USSEmployers

A FIRST CONSULTATION ON THE JOINT EXPERT PANEL'S REPORT AND ON RELATED MATTERS FOR THE 2020, AND FUTURE, ACTUARIAL VALUATIONS

23 January 2020

INTRODUCTION

The Joint Expert Panel (JEP) published its second report in December 2019, in which a further series of recommendations are made on matters relating to USS. The JEP's second report – which we will refer to as the JEP2 report in this paper – is focussed on the process of the actuarial valuation of USS and its importance to the longer-term sustainability of USS.

The actuarial valuation is the periodic assessment of the financial health of the scheme. The next valuation takes place as at 31 March 2020; this process looks at the benefit promises which have already been built up, and sets the level of deficit contributions should there be any shortfall in the projected funding for those benefits. The actuarial valuation also sets the level of contributions required to provide future pension promises.

In the JEP2 report, the JEP made specific recommendations regarding:

1. the adoption of **agreed valuation principles**
2. making changes to the **governance which surrounds the valuation process**
3. potential **alternative approaches to the valuation itself**, and in particular to the calculation of the discount rate and to the assessment of risk

The JEP has also considered and expressed recommendations in two related areas:

4. **scheme mutuality,** that is, the way in which the employers currently participate in the scheme on a mutual, collective basis where there is cross-subsidy of the risks and liabilities
5. how to improve the scheme's **longer-term sustainability**, for example by ensuring that the scheme continues to **meet members' needs**

Taken together, these are five main segments to the report on which Universities UK (UUK) intends to focus in this first employer consultation.

CONSULTATIONS

UUK is the employer representative body in USS. This first consultation is part of a series of three planned consultations intended to gather the views of employers on the JEP's recommendations, and to understand how these might be implemented in the context of the 2020 valuation and in supporting the longer-term sustainability of USS.

This first consultation also aims to seek initial views from employers to inform the development of options for the 2020 and future valuations. Please send the response from your institution to pensions@universitiesuk.ac.uk by **Friday 28 February 2020**.

The phased nature of these consultations is considered important as these are complex and inter-connected issues which need to be communicated fully and effectively, alongside the various 2020 valuation-specific consultations which will be issued by the USS trustee.

These consultations need to allow time for the building of knowledge and familiarisation with the JEP's analysis and recommendations, and – importantly – with some of the interactions and trade-offs between various positions which might be adopted. It is also vital that employers can engage their governing bodies, where that is appropriate, and that preferences and views can be expressed on behalf of universities and other institutions with as full an understanding as possible of the financial and strategic implications.

PHASE ONE | JAN – FEB 2020

Building familiarity and understanding, being clear on the fundamentals, gaining reactions and comments to the JEP2 report – and its application to the 2020 valuation and long-term sustainability – without limiting scope of responses. Also to seek initial views from employers to inform the development of options for the 2020 and future valuations.

PHASE TWO | MAR – MAY 2020

An examination of the options available, from the 2020 and future valuations, showing the interactions between various elements of the scheme and the nature of the trade-offs. To identify a broad direction of travel.

PHASE THREE | JUN – JUL 2020

Seeing and being able to **discuss the potential approaches with meaningful numbers** (and with transparency regarding their underlying assumptions), to identify the employers' preferred approach for the 2020 valuation.

The above three phases will progress alongside the consultations by the USS trustee, through UUK, on specific matters relating to the 2020 valuation, for example on covenant, on risk appetite, on the assumptions for the valuation of the liabilities (the technical provisions), and on related matters.

THE OPENING SECTIONS OF THE JEP2 REPORT: **THE ESSENTIAL FOUNDATIONS FOR THE RECOMMENDATIONS**

Sections one to five of the JEP2 report provide the essential foundations for the recommendations which appear in later sections. The JEP clearly **explains its terms of reference and the evidence base used for its second report**, and from these opening sections we believe the following provide useful points of interest for employers:

(i) **CHANGES TO THE SCHEME:** The JEP comments on the changes that have taken place to the scheme in recent years, and also changes within the broader external pensions legal and regulatory landscape [p7 and p24], and also on the extraordinary growth in USS since its beginning in 1975 [p8].

(ii) **FUTURE VALUATIONS:** The JEP emphasises that the JEP2 report is about future valuations, and sensibly is not about *"unpicking the past or re-examining the 2017 and 2018 valuations, but rather about looking ahead and resolving future issues"* [p4, p6].

(iii) **2018 VALUATION OUTCOME:** The panel observes that the outcome to the 2018 consultation, under the trustee's option 3, *"includes some of the features that it recommended in its first report in 2018"*, and that compared with its own proposals a *"broadly similar"* outcome has been achieved. It should also, for completeness and balance, be noted that the JEP went on to comment on the question of if, had its recommendations in relation to the 2017 valuation been adopted to the 2018 valuation, that a combined contribution level of 26% could have been achieved. The JEP states [p22] that the panel *"has not undertaken such an assessment itself and cannot comment on the accuracy of this claim"*.

(iv) **BENEFIT REFORM:** The JEP helpfully makes clear [p14] that matters relating to benefit reform, and collective defined contribution (CDC) arrangements are out of scope, these being matters for the scheme's negotiators.

(v) **SUSTAINABILITY**: The issue of defining sustainability is taken up by the JEP [p27], given the importance of the term and its use by the stakeholders. The JEP asks that interested parties discuss the broad definition of sustainability which it has prepared.

SUSTAINABILITY

We believe that these opening sections of the JEP2 report provide very helpful context for the discussions, and importantly also put forward an initial view on the term 'sustainability', given that the JEP's terms of reference for this second phase included the request *"to consider how the long-term sustainability of the Scheme can be secured".*

The JEP2 report sets out a number of characteristics of a sustainable scheme [p28, p29], and offers strong encouragement to the interested parties – that is UCU, UUK and the USS trustee – to coalesce around a broad definition of sustainability, and this is something UUK supports, but we recognise that this may take time to work through.

If employers have comments on the opening sections of the JEP report, and in particular on the aspects of sustainability set out by the JEP, UUK would welcome them.

THE FIVE KEY SEGMENTS OF THE JEP2 REPORT

The JEP2 report is separated into effectively five key segments which the JEP helpfully summarised as:

1. **PRINCIPLES TO UNDERPIN THE VALUATION**
2. **VALUATION GOVERNANCE**
3. **ALTERNATIVE PATHS TO THE VALUATION**
4. **TAKING ACCOUNT OF THE NEEDS OF MEMBERS**
5. **MUTUALITY**

In this section of this first consultation we set out the views of the JEP in each of the segments, and draw attention to aspects of the JEP's work, or commentary, which we believe are important and/or noteworthy, and on which we believe we might usefully prompt views and reactions from employers at this initial stage.

We are keen not to create any limits or boundaries around the comments which employers would wish to make on the JEP2 report and on matters relating to the 2020 valuation and its importance in securing the long-term sustainability of USS; employers should feel able to feed-in their full views for consideration.

1. PRINCIPLES TO UNDERPIN THE VALUATION

The JEP2 report has developed a draft set of shared valuation principles, which it believes should form *"a memorandum of understanding as to the way in which the valuation will be conducted"*. It is emphasised that the draft principles should be a starting point, and crucially that it should interact with the proposed 'scheme purpose statement', which is separately included within this first segment of the JEP2 report.

Some of the key points of interest in this first segment are:

PURPOSE STATEMENT:

(i) The proposed purpose statement is one for the scheme, and is proposed to be quite separate to the mission statement recently updated and published by the USS trustee.

(ii) The JEP's proposed scheme purpose statement is:

> "To help members achieve a financially secure retirement and to instil trust and confidence in the Scheme, while providing an excellent service to members and employers that supports the long-term needs of the HE sector". [p33]

(iii) The USS trustee's updated mission statement is *"Working with Higher Education employers to build secure financial futures for our members and their families"*. [p34]

(iv) One of the key points of emphasis in the JEP's draft purpose statement are the closing words about the scheme supporting *"the long-term needs of the HE sector"*. This appears to be an example of how the purpose statement interacts with other elements of the JEP's work, and in short these words in the purpose statement are intended to seek affirmation that the scheme is intended to be continuing and enduring – and that in terms of the perceived purpose of the scheme it will continue to be open to generations of future members.

VALUATION PRINCIPLES:

(v) In terms of the valuation principles themselves [p36], there is an opening statement which places focus on the collective interaction of the parties, but also that the aim is to reach a *"mutually agreed outcome that supports the long-term sustainability of the Scheme"*. This focus on the long-term is considered helpful, avoiding short-term fluctuation in positions.

(vi) The JEP considers it important that the USS trustee should be a party to the shared principles.

(vii) The JEP makes a specific reference to managing expectations [p35], with regard to "*recognise[ing] the legal and regulatory boundaries that frame the valuation*", which appears as draft principle three. This appears to be an important principle, and one that has been in focus over recent times (and is set to be in relation to the 2020 valuation). This is a natural point when stakeholders must consider the legal parameters in which the actuarial valuation is to be undertaken, and more specifically the extent to which the uniqueness of many of the characteristics of USS are a factor in how, and to a degree to which, outcomes are in line with regulatory and supervisory limits (for example in relation to such issues as the status and classification of the USS covenant, and the way in which that can influence the degree of prudence taken in deciding on the discount rate).

Taking the JEP2 report's comments from its section 6, and the above points of initial analysis, we would welcome your responses to the following questions:

CONSULTATION QUESTIONS: **PRINCIPLES TO UNDERPIN THE VALUATION**

1. What are your views on the introduction of a scheme purpose statement, and do you agree that such a statement can be useful?
2. Do you believe it helpful to set out valuation principles, and what are your views on the principles as proposed by the JEP?
3. Do you have any further comments on valuation principles or the JEP2 report's section 6?

2. VALUATION GOVERNANCE

Section 7 of the JEP2 report contains recommendations on a vital second segment of the JEP's work. We would offer the following as points of interest in this second segment:

VALUATION GOVERNANCE

(i) This is a segment concerned with matters of governance relating specifically to the actuarial valuation, in line with the JEP's remit. That said, some of the recommendations are likely to have implications for other aspects of governance. For example, if the question of the casting vote of the JNC Chair is raised in relation to matters relating to the actuarial valuation, should any changes also apply to other areas where the JNC makes decisions, for example in relation to deciding on draft rule amendments?

TRUSTEE AND JNC RESPONSIBILITY

(ii) The JEP comments that the clear lines of responsibility which apply within the existing scheme can be unhelpful and appear unconnected. These lines of responsibility refer to the fact that the trustee is responsible for matters relating to governance, administration and investment – and importantly the pricing of scheme benefits – which is quite separate and distinct to the JNC and its responsibility for deciding on the level and formulation of the scheme's benefits, and on the sharing of changes in contribution levels.

VIEWS ON THE TRUSTEE BOARD, THE JNC, UUK AND UCU

(iii) The JEP takes the view, based on the inputs it has received, that trust in the trustee board is low [p48], that the JNC does not work well [p49], and that a potential conflict of responsibilities exists for UUK as the employer representative body when one considers its wider HE sector policy and strategy role [p51]. The JEP also states that there is a need for UCU to consider its role as the member representative body for all USS members [p52].

TRUSTEE VISIBILITY

(iv) The JEP calls for improved visibility of the directors on the USS trustee board, especially to the JNC and to the scheme's stakeholders generally. It also believes that the issues of funding and the actuarial valuation should be given even greater prominence and focus through the trustee board, creating a dedicated sub-committee of the board with these responsibilities.

JNC CHAIR'S CASTING VOTE

(v) The JEP asks the stakeholders to consider the removal of the casting vote of the JNC Chair, and crucially states that – should such a change be implemented – "*Were the parties to fail to reach agreement, the Trustee would be required to step in and impose an outcome, as now under the Scheme Rules (section 76)*". The question of what would happen if there is unavoidable deadlock has to be considered, and the JEP suggests that the change to the casting vote might be restricted to matters relating to the valuation, as that is the area that rule 76 applies to. This is clearly an issue for further discussion.

ROLE OF UUK AND UCU

(vi) The JEP proposes that the question as to whether UUK is the appropriate employer body is considered, noting that it refers to whether it remains *"the main (or sole)"* body. UCU is invited by the JEP to consider how it can represent the views of all members, and notes that assessing members' attitude to risk will be an important task, and also should flexibilities and/or other adjustments to the scheme be needed in the future.

Taking the JEP2 report's comments from its section 7, and the above points of initial analysis, we would welcome your responses to the following questions:

CONSULTATION QUESTIONS: **VALUATION GOVERNANCE**

4. Do you believe that the scope of the areas of governance considered has been appropriate, and if not which additional areas do you believe would be helpful to be reviewed?
5. What are your views on the specific recommendations as they apply to the trustee board, to the JNC, to UUK and to UCU?
6. Do you have any additional comments on valuation governance or the JEP2 report's section 7?

3. ALTERNATIVE PATHS TO THE VALUATION

This is one of the most significant sections of the report, addressing the issue of the various components of the actuarial valuation (for example, risk appetite and definition, methodology, definition of funding target etc.).

It appears that one of the key themes for the JEP is the development of a valuation approach that is specific to the characteristics of USS, which it feels is particularly justified given its many unique features. One of the main discussions over the coming months will be about this issue and, importantly, to what extent these specific characteristics can be taken into account within the funding regime, which the various stakeholders and interested parties might find acceptable.

Some of the points of interest in this section are as follows:

OPEN SCHEME

(i) The JEP makes reference to the outlook for the scheme being important, and specifically the comments regarding *"an open scheme"* [p55], to the section of the Government's White Paper (and now its Pension Schemes Bill) on pensions and the context of an open scheme that will run-on with employer support [p57], with the recommendation [p58] of the need to recognise *"that the Scheme can stay open and has a strong employer covenant"*. This outlook, of the scheme as an open, ongoing scheme, is clearly recommended to be a central belief and theme of any new path to the valuation.

RISK APPETITE

(ii) In terms of risk appetite, the JEP highlights that a new, clearer articulation of risk within USS is necessary. It suggests that a new approach is needed, for example that a *"slightly higher"* risk appetite will be needed, that a recognition of the risk appetite of members is needed, and also that it is not necessary *"to attach a precise number to the employers' risk appetite"*. It seems obvious that the JEP believes that time is needed to better understand risk in USS, and for it to be defined and expressed in a mutually agreed way – and that this is essential to successfully unlock a new approach to the valuation.

THREE PATHS TO THE VALUATION

(iii) The JEP examines three alternative paths to the valuation [p63], a first path which would involve more risk through a bigger allocation of the USS fund to growth investments like equities; a second path which would involve the adoption of some flexibility within scheme benefits, for example in the levels of indexation of pensions as a way of reducing the value of the guaranteed liabilities (pension promises); and a third path which would involve a new approach to valuing the liabilities through a dual discount rate.

DUAL DISCOUNT RATE

(iv) The dual discount rate [p64], in the JEP's view, would be part of a funding approach which would better reflect the status and characteristics of the scheme – and for example the open status of the scheme, with a significant proportion of active members yet to reach retirement age for whom a particular investment strategy can be adopted (compared with the investment strategy for those liabilities relating to those who have reached retirement age).

(v) With regard to the dual discount rate, the panel prepared some analysis of the implication in terms of the actual discount rates which might be adopted [p67], and their effect on the deficit and on the future service cost [the table on p68]. We think this is an area that merits a fuller and deeper investigation, and we plan to issue further material on this in phase 2 as well as on the figure 11 table on page 68.

(vi) It seems important for employers to recognise that the adoption of a dual discount rate approach may be preferable in terms of adding stability to contribution rates, and better reflecting the scheme's ongoing open status. What will be important, however, is for the implications of such an approach, in terms of risk, to be understood. The JEP refers to this [p69] when it states that one of the dual discount rate options could be compared broadly to the existing approach of the trustee (it refers to one of the approaches having *"broadly the same amount of prudence"*).

SELF-SUFFICIENCY

(vii) The JEP does not suggest that self-sufficiency is dropped entirely as a reference point [p71], but that it continues to be used as one of the measures of funding health, and also crucially that *"it needs to be made clear to employers that the gap will only need to be filled should the Scheme close"*, and also *"Members and employers should be reassured that the new valuation methodology is explicit in assuming that the Scheme stays open"*. These are continuations of earlier themes regarding the outlook for the scheme which must underpin the scheme funding approach.

Taking the JEP2 report's comments from its section 8, and the above points of initial analysis, we would welcome your responses to the following questions:

CONSULTATION QUESTIONS: **ALTERNATIVE PATHS TO THE VALUATION**

7. What are your views on the outlook for the scheme being that it is an ongoing scheme, and also the various references by the JEP to it staying open?

8. In relation to risk appetite, what would employers find helpful in order for them to better understand the risk and reward trade-offs in USS?

9. Do you agree that the JEP's proposals regarding a dual discount rate approach warrants further analysis and examination?

10. Do you have any additional comments on potential approaches to the 2020 and future valuations or the JEP2 report's section 8?

If employers would value sharing any specific views on alternative paths to the valuation at this stage, UUK would like to hear from you.

4. TAKING ACCOUNT OF THE NEEDS OF MEMBERS

This fourth segment of the JEP's work, in section 9 of the JEP2 report, draws upon an important piece of research to gather the views of members (and non-members) of USS. This research looked at individual perceptions of USS, of its role as part of a career within the higher education sector, and of flexibility within the scheme for example in terms of contribution structures and lower cost saving options.

Some of the points of interest in this section are as follows:

OPT-OUTS

(i) The JEP-commissioned research looking at the reasons for opting-out of the scheme [p74] which, even though based on a relatively small sample, is of great interest. For example, the way that reasons for opting out differ across the age group of the respondents, and that reasons such as pensions tax or 'noise' from the recent valuation cycles have had an effect on some in terms of weighing any decision to remain in, or opt-out, of the scheme.

(ii) The JEP's analysis of opting out running at 15% - of those who first have a choice to join USS – and how much higher that is compared with the norms within auto-enrolment schemes generally (of 5%), makes interesting reading. Clearly a factor in this is the uniform, high member contribution rate of (currently) 9.6% of salary.

CONTRIBUTION STRUCTURES

(iii) On the issue of tiered contributions, the JEP identifies [p80, p81] that, although these are a feature of the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme, there are a range of issues that would need to be carefully considered should stakeholders wish to look at this. These include an examination of any impact on the scheme's funding level, unintended consequences (for example higher earners leaving the scheme, and cliff edges between contribution levels that could leave members worse-off) and any adverse intergenerational impacts.

(iv) With regard to a potential 50:50 or similar option to provide some flexibility to members, the JEP looks at the LGPS's noting [p80] that employers continue to pay the average contribution for such members, and also that take up of the option – thus far – has been low, although there is little hard data available. The JEP states [p81] that 50:50 or similar lower cost saving options can be particularly helpful for those in the early stage of their career, and we would suggest this could also be so for other life events.

Taking the JEP2 report's comments from its section 9, and the above points of initial analysis, we would welcome your responses to the following questions:

CONSULTATION QUESTIONS: **TAKING ACCOUNT OF THE NEEDS OF MEMBERS**

11. Are you concerned with the level of opting-out of USS, and if so what do you believe the principal reasons for it are?

12. Do you support the recommendation that further analysis is undertaken on the option of tiered member contributions?

13. Do you support the recommendation that further analysis is undertaken on flexible options for members, for example lower cost saving options?

14. Do you have any additional comments on the needs of USS members or JEP2 report's section 9?

5. MUTUALITY

In this fifth segment of its report the JEP has carefully explained the detailed web of issues which underpin what is known collectively as scheme mutuality. In some ways, this is the most fundamental issue considered by the JEP, given how important mutuality is to the scheme's structure and design. The JEP is, however, keen to make clear [p83] that it does not wish to make recommendations in this area, and instead has put forward options for the stakeholders.

The following are some particular points of interest in section 10:

MUTUALITY

(i) The JEP notes that mutuality, in the form of the collective support for the scheme from the participating employers and its last-man standing status, is a key factor for PwC in advising the USS trustee on covenant standing. In short, if the scheme were not founded upon mutuality with the last-man standing provisions in place, it is unlikely it would be considered as 'strong'.

SECTIONALISATION

(ii) The JEP states that in the evidence heard in forming its second report, some employers have expressed support for a move towards a sectionalised structure, and that greater divergence amongst employers has made it more difficult to justify the scheme cross-subsidies. The JEP also mentions the issue of small employers being increasingly unable to support higher pension costs, given they may not have flexibility in income streams.

(iii) There is also reference by the JEP [p86] to the views of employers on the one-size-fits-all nature of USS, involving uniformity of contributions and benefits.

(iv) The JEP sets out [p87] some of the options for potential sectionalisation of USS, and also dedicates a significant section to describing the potential consequences upon employers and on USS. The JEP concludes [p92] by stating that it would have *"serious concerns were sectionalisation to be pursued"*.

Taking the JEP2 report's comments from its section 10, and the above points of initial analysis, we would welcome your responses to the following questions:

CONSULTATION QUESTIONS: **MUTUALITY**

15. Do you support the view expressed by the JEP on the issue of mutuality within USS?

16. Do you have any additional comments on mutuality within the scheme or the JEP2 report's section 10?

CONSULTATION QUESTIONS: **ANY OTHER COMMENTS**

17. Are there any other issues that you would like to see considered to inform the approach to the 2020 and future valuations?

THE TIMELINE FOR CONSIDERATION OF RESPONSES TO THIS CONSULTATION, AND THE USS TRUSTEE'S OVERALL TIMELINE FOR THE 2020 VALUATION

The following table shows the USS trustee's published timeline in relation to the 2020 valuation, with UUK's three phases of consultation added in grey.

December 2019 – February 2020	USS plan to start to engage with UUK, UCU and tPR on methodology
January – February	**UUK's Consultation #1 on the JEP2 report and its application to the 2020 valuation and long-term sustainability** *[Building familiarity and understanding, being clear on the fundamentals, gaining reactions and comments to the JEP2 report – and its application to the 2020 valuation and long-term sustainability – without limiting scope of responses. Also to seek initial views from employers to inform the development of options for the 2020 and future valuations]*
February	USS plan to identify a proposed approach to methodology for wider discussion
March	USS plan to publish a formal discussion document to seek employers' views on the proposed approach and their ability and willingness to back the potential costs of the pensions being promised – keeping the JNC and other key stakeholders informed throughout
March – May	**UUK's Consultation #2 on the JEP2 report and its application to the 2020 valuation and long-term sustainability** *[An examination of the options available for the 2020 and future valuations, showing the interactions between various elements of the scheme and the nature of the trade-offs. To identify a broad direction of travel.]*

May	Informed by discussions to this point, the USS Trustee Board will agree the financial and demographic assumptions and methodology it proposes to formally consult on for the valuation
June – July	**UUK's Consultation #3 on the JEP2 report and its application to the 2020 valuation and long-term sustainability** *[Seeing and being able to discuss the potential approaches with meaningful numbers (and with transparency regarding their underlying assumptions) to identify the employers' preferred approach for the 2020 and future valuations.]*
July	USS plan to consult UUK over four to six weeks on these proposals to finalise their view of the scheme's funding position and identify the overall contribution rate needed; USS plan to support UUK in its engagement with employers as required, and will also engage with the JNC, UCU, members and tPR
Mid-August	USS plan to inform the JNC of the overall contribution rate needed
November	This is when the JNC needs to have decided how to address the contribution rate
December 2020 – February 2021	If the JNC decides to make any changes, or cannot reach a decision, this is when employers might need to prepare for a consultation with affected employees
30 June 2021	This is the statutory deadline for filing the valuation with tPR
October 2021	This is when contributions are scheduled to increase under the 2018 valuation

SUMMARY OF CONSULTATION QUESTIONS, AND MAKING YOUR RESPONSES TO THIS FIRST CONSULTATION

Principles to underpin the valuation

1. What are your views on the introduction of a scheme purpose statement, and do you agree that such a statement can be useful?
2. Do you believe it helpful to set out valuation principles, and what are your views on the principles as proposed by the JEP?
3. Do you have any further comments on valuation principles or the JEP2 report's section 6?

Valuation governance

4. Do you believe that the scope of the areas of governance considered has been appropriate, and if not which additional areas do you believe would be helpful to be reviewed?
5. What are your views on the specific recommendations as they apply to the trustee board, to the JNC, to UUK and to UCU?
6. Do you have any additional comments on valuation governance or the JEP2 report's section 7?

Alternative paths to the valuation

7. What are your views on the outlook for the scheme being that it is an ongoing scheme, and also the various references by the JEP to it staying open?
8. In relation to risk appetite, what would employers find helpful in order for them to better understand the risk and reward trade-offs in USS?
9. Do you agree that the JEP's proposals regarding a dual discount rate approach warrants further analysis and examination?
10. Do you have any additional comments on potential approaches to the 2020 and future valuations or the JEP2 report's section 8?

Taking account of the needs of members

11. Are you concerned with the level of opting-out of USS, and if so what do you believe the principal reasons for it are?
12. Do you support the recommendation that further analysis is undertaken on the option of tiered member contributions?
13. Do you support the recommendation that further analysis is undertaken on flexible options for members, for example lower cost saving options?
14. Do you have any additional comments on the needs of USS members or JEP2 report's section 9?

Mutuality

15. Do you support the view expressed by the JEP on the issue of mutuality within USS?
16. Do you have any additional comments on mutuality within the scheme or the JEP2 report's section 10?

Any other comments

17. Are there any other issues that you would like to see considered to inform the approach to the 2020 and future valuations

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 what are set to be crucial discussions, and eventual decision-making, regarding the valuation and about the long-term sustainability of USS. Where possible, we welcome from employers any feedback or analysis from your own exchanges on workplace pensions, for example from data on take up of USS membership, and in terms of member views and perceptions from previous consultations.

We plan a series of specific engagement events with employers during the three phases of consultations, and we will be in contact with employers with the details of our engagement schedule.

We encourage employers to consult with their own governing, decision-making bodies so that the responses provided can be considered to be the view of the employer. We ask that employers confirm whether the organisation's governing body has been consulted.

An optional template has been provided for the response from your institution. Please send the response from your institution to pensions@universitiesuk.ac.uk by **Friday 28 February 2020.**

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