



Clément Mouhot
By email

Reference: FOI-2018-392

5 July 2018

Dear Professor Mouhot,

Your request was received on 11 June 2018 and I am dealing with it under the terms of the Freedom of Information Act 2000 ('the Act').

Your request related to a previous request under the Act, our reference FOI-2018-194, which had asked for "the minutes and all documents associated with the minutes of the Finance Committee and of the Pensions Working Group and all documents associated with these minutes of the period from 1 January 2018 to 10 March 2018". Although some information was supplied to you, part of this request was refused under section 36 of the Act. In your new request, you asked:

Concerning the minutes of the Finance Committee that could not be released because of commercially sensitive informations, would it be possible then to send only the part of the minutes, for the period considered, that are concerned with the USS pensions?

The requested information is attached. Please note that the attached document should not be copied, reproduced or used except in accordance with the law of copyright.

If you are unhappy with the service you have received in relation to your request and wish to make a complaint or request an internal review of this decision, you should contact us quoting the reference number above. The University would normally expect to receive your request for an internal review within 40 working days of the date of this letter and reserves the right not to review a decision where there has been undue delay in raising a complaint. If you are not content with the outcome of your review, you may apply directly to the Information Commissioner for a decision. Generally, the Information Commissioner cannot make a decision unless you have exhausted the complaints procedure provided by the University. The Information Commissioner may be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF (<https://ico.org.uk/>).

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Yours sincerely,

A handwritten signature in blue ink, appearing to read 'James Knapton', with a large, stylized flourish at the end.

James Knapton

Extracts from the Minutes of the Finance Committee relating to (USS) pensions 1 January 2018 to 10 March 2018.

10 January 2018

16. Pensions

(a) Universities Superannuation Scheme (USS)

The Chief Financial Officer reported on discussions of a restructuring of the scheme in anticipation of the outcome of its triennial valuation. The University and College Union (UCU) had submitted an alternative proposal to the USS Joint Negotiating Committee (JNC) in which the USS would remain as a defined benefit (DB) scheme with a slightly reduced accrual rate but with increased contributions, which for the employer would rise from 18% to 23.5% and for the employee from 8% to 10.9%. The JNC had extended the consultation period to 23 January 2018 but it was difficult to see how the very different positions taken in the UCU and UUK proposals might be reconciled.

It was noted that UCU had launched an industrial action ballot in the dispute over the future of USS with a deadline of 19 January 2018.

(b) *Pensions Working Group (PWG)

Minutes of the Pensions Working Group held on 19 December 2017 were received as FC(18)19. The Committee noted the decisions and discussions as set out in the Minutes.

32. Pensions

(i) Universities Superannuation Scheme (USS)

A copy of the Notice dated 28 February 2018 acknowledging receipt of a Grace initiated by members of the Regent House concerning the USS was tabled.¹

The Chair noted that the University was working to shift the dynamics at a national level and enable a sustainable position to be reached, but that this was difficult to achieve because the different perspectives among HEIs and the need to satisfy the requirements of the Pensions Regulator. A further statement would be issued later that day to the University community and forwarded to the Heads of the Colleges.

The Chief Financial Officer reported. It was the Pensions Regulator's role to ensure the effective management of pension schemes in the context of their liabilities. The Pensions Regulator required pension schemes to be funded on a prudent set of assumptions (which increases required contributions) especially where the scheme was large compared to the cash-generating capacity of its sponsoring employer(s). HEIs had come to the conclusion that they could not afford the increased employer contributions that were required to maintain the current benefits and had reluctantly agreed to accept that future benefits would be paid under a defined contribution scheme (DC). UCU had offered an alternative proposal to maintain a defined benefit scheme (DB). There had been a breakdown in talks and industrial action. Many members of USS across the country had expressed concern, noting that they had accepted lower salaries on the understanding that they would receive a good and reliable pension. There needed to be both a short-term solution to enable industrial action and the resulting disruption to be brought to an end and a long-term solution to offer a better scheme for both employers and USS members.

In the longer term there were three possible options:

(1) Collective DC scheme

The scheme would offer a target level of income in retirement, rather than a guaranteed sum, based on an investment plan for a collective fund from which income to individuals would be paid. This type of scheme was not allowed under current legislation but was actively being pursued by Royal Mail and was likely to be available within 2-3 years.

(2) Underwritten scheme

¹ See: <https://www.admin.cam.ac.uk/reporter/2017-18/weekly/6497/section1.shtml#heading2-6>.

The government would need to agree to underwrite the costs. Although this option was being pursued, and there were reasons that it might be attractive to the government, it was not considered to have a high probability of success.

(3) Individual DB scheme

Individual HEIs could offer a DB scheme to their own employees to which future contributions would be applied. This option would only be possible if other universities agreed to allow it. There was already some negative press coverage of the involvement of the Colleges and the Universities of Oxford and Cambridge in the discussions to date. Any public discussion of this option by Cambridge at the present time might be seen, wrongly, as part of a plan to wreck the USS rather than a last resort.

In terms of the Grace on USS, the University could provide a reasonable response to the first three points made. However, point (iv) mandated the retention of a DB scheme. As noted above, the University was not currently in a position to be able to pursue a DB scheme for its own members without having to withdraw from the USS at great cost.

The University would be prepared to pay more in the short term as a bridge to finding a longer-term solution, although this would require cuts in other provision in order to cover the additional costs.

The following is a summary of the comments made during discussion:

- If the Committee would in future be expected to opine on pension provision, it would be useful to recruit to the membership a person with relevant expertise.
- Some HEIs with constrained finances were likely to have been more willing than others to support a move to a DC scheme.
- There were too many different views in the HE sector for there to be a united position.
- Consideration should be given to sectionalisation to allow each HEI to determine the position on pensions for its own employees. This would only be possible if there were agreement amongst HEIs to allow this approach to be implemented. Only a handful of HEIs would be able to afford to maintain a DB scheme.
- There was a serious risk of losing the goodwill of staff over the current dispute.
- The Colleges currently had no visibility on the University's position and would welcome the opportunity to be involved in ongoing discussions.
- The USS Grace was evidence of the poor understanding of the matters at issue.

- If HEIs were to retain credibility with their staff, action needed to be taken to address the concerns of staff.
- HEIs could pay more into the DC part of the scheme, as the right thing to do, but it was unlikely to be accepted as it didn't address the core issue of desire for a continued DB scheme.