

The 2020 Valuation

When we completed the [2018 valuation](#), we also made a commitment to carry out a further valuation in 2020.

By law, we will need to complete the 2020 valuation by 30 June 2021. This briefing sets out some of the key points in the valuation process, who will be involved, and when, for that to be achieved. We are sharing this information as early as possible in the process to support understanding and engagement with our stakeholders.

We also need to allow time, once the process is complete, to work with employers to carry out various operational and administrative tasks. We are mindful to this end that, under the 2018 valuation, the overall contribution rate is scheduled to increase in October 2021.

Each valuation offers us the chance to reassess the overall contribution rate we need so we can secure members' pensions.

It also gives Universities UK (UUK) and University and College Union (UCU) the chance, through formal consultations and discussions, to decide how the overall contribution rate will be shared between employers and members and/or if they want to make any changes to benefits.

The challenging and volatile economic conditions that influenced the outcome of the 2018 valuation are still present, which may well inform the discussions and decisions we have in the coming months. We will aim to foster greater trust with our members and sponsoring employers by engaging with them more directly, as well as aiming to work more effectively with UUK and UCU to support their own engagement with the valuation and their respective decision-making processes.

The [second report of a Joint Expert Panel](#) (JEP) assembled by UUK and UCU to inform their respective approaches to future valuations was published on 13 December 2019. It includes an ambitious package of recommendations addressing methodology, governance and engagement. Whilst mindful of the challenging timetable for completing the 2020 valuation on time, we stand ready to work with UUK and UCU as they consider carefully the recommendations they wish to take forward. We have structured the timetable to allow the maximum possible time for stakeholders to consider the issues raised by the JEP, and for the trustee to work with the stakeholders on how any desired changes might be taken into account.

Our purpose is to work with Higher Education employers to build a secure financial future for our members and their families and, ultimately, to protect the valuable pension promises being made. This remains our sole focus. You can find out more about who we are, what we do, and how we do it by watching the presentations given at [the 2019 Institutions' Meeting](#) – films of which are now available on our website [here](#).

Professor Sir David Eastwood, Chair of the USS Trustee Board

Bill Galvin, USS Group CEO



How we'll work together to complete the valuation

- **USS (the Trustee)**

We are here to work with Higher Education employers to secure the valuable retirement benefits that have been promised to our members. Legally, we are responsible for identifying the overall contribution rate we need to secure members' pensions.

- **Joint Negotiating Committee (JNC)**

The JNC is made up of an equal number of UUK and UCU representatives and an independent Chair.

The JNC is responsible for deciding how any change in the overall contribution rate should be shared between members and employers and/or if any changes should be made to benefits. If the JNC does not reach a decision, the scheme rules say how any changes in the overall contribution rate should be split between members and employers.

- **Universities UK (UUK)**

UUK is responsible for appointing representatives to the JNC and makes appointments to the Trustee Board. By law, we must formally consult UUK on:

- The methods and assumptions we plan to use in calculating the scheme's funding position (formally known as the Technical Provisions)
- The statement of funding principles
- The recovery plan and associated scale and duration of any deficit recovery contributions
- The schedule of contributions

In doing so, we discuss with them the collective ability and willingness of the employers who are making pension promises to our members to make good any funding shortfall if the assumptions we make (for example, about future investment returns) turn out to be overly optimistic.

- **University and College Union (UCU)**

UCU is responsible for appointing representatives to the JNC and makes appointments to the Trustee Board. We engage with UCU throughout on the key issues that determine the overall contribution rate.

- **Individual employers & affected employees**

Employers are ultimately responsible for funding the scheme so that it is able to deliver the defined benefit pensions which have been promised to members.

A valuation could result in the JNC deciding members and/or employers contribute more or that the benefits promised in future change. If this happens, employers are responsible for consulting with affected employees and their representatives. Affected employees are those who are active members or who are eligible to become members.

An employer-led consultation may also be required if, as happened during the 2017 valuation, the JNC cannot reach a decision.

An outline of the timetable

This is an outline of the timetable for completing the 2020 valuation by the legal deadline of 30 June 2021 and in time for any changes required to be addressed before the planned October 2021 increase comes into effect. In practice, it is likely to evolve as we will be engaging throughout with UUK and UCU on their requirements – but we will need to constantly be working towards meeting the statutory deadline.

- Dec '19-Feb '20:** We will start to engage with UUK, UCU and tPR on methodology
- Feb '20:** We will identify a proposed approach to methodology for wider discussion
- Mar '20:** We will publish a formal discussion document to seek employers' views on our proposed approach and their ability and willingness to back the potential costs of the pensions being promised – keeping the JNC and other key stakeholders informed throughout
- May '20:** Informed by discussions to this point, the Trustee Board will agree the financial and demographic assumptions and methodology it proposes to formally consult on for the valuation
- July '20:** We will consult UUK (see page 2) over four to six weeks on these proposals to finalise our view of the scheme's funding position and identify the overall contribution rate we need; we will support UUK in its engagement with employers as required, and will also engage with the JNC, UCU, members and tPR
- Mid-August '20:** We will inform the JNC of the overall contribution rate needed
- Nov '20:** This is when the JNC needs to have decided how to address the contribution rate
- Dec '20-Feb '21:** If the JNC decides to make any changes, or cannot reach a decision, this is when employers might need to prepare for a consultation with affected employees
- 30 June '21:** This is the statutory deadline for filing the valuation with tPR
- October '21:** This is when contributions are scheduled to increase under the 2018 valuation

Our commitment

We recognise that this is a challenging timetable and that the outcome could lead to difficult discussions. To support all our stakeholders through this process, we will engage proactively and constructively so that informed decisions can be made in a timely fashion.

Ultimately, working with our stakeholders, we must arrive at an overall contribution rate that protects the security of the benefits promised to our members now and into the future, against a background of significant economic uncertainty and difficult market conditions.

We must, by law, consult with certain stakeholders. We will do more than just what the law requires as we believe that engaging more widely and more effectively can result in an outcome that our members, our sponsoring employers, and our regulator, can understand and support.

We have already established working groups to inform the 2020 valuation, and will hold webinars, deliver face-to-face presentations, and release updates and documents directly and via our website uss.co.uk at key milestones.