Survey questions (Exeter responses in red)

Identifiers

1. (a) Name of respondent
   (b) Position of respondent
   (c) Email address of respondent
   (d) Name of USS employer

2. Please confirm that 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
   - No (comment)

Risk and reliance

The questions in this section should be considered alongside the USS Technical Provisions consultation and the Aon commentary. Issues that employers should consider in relation to risk are also summarised in section 1, paragraphs 7 to 15, in the UUK paper.

3. (a) 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 believes it would be appropriate to take more risk
   - My institution accepts the level of risk being proposed by the trustee
   - My institution wants less risk to be taken, acknowledging the implications this might have for benefits and/or costs

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

   We strongly believe that risk should not increase beyond the level being proposed. It is unfortunate that the 2014 outcome has proven not to be a sustainable solution the University and our staff require if we are to plan our futures. The USS assumptions proposed in the 2017 valuation are less prudent than that taken in 2014. However, the USS proposals are based on it taking professional advice. UUK's own independent actuarial advice states that there is little opportunity to push risk further out from that assumed in the USS proposals. This frames our very strong view that the level of risk must not increase beyond that currently proposed by USS.

4. 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)?

   - Additional contributions to the scheme to alleviate risk (not towards benefits)
   - Changes to future service benefits
   - My institution's position would depend on the outcome of the 2017 valuation

Cost

The questions on this page relate to section 1, paragraphs 16 to 21, in the UUK paper.

5. (a) Over recent months UUK has compiled a view from institutions that 18% is the maximum level of regular contributions[34] 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.

- Support – 18% is the maximum my institution is willing to pay
- Moderately oppose – my institution might be willing to pay more than 18% in specific circumstances (please specify these circumstances in question 5(b) below).
- Strongly oppose – my institution would be willing to pay more than 18% to reduce impact on benefits (please specify the maximum your institution would be willing to pay in question 5(b))

(b) Please add any additional comments in support of your response to this question.

The University strongly assets that 18% is the limit of affordability. While, *in extremis,* the University could afford additional funding, this would be at the cost of making compensating budget savings and/or scaling back its capital programme. Such action would detrimentally impact on the student and staff experience and on the University's ability to attract students and staff in an increasingly competitive environment. Altering the University's investment priorities to fund increased pension costs over other staffing costs, equipment, space, student facilities etc then runs the risk of undermining the strength of the covenant we can currently offer the scheme.

6. **(**a) Does your institution believe that increasing member contributions beyond the current 8% of salary is likely to lead to more scheme members opting out?

- Yes
- No

(b) We would welcome any further comments to support your answer above.

Staff perceive that their pay has been constrained for a number of years and there is little prospect of this changing in the near term. Having suffered an increase in USS contribution rate along with an increase in national insurance contributions in 2016, it is likely that any further increases in pension contributions – in return for lower benefits – will increasingly undermine the value of the pension offer. Of equal importance is being able to offer staff stability over the cost of funding future pension benefits. It is essential that the sector agrees a financially sustainable solution to USS funding so staff, and the University, have a greater sense of stability and certainty.

<u>Benefits</u>
The questions on this page relate to section 1, paragraphs 22 to 63, in the UUK paper.

7. (a) 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)?

- Maintaining some DB
- Moving to DC

(b) We would welcome any further comments to support your answer above**.**

The University would be receptive to a proposal that maintained the hybrid DB/DC scheme for *existing* staff and offered a DC scheme for new joiners, <u>*if*</u> this materially protected DB benefits for existing staff within the current funding envelope. We would ask USS to evaluate this approach.

8. 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?

- Reducing the salary threshold
- Reducing the accrual rate
- A combination of both
- No preference

9. 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.

- Move to DC by setting salary cap at £nil to maintain future options should the financial environment improve.
- Prefer tiered contribution levels, giving staff flexibility with a minimum level of employer contribution 5%.

This solution would be fully aligned to the pension scheme that Exeter's professional services staff are members off. This was closed to DB future accrual in December 2016 and replaced by a DC scheme.

<u>Final remarks</u>

10. What additional support can UUK or the USS trustee offer to support your institution in the valuation process?

We would appreciate help with communication materials covering what is an immensely technical subject and one that is open to misinterpretation.

11. 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.
For example, you may wish to comment on:
- *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*

None