**SAUL Pension Consultation Process**

**Wednesday, 29 July 2015**
*Registry Meeting Room*
*2pm*

**MINUTES OF MEETING WITH STAFF REPRESENTATIVES OF AFFECTED MEMBERS**

| Present: | Alison Ross-Green (ARG), HR Director (Chair)  
| Gordon Vernon (GV), Head of Risk and Compliance  
| Tarnia Craswell (TC), Payroll and Pensions Manager  
| Alan Gazzard (AG), Assistant Pensions Manager  
| Lew Cogger (LC), GMB Rep.  
| Robin Hornsey (RH), GMB Rep.  
| Steve Goodsell (SG), Unison Rep.  
| Matthew Ramsden (MH), Unite Rep.  
| Linda Lough (LL), Staff Rep.  
| Owen Lyne (OL), UCU Rep. |
| In attendance: | Wendy Green (WG), HR Project Manager (Note taker) |

1. **Welcome**

ARG thanked everyone for attending and stated that the purpose of the meeting was to consult on the proposed changes to SAUL. She explained that the University has a statutory obligation to consult with representatives of affected members and that these meetings would be a channel for representatives to raise member concerns. Later in the meeting, WG would explain plans for direct consultation with members over the scheduled 60 day consultation period. Introductions were made around the table.

2. **Apologies**

Paul Hubert, UCU Rep.

3. **Employer Consultation Presentation**

AG gave the presentation drafted by SAUL. He explained that SAUL planned to modify the presentation to reflect member comments received during the consultation process and therefore this presentation only provides a starting point. Any comments from the meeting would be valuable feedback which would also be forwarded to SAUL.

AG explained that two presentations had been supplied by SAUL for the two categories of member, one for Final Salary (FS) members and one for CARE (Career Average Revalued Earnings). SAUL will be visiting Kent on Friday 7 August to deliver the two presentations. AG planned to focus on the FS presentation today and refer to the changes to CARE at the end as the two presentations overlap. ARG gave an explanation of the term ‘Employer Covenant’ which was raised in relation to slide 9, under ‘Long Term Funding Pressures’. The scheme trustee needs to be confident that all the member employers have sufficient financial strength to back the scheme if asked to pay the deficit or
meet a major liability due under the scheme. Financial pressures on the Higher Education sector caused, for example, by changes to funding, competition for students and the cost of borrowing for building works, equipment and facilities have potentially weakened the covenant overall which must be factored in when considering the funding position by scheme actuaries. It was confirmed by GV that the financial position at Kent, as regards the strength of our covenant, is still good.

OL referred to slide 10 and asked about the possible trigger for further changes. ARG thought it dangerous to second guess this but suggested that change would be unlikely until the next three year valuation but that this could be a question to directly put to SAUL.

SG pointed out that the scheme closed to new members in 2012 and the FS section is now closing three years later. He speculated that there might be more change in another three years. ARG thought that there was reason to be optimistic given that the Pensions Regulator has agreed the recovery plan and AG pointed out that the SAUL recovery plan is in line with the Pensions Regulator guidance and within the recommended ten year time frame which is positive. However ARG suggested that this question could be put to SAUL if the representatives thought it relevant.

The SAUL consultation document was discussed and it was noted that the content is fairly light on information regarding the investment strategy that has informed the valuation. OL thought it would be useful if some information could be obtained from SAUL to show the effect of each element of the proposed changes on the deficit as well as further detail on the assumptions behind the most recent valuation.

**ACTION: WG to request further information from SAUL regarding the investment strategy and the likelihood of further changes in the short to medium term.**

LC asked about the additional employer pension contribution and increased NI contributions both due in April 2016, the effect this would have on the University and any consequences for staff. ARG said that the increases had been budgeted for but it is no secret that a 2.5% efficiency saving has been requested across the University some of which has yet to be found. There have also been significant bids from departments for investment. The organisation still needs to balance its books and has agreed to revisit this issue in October when student numbers are confirmed for the forthcoming academic year. The University has always taken a measured approach and will not make unreasonable demands for cuts but the additional employment costs will have to be found.

LC asked about Kent’s financial position. GV said that there is more scrutiny required on expenditure and lots of work is going on behind the scenes to find the savings needed and to make figures add up. He felt confident that the organisation would find a way forward.

ARG referred to slide 17 about transfers into the scheme and whether the final salary link would be broken. AG confirmed that this was the case.

RH asked if a member’s final salary pension would be effectively broken at 31 March 2016, whether there would be two separate pension schemes and how this would be shown on the benefit statements. AG confirmed that there would be two sections, FS and CARE, but only one scheme. He thought that benefit statements would show the pension derived from each section but this could be checked.

**ACTION: WG to confirm the structure of benefit statements from SAUL.**

SG asked for clarification of the increases to final salary benefits pre and post July 2012 shown on page 7 of the Consultation Document. Pre-July 2012, the CPI cap is 5%, post July 2012, the cap is either the legal cap determined each year or the scheme discretionary cap to a maximum of 10% which mirrors the CARE scheme.

It was agreed that the continuation of the AVC FS link is a positive benefit for members and would be well-received as would the employee contribution remaining static at 6%.
It was noted on slide 20 that overtime will be included in pensionable salary for CARE benefits which will be a change for FS members.

OL asked whether the timeline stated on slide 21 is realistic and whether SAUL can reasonably achieve the changes by April 2016. ARG commented that she thought it would be achievable as the changes are not as complex as those proposed for USS which includes a DC section.

At the end of the presentation, ARG asked whether an explanation of basic pension terms should be provided to members as a part of the planned presentations. SG was concerned that this might confuse people although after discussion it was decided that an explanation of some common terms and how pensions work (as this is relevant to the content of the presentation) would help members. The SAUL presentation assumes that the audience is familiar with pensions which is a complicated subject for most people.

It was noted that the presentation assumes that members read the Consultation Document before attending a presentation. WG agreed to email members stressing the importance of reading the document with a reminder about the presentations.

**ACTION: WG to email reminder to members to read consultation document prior to presentation.**

At the end of the discussion, the following amendments to the presentation were suggested:

1. Slide 8 – remove the word ‘millions’ and include this in the header. Increase font size for numbers to make the slide more visible.
2. Slide 9 – the top two bullet points should be separated from the bottom two bullets. The first two explain the reason for the deficit whereas the last two are about the affordability of the deficit and financial pressure on the member institutions.
3. Slide 10 – highlight that the Negotiating Committee included a representative from the University of Kent. Jane Higham has been involved in the negotiations and is close to the process.
4. Slide 11 – Include the increase in employer contribution from 13% to 16% (currently only states the revised figure of 16%)
5. Slide 12 – provide an explanation of the way benefits built up from 31 March 2016 will be ‘increased until paid as pensions’
6. Slide 13 – Clarify that the one off enhancement will only be paid to active members as at 1 April 2016
7. Slide 18 - The calculation refers to a planned retirement on 31 March 2017 however does not include CARE service from 1 April 2016 to 31 March 2017. This amendment has already been requested.
8. Slide 19 – Provide a fuller explanation of CARE. Request that the 1/80th accrual rate is replaced by the proposed accrual rate of 1/75th to provide a more accurate picture for members. There should also be a comparison between four years’ service in the FS scheme and four years’ in CARE.
9. Slide 12 from the CARE presentation which explains the proposed cap on CPI should be included in the FS presentation as this is important and is not adequately explained. Members need to understand CPI and how it has changed over time.
10. Slide 20 – Responsibility Allowances should be referred to in addition to overtime as these are both paid at Kent. An explanation of the changes to State Pension Age is needed. A link should also be put onto the Kent HR webpages.
11. The presentation or a glossary needs to be provided explaining basic pension terms.

**ACTION: AG to contact SAUL with amendments and to finalise presentation**
4. The Proposal for Change

The group worked through the proposals for changes on page 6 of the Consultation Document. Most of the proposals had been discussed during the presentation. The following points were raised:

1. SG felt that the earliest pension age that members can retire should be highlighted as this could have a detrimental effect on benefits accrued after the proposed change date which will have a retirement age of 65 rising in line with State Pension Age. Possible suggestions to put forward to SAUL were:
   a. no reduction from age 60 for all members including future CARE benefits
   b. members should be allowed to draw their unreduced pension from age 60 and continue to accrue a CARE pension from 60 onwards
   c. that SAUL should be requested to consider some form of flexible retirement options which are not currently permitted

   In the same section, the sentence ‘This is current practice and could change’ was discussed and it was thought surprising that change is highlighted as a possibility in this section when any aspect of the proposal could be subject to change in the future. It was agreed that clarification of this sentence would be requested from SAUL.

2. Pension on redundancy – as with the above proposal for early retirement, it was noted that FS members would be treated differently by retaining the right to an unreduced pension if made redundant. The proposals should be aiming to close the differential between the two classes of member, but allowing FS members to retain the enhanced pension on redundancy could potentially drive a wedge between employees doing the same job. It was agreed that the rationale behind this proposal would be requested.

   ACTION: WG to forward the above proposals to SAUL and ask for required explanations

3. OL asked about pre-1979 members. WG explained that the scheme rules did not permit changes to be made to the benefits of these members. Kent had only one member in this category and had decided that it could not legally or morally justify forcing a contract change on one member which would entail terminating the contract of employment and employing on new terms.

5. Local Consultation Plan

WG gave an overview of the local consultation plan. Due to certain sections of members not having access to a University email address, a decision was taken at the outset to ensure that a printed copy of the Consultation Document was distributed along with an accompanying letter from Denise Everitt. The letter provided details of the SAUL consultation website and plans for local consultation and resources that would be available during the consultation period. Events and details are being publicised via poster, the HR webpages, email, Campus Online and through briefing documents to areas such as Estates and Hospitality where email contact may not be possible. Presentations and Pension Clinics are being offered during August and September in a number of locations across the site and in Medway to try to encourage attendance. Initial take-up has been good with 120 places already booked on presentations and 15 people requesting one to ones at Pension Clinics. It was stressed that those who cannot attend maybe due to shift working or holiday can be accommodated outside of the set hours.

The SAUL consultation website is available and members can make a formal response to the proposals via the online survey. So far, only 18 responses have been received by SAUL although this may be because the survey can only be used once.

There is a Q&A section on the website and the University will be monitoring this and feeding questions that come in through the consultation meetings, presentations and from individual members into SAUL for inclusion on the web pages. SAUL intend to update the Q&As every Wednesday. A calculator is also included on the website although LC reported that he had tried to use it and found it...
very difficult. AG said that he had referred a number of queries to SAUL about the calculator and had also received calls from employees who had found it difficult to use. This difficulty was around the layout of the calculator which did not seem to flow very well and moving the ‘Calculate’/’Re-Calculate’ button to the bottom of the input fields may help. The results are always more favourable under the CARE scheme due to the assumptions used. It was agreed that WG would raise these concerns with SAUL.

**ACTION:** WG to raise concerns about the calculator with SAUL

6. **Feedback Mechanisms**

WG said that members could provide feedback through a number of channels including Staff Representatives, pension presentations, directly to WG, AG or TC and ultimately through the SAUL consultation website.

7. **Recommended Questions for SAUL**

OL asked if SAUL could be requested to provide information on the effect of the inflation cap reducing pensions from 5% to 2.5% and how much this would save. He noted that the Hutton report came out against inflation caps and thought it would be in the interest of members to know the direct impact of this measure.

**ACTION:** WG to refer to SAUL

8. **Summary of Representatives Comments**

It was noted that there would be very little time at the close of consultation to provide a summary of staff representatives views to representatives, prior to submission to SAUL and it would be helpful to bear in mind that Representatives will need to set time aside for this purpose. WG confirmed that SAUL will be providing Kent with a summary of the responses they have received direct half way through the consultation process and also at the end.

**ACTION:** WG to confirm the deadline for institution comments following the end of the consultation period.

9. **Any Other Business**

SG asked if Unison could distribute leaflets at the pension presentations. ARG agreed and extended this offer to all unions present but said that the sessions could not be used as a platform to actively recruit members.

10. **Dates of future meetings**

The next meeting will be held on Friday 21 August 2015 at 2pm, Registry Meeting Room.