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Dear Sally,

Thank you for your letter dated 1 February 2022.

I should say from the outset that I welcome the fact that UCU now explicitly recognises the USS Trustee's responsibility for evaluating the financial health of the scheme, and that, in making these proposals, the UCU recognises that the deficit is genuine and a material consideration for the sustainability of the pension scheme.

I should also say that this new UCU proposal has come forward inexplicably late in the day. As you will recall, I called on the UCU to share its proposal back in the summer of 2021, and our Director of Human Resources wrote to Paul Bridge, UCU's Head of Higher Education, on 27 September 2021 explicitly asking if he would share UCU's proposal in respect of the proposed changes to the USS, in order that we might in turn share those with colleagues for their information and consideration. That request was blankly refused.

It is, therefore, disappointing to be presented with a set of proposals from the UCU at this late stage of discussion and negotiation with a demand that I respond, under threat of further industrial action, within ten days with no acknowledgement whatsoever of the necessary internal consultation required.

Nevertheless, having considered it now in consultation with the President and Vice-Presidents of Council, colleagues on the University Executive Board, and the Director of HR, I will endeavour to provide as reasonable a response as the limited time allows. I have set out, below, my considerations of the UCU proposal contained in your letter.

The first element of the UCU proposal ignores several key realities, including:

The Trustee has already rejected earlier calls by UUK and UCU for a 2021 valuation, explaining that it operates under regulatory law and guidance and that it must have sound grounds for undertaking an out-of-cycle valuation. No such grounds are provided by the UCU for a 2022 valuation.

Even if such grounds were found, the UCU proposal is predicated on the valuation being completed by April 2023, which is completely out of step with the normal timetables and statutory requirements for such valuations.

Neither the UUK nor the UCU can force the USS Trustee to undertake a scheme valuation with predetermined conditions (‘moderately prudent’), nor is it clear what is meant by this.

Most fundamentally, the USS Trustee has stated consistently that it does not believe a further valuation at this stage would result in a material change. What follows next in the UCU proposal is not based on material evidence but on a (false) hope that a new valuation will make the deficit disappear.

The second and third elements of the UCU proposals include elements that make it impossible to implement:

The UCU proposal is not costed by the USS Trustee, and without this, it simply cannot be implemented by 1 April 2022. Furthermore, without such costing it is not possible to ascertain whether the proposed contributions would be sufficient to secure the existing benefits until 1 April 2023.

The UCU proposal would require formal approval by the JNC and then, as it proposes a rise in members’ contributions, a further statutory members’ consultation for a minimum of 60 days. This means that it is impossible to implement the UCU proposal by 1 April 2022. The UCU appears to have overlooked the most basic practicalities and statutory considerations in putting together this proposal at this late stage.

The second and third elements of the UCU proposals also include elements that are not reasonable, including:

Universities agreed, reluctantly, to an unprecedented level of covenant support to demonstrably strengthen the covenant under the clear understanding that the contribution rates would not increase further. To suggest that this strengthened covenant should apply in the face of a significant increase in universities’ contributions to 25.2% of gross salaries is not a reasonable demand.

The UCU describes the increase in universities' contribution as a "relatively small uplift" – at Reading this would cost at least £4.5m per year. This would be a significant blow to the collective hard work by many of us to address the University's financial challenges.

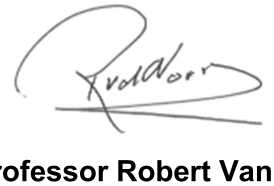
The UCU proposal pins employee contributions from 1 April 2023 at 9.8%, thus ending the long-standing and collectively agreed cost-sharing arrangement.

No one wants to see further industrial action that damages our students' learning and experience but avoiding that cannot come at any price. The scheme deficit is real, and the University has expressed its concerns about the sustainability of the USS scheme consistently and coherently over many years and through several valuation cycles.

The importance of a good pension to colleagues is fully recognised, but it is disingenuous to lead younger members of the scheme to believe that maintaining the current level of benefits is possible and/or realistic. I would urge you to join me in turning our collective attention and energies to ways in which the scheme can be improved to secure its long-term sustainability - for example, by developing more flexible options for members and for those choosing not to participate, and investigating alternative approaches, such as conditional indexation.

In conclusion, the UCU proposals are too late, inadequately justified and lacking any costing to be implemented by 1 April 2022. The proposal itself is flawed and would exacerbate funding challenges. Accepting the UCU proposal would only cause further harm by delaying the changes necessary to make the USS scheme financially sustainable. I cannot accept a proposal which is ill-judged, poorly timed and lacks any credible costing.

Kind regards,



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