Branch Meeting 15 April 2021 (on-line)

Chair: Michael Carley

53 members in attendance

1. **Welcome**

Dr Carley explained that the President was unable to attend the meeting and that he could act as Chair unless any other volunteers came forward. Nobody else volunteered.
Chair welcomed new members and asked permission for the meeting to be recorded for minuting purposes. No objections were raised.

2. **Branch position on HCEA offer**

Chair explained that the meeting had been called to gauge the position on the branch, via a vote, on two issues:

A) What is the position of the Branch on moving to a statutory ballot this academic year on the UCEA final offer 2020/21?

and, depending on the outcome of that vote,

B) If the Branch supports a statutory ballot this academic year on the UCEA final offer 2020/21, when should UCU conduct the ballot?

Chair explained that voting will be by means of a Zoom poll during the meeting and that the poll had been set up to be anonymous. Chair invited comments from the membership on whether there was support on moving to statutory ballot first.

Some members expressed the view that it seemed premature to ballot, and potentially take action on pay in isolation - given what it seemed likely that there would be a dispute on pensions. Members were curious about the position of local management with regards to the pay offer. UCU Reps explained that this was not relevant as pay is negotiated at National level and there is no scope for local negotiation.

Chair called the branch to a vote on question A); 9% agreed, 52% disagreed and 39% were unsure. As the absolute majority disagreed on moving to a ballot Chair declared there would be no need to proceed to a second vote.

[Post meeting note: the results of the vote were shared with the representative to the HE branch delegates meeting.]

3. **Update on USS**

The Pensions Rep gave an update on the USS discussions.

The Pensions Rep reported that the position is extremely complicated and a meeting with the University Pensions Group had been requested to discuss the current state of play. As a reminder, under the previous valuation (2018) there was an agreed rise in contribution rates due to start from October 2021. This will most likely happen, and it represents an increase both for employers and employees. To put things into perspective, the Pensions Rep explained, USS employers are currently paying slightly less than those employers on the Teachers Pension Scheme (TPS). The October increase will rebalance this, leading to USS employers paying slightly more. Comparisons with employee contributions are slightly more complicated to make due to the tiered nature of TPS, however it seems that USS employees in the lecturer grades will end up paying slightly more than their TPS counterparts.

One of the other conditions of the 2018 valuation was that there would be an additional valuation in 2020. USS chose to conduct this with effect from the 31st of March 2020, with many arguing this was the worst possible date to choose, due to the prudent approach taken from USS, i.e. switching assets from the stock to the bond market and value that. While USS owns a mix of assets, not all from the stock exchange, the stock exchange is taken as a proxy measurement. The stock exchange was lowest from many years, so switching from stocks to bonds at that point carried significant implications.

In addition, as part of the 2018 valuation employers agreed to strengthen the covenant. The covenant is extremely important as The Pension Regulator (TPR) places enormous emphasis on it. USS actuaries are rating the covenant not as strong, but as tending to strong, and the TPR agrees with this rating. As a consequence of this rating, the valuation has to be much more ‘prudent’, i.e. more weighted towards bonds rather than stocks. This makes the 2020 valuation even more important resulting in a push for total contribution rates, i.e. employer and employee, in the 50% range rather than the current 30% range.

UCU is totally opposed to the valuations and claims employers are not following through on the covenant strengthening measures agreed in 2018. UUK is sort of opposed to the valuation but does not want more covenant strengthening.

The covenant strengthening that USS says would be sufficient involves giving USS rather draconian powers over University finances, with essentially the power of vetoing any new loans USS universities took out. Employers, not unnaturally, are rebelling against this. The net result is that there is now a four-way fight between UCU, Employers, USS and TPR, however the positions of TPR and USS appear to be somewhat close to each other, with the CEO of USS having joined from the TPR. Hence the statement that the picture is rather complex.

Many people, including UCU, argue we should take industrial action against employers, however it is not clear what leverage employers have assuming we accept the USS definition of covenant strengthening to be unreasonable. There are covenant strengthening measures that would seem appropriate, like making it more difficult from employers to leave and ensuring USS is moved up the creditors list if an institution were to go bankrupt. It does not seem that the ability to charge Universities money would be in the interest of the members as, ultimately, the likely source of this money would arise from salary savings.

Many share the view that, at this stage, without carefully worded reasons, industrial action against employers wouldn’t work. Employers would turn around claiming there is nothing they can do to change the situation.

Questions from members included:

Where we are with JEP or JEP2?
Some of JEP recommendations have been accepted, some have been accepted with variations. USS and TPR claim the employers have not followed through with covenant strengthening, while employers disagree. In summary USS has gone through with 2020 valuation without completely resolving the issues that arose from the 2018 one.

Is there a way of exerting direct pressure on USS or TPR?
There is a group within UCU which is pushing for legal action against USS on the grounds that USS is not behaving as an honourable trustee. There is no other way of exerting pressure on TPR except through public opinion and questions in parliament.

There seems to be an absolute determination in destroying the defined benefit scheme and that the pandemic is being used to further this aim.
It is unclear what striking against the employers would achieve. Due to TPR being the pension provider of last resort it charges a levy on all defined benefit schemes. This is to build up a hardship fund to be used to bail out pension schemes that have crashed (cf Debenhams), but USS is so big that it dwarfs this fund. Therefore, it is in the interest of TPR to close USS. It is not 100% clear what the view of USS employers on this is, the field is probably split. Our VC, for example is in favour of defined benefit for USS members, albeit has moved away from this for other staff. Rather than striking it seemes more appropriate to contribute to the legal actions which will follow in the coming months.

Is there be a possibility for the valuation date to be changed to one more sensible, or was this choice entirely deliberate?
This is not deemed likely and, given that the main problems seem to arise due to the pensions regulator it seems that a logical solution would be to have a better TPR, this points the finger at Government and the necessity of presenting a pensions reform bill. There were debates in the Lords with regards to this, but the outcome reached there was overturned in the Commons, so the current regulator is here to stay.

The USS investment side is pretty competent but they were slightly wrongfooted by the pandemic. The University of London have demonstrated that it is possible to manage a defined benefit pension scheme at a surplus, albeit through luck rather than judgement, it would appear. The chief executive of USS salary is 1.01 Breakwells, however their bonus is 12 Breakwells and is purely based on investment returns of USS and not whether USS is a going concern. There appears to be a serious governance issue over the benefit structure of the CEO of USS.

Do we have any understanding as to the source of the deficit in terms of paying out past claims vs future benefits? If deficit is about past claims and USS is shut will Universities have to pay out? If so can we create a new scheme which, like University of London, could be properly funded?

If a University leaves USS they have to pay an enormous sum, so no University individually can leave USS, and it is not possible to half leave because of the structure of USS. When in

USS this scheme needs to be offered to all staff eligible. To leave and joint TPS, for example, will require all Universities agreeing to leave and winding up USS.
Deficit is driven by the fact that USS has promised to pay out pensions in the future and potentially this is a commitment for a substantial number of years for younger member. The question is what the current value of these future promises is, this is known as the discount rate. Currently, the discount rate is very very low by historical measurements, partly due to the pandemic, twelve years of quantitative easing etc.. This is the major component of deficit; the other is the cost of making good on present promises, but much of it boils down to the present valuation with very low discount rate. A small change in discount rate can change the position of USS from deficit to surplus.

The commutation rate from pensions has always been 20-25 to 1 but now cash to pension has been pushed to 35 to 1. This, in practice, means that we give up massive amounts of cash to get a future pension of a defined benefit nature while going the other way the ratio is about 20-22 to 1; this change came in very quietly last October. This is a reflection of USS's view of the discount rate, and, in this, it is consistent. USS has been very conservative on investment and have created this situation. The worst part is that the safest they play it, the lower the discount rate and therefore the more contributions are needed. We are trapped in a vicious circle while USS is cash positive as contributions to the scheme and earning from the portfolio of investment are greater than it pays out in pensions.

TPR's main concern is if we stop paying into the scheme today how much will they need to pay out to ensure everyone receives everything they are due. If USS stopped tomorrow that cost would fall on the employers who would not be able to afford this lump sum. The figure which has been estimated is around 60bn GBP.

4. Gender pay gap

The group are currently meeting, therefore the report on this item is delayed.

5. Professorial pay

Consulted with staff, a written proposal has been put to HR and UCU are awaiting response.

6. AOB

Nothing was raised from the members. Chair raised the following:

Anti-casualisation update: there have been no meetings for a while and there seems to be a gap between the ambition of the University and the actions currently being taken. The main issue at the moment is the definition of casualisation; UCU position is that everybody should be on a proper contract while University is seeking some flexibility on this. There has been significant movement (on paper) towards fractional contracts for PGTs but the uptake seems slow and patchy. It would be helpful if members could feed back their experiences. It is also important to notice that there is a Graduate Teaching Assistant element to this year's national claim, which is under negotiation, with UCU national trying to push the issue to set a minimum standard across the sector.

Workers rising everywhere training: Please do get in touch if you want to take part as a group is being organised for this series of training events.

Promotion rounds: these are being reinstated but at the moment it seems likely there will be a change in timings from previous rounds.

End of May national congress and conference: please do get in touch if you are willing to be a delegate and/or if you wish for to put forwards amendments to motions.

Branch delegates meeting: taking place tomorrow and Monday, UCU Bath represented by Time Barrett and Dai Moon