



13 August 2018

SUBMISSION TO THE JOINT EXPERT PANEL

1. The University of Bristol strongly supports the work of the Joint Expert Panel (the 'JEP'). It is imperative that the Higher Education sector has greater confidence in the assessment of the financial position of the USS pension scheme and the assessment of the cost of funding future benefits. The University would like the JEP to consider recommending the following actions. Each is designed to either facilitate a more accurate assessment of the financial position of the current scheme and/or the cost of providing current benefits in the future:
 - 1.1 Undertake an interim valuation to obtain a current estimate of the scheme financial position. Sixteen months have now elapsed since the valuation date of 31 March 2017. The USS Trustee may be wary of being perceived as 'cherry picking' an interim valuation date. This could overcome by selecting a future date, for example, a year end or 6 month period. Alternatively, the recovery plan could be set to allow for the actual known experience following the valuation date, for example, actual asset growth rates.
 - 1.2 Revise the mortality assumptions based on the most up to date evidence. Mortality reports have highlighted a continued decline in the growth in life expectancy since 2015. The most recent CMI projection table has not been fully reflected in the USS Trustee's valuation assumptions.
 - 1.3 The USS Trustee has not yet consulted on the deficit recovery plan. The recovery plan period needs to be reviewed with reference to the strength of the covenant, including the mutual nature of the scheme. This could have the impact of reducing past service deficit contributions and allow a greater proportion of future contributions to fund new defined benefits for staff.
2. The value that scheme members place on the existing benefit structure of USS has been clearly demonstrated. We have reflected on the feedback received from staff and would like the JEP to recommend that UUK undertakes a further consultation with the USS employers to obtain an up to date understanding of the level of support that they are willing and able to provide to USS going forward. UUK's current mandate is almost a year old and should be updated. The following are the areas that we would be willing to explore and encourage all other USS employers to do the same:
 - 2.1 The level of reliance that USS places on the employer covenant (Test 1) if additional contributions are required to fund future pension payments is an increase in contribution levels by 7% for a period of 20 years. The strong track record of our institution and the long-term nature of our activities means that we are prepared to extend the period from 20 years to 30 years. Our growth plans would also indicate that the current assumption of CPI for the annual increase in the scheme's pensionable payroll is too low. CPI +2% would be more appropriate.

We do not consider that there is scope to amend the additional contribution level of 7% without causing medium term damage to the institution through the diversion of resources away from research and teaching activities in a manner that would likely affect jobs and cause harm to the long term strength of the institution. Our willingness though to materially extend the period over which the USS Trustee could seek additional contributions and an uplift in the growth assumption will significantly increase the level of reliance that the USS Trustee can take and will in turn provide greater capacity to provide meaningful defined benefits for staff in the immediate future.

- 2.2 The Investment Strategy should reflect the strength of the covenant and the long term view of the scheme that the University is prepared to take. The switch from growth assets to matching / lower risk assets should be further into the future to reflect this position.
- 2.3 We are also prepared to consider offering contingent contributions that would be called if the scheme funding position deteriorates to provide additional comfort to the USS Trustee to take greater risk through the valuation assumptions that it adopts. Any contingent contributions would need to be capped and have a sufficient lead time on implementation to enable us and other institutions to make arrangements for payment.
- 2.4 We recommend that UCU and UUK consider the impact on members and institutions of utilising the contributions that go into members' defined contribution pots above the defined benefit salary cap in exceptional circumstances to underpin the provision of defined benefits in relation to the lower earnings of all members. This would assist with the maintenance of a defined pension scheme in relation to all members' lower earnings to underpin their financial wellbeing in retirement.
3. Considerable work was undertaken by all parties in the months leading up to the valuation and a wealth of information exists. However, much of this information was not pulled together in a coherent manner to enable members and employers to understand the likely valuation position, choices and consequences. Pensions are an extremely complex subject and more could be done in the future to raise awareness of issues at an earlier date and provide more accessible information to enable members and employers to express preferences on a better-informed basis. For example, the initial valuation results and an accessible description of the planned assumptions could be published along with the default implication on contribution levels and/or benefits for staff members and employers.
4. Scheme monitoring information should be better used to facilitate a continuous dialogue between USS members, unions, employers, UUK and the USS Trustee regarding the scheme valuation position and the cost of providing current defined benefits. This should enable a more transparent dialogue about the future of the scheme, as opposed to discussions taking place behind closed doors. Provision of summarised scheme data to enable interested members to model the scheme themselves would also greatly assist in building trust and confidence in the valuation process.

5. Earlier joint working between UUK and UCU to agree key aspects of the valuation methodology and assumptions prior to the USS Trustee and their actuary preparing the draft valuation would be beneficial. This would build a greater trust in the scheme valuation and stronger common ground upon which to respond to any issues that may arise. The valuation approach should also follow the key valuation principles agreed through the JEP process at subsequent valuations but should be subject to an early review to ensure that they remain the most appropriate approach. We also suggest that the JEP should make clear recommendations about the process and timetable for the 2020 valuation to help ensure a smoother process for all.