



THE UNIVERSITY *of* EDINBURGH

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By email to [cbernabe@ucu.org.uk](mailto:cbernabe@ucu.org.uk)

Ref: USS HE7/2

Dear Paul,

The USS Trustee has outlined three options to settle the 2018 valuation, all of which require an increase in contributions. All of these options are challenging and none is ideal for employers or employees. However, to maintain current benefits and to address the ongoing USS deficit, it is clear that additional contributions will be required until at least the next proposed valuation.

JEP phase one has made an important contribution to discussions on USS, as too have interventions from the Pensions Regulator. In turn, we have repeatedly challenged the USS Trustee to be more transparent in its modelling of costs and risks and have pressed for 'JEP1' to be given full consideration. For example, while the latest valuation indicates a decline in the deficit, this is largely offset by an increase in risk, so that deficit payments remain unchanged.

Option 3 as recently presented to us by the USS Trustee now seems the most pragmatic and least detrimental option to pursue as an interim solution (until the next formal valuation), although this is subject to further information being provided by USS, which we are yet to receive. In particular, we are concerned about the approach to debt monitoring proposed by the USS Trustee and the variable impact this will have on some universities.

It is right that employers and individual members share in any necessary contributions increases, and likewise in any reductions, as already established in the scheme rules. This will see employers pick up 65% of any increase this time, and individual scheme members 35%.

With option 3, individuals will still contribute less than 10% of salary and our hope would be that this can be reduced in future as economic conditions improve. The alternative options all require much more substantial contribution increases by both employers and individual members either now or very likely in the immediate future.

Crucially, option 3 now allows time for JEP phase two to be undertaken and for further discussions between stakeholders. This work on scheme governance and other matters is critical for the future of USS. It is essential that the USS Trustee engages constructively with the 'JEP2' work and that it remains open to implementing the JEP2 findings in due course.

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The USS remains one of the UK's most generous large-scale pension schemes, being a hybrid but predominantly defined benefit scheme. Employers, unions, the USS Trustee and the Pensions Regulator must all now work together to ensure the longer-term sustainability, and affordability, of the scheme for all its members.

Yours sincerely,



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