Dear Mr Galvin

USS Consultation Feedback – University of Kent

The University of Kent has been engaged in a constructive consultation exercise with USS members and affected staff and their representatives during the employer led consultation exercise on the cost-sharing proposals. Responses to questions raised have been answered by the employer consultation team at USS, providing additional information to enable our union and staff representatives to form their views. This letter sets out the collective response of the union and staff representatives at Kent on the cost-sharing proposals.

There is general agreement that USS is becoming less attractive as a benefit and fears that membership will start to decline in the future due to affordability. Kent has a commitment to support and provide access to good quality pension schemes to its staff and there is concern that this will be compromised in the future.

1. The decline of USS as an attractive and competitive staff benefit

Feedback suggests that staff are beginning to view USS as a second rate benefit. This is evidenced by the number of staff choosing to remain in the other main pension scheme offered by the University of Kent, SAUL, which is offered to staff at lower grades. Rather than elect to join USS when recruited or regraded to a role at a USS eligible grade, 43% of staff have chosen to remain in SAUL since April 2016 when the last USS pension reforms were implemented, with 37% choosing to move to USS1.

The University is committed to offering all of its staff a competitive benefit package and indications of feedback to representatives suggest that staff will start to opt-out of USS as contributions rise and particularly when contributions move beyond the initial 0.8% contribution increase in April 2019.

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1 The remaining 20% are opted-out of pension provision
2. Exclusivity

This leads into the issue of exclusivity, a subject that was raised by Kent representatives as part of the 2015 consultation exercise. The University is mindful that there is considerable talent within the workforce at all points on the earnings spectrum, either at the early career stage, or at a later point on the career path. The success of a higher education institution is highly dependent on the strength of its staff, particularly its academic staff, a group that is employed under contracts tethered to USS membership. Retaining staff of the right calibre is essential for attracting students and providing a high quality student experience, all of which maintains the resilience and stability of Kent as an institution.

Staff in lower earnings bands are vulnerable to opting-out due to affordability, and staff at all points of the salary scale may be attracted to jobs elsewhere within the global market in which we compete.

At present, the University is unable to offer any other kind of pension arrangement to staff who opt out of USS, something which is at odds with its commitment to support and provide access to good quality pension schemes to its staff. The only option for staff opting out of USS is to join an external DC pension scheme. Providing greater flexibility be a major advance in providing equality in access to pension provision (this subject is revisited under the Affordability and Flexibility heading below).

3. Affordability and Flexibility

There is divided opinion amongst representatives about the level of increased contribution that might be tolerated by members. Whilst unhappy with any increase in contributions, some members have indicated that the initial increase of 0.8% might be tolerated without a sizeable exodus from the scheme, however, all representatives are agreed that higher contribution levels would stretch the resources of many who are struggling with other living expenses such as housing costs and legacy student loans. Our Equality Impact Assessment bears out the disproportionate impact of affordability, particularly on age and gender, with a high proportion of part-time workers in lower grades and at lower ages.

The low take up of the 1% match at Kent, at 17.29% of the membership, is indicative of the reduced capacity of our members to bear additional cost. There is a correlation between members employed at higher grades and members who take the match which gives strength to the argument that affordability is the most obvious explanation for the take-up figures.

There is also acknowledgement that the higher contribution burden for the employer is unlikely to be without impact in the longer term, with resulting repercussions for staff.

Feedback from the employer consultation team at USS about the cost-sharing implementation timeline has indicated that there is no requirement under law or the scheme rules for the phased contributions and timeline, however, delays to the implementation of increases could create a greater funding challenge in the future.

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2 Number of members taking the match as a percentage of active members
Our representatives are mindful of this advice, and for the need for the cost sharing proposal as the only default process that the trustee can operate in order to complete the latest valuation, but are also aware that there is potential for flexibility around the phasing proposals. Greater flexibility would also provide an opportunity for phase II of the JEP work to take place with the possibility of an alternative way forward.

In order therefore to mitigate the loss of membership from the scheme and continue to provide an attractive affordable benefit into the future, our staff representatives propose greater flexibility around pension contributions:

1. Greater flexibility could be provided under the USS Investment Builder section of the scheme, without necessarily participating in the DB element, with flexible rates of contribution at a level of choice. This would encourage future membership and also maintain current membership of USS, allowing members to retain associated benefits such as death in service provisions, with the option of increasing contributions as personal circumstances allow. It would also lessen the impact on leaving membership predicted by the forthcoming proposed contribution increases.

   It is noted that other DB pension schemes have sought to mitigate the impact of this effect following pension reform by allowing flexibility around contribution rates e.g. 50% contribution for 50% benefit (LGPS).

2. Tiered contribution rates could be offered, as evidenced in other DB schemes such as TPS, whereby contribution rates are top-loaded to higher earners. Approximately 20% of Kent USS members are sitting in the lowest pay grade for entry to USS and are likely to struggle with additional costs. Kent representatives therefore propose that a tiered contribution model is adopted from October 2019 and that the trustee should consider tiered contributions for any future proposals.

3. Flexible options for members by personal election to acknowledge personal circumstances. These proposals were not unanimously accepted by all Kent representatives but were put forward as voluntary options for members who may drop out of the scheme after October 2019 if higher contributions take effect:

   a. Continue the payment of the additional 0.8% contribution rate throughout the period to April 2020 with shortfall taken from pension payments at retirement.
   b. Implement the April 2019 increase and beyond over 10 to 15 years to have as little impact as possible.
   c. Provide a flexible contribution rate for members to elect which is again smoothed over a longer period of time.

4. Deferral of the timeline:

   a. Defer the October 2019 increase to April 2020 in order to provide the JNC time to consider proposals from the JEP and implement these.
Other Issues – Support from USS for Consultation Process

Concern has been raised about the response times for answers to questions directed to the USS consultation email address. Whilst it is appreciated that the USS team will have received a high volume of questions during the consultation, the response time has been delayed from the 48 hours timeframe indicated in the acknowledgement email to over a week in some cases. In anticipation of a further and potentially more active consultation process in 2019 following review of the JEP recommendations, it is therefore requested that the process is reviewed to ensure employers receive the information they require within the expected timeframe in order to conduct a timely and informed consultation process with members, affected staff and their representatives.

This document has been uploaded onto the employer consultation website as a formal response to consultation.

Kent considers that it has carried out the consultation exercise in good faith and has met its requirements under the relevant regulations concerning employee consultation.

Yours sincerely,

Alison Ross-Green
Director of HR and Organisational Development