USS open meeting

An update on the Joint Expert Panel and cost-sharing arrangements
13 July, 2018

Anthony Odgers, Chief Finance Officer
Professor Richard Farndale, Cambridge UCU Pensions Rep

Jean Thomas Lecture Theatre, Biochemistry
### Indicative timeline – July 2018 to April 2019

**Cost-sharing**

- **July/Aug**: Finalise cost-sharing proposals
- **Sep/Oct**: Member consultation on proposals
- **Dec/Jan**: JNC decision & consultation with employers
- **Feb/Mar**: Final rates confirmed for 1 April start

**Joint Expert Panel**

- **July/Aug**: Fact-finding and discussion
- **Sep**: JEP report delivered
- **Oct-Dec**: Work towards new cost/benefit structure
- **Jan/Mar**: JNC decision/prepare for member consultation
Indicative timeline – April to October 2019

Cost-sharing

- Apr-Oct 2019: Interim cost-sharing arrangement in place while new benefit structure is prepared
- Oct 2019: Earliest date cost-sharing could end BUT if new benefit package not agreed...
- From Oct 2019: Cost-sharing arrangements could remain in place for valuation period

Joint Expert Panel

- Apr-May 2019: Member consultation on new benefit structure
- Jun-Sep 2019: All parties work towards implementation
- From Oct 2019*: Earliest date new benefit structure could be implemented

* USS suggests that it might need until April 2020 to implement a new benefit structure
Joint Expert Panel Members

• Chair
  • Joanne Segars Chair LGPS Central Ltd; pensions brief at TUC for 13 years; lifetime in pensions sector

• UCU Panel members:
  • Saul Jacka (Warwick) Statistics, actuarial science: serious “quant” longstanding critic of USS valuation and the Trustee
  • Catherine Donnelly (Heriott-Watt) Risk-sharing and alternative scheme design; Pensions Consultant: Proponent of risk-sharing, and of CDC-like schemes
  • Deborah Mabbett (Birkbeck) Pensions policy: Strong on equality issues

• UUK Panel members:
  • Ronnie Bowie Pensions Consultant; Chair of Court, U. Dundee: **DB-averse**
  • Sally Bridgeland Investment Consultant; Actuary; Local Pensions Partnership; ex-CEO BP Pensions: **closed their DB scheme – Risk averse**
  • Chris Curry Director, Pensions Policy Institute Supports DB, critical of investment risk management
Joint Expert Panel brief

Report on 2017 valuation by Sept 2018
  • Assumptions and tests

Report later on
  • Key principles going forward
JEP has met:

- USS Executives and Scheme Actuary (Mercer’s)
- First Actuarial (for UCU) and Aon (for UUK)
- The Pensions Regulator
  - Considered unique nature of HE Sector, comparisons with other schemes
  - Balance between stability and risk
  - Role of the Pensions Regulator
  - Valuation Assumptions and Tests, and alternative approaches
- tPR has acknowledged the operation of the JEP
Possible submission to JEP

Cambridge UCU wishes the JEP to explore the following anomalies:

• The relative strength of covenant of USS, TPS and Local Government schemes and

• The consequent choice of discount rate and its effect on Valuation

  ○ “a matter for judgment” – Bill Galvin

• The insistence upon retention of the November Valuation
Gradual implementation of cost-sharing

<table>
<thead>
<tr>
<th>Current contributions to CRB scheme:</th>
<th>Employer</th>
<th>Employee</th>
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<tbody>
<tr>
<td></td>
<td>18%</td>
<td>8%</td>
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<tr>
<td><strong>Phased contribution rises (65:35), April 2019</strong></td>
<td>21%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Target Contribution to meet “deficit”</td>
<td>24.9%</td>
<td>11.7%</td>
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Other implications

Closure of the Matched 1% contribution to the DC scheme

*Up for Discussion:*

Removal of the 12% Employer contributions to the DC scheme?
OpenUPP!

USSb briefs OpenUPP

A forum for open discussion about USS, founded by Academics for Pensions Justice and the USSbriefs team, using public domain information.

Provides a collation of articles that highlights, *inter alia*, the problems with the USS Valuation process.

Intended to be picked up by the JEP.
New JNC members for UCU

Sam Marsh (Sheffield – Maths and Statistics)
Amanda Williams (UEA – Financial Accounting & Taxation)
Carlo Morelli (Dundee – Business and Management Economics)

JNC will discuss comparability of USS with TPS; alternative scheme design; role of government
Online Resources

**JEP Chair's Updates**

**JEP ToR**

How to break a pension scheme (George Cooper, CIO, Equitile Investments)

17 Questions for JEP (Dennis Leech, U Warwick)
Audience Q & A