Thank you for your letter of 26 June, asking about TPR’s involvement with the Universities Superannuation Scheme (USS). Taking each of your questions in turn:

We understand that permission was granted by a whistleblower to contact USS, revealing their identity, on 31 October 2018. The concerns were first raised with TPR on 20 March 2018. Might you please tell us why TPR did not then write to USS until 3 April 2019?

Reports from whistleblowers play an important role in helping us to protect savers and in each case we must consider the appropriate way to respond. This may involve simply noting the information, at one end of the spectrum, or investigating whether to use our powers at the other. We do not ordinarily keep whistleblowers informed as to how the information they have provided is being used as doing so could disclose restricted information under the Pensions Act 2004.

When contacted by whistleblowers we identify the urgency of the issue, what issues TPR can address and what needs to be passed on to other agencies. We received a number of complaints, items of information and queries regarding USS during 2018. In response, we both wrote to and met with the whistleblower. In this case we believed that there was a high probability that the whistleblower would be identified by USS when we raised their concerns, and on this basis on 7 August 2018 we requested permission to reveal their identity. This permission was formally given on 31 October 2018. We were unable to contact USS before that date at the risk of the whistleblower being identified.

Thereafter, although conscious of the need to raise the whistleblower issues with USS, we also had a number of other USS workstreams to work through, some of which directly related to the whistleblower concerns. In practice to avoid further delay and because of the complexity of the various issues that we were looking at we ultimately decided to separate the whistleblowers concerns from other pieces of information. This was to avoid any further delay and explains why we wrote on the 3rd April.

The USS Joint Expert Panel (JEP) said that TPR appeared to have a disproportionate influence on the valuation and may have steered the employer. How does TPR intend to respond to these findings?

We have continued to liaise with the JEP since this comment was made in its first report (September 2018) and have ensured that the JEP now understand the nature of our involvement and reasons for it.
For some years now, TPR has proactively engaged with larger schemes prior to the completion of actuarial valuations. This makes our involvement more effective and efficient and enables TPR to provide our feedback while the actuarial valuation is progressing, avoiding the need for issues to be reopened later in the process that may already have been negotiated between scheme and sponsor.

We believe our level of engagement is commensurate with USS being the largest private pension scheme in the UK, with a very large membership and significant liabilities and is entirely appropriate in light of our statutory objectives.

**TPR's principles and approach to planned deficit reduction contributions (DRCs) when a scheme's valuation changes**

We publish guidance for trustees on the approach we expect them to follow when setting DRCs. In summary, the trustees, having taken independent advice when appropriate on the strength of the employer covenant, should consider what free cash the employer is generating and the appropriate proportion to be allocated to funding the scheme. This will depend on the circumstances of the scheme and its employer. Key considerations are the balance between support being provided to the scheme and the employer's other stakeholders (including shareholders where applicable) and the employer's future investment plans. Likewise, the way in which we, as a regulator, view what is appropriate as part of valuation agreement is informed by taking an integrated view of all the risks to a scheme to ensure that the scheme sets a prudent funding target and receives sufficient funding to address any deficit over an appropriate period of time.


Whilst each scheme and their circumstances are different, for employers with a strong or tending to strong covenants, we generally expect a strong funding target and recovery plans to be relatively short. We define short in this context to be shorter than the average recovery plan length of around 7 years.

It is understandable that members of the USS are keen to secure their pension benefits, I hope that this letter helps you to understand TPR's involvement in this matter.

Yours sincerely

[Signature]

Charles Counsell
Chief Executive