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Chief Executive
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Your ref
Our ref BG/JMR
Date 2 March 2022

By email only

Dear Alistair

Consultation on revised Schedule of Contributions, Recovery Plan and Statement of Funding Principles for the 2020 actuarial valuation following the JNC decision of 22 February

Please find attached revised drafts of the Schedule of Contributions (SOC) and Recovery Plan (RP), which set out the proposed rate of member and employer contributions payable to USS from 1 April 2022. They include updated details of the share of the employer contribution that is attributable to the planned deficit recovery plan. I also attach a revised draft of the Statement of Funding Principles (SFP), which we are consulting on at the same time.

These documents have been updated to take into account the additional funding cost arising from the Joint Negotiating Committee's (JNC) recommendation of 22 February 2022, since agreed by the Trustee (and subject to this consultation with UUK), that:

- A modification to the JNC's 31 August recommended benefit changes be made in relation to the 2.5% cap on indexation, and that these modified changes will temporarily apply to benefits which accrue from 1 April 2022 for to 31 March 2024 (as described in more detail in the specification submitted by Universities UK (UUK) to the JNC);
- Employers will pay an additional 0.2% in contributions from 1 April 2022 to 31 March 2024, taking their total contributions to 21.6%, returning to 21.4% thereafter;
- The recovery plan will be extended by 1 month to accommodate the additional 0.1% funding cost of this modification, so as to end on 30 April 2038;
- Employers will pay contributions rates in respect of enhanced opt out members of at least 6.3% of salary from 1 April 2022;

Other revisions have been made to the documentation to reflect the anticipated signing date later in March 2022, and to remove what are now historical or conditional references, either to the contribution rates that applied from 1 October 2021 to 31 March 2022, or to the contribution rates for the second leg of the dual-rate SOC which now falls away following execution of the 17th Deed of Amendment to implement the JNC's benefit change recommendations.

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We are grateful for your previous assurances that you will support the Trustee undertaking a short consultation with UUK, and through UUK with employers, on the revised documentation, and to this end, please let me have your response to this consultation by 5pm on the 16 March.

This consultation

As for previous consultations on these parts of the valuation, it is a consultation between the Trustee and UUK – the body nominated by the rules to act as the representative of employers for these purposes. This consultation satisfies the requirement to consult under section 229 of the Pensions Act 2004 (as amended in paragraph 9 of Schedule 2 to the Occupational Pension Schemes (Scheme Funding) Regulations 2005).

As previously explained in the employer consultation on the debt framework in July 2020 and set out more fully in [‘Consideration of covenant support measures in future valuations’](#), it includes the existing provisions in relation to the Trustee’s ability to accelerate contributions from individual employers in certain circumstances, in accordance with Section 7 of Part B of the Debt Monitoring Framework dated 30 September 2021.

Alongside your response to this consultation, we also anticipate written reconfirmation of UUK’s agreement to the [debt monitoring framework and *pari passu* arrangements](#) that have been effective as of 1 October 2021.

In preparation for the introduction of the framework, we asked employers to provide data as part of a test request in 2021, and to contact us with questions or comments on the framework. The response to date has been very helpful and the Trustee thanks all employers who have engaged and/or provided data.

Employers may also have seen from our initial communication on 24 February that we propose to start the 2022 data collection process in late March – further details will follow in due course.

Next steps

The Trustee is now making final preparations to communicate and implement the benefit changes and, subject to the outcome of this consultation and final decision by the Trustee under Rule 6.1, the 0.2% contribution increase for employers from 1 April 2022. The Trustee will consider UUK’s response to this consultation and, if appropriate, sign the relevant documentation in advance of 1 April 2022.

If you have any questions about this consultation, please don’t hesitate to contact me. Otherwise, I look forward to receiving your formal response.

Yours sincerely



Bill Galvin
Group Chief Executive Officer

Encs