

## **COUNCIL**

### **USS Review Working Group**

Meeting room 4, University Offices, Wellington Square, 1.30pm – 3.00pm

#### **Minutes of the meeting of 19 June 2018**

Present: Professor Richard Hobbs (Chair), Mr Charles Alexander, Sir Andrew Dilnot, Professor Danny Dorling, Mr Julian Duxfield, Professor Fabian Essler, Professor Cecile Fabre, Mr Giles Kerr, Sir David Norgrove (by phone)

In attendance: Ms Jan Killick, Ms Judith Finch (Conference of Colleges), Mr Russell Powles (Aon), Ms Julia Paolitto

Apologies: Professor Gordon Clark, Professor Jane Humphries, Professor Sam Howison

#### **1. Welcome**

The Chair welcomed the new members to the group. A member from the Oxford Research Society would be appointed to the group ahead of the next meeting.

#### **2. Conflicts of interest**

All except three members of the group present and the Aon representative, were members of USS. One member's partner was also a member of USS.

There were no other conflicts of interest declared.

#### **3. Minutes of the previous meeting**

The group confirmed its previous decision that the minutes would be published under Single Sign On as it wanted its work to be transparent and open. Subject to including the exact wording of the Council commitment on USS pensions, the minutes were agreed. For future minutes it was noted that some attachments for the group minutes might contain information labelled confidential and this might need redaction in part or whole before it was made public.

#### **4. Matters arising from the minutes**

The papers prepared covering the information requested at the previous meeting were noted.

#### **5. Revised terms of reference**

The group noted the revised terms of reference agreed by Council. Previously its focus had been providing responses to external requests for information and now it had an additional role in investigating and developing options for Council for future pension provision for USS members.

Mr Alexander asked that the group also bear in mind what the options may look like through the lens of the Colleges. He would communicate the group's work to Colleges by reporting via the Estates Bursars' Committee.

The group confirmed that it would not interpret the meaning of the Council's statement but it would investigate and develop options for delivering pension provision for USS members that is of the same standard as currently available, nor would it consider the question of how to pay for any options.

## **6. Feedback from the 12 June Open Forum**

The group noted that over 100 people had attending the event and that a recording of the session would be made available online. It was agreed more sessions should be held. The information on the historic contribution rates paid by employers and employees was noted.

The open forum event was helpful in covering the impact following the triggering by the USS trustee of Rule 76.4. Mr Duxfield noted that two statutory consultations were likely: one on contributions increases under the cost sharing rule and one as a result of any benefit changes having considering the findings of the Joint Expert Panel.

Prof Fabre recognised that the open forum was one channel for members to have this say and other sessions needed to allow sufficient time for members to give their feedback and ask questions. 30 minutes was set aside for open questions from the floor at the end of the first meeting. It was noted that the online pension forum was available but not well used but this could change as matters developed.

Sir Andrew suggested that output from the group should be communicated via Council, reflecting the governance structure but that it raise substantive, not procedural points. Noting the importance of communication, Mr Duxfield agreed to bring an outline communication strategy to the next meeting.

### **Action JD**

Prof Dorling queried if the mortality changes recently reported by the Office of National Statistics would be considered by USS. Mr Kerr said that he understood the Joint Expert Panel to consider mortality experience and also other post valuation events.

The group noted the difficulty in making comparisons with other pensions arrangements. Prof Essler said that it was important not to look at pensions in isolation and other factors such as taxation and tenure needed to be taken into account. It was agreed that the information presented to Council on other UK schemes eg NHS, Teachers Pension Scheme would be circulated and that information available on remuneration packages as a whole would be helpful.

### **Action JK**

Prof Hobbs noted that comparison with other pension arrangements was of interest to the extent that it could help in identifying possibilities of delivering options but it was not the intention to attempt to replicate other arrangements. This work would provide information on the context of pension arrangements.

## **7. Update and review of events since the previous meeting**

The group noted the papers.

Prof Essler noted that the comparison of Defined Benefits and Defined Contributions was helpful in providing background information but did not go into the detail of what outcomes were likely with each type of arrangement for different career paths. For current members of USS there were modelers available to find outcomes for individual's own circumstances and for any benefit changes modelers would also be available.

## **8. Key options to investigate in more detail**

It was noted from the paper by Aon that the options available were likely to be constrained by the USS exclusivity rule. Mr Duxfield reported that preliminary legal advice had confirmed that the USS rules were tightly worded and the initial interpretation limiting options was not unreasonable. Sir David noted that Unfunded Unapproved Retirement Benefits Schemes (UURBS) were no longer available and that Employer-financed Retirement Benefit Schemes

(EFBS), were they permitted by the USS exclusivity rule, could be a mechanism for topping up USS benefits.

Sir Andrew noted that the cost of buying out benefits if the University ceased to participate in USS and then establish a new pension arrangement was in the region of £2.7bn. He did not think that this was optimal but it would be helpful to rule it out as an option.

#### **Action JK**

Mr Kerr thought that it would be more useful and practical to use USS as a vehicle for topping up benefits on a defined contribution basis. It was agreed to ascertain whether additional employer contributions could be made to USS on an ongoing basis and in addition also provide some type of matching arrangement. This had the advantage of being within the existing USS arrangements and could readily be understood in the context of overall remuneration. In addition it would be helpful to understand what level of DC contributions would deliver when looking to make a comparison with defined benefits. It was thought that one Oxford College may already have such a DC top up arrangement in place.

#### **Action JK/RP**

The group wanted to better understand the range of opportunities available and prioritise feasible solutions and once these had been narrowed down take formal legal advice so that a report may be submitted to Council. It was noted that it may not be possible to present a final view until the position on USS is clearer but that preparatory work could be done.

#### **Action JD/JK**

Given the implementation of the cost sharing under Rule 76.4 is likely from April 2019, although the phasing of any increase is not known, it was agreed to understand the cost to the University, including any National Insurance contributions costs, of this change.

Although the cost sharing rule had been agreed by stakeholders via the JNC and it had been in place since 2011 with some modification following the 2014 valuation, it was suggested that the group should explore the University meeting the increase in employee contribution rates above 8%. The Group agreed it would not interpret the meaning of Council's phrase the 'same standard of pension provision' but would provide options, including this option, for consideration by Council.

#### **Action GK/JK**

### **9. Agree timescales and next steps**

The timeline of activities for the University, the Joint Expert Panel and the USS Trustee was noted.

### **10. Any other business**

There was no other business.

### **11. Future meetings**

The next monthly meeting: Tuesday 17 July 2018, 11.00 – 12.30 Primary Care Building, Woodstock Road, Meeting Room 1 - Ground floor

The meeting closed at 15.00

