Dr J Grady
General Secretary
University and College Union
Carlow Street
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Your ref
Our ref CY/DH
Date 25 October 2023

By email : jgrady@ucu.org.uk

Dear Jo

Conclusion of the Trustee's consultation with Universities UK on the Technical Provisions and Statement of Funding Principles for the 2023 Valuation

As you will be aware, Universities UK responded on 29 September to the Trustee's consultation on the proposed funding assumptions and methodology for the scheme's 2023 actuarial valuation and the Statement of Funding Principles.

We are grateful for UUK's positive response, the strong support it showed from employers for our proposed approach, and for the way it has helped to expedite completion of the valuation.

We are also very grateful for the commitment of UCU officials and JNC negotiators in reaching this key milestone in the process and the constructive and focused approach taken throughout this valuation.

Last Thursday, the Trustee Board considered UUK's response and determined the aggregate contribution rate required for current benefits. It also agreed to provide pricing on the same set of assumptions for the pre-April 2022 benefits (as requested by the JNC).

In line with the "no surprises" approach we've taken to the 2023 valuation, the outcome of the consultation is consistent with what was given in the Technical Provisions consultation document.

This means there will be a surplus against Technical Provisions at this valuation as well as a reduction in the required overall contribution rate. For the current level of benefits, that would mean an aggregate contribution rate of 16.2% (a decrease of 15 percentage points from the current long-term contribution rate of 31.2%). On the pre-April 2022 benefits basis, the aggregate contribution rate would be 20.6%.

We have now issued the formal Rule 76.1 report and Determination Notice to the JNC for consideration at its meeting on 30 October. These documents, and a covering letter, have been sent to Dr Deepa Driver and other JNC members and alternates.

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UCU and UUK have, in tandem, been consulting their constituents on the proposals covered in the joint statement issued at the start of October. We expect this to be reflected in a formal decision and recommendations from the JNC on 30 October to take forward these proposals.

We will commence activity on the administrative work involved to introduce these changes with effect from 1 April 2024 subject to conclusion of all relevant consultation processes. We know that it is important to both UCU and UUK that the new, lower contribution rate is introduced as soon as possible – and we are working hard on preparations to ensure we can meet a formal request from the JNC for the decrease in contributions to be brought in from 1 January 2024 in line with the joint statement.

For that to happen, all stakeholders, including the JNC, will need to work through some important process points at pace – including the Trustee's consultation with UUK on a revised Schedule of Contributions, completion of the necessary valuation documentation, and due consideration of responses to the ongoing employer-led consultation on benefit changes.

We are ready and willing to support stakeholders in their efforts to achieve the introduction of new, reduced contribution rates from 1 January 2024.

In their consultation response, UUK also provided comments on a number of other points related to the valuation – perhaps most notably:

Stability – employers identify improved stability as a cornerstone for the other decisions to be taken in concluding the valuation, and the clear preference is to retain the indicative surplus and not seek to reduce contributions further. As you know, the JNC has established a Stability Working Group (SWG) to explore the opportunities in this space, and we look forward to supporting its discussions.

Covenant support measures – employers recognised the importance of the covenant support measures but proposed further discussion and engagement with the Trustee to explore refinements that could be made without changing the substantive nature of these measures.

Investment strategy – employers expressed strong support for the planned review of investment strategy, and we have developed a programme of engagement with the sector over the coming months as we work towards setting the 2023 Valuation Investment Strategy. We will also be exploring the interaction between investment strategy and future stability with the SWG.

For completeness, I attach the letter we have sent to UUK responding to these points (and more) and which will be published on uss.co.uk in due course.

After coming through one of the toughest periods on record for private defined benefit pension schemes, more favourable economic conditions have driven a significant improvement in USS's funding position.

The fact the scheme is reporting a surplus for the first time since 2008 presents new opportunities to put the scheme on a more stable long-term footing. So, I am particularly pleased UCU and UUK have both reaffirmed their commitment to considering how this might be achieved.

As we explore these opportunities, my hope and commitment is that we can all maintain the constructive engagement that has put us on course to complete the 2023 valuation at a record pace. We look forward to exploring the important topics that stakeholders have identified as priorities – be it stability, the anticipated governance review, or exploring any mutually acceptable adjustments to scheme design to promote stability – in the same spirit.

Yours sincerely

Carol Young

Carol Young
Group Chief Executive Officer

cc: Deepa Driver
Dooley Harte