WARWICK
THE UNIVERSITY OF WARWICK

SC/RD/GM/jd

Alistair Jarvis
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18 January 2018

Dear Alistair,

I am writing in response to your email of 21 December 2017, seeking commentary on proposals tabled by UCU at the meeting of the JNC on 19 December. I am very pleased that no final decisions were taken at that meeting of the JNC and that there is scope for further negotiation at least to the point of the next JNC meeting on 23 January 2018. I am firmly of the belief – as indicated in commentary already in the public domain – that there is a need to maintain a meaningful defined benefit scheme for those members of staff, present and future, who perceive pension provision as a key factor in their choice entering or remaining in higher education. I have been immensely disappointed that this view, expressed by the University of Warwick and others, has been subsumed into a rather bellicose call for a wholesale move to a defined contribution scheme.

I recognise that the sector cannot sustain significantly higher levels of employer contribution and that such a move might in itself call into question the sector's financial covenant. I also recognise that there are individuals working in higher education (particularly those from overseas) who would welcome the portability and flexibility provided by a defined contribution scheme. But I strongly believe that there is scope to look again at the Technical provisions, to look at other benefit options – such as full DC options for those above the national pay scale (perhaps by opt-in) and the flexibility to offer DC to others who would prefer a more flexible scheme – and the deficit recovery period. A combination of these could sustain a meaningful DB offering for those below the current salary threshold. I recognise that there is regulatory pressure for early resolution of these issues, but a little more time for negotiation around less stark solutions would surely pay dividends given the seriousness of the issue.

One issue of concern has been the future service cost of pensions. One possible consideration might be to reduce the revaluation rate for future accrual so that instead of a cap of 5% as at present, there is a reduced cap applied on such revaluation. Of course past service rights would be on the current basis but at least this might provide some common ground for both parties whereby costs could be contained and at the same time retain defined benefits.

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Being aware of just how difficult the provision of defined benefit pensions has become in the current economic climate, I would reiterate my observation that (although reformed) most major schemes continuing to make such provision are in the public sector. USS is one of the few schemes with a “public sector profile” (and certainly the largest) pension scheme which is funded and regulated as a private sector scheme. Given the current pressure to regulate other aspects of reward and benefits in higher education through the Office for Students, there is an increasing case for pensions to be treated on an equal footing to unfunded public sector schemes such as the NHS or Teachers Pension Schemes.

Yours sincerely

Professor Stuart Croft
Vice-Chancellor and President