

# JOINT STAFF NEGOTIATING AND CONSULTATION COMMITTEE

## SUBCOMMITTEE – USS CONSULTATION

**10 November 2021**  
**13.30-15.00**  
**Online via Microsoft Teams**

### MINUTES OF MEETING

#### **Present:**

Martin Atkinson; Director of HR and OD, Chair [MA]  
Jane Higham; Chief Financial Officer [JH]  
Wendy Green; Reward and Recognition Manager [WG]  
Chris Henry; UCU [CH]  
Triona Fitton; UCU [TF]  
Becky Verlin; G1-6 Staff Representative [BV]  
Paul Ducker; Unite representative (*from 13.45*)  
Gordon Vernon; Payroll and Payments Services Manager [GV]  
Balihar Sanghera; G7+ Staff Representative [BS] (*from 14.15*)

Karen Cherpin (minutes) [KC]

#### **1. Welcome and Apologies**

The Subcommittee consented to the recording of the meeting for the sole purpose of the completion of draft minutes.

MA welcomed everyone to the first formal consultation meeting on the proposed USS changes and welcomed Becky Verlin and Paul Ducker to their first meeting on USS.

All JSNCC representatives were invited to attend this meeting and have received invitations for all subsequent consultation meetings.

Apologies were received from Charlotte Ransom, Malcolm Witherbed, Maria Bakali, Russell Jordan, Emma French, and Paul Cornwall-French.

#### **2. Minutes of Meeting held on 15 October 2021**

The minutes from the last meeting were approved.

#### **3. Matters arising/actions from the last meeting**

Not included in the response was a comment from two of the members that the valuation assumes zero growth in assets over inflation over a 30-year period, which they said was disproved by the

fact that the growth rate in equities over the last year has been positive. This was not included in the consultation response as the point has already been addressed in the valuation FAQs by USS (this can be seen on the USS website 2020 valuation FAQs – FAQ 8 deals with this point).

**WG to respond to these two members (KC to advise names of individuals)**

Letter to UUK has been reviewed by CH and CR.

MA clarified the difference between the USS JNC and the University JSNCC.

#### **4. Terms of Reference (ToR)**

A formal ToR is not proposed. MA confirmed that the purpose of group is to act as a formal consultation body during the statutory consultation period on the proposed changes to USS, and includes all JSNCC representatives who may represent members or USS eligible staff. Although members are encouraged to respond directly to USS, representatives can also take member enquiries to discuss within the group. This is an employer-led consultation with members and eligible members of USS and members have the option to give feedback directly to USS. The group will have a finite life during the 60 day period of consultation which finishes in January.

It was agreed that the quorum should be at least two representatives, and at least two members of the management team. TF pointed out that both CH and herself are UCU committee members. It was agreed that there should be at least one, ideally two, UCU representatives and one staff representative at each meeting.

#### **5. The proposal for Change**

Document USS subJSNCC 2021-20 – notice of statutory consultation in relation to USS was discussed.

##### **Part 1 – Key Information**

##### **Summary of the JNC's recommended changes**

MA summarised the changes highlighted in the notice and drew the group's attention to the section in the consultation notice which shows the new contribution rates. A 0.5% increase in contribution rate has been applied and is shared between the employers and members. The members' contribution rate has gone up from 9.6 to 9.8% of salary from 1 October, and the employers' contribution has gone up from 21.1 to 21.4% of salary.

##### **Part 2 – Further Information**

All defined benefit schemes have to be formally valued every three years. A valuation was done in 2018, and a further valuation in 2020 (2 years rather than 3) which showed a deficit in the scheme.

The trustees said in order for the scheme to stay in operation, very significant increases in contributions would be needed; or a change to the benefits or a combination of both, plus a strengthening of the employer covenant. The valuation is being contested and challenged within the consultation responses. The valuation has, however, been signed off. If the consultation results in no agreement to the benefit changes, the scheme would revert to the previously-advised contribution rates.

The changes are discussed in detail within the document. Note was made by MA to the fact that these changes will not impact benefits built up before April 2022.

JH noted that the communication to members does not include information on the additional work that is going to continue between now and the next valuation around lower cost and flexible options for members and potential alternative scheme designs such as conditional indexation and a governance review around USS that the University feels is required in advance of the next valuation.

It is important to ensure the pressure is kept on for these things to happen. Before the next valuation happens, it is important that the governance issues are addressed as there is a danger of getting the same result again and locking it in for a further three years.

CH asked for clarification regarding the communication that has been sent to USS members and staff who are eligible to join USS. WG confirmed that the communication had been sent out prior to the start of the consultation to members, eligible staff and representatives (on 27<sup>th</sup> October 2021)

## **6. The fall-back position**

The consultation is a process of seeking members' views and potentially making changes to the proposals.

The fall-back position would see contributions rising every 6 months from 1 April 2022 to 1 October 2025. This would be detrimental to both the University as an employer, and to members who may consider leaving the scheme as a result. This applies equally to staff eligible to join the scheme who may choose not to. The fall back is therefore not in the University's interest nor the employees' and the University is not able to pay pension contributions to any other scheme due to USS rules.

CH expressed scepticism of the argument that there is not enough time to stop the changes and run a new valuation.

JH responded by saying that the Pensions Regulator was applying pressure to the USS trustee to file the valuation that was already late. The proposal around benefit reform had been agreed by casting vote in the JNC and presented a means of closing out that valuation on the basis of this benefit change.

There is a statutory requirement to consult on the proposal, but due to pressure from the Pensions Regulator, the trustee could not wait for the outcome of the consultation. A fall-back position of increasing contributions has been put in place which needs to be avoided if at all possible. We need a better outcome for USS members. If there is a lot of pressure put on the JNC in this consultation process, to take this benefit reform deed back off the table, the fall-back position is where we will end up.

## **7. Consultation information, resources, timeline and feedback mechanisms**

The consultation plan was presented at the last meeting.

- The statutory notice has been sent out to USS members, and eligible members
- An email was sent out on 10<sup>th</sup> November 2021 signposting staff to our local consultation site.
- Details of a staff webchat that will take place on 7<sup>th</sup> December have also been circulated. Rebecca Dodd from Mercer will give a presentation on the proposal for change.
- There are three subJNSCC meetings during the consultation.
- Alan Gazzard will be running pensions surgeries in December.

- The USS website has a modeller that staff can use and there is an FAQ section on this website. Staff can register their responses on this website and we can collect and put forward questions on members' behalf or find answers.
- We can start our own FAQ page if there are recurring queries.

CH questioned the use of Mercer as independent advisers and forwarded the following statement from a USS report to the group:

*In addition, we have partnered with Mercer to offer a range of specialist webinars that provide our members with free guidance. This complements the new features on the members' section of the site with topics such as how USS works, pensions taxation and tax planning, and support for members' retirement planning. The sessions have been developed in collaboration with our participating employers to make sure they provide the correct information in a way that works for members. [p9]*

*The SIP was finalised in September 2019 following consultation with the scheme's participating employers and receipt of investment advice from its external advisers, Mercer (see Section 1.4) both as required by legislation, and assistance from its principal investment adviser, USS Investment Management Limited (USSIM) (see Section 1.3). [p101]*

*For the year ending 31 March 2021, the scheme's external investment advisers/consultants were Mercer (DB matters) and LCP (DC matters). [p102]*

<https://www.uss.co.uk/about-us/report-and-accounts>

WG responded by saying that Rebecca Dodd's presentation will just be laying out the facts. CH added that that the information given in the last presentation was presented as a fait accompli.

MA noted that Mercer is a very large company and advises USS as investment consultants. Rebecca Dodd is not part of this consulting arm of Mercer. She is entirely separate. MA noted, however, that if this is something that could potentially deter staff from attending, further consideration would be needed.

TF noted that the last webchat was too much of a presentation. She had met recently with students and there were some questions about the pensions disagreement. She pointed out that from these discussions, it is clear that some students who work at the University would consider leaving the scheme, as would new joiners. If the University presents the facts as only two bad options, this will be detrimental, and the University should show clearly that it supports the legal challenge.

MA pointed out that depending on the career stage, it might not be a good option to leave the scheme as there may not be a better option elsewhere and the University cannot pay into another scheme for employees eligible to join USS.

It was agreed that the webchat should be more of a conversation rather than a presentation, with more time needed for Q&As. Rebecca Dodd's presentation should be no longer than 30 minutes so members have sufficient opportunity to ask questions.

MA suggested a pension slot could be included in the weekly staff newsletter, and it was agreed that we should keep signposting the pensions web pages to staff.

Other issues of governance review, low cost options and the other reforms that will be looked at need to be on the webpages too to add a little more context.

**Action: WG/KC to add information to the web pages**

## 8. Any other business

CH asked for any follow up comments to the questions he posed in his email regarding support from the University to the two calls made in the UCU ballot. These are:

- 1) An agreement to revoke UUK's proposed cuts to the Defined Benefit pension that were approved by JNC resolution on the 31 August 2021, and not to replace them with any alternative set of changes to benefits and/or increases in member contributions, unless this replacement has the agreement of UCU.
- 2) A public call on USS to issue an evidence-based, moderately prudent valuation of the financial health of the scheme as at 31 March 2021.

CH added that he appreciated point 1 would be more difficult for the University to support, but should refuse the decrease in benefits and the increase in contributions, as the valuation was faulty to start with.

With respect to the second point, MA noted that if there was a governance review that included a change to the way the valuation is conducted; the transparency of the valuation and the assumptions that go into the valuation, it would not be a far stretch to return to this position. However, he added that there is little point having that valuation as at 31 March 2021 unless there has been a governance review first and these issues have been addressed.

MA agreed with CH that the first point is more difficult for the University. If the proposal that is currently on the table is removed, we would return to the fall-back position which would need to be removed as well. If we could have a moratorium on any changes, leaving the scheme as it was with no increase to the contributions, the University could potentially support a call that there should be no changes to the benefits until it has been resolved. But, if we take off the table the proposed changes that are already there and out for consultation, we are left with huge hikes to contributions, which would be an issue.

JH commented that time is not on our side. We do not feel that without any governance changes we would see a materially different result - in fact it could be worse.

While we do not wish this to be presented as an either/or, this is how USS is looking at it. If we had a longer timescale to try to resolve this, we would perhaps be in a different position, but this is not the case.

CH asked JH and MA why they thought UCU had put these two demands on the ballot paper.

MA put forward the possibility of establishing another Joint Expert Panel (JEP) to look at the valuation and the structure of the benefits in order to come up with a proposal. Another JEP this year would allow a few months' breathing space, e.g. 6 months from April. This would avoid the need for strikes which will be very damaging to students. It was noted that the recommendations from the last JEP have not been fully implemented.

### **Action: MA/JH to talk to KC about these points.**

MA questioned if we were able to answer these demands locally, with some provisos, could strike action be avoided? CH said he could not speak on behalf of the committee but the demands on the ballot paper are clear and if the university fulfils the demands on the ballot that is generally grounds to strike off a strike. The ballot demands would need to be met.

TF added that a sense that no other option is coming across and would like the University to show that it is with staff. Passive communications are not working. She added that students also read these communications.

### **9. Dates of next meetings**

14 December 2021 @11.30am

11 January 2022 @11am