University of Sheffield (UoS) Universities Superannuation Scheme (USS) Working Group

Meeting 8 October 10:30am

Crucible Room, Level 6 The Arts Tower

Attendees:
Professor Mike Hounslow, Vice-President & Head of Faculty of Engineering
Ian Wright, Deputy Director of HR
Suzanne Duke, Head of Reward
Dr Jo Grady, Senior Lecturer, Management School / UCU Pensions Officer
Dr Sam Marsh, University Teacher, School of Maths & Statistics / UCU Branch President
Robert Hebblethwaite, Assistant Director of Finance
Dr Moty Katzman, Reader in Mathematics, School of Maths & Statistics
Professor Steven Julious, Professor of Medical Statistics, ScHARR*
Laura Carter, Deputy Pensions Manager (taking notes)

*present for part of the meeting

Apologies:
None

Meeting Notes

1. Welcome and introductions

Dr Katzman and Professor Julious were welcomed to the group, along with Mr. Hebblethwaite, who had been unable to attend the last meeting.

2. Review Notes of Last Meeting

The minutes of the previous meeting were noted.

Mr. Wright apologised for the fact that a meeting with Dr. Katzman and Professor Julious had not been able to be scheduled within the interim period.
3. Latest Updates

3.1 USS Consultation

The group noted the consultation process was now over half way through and was due to conclude on 2 November 2018.

Mercer had been engaged to deliver four presentations on behalf of the University to explain the Valuation process. The presentations had been attended by an average of 50 members of staff per session.

The University had encouraged staff to respond with their views on the consultation. The group noted the University had, so far, received 59 responses to the consultation, from a membership of over 5000. The responses had been submitted via the USS consultation web pages and reflected a range of views, with a proportion choosing to use the suggested wording provided by UCU.

The group noted the response rate and reflected that although many were engaged in the proposals, the process had been overtaken by the report of the Joint Expert Panel (JEP).

The group agreed there was little appetite for further member presentations at this stage, and noted that members would be kept up to date via the Valuation web pages and Member Update emails from USS, sent via the University. This would include reminders regarding the deadline for consultation responses and progress following the JEP proposals.

3.2 JEP Report and UUK Consultation

It was noted the Joint Expert Panel (JEP) had developed five principles against which adjustments could be considered:

1. A re-evaluation of the employers’ willingness and ability to bear risk – this would mean reassessing the reliance on sponsor covenant.
2. Adopting a greater consistency of approach between the 2014 and 2017 valuations – this would mean changing the approach to deficit recovery contributions.
3. Achieving greater fairness and equality between generations of Scheme members – this would mean smoothing future service contributions.
4. Ensuring the valuation uses the most recently available information – this would mean using latest available data and taking account of recent investment considerations and outcomes.
5. Taking the uniqueness of the Scheme and the HE sector more fully into account.

The group noted that the JEP believed that making adjustments in each of these areas would have a material impact on the scale of the 2017 deficit and resulting contribution increases. It was hoped the principles would create a space within which employer and members could find common ground so that the issues around the valuation could be reconciled. The JEP held the view that the adjustments proposed were consistent with the Trustee’s fiduciary duties and the objectives of the Regulator.

In parallel to this, UUK had issued three key questions for employers to respond to, which the group were asked to consider regarding:

- Support for the JEP proposals
- Further information required to provide a view
- Employer acceptance of contribution levels or if not, the changes preferred.

The response from the group would inform the institution view to be presented to UEB and Council at forthcoming meetings.
4. **Anticipated process/next steps**

The intention of the meeting was to discuss the issues and questions presented in order to formulate and circulate a draft paper for UEB to consider. This would then enable a submission to UUK by the 30 October 2018 deadline. It was intended the University would publish their response.

Beyond this date, the member consultation was due to end on 2 November 2018, with contribution changes to be implemented as per the consultation with effect from 1 April 2019.

JNC would then need to meet to consider the UUK consultation feedback and JEP report and offer a solution to resolve the valuation to the USS Trustee.

It was considered likely that a further member consultation would be required in early 2019 with a view to implementing the JNC recommendation. It was anticipated this would override and negate the need for the further cost increases outlined in the current proposals due to take effect Oct 2019 and April 2020.

5. **Discussion on JEP report and input to inform University response to UUK consultation**

The group discussed their views on the JEP proposals. The group also discussed how Test 1 works and is factored into the decision making process. It was noted there was frustration of members of the group resulting from the inability to obtain further data from USS upon which to form a view, particularly regarding the impact of Test 1.

Following discussion, the group noted the following to be included in a submission to UEB:

- The JEP proposals were based on the best information available, and were reasonable to be relied upon as an independent assessment of the 2017 valuation. The group was made up of representative from UUK and UCU, with an independent chair all of whom were qualified to understand the issues facing USS and provide an informed opinion.
- The group did not consider the University to be an outlier in respect of the proposals.
- There were areas where the group would like more information and data to be provided by USS, particularly in respect of Test 1. The group wished to fully understand the behaviours this test drives. Phase two of the JEP was to consider the structure of future valuations. The group would welcome their view on the application of Test 1 for future valuations.
- The group did not recommend that the University should support the call for contingent assets to be offered as security against any higher levels of risk, though discussed that this may not increase the University’s exposure to the scheme.
- Any response should define the University’s understanding of “risk” in this context.
- Any changes or impact may not be implemented in advance of the April 2019 contributions coming into effect, but may affect subsequent contribution increases and future valuations.
- A key aim was to ensure intergenerational fairness, based on reliable data.
- The issue of equality had not been fully addressed by the JEP.
- The group would like to understand the UUK methodology in submitting a response to the JNC. In particular, the group would like to see publication, by UUK, of any weightings applied to responses from employers of different sizes and memberships in order to present UUK’s consensus view.

6. **Any other business**

None.

7. **Next Meeting**

The group proposed the next full meeting would be held prior to the submission of the UUK response.