Professor Hugh Brady
Vice-Chancellor and President
University of Bristol
Vice-Chancellor's Office
Beacon House
Queen's Road
Bristol BS8 1QU, UK
T +44 (0)117 42 83183
www.bristol.ac.uk

Dame Kate Barker, USSL Chair
Universities Superannuation Scheme Ltd
Liverpool
L3 1PY

Via email: kbarker@uss.co.uk; bgalvin@uss.co.uk
julie.roberts@uss.co.uk

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Dear Trustees of USS

2020 USS Scheme Valuation Section 76.1 Report

We are writing, on behalf of our staff, to express our collective deep disappointment in the approach that you have adopted in the preparation of the 2020 valuation Section 76.1 report. It represents a very significant shift from previous valuations, which we do not believe is justified.

We support a reasonable degree of prudence being adopted within the valuation methodology and in the pricing of new benefits. It provides all of us with comfort that the scheme should have adequate assets at future dates, to pay the pension benefits earned by current and former staff. However, it appears that the collective strength of the USS employers, the last person standing nature of the scheme and the valuation recommendations of the Joint Expert Panel, have largely been disregarded for the purpose of this valuation.

The 2020 valuation date and the current economic environment are challenging. However, this is a point in time. Employers and the USS scheme are long term institutions. The recommendations of the Joint Expert Panel reflect this important characteristic of the covenant. The exceptional resilience of employers to the Covid-19 pandemic is evidence of the reliance that the Trustee can place on our collective support for the scheme. Your proposed increase in contributions from 34.7% to circa 56% on a like for like basis of covenant support, does not appear to take account of this. The impact of the proposed contribution change on staffs' ability to both make meaningful savings for their retirement and manage their housing and other basic costs will be very significant. Many staff, in particular those who are earlier on in their careers, will no longer be able to afford to participate. An associated diversion of resources from education and research, which will be required for employers to meet significantly greater contribution rates, will most likely harm the covenant in the medium to long term.

We do endorse a meaningful package of employer covenant support measures. That was our agreement arising from the 2018 valuation and we recognise that it is important to do so, to support the scheme in the current environment. We have previously set out directly to you and to UUK a package of measures that we believe is reasonable and meets the USS Trustees' requirements to maintain a Strong employer covenant rating. It is regrettable that all parties have not been able to put this in place in good time.

It remains our belief that a sustainable future for USS can be achieved for both current and future members, as well as deferred pensioners and pensioners in payment, through applying a consistent approach to prudence in the valuation to that adopted by the Trustee in 2018, a deficit recovery period that reflects the strength of the collective employer covenant and the last person standing nature of the scheme and other key recommendations of the Joint Expert Panel.

An employer covenant support package, including a moratorium on employer exits during the deficit recovery period, should provide the Trustee with the assurance it requires from employers to adopt our proposed approach in the current environment, without triggering a requirement for significant benefit reform.

Collectively we find ourselves in a critical phase of our sector's history. Together we can get this right for current and future generations by taking an evidence based and balanced position. To get this wrong threatens significant detriment to current and future generations of staff and students and to the prosperity of this country, which our great universities make a substantial economic and societal contribution to.

With best wishes

Professor Hugh Brady
Vice-Chancellor and President

Cc Bill Galvin, Group CEO - USS
Robert Kerse, COO - UoB