



Professor Julia Buckingham CBE
President – Universities UK

Mr A Jarvis
Chief Executive, Universities UK

Professor Adam Tickell
Chair of Employers Pensions Forum

Your ref	
Our ref	DKB/JMR
Date	17 March 2021

By email only

Dear Professor Buckingham, Mr Jarvis and Professor Tickell

Request for a review of the illustrated outcomes for the 2020 actuarial valuation of USS

Thank you for your letter of 9 March 2021. We have shared it, along with Alistair’s letter to The Pensions Regulator (TPR) of the same date, with all Trustee Directors as requested.

While we recognise there are inevitably differing views on the details, we have been clear with stakeholders throughout this process on the central importance of the covenant support provided by USS participating employers to the valuation outcomes. Following the completion of the 2018 valuation, the strong expectation of the Trustee was that UUK would work with employers to confirm the detail of the covenant support measures that would underpin the 2020 valuation, including, as was assumed at the time, consideration of a permanent or longer-term rule change on employer exits.

All parties will accept that the illustrative package of covenant support measures put forward by UUK in November, following the Technical Provisions consultation, fell short of the package the Trustee had initially hoped for. Direct comparisons between the 2018 valuation outcomes and those illustrated in the Trustee Update and Rule 76.1 Report to the JNC for the 2020 valuation are therefore difficult. The 2020 valuation addresses both the deteriorating outlook for future investment returns on the Scheme’s funding position and the different levels of covenant support from employers than those that had been envisaged when completing the 2018 valuation.

We fully understand and are very sympathetic to the challenges faced by employers and scheme members in these circumstances. The Trustee continues to believe that a holistic approach is required to develop a solution to the funding challenge, where the financial assumptions, covenant support proposals and benefit options are considered in concert, rather than in isolation. In this context, we very much welcome UUK’s proposals to consult employers again on additional covenant support measures, alongside benefit structures and contribution levels, and remain ready and willing to work closely and supportively to achieve the best outcome.

A different set of assumptions on covenant support and the benefit structure would provide a clear rationale for the review of the assumptions you request. Indeed, given you have outlined this way forward, the most productive way forward would be for the Trustee to work with you as you develop alternative packages of

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fully defined covenant support measures, benefit design proposals and contribution rates, and look to assess any impact on the financial assumptions and the overall risk position in the round.

We are ready to engage further with TPR on these matters, and to consider post-valuation experience, as appropriate. We welcome UUK's substantial direct engagements with TPR in recent months, both through formal communications and through bilateral meetings, to represent the views of employers. As we have always emphasised, this is a critical component of the valuation.

The outcome of your proposed employer consultation will hopefully provide more clarity on these key and interrelated questions:

- i) What covenant support and commitments can the Trustee depend upon in concluding the 2020 valuation?
- ii) What overall and specific benefit structure do employers wish to offer to their workforces in future?
- iii) What level of contributions do employers and members wish to pay to allow for those benefits to be provided?

We will respond more fully to the specific issues raised in your letter later this month, following the board meeting on 25 March at which we will discuss our reply in more detail.

In the meantime, it may be helpful to point out that we believe a number of the questions are addressed in the comprehensive package of materials relating to the Trustee Update and the Rule 76.1 Report published on the valuation pages of our website on Wednesday 3 March.

We will, however, review the issues again and consider what further information may be helpful.

We look forward to continuing to work with you further as we confront these difficult issues together.

Yours sincerely



Dame Kate Barker
Chair of the USS Trustee Board

Cc: Mr M Birch – The Pensions Regulator

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