JEP Second Report Some Thoughts

Draft

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The Joint Expert Panel second report (JEP 2) was published on 13th December 2019. It is far less technical than the first report. This not surprising as the first report was required to ''*undertake a retrospective review of the 2017 valuation, including an assessment of the methodology, assumptions and process underpinning the valuation*''. This may disappoint those who had hoped that the second report would further criticise the methodology used and look at options.

The second report is very clear and easy to understand and is mainly concerned with scheme's governance and the process underlying valuations. It criticises the architecture of the scheme and the structure created. It strongly argues that the performance of the scheme as a whole is what is important and that valuation should not be the exclusive focus which ''*it sees as just a tool to assess progress and viability*''. The scheme's governance is seen as not fit for purpose.

How the existing structure has developed and its problems arising are considered in the first section. This understanding is used in the second section to assess the ease of implementation of the JEP's recommendations focusing on sections six to eight.

The Actors

The parties involved with the USS pension scheme are: the USS, (the Trustee), Universities UK (UUK) representing employers, the University and College Union (UCU) representing all employees and pensioners employees, but are more focused on union members who are active members of the scheme, the Joint Negotiation Committee (JNC) made up of equal numbers of members of UUK and of UCU with an independent chair and The Pensions Regulator (TPR). Currently each of these seems to be a silo pursuing its own dominant objectives.

The current governance structure and the consultations network is shown in Diagram 1 below.

Diagram 1: The Governance Structure of the USS Pension Scheme

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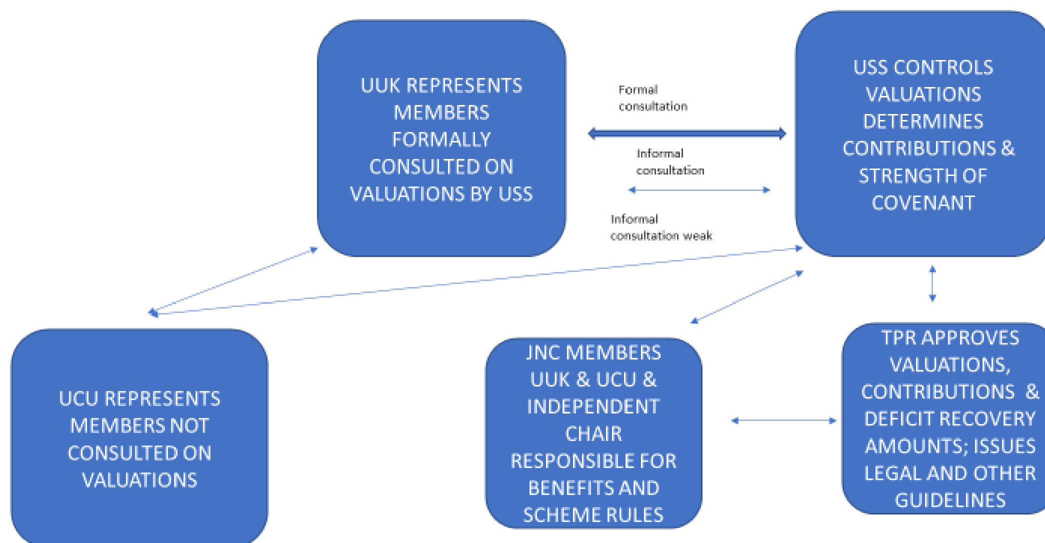
[2] I am very grateful to Mike Otsuka for very helpful comments.



These parties have different degrees of power. USS basically controls most aspects of the scheme other than the level of benefits and reforms to the scheme which are matters for the JNC. It determines valuations, the assumptions used, the investment strategy, the strength of the employers' finances (the covenant) and any deficit amount and the total contributions required subject to the JNC deciding the split between employers and employees. It has monopoly power or near this on most of these items. It can submit rule changes to the JNC. It is required to consult UUK on valuations. It is the only actor having access to the details of all participants in the scheme giving it a monopoly in detailed modelling.

The governing body of USS is the Trustee Board (referred to as the Trustee). It carries out all the usual activities of company boards and its members have stringent responsibilities[3]. All the members of the board are non-executives, four nominated by UUK, three nominated by UCU and five independent members, all of whom have strength in either/and pensions, finance and accounting. The USS 's annual reports suggest that the members carry out their manifold duties with full due diligence. Although the Trustee Board is the ultimate decision maker neither it nor its members explain their views or defend them in public, this being left to USS publications and executives. This can cause confusion as to whose views are being represented. JEP 2 suggests that the trustee members should be more visible to the other parties and engage with them especially during valuations.

UUK must be consulted on valuations by USS, consults its members on them and conveys these views to USS. There also considerable interaction with USS during valuation processes especially regarding the employers' risk attitudes.

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[3] They are responsible for setting the mission and strategy of the organization, monitoring performance, signing off all major decisions and ensuring regulatory compliancy and the delegation of powers to company executives.

UCU has no formal role in the valuation process except for its position on the Joint Negotiation Committee (JNC) nor does it seem to have a close relationship with USS during valuations. It does make suggestions to USS and discusses matters with them. It leads in forming members' views on valuations and consults its members on important issues including possible industrial action. Neither members nor non-union employers play any formal part in the valuation process except for statutory consultations on changes in benefits.

UUK and UCU in equal proportions with an independent chair with a casting vote form the JNC which has power to alter benefits and to reform aspects of the scheme. It can change the scheme rules subject to JNC consent. The chair does seem to usually vote with the employers.

The pension regulator (TPR) has a wide range of powers covering all types of pension. With DB pensions TPR must approve the schedule of contributions and any deficit recovery plans. It can in the event of unresolved disagreement accept the pension trustee's requirements or substitute its own required contributions and deficit recovery plan via enforcement action. It monitors USS on a regular basis. TPR also issues codes of practice. Under a bill which was lost by the election but is being reintroduced the regulator will be able in the relevant code to legally define terms and require schemes to have a long-term objective and to report on progress towards this. Many commentators regard TPR as conservative.

A brief review of the recent negotiations helps to understand the Panel's views.

A Brief History

Since USS was established in 1975 the pension scheme has been in unchanged form up to 2011: a DB final salary scheme with an accrual rate of 1/80th per year of service. The employer's original contribution rate was 12 % rising to 14% in 1980 and 18.55% of annual salaries in 1983.These rates included amounts to cover the cost of converting into the new scheme. The 1983 rate was reduced in 1997 to 14% [4]as the scheme was in surplus. The employers rate increased to 16% in 2009.

THE 2011 Valuation

The 2011 valuation showed a deficit of £2.9bn. There was strong disagreement between the union and employers about how this was to be dealt the strands of which carry over to today.

The UCU argued that these proposals were excessively conservative and were aimed to build up insurance so that the employers' contribution never rose above 16 percent. Following their 'no detriment' policy agreed by the union in 2010 UCU launched industrial action of short of strike action. They claim that this influenced the results.

The results for the 2011 valuation were agreed at the JNC where for the first time the chair used the casting vote to support the employers. The results were a career average scheme

[4] The then government threatened to tax pension surpluses.

for new entrants, employees contribution for DB pensions increased to 7.5 percent and for new entrants 6.5 percent, cost sharing of 65 percent by employers and 35 percent by employees and inflation protection up to five percent and then 0.5 percent up ten percent.

The JNC as set up seems to encourage adversarial behaviour rather than the cooperatively seeking joint agreements. It encourages the parties seek to win the casting vote. It also provokes industrial action where the union 's view does not prevail as no other option is available to them other than to put new proposals to the JNC which they would expect to be rejected.

There was much negotiation including at the JNC during the following year stimulated by estimates of deficits of £5.3 billion in March 2014 and £8.2 billion in January 2015. In the end, a joint proposal was submitted to a meeting of the JNC on 29th January 2015 and was accepted. The major alterations were:

1) Final salary scheme to cease on 31 March 2016 with accruals and deferred pensions indexed by the Consumer Price Index
2) Career average scheme extended to existing members but with an accrual rate of 1/75th of yearly salary rather than1/80th in April 2016 and a lump sum of 3/75ths.
3) Employees' contributions increased to eight percent
4) Above an indexed salary threshold, originally £55,000, contributions would be invested in a defined contributions (DC) scheme with a contribution of eight percent for employees and an employer contribution of 12 percent. Members to have the option of investing an extra one percent in the DC scheme with a matching amount from employers
5) Employers guaranteed to contribute 18 percent (up two percent) until 2020.

It has been argued that the union agreed to this proposal for fear of something worse.

2014 Valuation

This incorporated the above changes but in the changing environment the deficit was £5.3billion mainly due to lower gilts yields offsetting the gain from severing the salary link.

2017 and 2018 valuations

Since 2014 the UUK had sought to educate universities in the attractions of more flexible pensions relative to DB pensions and the need to control their costs, a disguised case for DC pensions. In December 2017 the UUK put a proposal to JNC to substitute a solely DC scheme for the existing scheme. The grounds were that the result of the 2014 valuation was too expensive with an original deficit of £7.5 billion and their wish not to increase their contribution above the then existing 18% of salaries-their consistent approach accompanied by threats of major redundancies if exceeded. However, later developments suggest a willingness to be flexible regarding some substantial cost increases – perhaps a pink line.

On 23rd January 2018 the JNC agreed to a scheme that suspended the DB scheme for three years substituting a DC scheme opposed by the UCU members of the JNC. The union

began industrial action in February 2018 including 14 days of strikes. The two sides went to the Advisory, Conciliation and Arbitration Service (Acas) in early March with unanimous agreement following quickly. This set the salary threshold for the DB pension at £42,000 with an accrual rate of 1/85th per year worked and a cap on price adjustments of 2.5 percent. This was thrown out by the relevant UCU committee because it reduced benefits severely.

The strikes and talks between UCU and UUK continued and in the end, they set up an advisory Joint Expert Panel (JEP). The union claimed that their industrial action had repulsed the proposal for an all DC scheme. The first phase of the JEP'S work was to review the basis for the scheme's 2017 valuation, the assumptions and associated tests. Both the UCU and the UUK agreed to revoke their JNC proposals.

In the absence of any JNC proposals the USS completed the 2017 valuation which was already late in meeting the legal timetable by invoking the scheme's joint cost sharing rule (rule 76.4).With cost sharing total contributions increased in three phases, between 1 April 2019 and 1 April 2020, from 26% of salaries per year (8% members, 18% employers) to 36.6% (11.7% members, 24.9% employers) late reduced to 35.6% in total. These were very large increases at a level not seen previously.

The JEP's first report was published in September 2018 (USS-JEP 2018). Both the union and employers urged acceptance of its recommendations on the USS.

The USS's valuation methodology and the assumptions used have been widely and heavily criticised. The JEP's first report supported some of these criticisms and suggested several amendments to the 2017 valuation indicating that if all their recommendations were accepted the total contribution per year would be a little below 30% of salary.

In the light of this report the USS agreed undertake a 2018 valuation. A USS consultation on an out of cycle 2018 valuation was published in January 2019 based on the methodology and assumptions of the 2017 valuation. This gave the USS's view of the JEP recommendations. It provided two valuations. Option 1 incorporating only the JEP's suggestions regarded as non-risky by USS and Option 2 included two of their suggestions regarded as risky with offsetting contingent contributions to be called upon to meet short term risks.

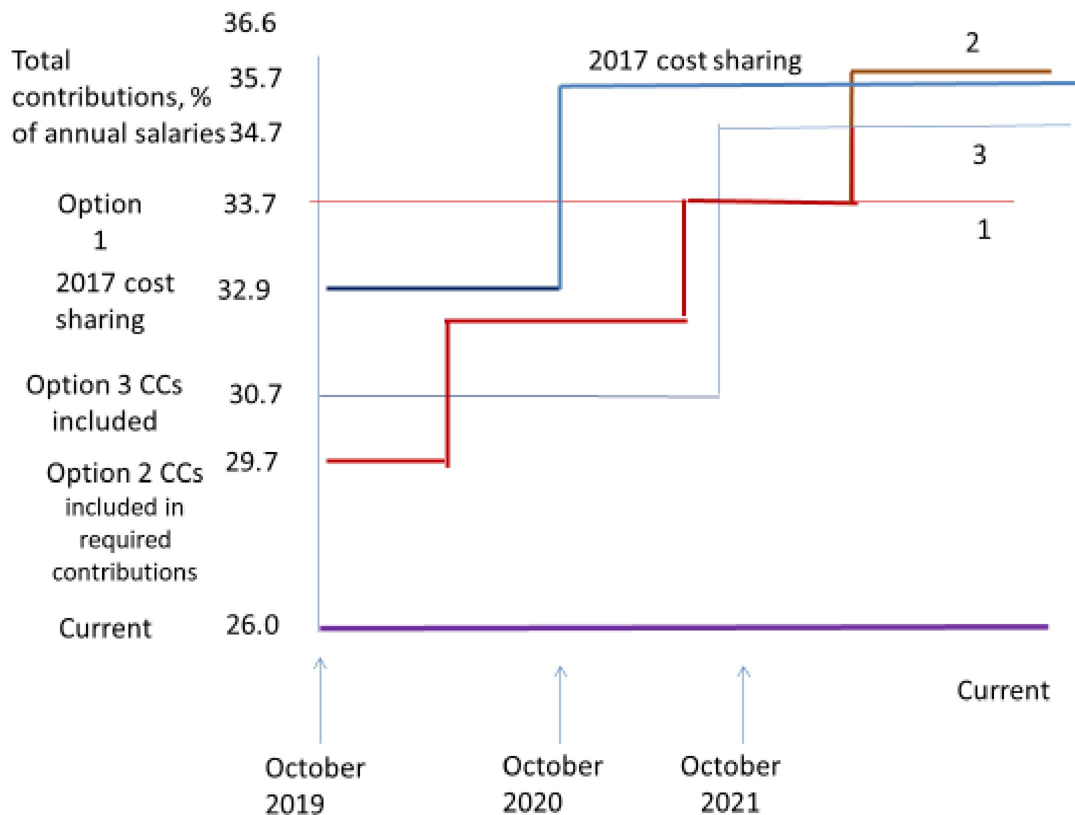
Much of the negotiation was spent debating the form and amounts of contingent contributions. The USS asked UUK to set out a mechanism for contingent contributions then rejected almost all their ideas without providing reasons other than too risky. They also set out a third option which built contingent contributions into normal contributions.

The new Option 3 offers a fixed annual total contribution of 30.7% (21.1% employers and 9.6% employees) with an earlier new valuation in 2020/21. If agreement on contributions could not be implemented by 1 October 2021 the contribution rate would be increased to 34.7% (23.7% employers and 11% employees) until a further valuation.

JEP's Second Report

The report is acutely aware of the difficulties with the current governance system. Some of these can be seen in the following diagram which shows the yearly total contributions required by the options offered by the 2014 valuation, the 2017 cost sharing arrangement and the 2018 valuation.

Diagram 2 Options for Financing the USS Pension scheme



The revenue produced by the arrangement labelled Current, the amount required by the 2014 valuation is substantially lower than the other possibilities. This line portrays UCU's no detriment requirement and the UUK's desired limit on their contribution. It is substantially below what seems to be required in the current environment unless mitigating benefits reductions are introduced or other methods of support are provided-such as: contingent contributions, lump sums and guarantees.

The 2017 cost sharing arrangement yields the most revenue. Option 1 yields the next highest revenue but Option 2 with maximum contingent contributions overtakes this in later years. Option 3 is the least costly option. It yields less contribution up to October 2021 than all the other options and the 2017 cost sharing arrangement but more than Option 1 after this. Option 2 yields less revenue if contingent contributions are not invoked but this outcome is risky.

The objectives of the actors seem to differ often substantially and the governance architecture encourages adversarial conduct. The union's no detriment policy means that they oppose any change to the levels of benefits and contributions agreed in 2014, the line in the diagram marked Current. The employers' current aim is to provide a high-quality pension scheme. This means they are willing to consider changes in benefits and lower contributions providing that the scheme is still seen as of high quality. More immediately their ideal is to retain the contributions of the 2014 agreement (the Current line above) though they are willing to pay more than this in the short run. There is little doubt that they will present proposals to change the scheme in the 2020/21 valuation.

The USS's objective is to ensure the efficient safe payments of pensions as they fall due. They are indifferent to the three options and are willing to sacrifice the incremental contributions from the 2017 valuation.

TPR's objectives is are to ensure that the USS respects legal requirements especially the level of prudence and avoiding burdening the PPF [5]. Strictly TPR did not approve the 2018 greement merely saying that did not intend to undertake further analysis. It complained that USS were willing to accept Option 3 rather than Option1 with more cash up front and frequently warns that recent USS valuations are on the border of legal prudence without providing detailed evidence. The USS's and TPR's objectives are different in character to those the union and the employers and stem from the statutory funding objective requiring pension providers to have enough assets to cover accrued liabilities. These objectives do not reflect the current major concerns of the other actors.

The gaps between the valuations offer by USS's, the union's and the employers' willingness to pay as shown in the diagram are large but under the current JNC set up there is no incentive to UCU and UUK to cooperate and seek lower valuations. UUK would favour lower contributions providing that the scheme is still of good quality but UCU would only accept contributions consistent with their no detriment policy. Indeed, where there no proposal is offered by the JNC as with the 2017 valuation bargaining over cost sharing becomes a zero-sum game.

In JEP 2 the overwhelming objective is to replace adversarial conduct by cooperation. They seek to do this by first asking the all the actors to mutually agree long term objectives for a successful and sustainable scheme-a mission statement. Secondly, they urge agreement to a set of shared valuation principles replacing the current situation which is characterised by conflict and by lack of trust by some actors. Their suggestions are introduced and discussed below.

In appraising the JEP suggestions, it is important to realise that all the parties are currently locked into the scheme to some but differing degrees and for a variety of reasons. Employees are locked into the scheme as it is presently the only one available to them

[5] The PPF pays pensions and accrued benefits in situations where the sponsoring organisations become insolvent, Pensions in payment are paid in full and accrued benefits are subject to a 10% haircut and only moderate inflation protection is provided. It is funded by the assets of schemes taken over and a levy on organisations with DB pensions. TPR has other objectives.

though they can opt out thereby losing the employers' higher contributions. The union is locked in for the same the reason. They also have locked themselves by insisting on no detriment even though this may require industrial action. Universities are also locked into the scheme because under scheme's rules it is very expensive for an individual institution to leave the scheme. Similarly, it is very difficult for universities to require either the scheme to be shut down or closed to future entry. The USS is bound primarily by TPR's view that its primary duty is to be able to pay pension benefits when due. Additionally, it is bound by the scheme's rules and by the form of scheme agreed by the JNC. Recently it has also locked itself into de-risking which many commentators see as a very risk averse approach. TPR can be said to be locked into a conservative approach to a degree by legislation.

Sustainability

This requires agreement of the long-term objective(s); a shared understanding of risk between the interested parties (trustees, employers, members); and an acceptance that there is a shared responsibility for the success and sustainability of the Scheme. Such a scheme needs to provide a pathway from the short term to the long term, be resilient and adaptable in the face of shocks and to incorporate a degree of prudence that protects the scheme but does not hinder either its smooth working or that of the sector.

The Panel does not say how likely this to be achieved given the current objectives of the actors, their differing concerns about the scheme and their differing willingness's to bear risk. The Panel's suggested objective (purpose) for the scheme is: ''*To help members achieve a financially secure retirement and to instil trust and confidence in the Scheme, while providing an excellent service to members and employers that supports the long-term needs of the HE sector*''.

The problem is that this definition does not provide the bite necessary to deal with the existing conflicting objectives. Currently parties have different views as to what benefits should be provided by a financially secure pension and what risks are permissible. History suggests that there is little doubt that the employers would say that a relatively well funding DC scheme would provide a suitable pension scheme whereas the union would take a quite different view. Similarly, USS and TPR take different views of risk to the other parties. USS sometimes refers to the risk tolerance of employers and sometimes their own. The Panel say that the employees' attitude(s) to risk should also be considered.

To gain agreement between the union and the employers both parties need to believe that they will be at least no worse off in terms of the benefits being provided allowing for their risk and their costs incurred in a willing coalition than those promised by the best alternative option available to each of them. Similarly, the risks expected by the USS and TPR experienced from being in a coalition with a scheme agreed by the other parties should not be greater than those currently experienced.

Such an agreement between employers and the union would require the employers to abandon suggesting radical alternatives to the existing scheme and the union to abandon their no detriment policy. For them to be willing to do so requires either some incentive as suggested above or some penalty. Penalties could involve giving the regulator even more

power or some type of state intervention. The Panel go down the incentive route by offering a plan for a more smoothly running and a stable and sustainable scheme. Some would doubt whether this a sufficient incentive. The recent history of the scheme suggests that the alternative scenario is major conflict with long delays. The winners being the most powerful. The Panel understandable do not deal with conflicting views within UCU and UUK but these needs dealing with so that both parties have clear mandates to take to the negotiations.

Shared Valuation Principles

The Panel lists the major principles as a foundation for deliberations by UCU and UUK and preferably USS as:

All parties shall: 1. Work together co-operatively with the objective of reaching a mutually acceptable agreement. 2. Respect the responsibilities of the different parties in the valuation. 3. Recognise the legal and regulatory boundaries that frame the valuation. The valuation will be: 4. Founded on a shared (UUK and UCU) vision of the USS that supports the mission and purpose of the Scheme. 5. Undertaken using a methodology that is clear (and clearly understood by Stakeholders); consistent across valuations; and commands the confidence of Stakeholders. 6. Based on early and proactive engagement, with options – including their consequences – explored jointly. There will be: 7. A shared understanding of what the valuation is for, and what role each party plays (UUK, UCU, JNC, Trustee, Scheme Actuary, TPR). 8. Good quality, timely communications that inform and educate Stakeholders and a timely response to requests for information (including from the Trustee).

Again these principles lack bite. They seem to relate more to setting the environment for a cooperative approach to valuation rather being principles to be used in valuations They will work well if there turns out to be a real and general wish to act co-operatively but the recent past puts this in doubt. The Panel suggest using a facilitator who would have to be someone (or body) of great authority who is highly respected in order to motivate the parties to work with these principles. Management control theory suggests that each of above principles should have a target and performance against this should be monitored. Such targets are called key performance indicators (KPIs). It is also important the principles adopted can be shown to lead to the achievement of the relevant part of the agreed mission, that is a financially secure retirement. This will probably require agreement on additional and more detailed KPIs concerning actual valuations. The Panel do suggest several actions which seek to iron out previous problems.

Major Suggestions by the Panel for Facilitating a Better Process

USS publishes a great deal of information but it does not seem to provide the information that the other parties require. It is not easy to obtain additional information from USS and it tends to resist suggestions by others. For example, USSS did not accept the JEP's suggestions in their first report it deemed as risky. The Panel take the view that there is mistrust in the USS and they call for USS to be more visible to the JNC and UUK and UCU and especially the

involvement of USS's board members and actuary in consultations. Many commentators feel that more communication and more accountability for their decisions to others is also required from USS.

The JNC is seen by the Panel as a negotiating body which should be set up as such. Currently the participants tend to just state their views. The Panel recognise that valuation is a matter for USS but suggest that the JNC should be able to give its views at an early stage in the process. The Panel suggest the creation of a Joint Valuation Forum to undertake joint modelling with USS. A braver suggestion would be for the USS general model to be available so that the parties and their actuaries could do some alternative modelling. USS have been highly reluctant to share their model perhaps for data protection reasons.

The Panel suggest that in order to encourage agreement at the JNC withdrawing the chair's casting vote should be considered. The threat here this is that with no agreement USS can invoke its cost sharing powers. Additional truly independent members would be another way of addressing the problem.

To increase the likelihood of cooperation they also suggest either that members of the committee should be very senior members of the two bodies with decision making mandates or that a strategic committee with this membership should be set up.

Valuation

The Panel reiterates and redoubles its original criticism of Test 1 in their first report. They say that they cannot see how this approach can reflect risk attitudes. They therefore emphasise the importance of determining risk attitudes. The current practice is to ask universities whether they are willing to bear the risk of a specific action where the risk is not quantified. This approach does not allow the delineation of universities' overall risk attitudes over a wide range of contributions. There are a variety of scientific methods for measuring risk attitudes but some are very abstract and technical and probably not able to cope easily with multitudes of different attitudes. The panel did some work to determine the risk attitudes implied by past universities' projects. A more technical method is to ask decision makers to respond to varying imaginary gambles.

Pathways to valuation

The Panel spent a lot of time on analysing a variety of pathways to valuation assuming that a slightly higher risk appetite was acceptable. Future changes to TPR's powers will require DB pension schemes to have a long-term objective which will require funding greater than that needed to cover technical provisions (accrued liabilities). The Panel recognise the special characteristics of the USS scheme especially that it is an open scheme mean that it might have a somewhat different long-term objective. This would involve using low risk funding to pay post retirement pensions and prudent funding recognising the scheme is expected to be on-going for active members subject to being able to move to a low risk portfolio if the scheme were to be closed.

The Panel considered three alternative pathways:

Path 1 invest mainly in return seeking assets implying a higher discount rate and risk attitude,

Path 2 introduce flexible benefits thereby reducing liabilities and improving funding and

Path 3 use different discount rates for payments in retirement and for active members benefits.

Path 1's attractions are lower contribution rates, a faster return to fully funded technical provisions but with likely higher variability and risk. With their existing views this would be attractive to the union but is likely to be unacceptable to the USS and TPR and given the need for higher contributions if the required return is not achieved to employers. Both USS and TPR would be expect this approach to incorporate contingent support (up-front payments, extra immediate contributions and the pledging of assets). There is some evidence that contingent support may be disliked by universities and be difficult for them to arrange.

Path 2 suggests that in order to produce contributions and risks of a level acceptable to all, active members could share more of the risk though this may cause a decline in potential members joining. The Panel give as an illustration of the ceasing indexation of future benefits for 20 years. This would cause substantial reductions in the value of liabilities funded with a low risk portfolio. Changes in the law would be required as indexation is currently legally guaranteed.

The union would strongly object to Path 2 as might employers but more weakly if such risk sharing reduced substantially the quality of the pension scheme offered. The USS and TPR would be indifferent as the overall risk would remain the same though liabilities would be reduced.

This discussion of risk sharing is rather disappointing as some commentators regard achieving the right balance here of the essence in a balanced pension scheme. It is usually assumed that large organisations are less risk averse than individuals. Little work has been done investigating this for universities and their staff.

Both Paths 1 and 2 were available in previous valuations but where proposed they failed. Examples are the proposals for variants of Path 1 by the union and the suggested move to full DC scheme.

Path 3 is strongly advocated by the Panel. The use of two discount rates one based on higher returns from a growth portfolio for the liabilities to active members and lower one based on low return portfolio with a high probability of paying benefits for pensioners. This accords with pension industry lore that as retirement approaches investments should be moved from risk seeking investments to those promising payment with near certainty. Many DB pension providers use approach. Indeed, this approach was used by USS in the early 2,000s. Compared with 2017 and 2018 valuations this approach reduces the amount of de-risking to that is required to pay pensions on the assumption that the scheme is on-going relative to the amount of de-risking required if closure is being considered.

The Panel suggest using a discount rate that is a weighted average of the two discount rates and suggests that the discount rate could apply to 20-year periods. This involves smoothing information over time to which the USS to which has objected in the past. It is likely to therefore to require contingent support to deal with out of plan events.

The Panel has compared the results of using the dual discount approach when using the same discount rates as used by USS in its recent valuations. This suggests that the two approaches can be translated from one to the other and that they can embody the same amount of prudence. The study also suggests that there is some margin to allow higher risks to be adopted without reducing the certainty of existing pensioners being paid.

The previous system was much more complicated. It basically worked out the value of the expected liabilities in 20 years' time valued at a discount rate based on low return but nearly certain portfolio. That is the amount required to pay pensions if the scheme were closed and the USS had to rely only on its accumulated assets. Deducting the value of assets yields what is called the self-sufficiency deficit which indicates the required reliance on employers to pay more. Use of a low discount rate means that the self-sufficiency deficits are higher than the equivalent TP deficits which has caused some confusion.

The Panel does see a use for this calculation but only as a monitoring device measuring the distance to be covered by remaining journey to self-sufficiency.

A related measure using the dual discount rate approach might be to calculate the pensions to be paid in each year over the future 20 years relative to contributions expected to be received in each of these years so that any differences can be met from rearranging the existing investment portfolio and from contingent contributions.

Sharing more short-term accountability information could be encourage trust and information. For example, comparing the actual performance of the items making up a valuation with their planned performance and with benchmarks.

CONCLUSIONS

The Panel sets a very ambitious task to the interested parties given the recent history. The alternative seems to be continuing arguments and continual industrial action. A tripartite group with a membership from UCU, UUK and USS has already been set up and has had several meetings and will continue to meet intensively. Each meeting has been accompanied by a public statement of activities in contrast to the past disclosure patterns. They have already taken a first look at the major subjects raised by the Panel in what is said to be in a positive spirit.

The Panel's aim is to produce a stable and sustainable scheme acceptable to all parties. This of itself will not protect the scheme from major market upheavals and continuing low returns especially on gilts some of which offer negative returns though the dual discount rate proposal helps here, but it should make the scheme more agile when dealing with these in a cooperative way.

USS rejected the Panel's suggestions in its first report regarding them as too risky, which could be seen as an objection of a detailed and technical nature. It will be far less easy to reject the recommendations of the JEP 2 which seek to replace what they see as adversarial conduct and mistrust by cooperation and the sharing of information. This will require the parties to reconsider entrench positions.

It is difficult not to agree with the Panel when it says that ''*The Panel believes that a failure to take forward the recommendations in this report would mark a failure for members, employers and the sector*''.