

## **Reject the proposed ‘offer’ of up to 20% cuts in USS – Vote NO**

- **No justification for cuts**
- **Offer only slightly better than Employers’ offer in October**
- **Fight to win!**

**We write as representatives of the Left on the Higher Education Committee who are utterly opposed to any retreat from defending members’ pensions. We have carried out a careful critical analysis of the different positions and we can only conclude that members must reject the offer.**

We believe that UCU is consulting members over accepting a retreat of historic proportions that will mean **all** our members pay more, those in Final Salary (three quarters of active USS membership) will have their pension cut, and a great number of staff will be placed in the position where they cannot afford to retire.

The proposal is as follows. Everyone is to be put on a single Career Re-evaluated Benefits (CRB) scheme. Current Final Salary members in mid-career are likely to lose over 10% in the value of their pension – but pay 0.5% more. New staff who would be entered into the current (appalling) CRB Scheme introduced in 2011, will see their pension increase by 6%, but at the cost of paying an extra 1.5% of their salary into the scheme over their working life.

But the proposal is not even a pure CRB scheme. Any salary over £55,000 is put in an investment fund called a Defined Contribution (DC) scheme, and so staff who eventually retire as a professor can expect a bigger pension cut. The Employers plan to pay one third less – 12% rather than 18% - into this fund than for their normal contributions.

In simple terms, the proposal we are asked to endorse:

1. **transfers all Final Salary members onto the current CRB scheme** (with their past contributions revalued by CPI, not RPI),
2. **increases employee contributions to improve the accrual rate**, and
3. **subdivides the scheme by introducing the Defined Contribution section.**

If we reject this we are told there is a risk that the UUK proposal will be imposed. That proposal does as above, but leaves out (2), and has a lower DC threshold – £50,000 rather than £55,000.

Instead of facing up to the scale of attacks and campaigning openly against them, the national UCU leadership has left members in the dark, and now propose a snap 10-day e-ballot consultation, in the absence of a visible campaign.

**We can still win.** Where members have campaigned against the deficit and the need for cuts, they have won a huge consensus amongst staff. The employers are divided. Several university Senior Managements, including Oxford, Cambridge, Imperial, Warwick and LSE have called for lesser changes than are currently proposed. The Employers could pay more, or agree to join UCU in openly challenging the valuation.

### **No justification for USS cuts**

The projected “deficit” is the result of a discredited mathematical model. Last term, a series of devastating critiques were published by independent academics, university management-led pension committees and UCU’s own actuaries, First Actuarial, all challenging the method used by USS’s actuaries to value the scheme, and thus to decide on the size of any

necessary cuts. Indeed, some alternative calculations found that USS had a projected surplus!

But instead of building on these critiques, and rejecting the premise of the negotiations as false, the majority of the Higher Education Committee (and their negotiators) focused exclusively on negotiations with the employer, and behaved as if the deficit was real.

At the last special HEC meeting in November, the majority of our leadership voted to suspend the marking and assessment boycott to ‘facilitate negotiations’ with Universities UK, *within the terms of this projected deficit*. We warned then, in an open letter published in the *Times Higher*, that this would lead to disaster.<sup>1</sup> We argued that the only way to avoid this would be to inject democracy into the union by branches calling a Higher Education Sector Conference (HESC) to review the campaign and hold the leadership to account. The need to call a HESC is greater than ever (see below).

But now we must campaign to throw out a disastrous proposal that accepts the terms of the deficit. The argument at the HEC was that this proposal was the best achievable by negotiations, and that the USS Trustees may vote for the (even worse) UUK proposal if members do not vote Yes. Members are being balloted with a gun to our heads.

Over the last few months, members have been kept in the dark. At most, we received cryptic emails from Sally Hunt. Now we are told that negotiations have borne fruit, with an offer on which we are to be consulted. Yet the new offer is a pensions cut for everyone on Final Salary – three quarters of USS membership!

At the HEC meeting the majority of the UCU leadership – some of whom have already taken their pension – voted to ‘consult’ members rather than lead them against the cuts. Members already voted to throw out a similar offer six months ago. Now they are being asked to vote on a similar deal. The majority of the existing leadership has offered no strategy to fight this proposal, or even a recommendation to reject it. Our leaders have abdicated their responsibility.

The only way of turning this situation around is to throw out the offer, and to build for hard-hitting industrial action. We need to mobilise all our members in a combination of well-timed escalating national strike action, and a marking boycott. We urgently need to organise to resist this cut. We cannot afford to be timid.

### **“Offer” worse than UCU’s counter-proposal**

Members voted for industrial action in October, with a record-breaking 86.7% for ASOS and 77.8% for strike action, to oppose USS cutting our pensions by “up to 27%”.

After two weeks, ASOS was suspended for negotiations. Five months later, the new proposal appears on paper to be better than UUK’s original proposal – but members will pay for it by increasing contributions.

- In return for increasing contributions from 7.5% to 8% of salary, using UCU’s figures, a 40-year old mid-career staff member in the final salary scheme will still lose 11% of her annual pension, rising to 20% for staff who become professors before retirement.

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<sup>1</sup> See <http://uculeft.org/2014/11/defend-pensions-fight-to-win-join-the-call-for-a-higher-education-sector-conference/>

- The picture for staff who join USS now is more complicated. They will have to pay 1.5% more. To take the UCU example of a 25-year old retiring at 68, she would get an increase in 6% for her eventual pension. Even then, those who retire as professors will be in the Defined Contribution scheme, and would probably find their ultimate pension reduced compared to the current CRB scheme! But over her career, the staff member will have paid around an extra 64.5% of her average annual salary into the scheme.

These ‘tradeoffs’ disguise one simple point. The negotiations are constrained by the cost-envelope of the deficit. During the negotiations, the Employers did not increase their payments over the 18% they had already agreed. The apparent improvements over the UUK offer are due to increased employee contributions. The one tangible improvement is the shifting of the Defined Contribution threshold cap – but this will be at the price of the union conceding the Defined Contribution principle, with a lower employer contribution.

UCU is paying the price for prioritising negotiations over campaigning, and of conceding the principle of Final Salary in their counter-proposal. This is not just an issue for HE members. The ditching of Final Salary in USS will make it harder for UCU in FE and post-92 to unite with the NUT to resist the Government’s plan to close the Final Salary part of the Teachers Pension Scheme.

Members of USS in post-92 institutions are not even being given a vote, although the outcome of our dispute will affect their pension.

Not only does the proposed offer end Final Salary, it also concedes the principle that a pension should be a Defined Benefit scheme – i.e. a scheme where members can work out their pension. The proposal states that all salary earned above a £55,000 ‘cap’ will be paid into a second, Defined Contribution scheme, i.e. a fund where pension benefits are more like a stock-market-invested savings fund. These schemes have been disastrous for workers in the private sector, with pensioners finding out on retirement that their pension is worth far less than they thought.

Although the Employers are not proposing a full Defined Contribution scheme but a hybrid one, it will be easy for USS to be devalued further in the future by lowering the cap (or by not uprating it by RPI). Since they cut their contribution in the DC scheme, their incentive is obvious. At present, about 25% of existing USS members will contribute to this scheme – not just a few ‘high earners’. If we concede this now, it opens the prospect of a wholesale shift to a purely DC scheme in the medium term. This has already happened across the private sector.

These schemes minimise risks to USS and to the employers, who currently have to pick up costs when one of their number goes bankrupt and cannot pay exit costs. Stock market losses are borne by members.<sup>2</sup>

### **UCU - the leadership exposed**

How did we get in such a mess? How did our negotiators get sucked into a negotiation where the only outcome would be a pension cut? Why have members been denied any opportunity to challenge the premise of the deficit?

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<sup>2</sup> UCU has constructed a modeller to help members try to work out the value of their pension (2015 prices). Whereas other calculations are based on a formula, this modeller has to guess the Defined Contribution element, and this affects all projections for staff retiring on £55,000 or more.

The 'common sense' strategy of the UCU majority has always been to see negotiations with Employers as the main goal of industrial action. The Left sees victory over Employers as the goal (and negotiations to conclude the terms of that victory).

In a period when the employers are not on the offensive, this 'common sense' strategy may appear credible. But when faced with a massive attack on our pay, jobs or pension benefits, it is woefully inadequate, and guaranteed to fail in advance. This 'strategy' is exposed as little more than begging the Employers to go easy on members.

This focus on negotiations at all costs means that the UCU leadership has not organised to prepare members to take the industrial action - the alternative to a sell-out. We have to turn this around.

### **What all members need to do**

- **Campaign against the sell-out** - hold meetings in schools and departments, and organise branch meetings urgently. Branches and branch executives can and should recommend rejection, even if the HEC does not. Most of all, members want to know that, if they vote to reject the proposal, everyone in the union, from the leadership to their colleagues, are ready to take the necessary industrial action to win the dispute. We have to organise.
- **Demand a Higher Education Sector Conference** - pass the motion for a Special HESC at a quorate branch meeting in the next three or four weeks. UCU 'consultation' meetings with branch representatives have no power to demand our leadership acts in line with branch votes and union policy. Whatever happens in the consultation, UCU is our union, and we need to come together to democratically debate and hold our leadership to account. More than 20 branches have passed the motion calling for an HESC but this number has been challenged. HEC members have not even been told which branches' submissions have been accepted. Recognising the groundswell from members, the HEC could simply call it themselves but again they have chosen not to. So we need to keep the resolutions coming in.
- **Vote for a stronger UCU leadership** – vote for Left candidates in the coming election. We need a stronger UCU, more reps and activists. But this dispute has exposed the difference between the Left and the majority at the top – and the gap between this HEC majority and the membership. This dispute is not going to be the last. We need a union leadership that organises to win.

Marion Hirsch, NEC member and USS national negotiator, University of Glasgow

Sean Wallis, NEC member, University College London

Ioanna Ioannou, NEC member, University College London

Prof Andreas Bieler, NEC member, University of Nottingham

Lesley McGorrigan, NEC member, University of Leeds

Karen Evans, NEC member, University of Liverpool

Lesley Kane, NEC member, Open University

Sara Weiner, NEC member, Liverpool John Moores University (post-92)

Sue Abbott, NEC member, Northumbria University (post-92)

A short version of this statement will be submitted to the *Times Higher*. To add your name, please email [s.wallis@ucl.ac.uk](mailto:s.wallis@ucl.ac.uk).

### **Model Motion to recommend rejection of the offer**

*This UCU branch believes that the current 'potential agreement' offer represents a major cut in pensions. The offer accepts the parameters of the huge projected deficit, and cuts pensions to fill this gap. As well as ending Final Salary, it concedes the principle of a Defined Contribution element for contributions over £55,000 that allows the Employer to cut their contributions to 12%, provides members with no certainty about the value of their pension and paves the way for future concessions.*

*This UCU branch therefore calls on all members to vote to reject the offer, and to demand HEC officers call hard-hitting industrial action to win the dispute.*

### **Model Motion to call for a HESC**

*This UCU branch supports the call for the requisition of a Special HE Sector Conference under rule 16.10 to debate the campaigns to defend pensions in HE, and to defend the capacity of the UCU to call industrial action short of a strike as part of those campaigns.*

#### Procedural notes:

1. Motions must be approved by a quorate branch meeting. (Please include in your submission the number attending the branch meeting, and what the branch quorum is.)
2. The motion must be passed through twenty branches from separate institutions. (Institutions with more than one branch count as one for this purpose.)

Motions should be sent to Sally Hunt ([shunt@ucu.org.uk](mailto:shunt@ucu.org.uk)), General Secretary, with a copy to Michael MacNeil ([mmacneil@ucu.org.uk](mailto:mmacneil@ucu.org.uk)), National Head of Bargaining and Negotiations, Joanna De Groot ([jdegroot@ucu.org.uk](mailto:jdegroot@ucu.org.uk)), Vice President, and Elizabeth Lawrence ([president@ucu.org.uk](mailto:president@ucu.org.uk)), President.