

#69

COMPLETE

Collector: Web Link 1 (Web Link)

Page 2: Identifiers

Q1 Please provide the following information:

Institution

University of Sussex

Name of respondent

Position of respondent

Q2 Please confirm whether the content of this questionnaire (and related documents) has been discussed such that the views expressed can be considered to be the authorised view of the institution.

Yes

Page 3: Risk and reliance

Q3 Does your institution support the level of risk (i.e. level of reliance being placed on the employer covenant) being proposed by the USS trustee for this valuation?

My institution accepts the level of risk being proposed by the trustee

Do you have any additional views or concerns regarding the level of risk being proposed? :

We note that the trustee has shown flexibility in considering the assumptions compared to previous valuations. We have some reservations about the gilt reversion assumption being made and would consider the level of risk in these assumptions to be at the outer limits of acceptability for prudent assumptions. It will be important that the trustee makes this clear in order not to invite observers to conclude that there may be further scope for less prudent assumptions in the future: we believe we would not be alone in not being able to support a further relaxation of assumptions in future.

Q4 If the USS trustee decides to take action between valuations because short-term reliance on the employers has become too great, what action do you believe should be taken (potentially temporarily)? Please note that any action would be in addition to measures taken to meet the funding shortfall identified at the 2017 valuation.

Further changes to future service benefits

USS 2017 valuation

Page 4: Contributions

Q5 Over recent months UUK has compiled a view from institutions that 18% is the maximum level of regular contributions that employers are willing to pay towards USS benefits. We need to affirm this view for the 2017 actuarial valuation. Please indicate your institution's view on the statement that regular employer contributions should be no more than 18% of salary. Please note that the term "regular" contributions means those contributions payable by employers on an ongoing basis to maintain both the scheme's future service benefits and contributions to any deficit recovery plan contributions relating to the DB section. It also includes the employer's contribution to scheme running costs.

Q6 Does your institution believe that increasing member contributions beyond the current 8% of salary is likely to lead to more scheme members at your institution opting out?

Support – 18% is the maximum my institution is willing to pay

Please add any additional comments in support of your response to this question. :

Increase in contributions is not sustainable given pressures on universities to demonstrate value for money to students and the general public and the need to invest to remain internationally competitive. Contributing more especially without changing the risk profile of the scheme to prevent further extension of long term cost is not the answer to the issues posed by this valuation.

Yes,

We would welcome any further comments to support your answer above.:

While concrete evidence is not available, it is not unreasonable to assume that higher member rates could deter membership of the scheme especially for earlier career colleagues. Our approach for non-academic staff is that it is preferable to have high participation rates (for assurance benefits as well as pension) and to make the scheme accessible to as broad a range of the workforce as possible. This principle becomes more important the higher proportion of benefits will be DC based as time for investments to grow and long contribution periods are required to build up suitable pension pots. We would wish to see this for USS eligible employees and would be concerned that rises in employer contributions would narrow the range of pension beneficiaries.

Page 5: Pension benefits

USS 2017 valuation

Q7 Does your institution prefer maintaining a level of DB accrual for future service at this valuation or moving to a DC-only solution (either temporarily or permanently)?

Moving to DC

We would welcome any further comments to support your answer above.:

Given that the remaining DB benefit would not be large benefit, we question the benefit of continuing to offer a DB portion of future service benefit. Putting all future benefits onto DC allows members to take their own view on investment risk and return and to make informed choices for their own circumstances. Retention of any element of DC does not reduce the risk that future valuations may again worsen and require more contributions and potentially a later elimination of DB benefits – it's better to be clearer that the DB element goes now and allow staff to plan around that. We provide DC only for most existing non academic / academic related staff and for all new non academic/academic related starters, so while this is not a prime consideration and we have to date accepted a disparity of scheme benefits between different classes of staff, a move to full DC would align provision at our University.

Q8 If a level of reduced DB accrual is maintained in the future, do you have any initial thoughts on which of the following approaches would have your institution's preference? Please note that there are other measures that could be taken, such as reducing DC contributions above the salary threshold or reconsidering provision of ancillary benefits, however these measures are not sufficient to make up the funding shortfall

Reducing the salary threshold

USS 2017 valuation

Q9 If the outcome for employers at this valuation is a mandate to seek a DC-only solution to future service benefits, do you have any comments you wish to be taken into account as to how best to achieve a DC offer optimised and tailored to the needs of USS institutions? For example, you may wish to comment on whether the move to DC should be permanent, what the minimum employer contribution should be, whether there should be greater flexibility in terms of member contributions and which ancillary benefits should be offered.

It is important that USS take full responsibility on the prudence of their assumptions in the face of already public positioning by UCU as the member rep that assumptions are too prudent – USS must be out there publicly defending their position and putting them in the real context, which as we all know is that they are not objectively very prudent given information on other schemes.

Move to DC should be permanent – It is highly unlikely that a change in economic circumstances would make the uncertainty of reintroducing DB attractive and we should be clear on this with members so that they can plan ahead.

A decent base provision should be standard. Giving employers freedom to match or double match employee contributions should be offered.

We would wish to see assurance benefits continue as at present – these are provided at excellent value and are highly valued by employees and employers.

A fair system of allocating past deficit contributions must be devised – these should be spread on past deficit not on additional contributions.

There must be clarity to employees of the employer and employee contributions making their way direct into DC savings pots and funding expenses and assurance benefits, which must not be confused with total employer contributions making up past DB deficits.

Page 6: Final comments

Q10 What additional support can UUK or the USS Trustee offer to support your institution in the valuation process?

Care will need to be taken with major changes that members remain committed to the scheme which will still be a valuable employee benefit. Political positions on DC must not be allowed to cloud members' assessment of the value of the scheme with DC and ill health and death in service benefits

Any changes in membership profile could have impacts on shift of payment of deficit contributions – there is a question whether a percentage on current contributions to the scheme is the best way of recovering the deficit, even though there will be a challenge in selecting any other method to make up the Recovery Plan.

Q11 Please add any further comments your institution has on the USS valuation. For example you may wish to comment further on the following pertinent to your exposure to USS: The proposed valuation assumptions Any areas of concern related to cost or risk Any further comments on future benefit design (including core benefits, as well as ancillary benefits) or the consequences of benefit change Any wider views on scheme structure, including mutuality and exclusivity Issues relating to section 75 debt

Respondent skipped this question