



UCU Superannuation Working Group

Your ref	
Our ref	DKB/JMR
Date	27 September 2022

Dear UCU Superannuation Working Group

Thank you for your letter dated 17 August 2022 to me and the other Directors.

As a Board, we understand the strength of feeling from UCU and members about the 2020 valuation, which was a very challenging valuation for all involved. We are committed to establishing stronger relationships, open dialogue and collaborative working as we progress towards the 2023 valuation and consider the opportunities it may bring with the prospect of a more resilient funding position. We would welcome the opportunity to explore with both you and UUK how we may all work constructively together in the run up to the 2023 valuation and during the continued exploration of lower cost and other benefit options. We have set out some further thoughts about this later in this letter.

As you requested, we have seriously considered the concerns raised in your letter in relation to various statements made by UUK through the course of the 2020 valuation.

The role of the Trustee in stakeholder activities

It is important that everyone involved with the scheme understands the roles and responsibilities of the Trustee, UUK, and employers in consultations and in other communications. UUK's internal mandate gathering and communications with employers is a matter for UUK (just as UCU's own mandate gathering process and communications with its members is a matter for UCU). It is the responsibility of UUK and UCU respectively to undertake these exercises in accordance with any applicable legal requirements and their own constitutions/processes.

The roles and responsibilities in relation to the specific statutory consultations carried out by employers on listed changes are defined primarily through legislation and their interaction with the Scheme Rules. Under the legislation, individual employers with 50 or more Great Britain employees – not UUK (except as a relevant employer in its own right) - are responsible for undertaking the formal consultations on such changes, although all USS employers were encouraged to consult. The Trustee also has certain duties under the legislation, including to take reasonable steps to satisfy itself that the consultation is carried out in accordance with the regulations. The Trustee considered the responses to the consultation at its meeting in February 2022 and was satisfied that it had been carried out in accordance with the regulations

As a more general point, it is not the role of the Trustee to intervene in specific areas of dispute between the stakeholders, particularly when those disputes form part of the wider industrial relations landscape

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in the HE sector. This includes confirming or denying whether statements made by UUK (or UCU) have been validated by the Trustee. However, we do consider it important that all parties involved in the valuation act with integrity and communicate in a clear, balanced, and consistent way, not least to promote trust between members, their employers, and the Trustee.

Where we consider it necessary, we will ask for statements issued by the stakeholders to be retracted or corrected, particularly where they may misrepresent information that has been provided by the Trustee, or where they appear clearly or deliberately misleading.

Impacts of benefit changes

With respect to the statements and claims included in the Appendix to your letter, we would make the following general observations:

- Both UCU and UUK have at various points relied on different definitions of the impact of benefit changes, which are in our view, all potentially important and valid, provided they are clearly described. This includes:
 - The impact on total retirement benefits (USS benefits already built up and future USS benefits, including or not including state pensions);
 - Future USS benefits only; or
 - Future guaranteed USS DB benefits only.

It also includes emphasising impacts on the benefits paid at retirement or those a member might expect much later in life.

In seeking to simplify these complex issues for wider audiences, communications by stakeholders have arguably not always been fully clear or standardised. Therefore, it may be helpful in future valuations for all parties to agree consistent terminology, so it is easier for members and employers who have not interrogated the modelling or considered all the nuances in communications to understand it themselves. It will also be helpful if communications that put these outcomes side by side are transparent as to where they are comparable (because, for example, they use different assumptions but are answering the same question) and where they are not (because they answer different questions). Even well informed members can find it difficult to understand these important differences, and this confusion can reduce member trust in all communications, regardless of their source.

- For members earning under £40,000, the headline reduction in accrual rates resulting from the changes is 12%, although note that this does not account for the potential impacts of the revised cap on revaluation and indexation.
- All projections about the impact of benefit changes are heavily influenced by the assumptions chosen, which are uncertain and open to discussion. This is particularly the case with 'real terms' projections where so much depends on the inflation rate assumptions used and the modelling of the impacts of the revaluation and indexation cap. It is UUK's role to propose such assumptions for the purposes of the employers' statutory consultation. Similarly, in wider communications made by stakeholders it is for the relevant stakeholder group to choose and if necessary, justify their assumptions. However, we can and previously have offered input and will comment if any assumptions appear unreasonable and likely to produce misleading outcomes.
- In August 2021 to support discussion USS provided the JNC with projections of the potential impacts of benefit changes proposed, for a set of 8 example members drawn from the USS membership. These examples included a mix of new joiners, lower earners, higher earners and

those closer to retirement. In these examples we showed the impacts on total benefit accrual as well as future benefit accrual only and DB benefit accrual only. Using this same modelling assumptions we published illustrations on the USS website in [October](#) 2021 for three example members, from which the 10-18% reduction in total benefits could be drawn. We believe that these illustrations were useful and based on reasonable assumptions (made at that time), whilst acknowledging they did not cover the full range of individual member situations (and indeed they couldn't).

- Through the provision of the consultation modeller, to which UUK and UCU both directly inputted and for which many specific UCU requests were addressed, we gave members the ability to look at their own individual situation and vary the assumptions made, within reasonable bounds. The range of full potential impacts on future benefits accrued by individual members could therefore be large, dependant on their inputs and the assumptions made, particularly around inflation, investment returns and use of DC funds.
- We note that once the consultation modeller was available from early November 2021 it was frequently signposted as the most detailed and reliable tool for considering individual circumstances, by both USS and stakeholders.

Improving clarity for members

More generally and reflecting on the 2nd and 3rd numbered requests in your letter, we do believe that there is scope for all parties to improve the clarity of communications with members and employers. This is particularly important where they relate to understanding the impact of potential benefit changes and the use of consistent terminology as noted above. We would be very happy to discuss this with stakeholders in future and we understand from discussions with other pension schemes that consistent communications can help to promote trust. Ideally the modellers available to members, and associated statements about the potential impacts of benefit changes, would be fully consistent.

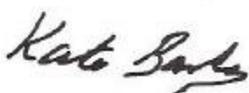
We would be happy to discuss the appropriate approach for future valuations and any proposed changes to contributions and benefits being considered with you and the JNC. This could include a global analysis of member impacts which referenced both total retirement benefits, total USS benefits (past and future) and future USS benefits only. We believe for this to be constructive it would require some significant joint work by the members of the JNC to agree key aspects of any modelling, including assumptions, sensitivity analysis and presentation of results, all in a timely manner to allow the Trustee to carry out this work. However, we believe this would be a positive step and reduce much of the scope for misunderstandings in the 2023 valuation and for any other benefit changes considered by the JNC.

There is scope to address a number of these issues through the course of the 2023 valuation through more collaborative working and open dialogue, as was anticipated following the JEP's second report, and the response to the recommendations agreed by the JEP tripartite group. This may be one of the topics that could usefully be jointly considered by UUK, UCU and the Trustee as part of, or alongside, UUK's governance review.

We are happy for the contents of this letter to be made public and have copied it to Universities UK.

Best Wishes

Yours sincerely



Dame Kate Barker
Chair, USSL Trustee Board