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**Date:** 23 February 2018 at 12:53:59 GMT
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**Subject: Update: UUK open letter to USS members and potential for further talks**

***Sent to: Vice-Chancellors, Principals and Chief Executive Contacts at USS employers***

Dear colleagues

Further to my communication yesterday evening I am pleased to confirm that the open letter to USS members is now publicly available on the UUK website. Professor Dame Janet Beer, President of Universities UK and I are co-signatories to the letter. Can I encourage you to share it widely with scheme members, to give them the opportunity to hear a message unfiltered by the media narrative on this week's industrial action. Universities UK will also share the letter widely among our networks.

I have also today published an article in the Telegraph, explaining the employer position on USS and emphasising our ongoing commitment to talks with UCU, should a credible, affordable proposal be put forward that addresses the long-term challenges USS is facing.

I would also like to encourage any employer who may have advice or thoughts on how we might arrive at such a proposal to share them with me.

Communications from UCU continue to downplay the real challenges USS is facing in favour of calling for talks without preconditions. UCU continues to claim that the employer proposals for USS would leave some staff worse-off by £10,000 a year, without providing the evidence base for that calculation.

I have offered comment articles to the Guardian and Independent setting out the challenges the scheme faces, the necessity of reform and our continuing requests to speak with UCU about a joint approach to addressing the long-term challenges. I have also sent a letter to the Times addressing the inaccuracies in some of their coverage.

**The challenge of achieving meaningful further talks**

Talks without preconditions cannot achieve a sustainable resolution to the dispute. As you aware, there are strict rules and timescales that the Pensions Regulator must ensure the USS Trustee adheres too.

USS employers are a diverse group of autonomous organisations, with a range of opinions. Throughout 2017 Universities UK conducted surveys and town hall meetings and issued numerous briefings to employers to build a consensus on the way forward for USS. The collective position of employers has always been that we would seek to develop a proposal that was affordable, sustainable, and that would continue to offer a meaningful benefit to staff. Employers were also clear that any increase above 18% of salaries would be unaffordable, requiring an unjustifiable raid on teaching and research budgets, and leading to redundancies in many institutions.

Were the dispute simply a matter of a percentage point here or there, talks would in all likelihood continue. But an increase in employer contributions of one or two percent would not address the challenges with USS, especially as it would continue to carry additional defined benefit risk, diverting a larger portion of the employer contribution to offset the deficit, and it would not enable us to offer a meaningful benefit to members.

The only proposal that UCU has tabled would involve an additional £500m a year contribution from employers and a 35% increase in member contributions to 11% of salaries, for less pension than is currently offered. It would also not address the high levels of risk in the scheme. While the strength of USS employers has meant that the scheme is able to tolerate more risk than other private pension schemes in the UK, the Pensions Regulator has made it clear that the level of risk in the scheme at the 2017 valuation must be urgently addressed.

Universities UK met with UCU 35 times to seek a mutually agreeable solution. The Chair of the Joint Negotiating Committee, Sir Andrew Cubie, delayed his decision on two occasions to ensure that all routes through negotiations had been explored. He cast his vote on the understanding that every possible option had been considered.

**The risk of no benefit reform**

The clock is now ticking on concluding this valuation, which legally we must achieve by 30th June 2018. If the JNC decision were not carried forward it is likely that the USS trustee will be obliged to re-introduce 76.4 of the USS rules, which states that in the absence of an agreed plan for funding the pension scheme, increased costs will be imposed on both employers and members. This would result in an increase to employer contributions to c24% of salaries, and an increase in member contributions to c11% of salaries.

As such, it would hardly be responsible to re-open negotiations without the prospect of an alternative proposal that addressed the funding challenges of USS, and secured the scheme for the long term. Were such a proposal to emerge I believe that employers would wish to consider it, in the interests of scheme members and students. In the meantime, Universities UK has offered talks on a range of other issues, including agreeing a framework for a return to a defined benefit model should economic and funding conditions improve.

As ever, should you have concerns or questions, please get in touch.

Best wishes

Alistair

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