

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?