

# USSEmployers

## MAKING YOUR RESPONSE TO THE FIRST CONSULTATION ON THE JOINT EXPERT PANEL'S REPORT AND THE 2020 AND FUTURE ACTUARIAL VALUATION

We welcome responses to this consultation from each and every one of the scheme's participating employers.

We are keen to have the widest possible range of views and perspectives ahead of what are set to be crucial discussions, and eventual decision-making, regarding the valuation and about the long-term sustainability of USS.

Where possible, we welcome from Employers any feedback or analysis from your own exchanges on workplace pensions, for example from data on take up of USS membership, and in terms of member views and perceptions from previous consultations.

We plan a series of specific engagement events with employers during the three phases of consultations, and we will be in contact with employers with the details of our engagement schedule.

We encourage employers to consult with their own governing, decision-making bodies so that the responses provided can be considered to be the view of the employer. We ask that employers confirm whether the organisation's governing body has been consulted.

This template form is optional and can be used for the response from your institution.

**Please send the response from your institution to [pensions@universitiesuk.ac.uk](mailto:pensions@universitiesuk.ac.uk) by Friday 28 February 2020**

## PRINCIPLES TO UNDERPIN THE VALUATION

1. What are your views on the introduction of a scheme purpose statement, and do you agree that such a statement can be useful?

A scheme purpose statement has the potential to be useful subject to it being capable of adaptation to future circumstances.

2. Do you believe it helpful to set out valuation principles, and what are your views on the principles as proposed by the JEP?

Again there is a potential for valuation principles to be helpful. These must respect statutory requirements and best practice. The key is that there is transparency over the valuation approach.

3. Do you have any further comments on valuation principles or the JEP2 report's section 6

We will comment further as USS publish their discussion document.

## VALUATION GOVERNANCE

4. Do you believe that the scope of the areas of governance considered has been appropriate, and if not which additional areas do you believe would be helpful to be reviewed?

We agree that the areas for governance review are appropriate.

5. What are your views on the specific recommendations as they apply to the trustee board, to the JNC, to UUK and to UCU?

We consider all these should be subject to further exploration.

6. Do you have any additional comments on valuation governance or the JEP2 report's section 7

Not at this stage.

## ALTERNATIVE PATHS TO THE VALUATION

7. What are your views on the outlook for the scheme being that it is an ongoing scheme, and also the various references by the JEP to it staying open?

We support the ambition to have an ongoing scheme subject to affordability for both members and employers.

8. In relation to risk appetite, what would employers find helpful in order for them to better understand the risk and reward trade-offs in USS?

Risk capacity and risk appetite per se are abstract concepts. What employers most need to understand are (a) the requirements of the trustee to maintain a strong covenant and (b) the consequences of serious risks crystallising such as a large market fall e.g. how fast additional contributions would be required and (c) at what point a change in future benefits becomes inevitable.

9. Do you agree that the JEP's proposals regarding a dual discount rate approach warrants further analysis and examination?

We agree it merits further exploration, so long as it is treated as a funding issue and does not inform the investment strategy where we can afford to take more risk. As with previous valuations, any individual method needs to be cross correlated with other approaches to ensure it gives a robust outcome.

10. Do you have any additional comments on potential approaches to the 2020 and future valuations or the JEP2 report's section 8?

Not at this stage.

## TAKING ACCOUNT OF THE NEEDS OF MEMBERS

11. Are you concerned with the level of opting-out of USS, and if so what do you believe the principal reasons for it are?

We have not undertaken detailed work on either the quantity of opt outs or reasons at Sussex, we are very concerned that levels nationally are too high. We believe that a one size fits all scheme is unaffordable for many people either at the earlier stage of their careers, who have caring responsibilities, or who are on short term contracts. We remain concerned that there will be opt-outs if the scheme is not seen as affordable.

12. Do you support the recommendation that further analysis is undertaken on the option of tiered member contributions?

We have no objection to this being explored. However we all need to recall that the scheme is now a Career average related benefits scheme and there will be a limit to how much cross subsidy will be seen as fair, especially as benefits over the salary cap are now defined contribution benefits.

- 13.** Do you support the recommendation that further analysis is undertaken on flexible options for members, for example lower cost saving options?

We support exploration of this is long as it does not lead to opportunities to 'game' the system and for employers to avoid, for example, share of deficit recovery contributions.

14. Do you have any additional comments on the needs of USS members or the JEP2 report's section 9?

Not at this stage.

## MUTUALITY

**15.** Do you support the view expressed by the JEP on the issue of mutuality within USS?

Yes.

16. Do you have any additional comments on mutuality within the scheme or the JEP2 report's section 10?

Not at this stage.

ANY OTHER COMMENTS?

17. Are there any other issues that you would like to see considered to inform the approach to the 2020 and future valuations?

Not at this stage.

Please confirm if your organisation's governing body has been consulted:

We have shared the response for comment with Chairs of Council Committees.  
Our senior governors asked that UUK consider for the future realistic expectations for large amounts of technical matter to be considered, understood and concluded upon in relatively short timescales by governors.

RESPONSE SUBMITTED BY:

Name:

Allan Spencer

Position:

Director of Finance

ON BEHALF OF:

Institution:

University of Sussex

Please send your completed form to:

[pensions@universitiesuk.ac.uk](mailto:pensions@universitiesuk.ac.uk) by **28 February 2020**.

Thank you for taking the time to respond to this consultation.