

Appendix: Sussex Consultation response as submitted

EMPLOYER CONSULTATION ON THE USS TRUSTEE'S PROPOSED ASSUMPTIONS FOR THE SCHEME'S TECHNICAL PROVISIONS

This is the formal response from the University of Sussex.

Our responses to the consultation questions for USS sponsoring employers are.

- A. Do you have any specific comments on the individual assumptions for the scheme's technical provisions (and future service contribution rate) put forward by the USS Trustee, or indeed on their collective effect?

We are supportive of the combination of assumptions and the resulting current surplus outcome on the assumption they allow for an accelerated 2023 valuation timeline.

We remain concerned about the high volatility seen in valuations and monitoring. We note the very high sensitivity to interest rates presented in the TP consultation. We welcome the work of the Stability Working Group and ask that this work considers all aspects of stability, including the valuation methodology and that this work is shared with stakeholders and members.

We welcome The Pensions Regulator's confirmation that the covenant is strong. We note their emphasis on the importance of the self-sufficiency deficit for both their covenant assessment and their view on the flexibility of the discount rate. Given the importance of the self-sufficiency deficit we would like more information on how the self-sufficiency liabilities are estimated and why they are so volatile. We would like to see this as part of the work emerging from the Stability Working Group.

- B. On the broader strategy, do you support the nine overall objectives [stability, reduction in contributions, improvement to future benefits, commitment to covenant support, utilisation of surplus, conditional indexation, governance review, changes to long-term investment strategy, and lower cost / flexibility options.], and which do you consider the most / least important?

We are supportive of all the proposed areas of activity. We do not propose a ranking order since at this stage it does not seem likely that any of the workstreams will be discontinued.

- C. Given the valuation outcome proposed in these TPs, do you support the approach set out in the joint statements to improve benefits to pre-April 2022 levels from April 2024 (and do you agree that there is sufficient evidence of stability / affordability to do so)?

We support the improvement of benefits to pre-April 2022 levels. This will provide

financial benefits to employers and members, which we consider valuable to both employers and employees in the current economic context. Noting that USS modelling shows that these benefits could cost more at a future valuation, we urge the continuation of work currently being carried out by the Stability Working Group and the exploration of Conditional Indexation in order to seek greater stability in contribution rates in the medium and long term.

We support, and are reassured by, the statement in the USS employers document that conclusions from modelling of possibilities of increase in provision of the reinstated benefits are “a helpful - and we believe reassuring - indicator if employees considered the existing rate of future service contribution of 25.2% (to fund benefits) as a reference point and plan to prepare to do so in future if required”, that is, we are reassured that modelling shows a much higher degree of confidence that the acceptable current cost of (lower) benefits would be sufficient to provide the reinstated benefits at a future valuation.

- D. More generally, are you content to provide a supportive mandate to UUK’s JNC negotiators to finalise the responses to the valuation in alignment with the joint statement?

We are supportive of the direction of travel, which should involve joint working with UCU wherever possible.

Although the current consultation does not require a response in regard to possible augmentation of benefits for the period between April 2022 and April 2024, as no specific proposal has been put forward on this matter at this stage, we wish to reassert that we continue to support the joint UUK-UCU statement of 25 May 2023, which commits to ‘explore the options and costs of augmenting benefits in recognition of the lower benefits accrued between April 2022 and April 2024, within the 2023 valuation timetable.’

We very strongly support greater emphasis on responsible investment including the point from the joint statements that UUK and UCU ‘agree on the urgent need, with the Trustee, to examine the case more fully for divestment from fossil fuels and a greater visibility of climate crisis action and mitigation should be a feature of long-term USS planning.’ We will supply under separate cover a letter sent by Sussex and other institutions to their own investment managers this year calling for schemes to 1) halt financing fossil fuel expansion 2) vote in favour of pro-climate shareholder resolutions and 3) escalate engagement with companies facilitating new fossil fuel projects by voting against their directors. We believe this is also appropriate for the providers of our major pension schemes and we urge the co-ordinated expansion of such work in support of responsible investment through UUK.

Note: ‘We’ refers to University of Sussex management, ie the University Executive Team. The response has been reviewed by the Chair of Council.