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Dear Mr Galvin,

USS March 2020 valuation

I write to express a number of concerns regarding the USS valuation which have been growing among the Senior Management Team of Goldsmiths and the wider Goldsmiths community. The consultation in October 2020 gave cause for serious unease and the announcement of 3 March 2021 outlining the latest position on the valuation approach and required contributions offers very little reassurance that a long term and workable solution is being developed to navigate the USS out of its current crisis.

We believe the October 2020 process was flawed in that it sought to disaggregate many linked factors and consult on only a few of them, leaving the remainder to a later date. Like other employers, we were placed in the difficult position of having to provide initial answers that might prejudice the outcome of issues to be consulted on later, rather than assessing all elements in the round. Many of the matters raised during the consultation, including those regarding an overly cautious valuation approach, the limited adoption of Joint Expert Panel recommendations and the critical issue of affordability have all crystallised in the 3 March 2021 announcement.

We fully acknowledge the unprecedented challenges posed by the global pandemic and the uncertainty it has caused. The valuation of the Scheme is a complex undertaking at the best of times, and current circumstances make the job of USS, its actuaries and its regulator much harder. However, our primary concern is that the longer perspective has been lost and a short-termism has set in which threatens to undermine the Scheme creating lasting inequality and doing irreparable damage.

Within this longer perspective we believe there are four areas of work which must be prioritised:

- Addressing inequality to ensure the scheme is affordable to more junior colleagues. Failing to do this risks effectively closing the scheme to its future lifeblood, and the level of opt outs has already created a two-tier approach to pension provision.
- The timescale for recovering the historical deficit should be extended beyond the current period of 10-15 years – especially when the shorter-term approach increases the level of financial jeopardy and risk faced by many employers at a time of economic crisis.

- A reappraisal of the efficacy of the current contribution rates – if a truly long-term approach is being adopted, then we would strongly dispute your claim that at the 30.7% level of contributions, which are sizeable, “it is difficult to envisage any meaningful defined benefit pension being provided under the hybrid structure¹”.
- An affirmation of the mutuality of the scheme as opposed to undermining this significant strength: we seriously challenge your view that employers’ support for the USS cannot be “taken as read” as a result of one employer leaving, given the willingness with which employers have paid ever-increasing levels of contributions over the past six years.

A longer term view would recognise that few meaningful inferences can be drawn from the state of markets at 31 March 2020 and the months following; that continued reductions in Teaching Grant, uncertainty over student numbers and working capital constraints are financial issues that the sector needs support to work through without a hike in pension contributions adding to the strain; and that a lot can change in a relatively short period of time – for example, 20 years ago, a large number of defined benefit schemes were on so-called contributions holidays, as the markets at the time were clearly unable to price in the subsequent financial crisis of 2008 and the era of low interest rates which followed.

Our appeal is a simple one. Collective cool heads and bold thinking are required to see the sector and the Scheme through these significant challenges and we would ask that you show these qualities over the crucial coming months to help establish a way of working which will endure through the years.

No university leader wants to see a reckless course of action pursued, but neither do we wish to see the USS suffer a drawn-out and painful demise which in turn would be hugely damaging for our sector and for students and colleagues. We would urge you to consider seriously the four areas set out above as ways to help remedy the current situation.

Yours sincerely,



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¹ Page 18 of 3 March 2021 USS update document, with the covenant regarded as tending to strong, a 10-year deficit recovery period and deficit recovery contributions of 19.2%