

University of Cambridge response to the UUK consultation on UCU proposal

The University of Cambridge continues to believe that contributions of 25–30% of salary should be sufficient to deliver a good pension despite the reductions in long term return expectations that have occurred over the last decade. The fact that, within the present USS structure it does not, is a result of the general actuarial and regulatory methodologies required of defined benefit pensions in the UK, and the application of these methodologies to USS – which as an open scheme with a strong sponsor covenant is significantly different from most UK schemes. However, changing this dynamic will require more time than available in conducting a 2022 valuation and may well require scheme design change (such as conditional indexation).

Our fundamental concern is that the UCU proposal does not address the underlying problem; indeed carrying out a 2022 valuation would almost certainly detract from the ability to explore alternative scheme design. Furthermore, we remain sceptical that a 2022 valuation within the current limitations noted above will deliver an acceptable cost for current benefits.

The University of Cambridge therefore does not support the proposal put by UCU. Rather, we would urge that all parties work together to explore alternative scheme designs that would allow benefits to be restored to current levels (and indeed improved), contingent on return on assets as soon as possible. We also reiterate our view that UUK should make clear its objective, facilitated by scheme redesign and / or market improvements, is to remove the 2.5% cap in indexation permanently and retrospectively at the next valuation so that it never comes into operation.

This response has been approved by the Council of the University