

07 May 2021

Professor Mark E Smith
President and Vice-Chancellor
University of Southampton

BY EMAIL

Dear Vice Chancellor

We are writing to express our concern about the adoption of the UUK survey as a mechanism for consulting staff on the proposed changes to USS. As far as UCU is aware, only half of the universities who have returned data so far are using this survey to gather members' views. Feedback from staff shows that the survey is partial, poorly framed, biased and unhelpful in a number of ways.

First, the survey is biased in the sense that it elicits only one possible answer which can be used to justify a freeze or reduction in contributions. One of the questions asks: Do you consider the promises provided by the Defined Benefit part of the scheme (the USS Income Builder) to be worth retaining going forwards, *regardless of the cost to you*? This is clearly biased since nobody could reasonably consider a cash benefit "worth retaining" "regardless of cost".

Moreover, it is misleading to state (3 on the questionnaire) "Are you aware that the University also contributed over one-fifth of your salary (21.1%) into your pension". What matters to current members is the amount the employer is willing to pay in towards building future benefits, and what that will earn; yet a significant share of the current contribution is used for deficit recovery. Deficit recovery associated with past service is an obligation on the employer, and it is essentially a matter between USS, TPR, and UUK. A question such as "If the level of contributions were to increase above the current rate would you consider opting-out of the Scheme, and lose the contribution that your employer pays into your future pension (equivalent to twice your contribution), in order to retain your own contribution and pay tax on it?" would have highlighted more clearly for staff what they would lose by leaving the scheme.

The reference in the survey to the USS Investment Builder is also unhelpful. The University needs to be open and to admit that, during the lifetime of the 1% "match" this was more attractive but, now the match has been withdrawn, members are more exposed to the considerable investment risk the default arrangement bears. This was demonstrated, for instance, by the steep decline in the USS Growth and Moderate Growth Funds' value in 2019. The University should be warning colleagues about the risks of the Investment Builder.

Finally, and perhaps most importantly, the survey offers no opportunity for members to express their views about the proposed changes to the USS in their own terms. Many members would like the University to push back harder against the existing valuation. It should never have been pushed through in March 2020 and using the most pessimistic assumptions for every part of it.

It is very worrying that UUK is rejecting almost all of the USS proposals for covenant support. It is to the University of Southampton's clear advantage to support commitments not to leave the scheme. Many members want the University to push harder on strengthening the covenant, by further committing to

the USS over the long term, by committing to lowering risk elsewhere (e.g. loans involving contracts that favour lenders over the USS, which appear to have spooked the USS trustees in recent years), and by committing to better recruitment practices (i.e. fewer casual contracts, which again seem to spook the USS trustees who worry this practice will reduce the supply of new members).

UCU sincerely hopes that consultation with USS members at Southampton over this issue, which has the potential to derail so much at the University over the coming year, will involve more than this survey. UCU welcomes that we have been invited to contribute to the University's Pension Committee and we value the constructive meetings we have had with Sarah Pook and most recently with Anne-Marie Sitton. We are committed to working with the University. Crucially, the University must commit to continuing engagement with UCU, which represents staff on this issue in negotiations with UUK and USS.

We look forward to hearing back from you regarding our concerns.

Yours sincerely

A handwritten signature in black ink, appearing to read "Hugh Sabin", with a horizontal line underneath the name.

On behalf of
Southampton UCU Executive Committee