

JNC Enhanced Report, 3 December 2020

Attendees

| Committee members | Observers |
|-------------------------|---|
| Ms Judith Fish (Chair) | Helen Shay, UCU Trustee Director |
| Phil Harding (UUK) | Professor Sir Paul Curran, UUK Trustee Director |
| Cliff Vidgeon (UUK) | Michael Merton, Independent Trustee Director |
| Stuart McLean (UUK) | Carol Costello, UUK observer |
| Anthony Odgers (UUK) | |
| Dr Justine Mercer (UCU) | |
| Dr Sam Marsh (UCU) | |
| Dr Deepa Driver (UCU) | |
| John Neilson (UUK) | |
| Dr Woon Wong (UCU) | |
| Paul Bridge (UCU)* | |
| Phil Harding (UUK) | |

*attended as an alternate on behalf of Christine Haswell

Meeting governance

- Additional comments on the minutes of the previous meeting were received just prior to this meeting and so it was agreed that the minutes for 18 November would be updated to reflect those comments and then circulated for approval;
- The Chair and a UCU representative confirmed they had discussed future training suggestions for the JNC, and added their suggestions to the JNC annual plan;
- A USS representative confirmed the receipt of a question from a UCU attendee on retirement age assumptions and noted a response was being compiled. They also noted they were anticipating further questions that they would also provide responses to;
- UUK and UCU representatives acknowledged that USS had responded to their request to reform the [Valuation Methodology Discussion Forum](#) by instead proposing a series of in depth briefings and that they were comfortable with this approach, as long as the content and timing of each briefing were agreed mutually. USS representatives supported this approach and agreed to circulate a draft agenda to the JNC for review.

Stakeholder updates

UCU

An update was provided on the latest position of the recruitment process for UCU Trustee Director, noting that interviews were due to be held in mid-December. It was noted that Dr Sam Marsh was re-elected as Vice Chair of the UCU JNC team;

An update was provided on the postponed UCU Annual Congress, confirming that [an interim online Higher Education Sector Conference](#) will be held on 15 December instead. A report from the UCU Superannuation Working Group will be tabled at the conference, and it (along with any other USS related motions that are carried) is expected to set UCU policy on USS;

UCU representatives have reviewed and [added to the JNC Effectiveness Group 'quick wins'](#), including a proposal for a window of ten days between receiving a JNC meeting pack and attending a JNC meeting, and a commitment to ensure that all meeting pack materials were available in an 'accessible' format, in line with equality legislation. UCU

Non-restricted (NR)



representatives noted that some JNC attendees are not given time to prepare for meetings by their employer and so adequate time to review the briefing pack is particularly important in these instances. Both the JNC Chair and the USS executive acknowledged the points raised by UCU colleagues, and both reiterated their commitment to supporting JNC attendees and providing information in a timely way. The group agreed that meeting packs should be provided with as much notice as possible but also discussed the fact that in some instances JNC meetings will be called at very short notice, requiring the need for some flexibility on the ten day window.

UUK

It was noted that UUK is discussing covenant support measures with the Trustee in the hope of reaching an outcome that both meets the requirements of the Trustee and which the majority of employers could support;

An update was provided noting that UUK had asked the Trustee to provide benefit modelling to support UUK engagement with employers. As part of the valuation process, UUK are planning to consult further with employers;

The JNC were notified that UUK had recently met with the Pensions Regulator who were keen to hear the UUK perspective.

Update from the Trustee

An update was provided on the [Guidance, Advice and Flexibilities project](#), and the 'Direct to Member' initiative, both intended to support member decision making and Trustee communications;

The Trustee board held a meeting on 24 November, where the board discussed two reports from the Trustee covenant advisors on the capacity of the scheme covenant and the resilience of the HE sector. It was noted that the Trustee found the reports encouraging and that they are also of interest to the Pensions Regulator.

A number of UCU, UUK and USS representatives discussed the specifics of the proposed covenant support measures and the challenges in the 2020 Valuation timeline. Both UUK and UCU representatives requested that the Trustee provide insight on the projected costs of different assumptions and where possible illustrate the potential effects of different actions.

A subsequent conversation on the Trustee approach to the 2020 Valuation methodology between a UCU representative and a USS representative covered the evidence used to set assumptions, the amount of prudence used and the levels of transparency in Trustee modelling.

A Trustee board member noted that an unpalatable outcome was not reflective of a poor process and emphasised that they believe the process to be robust. A USS representative noted that the Trustee operates within regulatory parameters and the scheme rules.

Member participation update

A USS representative provided an update on member participation, specifically opt outs and withdrawals from the Scheme. They outlined the scope and limitations of the data for these two categories, which is provided on a voluntary basis by individual employers.

An overview was provided of regional, age and gender variations in opt out rates and some common reasons given for leaving the Scheme, including labour mobility and affordability.

UUK, UCU and USS representatives discussed the increasing importance of having reliable data on opt outs and withdrawals, and the need to ensure members understand the valuable benefits they will lose if they leave the Scheme.

Financial Management Plan update

- The JNC noted the FMP monitoring position, based on the 2018 valuation monitoring methodology, as at 31 October;
- UUK asked if the impact of RPI reform has been considered by the Trustee, including in the dual discount rate approach in the 2020 Valuation, and a USS representative agreed to share some insight on this with the JNC;
- UCU questioned if the board were fully appraised on prudence levels included in the discount rate particularly when set by reference to inflation rather than gilt yields in the [Technical Provisions consultation](#). It was noted that the board had spent a significant amount of time getting to grips with these issues and were supported by the Scheme Actuary who has a professional responsibility to ensure the board's decision making process is supported by robust analysis and an appropriate level of supporting information.

Additional matters covered at the meeting

- The JNC annual plan for 2021/22 was approved, subject to some minor amendments;
- The committee also considered some amendments proposed to its Terms of Reference, specifically around the right to approve the appointment or removal of independent directors. The amendments are required as part of the new 'Master Trust' status of USSL;
- The secretary was asked to consider the possibility of extending JNC meeting running time beyond two hours.