

Final Response: A consultation by the USS Trustee on matters relating to the 2018 actuarial valuation

The USS Trustee has sent a letter to Universities UK which formally commenced a consultation on the proposed recovery plan for responding to the deficit assessed by it as at 31 March 2018, and on a revised Schedule of Contributions to confirm the contributions coming into effect from 1 October 2019. We understand that UUK will formally respond to the USS Trustee no later than close of business on 11 September 2019, and the information below provides the University of York's response to this consultation.

The University of York Council is disappointed that USS has not taken the opportunities afforded by the outcomes of the first Joint Expert Panel (JEP) report. In particular we note discrepancies between the JEP proposed approach and that adopted by the Trustee that include:

1. A recovery period of 10 years rather than the JEP proposed recovery period of 15 to 20 years.
2. No adjustment being made for asset outperformance.
3. A reduction in the covenant reliance in 20 years' time to £10 billion, as opposed to the £13 billion recommended by the JEP.

The University is aware of the letter dated 6 August 2019 between the Pensions Regulator (tPR) and the Chair of the USS Trustees and note its contents. We are especially aware that tPR indicates it has considered the issues set out by the University above and is willing to accept the Trustees position on these, but only as at the limit of what they consider required under legislation. tPR also indicates in the letter that it views positively the proposals by USS, agreed with UUK, following the latest Joint Negotiating Committee (JNC) discussions:

1. A time limited moratorium on the withdrawal of institutions from USS, something the University supports.
2. Introduce debt monitoring and pari passu treatment of new secured debt in line with the output of a working group, the University also looks to engage with this activity.

In terms of the proposed new contribution and deficit recovery rates, while the University of York accepts the USS proposal, we wish to particularly highlight the concerns expressed above. It is the only mechanism, given the position of tPR, by which members and institutions can avoid the higher contributions rates that would otherwise be implemented under clause 76.4-8 (from the March 2017 valuation) on 1 October 2019.

The University also wishes to convey its continued support for the Joint Expert Panel's (JEP's) continued work. We urge all parties to respond constructively to the next phase of JEP's work so that a sustainable and affordable pension scheme, that will protect the interests and benefits of its members, can be secured for the long term.

Denise Jagger

Chair of Council, University of York