Sent to: Vice-Chancellors, Principals and Chief Executive contacts at USS employers

Dear colleagues,

The following includes:

- An update on recent developments relating to the Joint Expert Panel (JEP) and in particular the announcement today of the Chair
- An update on engagement with USS relating to the cost-sharing mechanism under rule 76.4-8

Joint Expert Panel – Announcement of Chair

This afternoon Universities UK and the University and College Union jointly announced that Joanne Segars OBE has been appointed as Chair of the Joint Expert Panel on USS valuation. Joanne is a widely respected figure in the pensions community. She is currently the Chair of LGPS Central Ltd, which pools the investments of nine large midlands-based local authority pension funds. Prior to this, she worked for many years in senior positions in the pensions sector, including as Chief Executive of the Pensions and Lifetime Savings Association for over ten years and as Head of Pensions at the Trades Union Congress. Joanne is also a current board member of NOW: Pensions and the Environment Agency.

Full details about Joanne and the appointment are available in today’s media release.

The attached terms of reference for the panel were agreed by UCU and UUK earlier this month and will be approved by the newly-appointed Chair. We expect to be able to announce the composition of the panel, consisting of three UCU nominees and three UUK nominees, within the week. An approval panel, consisting of UUK Board and Employers’ Pension Forum representatives is overseeing the appointment of UUK nominees.

The panel will review the methodology and assumptions in the current valuation with the aim of building confidence, trust and increasing transparency in the valuation process. It will provide an opportunity to consider the questions raised about the valuation by some scheme members and some employers.

The panel is due to commence its work at the end of May. It will meet over the course of the summer, and will aim to submit a report to UUK and UCU in September 2018. Once the Chair is in place the terms of reference will be finalised and confirmed and the work programme agreed. The framework for the panel to obtain evidence and hear from expert witnesses will also be outlined alongside relevant contact details for the panel.

In recent correspondence both the USS Trustee and Pensions Regulator have signalled that they will positively engage with the panel.
USS Cost Sharing Process (rule 76)

Given its statutory responsibility to ensure that the liabilities which have built up in the scheme are adequately funded, the USS Trustee has triggered the start of the cost sharing process (under scheme rule 76.4-8) whereby from April 2019 contribution increases would be imposed and split two-thirds to employers and one third to members to cover the increased costs of benefits. We believe that the full implications of the cost sharing process would mean an increase to c25% of salaries for employers (up from the current 18% contributions) and c11.5% of salaries for members (up from the current 8% contributions).

The USS Trustee at its 1 May meeting agreed to the automatic removal of the scheme’s “match” contribution facility which reduces the required total contribution by 0.8%. USS has indicated that in the absence of an alternative way forward being agreed by the JNC in line with scheme rules, the trustee is of the view that contributions need to move, progressively, to align with the cost of accruing the current level of benefits. USS is working with their covenant advisors, PwC, to assess the affordability of increased contributions for employers from April 2019. It is expected that the findings from this work will be available later in June. In addition we understand that USS is keen to undertake work to assess affordability for scheme members as part of this cost-sharing process.

UUK and our advisors are working with the USS Trustee to understand their position in fuller detail and seek clarity on a range of questions relating to the cost sharing process under rule 76.4-8. The USS Trustee met on 17 May and we expect an update shortly on the outcome of this meeting.

It is expected that the JNC will discuss the likely process in more detail at its next meeting on 24 May. In particular UUK and UCU are keen to ensure that any processes and timeline developed by the USS trustee relating to the cost sharing process do not constrain the ability of the panel to undertake its work and develop its own proposed solutions, which could be taken forward by the JNC.

Best wishes,

Alistair

Alistair Jarvis
Chief Executive
Universities UK
+44 (0)20 7419 5410
Woburn House, 20 Tavistock Square, London WC1H 9HQ

Visit our web site: www.universitiesuk.ac.uk
Follow us on Twitter: @UniversitiesUK
Read the UUK Blog: blog.universitiesuk.ac.uk

This message is confidential. If you are not the intended recipient you should not copy or disclose this message to anyone but should kindly notify the sender and delete the message. Opinions, conclusions and other information in this message which do not relate to the official business of Universities UK shall be understood as neither given nor endorsed by it. No contracts shall be concluded by means of this email. Neither Universities UK nor the sender accepts any responsibility for viruses and it is your responsibility to scan this email and any attachments. Universities UK reserves the right to access and disclose all messages sent over its email system. Registered Office: Woburn House, 20 Tavistock Square, London WC1H 9HQ. Registered Company in England & Wales No. 2517018 Registered Charity No. 1001127