



11 March 2022

By email:

Strathclyde University and College Union

Dear Colleagues,

Thank you for your letter dated 8th March 2022. As is clear, this is a complex issue and I recognise that staff will have concerns about the impact that benefit changes could have on their future pensions provision. It is regrettable that the 2020 valuation resulted in the requirement for changes to ensure the long-term financial viability of the scheme and I share your frustration with the lengthy process to finalise the March 2020 USS valuation.

The University's response has been guided consistently by the following principles:

- We want the best possible pension provision for our staff within an appropriate resource envelope for both employers and individuals;
- We wish to retain a meaningful Defined Benefit element within USS;
- We view pension provision as a key element of our staff benefits, rather than purely a cost, and we are prepared to pay more for that if the benefits to our staff justify the additional cost; and
- This has to be balanced with affordability for individual staff members and the University.

Following the JNC's proposal for benefit reform in August 2021, the University has consistently stated its willingness to receive and fully consider legally implementable counter proposals.

As you reference in your letter, the initial proposal was received from UCU on the 26th January. This was followed by a fully costed proposal on the 9th February, which was deemed implementable by the USS Trustees. While that proposal was legally implementable, it required the University to commit staff and the University to the following stepped increase in contribution rates:

	Employer %	Employee %	Total %
Current contribution rates	21.4%	9.8%	31.2%
UCU proposal:			
- from 1 April 2022	23.7%	11.0%	34.7%
- from 1 October 2022	25.2%	11.8%	37.0%
- from 1 April 2023	26.5%	12.5%	39.0%
- from 1 October 2023	27.8%	13.2%	41.0%
- from 1 April 2024 until end of recovery plan	29.1%	13.9%	43.0%

The proposal tabled above was further clarified by comments in the JNC on 11th February and further documented clarifications on the 15th February within the "UCU proposals for securing the future of the USS following the 2022 valuation" paper, which in totality formed the basis for the proposal referenced in your letter, including the proposed cap on employee and employer contributions.

The place of useful learning

Royal College Building
204 George Street
Glasgow G1 1XW
Direct line: +44 (0)141 548 2485
Facsimile: +44 (0)141 553 1521

Principal and Vice-Chancellor:
Professor Sir Jim McDonald
FREng FRSE FIET FInstP
E-mail: principal@strath.ac.uk
Website: www.strath.ac.uk



A failure by the JNC to agree actions to address the 2020 Valuation by 28th February 2022 would have resulted in the fallback position being implemented and significant increases in pension contributions for both our staff and the University. The proposed UUK change to pension benefits was the best available option at the time to avoid this alternative scenario. Consequently, the University decided to support the proposed changes to deliver the principles outlined above.

The University, in consultation with our Court, could not support the UCU proposal for the following reasons:

- The element of the proposal that was deemed legally implementable, as outlined in the table above, would result in significant increases in pension contributions for our staff - and the institution - at a time of significant external cost pressures. This was likely to lead to an increased number of staff opting out of the scheme;
- The full proposal, in particular the proposed cap on future increases, did not have a clear path to legal implementation;
- There was no information provided on The Pension Regulators view on this proposal, a significant stakeholder in the finalisation of the March 2020 valuation.

With regard to the timing of the valuation, the USS Trustees have provided regular updates to the valuation process at <https://www.uss.co.uk/about-us/valuation-and-funding/2020-valuation>. We note their view that, if the valuation was run on a March 2021 date, that the outcome would have had no material difference to the valuation at March 2020.

As a socially progressive employer, we strive to do our utmost to promote the wellbeing of all categories of staff. The local feedback from the recent consultation with University of Strathclyde staff saw a range of views expressed with approximately equal numbers of respondents indicating a willingness to pay more to retain current benefits versus those indicating the current contribution levels were at the limits of affordability.

Concerns about affordability for those on the lower pay scales and resulting opt outs have previously been raised by the campus Trade Unions. This resulted in the University's values based decision to request a change to the USS Trust Deeds to allow those on grades 1-5, who did not have access to the Strathclyde Pension Fund, to move to the SPF from USS.

The most consistent feedback received from the recent consultation at the University of Strathclyde was concern about the impact of the 2.5% inflationary cap on future benefits. Similar feedback was also received nationally leading to a revision to the proposed changes deferring this change for 2 years. This resulted in an increase to employers contributions level during this period of 0.2% which the University supported. The University also supported the strengthening of covenant support for the USS scheme. This commitment is worth £1.3 billion a year in contribution terms across the sector.

In line with our stated principles, should the next valuation show a more positive outcome, the University would be open to considering all available pensions reforms to reflect an improved position.

As part of the national consultation process the University did complete an Equality Impact Assessment and submitted this to USS in line with the nationally agreed process.

It is our continued view that constructive dialogue at national level, with a focus on governance reform and low cost pension options, is now the best way forward. The University will also continue to engage with our Trade Union colleagues at a local level through the existing consultation arrangements.

Best wishes,



Professor Sir Jim McDonald
Principal and Vice-Chancellor