

UNIVERSITY OF EXETER

Response to UUK Consultation on USS, 27 February 2019

This response has been discussed and agreed by a Standing Committee of Council.

We strongly support the objective of concluding the 2018 Valuation by June 2019.

We recognise the limited nature of the 2018 Valuation in that it only aims to reflect the outcomes of the report of the Joint Expert Panel, providing a funding solution to existing benefits by updating various technical assumptions.

In this spirit we are prepared to accept a range of measures that we ordinarily would not, in particular the concept of contingent contributions (CCs).

1) Do you have any specific comments on the proposed assumptions for the 2018 valuation, including views on the proposed upper bookend and lower bookend?

- We do not understand why the upper bookend deficit contribution rate of 5%, supporting a deficit repayment of £3.6 billion, is the same as the 2017 valuation which is supporting the repayment of a £7.5 billion deficit.
- It is our view that the next full valuation date for USS should be March 2020, not March 2021. This proposal reflects the limited nature of the 2018 Valuation, our desire to find a sustainable solution to scheme finances, of which CCs cannot play a part, and the urgency of addressing the challenges of USS scheme finances.

2) Do you support UUK putting forward proposal for a CCs arrangement to the USS Trustee as requested? If not, would you prefer to pay at the upper bookend level or what would your preferred approach be?

- Reluctantly, we are prepared to accept CCs, but only for a limited duration. We do not believe that the strength of the sectors covenant and its unique nature warrants the use of such a device. We are only prepared to accept CCs in the interests of concluding this valuation by June 2019 and in preference of the 2017 Valuation rolling through to stages 2 and 3, imposing an unacceptable cost burden upon the University and its staff.
- We can only support the CC device for a very limited time period as it does not amount to a sustainable solution. The next full valuation of USS must take CCs off the table and set out to find a sustainable and affordable solution for both employers and staff. We hope that round two of the work of the Joint Expert Panel will give further consideration to this issue.
- We strongly believe the lower bookend should be the initial contribution rate.
- We strongly believe the upper booked should be the maximum contribution rate.
- We believe it is important that UUK asserts the strong covenant position of the sector and the unique nature of the scheme. It strikes us that the USS Trustee is not sufficiently challenging statements made by The Pensions Regulator in this regard.

3) Do you find the proposal for a CC arrangement set out in the Aon note acceptable, taking all factors into account? If not, what aspects would you wish to change?

- We strongly support the proposals set out in the Aon note, in particular the proposed trigger metric, the threshold level, the need for a sustained period of breach of the trigger metric, its 3-stage equal implementation to the upper booked and the 6 month notice period for implementation.
- We strongly believe the current cost-sharing rule must apply in the event a CC is triggered.