Goldsmiths, University of London, response to consultation with Universities Superannuation Scheme (USS) employers on the recommendations prepared by the Joint Expert Panel

More details of the context for this consultation, and the Joint Expert Panel's work, can be found at:
https://www.ussemployers.org.uk/sites/default/files/field/attachemnt/UUK_consultation_2018_final.pdf

This response has been agreed by the College's Senior Management Team and approved by the College's Finance and Resources Committee, which is a Committee of independent members of Council. This response therefore represents the approved position of the College.

As an over-arching comment, we welcome the Joint Expert Panel report and recommendations. In responding to the consultation, you have requested that we indicate how the views put forward have been reached. We have worked on the assumption that the Panel has acted impartially (with the positions of employers and unions appropriately balanced), in good faith and in consultation with credible experts/consultants. Where we have concerns or questions, we raise them below, otherwise our views reflect the faith we place in the robustness of the process adopted by the Panel.

1. Would your institution support the JEP recommendations regarding the 2017 valuation in overall terms, subject to the acceptance of such a position from the USS Trustee (and TPR as appropriate)?

   We support the recommendations. While we have one concern about the level of risk (please see the response to Question 2), we agree, based on the analysis provided by the Panel and its advisors, that:

   - the attitude to risk should be reconsidered;
   - consistency in approach between valuations is to be welcomed where appropriate;
   - smoothing of contributions is appropriate where there is reasonable certainty that the likely short term increase in deficit is offset in later years across the smoothing cycle; and
   - more recent and representative data should be used where it is available.

   While conscious of the diversity of size and financial position across USS employers, we are hopeful that other members will similarly agree that the JEP recommendations provide a constructive way forward. We are similarly hopeful that the USS Trustee accepts the carefully reasoned position of the Joint Expert Panel, the work of which represents an intensively concerted effort by employer and employee representatives to chart a workable way forward for this unique scheme.

2. What further information would you need to provide a final view for question 1?

   We would be interested to understand the extent to which future risks to the balance sheet have been taken into account, the most obvious of which are the potential for significant changes in student tuition fee income due to policy changes, and the impact of the UK leaving the EU. Given the financial strength of the large research-intensive institutions in the Scheme and their significance to the overall sector covenant, such concerns do not need to be overstated, but we simply make the point that the future funding environment is far from certain and it is unclear the extent to which this has been built into the JEP's assumptions.

3. Employers currently pay 18% towards the USS scheme, and the mandate agreed immediately following the Acas discussions was 19.3%. If the recommendations of the JEP were accepted in full by all parties, the outcome would be that existing benefits – minus the employer match of 1% – could be provided at an indicative employer contribution of 20.1% of salary (with a member contribution of 9.1%).

   (a) Would you accept employer contributions at that level?
   (b) If not, what balance of additional risk, higher contributions and/or benefit change would you prefer to see as an outcome?

   We would support contributions at this level. This will have an annual cash cost for Goldsmiths of just under £1 million, which is at the edge of affordability for a break even institution. But we agree that this is a price worth paying in order to achieve a reasonable settlement in the dispute over proposed changes to the scheme. Indeed, Goldsmiths' management has consistently stated that it would be willing to accommodate a small rise in employer contributions in order to secure employee benefits that are as close as possible to the current offer.

Goldsmiths, University of London
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