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25 January 2021

To: Mr Bill Galvin, USS Group Chief Executive Officer

Via email: [bgalvin@uss.co.uk](mailto:bgalvin@uss.co.uk)

Dear Mr Galvin,

### **March 2020 valuation**

As representatives of the University of Oxford, 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. We understand that the USS Trustees and Executive face unprecedented challenges related to the effects of the Covid-19 epidemic on the economy in general and the HE sector in particular. However, our view is the process undertaken so far lacks balance, is unlikely to produce an acceptable result and carries a real risk of causing long-lasting damage to the UK higher education sector and to the future of USS.

We would particularly like to highlight the following issues:

- 1. Format of the consultation:** USS's choice not to consider all the relevant issues together (technical provisions, deficit recovery schedule, covenant strength assessment) has made it extremely difficult for employers to engage constructively with the consultation and identify ways forward for USS. The "illustrative outcomes" provided as part of the consultation on technical provisions are completely unrealistic and fail to provide a platform from which to engage on options for the future of the scheme.
- 2. JEP recommendations:** We strongly support the recommendations made by the JEP and are disappointed that these have not been adopted more fully. The work of the JEP had started to rebuild trust between members, employers and USS. The chair of the panel noted that "*our conclusions and recommendations should be considered as a package which, taken together, can provide a way for the interested parties to work together to secure the future of the Scheme*"; this position contrasts with the limited way in which USS has adopted the JEP recommendations, which puts the trust between members, employers and USS at risk.
- 3. Covenant:** We disagree with USS's covenant assessment as 'Tending to Strong', barring additional covenant support measures. USS is a unique scheme that is supported by the covenant of institutions with several decades and in some cases several centuries of 'credit history'. A more productive and logical starting point would be that the covenant remains 'Strong'. Furthermore, the measures proposed by USS to strengthen the covenant are disproportionate and fail to differentiate between the materially different financial positions of member employers. We strongly recommend that USS consider the more proportionate and effective measures which UUK has put forward.



4. **Affordability:** USS stated in its consultation its “aim to make the cost of funding new pensions as sustainable as possible”; this stated objective was not borne out in the document, nor in the “illustrative outcomes” that followed it. We believe that this disconnect between objective and text undermines employers’ and members’ confidence in USS and risks undermining their engagement in the valuation process.

In our view, the greatest threat to USS is that members will lose confidence in its stability, affordability and intergenerational fairness. The scheme needs to meet the needs of younger and older members alike; those who intend to spend their entire careers in the UK higher education sector and those who do not. The Trustee’s approach to recent valuations has undermined our members’ confidence in the scheme. This loss of confidence risks an acceleration in drop-out rates, which are already higher than we would like, further growth in scheme deficits and increasingly unaffordable deficit contributions being required of employers and members.

In that context, 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.

Yours sincerely,

Professor Louise Richardson, Vice Chancellor, University of Oxford

David Chivall, President, Oxford UCU

Aris Katzourakis, Vice-President, Oxford UCU

Dame Helen Ghosh, Master of Balliol College

Mr John Bowers QC, Principal of Brasenose College

Professor Ian Watson, Censor Theologiae, Christ Church College

Dr Helen Moore, President of Corpus Christi College

Professor Sir Rick Trainor, Rector of Exeter College

Sir Michael Dixon, Principal of Green Templeton College

Professor Jane Shaw, Principal of Harris Manchester College

Mr Tom Fletcher, Principal of Hertford College

Professor Sir Nigel Shadbolt, Principal of Jesus College

Sir Jonathan Phillips, Warden of Keble College

Professor Jonathan Michie, President of Kellogg College

Mr Alan Rusbridger, Principal of Lady Margaret Hall



Dr Nick Brown, Principal of Linacre College

Professor David Hills, Acting Rector of Lincoln College

Ms Dinah Rose QC, President of Magdalen College

Ms Helen Mountfield QC, Principal of Mansfield College

Professor Irene Tracey, Warden of Merton College

Mr Miles Young, Warden of New College

Lord Mendoza of King's Reach, Provost of Oriel College

The Rt Hon Sir Ernest Ryder, Master of Pembroke College

Dr Claire Craig, Provost of The Queen's College

Revd Dr Robert Ellis, Principal of Regent's Park College

Baroness Royall of Blaisdon, Principal of Somerville College

Ms Helen King, Principal of St Anne's College

Professor Roger Goodman, Warden of St Antony's College

Professor Richard Cooper, Master of St Benet's Hall

Professor Kersti Börjars, Master of St Catherine's College

Professor Katherine Willis, Principal of St Edmund Hall

Professor Sir Gordon Duff, Principal of St Hilda's College

Dame Elish Angiolini, Principal of St Hugh's College

Professor Maggie Snowling, President of St John's College

Professor Judith Buchanan, Master of St Peter's College

Dame Hilary Boulding, President of Trinity College

Baroness Valerie Amos, Master of University College

Lord Macdonald of River Glaven Kt QC, Warden of Wadham College

Sir Tim Hitchens, President of Wolfson College

Professor Kate Tunstall, Interim Provost of Worcester College