

City, University of London - Response to the UUK consultation on the Joint Expert Panel recommendations – October 2018

UUK would like responses which can be confirmed as being the formal view of the employer. Each response should indicate how the view put forward was reached. We strongly recommend that employers ensure that they have sought the necessary input from their governing bodies.

We confirm that this response takes account of the views of City's Council members who have been consulted on an earlier draft response.

Questions on which the views of employers are sought:

1	<p>Would your institution support the JEP recommendations regarding the 2017 valuation (see Table 2 – page 10), in overall terms, subject to the acceptance of such a position from the USS Trustee (and TPR as appropriate)?</p> <p><i>City's response:</i> <i>In overall terms we support the JEP recommendations regarding the 2017 valuation, as a constructive approach to a very complex set of inter-related considerations. We welcome the two phased approach whilst urging caution at any delay in arriving at a financially sustainable position for USS which is affordable and attractive to employers and members. We are also concerned to ensure that all parties (including the JNC members and UCU Branches) have clarity over the relative weight of these recommendations in enabling the valuation to be completed without the need for cost-sharing through rule 76.4-8 of the Scheme Rules.</i></p> <p><i>Specifically, we support the move back to the September 2017 technical provisions, noting that we feel this to be at the upper limit of acceptability on the level of risk we feel to be appropriate.</i></p> <p><i>We are happy to support the recommendation to increase the target reliance on covenant from £10bn to £13bn in 20 years' time, whilst recognising that this may not be acceptable to the USS Trustee (and as applicable the TPR).</i></p>
2	<p>What further information would you need to provide a final view for question 1?</p> <p><i>City's response:</i> <i>We would welcome further information on the 'possibility of contributions going outside of certain ranges' (page 16/19 of the Consultation document). The likelihood and scale of increases in employer contributions (and indeed employee contributions) are central to our ability to respond fully to the JEP recommendations. During previous consultations conducted via PWC we have indicated that any increase in employer contributions above 18% would necessitate a review of our operating model, including staff costs. An increase of 1% on USS contributions equates to around £1M in additional expenditure and would negatively impact our Strategic Plan, including potentially the agreed level of operating surplus which forms part our borrowing agreed in 2017.</i></p> <p><i>We would also welcome fuller information on the trigger points and form of any potential charge on the University's assets.</i></p>

3 Employers currently pay 18% towards the USS scheme, and the mandate agreed immediately following the Acas discussions was 19.3%. If the recommendations were accepted in full by all parties, the outcome would be that existing benefits – minus the employer 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 employer contributions at that level?

City's response: For the reasons given above we would find it very challenging to absorb employer contributions at that level, noting that this level is indicative and could rise to a possible level of 23%. However, we would be willing to accept an employer contribution of 20.1% of salary if the JNC (including as the stated position of the UCU representatives) was to accept formally that benefit reform is necessary with a clear timescale for Scheme reform, including through the work of JEP Phase 2.

We consider that benefit change is necessary for the long-term sustainability of the Scheme, coupled with a changed attitude to risk (as indicated by the JEP report). We are not in a position to indicate a suggested balance between the 3 elements set out in the question below as there are many interlocking factors

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