

Mr Mike Birch
Director of Supervision
The Pensions Regulator

12 March 2021

The Russell Group of Universities
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russellgroup.ac.uk

Dear Mr Birch,

Universities Superannuation Scheme – USS

Russell Group universities are among the largest employers in the USS, covering the majority of the scheme's current membership, and the core of the covenant. We are therefore concerned to ensure the 2020 USS valuation process is concluded in a satisfactory manner, reflecting the resilience of UK universities and our commitments to the scheme, and to staff in particular.

To support this, **we request you release detailed information relating to any concerns you have expressed to the USS Trustee about the covenant and related matters that have led to the recent valuation and proposed costs.**

The globally recognised quality of the UK's HE system is down to the talent and dedication of the staff who work in our universities. Universities invest more in staff and their future than anything else, accounting for 59% of all expenditure in 2018/19 compared to less than 50% in the private sector. As part of that investment, we are determined to provide a pension that is attractive and fair. However, the contribution rates now proposed by the USS Trustee are not affordable for individuals or employers.

We are particularly concerned about the proportion of individuals opting out of the scheme with at least 1 in 6 having chosen to do so. If contributions rise again, opt outs will rise further still – and given the exclusive provision in USS, this is likely to leave many individuals without any pension, death or disability cover. With a large proportion of those opting out in the early stages of their careers, the current valuation and its longer-term implications raise questions over fairness and our responsibility to future generations.

We recognise this is a challenging time to consider the value and future of pension schemes. However, as the pandemic has gone on our universities have shown how resilient and adaptable they are, and they will now also play a vital role in post-pandemic economic recovery for the UK. We do not believe that this demonstrable resilience has been properly taken into account by you or the Trustee.

We know the USS Trustee makes the final decision regarding covenant strength and other relevant factors, and we support the review of their valuation requested by Universities UK. However, we believe the Trustee's decisions - which have seen contribution rates set much higher than we understand was being discussed before Christmas - will have been shaped significantly by conversations with you as the Pensions Regulator. Without being party to those exchanges we can only speculate on your views about the sector, its resilience and the level of prudence that you feel needs to be applied to the USS in future.

RUSSELL

University of Birmingham
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Cardiff University
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University of Exeter
University of Glasgow
Imperial College London
King's College London
University of Leeds
University of Liverpool
London School of Economics
and Political Science
University of Manchester
Newcastle University
University of Nottingham
University of Oxford
Queen Mary University of London
Queen's University Belfast
University of Sheffield
University of Southampton
University College London
University of Warwick
University of York

GROUP

The long-term sustainability of the scheme is paramount and we accept that significant reform will now be needed to deliver those objectives. We hope that this clear recognition on our behalf should enable you and the Trustee to revisit your assumptions.

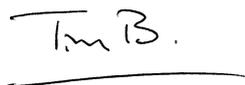
However, as we and our staff prepare for the difficult conversations that lie ahead, we are keen to understand all of the relevant facts. The nature and content of the exchanges you have had with the Trustee, and any concerns you have raised, are therefore critical. We also support UUK's request for the evidence and analysis to support your assertion that scenarios 2 and 3 proposed by USS are only 'at the limit of compliance' with legislation.

We ask you to make this information public along with any other evidence you have used to come to your conclusions on the scheme.

Once you have made this information available, we would welcome an opportunity to discuss it with you and to hear your views on other options that might be helpful to explore to deliver a sustainable scheme.

We look forward to your response.

Yours sincerely,

Handwritten signature of Tim Bradshaw, consisting of the letters 'T B' in a cursive style, underlined.

Dr Tim Bradshaw
Chief Executive, Russell Group

Handwritten signature of Nancy Rothwell, written in a cursive script.

Prof Dame Nancy Rothwell
Chair, Russell Group