



Pension Scheme Update 2022/23

Outcome requested:	<p>Finance & Investment Committee is invited to note the following update in relation to our pension schemes:</p> <ul style="list-style-type: none"> • Employer costs of the pension schemes • Current pension deficits • An update on the latest valuation processes of the Universities Superannuation Scheme (USS), SAUL and the NHS scheme.
Executive Summary:	<p>University staff are members of either the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) scheme or the NHS scheme.</p> <p>Employer pension costs increased in the year by £6.5m, from £41.2m to £47.7m. Overall, our pension liabilities as recognised in our financial statements decreased from £164.7m in July 2022 to £154.6m at the 31st July 2023. This is primarily due to an increase in the discount factor used to calculate the USS provision as a result of increased interest rates.</p> <p>The 2023 Valuations of USS and SAUL are currently underway. An update on the USS Valuation process will also be provided to FIC members.</p>
QMUL Strategy	Improved cash generation to enable investment
Internal/External regulatory/statutory reference points:	Pension legislation, accounting guidelines
Strategic Risks:	12. (2) Failure to control expenditure to levels that enable adequate cash generation for investment in the 2030 strategic objectives.
Equality Impact Assessment:	Not required
Subject to prior and onward consideration by:	FIC September 2023
Confidential paper under FOIA/DPA	No
Timing:	Relates to 2022/23 financial year
Author:	Thomas Skeen, Director of Finance Karen Kröger, Chief Financial Officer
Date:	11 September 2023
Senior Management/External Sponsor	Karen Kröger, Chief Financial Officer

QMUL Pension Schemes

University staff are eligible to be members of either the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) scheme or the NHS scheme.

We also operate a closed scheme for the non-teaching staff of the London Hospital and St Bartholomew's hospital medical college prior to their merger with the University.

The figures included in this paper have been obtained from the draft 2022/23 financial statements which are subject to final internal review and external audit.

2022/23 Pension costs and rates

A summary of our employer pension contributions paid and the current rates is detailed below:

Pension Contribution Costs	Current Rate %	Cost 2022/23 £m	Cost 2021/22 £m	Cost 2020/21 £m	Cost 2019/20 £m	Cost 2018/19 £m
Contribution paid to USS	21.6	37.4	32.8	30.7	30.4	25.0
Contribution paid to SAUL*	19.0- 21.0	6.9	5.2	4.6	4.8	4.4
Contribution paid to NHS**	14.4	3.4	3.2	3.0	3.1	2.6
Total		47.7	41.2	38.3	38.3	32.1

*The employer contribution rates to the SAUL scheme increased from 19% to 21% from January 2023.

**The total employer contribution rate to the NHS Scheme is 20.7% of which 6.3% is underwritten by the Government.

Pension scheme liabilities

The pension scheme liabilities shown on our balance sheet are in respect of:

- All liabilities in respect of the closed London Hospital and St Bartholomew's Hospital Medical College.
- The backlog deficit of the USS scheme
- The backlog deficit of the SAUL scheme (currently zero)

No liability is required to be accounted for by institution for the NHS pension scheme as this is an unfunded public service scheme which operates on a pay-as-you-go basis.

Balance sheet Pension Liabilities £m	31st July 2023	31st July 2022	31st July 2021	31st July 2020	31st July 2019
LHMC	(0.2)	(0.1)	0.1	0.2	0.1
SAUL	0.0	0.0	0.0	0.0	0.0
USS	154.8	164.8	68.9	64.7	106.6

Total pension liability	154.6	164.7	69.0	64.9	106.7
Charge/(credit) to Consolidated Statement of Comprehensive Income and Expenditure Statement	(10.1)	95.7	4.1	(41.8)	69.2

Latest updates on pension scheme valuations

Both USS and SAUL will have valuations as at 31st March 2023, which are currently underway. The NHS pension scheme Valuation which will be as at 31st March 2020 has yet to conclude.

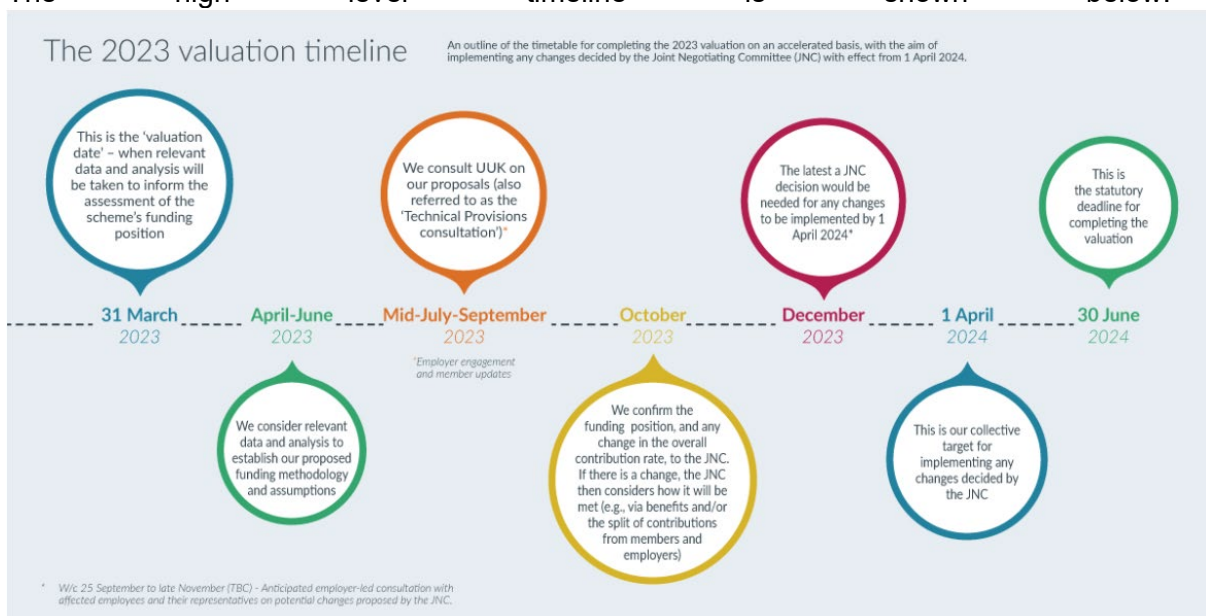
SAUL

The last SAUL valuation as at 31st March 2020 resulted in a deficit in the fund, but once post valuation experience was taken into account this was eliminated. However, there was significant contribution strain in relation to future service costs, which was addressed via changes to SAUL's investment strategy, increased employer contributions and changes to benefits achieved by the introduction of a 3-year defined contribution feeder scheme for new joiners. The latest update published by SAUL as at 31st March 2022 showed that the scheme had an indicative surplus at that date and a funding level of 116%.

The next full Valuation date for SAUL will be as at 31st March 2023. The Scheme is progressing this, and has recently agreed a covenant assessment of SAUL employers as tending to strong, which will underpin the assumptions made within the Valuation.

USS

The USS Trustee must carry out a valuation of USS at least every three years. Below is an outline of the timetable for completing the 2023 valuation on an accelerated basis, with the aim of implementing any changes decided by the JNC with effect from 1 April 2024. The high level timeline is shown below:



*We might have to allow for employers holding a 60-day consultation with members and affected employees, depending on the JNC's decision

USS is required to consult with UUK (Universities UK) on their proposed methodology and the assumptions to be used. Any future service benefit changes would be subject to a

statutory employer-led consultation process with affected employees. This is planned to begin in late September and must run for at least 60 days.

The future benefits and member and employer contribution splits arising from the outcome of the valuation will be confirmed following any decision of the JNC (Joint Negotiating Committee – a body of UUK and UCA (Universities College Union) representatives. USS will then prepare a new Schedule of Contributions (SoC) and is required to run a short consultation process with UUK on this.

USS has started reviewing its investment strategy, and expects to engage with employers on this in the later stages of the valuation, as part of the discussions in relation to stability.

The indicative outcome for the 2023 Valuation is the most positive for many years, with the scheme being assessed as being in surplus as at 31st March 2023, with a funding level of c. 111%.

NHS

The latest NHS Pension Scheme Valuation took place as at 31 March 2016, and this set employer contribution rates payable from 1st April 2019. The 2020 valuation is currently underway, and will set the employer contribution rate payable from April 2024 and test the cost of the Scheme relative to the employer cost cap.