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Alistair Jarvis
Universities UK

Sally Hunt
University and College Union

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Dear Alistair and Sally

In my letter to you of 22 February, I asked that UUK and UCU come together to discuss resolution of the current USS dispute. I am grateful that you did so and that you worked constructively towards a revised proposal. However, the subsequent rejection of that proposal, including by my colleagues, demonstrates a gap between staff and those negotiated outcomes.

Over the past week, I have held a Staff Open Meeting and spoken to individual members of staff and union members. I have listened carefully to what they have told me and I have appreciated their passion and concerns about the current dispute. I write to you to share my understanding of their concerns; concerns which I share.

Many colleagues who took part in strike action have told me that they did so reluctantly. Such is the strength of feeling, some took part in action for the first time in their career. With a passion for their subject and a steadfast commitment to students, many colleagues feel conflicted.

Colleagues made a significant sacrifice following the 2014 valuation and the introduction of the hybrid scheme. At the time, they saw the reduction in future pension provision as a worthwhile sacrifice that protected a proportion of their pension through the defined benefit route. They are now dismayed at the effective loss of the defined benefit element in the original proposal. This is underpinned by doubts about the 2017 valuation.

2017 valuation

Many colleagues are concerned about the validity and robustness of the 2017 valuation. To restore credibility in the valuation methodology, I fully support the commitment shown by UUK and UCU to convene an independent expert valuation group.

There are two other actions I would ask to be considered.

First, the valuation proposes a strategy of de-risking, reducing equities from 85% to 70%. Whilst understanding the prudence that needs to be applied by USS to its forecasts, I share concerns about the negative consequences of rapid de-risking which, over a relatively short period and at a time of economic volatility, is itself a risk. This de-risking is in part based upon consultation with employers about future levels of risk, but it is hard for us to define a measure of risk without understanding how this and other assumptions could impact upon the pensions of our staff. Risk and reward need to be considered



together. Therefore, I encourage you, with USS, to model different levels of risk which may lead to alternative, fully-costed proposals; proposals that Royal Holloway, University of London, would be prepared to consider making a balanced judgment around risk and reward.

Second, some clarification on terms used in the valuation would help restore staff confidence in the valuation. For example, by making it clear that 'future pay increases' relates to national pay settlements together with increments and promotions. For many staff, a figure of around 4.4% is unrecognisable when compared to recent national pay settlements.

Defined benefit

In moving to the hybrid scheme after the 2014 valuation, colleagues have been planning a financial future that is based upon retaining an element of defined benefit. Alongside the validity of the 2017 valuation, it is the retention of defined benefit that is most important to them.

The revised proposal moved some way to restoring a defined benefit element, albeit with some benefit changes and increased cost. I support a commitment to continued inclusion of a defined benefit element, with a meaningful threshold and benefits, as far as is practicable. As I have stated before, Royal Holloway is prepared to consider fully-costed, revised proposals. In the short-term, we would be prepared also to consider a modest increase in cost, should no other option be viable, pending a longer-term resolution to the funding of the scheme.

Colleagues tell me that the rejection of the revised proposal was, in part, because it outlined future exploration of risk sharing alternatives, without first committing to consider the scheme's ability to retain a meaningful defined benefit element at the next valuation. I ask that a clearer commitment is made to exploring retention of a defined benefit element as a preferred option at the next valuation.

Finally, I trust careful consideration is being given to assessing the equality impact of any proposal on staff with protected characteristics.

Next steps

We are at a critical point in this dispute, and there are many challenges ahead on which we will need to work together. I encourage you to restart negotiations, so that we can bring an end to the disruption of our students' education and lives of our staff and to start to work together on the challenges ahead.

As we move forward, USS and the Pension Regulator will need to show flexibility and we will join in any call to encourage this.

Yours sincerely



Professor Paul Layzell
Principal

cc: Chris Howorth, School of Management and UCU Branch Chair
Greg Barnett, UCU Regional Officer