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Mr Stuart McLean
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Dear Mr McLean,

USS 2018 Actuarial Valuation – consultation with USS employers on the trustee’s requirements to allow a conclusion in line with option 3.

I am responding on behalf of Fitzwilliam College in the University of Cambridge, to your consultation email of 28 June, seeking Employers’ views on the Trustee’s proposals to maintain the covenant strength in order to proceed with option 3.

This response was discussed at the meeting of the Governing Body of the College held on 10 July 2019. The great majority of the Governing Body of Fitzwilliam College have declared themselves conflicted in this matter because of their personal membership of USS. However they believe that, having fully recognised this conflict, it is appropriate to respond to the three consultation questions as follows:

(a) Question: What are the views of employers on the principle of a moratorium on employers leaving USS, so that the USS Trustee is given the consent in legal form to decide whether or not an employer can withdraw from USS? This moratorium would run until the completion of the next actuarial valuation as at 31st March 2020 (with the precise date to be decided), with a commitment to work to secure longer term rule amendments.

Response: Fitzwilliam College has no plans to exit the scheme before the conclusion of the next valuation, and would therefore be willing to accept the proposed moratorium to allow time for consideration of detailed proposals.

(b) Question: Are employers supportive of providing a “firm commitment” to meet USS trustee’s requirements in relation to debt monitoring and the prioritisation of USS as a creditor on any new secured debt (on the basis that details and practicalities will be further defined in the coming period following detailed engagement, and potentially a joint USS / employer working group involving institutional finance directors and other specialists?)



Response: We support the element of this proposal which relates to debt monitoring, and indeed see benefits to the scheme as a whole for there to be better provision of data to employers generally about debt levels in the sector. However we would add the caveat that the monitoring mechanism needs to be administratively straightforward and transparent.

As regards the prioritisation of USS as a creditor on any new secured debt, we understand the need for this measure. However without much more detail around the extent of the liabilities being secured, and the scope and application of such a provision and the conditions under which the rule change could be reversed, we cannot give the firm commitment that is requested. If the proposal is developed in more detail, we think it most important that the position of endowed charities – in which there is clear separation between the investing activities of the endowment and the operations of the institution - be carefully considered. The potential need for such institutions to take legal advice should be borne in mind.

(c) Question: Do employers wish to express any other comments on the trustee's requirements as set out in the letter and explanatory note from USS's CEO dated 26h June 2019?

Response:

No

A majority of the members of the Governing Body have expressed themselves in favour of this response.

Yours sincerely,



Professor Nicola Padfield
Master