

# USSEmployers

## THE USS 2020 VALUATION

Progress on the three  
workstreams coming out of  
the 2020 USS valuation

6 January 2022

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## A WORKING GROUP TO EXPLORE LOW-COST OPTIONS IN USS

A working group has been set up by the USS Joint Negotiating Committee (JNC) to explore the introduction of low-cost options for pension scheme members; building on the work and the feedback provided by employers and members through previous consultations.

The meetings commenced on 17 December 2021, and the group has been invited to complete its report for the JNC and the USS Trustee in April 2022. A consultation with stakeholders on the recommended changes will then follow.

The group is formed of representatives from Universities UK (UUK) and the University and College Union (UCU), with the USS Trustee providing support. The working group is chaired by the independent chair of the JNC.

The primary objective of the working group is to recommend changes which would increase participation in the scheme and respond to member opt-out rates whilst not undermining the hybrid scheme. Supporting objectives are to provide good pension outcomes for members which offer value for money, to deliver a positive member experience and to manage any impacts on scheme costs, funding and administration.

# A WORKING GROUP TO EXPLORE CONDITIONAL ELEMENTS OF USS SCHEME DESIGN

As part of a package of reform proposals, Universities UK (UUK), on behalf of USS participating employers, has invited the University and College Union (UCU) and the USS Trustee to nominate representatives to participate in a working group that will explore whether conditional benefit designs could make the scheme more sustainable in the longer-term and provide better value.

The working group will consider Conditional Indexation, which could make future annual increases to pension benefits (above any statutory minimum increases) dependent upon the investment performance of the scheme - and no longer automatically linked to the Consumer Prices Index. The group will explore whether removing a costly guarantee from the scheme could enable a better core pension to be provided.

The USS Trustee has committed to support the stakeholder group, albeit our understanding is that UCU are not currently able to participate in these discussions at this time - but it is hoped they will be able to provide valuable input in the near future. In the meantime, UUK and the USS Trustee will jointly carry out exploratory work on feasible options.

UUK has proposed that the group's headline purpose and objectives is to explore options which might deliver conditional elements of scheme design within USS that are feasible and implementable. The group will be asked to prepare a report to be presented jointly to the USS Trustee and to the JNC, which describes the range of potential conditional scheme design approaches, that provides recommendations as to the specific options which would be most effective, and identifies the steps that would need to be taken to incorporate them along with any particular implementation challenges.

It is expected that the group's report would then form the basis for a wider consultation on potential options with the scheme's stakeholder bodies, and with others who would have a relevant interest. This is planned to be completed towards the end of 2022, to allow the outcomes to be taken into account for the 2023 scheme valuation.

# AN INDEPENDENT GOVERNANCE REVIEW OF USS

Universities UK (UUK) has been considering in detail the approach to a governance review of USS.

During consultations with employers over the course of the 2020 scheme valuation, USS employers have shared with UUK some views on the aspects of scheme governance that they would wish to be included within a review. There are also some of the recommendations within the second report of the USS Joint Expert Panel to consider further. These areas will form the basis of UUK's proposal for the potential phasing and segmentation of the governance workstream.

UUK believes that it is important to carry out the review with independent expertise, but also in partnership with the USS Trustee, and has undertaken some initial investigative work to explore the best practice in this area. A timeline of 6-9 months would seem to be appropriate for the main phase of the review, with the desired outputs potentially framed as questions to be considered and addressed.

UUK will provide a further update in the coming weeks, also seeking employer views on the scope and structure of the review before formally commencing this workstream.



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