

9 December, 2020

To: Mr Bill Galvin, USS Group Chief Executive Officer

Dear Mr Galvin,

### **March 2020 valuation**

As representatives of the University of Cambridge, its staff and its constituent Colleges, we are writing to express serious concerns about the approach that has been taken to the March 2020 valuation. The period of employer consultations has provided us with an opportunity to realize that we share many points in common, and we wanted to write to you jointly to state our concerns. We understand that the USS Trustees and Executive face significant challenges, particularly in relation to the extreme market volatility prevailing at the valuation date. However, our view is the process undertaken so far is not one that is going to produce an acceptable and fair outcome to employers and members.

We would particularly like to highlight the following issues:

1. **Covenant:** We believe the starting assumption made that the covenant is 'Tending to Strong' is incorrect, and that there needs to be more account taken of the underlying strength, longevity and special nature of the sector. A more productive and logical starting point would be that the covenant remains 'Strong'.
2. **Covenant support measures:** Achieving a workable position on debt monitoring, *pari passu* and a rule change is extremely challenging within the timeframe available. We hope that the issues associated with the covenant support measures can be addressed urgently, but if not we would ask that a short term solution is found (such as an extension to the employer exit moratorium and a cap on the levels of new senior debt) while more detailed and longer-term provisions on debt monitoring, *pari passu* and employer exits are worked out.
3. **Unaffordable and unrealistic outcomes:** The illustrative outcomes provided as part of the consultation have too wide a range, are intergenerationally unfair and, in many cases, are unaffordable and completely unrealistic. This reflects the danger of assumptions on investment strategy and discount rate which cumulate multiple layers of caution to deliver an unaffordable result.
4. **Content, format and consultation:** The limited content provided, the failure to consider all the relevant issues together, and the format in which information has been communicated has made it difficult to make informed judgements about the options open to USS.
5. **Alternative approaches and the JEP recommendations:** We are disappointed that the JEP recommendations have not been included in the proposals more fully. We would also encourage the Trustees and Executive to explore more widely the possible approaches that could have been taken to the valuation.
6. **Early career academics:** The scheme must become more flexible for its younger members, many of who are from overseas, and who need a lower cost and more portable alternative.

The 2020 valuation provides an opportunity to rebuild trust between USS, UCU and UUK as well as between employers and members. Based on the proposals made so far, that opportunity has been missed and there is a real danger of a serious and damaging breakdown in trust. We urge the Trustees and the Executive, even at this late stage, to take a step back, review what has been done so far, and re-engage with employers and members in a more productive way. The alternative is an outcome that may well result in long-lasting damage to the UK higher education sector and to the future of USS.

Yours sincerely,

(signed by)

Professor Stephen Toope, Vice Chancellor, University of Cambridge

Michael Abberton, President, Cambridge UCU

Dr Lorena Gazzotti, Branch Secretary, Cambridge UCU

Dr Daniel Weiss, Pensions Officer, Cambridge UCU

Professor Jane Stapleton, Master of Christ's College

Professor Dame Athene Donald, Master of Churchill College

Lord Grabiner, Master of Clare College

Professor Alan Short, President of Clare Hall

Professor Christopher Kelly, Master of Corpus Christi College

Dr Michael Rands, Master of Darwin College

Alan Bookbinder, Master of Downing College

Dame Fiona Reynolds, Master of Emmanuel College

Baroness Sally Morgan, Master of Fitzwilliam College

Professor Susan Smith, Mistress of Girton College

Dr Pippa Rogerson, Master of Gonville & Caius College

Professor Geoffrey Ward, Principal of Homerton College

Dr Anthony Freeling, President of Hughes Hall

Sonita Alleyne, Master of Jesus College

Professor Michael Proctor, Provost of King's College

Professor Dame Madeleine Atkins, President of Lucy Cavendish College

Sir Christopher Greenwood, Master of Magdalene College

Dame Barbara Stocking, President of Murray Edwards College

Alison Rose, Principal of Newnham College

Lord Smith of Finsbury, Master of Pembroke College

Bridget Kendall, Master of Peterhouse

Dr Mohamed El-Erian, President of Queens' College

Professor David Yates, Warden of Robinson College

Roger Mosey, Master of Selwyn College

Professor Richard Penty, Master of Sidney Sussex College

Professor Sir Mark Welland, Master of St Catherine's College

Catherine Arnold, Master of St Edmund's College



Heather Hancock, Master of St John's College  
Dr Daniel Tyler, Acting Vice-Master of Trinity Hall  
Professor Jane Clarke, President of Wolfson College

Cc:

Dame Kate Barker, Chair of Trustees, USS  
Stuart McLean, Head of Pensions, UUK  
Christine Haswell, National Pensions Official, UCU  
Charles Counsell, Chief Executive, The Pensions Regulator