

**RESPONSE FORM**

A consultation by Universities UK with employers on the indicative outcomes of the valuation

**CLOSING DATE: 24 MAY 2021**

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

**MAKING YOUR RESPONSE** TO THE CONSULTATION

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

We are keen to have the widest possible range of views and perspectives ahead of the next steps of the 2020 valuation.

Through this consultation we are formally seeking views and direction from employers on some key questions, particularly on:

* Covenant support measures
* Contributions
* Future benefit structures
* Addressing the high opt-out rate and flexibilities
* Governance
* UUK’s Alternative Approach

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This template form is optional and can be used for the response from your institution, you may also want to feedback this information another way.

With these views, UUK can then progress the negotiations with the University and College Union (UCU) within the Joint Negotiating Committee (JNC).

**Please send the response from your institution to** [**pensions@universitiesuk.ac.uk**](mailto:pensions@universitiesuk.ac.uk) **by 5pm Monday 24 May 2021.**

**COVENANT SUPPORT MEASURES**

1. Would you be willing to support the alternative covenant support package which UUK has outlined in section 3, as the means to achieve a solution which might be acceptable in the round (see also question 15)?

**COVENANT SUPPORT MEASURES**

2. If the USS Trustee is not willing to accept UUK’s alternative proposal (should there be employer support for it), would you be willing to support the USS Trustee’s scenario 3 covenant support package to obtain a ‘strong’ covenant rating? If not, why is this and what level of covenant support would you be willing to provide?

**COVENANT SUPPORT MEASURES**

3. Are there areas of the covenant support measures which cause you particular concern, or which you would wish to see modified? Please provide details.

**COVENANT SUPPORT MEASURES**

4. Are there other areas of covenant support you would wish to consider such as contingent contributions or asset pledges?

**CONTRIBUTIONS**

5. Do you agree that the current levels of employer contribution (21.1% of salary) and member contribution (9.6%) are the maximum sustainable – and should be the foundation for any solution?

a. If not, please state the level of employer contribution you would be willing to pay to USS following the 2020 valuation.

b. We would welcome any commentary on the reasons for your views.

c. We would also welcome employer views on the level of member contribution.

**BENEFITS**

6. Do you support the broad principle of seeking to retain the hybrid benefit structure?

**BENEFITS**

7. Looking at the illustrative hybrid benefits which UUK has put forward, would you consider this an acceptable outcome in terms of benefits at this valuation – based on the positions on covenant support and contributions laid out?

**BENEFITS**

8. If the illustrated hybrid would not be acceptable, what alternative benefit arrangements would you wish to provide (and please indicate alternative positions on covenant and contributions as appropriate)?

*(For example, if the USS Trustee does not ultimately amend its assumptions, would you wish to offer a hybrid solution as set out in the USS Trustee’s illustrations (p18 of the Update Report) or would you prefer to move to a different offering, such as DC provision?)*

**BENEFITS**

9. Would you wish to explore conditional indexation or other conditional benefit models as a possible solution (likely longer-term, beyond the 2020 valuation)?

**FLEXIBILITIES AND OPTIONS**

10. Would you like to see flexibilities implemented for members to move away from the current uniformity of the USS structure, and if so which flexibilities do you think are particularly important?

**FLEXIBILITIES AND OPTIONS**

11. Would you support the creation of a lower cost saving option for members and which of the parameters described in this paper are most important / or would need modification?

*(If yes, we would welcome employer views on the options to achieve this (potentially informed via engagement with eligible USS employees).)*

**FLEXIBILITIES AND OPTIONS**

12. Would you support the creation of an option for members to switch (from the hybrid structure) to wholly DC pension saving?

*(We invite employer views on whether the same deficit recovery contribution should   
be made for members choosing any new flexible DC alternative option, and what  
 levels of member and employer contributions devoted to DC pensions saving  
 should apply).*

**FLEXIBILITIES AND OPTIONS**

13. Would you wish to explore options for employers so that they can offer some variations to the USS standard benefits in the future – and if so, what would those variations be?

**GOVERNANCE**

14. We would welcome views from employers in relation to the governance of the scheme and the valuation process (including views on the Joint Negotiating Committee). Specifically, would you support a post valuation governance review, and what areas what you like to see covered in such a review?

**UUK ALTERNATIVE APPROACH**

15. As part of a solution to the 2020 USS valuation would you support the alternative covenant support package illustrated by UUK *(headlines – moratorium of a minimum of 20-years with debt-monitoring and a pari-passu arrangement for secured borrowing above c15% of gross/net assets)*, to provide a hybrid benefits package at current contribution rates in the order of *(pension accrual of 1/85 of salary [plus 3 times lump sum] up to a salary threshold of £40,000 with the CPI indexation of benefits [for active, deferred and pensioner members] capped at 2.5% per annum, and with DC above the salary threshold at an overall contribution of 20% of salary),* together with a lower cost alternative to address the high opt-out rate, as well as a governance review of the scheme and valuation process?

**Please send your completed form to:** [**pensions@universitiesuk.ac.uk**](mailto:pensions@universitiesuk.ac.uk) **by Monday 24 May 2021**

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



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