



## UCU Proposals – University of Sheffield Response to UUK

12 January 2018

### UUK Call for evidence

- UUK are inviting USS employers to consider the latest UCU proposal to the USS Joint Negotiating Committee (JNC), and in particular views on the following questions to further build an evidence base for the JNC discussions:
  - **Employer contributions:** A majority of employers have told UUK that they could not support an increase in employer contributions beyond the current 18% of salaries. UUK are seeking evidence of the impact an increase in employer contributions to 23.5% of salaries would have on institutions.
  - **Member contributions.** UUK is seeking views on what employers consider the impact a 35% increase in the amount members would need to pay for reduced USS benefits under the UCU proposals would have.
- UUK are also inviting any further comments about how UUK might best approach the coming period of negotiations prior to the 23 January JNC.

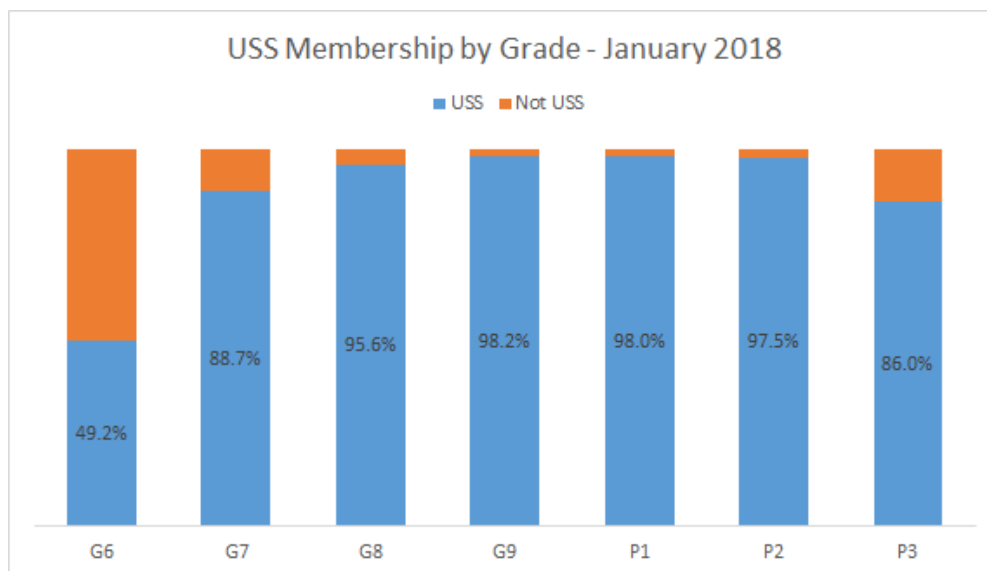
### UCU benefit reform proposal

- UCU have proposed the following effective from 1 April 2019:
  - Current hybrid structure to USS remains in place
  - The salary threshold will remain unchanged at £55,550 (index linked)
  - The accrual rate will be reduced to 1/80ths from the current 1/75ths.
  - The 1% match will cease to apply
  - DC contributions above the salary threshold and the employer subsidy of investment charges will remain unchanged
- Overall, this proposal requires total contributions to USS to increase by at least 8.3% of salaries.
- UCU suggest that this increase should be shared 35:65 with members and employers respectively.
- This means that employer contributions would increase by 5.5% (to 23.5%) of salaries, and member contributions by 2.9% (to 10.9%) of salaries.

### University of Sheffield response

- An additional 5.5% employer contribution would **cost the University approximately £10.8m per annum.**
- The University is not forecasting surpluses in excess of financial operating strategy targets. Thus any additional annual USS employer contribution costs would result in the University not generating sufficient surpluses to remain financially sustainable without taking other mitigating action.

- Of the additional £10.8m pa cost to the University, some proportion will come from Core budgets and some from External funding (typically Researchers). It is an unsafe assumption to make that all external funding sources would/could meet the additional employer's USS costs and thus much of the cost would be for the University to find from Core budgets.
- In terms of costing new externally funded research, this proposed increase to the employment cost of our research staff could make UK research uncompetitive when compared to the cost of research undertaken elsewhere in the EU or Worldwide. It cannot be assumed that UK research bodies would accept the additional costs for new awards.
- When it comes to potentially diverting £10.8m pa of core budget into additional employer's contributions to USS, there could be an effect on the resourcing of other elements of the student experience. At a time where value for money for Students is to become a primary focus for the Office for Students (OfS) it is hard to see how employers could justify such a diversion of financial resource.
- In terms of employment levels, an additional £10.8m equates to c170 jobs. It is not intended to indicate that the University would reduce its staffing by c170 people as a direct result, but to present the context of what £10.8m means in terms of University expenditure.
- In summary, the potential additional cost to the University would have a significant effect in deteriorating the current University financial forecasts. With limited capacity to further grow our income to meet the potential extra USS costs (since we have already set income growth targets within our existing financial forecasts), then cost cutting measures would be required in order to ensure that the University is in a financially sustainable position.
- In terms of member affordability, we know that participation rates for USS are lower for staff on grade 6 (49%) and grade 7 (88%) than they are for those higher up the grade/pay structures (c98%). There are numerous causes for this including employment status – fixed term contracts are more prevalent amongst staff at these grades - and age profile of staff at these grades, but cost is likely to be one element in this correlation. Increasing member costs therefore has the potential to increase opt-out rates, particularly on our grades 6 and 7.



- UUK is asked to note the University's previously stated view that we consider the levels of risk built into the original valuation proposals (in September 2017) to have been acceptable, but note that the Pensions Regulator and Scheme Actuary have determined (admittedly supported by the views of some USS employers) that more prudence should be built into the assumptions.

**Further comments**

The University of Sheffield, informed by its USS Working Group, wishes to make the following comments in relation to future negotiations between UUK and UCU at the USS JNC;

- Without wishing to pre-judge the outcomes of the next JNC meeting, if the UUK proposals are voted through, the University would encourage UUK and UCU to discuss parameters and circumstances which would result in a re-introduction of the DB element of the scheme through a raising of the salary cap.
- We would also encourage both sides to consider creative solutions to the long-term structure and benefits provision of USS which may not fit within the boundaries of the current thinking on DB and DC arrangements and which result in a more balanced sharing of risk. Proposals for future scheme design based on Collective Defined Contribution models could be of particular interest. The group notes that such an approach provided a way forward in the discussions over Royal Mail pensions.
- Recognising that there will continue to be a need to undertake valuations of the residual and/or historic DB parts of the scheme, we would encourage an on-going dialogue relating to the parameters for future valuations with the aim of avoiding future fundamental disagreements over the manner in which valuations are undertaken.