

From: "Pike, William T"

Subject: Damage to Imperial of Current UUK Proposals

Date: 25 February 2018 at 07:27:49 GMT-8

To: President

Cc: "Stirling, James", "Sanderson, Muir", ee_academic_all, ee_other_staff, ee_research_staff

Dear President,

I understand that at the last meeting of Council on Friday, it was stated that there was a huge hole in the pension fund. That is not what the Imperial's pension working group reported to the Provost Board in November. They found they were unable to estimate the deficit, and most certainly not validate USS's own estimate. Rather they said in their final report: "It is not difficult to create scenarios where the scheme is strongly in surplus". We know that Imperial's working group felt that their work was being ignored by senior management and rather feared it provided a fig leaf for College's position. I'm afraid such a statement regarding the deficit rather confirms their fears.

It is unfortunate that just such statements are being used by UUK to undermine the current pension scheme, already badly damaged by changes made four years ago due to similar unjustified comments. The results of talking down the stability of the scheme have already substantially degraded the ability of College to recruit and retain staff.

Imperial is especially prone to damage here, given the international nature of staff, the alternative offers they can receive outside of academia and the cost of living in London, which has outstripped recent pay awards. Claims that the current employer contribution level or pension benefit itself are too generous miss the basic point. In the first case the split between employer and employee is in the end irrelevant - both have to come from the same pot. Similarly you can't reduce pensions without increasing salaries if you want to maintain what College can offer to recruit the best staff.

I'm afraid nobody takes the option of maintaining a 0% defined contribution scheme to allow reintroduction at a non-zero level if conditions improve seriously, even those that proposed it. Once the full force of "derisking" is implemented, the resulting destruction of value make such an option virtually impossible to realise - indeed under the current approach even the 20% net return on the assets last year was regarded as inadequate to prevent a further deterioration in the deficit as judged by USS.

In the end what we face is a political decision, with little discernible connection to the underlying condition of the scheme, but with severely adverse consequences to Imperial. If the destruction of a defined benefit scheme is completed, as with the current UUK proposals, then Imperial faces an enormous bill just to maintain the overall offer it can make to staff. It is difficult to see why alternatives to the current UUK position have not being vigorously investigated by College, led by an open and considered process, not the sidelining of our own experts.

Right now, rather than the ill-founded irreversible destruction of value that the current UUK proposals will realise, College should be backing rational alternatives to assessing and containing risk that can be implemented immediately. This is of course just what UCU are calling for in our current action in my department, at Imperial and nationally to defend pensions.

All the best

Tom

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