

## **Q&A on the first consultation on the Joint Expert Panel's report and on related matters for the 2020, and future, actuarial valuations**

UUK is consulting employers on the recommendations made by the Joint Expert Panel (JEP) in its second report to help inform the 2020 valuation and the future of the scheme.

This Q&A is intended to assist with any enquiries from employers about the first phase of this consultation, but they are not exhaustive. For further information, or to discuss this in more detail, please contact: [pensions@universitiesuk.ac.uk](mailto:pensions@universitiesuk.ac.uk).

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1. How are employers being consulted about the second report of the Joint Expert Panel (JEP2)
2. How will the consultation on the JEP2 recommendations connect with any later consultation on the 2020 valuation?
3. Will employers agree changes to the valuation methodology during this phase of the JEP2 consultation?
4. How will this consultation be managed alongside the ongoing industrial action negotiations?
5. Will changes to the valuation methodology, such as introducing a dual discount rate, be agreed in the methodology discussion forum or the tripartite talks?
6. Is UUK going to review its role as employer representative of USS, as recommended by the JEP?

## **1. How are employers being consulted about the second report of the Joint Expert Panel (JEP2)**

Universities UK (UUK) is consulting employers on the recommendations made by the JEP in their second report to help inform the 2020 and future valuations.

The consultation will take place over three phases. The first phase is open until the end of February 2020 and is seeking initial reactions and comments from employers. This consultation aims to build familiarity and understanding of the JEP2 report and its recommendations, to gain high level reactions and comments to the report, the implications for the upcoming valuation, and the future of USS more broadly, without limiting the scope of responses.

## **2. How will the consultation on the JEP2 recommendations connect with any later consultation on the 2020 valuation?**

The JEP2 report provides recommendations for the 2020 valuation methodology. We are now seeking input from employers on how the JEP's recommendations could inform the valuation, as well as the scheme's future, in the coming months.

Our three-phased programme of engagement aims to first build a clear understanding of the JEP's recommendations, and in phases two and three, present a comprehensive picture of what those recommendations could mean for the valuation outcome in practice. Our aim through these consultations is that USS's work, in conjunction with UUK and UCU through the Valuation Methodology Discussion Forum, will bring clarity about the options offered in JEP2, and lead to an informed, collective view from employers, and indeed all stakeholders, on how the 2020 valuation should proceed.

## **3. Will employers agree changes to the valuation methodology during this phase of the JEP2 consultation?**

In this first phase, UUK is inviting employers' initial views on the five core areas of recommendations of JEP2, but employers will not be expected to agree on the specific detail of changes of this kind until later on in the process.

In later phases of the consultation we plan to provide, through our interactions with USS, comprehensive detail on the implications of changes to the valuation methodology, together with detailed illustrations of what such changes are likely to mean for future contribution rates, in time to influence the 2020 valuation.

#### **4. How will this consultation be managed alongside the ongoing industrial action negotiations?**

Discussions regarding current industrial action are ongoing and UUK continues its work to find a mutually agreed resolution. The focus of industrial action continues to be on the 2018 valuation outcome and the resulting contribution rate, while the second report of the JEP and this consultation focuses on the 2020 valuation.

Progress is being made on the 2020 valuation with the strong involvement of senior representatives of UUK, UCU and USS through a series of 'tripartite' talks.

These talks were initially scheduled in response to recommendations made in JEP2 to build common understanding between employers, members and USS. The group have made significant progress on drafting a [new purpose statement and shared valuation principles](#), and USS has since established a valuation methodology discussion forum attended by UCU and UUK representatives.

The consultation's three phases will progress alongside the tripartite talks and methodology discussions. Over the course of 2020, employers can expect to be informed of and consulted of the progress of the valuation by both UUK and the trustee, including on covenant, risk appetite, and the assumptions for the valuation of the liabilities (the technical provisions).

#### **5. Will changes to the valuation methodology, such as introducing a dual discount rate, be agreed in the methodology discussion forum or the tripartite talks?**

The tripartite talks are primarily for UCU, UUK and USS to agree fundamental principles to underpin the future of the scheme, which it is hoped will help inform the way the 2020 valuation is then carried out.

This methodology discussion forum has been set up by USS to consider the emerging findings from the Trustee's review of the approach to the valuation methodology, including the issues raised by the JEP's second report, e.g. the dual discount rate.

Employers will be consulted on any significant changes to the scheme, and the valuation methodology in phases two and three of the consultation process.

## **6. Is UUK going to review its role as employer representative of USS, as recommended by the JEP?**

UUK has set up a task and finish group to make recommendations on employer involvement and engagement in USS.

The group, chaired by Sir Alan Langlands (Vice-Chancellor, University of Leeds), will suggest their preferred option for future employer representation on USS, and identify the implications and risks of implementing it. It is expected to present its recommendation to the UUK Board in Spring 2020, ahead of a fuller consultation with employers.

The review does not question UUK's competence as the USS employer representative but questions the possible negative impact on other UUK core activities such as its role in influencing policy and leading cross-sector collaboration.

Any change in responsibilities which come out of this review would be carefully timed and transitioned. As a result, the role will remain with UUK for at least the duration of the 2020 valuation.