

Proposed Consultation Response

The University is pleased to see that a proposal from UCU has been formally presented to the USS JNC for consideration by the employers. We do, however, have significant concerns regarding the affordability and sustainability of this proposal. For Kent, this would have serious implications, which on top of other current pressures - rising inflation, uncertainty around future fee levels and the wider HE funding model, increased pay costs (and further anticipated challenging pay negotiations) and the overall increasingly competitive nature of the sector, making income growth more difficult – would only require further mitigating actions to be taken to offset the additional cost. In practice, therefore, any further increases to the UUK modified proposal contribution rate of 21.6%, even to a capped rate of 25.2%, would require staff cost reductions to be made elsewhere. We strongly fear that this could impact on jobs and our ability to make pay awards, thus adversely impacting staff workload, staff morale and the student experience. It is also likely that with the substantial increased costs of living that households are facing at the current time, such contribution increases for members would be both unpalatable and, in some cases, simply unaffordable – this is therefore likely to lead to an increased opt out / withdrawal from the scheme.

In the event that either a March 2022 valuation could not be conducted in time or that this concluded a worse or less positive outcome than is currently assumed within this proposal, the further increases in contributions that could apply would be even more damaging. Whilst we recognise that UCU do not intend that such contributions would exceed these levels, it is difficult to see how this could be guaranteed in the absence of a revised valuation; we can only assume that the USS Trustee will therefore insist on a backstop schedule of contributions along the lines set out in the first communication of the UCU proposal (with employer rates reaching 29.2% and member contributions increasing to 13.9%). At such levels, the significant annual additional cost of such increases (in the £ms) would only exacerbate the adverse impact noted above. Likewise, the consequential impact of the increased member contribution rates is likely to be far worse in this scenario and could threaten the viability of the scheme further.

Our final comments relate to the value and feasibility of a 2022 valuation. We understand the concerns that UCU have regarding the existing 2020 valuation and agree that, with improved market conditions, the current asset values of the scheme should therefore show significant improvement. However we point to the USS Trustee response to a previous request for a March 2021 valuation, which concluded that the funding position would have worsened due to the Pensions Regulator steer for less-prudent assumptions to be used at this date; we are therefore not confident that such a valuation would give the desired outcome. We also believe that any future valuation should benefit from the conclusions and implementation of recommendations arising from the current Governance Review and that this essential piece of work should be concluded before the next valuation.

In summary, whilst we appreciate being given the opportunity to comment on an alternative proposal, we feel that the significant risks attached to this proposal and outlined above are too great to be able to support this.

JH 16/2/22