

October 2018

London School of Economics and Political Science (“the School”)

Universities Superannuation Scheme (“USS”)

Employer consultation on the Joint Expert Panel recommendations September 2018

1. Background

A Joint Expert Panel (JEP) has independently assessed the 2017 USS valuation, and published a recommendations report on 13 September 2018 (www.ussjep.org.uk).

The Joint Expert Panel is a panel of independent experts who have been examining the assumptions and methodology used for the 2017 USS valuation. It is comprised of six actuarial and academic experts, nominated equally by Universities UK (UUK) and the University and College Union (UCU), with a jointly agreed chair – Joanne Segars OBE. The first phase of work was to review the basis for the 2017 valuation, assumptions, and associated tests. The second phase of work is expected to consider future valuations and agree key principles to underpin the future joint approach of UUK and UCU to the valuation of the USS fund.

A consultation by Universities UK (UUK) with USS’s participating employers on the Joint Expert Panel recommendations was opened on 24 September 2018 (www.ussemployers.org.uk). UUK invited views from USS employers on three questions.

In preparing its response the School has considered the following:-

- A consultation by Universities UK with USS’s participating employers on the Joint Expert Panel recommendations document dated September 2018, which was published on 24 September 2018 (www.ussemployers.org.uk)
- Report of the Joint Expert Panel dated September 2018, which was published on 13 September 2018 (www.ussjep.org.uk)
- Input from the Senior Management Committee, 1 and 29 October 2018 meetings
- Input from the School’s Pensions Advisory Group, 24 October 2018 meeting
- Input from the Human Resources Committee, by email circulation
- Input from the Finance Committee, 26 October 2018 meeting

The response was submitted by email on Tuesday 30 October 2018.

2. Questions for employers

Universities UK invited views from USS employers on three questions.

- (i) Would your institution support the Joint Expert Panel recommendations regarding the 2017 valuation, in overall terms, subject to the acceptance of such a position from the USS Trustee (and the Pensions Regulator as appropriate)?
- (ii) What further information would you need to provide a final view for question one?
- (iii) Employers currently pay 18% towards the USS scheme, and the mandate agreed immediately following the ACAS discussions was 19.3%. If the recommendations of the Joint Expert Panel were accepted in full by all parties, the outcome would be that existing benefits – minus the employer Additional Voluntary Contribution match of 1% - could be provided at an indicative employer contribution of 20.1% of salary (with a member contribution of 9.1%).
 - (a) Would you accept the employer contributions at that level?
 - (b) If not, what balance of additional risk, higher contributions and/or benefit change would you prefer to see as an outcome?

Universities UK requested responses which could be confirmed as being the formal view of the employer, and an indication as to how the view put forward was reached.

3. Text of the email response from the School

- (i) Would your institution support the Joint Expert Panel recommendations regarding the 2017 valuation, in overall terms, subject to the acceptance of such a position from the USS Trustee (and the Pensions Regulator as appropriate)?**

Yes; the School would support the Joint Expert Panel's recommendations regarding the 2017 valuation, in overall terms, subject to the acceptance of such a position from the USS Trustee (and the Pensions Regulator as appropriate).
- (ii) What further information would you need to provide a final view for question one?**

(iii) Employers currently pay 18% towards the USS scheme, and the mandate agreed immediately following the ACAS discussions was 19.3%. If the recommendations of the Joint Expert Panel were accepted in full by all parties, the outcome would be that existing benefits – minus the employer Additional Voluntary Contribution match of 1% - could be provided at an indicative employer contribution of 20.1% of salary (with a member contribution of 9.1%).

(a) Would you accept the employer contributions at that level?

Yes; the School would accept employer contributions at the proposed level (20.1% of salary).

(b) If not, what balance of additional risk, higher contributions and/or benefit change would you prefer to see as an outcome?

These answers are given on the understanding that the proposals are relevant for this valuation only. The School awaits the Joint Expert Panel's next report, upon undertaking the second phase of their work, to enable recommendations over the methodology and assumptions for the 2020 USS valuation to be taken into consideration by all parties.

The School also looks forward to the Joint Expert Panel's recommendations for providing longer-term stability to the Scheme.

This is confirmed to be the formal view of the London School of Economics and Political Science. The view has been reached with input from the School's Pensions Advisory Group, Human Resources Committee, and Senior Management Committee; with final review by the School's Finance Committee.