



Mr A Jarvis
Chief Executive
Universities UK
Woburn House
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Your ref
Our ref BG/JMR
Date 31 October 2019

By email only

Dear Alistair,

Further to my letter of 3 October 2019 and TPR's attached letter of 11 September, I am writing to share further information on the Trustee's proposed Monitoring and Action Framework for the 2018 Valuation.

Enclosed is a document which provides information on the Trustee's initial conclusions on this matter, as discussed at the board on 10 October 2019, for consideration by UUK – specifically, the metrics to be monitored by the Trustee and the potential mitigating actions should the metrics breach certain thresholds. The same information is being shared with UCU in parallel.

In sharing this information the Trustee would like to ensure that stakeholders fully understand:

- the requirement for a Monitoring and Action Framework to be implemented for the 2018 Valuation given recent financial market developments and the expectations of TPR;
- the rationale for the proposed measures to be monitored (individually and in combination) and the threshold level of trigger metrics to be set for those measures; and
- the likely response of the board to one or more of the trigger metrics exceeding its threshold level, and the implications for the stakeholders.

Should one of the trigger metrics exceed its threshold, it is proposed that the board will meet to review the position within five working days; the stakeholders will be alerted to the fact that a threshold has been breached; and the USS executive, Scheme Actuary and Trustee's investment advisers will prepare analysis for the board of the drivers of the threshold being exceeded and overall funding outlook for the scheme as appropriate.

The board will then need to consider what if any immediate responses are appropriate. Those responses could include one or more of:

- Revision of the 2018 Schedule of Contributions
- Acceleration of the 31 March 2020 valuation
- Undertake an earlier valuation at 31 December 2019
- Change in the investment strategy.

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Early engagement with the stakeholders, and through the JNC, is anticipated on any responses being considered that may require future increases to required contributions rates under the current benefit structure.

The Trustee is engaging with TPR on these matters on an ongoing basis, and is preparing to finalise the Framework at the board when it next meets on 20 November. As such, we would welcome feedback, comments and questions from UUK and employers on the Framework, ideally by **Wednesday 13 November 2019**. In particular we are keen to understand if there are any supplementary measures and metrics we should be considering, and how much information employers would like to receive from the Trustee, and through what channels, on the Monitoring and Action Framework once it is implemented.

The Trustee's ongoing monitoring of the Scheme's funding position following the conclusion of a valuation is not a new development and the proposed Framework set out in the enclosed document represents a strengthening of focus given concerns about financial market conditions at the time the 2018 Valuation was signed off. We are also keen to maintain an ongoing dialogue with the stakeholders as we prepare for the 2020 Valuation, and welcome the engagement we have had to date with UCU and UUK representatives through the JNC's Stochastic Analysis Working Group. We hope that this positive engagement and sharing of information and analysis can continue in the coming months as we await the publication of the Joint Expert Panel's second report and the stakeholders' consideration of that.

We are committed to being as open and transparent as we can be with all stakeholders on Valuation matters, which we recognise as extremely challenging for all parties, and your input is important to us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bill Galvin', with a horizontal line extending to the right.

Bill Galvin
Group Chief Executive Officer