

Dame Kate Barker  
Chair  
USS Limited  
Royal Liver Building  
Liverpool  
L3 1PY

12 October 2026

Dear Dame Kate,

**The USS Trustee's consultation on the proposed methodology and assumptions for the scheme's Technical Provisions and the Statement of Funding Principles for the 31 March 2026 valuation**

I would like to thank you for the USS Trustee's consultation on the proposed methodology and assumptions for the scheme's Technical Provisions and the Statement of Funding Principles for the 31 March 2026 actuarial valuation, set out in a document dated 15 July 2026 published to the Universities and Colleges Employers Association (UCEA) and to all of the scheme's participating employers.

This is the first of the formal consultations on the valuation which are required by law. As the representative body for employers in the Scheme (for these purposes), UCEA's role is to represent their views on the matters proposed by the USS Trustee. This consultation concerns the method and assumptions that are proposed to be used in calculating the scheme's Technical Provisions (TPs) and on related aspects of scheme funding, and also on the matter of the proposed Statement of Funding Principles (SFP) for the 2026 valuation. Alongside the statutory consultation matters, there was the opportunity for UCEA to update the Trustee on employers' long-term objectives and other elements relevant to the valuation and the scheme's long-term strategy. This letter sets out UCEA's response.

**UCEA's consultation with USS employers**

UCEA invited participating USS employers to respond to a consultation on the 2026 valuation and the Trustee's proposed future funding assumptions and related strategy. The consultation period ran from 13 July to 11 September 2026. There were ten questions posed by the Trustee in the consultation document. To seek further context in relation to the strategic questions raised, UCEA set some additional questions for employers to consider.

In total, 81 employers responded, representing 93% of active USS membership. UCEA commissioned Thinks Insight & Strategy to independently analyse anonymised responses, considering both the proportion of responding employers expressing the specific range of views which have emerged and the proportion of active USS membership represented by those employers expressing those views.

UCEA would like to provide its gratitude to employers for their responses, which have been used to form UCEA's positions, which are set out in detail in the appendix to this letter.

## Summary of key points

### **Discount rate, the remaining assumptions and Statement of Funding Principles, and wider methodology**

Employers support the proposed discount rate, the remaining assumptions and the proposed Statement of Funding Principles, and the wider methodology, emphasising the importance of proportionate prudence and ensuring assumptions continue to reflect USS's status as an open scheme.

Employers welcome the three-leg framework, particularly the clearer distinction between Best Estimate, Technical Provisions and Contingency Measures, although some would welcome greater clarity about aspects of its operation in practice.

### **USS as a valuable employee benefit: stability, surplus and contribution rates**

The latest Higher Education Statistics Agency finance data ([HE Finance Data | HESA](#)) shows that for 2024-25 some 40 percent of higher education institutions (HEIs) were in deficit, a position not anticipated to materially change; and already reduced liquidity levels are set to worsen further. For many employers, the level of both domestic and international student recruitment remains challenging. The Office for Students' (OfS) report [Financial sustainability of higher education providers in England 2026](#) predicts that, if student numbers remain at 2025 levels, the number of HEIs in deficit could increase. Concerns about the higher education sector's financial position were reflected in the House of Commons Education Select Committee (ESC) report [Higher Education and Funding: Threat of Insolvency and International Students](#).

Stability remains a key priority for employers. Employers support the Long-Term Objective of running USS as an open scheme, which is associated with its long-term sustainability, the Trustee's ability to take an appropriately long-term approach to funding and investment, and the continuation of valuable benefits for current and future staff. Employers view the existing benefit package as appropriate and favour maintaining it.

Maintaining contributions allows for longer-term predictability, giving employers and members greater certainty and the ability to conduct longer-term financial planning. It also helps to maintain the Scheme's resilience against adverse investment experience or future deficits, thereby reducing the need for contribution increases in the future. However, the Scheme's current funding position also creates scope for a sustainable reduction while retaining an appropriate buffer. This is considered especially important in the challenging context of financial pressures on employers and scheme members.

Whilst, in terms of numbers, as many employers agreed as disagreed that retaining contributions at or around 20.6% of salary should be an objective, employers supporting the status quo position on contribution levels represented a larger share of active membership: 57% compared with 34% represented by those who expressed opposition.

Employers recognise that a mechanism such as Conditional Indexation could provide a route to greater long-term stability in both contributions and benefits. Maintaining contributions at current levels may preserve the flexibility needed to make a potential Conditional Indexation design

feasible. There is also a recognition that Conditional Indexation could allow targeted improvements or future changes, but only where these could be achieved sustainably. UCEA will seek to progress discussions with the University and College Union (UCU), through the Joint Negotiating Committee (JNC), to determine whether contribution rates should be maintained above the required Future Service Cost.

The past service funding surplus expected at this valuation can provide a buffer against future adverse experience, using the Scheme's funding position to protect its long-term resilience. Employers broadly support the retention of the surplus as a buffer against future risks. They also support deferring decisions on its use in any substantive sense until the 2029 valuation, when the position on Conditional Indexation is better defined. In this context, employers support ensuring there is sufficient surplus to preserve flexibility for a potential future Conditional Indexation model. Therefore, UCEA does not believe it would be appropriate for the Trustee to use its power under the Scheme rules to grant discretionary increases for deferred and pensioner members. Similarly, UCEA does not believe it is necessary to propose a future contribution rate below the required Future Service Cost, given that almost all responses supported a rate equivalent to the indicative Future Service Cost or higher.

Employers understand the importance of the Scheme to its members, the scheme development journey and that the introduction of a potential Conditional Indexation design will not be possible without the agreement of University and College Union, as the representative of Scheme members, on the JNC.

### **Investment strategy, risk appetite and Covenant Support Measures**

Employers are broadly comfortable with the current approach of maintaining the current DB investment risk profile, given the objectives of stability and long-term affordability. However, what is clear is that decisions on use of surplus, contribution rates and investment strategy cannot be taken in isolation and must be considered in the round. Employers see this as providing an appropriate balance between generating long-term returns and managing volatility. Employers also recognise the Scheme's open status, long-term investment horizon and strong funding position as supporting exposure to growth assets. The current surplus and strong funding position provide sufficient resilience to absorb a degree of investment volatility without reducing risk.

Employers generally support retention of the Affordable Risk Capacity as part of the Integrated Risk Management Framework, while calling for periodic review and consideration alongside other measures of covenant strength and affordability.

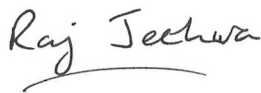
Employers broadly agree that the Covenant Support Measures are appropriate and proportionate. The moratorium on employer exits is seen as important for protecting the collective covenant and maintaining the strength of the Scheme. However, while employers recognise the role of the Debt Monitoring Framework there are some questions over whether it remains proportionate in the current funding environment. There is also a request for clearer guidance in relation to "covenant enhancing" debt-funded investment, the treatment of mergers, what happens when an institution breaches a threshold, and how new accounting rules will affect the monitoring metrics.

We would like to discuss with the trustee the ways in which employers might monitor and review the stability of the scheme's funding and financial position. This is especially important given that employers are supporting scheme stability at this valuation and are keen to see the effectiveness of the trustee's aligned funding and investment strategies.

I have included, as an appendix to this letter, the Aon *employer consultation briefing* paper dated 23 July 2026, which was shared with employers to assist their responses. Also, the consultation analysis report prepared by Thinks Insight & Strategy for UCEA. I trust that these will help the Trustee in considering our response.

I hope that these responses are helpful and we look forward to receiving the Trustee's determination of the contribution rates required for the current benefits.

Yours sincerely,

A handwritten signature in black ink that reads "Raj Jethwa". The signature is written in a cursive style with a horizontal line underneath the name.

Raj Jethwa  
Chief Executive  
Universities and Colleges Employers Association

Appendices:

- Headline views from UCEA, informed by employer responses, to each of the questions posed by the USS Trustee in its Technical Provisions consultation
- Aon *employer consultation briefing* paper
- Thinks Insight & Strategy consultation analysis paper

## **APPENDIX**

### **Headline views from UCEA, informed by employer responses, to each of the questions posed by the USS Trustee in its Technical Provisions consultation**

Set out below are responses to the ten questions put forward by the USS Trustee in its technical provisions consultation; these responses have been prepared by UCEA having reviewed and analysed the 81 individual responses provided by scheme employers.

#### **Core consultation matters**

**Questions 1 to 3. Proposed methodology and assumptions and Statement of Funding Principles.** These elements were the formal statutory consultation with UCEA, as required under the rules of the Scheme and legislation.

#### **(1) Please provide your views on the following: Proposed discount rates, both for the purposes of valuing Technical Provisions and for determining the Future Service Cost.**

Employers broadly agree with the proposed term-structured discount rate framework and have highlighted that this reflects the requirements of the new regulatory framework, as well as reflecting the characteristics of USS as an open scheme.

UCEA, therefore, supports replacing the dual pre/post-retirement rate with a term structure linked to the current investment strategy, the long-term allocation and the journey plan.

We consider the 30-year covenant reliability period and 40-year horizon to significant maturity reasonable. However, some employer support was conditional on these periods continuing to reflect the open nature of USS, including remaining rolling rather than automatically shortening at each valuation.

We recognise that setting prudence (for example, the 73% confidence level and 1.1%/0.7% margins) involves judgement, and we support the transparent three-leg structure (Best Estimate, Technical Provisions, contingency). Overall, we are content with the proposed discount rate approach and its consistency with running on as an open scheme.

Employers welcome the new framework as transparent and coherent, making clearer the relationship between investment assumptions, funding, covenant strength and prudence.

#### **(2) Please provide your views on the following: Remaining proposed assumptions and any other matter set out in the Statement of Funding Principles.**

We have reviewed and are content with the remaining proposed assumptions and the draft Statement of Funding Principles.

In particular, we support prudence being applied only to the discount rate and a small amount of prudence (broadly 0.5% in liability terms) applying to the mortality assumption.

We ask the Trustee to explain how the assumptions are kept relevant between actuarial valuations, and whether updates can be shared on matters such as demographic experience or emerging longevity trends so that the regular funding updates remain as relevant and informative as possible."

**(3) Please provide your views on the following: Any other aspect of the proposed assumptions and methodology.**

We agree with the Trustee's characterisation of USS as a long-term scheme supported by a long-term (but finite) covenant and support the proposed three-leg framework.

- Leg 1 (Best Estimate) gives a clear central benchmark and helpful counterweight to short-term market volatility.
- Leg 2 (Technical Provisions) provides a clearly articulated prudent basis that blends into low dependency over time and so is compliant with the new funding regime.
- Leg 3 (Contingency Measures) offers structured visibility of downside and closure-type scenarios and routes back to low-risk or self-sufficiency outcomes.

Employers welcome the framework, particularly the clearer distinction between Best Estimate, Technical Provisions and Contingency Measures, seeing it as providing transparency and supporting long-term decision making for the Scheme.

Going forwards, it would be helpful for stakeholders to understand how the three legs will work in practice, including the interaction between the three legs, the weight given to each when decisions are made, the exercise of Trustee judgement and when contingency measures would come into play. It would be helpful if the Trustee could provide worked stress scenarios and sensitivity analysis to demonstrate how the framework would operate under adverse conditions.

We recognise the framework has not yet been tested through a stressed valuation cycle, so Trustee judgement and clear communication on how the three legs are used, especially under stress, will be important.

Subject to that ongoing transparency, we are supportive of the three-leg methodology.

**Additional matters related to the valuation and future strategy**

**Questions 4 to 6. Validation of employer feedback on objectives.** The Trustee invited UCEA, on behalf of employers, to confirm or update these statements which reflected earlier feedback on the Scheme's future strategy.

**(4) Do you agree or disagree with the following? Please provide any supporting comments. Employers' preference continues to be for 'stability'. We interpret this to mean an aversion to the emergence of future funding deficits and a desire to maintain contribution rates and benefits at stable, predictable levels.**

Employers broadly agreed that stability should remain the primary objective for the valuation. While placing considerable importance on the stability of the Scheme, this does not necessarily equate to keeping every aspect of the Scheme unchanged. Rather, stability should be seen as

the avoidance of significant or disruptive changes over time, while allowing measured changes where these can be achieved sustainably.

Employers value benefit stability, keeping the current benefit structure, and level, broadly unchanged. This provides greater certainty for members, maintains confidence in USS and supports its attractiveness as part of the wider employment offer. Employers view the existing benefit package as appropriate and favour maintaining it. However, there is a recognition that a mechanism such as Conditional Indexation could allow targeted improvements or future changes, but only where these could be achieved sustainably.

Within the different aspects of stability, the key priority for employers is to avoid future funding deficits and deficit recovery contributions, particularly given the consequences for institutional planning.

**(5) Do you agree or disagree with the following? Please provide any supporting comments. Employers' preference is to retain the surplus expected at this valuation as a buffer against future adverse experience.**

Employers generally agree with the objective of retaining the surplus expected at this valuation as a buffer against future adverse experience, using the Scheme's funding position to protect its long-term resilience.

Retaining a buffer is important to reduce the risk of future deficits and contribution increases and to support longer-term stability. Many employers recognise the value of retaining sufficient surplus to provide resilience while allowing some use of the improved funding position, largely through potential reduction of current contribution rates.

Whilst we do not advocate for use of surplus at this valuation, we believe there is value in creating a clearer framework for determining how much of the surplus should be retained and how any surplus above this level could be used, as well as modelling to illustrate the appropriate buffer and level of surplus required to provide sufficient resilience and the circumstances in which surplus above this level could be used.

Employers broadly support the retention of the surplus as a buffer against future risks and deferring decisions on its use in any substantive sense until the 2029 valuation, when the position on Conditional Indexation is better defined. In this context, employers support ensuring there is sufficient surplus to preserve flexibility for a potential future Conditional Indexation model.

However, while supporting retention of the surplus for a potential Conditional Indexation model, employers do not support deferring all decisions on the use of the surplus until 2029. It is important, therefore, to see progress on Conditional Indexation before the next valuation, and UCEA recognises its role in working with UCU through the JNC to progress this.

**(6) Do you agree or disagree with the following? Please provide any supporting comments. Employers' preference at this valuation is to maintain overall contribution rates at their existing levels.**

Stability remains a key priority for employers, as set out in response to Question 4. From this perspective, maintaining contributions is associated with longer-term predictability. Maintaining contributions at or around current rates supports long-term stability, giving employers and members greater certainty and the ability to conduct longer-term financial planning. Employers emphasise the importance of maintaining resilience against adverse investment experience or future deficits and avoiding a reduction in contributions now that may require reversal in the future.

However, the Scheme's strong funding position also creates scope for a sustainable reduction from the current rate while retaining an appropriate buffer. Recognising this is especially important given the challenging context of financial pressures on employers and scheme members.

It is, therefore, unsurprising that as many employers agreed as disagreed that retaining contributions at or around 20.6% of salary should be an objective. However, employers supporting the status quo position on contribution levels represented a larger share of active membership: 57% compared with 34% represented by those who expressed opposition.

Maintaining contributions at or around 20.6% of salary was also the most selected preferred contribution position (as opposed to a reduction to the indicative Future Service Rate, or a modest reduction) in the additional question posed by UCEA, selected by 44% of respondents representing 52% of active membership. By comparison, 34% of respondents, representing 28% of active membership, preferred a reduction to the indicative Future Service Rate of 16.4% of salary, while 19%, representing 10% of active membership, preferred a more modest reduction.

Employers also note that a mechanism such as Conditional Indexation provides a route to greater long-term stability in both contributions and benefits. Employers understand that maintaining contributions at current levels preserves the flexibility needed to make a potential Conditional Indexation design feasible. Employers understand the importance of the Scheme to its members, and that the introduction of a potential Conditional Indexation design will not be possible without the agreement of University and College Union as the formal representative of Scheme members. It is important therefore that all parties work at pace to consider a viable and acceptable solution so that long term, sustainable contribution rates can be determined.

UCEA will seek to progress discussions with UCU, through the JNC, to determine whether contribution rates should be maintained above the required Future Service Cost.

### **Additional elements**

**Questions 7 to 10. Additional elements.** These further questions covered other matters related to the valuation and the Scheme's future strategy.

**(7) Please provide your views on the following: A range of views have been expressed by employers on the appropriate investment strategy that best supports their objectives. Is the prevailing view amongst employers to reduce risk in order to reduce volatility, maintain the existing strategy or take increased risk in order to seek greater returns?**

Employers are broadly comfortable with maintaining the current DB investment risk profile, given the objectives of stability and long-term affordability. Employers see this as providing an appropriate balance between generating long-term returns and managing volatility. Employers also recognise the Scheme's open status, long-term investment horizon and strong funding position as supporting exposure to growth assets. The current surplus and strong funding position provide sufficient resilience to absorb a degree of investment volatility without reducing risk.

Employers would be uncomfortable with a higher risk strategy, especially if higher investment risk is combined with contributions of 16.4%. Where employers may be open to changing risk, this would only be modest rather than a substantial shift: increasing risk could increase exposure to adverse funding outcomes, while reducing risk could limit long-term returns.

In advance of future consultations on investment strategy, employers would welcome greater understanding of how previous decisions have supported the schemes outcome as well as further modelling of the implications of different investment strategies, including for future contribution rates, surplus, funding volatility and downside risk. It is important to note that not all employers are yet in a position to express a view on investment strategy and some have reserved their position until the formal consultation.

**(8) Please provide your views on the following: The proposed retention of Affordable Risk Capacity (as currently specified) as the primary measure of employer risk appetite.**

We have considered the Trustee's proposal to retain Affordable Risk Capacity (AffRC), as currently specified, as the primary measure of employer risk appetite.

We are content with this proposal for the purposes of the 2026 valuation.

We do, however, recognise that AffRC is sensitive to the parameters chosen (10% of payroll, 30-year horizon, discount rate and payroll growth assumptions), and that it is ultimately a model-based construct. We therefore support:

- Periodic review of the underlying assumptions, particularly if the financial outlook for the sector or the Scheme's risk profile were to change materially.
- Continued use of additional covenant metrics, including Supportable Risk and qualitative covenant analysis, alongside AffRC in assessing the adequacy of the covenant and the appropriateness of funding and investment risk.
- An expectation that, if very adverse conditions were to arise in practice, the Trustee would take account of differences in employers' relative affordability when deciding what actions to take, rather than treating the AffRC stress as a mechanical roadmap.

Subject to those points, employers are comfortable with AffRC remaining within the Integrated Risk Management Framework at this valuation.

**(9) Please provide your views on the following: The assumed Long-Term Objective (LTO) to "run on as an open scheme". (Note the LTO forms part of the Statement of Strategy, which will be consulted on later in the valuation process.)**

We have considered and agree with the Trustee's proposal for the Long-Term Objective, defined for the purposes of setting the Technical Provisions under the new funding regime, to be "run on as an open scheme".

**(10) Please provide your views on the following: Any other aspect of this consultation.**

Question 10 provided the opportunity to comment on anything important that may not have been fully captured elsewhere. UCEA invited comment on the Covenant Support Measures agreed at the 2020 valuation (the Moratorium on employer exits without the Trustee's consent and the Debt Monitoring Framework with pari passu requirements on new secured debt).

Employers broadly agree that the Covenant Support Measures are appropriate and proportionate. The moratorium on employer exits is seen as important for protecting the collective covenant and maintaining the strength of the Scheme. However, while employers recognise the role of the Debt Monitoring Framework there are some questions over whether it remains proportionate in the current funding environment. There is also a request for clearer guidance in relation to "covenant enhancing" debt-funded investment, the treatment of mergers, what happens when an institution breaches a threshold, and how new accounting rules will affect the monitoring metrics.