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Professor Sir Keith Burnett
Vice Chancellor
The University of Sheffield
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29 November 2017

Dear Keith,

We are writing on behalf of the University of Sheffield branch of the University and College Union (UCU). We are pleased that our university has chosen to engage pro-actively with the valuation process of the Universities Superannuation Scheme (USS). The management-staff cooperation was productive and, hopefully, a model for the future. In particular, we are proud of the transparency in our final result. It is worth noting that Sheffield has the commendable position of being the first institution to make the valuation consultation document publicly accessible.

Universities UK (UUK) have tabled proposals which seek to end defined benefit accrual in USS in favour of a purely defined contribution scheme. You may not be aware that these proposals will also see the effective contribution rate made by employers to an individual's pension fall. Not only will individuals lose any guaranteed level of pension income, but the best estimates we have seen forecast an expected annual pension not much more than half as high as the one currently promised.

As members of the University's USS Working Group, we helped the university develop a thorough understanding of the financial position of the scheme. The discussion included the facts that:

- the best-estimate position was of a substantial surplus, with current contribution rates in excess of those needed to continue the current benefit structure¹;
- allowing for prudence, the fund is in a break-even position so long as no change is made to the current investment mix²;
- the unaffordability of the current benefit structure is due to a change in investment strategy, which will see investment in the wider economy phased out over time and replaced with low-return assets such as government bonds.

Given these facts, we believe our members will find it hard to accept the extreme benefit cuts that are being proposed by UUK. If our members react in this way, they will not be alone: Stuart Croft, Vice Chancellor of the University of Warwick, has posted that he is "mystified" by the change, and

¹ The best-estimate figures from [1, Table 8] show an £8.3bn surplus and a required combined future contribution rate of 22.5%, compared to the current 26%.

² Figures of a £0.5bn deficit and a 26% required contribution rate were confirmed to the Working Group by a USS representative.

that his university “will not let the current increasingly conservative approach to USS go unchallenged”³.

This seems to be a pivotal moment for pre-92 universities. Do they allow a healthy and well-established pension scheme to wind-up, while post-92 universities provide a much more attractive offer? Have they properly weighed up the risks posed to their recruitment and retention by doing so? Are they prepared to see staff morale take a further knock after years of pay erosion? Are they happy being responsible for up to £20bn being sucked out of the economy over the next twenty years in the name of risk-management?

We have always admired your willingness to use your prominence as Vice-Chancellor of our university to speak out for social causes within the UK and abroad. Now the cause is one that, left unchecked, could strike at the very heart of the University. We are pleased to see that Stuart Croft and Warwick are leading the way. We urge you, as our Vice-Chancellor, to follow Professor Croft’s lead and speak out publicly in defence of our defined benefit scheme. We encourage you to use your influence to put pressure on UUK to seek a solution that is fair to staff and ensures we remain an attractive place to work. We believe that such a solution is possible. One thing we are sure about is that the current UUK proposal is not it.

We would be happy to meet with you to discuss our concerns.

With kind regards,



Dr Sam Marsh, Communications Officer
Dr Matthew Malek, Pensions Officer
on behalf of Sheffield UCU

cc Paul Blomfield MP

References:

[1] 2017 Actuarial Valuation: A consultation with Universities UK on the proposed assumptions for the scheme’s technical provisions and Statement of Funding Principles, available at <https://www.sheffield.ac.uk/hr/thedeal/pensionupdates/ussvaluation>

³ See “Which way forward for USS?”, available at http://blogs.warwick.ac.uk/execteam/entry/which_way_forward/