



Tuesday, 13 April 2021

Dear Professor Cox,

**Re: 2020 USS Pensions Valuation**

Thank you for your reply to our previous letter regarding the pensions dispute. We were however surprised to read that you thought a single chorus, resonant in agreement that the 2020 valuation should be reviewed, would diffuse your message and solidarity. Other University Executive Groups have begun signing joint statements on the topic (for example, at [Aberdeen](#)), and we believe that this is another missed opportunity for the University of Kent to make a name for itself in opposing the USS Trustee's proposals. These have, as our branch has been arguing since 2017, been grounded upon a lack of transparency and an overemphasis of risk and have, consequently, called for contribution rates far in excess of what employers and employees can afford. It is disappointing that you feel unable to similarly denounce the proposals publicly alongside us.

Since your letter, UUK have released a consultation on the indicative outcomes of the 2020 USS valuation. Taking into account their [actuary's argument](#) that the 'USS Trustee is being overly prudent on the preretirement discount rate' UUK's consultation seeks a more sustainable position by, amongst other measures, reforming a hybrid DB/DC benefit system. Unfortunately, it seems that the proposal is [almost identical](#) to that [put forward in 2018](#) which was rejected during the UCU's strike action of that year. Furthermore, as is so often the case, what is important here is not what is said but what is not, and UUK have been virtually mute to USS's refusal of their request for a review of the 2020 valuation. Bearing in mind their own actuaries, Aon, referred to USS Prudence Lenses as 'misleading' and a 'hall of mirrors' and have called into question the '[overly prudent](#)' preretirement discount rate that informs the valuation, again, the silence is deafening.

Fortunately, there are some strong voices being used to call into relief the 2020 valuation. [Neil Davies](#), of the University of Bristol, has argued that 'USS's justification for adopting a new definition of prudence falls woefully short of what is required, and meet[s] no professional standards for financial modelling'. In justifying his claim, and referring to the lack of any justification for the changes the USS Trustee has made to the valuation methodology, Davies argues that the Trustee does not meet the requirements of [The Occupational Pension Schemes \(Scheme Funding\) Regulations 2005 section 5](#). Rather than defining the assumptions and data to be used to create a model, estimating the model and interpreting the results, in fact the Trustee appears to have done the reverse: in the 2020 valuation, the Trustee suggested varying the levels of prudence (from 73% to 78% or 85% depending on the commitment of employers to the scheme), and can therefore manipulate the discount rate or the distribution of returns. Such 'reverse engineering,' he points out, would be considered fraudulent methodology for a published scientific paper.

Rather than accept the apparent level of risk within the fund's calculations, both Aon and Davies make it clear that it should be called into question and that reform of governance is needed. JSNCC

paper 2021-27 USS Risks and Concerns seems to recognise the need to do so in its note that ‘there [is] some question whether the Trustee is being overly prudent’ and that USS has taken little notice of the documents provided to it during the Valuation Methodology Discussion Forum. However, it does not seem like our employers (either at the University level or through UUK) are willing to call the calculations and governance into question publicly.

Branch officers would therefore like to ask you two questions. First, and in reference to your previous email’s promise to ‘continue to work with’ the UCU branch, when might we do so? We acknowledge the opportunity to discuss JSNCC 2021-27 at the last JSNCC meeting, however this was not a suitable opportunity to construct a robust action plan. We might suggest a collaborative effort on the part of Universities and UCU branches in the South East Doctoral Training Centres in order to pool resources.<sup>1</sup>

Secondly, we would like to know what position you yourself take, and what voice UUK is hearing from the University of Kent? We appreciate that you believe channeling the University’s leverage through UUK will afford us the most effective impact however, as the UUK is multiple and contains a number of Universities in various financial positions, we believe it is important that Kent’s voice is articulated clearly so as to create a position that benefits our staff. As our representative within the group, in what direction are you calling for UUK to go, and to what extent have you pushed for a review of the 2020 valuation and a review of governance? In the UUK’s USS Indicative Outcome Statement, the group stated that ‘UUK is now formally consulting all USS employers on the way forward, including covenant support measures, contribution levels and affordable benefit structures, together with options for addressing the scheme’s high opt-out rate’. We would be grateful if you could let us know how you intend to respond and how you plan to take staff views into account through the recognised trade union, UCU.

With best wishes,

The University of Kent UCU Branch Officers

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<sup>1</sup> At the most recent JSNCC, Martin Atkinson was not aware that you had responded to our letter and had promised to show both to the Executive Group. We understand that he has only recently taken over from Alison Ross-Green and we would be grateful he could be brought up to speed with the University’s position with regards to the pensions issue.