



Mr Alastair Merrill
Vice Principal (Governance)

23 July 2019

Stuart McClean
Head of Pensions, UUK

By email: : Stuart.McLean@universitiesuk.ac.uk and pensions@universitiesuk.ac.uk

Dear Stuart,

USS Valuation 2018: Response to UUK Consultation

Further to my email of 15 July, I am now writing to confirm the University's position in relation to the Trustee's requirements for the conclusion of the 2018 valuation of USS on the basis of Option 3 and to preserve the evaluation of the covenant as "strong".

We are prepared to accept a moratorium on employers leaving USS until the completion of the 2020 valuation (June 2021), and to exploring the possibility of longer-term rule amendments.

We are prepared to give a firm commitment in principle to meeting the Trustee's requirements in relation to debt monitoring. This is subject to agreeing further detail on how these would work in practice, including ensuring that any debt monitoring regime is not disruptive or overly intrusive.

We are prepared to give a commitment in principle to prioritising the USS as a creditor on any new secured debt, but not without significant reservations. There will need to be agreement on how this would work in practice, and a number of significant challenges will have to be resolved. In particular any *pari passu* scheme should be clearly agreed as a temporary measure, with a schedule for review and established conditions under which it would cease to apply; there would need to be clarity about the specific types of debt that would be covered or exempted and a sensible *de minimis* level; and we would need to have confidence that the practical restrictions on HEIs' ability to secure competitively priced debt are kept to an absolute minimum.

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Whilst we note the assurances from the Trustee that *pari passu* would only apply to new unsecured debt, the interrelationship with existing borrowing arrangements, needs to be properly clarified to avoid any unintended consequences - in particular where existing borrowing involves a negative pledge that could be triggered by USS taking steps towards preferential priority. Unless handled very carefully, we are concerned that *pari passu* could have the unintended longer term consequence of weakening rather than strengthening the covenant.

We support the proposal for a joint USS/UUK working group to work out the details and practicalities of these proposals and would be happy to be involved in this.

Yours sincerely

A handwritten signature in black ink that reads "Alastair Merrill". The signature is written in a cursive style and is followed by a long, horizontal, wavy flourish.

Alastair Merrill
Vice-Principal (Governance)