University of Cambridge response to UUK in relation to the (May) consultation on the 2018 Valuation

We support Option 3, a move to a conclusion of the 2018 valuation, and the acceleration of work towards a revised valuation methodology and sustainable structure for USS in time for a March 2020 valuation.

As set out in our [response of 13 March 2019] to UUK's prior consultation dated 27 February 2019, we supported implementation of the Joint Expert Panel (JEP) proposal in full so as to result in a lower contribution rate than a combined 30.7%. However, although it is higher than we believe is necessary, we consider that a combined rate of 30.7% (split 21.1% employers and 9.6% members) can be tolerated as an employer in the short term, if it enables a valuation as at March 2020 to be conducted taking into full account both the first and second phase of the JEP work. While there was merit in exploring contingent contributions, the time to implement the USS version and its complexity, combined with the uncertainty such a mechanism would introduce into University (and member) budgets, makes this route unattractive compared to Option 3 for the 2018 valuation. We therefore support Option 3 as an expedient means of progressing towards an alternative valuation methodology, and hence more stable long-term structure, for USS

We agree with the idea of close monitoring of University debt levels and support the principle that USS should be granted *pari passu* security where a university provides security in the future on any new or existing material borrowing.

We agree with many of the points raised by Aon in their letter of 14 May 2019. In particular we look forward to receiving further information on, and justification of, the potential rule change clarifying the role and rights of the Trustee in approving the withdrawal of an employer. We consider that the strength of the scheme is dependent on the size of the employee membership and the capacity of employer and employee contributions to meet the needs of the scheme – including deficit recovery contributions. We consider the circumstances in which the accumulated assets of the richest employers would be used to meet deficits (where substantially all of the UK higher education establishments had become insolvent) to be very remote. Any rule change should be proportionate and reasonable.

We believe it is imperative to accelerate the work of the JEP, the JNC and USS to review and transparently justify the valuation methodology in time for the March 2020 valuation and also to consider ways in which the USS can be made more sustainable. As noted in our consultation response dated 13 March 2019, we believe that USS should take a much longer term approach to assessing risk and funding the Scheme, taking into account its unique nature. We will be providing detailed input on these points to the JEP as part of phase 2 of its work.