, they are now superseded by [the dispute letter](#) which calls for withdrawal of the cuts under the lower-cost backstop, and a 2021 valuation. These proposals will be sent, fully costed, to JNC for 11<sup>th</sup> February.

In brief, UCU's proposals are as follows:

- That UUK call on USS to issue a moderately prudent, evidence-based valuation of the financial health of the scheme as at 31<sup>st</sup> March 2022, to be issued for consultation in June (at the latest).
- That employers agree to provide the same level of covenant support as for their own proposals to facilitate a cost-sharing of current benefits throughout the 2022/23 scheme year, starting 1<sup>st</sup> April 2022 at 11% member/23.7% employer until 1<sup>st</sup> October 2022, and 11.8%/25.2% thereafter.
- That employers agree to pay a maximum of 25.2% and members a maximum of 9.8% from 1<sup>st</sup> April 2023 so as to secure current benefits or, if not possible, the best achievable as a result of the call on USS to issue a moderately prudent, evidence-based valuation.

Mike Otsuka, a UCU USS negotiator, has written [a blog post](#) that outlines the logic behind these proposals. In short, Otsuka recognises members' preference for keeping USS benefits even at the cost of a modest increase to contributions in line with the current valuation. However, he also

makes the argument that the level of prudence governing the level of contributions needed to guarantee the pension's long-term security is really what is at stake in negotiations. Stipulating 'moderately prudent' would ensure USS calculations do not reproduce the results conditioned by the unreasonably high level of prudence assumed in the last valuation.

We are writing to ask whether you would support UCU's proposals instead of UUK's plan. Under UUK's plan university staff would see an approximate 35% cut to their guaranteed retirement income based on a flawed USS valuation conducted in March 2020. We understand that you and Prof. Cox would like to see a change of Trustees before a new valuation is carried out, and we have discussed how important a change in Trustees is - I take it that we agree on this point. However, UCU believes that we cannot wait until the process of changing the Trustees has been completed to guarantee affordability of the scheme (particularly given the recent jump in USS assets - please [see this post](#) by Sam Marsh on the historic unwillingness USS has shown to accurately model its asset growth).

I appreciate the short timeframe, but we would be grateful for a response from you by the end of Friday 11<sup>th</sup> February and the beginning of our new round of strike action. Active pressure on UUK from member institutions is all the more important given their refusal to consult institutions over UCU's proposals. It is difficult to see how we can resolve the USS situation without them doing so.

Yours sincerely



Chris Henry (on behalf of the UCU branch committee)