Dear Prof Brady,

Thank you for clarifying the University's position on the USS.

The default position
If UUK cannot come to an agreement with UCU the USS trustees will be forced to increase overall employer and employee contributions by 11.4% 'to support the current benefits'. Split 65:35, this would involve an increase in the employer contribution by 7.4% (from 18% to 25.4%, an increase of c£11m) and an increase in employee contributions by 4% (from 8% to 12%). Such a large increase in the employer contribution is likely to force the scheme to rebalance its portfolio away from equities into government bonds because of "Test 1". This, as previously discussed, would be incredibly expensive for both universities and their staff.

Funding
We agree that the University has a limited budget and are excited by the plans for the University's expansion such as investments into fellowships and the new library and the Temple Quarter Enterprise Campus. Are these investments dependent on cutting pension benefits?

Valuation
The University rejected the USS trustees' September proposal for risk. The 2014 USS valuation assumed that the fund would shift investments from high return equities into loss making assets like bonds in 10 years. In 2017 the USS trustees proposed in their original September 2017 proposal, that because this shift would be very expensive it should be further delayed. The UUK and Bristol rejected this proposal and are arguing that we should start changing the investments today, regardless of cost. This change in investment strategy would have been enormously expensive in 2014, it is even more expensive today, and it's not even clear that this proposed change to the investment strategy would help minimise the risk that the fund will have insufficient assets to pay its liabilities. The USS trustees interpreted the University's response as requesting the USS increase the proportion of the fund that is invested in government gilts and bonds. These assets have a low return that is likely to be negative after inflation. The University of Bristol's response "less risk" imposes large costs on the USS.

Is the University willing to pay for the reduction in risk it seeks?

Defined contribution
Did the university consult any modelling or forecasts of the impact of changes to its employees' retirement benefits before returning the September 2017 UUK consultation? If it did, could these documents be shared with our colleagues?

In the response, the University supported the UKK proposal to move the scheme to DC only. Aon, the UUK actuaries, estimate that the UUK's proposal would cut USS benefits accrued in future by between 18% and 31%. Aon used relatively liberal assumptions to calculate these figures. Using the assumptions from the USS valuation suggests these proposals cut future benefits by between 25% and 50%. First Actuarial, the UCU actuaries, estimate that changing to defined contribution only would reduce the value of benefits in future by up to £209,000. Are these estimates a fair reflection of the impact of these changes?

Recruitment and retention
The University operates in an increasingly competitive environment for staff. The reputation of this university is a key factor in ability to compete for the best staff. Our University's reputation is built on its world class staff. The excellence staff represent years of investment. How will the University maintain a world-class reputation if its pensions benefits are 28%-51% (up to £438,000) less than similar institutions in the same city? How will we compete with the private sector where pay is substantially higher? How will we compete with international institutions where pay and/or benefits are substantially higher?

Transparency and openness
We are pleased the university is committed to transparency and openness.

We understand UUK is consulting on a new proposal for the USS. We would like the University to:

1. Accept the USS trustees' September 2017 proposals for the level of risk
2. Support maintaining defined benefit pension
3. Support increasing employer contributions, if an agreement can be reached on risk

Yours sincerely,