

Our Ref: VC-MC-2021 05 13 UCU

13 May 2021

Sent via email: ucu@soton.ac.uk

Lucy Watson
Southampton UCU Executive Committee
University of Southampton
47 University Road
Southampton, SO17 1BJ

Dear Lucy,

Thank you for your letter of 7th May 2021 regarding the USS valuation. You raised concerns around the use of the UUK eligible members' survey to collect feedback on the consultation proposals. I have set out below our response to these concerns which I hope confirms the discussions you have had with us during the process at the informal meetings held and with Pensions Committee which I would remind you is leading on our response to the consultation. You have the opportunity at both the informal meetings with senior colleagues leading on this and with the offer from Pensions Committee to raise these issues. I will copy this correspondence to them so that when they next meet if you want you can further raise this with them.

We are very committed to engaging with all eligible members of USS during this valuation and with UCU in representing the views of a subset of the total, such that I hope you appreciate the efforts we are making in reaching out to the full eligible USS membership. Engagement in the process and seeking feedback extends across the whole valuation process and the survey is just one step in the process. In advance of the launch of the UUK consultation we held a series of eight on-line briefings, ensuring we used the benefit of the on-line Teams meetings to reach out to Faculties and Professional Services, and making sure we included early career researchers and international staff to get focused engagement with each group of staff. The sessions were well attended, and engagement was active with comments and feedback in the meeting chat, with a range of questions and views raised. This activity helps to build the understanding and the engagement of staff, as well as helping the University form a view.

At this stage in the valuation process we have not previously sought views and input via a survey, but given the nature of the valuation outcomes and the impact of home working we felt it sensible to use the tool offered by UUK. We decided to use it un-amended to ensure we could distribute it quickly to staff to give sufficient time for their consideration and responses and for us to use the feedback in the University's consideration of its response. With only a seven-week window for the whole consultation process and falling over Easter, getting it out was important. We also used it un-amended to ensure we were being consistent with other employers as we understood the majority of institutions to be using it in such a form and to avoid concerns from our staff that we were adding any of our own judgement into the questions. These reasons also explain why we stayed with a fixed responses format, rather than also encouraging narrative text comments to help ensure at this stage a swift analysis of responses. We have undertaken with you at the outset to reflect on your concerns on the questions and those of respondents in determining how to use the feedback. I understand that Pensions Committee are already aware from your first meeting with them of your concerns around the wording "regardless of cost". We will reflect on those concerns when considering the responses to the questions. The

survey is only to help us shape our response at this initial stage, and questions that are not helpfully worded can be appropriately accounted for in our response.


You make some interesting further comments that I do want to further reflect on. Firstly, on the University contribution of one fifth of salary, you state that current members are only concerned at the contributions for future benefits and that deficit recovery on past service is an obligation of the employer. Decisions at past valuations on benefits and contributions have led (in part) to the current deficits on past service and that past service is in respect of *current* members as well as pensioners. In the nature of a scheme with DB elements, decisions on these key elements drive the contributions of *each* in the future (unlike a DC scheme) part of what is being paid now is a reflection of that as this *part* of the scheme is mutual and not an individual identifiable pot. Moreover, as you may be aware the USS rules state specifically that changes in cost are shared between employers and members whether they relate to past or to future service benefits. Given all of this it is entirely appropriate to think of employer as contributing 21.1% of salary into your pension.

Then on the Investment Builder, members were made aware of the withdrawal of the match by the employer and have been able to make their own informed decision on continuing additional contributions above the scheme default level, they also choose which fund in the Investment Builder to subscribe to (or in the absence of a positive choice they join the default fund, which has an adjusted portfolio relative to a member's age and their proximity to retirement). Performance has of course varied across the different funds, and across asset classes, during the year that you refer to, as is the case with investment portfolios in different investment markets and economic cycles. It is not clear what exactly underpins your argument that removing the match contribution has affected the investment risk for members in the Investment Builder, and of course it is the returns that are achieved from investments over the long-term that are of most significance for pensions savers not short term fluctuations.

Finally, you refer to the USS proposals for covenant support being rejected by UUK. It is difficult to recognise that in the consultation document. Indeed employers agreed to the temporary rule change and to debt monitoring at the last valuation. What UUK is seeking to achieve is a workable benefit scheme and sustainable contribution levels for employers and members as a result of agreeing increased covenant support measures. UUK is testing in its consultation its understanding from employers that the proposals from USS do not deliver acceptable outcomes and therefore do not warrant the covenant measures being sought. There is certainly no outright rejection of increased covenant support, however employers want value for what would be significant measures.

We are clear that consultation and engagement with USS members are essential during the valuation process. Our commitment to working with UCU and with members remains firm, as we have evidenced with our extensive staff briefing process, our Sussed engagements and our ongoing work with UCU in JNC, contributions to Pensions Committee and with the focused engagements on pensions. We will continue to build on our past approaches and seek to engage effectively as widely as we can, hoping to use the advantages of remote working and on-line engagement. I will of course give a copy of this correspondence to the Pensions Committee as they have primary responsibility for forming a view as to our response to the consultation.

Best regards,

A handwritten signature in black ink, appearing to read 'Mark E. Smith'.

Professor Mark E. Smith CBE
President and Vice-Chancellor

cc Sarah Pook, Executive Director, Finance, Planning & Analytics
Anne-Marie Sitton, Executive Director, Human Resources