

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 TPR as appropriate)?

The University of Aberdeen and Aberdeen UCU are in broad agreement with the principles outlined in the JEP report.

The JEP identified two aspects of USS's valuation about which we have previously expressed concern. The first is USS's 'layering' of prudence, with the second being Test 1's formulation, application and implementation, which is overly influential for an open scheme, particularly one supported by the sector's unique features. It is not improbable that a more thoroughgoing review of USS's valuation methodology, such as we hope will form the basis of the second phase of the JEP's work, may allow employer and employee contributions into USS to be maintained at their current levels.

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

While welcoming the review of the approach to risk, it would be helpful to have a fuller understanding of any likely implications of the dynamic relationship between longer-term risk (that USS income and assets will not be sufficient to cover liabilities) and the short to medium term risk of employers and employees paying larger contributions in order that the USS portfolio be shifted to lower-yielding assets that are conventionally considered to provide lower long-term risk.

3. Employers currently pay 18% towards the USS scheme, and the mandate agreed immediately following the Acas discussions was 19.3%. If the recommendations of the JEP were accepted 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 20.1% of salary (with a member contribution of 9.1%).

a. Would you accept employer contributions at that level?

As with previous consultation responses, the University of Aberdeen wishes to make it clear that the current 18% contribution is the maximum that can be afforded. Any increase in contributions would require us to review our investment plans, both capital and revenue, constraining our development potential. As indicated by our response to question 1, there are grounds for postponing any increase in contribution levels until the JEP has completed phase 2 of its work.

b. If not, what balance of additional risk, higher contributions and/or benefit change would you prefer to see as an outcome.

As noted in our response to question 2 and in Annexe B of UUK's JEP consultation document, a balance needs to be struck between long-term risks (notably investment risk) and short to medium term risks (e.g. reduced investment in the University due to higher contribution rates). The presentation of risks under USS's three-test framework requires improvement before we can arrive at a better-informed understanding of the balance between risks and benefits.

The consultation closes at noon on Tuesday 30 October 2018.