

Q1

Do you have any specific comments on the proposed assumptions for the 2018 valuation, including views on the proposed upper and lower bookend?

We note how, under the proposed assumptions, the deficit more than halves to £3.6 billion and an upper bookend of 33.7% may be too high. So, we could accept an upper bookend of 32.2%, that reflects a reduction in deficit recovery contribution, and a lower bookend of 29.2% as set out in Aon's paper, although we would maintain the importance of a deeper risk analysis in subsequent JEP evaluations.

Q2

Do we support UUK putting forward a proposal for contingent contribution arrangements to the US Trustee as it requested? If not, would we prefer to pay at the upper bookend level, or what would our proposed response be?

We do support UUK putting forward a proposal for contingent contribution arrangements. We consider this to be the most appropriate way to proceed on a time limited basis. We recognise that we must balance the time needed to allow JEP 2 to undertake its work, central to which is detailed analysis of risk based on stochastic simulations, against the stated upper bookend funding requirements set by the USS Trustees to maintain the current benefit structure.

Q3

Do we find the proposal for a contingent contribution arrangement set out in the Aon note acceptable, taking all factors into account? If not, which aspects would we wish to change?

We do find the proposal set out in the Aon note acceptable. In particular, we are supportive of the reduction in the deficit contribution for the reason noted in our response to question 1. We endorse the requirement to ensure that contingency contributions are only triggered by extreme conditions, not by normal market conditions and should therefore persist for at least two quarters. We agree with the need for a six month notice period and we support the cost sharing of any triggered increases.

Other comments

We are supportive of the JEP 2 work and trust that there will be full transparency and sharing of data and modelling from the USS Trustees to enable the group to undertake its work, including the more complete stochastic risk analysis that we have in the past deemed as of critical importance. Moreover, we again urge USS to make public, and to regularly update, their risk assessments for the scheme using a methodology and data that is transparent. This information should be publicly available – not just to members of the JEP – so the methodology and assumptions around probability can be reviewed and understood by all.

We would like to see a 31 March 2020 full valuation, rather than 31 March 2021, so that the recommendations from JEP 2 can be incorporated into the assessment of the financial viability and risks within the scheme at the earliest opportunity.