

**RESPONSE FORM**

**A CONSULTATION**

ON THE USS TRUSTEE’S PROPOSED ASSUMPTIONS FOR THE SCHEME’S TECHNICAL PROVISIONS IN RELATION TO THE 2023 VALUATION

**CLOSING DATE: 22 SEPTEMBER 2023**

**REPLY TO:** [**PENSIONS@UNIVERSITIESUK.AC.UK**](mailto:PENSIONS@UNIVERSITIESUK.AC.UK)

**MAKING YOUR RESPONSE** TO THE CONSULTATION ON THE USS TRUSTEE’S PROPOSED ASSUMPTIONS FOR THE SCHEME’S TECHNICAL PROVISIONS

The USS Trustee is undertaking a valuation of USS as at 31 March 2023, and on 19 July 2023 the Trustee published its consultation on the scheme’s technical provisions and on the draft Statement of Funding Principles (SFP).

Firstly, USS sponsoring employers are invited to give feedback on the technical provisions and the underlying assumptions which are proposed to be adopted by the USS Trustee, and the SFP.

As a reminder, the USS trustee has invited feedback on its eight core consultation elements:

1. Proposed discount rates, both for the purposes of valuing Technical Provisions and determining future service contributions.
2. Remaining proposed assumptions set out in the Statement of Funding Principles (covering inflation, mortality, and the other demographic assumptions).
3. Any other aspect of the assumptions and methodology underlying the Technical Provisions.
4. Any other matter included in the Statement of Funding Principles. Whether employers are willing to agree to debt monitoring and *pari passu* arrangements and the long-term rule change required to support a strong covenant.

In addition, comments are welcomed on:

1. The Trustee’s overall assessment of employer covenant, including assumptions made about the level of financial support employers are collectively able and willing to give the Scheme and their Affordable Risk Capacity.
2. The assumed Valuation Investment Strategy (VIS) and strategic mix of return-seeking assets and matching assets.  
   (Note that more extensive engagement with employers on the investment strategy will take place in the later stages of the valuation process.)
3. The balance and trade-offs between investment risk, the degree of prudence and stability (of benefits, contributions, and funding levels), both at this valuation and looking ahead.
4. Any other aspect of this consultation.

Secondly, Universities UK (UUK) has set out a broader plan for the development, and reform, of USS and invites USS sponsoring employers’ views on the plan.

The consultation questions for USS sponsoring employers are shown below.

1. Do you have any specific comments on the individual assumptions for the scheme’s technical provisions (and future service contribution rate) put forward by the USS Trustee, or indeed on their collective effect?

*[It would be helpful to refer here to the eight specific questions proposed by the USS Trustee, and which can be found above (and are taken from page six of the USS consultation document).]*

1. On the broader strategy, do you support the nine overall objectives set out in section 2 of the UUK briefing, and which do you consider the most / least important?

*[The nine objectives are stability, reduction in contributions, improvement to future benefits, commitment to covenant support, utilisation of surplus, conditional indexation, governance review, changes to long-term investment strategy, and lower cost / flexibility options.]*

1. Given the valuation outcome proposed in these TPs, do you support the approach set out in the joint statements to improve benefits to pre-April 2022 levels from April 2024 (and do you agree that there is sufficient evidence of stability / affordability to do so)?
2. More generally, are you content to provide a supportive mandate to UUK’s JNC negotiators to finalise the responses to the valuation in alignment with the joint statement?

We welcome responses to this consultation from each and every one of the scheme’s participating employers.

We encourage employers to consult with their own decision-making bodies as considered appropriate, so that the responses provided can be considered to be the view of the employer. We ask that employers confirm whether the organisation’s decision-making body has been consulted.

This template form is optional and can be used for the response from your institution (or alternatively please use the above structure in forming your responses where possible).

**Please send the response from your institution to** [**pensions@universitiesuk.ac.uk**](mailto:pensions@universitiesuk.ac.uk) **as soon as possible and no later than 5pm on Friday 22 September 2023.**

**THE USS TRUSTEE’S EIGHT QUESTIONS**

Please set out your comments and views on the USS Trustee’s eight questions as set out on page two (and on page six of the USS consultation document)

The proposed post-retirement and pre-retirement discount rates of Gilts + 0.9% and Gilts + 2.5% respectively are suitable and agreeable to Hope University.

USS have applied a long term inflation assumption of 3% that may result in losses if inflation exceeds this in the shorter term. However this is a sensible approach based on current medium to long term predictions and targets. Creating a surplus will provide protection for any losses but the volatility of any short term sudden economic impacts increasing inflation may reduce this significantly.

Hope is satisfied with the prudent demographic profiling presented in the provisions. Although it may be over cautious given AON feedback in relation to mortality rates.

The overall assessment of employer covenant and the collective level of financial support employers can provide and their affordable risk capacity is satisfactory to Hope We support the maintenance of the covenant support measures in their current form.

The investment strategy will be key. Hope supports the current approach but modelling of this going forward will be key with interest rates lowering and the potential change of this. Within this context we support the work on stability and look forward to its recommendations

**ASSUMPTIONS FOR THE TECHNICAL PROVISIONS**

1. Do you have any specific comments on the individual assumptions for the scheme’s technical provisions (and future service contribution rate) put forward by the USS Trustee, or indeed on their collective effect?

[It would be helpful to refer here to the eight specific questions proposed by the USS Trustee, and which can be found on page six of the USS consultation document.]

The individual assumptions are sensible and supported by Hope

Key within all of this will be the investment strategy coexisting and aligning with the stability workgroup.

Hope supports the nine overall objectives with a priority order outlined below. Key as highlighted is stability along with the restoration of previous levels of benefits

1.       Stability at future valuations

2.       Reductions in contributions and return to previous levels of benefits as soon as possible

3.       Commitment to covenant support

4.       Improvements to future benefits

5.       Changes to long-term investment strategy

6.      Utilisation of surplus including member augmentation

7.       Governance review (This remains a key piece of work)

8.       Conditional Indexation

9.       Lower cost / flexibility options

**2023 VALUATION OBJECTIVES**

1. On the broader strategy, do you support the nine overall objectives set out in section 2 of the UUK briefing, and which do you consider the most / least important?

[The nine objectives are stability, reduction in contributions, improvement to future benefits, commitment to covenant support, utilisation of surplus, conditional indexation, governance review, changes to long-term investment strategy, and lower cost / flexibility options.]

**APPROACH SET OUT IN THE JOINT STATEMENTS**

1. Given the valuation outcome proposed in these TPs, do you support the approach set out in the joint statements to improve benefits to pre-April 2022 levels from April 2024 (and do you agree that there is sufficient evidence of stability / affordability to do so)?

Hope supports the joint statement and is content that there is sufficient evidence of stability and affordability to restore benefits to pre-April 2022 levels from 1 April 2024 or sooner.

**UUK MANDATE**

1. More generally, are you content to provide a supportive mandate to UUK’s JNC negotiators to finalise the responses to the valuation in alignment with the joint statement?

We are fully supportive of the joint statement.

An overall contribution level of 20.6% (6.1% EES and 14.5% ERS) with a recommencement of pre-April 2022 benefits from 1 April 2024 and ideally earlier (January 2024). These rates will also encourage uptake in difficult economic conditions for staff entering the sector. We note that the USS overspend would be utilised for this to happen and fully support this. We do note AON’s view and are supportive:

*Nevertheless, the quantum of overpayment (about £125M per month) suggests that employers should investigate whether there could be an early implementation. Also, while this is a matter for the stakeholders, if it is decided to uplift benefits in recognition of the lower benefits accrued between 1 April 2022 to 31 March 2024, then it would appear that the cost of this could be met from these overpayments, rather than necessarily using up surplus at the valuation date.*

We note and agree with AON’s views below.

1. There is a good chance of contributions not exceeding 25.2% at the next two valuations if 20.6% is paid for new benefits – i.e. there is demonstrable stability.
2. The stability is improved if the surplus is retained (e.g. about a 1-in-4 chance of exceeding 25.2% at the next valuation if retained, vs a 4-in10 chance if surplus is used)

We also note and welcome their view that a consultation where the news is “very good” is clearly a lot easier to work through than previous consultations





**PLEASE CONFIRM IF YOUR ORGANISATION’S DECISION-MAKING BODY HAS BEEN CONSULTED:**

Executive Team have been fully consulted.

**RESPONSE SUBMITTED BY:**

**Andy Catterall Director HR**

**ON BEHALF OF:**

**INSTITUTION Liverpool Hope University**

**Please send your completed form to:** [**pensions@universitiesuk.ac.uk**](mailto:pensions@universitiesuk.ac.uk) **as soon as possible and no later than 5pm on 22 September 2023**

**Thank you for taking the time to respond to this consultation.**



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E [pensions@universitiesuk.ac.uk](mailto:pensions@universitiesuk.ac.uk)

T @USSEmployers