National Dispute Committee (NDC) report to Superannuation Working Group (SWG)

The NDC notes and commends the sacrifices of UCU members in taking strike action to reject proposed and unnecessary changes to the USS pension scheme. The NDC welcomes the SWG statement on the JEP report. The issues considered by the NDC to be crucial for the SWG to address are as follows:

1. The NDC believes that in light of the Joint Expert Panel (JEP) findings (specifically page 29) and other publicly available analysis from multiple sources—including British Economist and Ex Governor of the Bank of England Mervyn King, alongside individual academics such as Sam Marsh and Mike Otsuka with specialist knowledge, that the employer consultations overseen by USS and Universities UK have misled employers, Scheme members, and the public about the health of the Scheme and the nature of employers' risk appetite.
2. The NDC believes that Test 1 is fatally flawed and should not be used in any further valuations. USS should engage transparently with the SWG over Test 1, and share all data and working out with the SWG. Moreover, the NDC recommends the SWG push USS firmly on this matter. Failure by USS to share data with key stakeholders continues to create mistrust and is counterproductive to resolving the USS dispute. USS has, for more than a year, failed to grant employer and member requests for crucial asset growth projections. These projections fatally undermine USS's central argument for its proposed 10.6% contribution increase. They also seriously call into question whether there is any deficit at all and any need for any increase in contributions whatsoever.
3. In light of considerations 1 and 2, the NDC resolves that USS does not have a basis for its claim that the proposed 10.6% contribution increase is necessary. By continuing to use Test 1, USS is damaging members' trust in the Scheme and compromising the Scheme's long-term health. The NDC believes that the SWG must challenge the continued adherence by USS to Test 1.
4. USS must consult employers again, making clear to them that previous consultation documents implying the existence of a deficit and the need for a contribution increase were based on incomplete data and erroneous assumptions and analysis.
5. The NDC notes the multiple additional layers of prudence identified in the JEP report that have contributed significantly to the purported deficit in the November 2017 valuation. The NDC believes that the changes suggested by the JEP are not sufficient and that the SWG should push USS and UUK for further adjustments and full justification of all assumptions.

6. The NDC notes the JEP finding that Test 1 drives the shift to a low return asset portfolio and the doubts expressed by the JEP regarding the necessity and wisdom of this approach. The NDC also notes findings by Sam Marsh and First Actuarial that the scheme would be in surplus and no increase in contributions would be required if the current asset portfolio were retained. Accordingly, the NDC believes the SWG should reject any valuation based on increased investment in low return assets.
7. UCU and its advisors, in negotiations prior to September 2017, raised many of the deficiencies in the November 2017 valuation identified by the JEP. Many were in fact raised during the 2014 valuation. Had these long-standing concerns been properly addressed in a timely manner the industrial dispute need never have occurred.
8. NDC observes that the JEP phase 1 report does not engage sufficiently with issues of equality and regrettably restricts its consideration of equality to intergenerational equality. NDC urges the JEP and particularly urges UCU-nominated members of the JEP to consider broader areas of UCU equality policy, particularly given that any contributions increases or any detriment to DB pensions arrangements have a disproportionately adverse impact on equality and precarity.
9. NDC notes that neither phase 1 nor phase 2 of the JEP report engage with evidence of employer underpayments over a decade and the associated losses in investment returns to the Scheme. NDC directs UCU leadership and SWG to formally investigate these underpayments, associated investment losses and the lack of governance accompanying underpayments including failings by trustees to behave prudently at times of changes in accounting methodology or in allowing employers to reduce surpluses or increase deficits to the Scheme's detriment.

The NDC believes that the precipitate and misleading attempt to impose a DC scheme on members was a disappointing and unwarranted breach of promise by employers. Given no reform of the scheme was required, and therefore UCU members were compelled to take strike action that was unnecessary, the NDC adopts the following:

1. UCU members should suffer *no detriment* in any proposed resolution of the USS dispute. Lost earning should be repaid, any interim contribution increases should be shouldered by the employer, and USS benefits should remain the same.
2. UCU should call upon UUK and individual Vice Chancellors to apologise to their staff for their role in triggering the dispute.
3. UUK and individual Vice-Chancellors should also apologise to students for their actions and offer appropriate compensation for lost teaching.

The NDC notes there are important areas of concern to UCU members and matters of UCU policy that are not covered in the JEP report. The NDC recommends that the SWG push for negotiations on these issues. The NDC also recommends that the SWG insists that resolution of the dispute incorporates reform of the Joint Negotiating Committee so that the scheme cannot be modified without the approval of members.

26 October 2018