Dear Bill

Universities Superannuation Scheme – actuarial valuation

Thank you for your letter dated 9 October 2018 regarding the USS valuation.

Following a recent meeting of the Universities UK (UUK) Board and UUK’s consultation with employers on the Joint Expert Panel (JEP) recommendations, this letter sets out in headline terms the responses received from employers. The letter also sets out UUK’s view on the USS trustee’s proposals for a potential 2018 actuarial valuation.

Employer position on JEP recommendations

The UUK consultation with USS employers regarding the JEP recommendations closed on 30 October and over 120 responses were received from employers, representing more than 90% of the active membership. The responses to the consultation are essential for UUK; they are the foundation upon which UUK’s overall mandate is based and which will be taken forward with the scheme’s stakeholders over the coming months.

UUK’s analysis shows that the vast majority of employers that responded to the consultation are supportive of the JEP’s recommendations and therefore wish to see a change in valuation assumptions in line with that put forward. There are however conditions attached to this support, in particular the recognition that it is subject to acceptance by the USS trustee (and the Pensions Regulator, as appropriate) and the need for further information on what (if any) requirements there may be from the USS trustee to back any additional risk which is associated with the JEP’s recommendations.

The responses from employers also make clear that they believe a longer-term review of USS, assisted by a second phase of activity from the JEP, is essential, and indeed that employer support for the JEP’s immediate recommendations is subject to such a longer-term review taking place.

The voice of universities
A potential 2018 actuarial valuation

UUK understands from your letter that in order to take into account the new developments following the JEP report, and indeed from UUK’s consultation, the USS trustee proposes to undertake a new valuation as at 31 March 2018. This 2018 valuation would take place in parallel to concluding the 2017 valuation.

It is important to UUK that due recognition is given to the recommendations put forward by the JEP, a position which has been further substantiated by employers in UUK’s recent consultation. You will know that the JEP report commented on some of the challenges in completing a 2017 valuation. UUK is however focussed on achieving an outcome which is line with the JEP’s recommendations and which can be agreed jointly with UCU, and indeed with the USS trustee. UUK’s aim is to be able to implement such an outcome by October 2019. On that basis, UUK supports the USS trustee’s suggested approach of commencing a new 2018 valuation, which would be due to be completed by June 2019, to allow for the most recent data and for any developments on risk as envisaged by the JEP report to be addressed.

The challenges of completing the remaining processes from the 2017 valuation – which include a consultation on a proposed recovery plan (which we believe may elicit some changes to the contribution requirements expressed thus far) and on a proposed schedule of contributions – with the processes relating to a 2018 valuation are clearly considerable. I recognise the commitment that this will require from the USS trustee and its officers, as well as from stakeholders, in pursuit of the jointly agreed position that we all seek. It would be helpful if, where possible, individual valuation processes could be brought together if they can achieve not only a shorter timeline (and a longer period of consultation with employers, and others), but also provide a fuller view of the overall implications of any decision making.

I would continue to urge early and detailed engagement by the USS trustee with stakeholders through the key events and milestones of the coming months – and indeed the development of a comprehensive engagement plan with stakeholders – so that all parties can provide the support and informed responses that will be needed.

Universities UK looks forward to further engagement with stakeholders over the coming weeks as we seek a jointly agreed solution to the valuation.

Yours sincerely

Alistair Jarvis
Chief Executive
Universities UK

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