Question 1: Would your institution support the JEP recommendations regarding the 2017 valuation in overall terms, subject to the acceptance of such a position from the USS Trustee and the Pensions Regulator as appropriate?

The University of Manchester could support the JEP recommendations only on the basis that the agreement will be revisited following the 2020 valuation and the mutual acceptance of the outcome of the second phase of the JEP review. This would allow full consideration of risk in the light of circumstances at the time, as well as clarity in terms of how risk would be managed and mitigated. A number of the short term uncertainties should have become clearer by that date and therefore there should be a more commonly agreed position concerning the employer's covenant.

This time limited agreement presents employers with a clearly understood risk exposure given the comparison of payments which would be made to the scheme under the USS s76.4 proposals and those under the JEP terms. The benefit proposals remain the same under both proposals and therefore difference in contributions is the risk exposure generated by the different assumptions. The funding proposals being consulted upon by UUK would be £1.3bn less than the current USS s76.4 proposals and this potential shortfall would be addressed as a matter of routine in the 2020 valuation.

This agreement would also be contingent on the assurance that no trigger points or other move on the part of USS (or the Pensions Regulator) could give rise to an increase in contributions.

Question 2: What further information would you need to provide a final view for question 1?

The responses of both USS and the Pensions Regulator to the JEP review are not yet known. If they are not prepared to accept the time limited approach and consider more fully following the 2020 valuation, we would need to know what the next steps would be in order to prevent USS imposing contributions on the sector. In addition, it would be very helpful to understand the scope of the second phase of the JEP review.

The USS issued a partial position on 23 October 2018. The USS proposal is to conduct a new valuation (using March 2018 as the reference date), which to a certain extent mirrors some of the assumptions behind the JEP proposals and therefore adds little to the current understanding. This valuation and the consideration of long term risk could not take account of the second phase of the JEP review and many of the uncertainties noted above may not be clarified by then and would not be reflected in the valuation. This valuation could only form the basis of the time limited agreement pending the full overview of the future position following the 2020 process.

Question 3: Employers currently pay <u>18%</u> towards USS, and the mandate agreed immediately following the Acas discussion was <u>19.3%.</u> If the recommendations of the JEP were accepted <u>in full by all parties, the outcome would be that existing benefits – minus the employer match of 1% - could be provided at an indicative employer contribution of</u> 20.1% of salary (with a member contribution of 9.1%). A) would you accept employer contributions at that level? B) If not, what balance of additional risk, higher contributions and/or benefit change would you prefer to see as an outcome?

The University of Manchester would accept employer contributions up to the indicative level of 20.1% up to the time that the issues generated by the 2020 valuation are resolved through a full negotiation/consultation process. This acceptance is based on an assurance being given that there would be no further increase in contribution through the use of trigger points, no request for contingent assets or other moves on the part of USS or the Pensions Regulator.

Should this time limited agreement not be acceptable, The University of Manchester would be unable to accept the overall proposals. The risk to the employer, employees and students has increased significantly and, therefore, the mitigations that would need to be put in place would have a serious detrimental impact on the performance of the University in its core activities of teaching, research and social responsibility. In addition, The University of Manchester has recently undertaken a consultation on revised benefits to its own defined benefit pension scheme as the risks associated with the level of future accrual could not be borne by the University.