

Professor Dame Athene Donald
Master of Churchill College
Cambridge
CB3 0DS
(Sent via email)

18 March 2018

Dear Professor Dame Athene,

Universities Superannuation Scheme (USS)

I refer to your letter dated 8 March. Please accept my apologies for the delay providing this response - it has been an exceptionally busy period. I am currently receiving a large volume of correspondence in relation to this dispute, which I am doing my utmost to respond to in detail.

I acknowledge the concerns raised in your letter. I have outlined below the range of factors that we considered to enable us to put forward a view on the USS Trustee's September 2017 technical provisions which takes into account the diverse perspectives of USS employers.

The response from Universities UK (UUK) (on behalf of all employers of USS) to the consultation was informed by a number of sources including:

1. USS employer events, led by UUK and a UUK survey in September 2016 on the long-term, strategic priorities for pensions in the higher education sector, which culminated in the publication of a strategic report "[Suitability and Sustainability: Pensions in the Higher Education Sector](#)".
2. USS employer events led by USS in February 2017 on the covenant, methodology and inputs for the 2017 valuation as well as employer responses to a USS consultation on these issues in March 2017.
3. USS employer events led by UUK in May 2017 on the valuation methodology and risk.
4. A UUK survey which followed the publication of the USS technical provisions consultation in September 2017. 116 USS employers responded to the survey, representing 92% of the total active USS membership
5. Advice received from UUK's actuarial advisor, Aon Hewitt.
6. The views of the Employers Pensions Forum USS Group and the Universities UK Board.

Your letter refers to item 4 noted above, a UUK survey of USS employers. In response to the September 2017 survey, based on one vote per USS employer, a small majority of employers

The voice of universities

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(53%) had a preference to accept the level of risk proposed by the USS trustee, with half of that group qualifying that the proposals were at the very limit of what they would find acceptable. A significant minority (42%) of survey respondents wanted less risk to be taken. All responses were considered and are included in the percentages above; however, we were cautious that some responses were not officially authorised by the institution and reflected this in our thinking. In forming our overall response, we also considered the different sizes of USS employers.

The UUK survey of September 2017 was not the determining factor in the view that UUK expressed to the USS Trustee on the technical provisions consultation. It was only one part of a range of inputs that informed our response.

The UUK response to the USS Trustee on the technical provisions did not indicate that less risk should be taken. On risk, our response stated that many employers indicated “that the proposals are at the very edge of what would be acceptable”. The response was provided in confidence to all USS employers by email on 13 October 2017. If you require a further copy of this response please do let me know.

As the employers’ representative in the scheme, UUK has the challenging task of putting forward a position which reflects the views expressed by the scheme’s participating employers. We do not distinguish USS employers based on those who are UUK members or otherwise. UUK is nominated in the scheme rules to act as the representative of all employers.

It is a fact that the Colleges of Oxford and Cambridge Universities are separate participating employers within USS, and they have a right – quite separate to the University – to express their views to UUK. 19 Oxbridge colleges responded to the UUK survey from the 116 total responses. It is for each individual employer to decide how its views are represented to UUK.

You will also be aware that given the concerns raised about the valuation process, University and College Union (UCU) and UUK jointly developed a proposal at ACAS to form a panel of independent experts on the valuation. We are making arrangements to establish this group of independent experts as soon as possible. This will have an independent chair, involve academics and pension professionals, and liaise with both USS and the Pensions Regulator. The group will consider issues of methodology, assumptions and monitoring, aiming to promote greater transparency and understanding, and will take account of the real strengths, sustainability and viability of the scheme. This group will report back as soon as possible.

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In conclusion you will understand that the valuation is a complex process which the Trustee undertakes, informed by the views of participating employers, professional advisors and the Pensions Regulator. Importantly and in particular the Scheme Actuary viewed the assumptions used by the USS Trustee (in September 2017) as being at the weakest end of what is acceptable. The Pensions Regulator recently cautioned that the level of risk in the scheme needs to be addressed to ensure it is sustainable in the longer term.

I will provide further updates on progress made by the group of independent experts.

Yours sincerely,



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