

The Joint Expert Panel (JEP) held its second and third meetings on 6<sup>th</sup> and 7<sup>th</sup> June.

The Panel took evidence from representatives from USS (including USS executives and the Scheme Actuary) about the basis for the 2017 valuation, the covenant and the associated tests. The JEP has received a commitment from USS that it will provide the Panel with the information it needs to undertake its analysis and to fulfil its Terms of Reference.

Among the issues discussed by the Panel were the:

- role of the Trustee's Test 1 and evidence of any alternative approach considered by the Trustee;
- extent to which a goal of self-sufficiency may or may not be appropriate for a unique sector;
- covenant as the foundation of the valuation framework, including the basis for establishing risk appetite and risk capacity, the timing of de-risking and the volatility and risk associated with low risk investment strategies and alternative approaches;
- assessments made of the strength of the sponsor covenant, given the unique features of the sector, including the relationship between the growth of the fund's assets and the growth of the sector;
- method used for calculating the technical provisions (TP) including the discount rate used, the TP relationship with the self-sufficiency liability and reliance on the employers, and the financial models used to calculate the discount rate;
- quality and range of demographic data on USS members including mortality and retirement assumptions; and
- Rule 76 of the Trust Deed and Rules (i.e. the USS cost-sharing rule) and its implications.

The Panel also heard from USS representatives about the legal and regulatory framework within which the valuation takes place. The discussion covered the uniqueness of the governance structure; the role of the JNC as a representative body; and the respective roles and involvement of employer and member representatives in the valuation process.

Finally, the Panel also took evidence from the Pensions Regulator (TPR) about their

views of the valuation, including their assessment of the strength of the covenant, their attitude to different investment policies and their general approach to valuations.

The Panel agreed that their next meeting would take up the issues from these meetings with the actuarial advisers of UCU and UUK.

The Panel reiterated their call for submissions from member and employer stakeholders on the following issues: the three tests used by USS (in particular relating to Test 1); the prudence or otherwise of the assumptions used by USS; the strength of the covenant; and alternative valuation models and assumptions to those used by USS.

Submissions on these matters or comments for the attention of the Panel are warmly welcomed and should be sent to [submit@ussjep.org.uk](mailto:submit@ussjep.org.uk). All submissions will be treated in the strictest confidence.

**Joanne Segars, Chair, JEP**

15 June 2018