Dear Stuart

RE: Schedule of Contributions & Recovery Plan Consultation – USS Valuation 2018

The University of Sheffield wishes to make the following comments on the Draft Schedule of Contributions & Recovery Plan put forward for consultation by USS:

- In concluding the 2018 USS Valuation, the underlying issues and concerns raised by this University, other USS employers and the USS member representatives remain unresolved.

- Without a common understanding and agreement between all parties on the valuation methodology, the outcomes, including level of stated deficit/surplus and consequently the cost of future benefits and deficit recovery payments, are open to disagreement and dispute.

- We therefore remain to be convinced that 30.7% is the correct figure for combined contributions to the scheme in the next two years.

- We have very serious concerns about the proposed contribution levels of 34.7% in the period beyond October 2021, once deficit recovery contributions on the stated deficit increase from 2% to 6%.

- We support Aon’s comments in its advice note to UUK dated 23 August 2019 on:
  - the change in the Trustee’s reliance assumption from £13bn to £10bn in 20 years’ time (which, in addition to increasing the total deficit recovery required, also increases the rate of the scheduled de-risking),
  - the shortening of the recovery period;
  - the increased prudence in the asset outperformance assumption;

all of which run counter to the recommendations in the JEP report.
We acknowledge that the intention is to run a further valuation as at 31 March 2020, with the intention of incorporating the findings of phase 2 of the Joint Expert Panel’s (JEP’s) work and in the hope that that valuation results in a revised and lower level of future and/or deficit recovery contributions. However, based on previous experience, we have little confidence that:

1. there will be sufficient time for all stakeholders to consider and reflect on the next report from the JEP.
2. the USS Trustee will engage positively and meaningfully with the JEP’s findings and recommendations;
3. the 2020 Valuation will be adequately concluded in time to offset proposed increases in contributions from October 2021;

Further, based on potential risks to the economic outlook in the period from November 2019 to March 2020 and the stated recent scheme experience, it is not guaranteed that the 2020 Valuation would result in a more favourable funding position, even if the valuation methodology were to be agreed by all parties.

We would welcome and urge the USS Trustee and Executive to take whatever steps are necessary to build trust in the scheme, its valuation and its stewardship.

I trust these points will be reflected in the overall feedback that Universities UK submits to the USS Trustee in its capacity as the employer representative. Should you have any queries on these points please do not hesitate to contact me.

Yours sincerely

Ian Wright
Deputy Director of Human Resources