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Dear Bill,

I write to present a petition of over 1,600 names, not far off 1 for every 100 active USS members, which calls for transparency from the USS trustee in its current triennial valuation.

The text that those signing have backed asks that that the trustee “make its draft valuation report and all associated papers on methodology and inputs public as a matter of urgency”. This seems to chime well with page 38 of the 2017 annual report, which identifies a targeting of “high levels of engagement” with stakeholders, mentioning, in particular, “detail and transparency... with regard the 2017 actuarial valuation”. The draft valuation report has now entered the public domain and, whilst it provides a great deal of insight into the workings of the scheme and its upcoming valuation, I believe it leaves key questions unanswered, consequently falling short of the level of detail and transparency hoped for by those signing the petition.

Below I present a number of questions which arise from viewing the draft valuation report. I would be very grateful if you could present answers to these questions in a timely fashion, as I believe those who signed the petition, and indeed their employers currently being consulted, could reasonably expect to see this information before the valuation is finalised.

I will assume that USS follows Technical Actuarial Standards 300 (TAS300) or at least signs up to its standards of communication, in particular the requirement that “communications shall include sufficient information to enable the user to understand the level of prudence in the assumptions and the resulting actuarial information”.

1. To aid the understanding of the prudence being applied, could you release background papers with details of the distribution and modelling being referenced when talking of “prudence at the 67<sup>th</sup> percentile”?
2. With regards Q1 above, the difference between the best estimate (i.e. 50<sup>th</sup> percentile) and 67<sup>th</sup> percentile results in an additional £13.4bn of liabilities and an additional 10.1% of future contributions. To help understand how much of this swing is caused by variance in the distribution and how much is due to the effects of the trustee’s Test 1, could you please present a repeat of Table 8 of [1] but where the de-risking associated with Test 1 is absent; that is, using a discount rate of CPI+2.8% for years 11-50 rather than the current profile?
3. Figures for the self-sufficiency value of the liabilities, technical provisions and projected values of assets at Year 20 are absent in [1], yet play a key role in the

application of Test 1. Could you please provide figures for these values both *before and after* the change to the discount rate necessitated by Test 1?

4. Please give a scenario, preferably scenarios, under which it would become necessary or desirable for the scheme to move to the low-risk, low-return self-sufficiency portfolio by calling on the 7% extra payroll contributions over 20 years assumed in Test 1. Such a scenario appears to be absent from the discussion of Test 1 in [1] and elsewhere.
5. The discount rate assumptions on page 21 and values on page 51 of [1] are presumed to reflect the assumption that index-linked gilt yields will “gradually revert to broadly 2014 levels, over the next 10 years” (as stated on page 6), yet instead jump sharply at Year 11. Can you explain the reasoning behind this apparent inconsistency, and present overall figures for the liabilities and future service costs analogous to Table 8 under the assumption of a linear reversion over years 6-10?
6. There is very little detail in [1] on the mortality rates assumptions, and, in particular, how the stated prudence has been applied. Could you please provide detail of the analysis or modelling that has been done with regards mortality and precisely how prudence has been applied to a best estimate case?
7. I would be grateful if you could present your background analysis of the future cashflows for the scheme, absent from [1], and the ‘break-even’ discount rates at which (i) past and (ii) future service is covered precisely without the need for an increase in contributions.

I thank you in advance on behalf of all those signing the petition for your expected response to these questions. As highlighted by one of the petition respondents, USS is responsible for stewarding a large part of the wealth of many of those who signed, and as such it is important that it demonstrates beyond doubt that its calculations and assumptions are accurate and well-founded.

With kind regards,

Yours sincerely,



Sam Marsh  
School of Mathematics and Statistics, University of Sheffield

cc: Professor Sir David Eastwood, Chair of USS trustee board  
The members of the USS trustee board  
Frank Field MP, Chair of the Work and Pensions Select Committee

References:

[1] 2017 Actuarial Valuation: A consultation with Universities UK on the proposed assumptions for the scheme’s technical provisions and Statement of Funding Principles

## Full unedited comments from the 38degrees petition 'USS must show its workings'.

As both Universities and USS members contribute into this scheme, both sides should have equal access to this report. It is a disgrace that this is not has not been made available to USS members and their representatives. The Universities themselves should make this point. It is a disgrace that they have not done so.

I would like t understand more about how a large part of my family's wealth is being stewarded. Usually type of discussion: if there is nothing to fear - be open. If there isa problem, the members need to be able to plan accordingly

Because I believe we gave a right to have this information openly and transparently

We're also contributing to the scheme so should be party to all available information.

The scheme is owned by it's contributors. We should be entitled to see the report.

Because valuation in the press seems absurd

Pension schemes should not operate in secret but should be transparent, especially to prove they are acting as they should, in the interests of their members.

It is unacceptable for USS to hold our savings and be non-transparent in their management.

I have I little to no confidence in the way USS arrives at its valuations and the methodology should be open to scrutiny by members.

We need this detail to have a proper conversation about important decisions

It's our money. If it's trustworthy there should be no obstacles to full transparency.

There is no reason for USS to give more access to employers than to employees.

USS is a pension scheme that belongs to its members, not for the benefit of stuffing the pockets of wealthy fund managers. Its members deserve to see the underpinning workings of the scheme.

This is our pension scheme; we should have access to the report.

The overvaluing of the liabilities and undervaluing of the assets is what led to changes to the scheme a couple of years back. We must have a fair and representative valuation, or the scheme will simply become too unattractive and we'll all be better off moving to "new universities" which run TPS.

We need to have trust in the USS Trustees

Because USS members need to know that the deficit being promoted by USS is based on false assumptions. Full transparency will expose this scandal further.

It's my money, my future. Give me my facts.

There is no place for secrecy in valuation of our pension scheme.

transparency is key in order for members to in a position to make informed decisions about their

financial future.

If the USS managers perceive sharing facts as a threat then I guess we have a problem.

Members of the USS scheme don't trust those in charge. We need to be shown the workings if there is any hope that we can do so in future.

I am a member of USS and would like to see the 58-page report to university finance directors. The lack of transparency caused by the fact that the report has not been made available to the public is outrageous.

Transparency is important if support for USS is to be maintained. Being able to compare the USS methodologies with those of other pension funds would be helpful.

Expose your Test 1, 'The Charybdis at the centre of the USS' (THE, 31 Aug 2017) so the huge discrepancy in valuations of USS funds can be discussed publicly and members' growing concerns either put to rest or else acted upon urgently.

USS please remember your 'Stakeholder Engagement Risk' target from p. 38 of your Report and Accounts!

Show ALL your workings. Must try harder!

It's not good enough to hide behind an unpublished report. It wouldn't cut the mustard in a research journal and should not in USS.

Public access to the USS calculations will enable current contributors to make informed decisions about their own pension provision for the future.

USS Members and employers must be able to scrutinise the calculations.

USS lost my trust when they reneged on their promise to base my pension on my final salary even for my earnings up to the point where the system changed.

The USS scheme is fundamentally healthy, but "worst possible case" actuarial considerations may well paint the state of the scheme in a particularly damaging negative light. It's important for USS members to challenge the importance attached to such damaging assumptions.

Pensions are deferred salaries. They are part of the decision making process that we go through when we join an organisation to determine the ongoing value of that employment. We would not sit back if someone was reducing the value of our salary so why should we if someone is looking to reduce the value of our future salary.

I am no longer young and have seen my pension reduced by about 30% in the last 5 years. If I am going to have to pay more and get less (AGAIN!) I'd like to know the full facts ASAP.

It's our money!

I am a USS pensioner but also in solidarity with those coming after me.

We need to know what decisions are being made and to what cost!

The USS must not be allowed to keep secrets from its members.

This really is an appalling way to treat scheme members, it is time to start a campaign to stop another USS stitch up. Hands off our pensions.

To make the triennial valuation of the USS pension scheme methodology public so that it is available for public scrutiny and not just for university finance directors.

Such a lack of transparency on something that affects the futures of so many is totally unacceptable.

Transparency

USS pension scheme has produced a report on its draft valuation but has sent this only to University management. I'm calling on USS to release this report and all associated papers on methodology and inputs so that all stakeholders can be confident that the draft valuation receives proper scrutiny.

Simple transparency to conform equitable administration of a scheme owned by its members.

'...recent reporting on the health of the Universities Superannuation Scheme pension fund has been alarmist and misleading.' <https://www.timeshighereducation.com/opinion/letters-charybdis-centre-uss>

It's important that members of the pension scheme be kept fully informed about its financial position.

We've had enough of these obscure shenanigans. Everything should be out in the open and available for scrutiny by USS members.

USS must be transparent; its operating procedures and assumptions need proper scrutiny.

USS claims to aim for transparency with its members; it should follow through on this aim.