

Mr B Galvin
Group CEO
USS Limited
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13 November 2019

Dear Bill,

The trustee's monitoring and action framework

Thank you for your letter dated 31 October 2019 regarding the above, and I set out below some comments on behalf of scheme employers to the trustee's proposals. The period of time available for employers to consider this has been extremely limited, but nevertheless I hope that the views below may be helpful as you finalise your arrangements.

The particular comments we would like to make are as follows:

- Employers understand that this is a temporary framework intended to apply for a fixed period of time, until new and more enduring arrangements are implemented which arise from the 2020 actuarial valuation. This is an important context for employers, and their focus is on the form of the longer-term arrangements. We look forward to engaging with you on these long-term arrangements in due course.
- We must make clear that none of the specifics (for example, the underpinning approach, the assumptions etc.) which have been included within the temporary framework should be taken to be acceptable to employers in the context of the 2020 valuation, and/or considered to be aligned with the views or preferences which they may then wish to hold.
- We welcome the fact that the trustee's proposed triggers have not activated during a particularly difficult period of economic volatility, however we would also emphasise our continuing concern to ensure that assessments of the scheme's funding position do not become too short-term in nature.

The voice of universities

Chief Executive
Alistair Jarvis

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In your letter you asked if there were any supplementary measures and metrics which the trustee should be considering, and how much information should be shared.

On the first point, we would reiterate the comments from Aon (in its advisory note to UUK dated 6 November 2019) that it would be helpful for stakeholders to have clearer information about how much risk is being run on their behalf (and on behalf of future generations). It would also be useful for the risks to be interpreted, and expressed, in the context of what matters for employers and members. You will note that Aon has given the example of showing how risk might affect how employer and member contributions might evolve in different economic scenarios, and/or what the consequences would be if the contribution rate could not exceed particular levels.

On the second point relating to how much information, we would encourage the trustee to share the fullest information wherever that is practicable, something which we believe can only help to build the confidence of all parties in the process. Where there are practical limitations, we would encourage the trustee to use its direct engagement with the stakeholder bodies, and with the JNC, as a means of information sharing.

Please note that we have given employers a little more time to send any further views to UUK, so we may provide further input ahead of the trustee board's meeting next week.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'A. Jarvis', with a long horizontal stroke extending to the right.

Alistair Jarvis
Chief Executive

Enc: Advisory note prepared by Aon 6 November 2019