

UUK consultation – 2018 valuation and contingent support

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 have reviewed the USS consultation on technical provisions and the UUK consultation on contingent contributions. We recognise the focus of both USS and UUK on the delivery of a valuation outcome which considers and addresses the recommendations from JEP1, the need for trustees and employers to take a proper consideration of risk and the need to deliver a sustainable short term conclusion pending further work including JEP2 for the 2021 valuation.

Fundamental to our support of the proposals is the need for cost sharing, members and employers have jointly supported the work of the JEP and its implementation recognising the risks surrounding valuation assumptions and future sustainability of USS. We recognise that this will require a member consultation.

We believe that more work is required now from the trustees on the deficit recovery plan. It is not acceptable to exclude them from the consultation on the technical provisions as we have seen in the unsatisfactory conclusion of the 2017 valuation with a rushed late consultation on the most fundamental moving part of the valuation. This is even more the case when the major changes between the lower and upper bookends are because of significant changes in the deficit recovery contribution. We seek the separate consultation with trustees to run in parallel with the member consultation on cost sharing.

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

Yes we do support this, particularly as the USS trustee has not put forward a proposal. Our support is for the lower bookend justified by the contingent contributions and there is no agreement to the upper bookend contributions with a “rebate”. We would not support paying at the upper bookend, particularly as the technical provisions consultation from the trustees specifically exclude the deficit recovery plan which drives the upper bookend.

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

Yes, we believe this is the only route to conclude the 2018 valuation is to agree the proposals on the table now from UUK with sufficient employers support to ensure the trustees have confidence in the employers’ risk appetite and commitment to meet contingent contributions if trigger events occur.

This solution is not sustainable beyond the 2021 valuation even at the lower bookend, for employers, members or the long term future of USS as an attractive, flexible pension provision for our staff. We support this recognising the need for considerable further work in the lead up to the 2021 valuation with JEP2 as the first stage of that work programme.