



Response to the UUK consultation in relation to the March 2018 valuation of USS

Consultation response

Key questions for employers posed by UUK:

- a) **What are the views of employers on the principle of a moratorium on employers leaving USS, so that the USS trustee is given the consent in legal form to decide whether or not an employer can withdraw from the USS? This moratorium would run until the completion of the next actuarial valuation as at 31 March 2020 (with the precise date to be decided), with a commitment to work to secure longer-term rule amendments.**

The University is comfortable with this request from the Trustee on the basis that it is only until the earlier of the March 2020 valuation or the agreement of a permanent rule change to regulate the departure of employers from the Scheme.

- b) **Are employers supportive of providing a “firm commitment” to meet the USS trustee’s requirement in relation to debt monitoring and the prioritisation of USS as a creditor on any new secured debt (on the basis that the details and practicalities will be further defined in the coming period following detailed engagement, and potentially a joint USS / employer working group involving institutional finance directors and other specialists)?**

The University is supportive of providing a **“firm commitment”** to the USS proposal for debt monitoring. This is on the basis that in resolving the details and practicalities of the USS monitoring requirements the following issues will be appropriately addressed:

- Identify the specific issues USS wishes to monitor and the particular ratios associated with these.
- Ratios are clear and proportionate to the issues being addressed and are not subjective.
- Timelines and templates for submission which are agreed with employers well in advance and:
 - Utilise the information that institutions already provide as a consequence or regulatory submissions to the Office for Students or as required in the production of statutory annual accounts.
 - Are cognisant of the time institutions may need to gain internal approvals for new information requirements.
- Only require further additional follow up queries from USS on matters which are material and consistent with the issues being addressed.

With respect to the prioritisation of USS as a creditor on any new secured debt the University can see why this matter is a concern to USS and understands its desire to seek additional prioritisation of Scheme “liabilities”. The University is willing to provide a **“firm commitment”** to

enter into a dialogue with USS in good faith to identify how such additional prioritisation could be achieved for new secured debt using the process referred to above. Key details and practicalities which the University absolutely must see satisfactorily resolved are:

- New debt must exclude the refinancing of existing secured debt where the debt principal does not increase.
- New and acquired project finance secured debt should be excluded from the pari passu ranking of USS “liabilities” and a process should be agreed with USS as to how to identify and gain advance clearance of these type of project finance transactions to avoid this issue preventing third parties and funders engaging with institutions at an early stage. For the purposes of the prioritisation of USS debt with proposed new institutional secured debt the use of a section 75 derived “liability” figure is inappropriate and would effectively stymie the use of secured debt in future, a more balanced USS “liability” will needs to be considered and agreed upon as will the extent to which the USS secured “liability” amortises at the same rate of the new secured debt.
- An annual de-minimus figure, related to an institutions scale and below which USS will not require pari passu ranking, is required to avoid drawing in operational secured transactions from the scrutiny of USS, this will include, IT, office equipment and motor vehicle purchases amongst others, not addressing this issue will lead to higher institutional costs.
- In scope these arrangements should only include new secured debt where the new debt is with the institution only or where it is with a counter party the institution controls, this control assessment should be based on current UK generally accepted accounting principles.

c) Do employers wish to express any other comments on the trustee’s requirements as set out in the letter and explanatory note from USS’s CEO dated 26 June 2019?

No further comments on the trustees’ requirements set out in their letter dated 26 June 2019.

16 July 2019
DENISE JAGGER
Chair of the University Council