

Employers Pensions Forum

for Higher Education

8 March 2011

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Dear Sally

USS Reform process

Thank you for your letter of 4 March relaying the outcome of your ballot on USS issues and requesting further negotiations at Acas. Firstly, I note that the issue balloted upon was the “proposed detrimental changes to USS and retaining comparable pensions benefits” at each institution and not the package of reforms that has been endorsed by the USS Trustees. This is an important distinction, as it is now clear that UCU is not pursuing the dispute issue it chose to identify.

As you will know, the USS rules provide a formal process for negotiation and the UCU is an equal partner in the JNC. The negotiations relating to the package of reforms has been lengthy, running for nearly three years firstly through a Joint Review Group and latterly in the JNC.

Following the JNC and Trustees approval of a package of scheme changes, a formal statutory consultation with scheme members was carried out in late 2010. As a result of the consultation the Trustees incorporated some important modifications to the proposals which included a significant extension of the period for rejoining the final salary section and an increase in the inflationary caps for pensions in payment, deferred benefits and CARE accrual.

As these modifications acknowledged and dealt with the key issues expressed by members of the scheme in the consultation, we anticipated that UCU would be satisfied, on behalf of all the scheme members that the USS Trustees’ concluding package of reforms was reasonable and measured. It should of course be acknowledged that this package has already been agreed by due process, including full representation by UCU at the JNC and Trustee Board. It has been consulted on with all members of the scheme (not just those in UCU) and been improved significantly as a consequence, especially when compared to other pension schemes. It is also disappointing that UCU has chosen not to explain to its members the extent to which the reforms have been modified following the consultation.

We are very concerned that the UCU representatives have declined to discharge their responsibilities for governance of the scheme by not participating fully in recent JNC meetings and indeed declining to attend the meeting held on 2 March. We feel it very important that the formal USS processes are not undermined and are allowed to proceed.

Against this background, we are not persuaded that it is appropriate to re-open formal negotiations, even with the involvement of Acas, on changes that have been developed

through discussions involving UCU over nearly three years. These were approved by the JNC in July 2010 and then by the USS Trustee Board (both involving full UCU representation), fully consulted upon with all members in accordance with legal requirements and then modified and again endorsed by the USS Trustee Board.

Since July last year, there have been three major developments, namely: (a) a massive cut in HE funding from the government, making the financial position of UK universities much more difficult; (b) the plan in England to introduce much larger student fees, with explicit reference to this funding not to be used for pay and pensions; and (c) the impending Hutton report which is likely to change the pension scheme benefits and increase members' costs across the whole of the public sector (following similar impacts throughout the private sector in recent years).

Our key concerns are that:

- The cost of providing the current scale of benefits under USS has risen considerably since the scheme was established in 1975. Much of this is due to increased life expectancy as on average USS pensioners receive their pension for 13 years longer than they did in 1975.
- The only way to make sure that USS remains affordable, for both members and employers, while continuing to be able to provide high quality benefits, is to introduce reforms to benefits for future service and such changes have been kept to a minimum for existing members.
- It is important to note that the provision of a final salary-based pension for current USS members remains and has also been retained for those who leave and return even when that is for up to two and a half years.

We very much hope that UCU representatives will rejoin the USS decision making process, in which UCU, representing all scheme members, has a unique and important role. There are substantial pressures on the sector and we consider that it is in the interest of all involved in the scheme and the credibility of its processes that the scheme is able to bring this lengthy reform process to its final conclusion. We do not believe that industrial action is an appropriate step for UCU to take. We do not agree that students and their parents will share your view that there is 'no choice' but to strike, particularly given the important safeguards of the provision of a final salary pension for all current members and the exemption of those over the age of 55 from the change in the normal pension age.

I hope these comments are helpful in explaining the employers' position.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'B Cantor', with a horizontal line underneath.

Professor Brian Cantor
Chair of EPF