

#49

**COMPLETE**

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Page 2: Identifiers

**Q1** Please provide the following information:

Institution	<b>Bangor University</b>
Name of respondent	<b>Mike Davies</b>
Position of respondent	<b>Director of Finance</b>
Email address of respondent (optional)	<b>mike.davies@bangor.ac.uk</b>

**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 wants less risk to be taken, acknowledging the implications this might have for benefits and/or costs**

Do you have any additional views or concerns regarding the level of risk being proposed? :  
 We believe the prudence that previously existed in the 2014 assumptions has been significantly reduced by the Trustee to a level where the assessed deficit is probably understated. More importantly, even if the assumptions were accepted as borderline acceptable, it is clear that reliance on the Employer covenant in adverse scenarios has gone up significantly, and potentially commits an excessive level of our Net worth to the USS scheme that may prejudice the future viability or existence of the Institution.

**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.

**My institution's position would depend on the outcome of the 2017 valuation**

Further comments:  
 Most likely to be benefit reductions as we can't just increase contributions without major challenges.

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.

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

**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?

**Yes,**  
We would welcome any further comments to support your answer above.:  
It will not have a uniform affect, but we strongly believe that lower level earners would find this unacceptable.

Page 5: Pension benefits

**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.:  
Based on the analysis provided, and bearing in mind our opening comment on the inherent optimism in the assumptions and our capacity to underwrite further risk, we don't see DB as being a sustainable route forward for the scheme, notwithstanding the desire to offer an attractive package to recruit or retain staff.

**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

**No preference**

**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.

We would like to see the structure having flexibility between and within Institutions to tailor the right package to the post/individual. We would like to see life/health benefits retained in the structure as well.

Page 6: Final comments

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

None identified at present, beyond timely and intelligible material being received to explain changes to members.

**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

Our major concern at present is containing further escalation in risk. As a general point we continue to be astounded at the lack of any hedging of liability risk undertaken by the USS Trustees over the past decade. It continues to pile risk onto employers that we have no means of mitigating directly, but are required to pick up the costs (along with members).