USS 2020 Valuation / Where we are at Kent

Staff Webchat – 13th October 2021
**USS – Where we are at Kent**

- Our view is that the proposed benefit reform is **the ‘Least-Worst’ option**
  - Contributions broadly maintained for member and ER
  - Members keep the hybrid DB structure, although accrual rate and threshold reduced
  - Better than USS alternatives
  - But … we all share concerns over value for money

- There is currently **no other viable option on the table**
  - We are still waiting to see UCU’s proposal
  - We need a solution that meets tPR and USS timescales – meaning it must be implemented by end February 2022
  - If we don’t meet that deadline, significant contribution increases for both employers and members will be imposed

- This is **only part of the solution** with more action to come
  - Lower cost pension options and member flexibilities
  - Alternative scheme designs, e.g. conditional indexation
  - USS Governance review
USS – What else are we doing?

- Employer Covenant Support
  - Significantly enhanced to minimise benefit reform required
  - Introduces a framework for monitoring of debt
    - No immediate impact expected but could constrain future investment
    - Annual engagement with USS carries risk
  - Extends moratorium on employer exits
    - Not an option for Kent due to high cost
  - Enables contribution levels to be broadly maintained
USS – Why can’t we pay more?

• General USS employer view
  • 21% at limit of affordability
  • UUK mandate – to maintain contributions at this level

• Our financial position
  • Income still insufficient to cover costs (budgeted deficit)
  • Staff cost as % income budgeted at 60.1%
    – Sustainable level is 55%
  • USS ER contributions
    – £16m in 2020/21
    – Representing 11.4% of our staff costs
  • Every 1% ↑ in ER contribution costs £0.8m (and increases our staff cost as % income by 0.3%)
  • Further increases in staff costs require a higher income generation or greater reduction in costs

• External factors
  • ER NI rises by 1.25% in Apr’22, adding £1.2m to annual pay bill
  • Spending review, Brexit and heavy competition likely to constrain potential for future income growth
USS – Seeking further changes

- Active engagement with UUK in all consultations
  - Focus now on member consultation (Nov-Jan)

- Regular ongoing discussions with UCU and Staff Representatives

- Continuing to press for:
  - Action on USS Governance review
  - Greater transparency and improved sharing of information in future valuations
  - More choice for members and clear illustrations of costs versus benefits
Questions?