

# Remuneration Committee

20/24 A meeting of the Remuneration Committee was held via teams on Monday 19 October 2020 at 2.15 pm.

Present: -

The Vice-President, Mr T. Beardmore-Gray (in the Chair)

The President, Dr P.R. Preston

The Vice-President, Mrs K. Owen

Member of the Council, Mrs S. Maple

Member of the Council, Mr J. Taylor

By invitation: -

Member of the Council, Ms Gordon

The Vice-Chancellor

The University Secretary

The Director of Human Resources

Head of Governance (Secretary)

## 20/25 **Minutes of the last meeting**

The Committee received and approved the Minutes of its meeting held on 9 June 2020.

## 20/26 **Matters arising**

### *20/13 Dashboard*

The Committee had requested a report on staff headcount, as part of the management information to inform its business. A report in development for the Planning and Change Board was submitted. It was noted that the table counted all staff except for casual staff. This meant that it had the same population as the staff figures reported in the financial statements. Staff who were wholly externally funded were separated out, so it was easier to see the numbers funded from University resources.

It was noted that there was a clear diminution between 2018 and 2019 in both staff headcount and FTE, which was the period in which the VR scheme would have taken effect. Between 2019 and 2020 staff FTEs were broadly comparable.

The Committee noted that information on costings would be included in due course.

The Committee agreed that the report was helpful and that they would like to see the data at least once a year. The Director of HR informed the Committee that the data could be drilled into further if required.

#### 20/27 **Membership and Terms of Reference**

The Committee received and noted a copy of its Membership and Terms of Reference.

#### 20/28 **Disclosure of Interests and the Risk Register**

The Committee received and noted a paper from the University Secretary in regard to Disclosures of Interests and the Risk Register.

### **Matters for Discussion**

#### 20/29 **USS – A consultation on the 2020 valuation**

The Committee received a paper from the Director of HR and the Director of Finance on the USS Consultation on the 2020 Valuation.

The Director of HR informed the Committee that:

- The 2020 USS valuation process was in progress and USS had launched a consultation with UUK on behalf of its USS employer members. A formal response was to be submitted via UUK by 30 October 2020.
- The document was remarkable in the picture it painted, partly caused by the timing of the valuation at the peak of COVID-19 impact on financial markets and economic outlook but partly due to the inherent nature of USS as a large scheme with a large defined benefit section. This was reflected in the AON document that stated that “the Trustee (USS) is revealing a very wide range of....outcomes all of which are **poor**”.
- From an employer perspective the University was being asked for either increased obligations or higher costs, neither were good outcomes. Benefit reform was in the long-term interest.
- The published financial statements showed the Technical Provision Liability of the Scheme minus the assets held of a deficit of between £9.8bn and £17.9bn at 31<sup>st</sup> March 2020, the range depending on the Trustees view of the covenant. This was the starting point for the 2020 valuation process.
- The University had been responding over time to a series of proposals from the USS Trustee designed to strengthen the employer covenant and thus, in theory, stabilise the contribution rates required from employers and employees. These measures include new debt monitoring arrangements, *pari passu* security, contingent contributions and rule changes that would prevent employers leaving the scheme without Trustee approval. Employers had responded cautiously to these and the University’s response, in common with most others, had been to seek a better understanding of the overall impact of the

proposed measures on the sustainability and affordability of the scheme. This had not been forthcoming to date.

- The USS Trustee had set out a piecemeal approach to the valuation process. Approaching the process in a piecemeal way was understandable from the Trustee's perspective but unhelpful for employers. There were a myriad of technical moving parts and the inability to see the net effect of these on the sustainability and affordability of the scheme made it very difficult for employers to respond in a meaningful way.
- USS had stressed that the covenant was key to this valuation. PwC were carrying out a covenant strength review that would feed into the valuation. USS had assumed that the covenant was "tending to strong" and the covenant horizon is up to 20 years. This was weaker than the covenant that underpinned the 2018 valuation.
- Fundamentally the stronger the covenant the better the 2020 valuation would look, which should translate into employer and employee affordability. The weaker the covenant, the less risk USS could contemplate taking in funding member's benefits, resulting in higher contribution rates. From a USS perspective the lack of certainty on the sector covenant was the reason that USS was setting out such a wide range of possible outcomes.
- The current combined contribution was 30.7% of salary, with employers paying 21.1% and members 9.6%, rates which were already considered to be at, or for some beyond, the limit of affordability. It should be noted that if there was a delay in implementing new rates of contribution for this valuation, the 'backstop' increased rates of contributions due from 1 October 2021 are 23.7% for employers and 11% for members. The Trustee document now pointed to a potential range of combined contributions from 40.8% to 67.9%.
- There were existing and well-founded concerns that the increasing levels of employee contributions were deterring new members from joining the scheme and compelling existing members to leave.
- Employers were now in the almost impossible position of trying to respond when so much remains uncertain. Notable areas of uncertainty include: The formal assessment of the covenant; The formal employer response to the measures such as debt monitoring, *pari passu* security, and the rule change on employer exits; The possibility of additional further contingent security; Consultation in respect of the "recovery plan"; The possibility of changes to the benefit structure and what impact that might have on the future cost of benefits.
- The consultation document contained eight formal questions around: inputs and assumptions, methodology, risk management framework, figures for the technical provisions, debt monitoring/*pari passu*/long term rule change, contingent support, level of financial support employers were collectively able to give, collective risk appetite.
- The University would generate a full formal response (with appropriate technical input from colleagues at Mercer) that reflected the broad discussion at UEB, and as appropriate Strategy & Finance Committee and Remuneration Committee.
- It would be recommended that any response called again for a full and open discussion of possible benefit reforms. UUK and UCU were aligned in their views that the current levels

of contributions were at the limit of affordability for employers and members. The impact of benefit reform could not be fully estimated without discussion of recovery plan contributions, but it would seem irresponsible not to begin this discussion in light of the potential outcomes from this valuation round.

- It was important when framing discussions to be mindful of the employee relations implications. Previous attempts to give effect to benefit reforms led to significant industrial action in the sector.
- It had been suggested that some employer dis-engagement from this process would be an understandable consequence of the various complexities and uncertainties arising from the Trustee's approach. AON cautioned against this given the Trustee's ultimate ability to progress and implement a valuation outcome. A better approach was to respond as best possible at this stage to the technical aspects of the consultation whilst pressing for a more holistic set of information that better illustrated the impact of particular approaches.

The Committee thanked the Director of HR for the report.

It was noted that this issue had also been discussed earlier in the day at Strategy and Finance Committee; management had been asked to draft a response to the consultation which would be circulated to Strategy & Finance Committee and Remuneration Committee ahead of its submission.

**Action: Director of HR**

#### 20/30 **Update on Pay and associated issues**

The Committee noted that it was customary for the University to participate in the annual national pay bargaining process via the Joint Negotiating Committee for Higher Education Staff (JNCHES). In recognition of the exceptional circumstances created by the pandemic the JNCHES process was paused and in subsequent discussions with the national trade unions UCEA confirmed that there would be no pay settlement for the 2020-21 year. Discussions were continuing on associated matters but it seemed clear that the trade unions had accepted, reluctantly, that there was no mandate from employers for an adjustment to the national pay spine at this point (other than anything necessary to comply with the national living wage).

Over the summer months a formal consultation, generated by the need to address a projected shortfall in income, with UCU and the Staff Forum led to a wide-ranging agreement that paved the way for, *inter alia*, a three-year pay freeze and a series of tiered pay cuts for 12 months. The agreement allowed for early and regular joint reviews of the University's financial position, particularly student recruitment outcomes, and the cost-saving measures highlighted might be reduced or removed altogether subject to the realities of the financial position. An initial review was due to be held in October, followed by a formal review in January 2021.

The Committee noted that it was the University's intention to re-engage fully with the national pay bargaining process as soon as the local pay-freeze reached its conclusion.

The Committee noted that UCU were currently engaging constructively with the University.

#### 20/31 **Paused Reward Arrangements**

The Committee noted that at the onset of lockdown the University Executive Board discussed processes that might be paused or stopped altogether to enable priority to be given to business-critical activities while the University transitioned to predominately remote working arrangements.

For the purposes of the 2019-20 academic year the cycle of local Reward Committees had been completed, so no further action was required. The University Personal Titles Committee met as scheduled on 14 July 2020. The Re-Grading Committee continued to consider cases to ensure the University protected the integrity of its grading structure. On-line rewarding staff procedures, where the budget for 19-20 had been set, remained available. However, it was agreed to pause the annual Professorial and Senior Staff (Grade 9) reviews, and there was no consideration of salary review for UEB members and the Dean of the Business School at the Autumn meeting of the Remuneration Committee.

For reasons of fairness and equity, but mindful of diary pressures and other practicalities, it had been agreed that the outstanding Professorial and Senior Staff reviews would be considered alongside submissions for the 2020-21 process. A lighter touch would be adopted to ensure members of the Advisory Groups could reasonably review this larger data set and colleagues making further submissions were not over-burdened in the current circumstances.

Recommendations for reward, progression and salary adjustments would be received at the meeting of the Remuneration Committee in June 2021.

#### 20/32 **Annual Report**

The Committee received the Annual Report from the Remuneration Committee that would be submitted to the Council on 25 November 2020. It was noted that an edited version would appear in the University's Financial Statements for 2019-20.

The Committee asked that the sentence included in the 2018-19 version in regard to the Vice-Chancellor's remuneration be included again in this year's version. Subject to that amendment the Committee approved the report.

**Action: Director of HR**

#### 20/33 **Staff Retention Policy**

The Committee noted that in line with an accepted Internal Audit recommendation it would review the University's Retention Policy every two years.

It was recommended that:

- a) The policy be amended to state that for any retention case to be considered, it must be that the individual would need to be replaced if they left
- b) In addition to the current form, the proposer also needed to provide a business case as to why, should the individual leave, they would need to be replaced, as they would have to do for a staff request form
- c) Paragraph 6 be amended to reflect existing practice that cases came for approval to the University Executive Board rather than to the Vice-Chancellor

- d) Paragraph 9 be amended such that the annual report be made through UEB to the Autumn Term meeting of the Remuneration Committee (so that a full academic year cycle could be the basis for reporting).

The Committee approved these changes to the policy.

## 20/34 UEB Remuneration

The Vice-Chancellor submitted to the Committee proposals in respect of remuneration for UEB members.

He reminded the Committee of the set of principles used for the remuneration of UEB members. These principles were:

- Salary adjustments were based on performance against the University's top-level KPIs and on taking on new responsibilities or extensions of remit;
- Award payments were based on cases where individual UEB members could provide evidence of contributions that exceed what could reasonably be expected in the delivery of activities, projects or key processes;
- Shadow salary adjustments considered the full workload of the PVCs and DVC who retained their permanent position in an academic School.

UEB members had agreed that, in the context of the financial challenges experienced by the University that no salary adjustments or award payments should be sought or awarded to UEB members. Remuneration Committee was requested not to consider any such payments for 2020, but to reflect the high quality performance of all UEB members through an appropriate uplift of the shadow salary, where this was relevant, or through salary adjustments and award payments at a future date.

Summary of recommendations:

Function	Name	Salary adjustment (£)	Award payment (£)	Shadow salary
DVC	Parveen Yaqoob	0	0	[Section 40]
PVC AP&R	Mark Fellowes	0	0	[Section 40]
PVC R&I	Dominik Zaum	0	0	[Section 40]
PVC E & SE	Elizabeth McCrum	0	0	[Section 40]
PVC	Julian Park	0	0	[Section 40]
CFO	Samantha Foley	0	0	n/a
CSO & US	Richard Messer	0	0	n/a

Total for UEB		0	0	
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The Committee approved the proposed adjustments to shadow salaries.

**20/35 Vice-Chancellor’s Remuneration**

It was noted that the President had circulated to the Committee a paper in respect of the Vice-Chancellor’s remuneration.

The President informed the Committee that he had agreed a set of formal objectives with the Vice-Chancellor based around the new University Strategy. It was agreed that the Vice-Chancellor’s salary should be set against achievements and objectives.

The Committee recognised that the Vice-Chancellor had accepted a salary outside of the range previously agreed during the recruitment process. Whilst the Committee was appreciative of the gesture it reserved the right to increase the salary in light of performance.

The Committee discussed how it could further measure performance and how to take a view on the performance of the Vice-Chancellor from the University community.

**Matters for Report**

**20/36 Severance Payments and Early Retirement Arrangements**

The Committee received and noted the severance payments and early retirement arrangements that had been agreed since the last meeting.

**20/37 Out of Cycle Salary Increases**

The Committee noted that there was no report on this occasion.

**20/38 Report of the University Executive Board**

The Committee noted that there was no report on this occasion.

**20/39 Dates of Meetings in Session 2020-21**

Thursday 4 February 2021 at 2.00 pm  
 Tuesday 8 June 2021 at 10.30 am