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Universities Superannuation Scheme – 2026 Actuarial Valuation Consultation

**A report and analysis of employer responses prepared for
the Universities & Colleges Employers Association**

Table of Contents

Executive summary.....	3
1. Background	7
2. Detailed findings	8
2.1. Core consultation matters	8
2.1.1. Question 1: Support for UCEA's proposed response in favour of the proposed discount rate for the actuarial calculations	8
2.1.2. Question 2: Support for the UCEA draft response in favour of the remaining proposed assumptions and the draft Statement of Funding Principles	9
2.1.3. Question 3: Support for the UCEA draft response on other aspects of the proposed assumptions and methodology.....	10
2.2. Additional matters related to the valuation and future strategy	11
2.2.1. Question 4: Stability	11
2.2.2. Question 5: Surplus.....	15
2.2.3. Question 6: Contributions.....	17
2.3. Additional elements	23
2.3.1. Question 7: Investment strategy.....	24
2.3.2. Question 8: Support for the UCEA draft response on Affordable Risk Capacity ...	29
2.3.3. Question 9: Support for the UCEA draft response on the Long-Term Objective...	29
2.3.4. Question 10: Covenant Support Measures	30
2.3.5. Other comments.....	32
3. Annexe	34
3.1 Methodology	34

Executive summary

The Universities & Colleges Employers Association (UCEA) invited participating Universities Superannuation Scheme (USS) employers to respond to a consultation on the 2026 actuarial valuation and the Scheme's future strategy. The consultation period ran from 15th July to 11th September 2026. In total, **81 employers responded, representing 93% of active USS membership**. Thinks Insight & Strategy independently analysed anonymised responses, and considered both the proportion of responding employers expressing different views and the proportion of the active membership of USS represented by those employers.

Views on the core technical aspects of the valuation

There was unanimous support for UCEA's draft responses on the core technical aspects of the valuation. All respondents answering the relevant questions supported the proposed discount rate, the remaining proposed assumptions, matters set out in the Statement of Funding Principles and the wider methodology. Open text responses reinforced this overall support, while also identifying considerations for how the approach should work over time. This included emphasising the importance of proportionate prudence and ensuring assumptions continue to reflect USS's status as a scheme that is open to new members.

Respondents welcomed the three-leg framework, particularly the clearer distinction between Best Estimate, Technical Provisions and Contingency Measures. However, some wanted greater clarity about how the framework would work in practice, including interaction between the three legs, how Trustee judgement would be used and when contingency measures would be used. Some respondents emphasised the need for the framework to be stress tested to understand how it would operate under adverse conditions.

Views on stability of the Scheme

Employers placed considerable importance on the stability of the Scheme, but did not necessarily equate stability with keeping every aspect of the Scheme unchanged.

79% of respondents, representing 79% of active membership, agreed that stability should remain the primary objective. In the open text responses, stability was more commonly described in terms of avoiding significant or disruptive changes over time, while allowing measured changes only where these could be achieved sustainably.

When reflecting on the different aspects of stability, avoiding future funding deficits and deficit recovery contributions was the strongest element of this. 95% of respondents considered this important or very important (a greater proportion than those who agreed that stability should remain the objective), with 73% saying it was very important. This priority was also prominent in the open text responses, where members associated deficit avoidance with also avoiding significant future increases in employer and member costs and providing greater clarity for institutional planning.

Employers rated benefit stability as the second most important aspect of stability, followed by employer and member contributions. These aspects were considered important as they provided certainty for employers and members. Some respondents emphasised maintaining the current benefit structure and contribution levels to avoid potentially disruptive changes in the future (i.e. a reduction in benefits or an increase in contributions). Others felt that stability

could accommodate modest reductions in contributions or targeted improvements in benefits if these could be achieved sustainably.

This was also reflected in unanimous support among those answering the question on the Long-Term Objective of running USS as an open scheme. Respondents associated this with USS's long-term sustainability, its ability to take an appropriately long-term approach to funding and investment, and the continuation of valuable benefits for current and future staff.

Views on the surplus

There was a broad preference for retaining the surplus as a buffer against future risks, although employers differed on how much should be retained, when and how it should be used.

Employers generally supported using the Scheme's funding position to protect its long-term resilience: 74% of respondents, representing 71% of active membership, agreed that retaining surplus as a buffer should be an objective for the valuation. Open text responses reinforced this, where respondents linked maintaining a surplus to protection from future adverse experiences, reducing the risk of future deficits and contribution increases, and supporting longer-term stability.

However, support for retaining a buffer did not necessarily mean support for leaving the entire surplus untouched. Many respondents discussed retaining sufficient surplus to provide resilience, while allowing some use of the improved funding position through lower contributions and, less strongly, benefit enhancements.

There was also majority support for retaining the bulk of the current surplus and deferring decisions on its use until the 2029 valuation, when the position on Conditional Indexation is better defined: 79% of respondents representing 76% of active membership supported this. However, many employers provided important nuance in the open text responses. Many employers emphasised that work to develop Conditional Indexation, determine an appropriate surplus buffer and explore potential uses of the surplus should continue ahead of the 2029 valuation, rather than being deferred until 2029.

Views on contributions and benefits

Contribution rates were the greatest area of divergence, reflecting different views on how best to achieve stability.

Roughly equal proportions agreed (48% of respondents) and disagreed (47% of respondents) that retaining contributions at or around 20.6% should be an objective. However, employers supporting this position represented a larger share of active membership: 57% compared with 34% represented by those who disagreed.

Maintaining contributions at or around 20.6% was also the most selected preferred contribution position (as opposed to a reduction to the indicative Future Service Rate, or a modest reduction), 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%, while 19%, representing 10% of active membership, preferred a more modest reduction.

Both those favouring current contribution levels and some of those favouring reductions framed their position in terms of stability. Maintaining contributions was associated with

longer-term predictability, preserving resilience and avoiding a reduction now that might need to be reversed in the future. Others who favoured a reduction noted the Scheme's strong funding position creates scope for a sustainable reduction while retaining an appropriate buffer. This was considered especially important in the challenging context of financial pressures on employers and members.

Employers were generally cautious about benefit enhancements, while placing value on maintaining existing benefits.

Most respondents opposed allowing benefit enhancements if contributions remain at or around 20.6%. 69% of respondents, representing 65% of active membership, opposed or strongly opposed this. Some employers emphasised that opposition should not be interpreted as employers placing limited value on USS benefits. Instead, commonly highlighted concerns were about introducing further benefit changes at this valuation and the potential longer-term implications of enhancements, although a smaller group were open to targeted improvements or changes through a Conditional Indexation framework.

Views on investment risk

Employers showed the greatest comfort with broadly maintaining the current DB investment risk profile.

64% of respondents, representing 60% of active membership, were comfortable or very comfortable with the current approach. Employers saw the current approach as providing an appropriate balance between generating long-term returns and managing volatility. Some also pointed to USS's open status, long-term investment horizon and strong funding position as supporting exposure to growth assets.

Respondents were more likely to be uncomfortable than comfortable with either increasing or reducing risk. Discomfort was particularly strong for a higher risk strategy and highest where higher investment risk was combined with contributions of 16.4%. Where respondents were open to changing risk, this was often framed as a modest rather than substantial shift.

The small group who were open to a higher risk strategy noted the Scheme's strong funding position and surplus as providing capacity to absorb some additional volatility, while potentially benefitting from greater long-term investment returns. On the other hand, those employers who were open to a lower risk strategy highlighted the Scheme's strong funding position as an opportunity to lock in the resilience provided by the current surplus and avoid the likelihood of future deficits.

It should be noted that some respondents did not respond to this part of the consultation, preferring to reserve their position on the appropriate level of risk until the formal consultation.

How employers considered different decisions facing the Scheme

Respondents tended to consider contributions, surplus, benefits, investment risk and Conditional Indexation as interconnected decisions.

The importance of these relationships came through in responses to several questions across the consultation. For example, decisions about the use of surplus were linked to the level of contributions and the amount of resilience available to protect against future deficits.

Conditional Indexation was particularly important to some employers' views about contributions and the future use of the surplus. Some saw retaining current contribution levels and sufficient surplus as preserving flexibility for a potential Conditional Indexation model. Others wanted further modelling to understand whether Conditional Indexation could operate sustainably at lower contribution rates.

Respondents also linked contribution and investment decisions. Most of those discussing this relationship emphasised that the two should be considered together rather than expressing a simple view that lower contributions should lead to either higher or lower investment risk. Different positions emerged among those who did express a preference, reinforcing the importance respondents placed on considering the overall balance of contributions, investment returns and protection against future adverse outcomes.

Views on other aspects of the valuation and future strategy

There was unanimous support for UCEA's draft responses on Affordable Risk Capacity and the Long-Term Objective of running USS as an open scheme.

Respondents generally supported retaining 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.

Covenant Support Measures were broadly viewed as appropriate and proportionate, although some elements attracted more scrutiny. 64% of respondents, representing 68% of active membership, agreed or strongly agreed that the measures were appropriate and proportionate. Open-text responses showed strongest support for a continued moratorium on employer exits, while the Debt Monitoring Framework attracted more questions about proportionality, practical operation and the need for clearer guidance.

1. Background

The Universities Superannuation Scheme (USS) is the principal pension scheme for Higher Education Institutions in the UK. The Universities & Colleges Employers Association (UCEA) is the nominated formal representative for the c.330 employers in USS.

On 15th July 2026, the USS Trustee launched a formal consultation UCEA on the proposed methodology and assumptions to be used in calculating the Technical Provisions and draft Statement of Funding Principles for the 31 March 2026 valuation of the Scheme. 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.

In order to prepare a response that appropriately reflects employers' collective views, UCEA conducted a consultation survey of participating employers. The USS Trustee posed ten questions in the consultation document. To seek further context in relation to the strategic questions raised, UCEA set some additional questions for employers to consider.

The consultation survey period ran between 15th July – 11th September 2026. **81 employers responded to the survey, representing 93% of the active membership.**

Reading the findings: Results are presented both by reference to the number of responding organisations and the proportion of the active membership of USS represented by those organisations. The latter gives greater weight to institutions with a greater number of active USS members.

2. Detailed findings

2.1. Core consultation matters

There was very strong consensus across the responses to the ‘core consultation matters’ questions. All respondents answering Questions 1–3, in relation to the proposed methodology and assumptions and Statement of Funding Principles, supported UCEA's proposed responses. Open text responses largely reinforced this support, while identifying three recurring considerations across the questions: maintaining proportionate prudence; ensuring assumptions and time horizons continue to reflect USS's status as an open, long-term scheme; and providing ongoing transparency, monitoring and stress testing as the framework is applied in practice.

2.1.1. Question 1: Support for UCEA's proposed response in favour of the proposed discount rate for the actuarial calculations

All respondents supported the UCEA draft response in favour of the proposed discount rate for the actuarial calculations. 100% (n=77) of respondents representing 92% of active membership, supported the UCEA draft response in favour of the proposed discount rate for the actuarial calculations. Four respondents, representing 2% of the active membership, chose not to answer this question.

Open text responses reinforced the high level of support for the proposed discount rate approach. In total 35 respondents, representing just over half of the active membership provided open text responses which explained their support for the proposed discount rate approach. A prominent theme within these responses was unqualified support for the proposal (18 respondents, representing 26% of the active scheme membership). Key areas that respondents discussed in support of the draft response included:

- **Alignment with the new funding regime.** Respondents highlighted that the proposed term-structured discount rate reflects the requirements of the new regulatory framework.
- **It reflects the characteristics of the Scheme.** Some discussed the covenant reliability period or maturity horizon, with a wider group of employers referring more generally to the framework's consistency with running USS as an open scheme.
- **The new framework is transparent and coherent.** A small number of respondents said that the three-leg framework was welcomed for making clearer the relationship between investment assumptions, funding, covenant strength and prudence.

Of the remaining comments, while respondents supported the approach, they also raised caveats or considerations for how it should operate over time (17 respondents, representing 25% of the active membership). Key caveats or considerations included:

- **The 30 and 40-year periods should remain rolling.** Support for the new methodology was repeatedly conditional on the covenant reliability period and maturity horizon continuing to reflect the open nature of USS. Respondents did not want those periods automatically shortening with each valuation.

“If this new approach is adopted we would expect the 30-year covenant reliability period and the 40-year horizon to significant maturity to be maintained at future valuations to reflect the open nature of the Scheme.”

- **Prudence was accepted, but respondents cautioned that it remain proportionate.** Respondents accepted the need for prudence and often regarded the proposed assumptions as reasonable, but cautioned that it should remain proportionate.

“We encourage the Trustee to ensure that prudence remains proportionate and does not result in unnecessary contribution requirements or funding constraints for employers and members.”

- **Some respondents noted the higher level of prudence compared with previous valuations.** A few respondents compared the 2026 methodology with previous valuations, including the higher confidence level and prudence relative to 2023.

2.1.2. Question 2: Support for the UCEA draft response in favour of the remaining proposed assumptions and the draft Statement of Funding Principles

All respondents supported the UCEA draft response in favour of the remaining proposed assumptions and the draft Statement of Funding Principles. 100% (n=77) of respondents representing 92% of active membership, supported the UCEA draft response in favour of the remaining proposed assumptions and the draft Statement of Funding Principles. Four respondents, representing 2% of the active membership, chose not to answer this question. 28 respondents representing 39% of the active membership provided open text responses sharing further detail on their position.

Open text response broadly supported the proposed approach of using best estimate assumptions, with prudence concentrated in the discount rate and mortality assumptions. Unqualified support for the proposed approach came through strongly in the open text responses (shared by 15 respondents, representing 21% of the active membership), alongside specific endorsement of the proposed approach to prudence (discussed by nine respondents representing 13% of the active membership).

“We support UCEA's draft response. The University agrees that prudence should be applied only to the discount rate and initial mortality assumptions, with all other assumptions set on a best estimate basis.”

Where respondents raised qualifications, these focussed primarily on the mortality assumption and the importance of keeping assumptions under review. Roughly half of those who provided an open text response (n=13, representing 18% of the active membership) expressed considerations or caveats. Key themes included:

- **The mortality assumption is at the more prudent end.** A small number of respondents highlighted that the mortality assumption is more prudent in comparison to other pension schemes, acknowledging the liability loading included in the base mortality tables.

- **A desire for ongoing monitoring and transparency.** A few responses highlighted expectations of ongoing monitoring and transparent reporting of market conditions and scheme experience between valuations to sustain the support of the proposal.

“We have no specific objection to the remaining proposed financial and demographic assumptions, including the yield-curve approach to inflation and the scheme-specific mortality basis, provided the Scheme Actuary confirms that they represent prudent and evidence-based estimates. Mortality, inflation, retirement and withdrawal experience should be monitored between valuations, with transparent reporting of material deviations.”

2.1.3. Question 3: Support for the UCEA draft response on other aspects of the proposed assumptions and methodology

All respondents supported the UCEA draft response on other aspects of the proposed assumptions and methodology. 100% (n=78) of respondents representing 92% of active membership, supported the UCEA draft response on other aspects of the proposed assumptions and methodology. Three respondents, representing 1% of the active membership, chose not to answer this question. 22 respondents, representing 33% of the active membership, provided open text responses sharing further detail on their position.

Open text responses showed support for the three-leg framework, alongside requests for greater clarity and evidence about how it would operate in practice. Support for the three-leg framework was a prominent theme (raised by 10 respondents representing 21% of the active membership). Respondents generally welcomed the framework, particularly the clearer distinction between Best Estimate, Technical Provisions and Contingency Measures. It was seen as providing transparency, supporting long-term decision making and as appropriate for the Scheme.

Transparency was welcomed. However, around half of those who provided an open text answer raised reporting requests and wanted an explanation as to how the three legs will work in practice (10 respondents representing 21% of the active membership). Requests included clearer reporting on 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.

“The introduction of the three-leg structure is particularly welcome given the rounded approach and the transparency it provides.”

“[The Respondent] would welcome formal periodic updates against all three legs of the framework throughout the inter-valuation period. This would improve transparency, help employers understand movements in funding, risk and prudence over time, and better prepare institutions for future valuation outcomes.”

Respondents also wanted to understand how the framework would perform under adverse conditions. A recurring concern (raised by 10 respondents, representing 14% of the active membership) was that the framework has not yet been tested through a full adverse valuation cycle. Respondents therefore requested for worked stress scenarios and

sensitivity analysis to demonstrate how the framework would operate under adverse conditions.

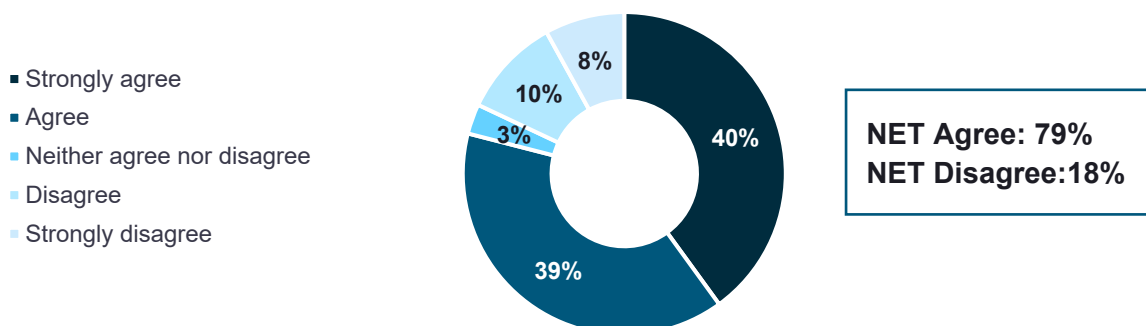
2.2. Additional matters related to the valuation and future strategy

Across questions on stability, surplus and contributions, respondents often considered these issues together. Open text responses often linked contribution levels and use of surplus to longer-term stability, avoiding the risk of future deficits and the potential development of a Conditional Indexation design for USS. Views differed on the appropriate balance between retaining a buffer against future risks and making use of the Scheme's improved funding position in the near term.

2.2.1. Question 4: Stability

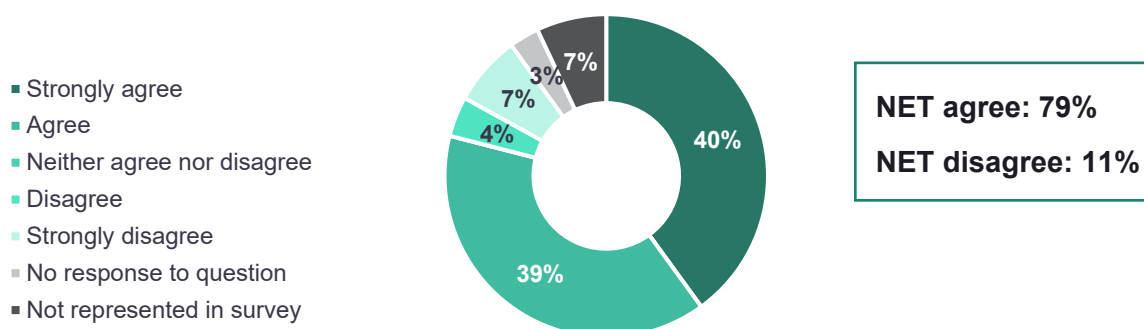
The majority of respondents agreed that stability should remain the primary objective for the valuation. 79% of respondents (n=61) representing 79% of the active membership either agreed or strongly agreed that stability should remain the primary objective. 18% of respondents (n=14) disagreed, representing 11% of the active membership. Four respondents, representing 3% of the active membership, chose not to answer this question. 65 respondents, representing 81% of the active membership, provided open text responses sharing further detail on their position.

Stability should remain the primary objective for this valuation
Number of respondents who answered the survey



Question 4.1 Does your institution agree or disagree that stability (of contribution rates and benefits, and avoidance of a return to deficit / deficit recovery contributions) should remain the primary objective for this valuation? Base: Respondents who answered (77); Missing responses (4)

Stability should remain the primary objective for this valuation
Proportion of active members

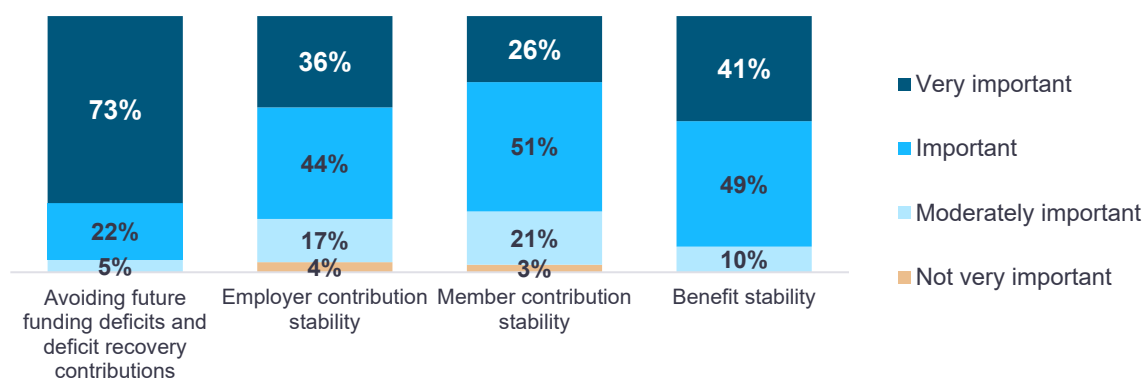


Question 4.1 Does your institution agree or disagree that stability (of contribution rates and benefits, and avoidance of a return to deficit / deficit recovery contributions) should remain the primary objective for this valuation? Base: Active members (233,840)

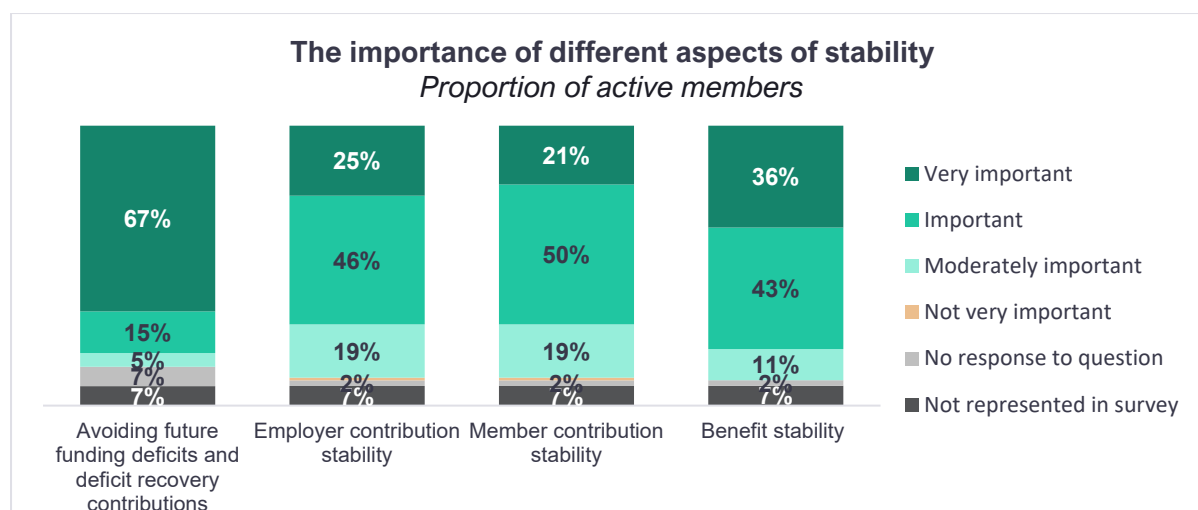
In the open text question, some respondents reflected on how stability should be defined or what it should mean in practice (raised by 17 respondents, representing 20% of the active membership). More commonly, respondents described stability in terms of avoiding disruptive or significant changes over time, rather than keeping all aspects of the Scheme unchanged. This included avoiding future deficits and sharp changes in contributions or benefits, while allowing measured changes where appropriate. A smaller number defined stability more closely in terms of maintaining existing contribution and benefit levels.

When reflecting on the different aspects of stability, avoiding future funding deficits and deficit recovery contributions was rated as most important. Notably, 73% of respondents (n=56) representing 67% of the active membership, said avoiding future deficits was 'very important'. A further 22% of respondents (n=17) representing 15% of the active membership said it was important. Interestingly, this proportion is larger than those who agreed stability should remain an objective of the Scheme. No respondents said it was not very or at all important. Four respondents, representing 7% of the active membership, chose not to answer this question.

The importance of different aspects of stability
Number of respondents who answered the survey



Question 4.2 How important are the following aspects of stability to your institution? Base: Respondents who answered (77); Missing responses (4)



Question 4.2 How important are the following aspects of stability to your institution? Base: Active members (233,840)

In the open text responses, avoiding future deficits was also a strong theme (raised by 40 respondents, representing 52% of the active membership). Respondents highlighted the importance of reducing the likelihood of the Scheme returning to deficit and avoiding the resulting need for deficit recovery contributions.

“Avoiding a return to funding deficits and deficit recovery contributions should remain a key objective, as deficits can lead to significant increases in employer and member costs and create uncertainty for institutional financial planning.”

Benefit stability (keeping the current Defined Benefit structure and level broadly unchanged) was also seen as important. 90% of respondents (n=70) representing 80% of the active membership said it was either important or very important. However, it was felt less strongly than avoiding funding deficits: only 41% of respondents (n=32), representing 36% of the active membership, said it was ‘very important’.

Benefit stability was a prominent theme within the open text responses (raised by 32 respondents representing 42% of the active membership). Respondents particularly emphasised maintaining the current Defined Benefit structure and avoiding future reductions or repeated changes to benefits. Stable benefits were associated with providing greater certainty for members, maintaining confidence in USS and supporting its attractiveness as part of the wider employment offer.

Many of these respondents distinguished benefit stability from benefit enhancement. Some described the existing benefit package as appropriate or attractive and favoured maintaining it broadly unchanged. A smaller number were open to targeted improvements or future changes, including through Conditional Indexation, where these could be achieved sustainably.

A majority rated employer and member contribution stability as important or very important, but sentiment was less strong than for other aspects of stability.

79% of respondents (n=62), representing 71% of active membership said employer contribution stability was either important or very important. 17% of respondents (n=13) representing 19% of the active membership, said it was moderately important and 4% of

respondents representing 1% of the active membership said it was not very important. Three respondents, representing 2% of the active membership, chose not to answer this question.

Similarly, 77% of respondents (n=60) representing 71% of the active membership said member contribution stability was either important or very important. 21% of respondents representing 19% of active members, said it was moderately important; 3% of respondents representing 1% of active members said it was not very important.

However, maintaining stable contributions was one of the most commonly raised priorities in the open text questions (discussed by 38 respondents, representing 49% of the active membership). Contribution stability was associated with predictability and longer-term financial planning, but respondents differed on what this required in practice:

- Some favoured maintaining or minimising changes to contribution rates, including avoiding reductions now which may need to be reversed in the future. Some explicitly considered stability across multiple valuation cycles rather than solely on the rate set at this valuation.
- On the other hand, a similar number considered that stability could accommodate lower contribution rates (if they could be achieved sustainably). Some respondents prioritised contribution reductions with respondents referencing the Scheme's strong funding position and the scope to reduce contributions while retaining sufficient resilience.
- Others focussed primarily on avoiding significant, frequent or unexpected increases in contributions and supporting predictable financial planning, without expressing a clear preference on maintaining or reducing rates.

Views on contributions are shared in more detail in section 2.2.3.

"We are keen to maintain a focus on stability of contribution levels, in order to maintain a level of surplus that reduces the likelihood of future requirements for contribution or benefit changes."

Across the different aspects of stability, some respondents referenced **previous valuation cycles** and wanted to avoid a repeat of the employee relations challenges associated with changes to contributions and benefits.

Wider financial pressures and affordability were also considered alongside stability.

Financial pressures facing the higher education sector emerged as a theme in several responses to the open text questions (nine respondents, representing 14% of the active membership). Respondents differed in how these affected their views: some emphasised the importance of predictable contributions to support financial planning, while others argued that the Scheme's strong funding position created scope to reduce contributions.

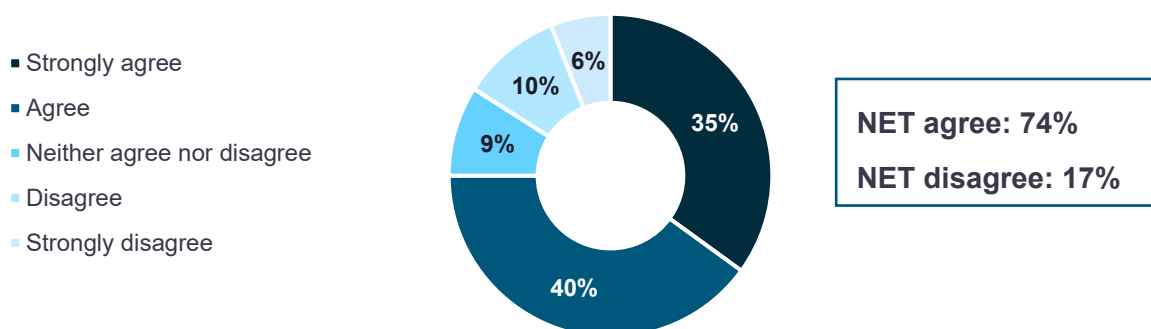
Finally, a smaller number also discussed investment strategy as part of achieving stability. This included balancing investment risk and reward and de-risking. Views differed: some supported reducing investment risk to limit future funding volatility, while others cautioned against pursuing stability at the expense of potential investment growth and returns. Views on investment strategy are explored further in section 2.3.1.

2.2.2. Question 5: Surplus

There was broad agreement that retaining the surplus expected at this valuation as a buffer against future adverse experience should be an objective. 74% of respondents (n=58), representing 71% of the active membership either agreed or strongly agreed with this. In comparison, 17% of respondents (n=13) representing 15% of the active membership disagreed. 9% of respondents (n=7), representing 5% of the active membership neither agreed nor disagreed. 3 respondents, representing 2% of the active membership, chose not to answer this question. 57 respondents, representing 78% of the active membership, provided open text responses sharing further detail on their position.

Retaining the surplus expected at this valuation as a buffer against future adverse experience should be an objective.

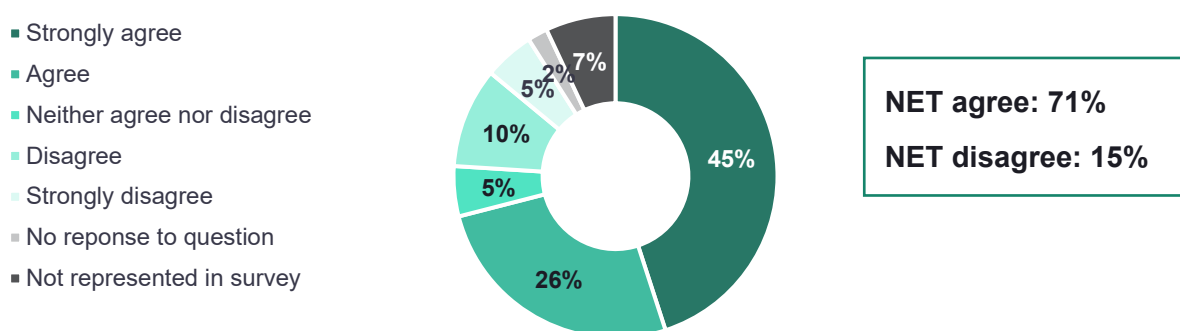
Number of respondents who answered the survey



Question 5.1. Does your institution agree or disagree that retaining the surplus expected at this valuation as a buffer against future adverse experience should be an objective for this valuation? Base: Respondents who answered (78); Missing responses (3)

Retaining the surplus expected at this valuation as a buffer against future adverse experience should be an objective

Proportion of active members



Question 5.1. Does your institution agree or disagree that retaining the surplus expected at this valuation as a buffer against future adverse experience should be an objective for this valuation? Base: Active members (233,840)

Open text responses similarly showed strong support for retaining a surplus buffer, although respondents expressed different views about how much should be retained and when surplus above this level should be used. Retaining surplus as a buffer was a prominent theme (raised by 41 respondents, representing 55% of the active membership). Respondents linked retaining a buffer to protecting against future adverse experience, reducing the risk of future deficits and contribution increases and supporting longer-term stability.

“The [institution] believes that maintaining (and indeed growing) the surplus, to act as a protective buffer, should be the priority.”

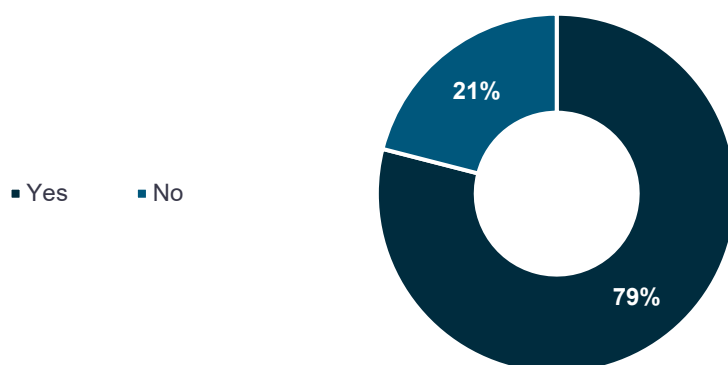
However, for some of these respondents, retaining a buffer did not mean leaving the entire surplus untouched. Many emphasised the value of retaining sufficient surplus to provide resilience while allowing some use of the improved funding position. Most often this included reducing potential contribution rates, and less strongly, allowing for some benefit enhancements.

There were also calls for a clearer framework for how much surplus should be retained and how any surplus above this level should be used (raised by 11 respondents, representing 15% of the active membership). This included requests for further modelling of an appropriate buffer and/or a clearer framework for managing surplus, alongside establishing the level of surplus needed to provide sufficient resilience and the circumstances in which surplus above this level could be used.

There was also majority support for retaining the bulk of the current surplus as a buffer against future risks and deferring decisions on its use until the 2029 valuation, when the position on Conditional Indexation is better defined. 79% of respondents (n=61) representing 76% of the active membership supported this; 21% of respondents (n=16), representing 13% of active members did not support this. Four respondents, representing 4% of the active membership, chose not to answer this question.

Of the respondents who answered ‘no’ to retaining the bulk of the surplus as a buffer against future risks with decisions on its use deferred to the 2029 valuation, the most common reason was using the surplus to prioritise near-term contribution reductions.

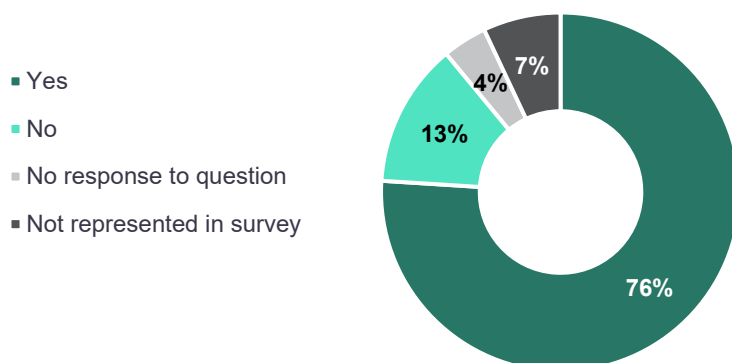
Retaining the bulk of the current surplus as a buffer against future risks, with decisions on its use deferred to the 2029 valuation
Number of respondents who answered the survey



Question 5.2. Does your institution support retaining the bulk of the current surplus as a buffer against future risks, with decisions on its use deferred to the 2029 valuation when the position on Conditional Indexation (as a potential scheme design for future benefits) is better defined? Base: Respondents who answered (77); Missing responses (4)

Retaining the bulk of the current surplus as a buffer against future risks, with decisions on its use deferred to the 2029 valuation

Proportion of active members



Question 5.2. Does your institution support retaining the bulk of the current surplus as a buffer against future risks, with decisions on its use deferred to the 2029 valuation when the position on Conditional Indexation (as a potential scheme design for future benefits) is better defined? Base: Active members (233,840)

Conditional Indexation featured prominently in employers' considerations about the future use of surplus. Many employers expressed support for Conditional Indexation (21, representing 41% of the active membership). Some linked retaining sufficient surplus to preserving flexibility or headroom for a potential future Conditional Indexation model.

However, open text responses provided some nuance about waiting until 2029 to make decisions about the surplus. Some respondents supported retaining a buffer but did not want all decisions or work on its future use to be deferred until 2029 (raised by 11 respondents, representing 24% of the active membership). This included calls to progress work on Conditional Indexation, modelling of the appropriate buffer, or consideration of potential uses of surplus before the next valuation. A smaller number explicitly supported waiting until 2029 before making decisions about its use.

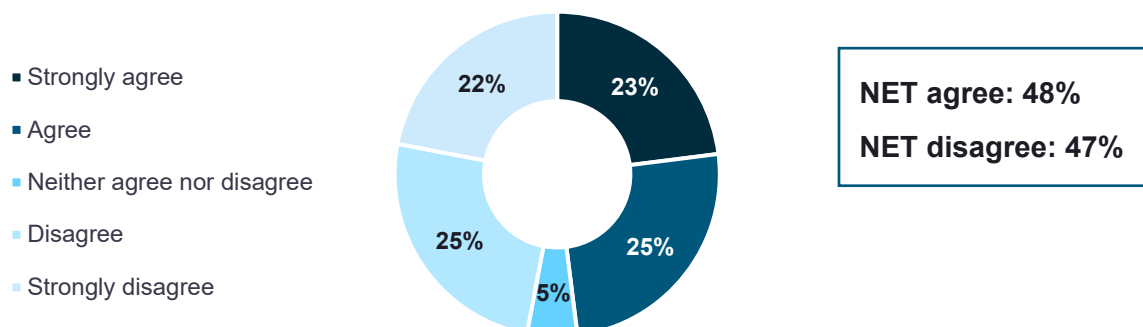
2.2.3. Question 6: Contributions

While respondents' views were split, employers representing a greater proportion of the active membership supported retaining contribution rates at or around their existing levels as an objective for the valuation.

48% of respondents (n=38) representing 57% of the active membership, either agreed or strongly agreed that retaining contribution levels at their existing levels should be an objective. 47% of respondents (n=37) representing 34% of the active membership, either disagreed or strongly disagreed. Two respondents did not complete this question, representing 1% of the active membership.

Retaining contributions rates at or around their existing levels as an objective for the valuation

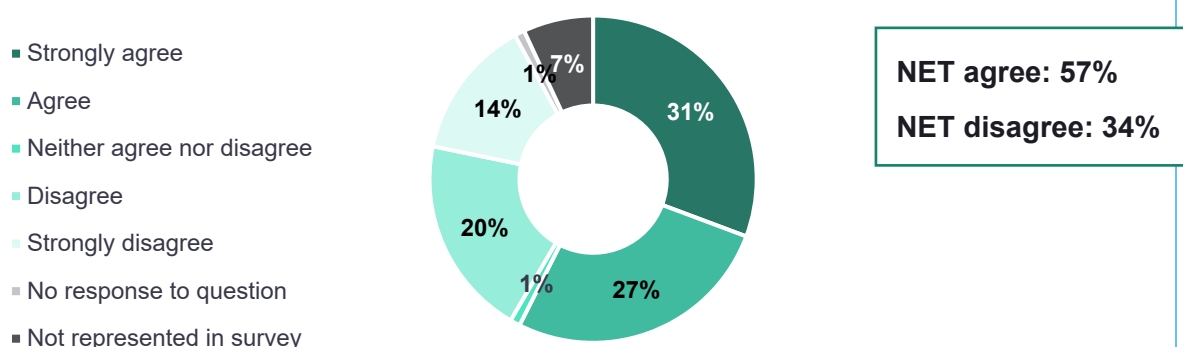
Number of respondents who answered the survey



Question 6.1. Does your institution agree or disagree that retaining contribution rates at or around their existing levels (20.6%) should be an objective for this valuation? Base: Respondents who answered (79); Missing responses (2)

Retaining contributions rates at or around their existing levels as an objective for the valuation

Proportion of active members

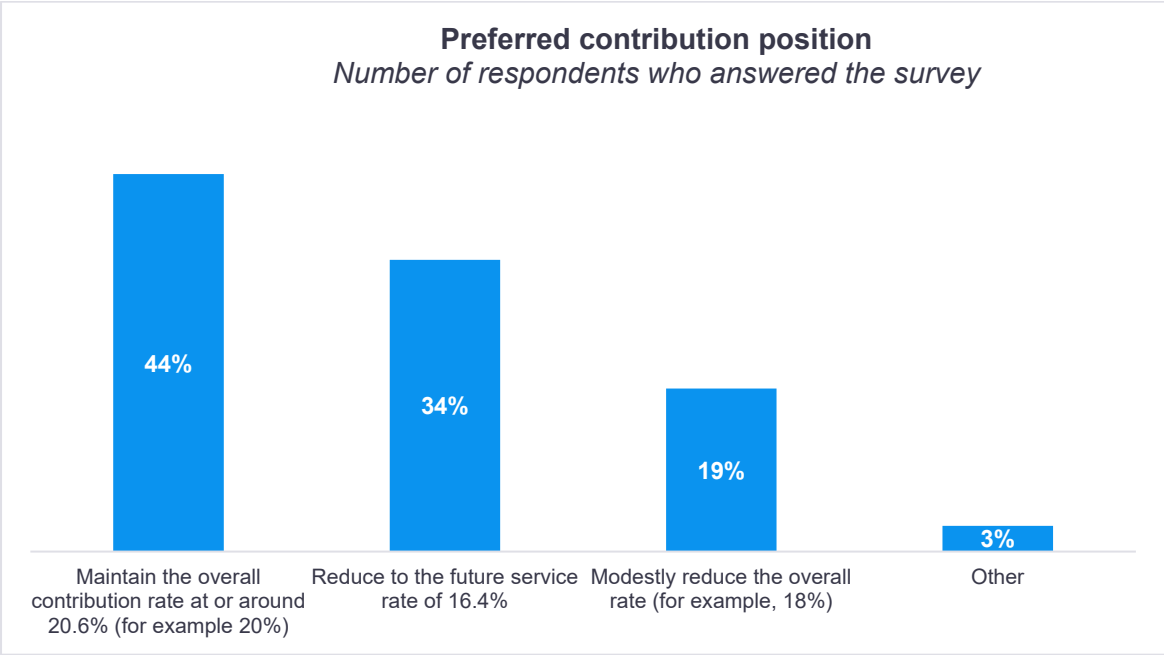


Question 6.1. Does your institution agree or disagree that retaining contribution rates at or around their existing levels (20.6%) should be an objective for this valuation? Base: Active members (233,840)

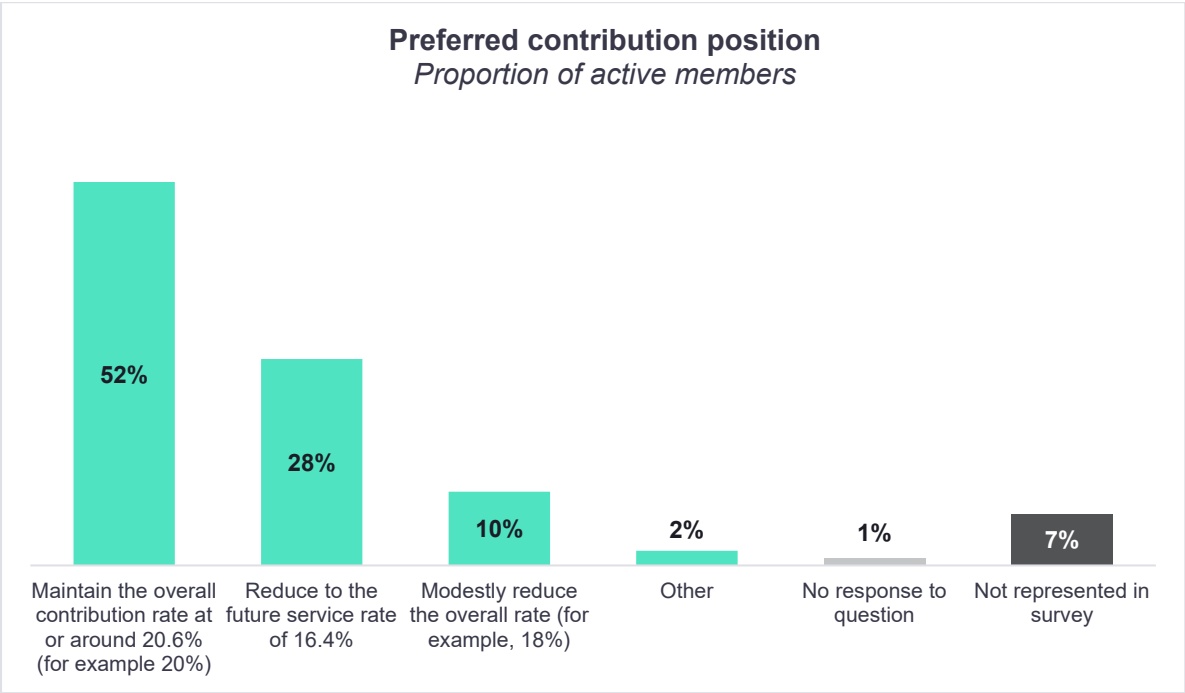
This pattern was also reflected in respondents' preferred contribution position, with maintaining the overall contribution rate at or around 20.6% the most commonly selected option.

When considering which contribution position best fits their institution, 44% of respondents (n=35) representing a majority of the active membership (52%) chose to maintain the overall contribution rate at or around 20.6%. In comparison, reducing to the indicative future service rate of 16.4%, was preferred by 34% of respondents (n=27) representing 28% of the active membership. To modestly reduce the overall rate (for example to 18%) received the least support, with 19% of respondents (n=15) representing 10% of the active membership selecting it. A further 3% of respondents (n=2), representing 2% of active membership,

selected another contribution position.* Two respondents did not complete this question, representing 1% of the active membership.



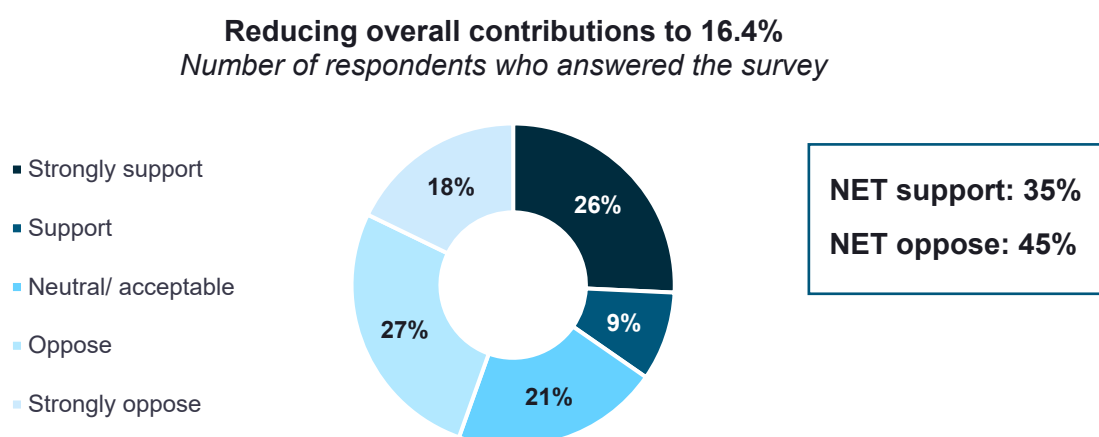
Question 6.2. Which contribution position best fits your institution’s preference? Base: Respondents who answered (79); Missing responses (2)



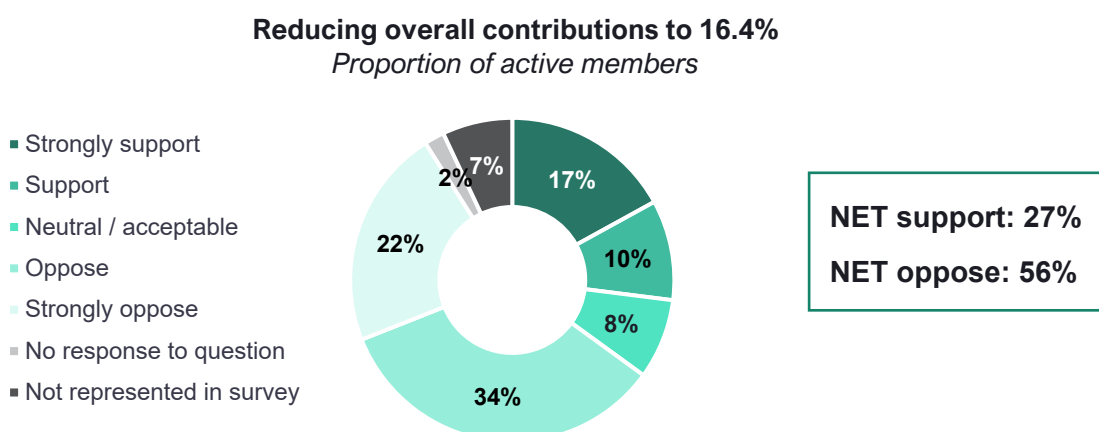
Question 6.2. Which contribution position best fits your institution’s preference?. Base: Active members (233,840)

* When asked to specify their preference, one of these respondents, representing 2% of the active membership expressed support for maintaining contributions at or around 20.6%.

Consistent with this, more respondents opposed than supported reducing overall contributions to a rate of 16.4%. When considering how institutions would feel if overall contribution were reduced to 16.4%, 45% of respondents (n=35) representing 56% of the active membership, either opposed or strongly opposed this change. Whereas 35% of respondents (n=27) representing 27% of the active membership, were in support. Notably 21% of respondents (n=16) representing 8% of the active membership, responded neutrally. Three respondents did not complete this question, representing 2% of the active membership



Question 6.3. If overall contributions were reduced to 16.4%, how would your institution feel about this? Base: Respondents who answered (78); Missing responses (3)



Question 6.3. If overall contributions were reduced to 16.4%, how would your institution feel about this? Base: Active members (233,840)

Open-text responses provided further insight into the considerations underpinning these views, particularly around stability, the use of surplus and Conditional Indexation. 60 respondents, representing 80% of the active membership, provided open text responses sharing further detail on their position.

Stability was the most prominent consideration (mentioned by 33 respondents representing 45% of the active membership). While this was often linked to maintaining the contribution rate at or around 20.6%, some respondents felt stability could also be achieved alongside a modest reduction in contributions. Reasons for considering stability included:

- Maintaining contributions at or around current rates was seen as **supporting long-term stability and predictability**. Respondents felt this would give employers and members greater certainty and support longer-term financial planning.
- **Avoiding the risk of contribution rates needing to increase in the future** if they are reduced now. Respondents were concerned that reducing rates now could create greater volatility if funding conditions deteriorate. They emphasised the importance of maintaining resilience against adverse investment experience or future deficits.
- However, a smaller number of respondents were open to **modest reductions in the contribution rate where stability could still be protected**. These respondents supported exploring a smaller reduction where modelling demonstrated that it would be sustainable.

“Our position is that stability should remain the principal employer objective. In the near term, maintaining the overall contribution rate at 20.6% would appear to provide the greatest protection against a renewed deficit and disruptive contribution changes.”

The use of the Scheme’s surplus was also raised in relation to contribution rates.

Many discussed how the surplus should be used (raised by 24 respondents, representing 28% of the active membership). Two main positions emerged:

- As noted in the previous section, the USS surplus and stronger funding position was seen by some as creating **scope to reduce contribution rates**. These respondents felt employers and members should benefit from the improved financial position of the Scheme, particularly given wider financial pressures on universities and staff.
- Others emphasised the importance of retaining an **appropriate surplus buffer to support wider scheme objectives**, including stability and a potential Conditional Indexation design for USS. Respondents called for appropriate modelling in the context of any changes to rates to ensure the surplus buffer is protected.

“The Scheme is in a strong funding position with a reported surplus of circa £16 billion [The Respondent] and the greater Universities sector, however, would benefit from reduced employee and employer costs. Scheme members would also benefit at a time when they are exposed to ever higher cost of living expenditure. [The Respondent] supports a reduction in the overall contribution rate, while retaining an appropriate surplus buffer and sufficient headroom to support conditional indexation.”

Conditional Indexation was a further consideration in views about contribution rates.

Some highlighted the potential implications of changes to contribution rates for a potential Conditional Indexation design for USS (raised by 17 respondents, representing 33% of the active membership), detail provided included:

- **Maintaining contributions at current levels was seen as preserving the flexibility needed to make a potential Conditional Indexation design feasible.** Some respondents were concerned that reducing contributions materially below the 20% rate used in modelling could make a Conditional Indexation design harder to implement.

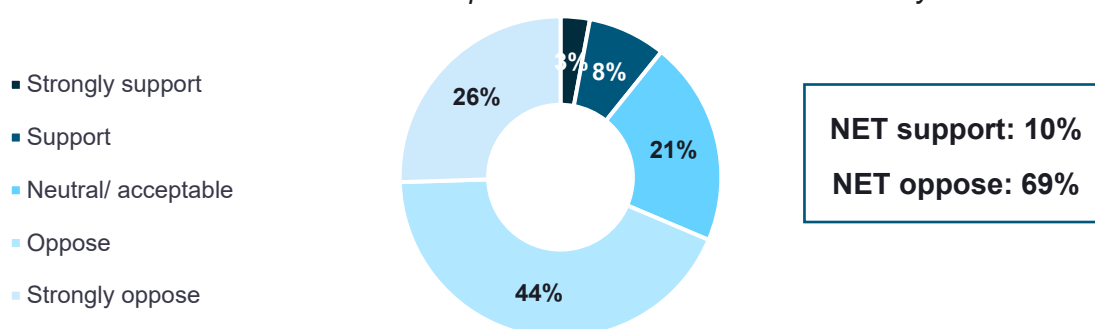
- **Conditional Indexation was viewed by some as a route to greater long-term stability in both contributions and benefits.** These respondents saw it as providing a more stable framework over time, potentially reducing the need for repeated changes to contribution or benefit levels.
- **Some respondents wanted further modelling of Conditional Indexation designs at different contribution rates.** They challenged the assumption that Conditional Indexation necessarily requires contributions to remain at current levels and called for analysis of whether it could work at lower rates such as 16.4% or 18%.

“[NAME] recognises that CI modelling has been based on an overall contribution level of 20%. However, we would welcome further analysis on how CI could operate on lower long term contribution rates.”

“As we are supportive of a CI model and are aware that an indicative overall contribution rate is approximately 20%, we would not support a reduction in contributions at this valuation. A reduction in contributions now, and then an increase in the future would risk damaging confidence in the Scheme further.”

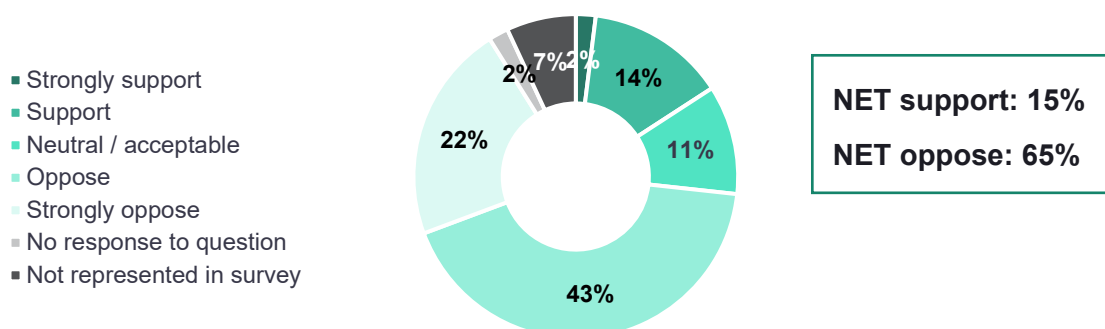
A majority of respondents opposed the USS Joint Negotiating Committee (JNC) allowing some level of benefit enhancements if contributions remain at or around 20.6%. When asked how comfortable their institution would be with the JNC allowing some level of benefit enhancements if contributions remain at or around 20.6%, 69% of respondents (n=54), representing 65% of the active membership, either opposed or strongly opposed this. In comparison, only 10% (n=8) of respondents, representing 15% of the active membership, either supported or strongly supported the proposal. Three respondents, representing 2% of the active membership, did not answer this question.

Allowing some level of benefit enhancements if contributions remain at or around 20.6%
Number of respondents who answered the survey



Question 6.4. If contributions remain at or around 20.6%, how comfortable would your institution be with the JNC allowing some level of benefit enhancements (subject to consultation)? Base: Respondents who answered (78); Missing responses (3)

**Allowing some level of benefit enhancements if contributions remain at or around 20.6%,
Proportion of active members**



Question 6.4. If contributions remain at or around 20.6%, how comfortable would your institution be with the JNC allowing some level of benefit enhancements (subject to consultation)? Base: Active members (233,840)

Many respondents (24 respondents, representing 36% of the active membership) **used the open text question to highlight concerns about making benefit enhancements, these included:**

- **Caution about making benefit changes at this valuation.** Respondents highlighted that benefit changes can be difficult to reverse and pointed to the complexity and disruption associated with previous changes. Some also emphasised stability in benefits as well as contributions.
- **Concern that enhancements could increase longer-term risk.** Respondents were concerned that benefit improvements agreed now could create challenges at future valuations and have implications for the Scheme's long-term viability. This contributed to calls for caution before making changes based on the current funding position.

A smaller group were open to benefit enhancements in particular circumstances. The minority expressed conditional support (six respondents representing 12% of the active membership). This included:

- **Targeted improvements rather than broad or one-off enhancements.** A small number of respondents identified specific benefit areas that could be explored. One highlighted changes that could improve the Scheme's competitiveness or support institutional transformation.
- **Using Conditional Indexation as a framework for future benefit enhancements.** A small number of respondents were more comfortable with benefit improvements if they were introduced within a Conditional Indexation framework, rather than as standalone permanent changes.

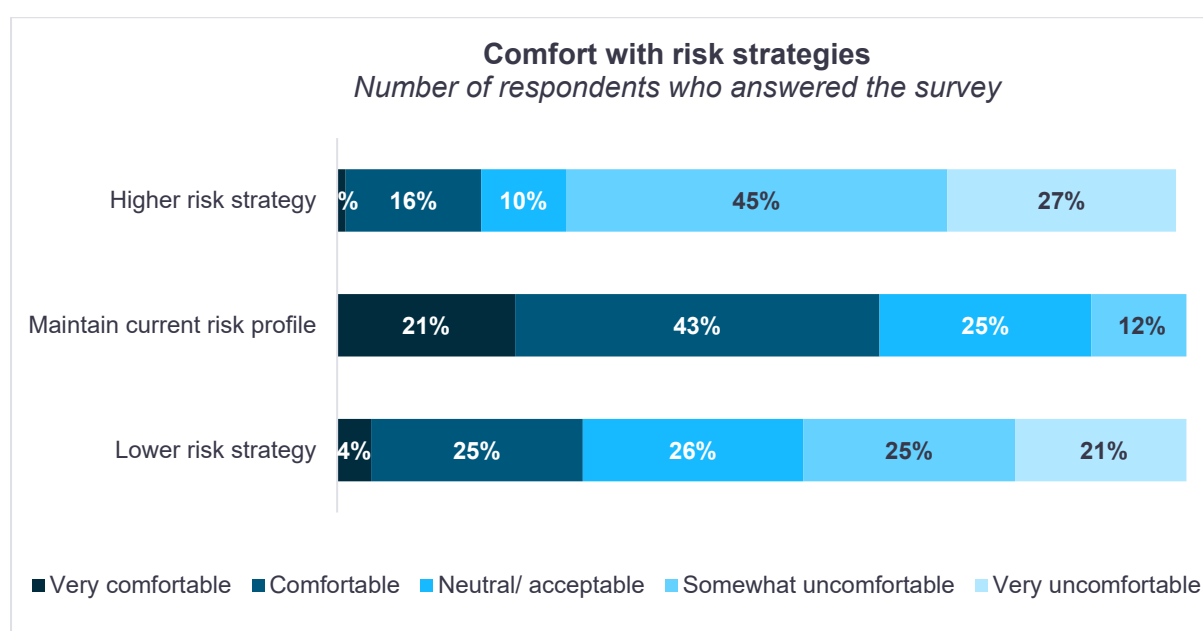
2.3. Additional elements

Across the additional elements, which cover other matters related to the valuation and the Scheme's future strategy, respondents generally supported the current direction of travel; while emphasising the importance of proportionality, transparency and keeping approaches under review as circumstances change. The current investment risk profile attracted the greatest level of comfort, noting that investment strategy will form part of a later consultation

by USS with employers. There was also unanimous support for the proposed response on Affordable Risk Capacity and the Long-Term Objective.

2.3.1. Question 7: Investment strategy

A majority of respondents (representing a majority of active members) currently felt more comfortable with USS broadly maintaining the current DB investment risk profile, given the objectives of stability and long-term affordability. 64% of respondents (n=49), representing 60% of active membership, said they were either comfortable or very comfortable with maintaining the current risk profile. A further 25% of respondents (n=19) representing 12% of active members said they were neutral / accepting. In comparison, only 12% of respondents (n=9) representing 15% of active members said they were somewhat uncomfortable with this. Four respondents chose not to answer the question, representing 7% of active members.



Question 7.1 How comfortable would your institution be with USS adopting a somewhat lower risk strategy (less growth, more hedging), which would reduce funding and contribution volatility but may lower expected surplus growth and long term return potential? Base: Respondents who answered (77); Missing responses (4)

Question 7.2 How comfortable is your institution with USS broadly maintaining the current DB investment risk profile (around 60% growth assets, 20% credit, 50% hedge on a self sufficiency basis), given the objectives of stability and long term affordability? Base: Respondents who answered (77); Missing responses (3)

Question 7.3 How comfortable would your institution be with USS adopting a somewhat higher risk strategy (more growth, less hedging), which might increase expected surplus and/or reduce long run contributions but would raise the chance and scale of adverse funding outcomes? Base: Respondents who answered (77); Missing responses (3)



Question 7.1 How comfortable would your institution be with USS adopting a somewhat lower risk strategy (less growth, more hedging), which would reduce funding and contribution volatility but may lower expected surplus growth and long term return potential? Base: Active members (233,840)

Question 7.2 How comfortable is your institution with USS broadly maintaining the current DB investment risk profile (around 60% growth assets, 20% credit, 50% hedge on a self sufficiency basis), given the objectives of stability and long term affordability? Base: Active members (233,840)

Question 7.3 How comfortable would your institution be with USS adopting a somewhat higher risk strategy (more growth, less hedging), which might increase expected surplus and/or reduce long run contributions but would raise the chance and scale of adverse funding outcomes? Base: Active members (233,840)

Open text responses provided further context on prevailing support for maintaining the current investment risk profile (27 respondents representing 38% of active membership raised this in their answer). Respondents commonly described the existing approach as potentially providing an appropriate balance between generating long-term returns and managing funding volatility. Some highlighted risks of potentially either increasing or reducing risk: increasing risk could increase exposure to adverse funding outcomes, while reducing risk could limit long-term returns.

The characteristics and current funding position of the Scheme were also cited as reasons for potentially maintaining investment risk. Some respondents highlighted USS's open status, long-term investment horizon and employer covenant as providing capacity to retain exposure to growth assets. Others considered that the current surplus and strong funding position provided sufficient resilience to absorb a degree of investment volatility without reducing risk.

Respondents were more likely to currently feel uncomfortable than comfortable with either a lower or higher investment risk strategy, with discomfort greater for a higher risk strategy.

- **73% of respondents (n=56) representing 59% of active members said they were currently very or somewhat uncomfortable with USS potentially adopting a higher risk strategy.** 17% of respondents (n=13), representing 16% of active members said they were comfortable with a higher risk strategy and a further 10% of

respondents (n=8), representing 12% of active members said it was acceptable. 4 respondents chose not to answer the question, representing 7% of active members.

- **45% of respondents (n=35), representing 49% of active members said they were currently very or somewhat uncomfortable with USS potentially adopting a lower risk strategy.** On the other hand, 29% of respondents (n=22) representing 21% of active members felt very or somewhat comfortable and a further 26% of respondents (n=20) representing 16% of active members said they were neutral/accepting. 4 respondents chose not to answer the question, representing 7% of active members.

However, smaller groups expressed openness to a potentially higher or a lower risk strategy in the open text question. Of those who expressed openness to a higher risk strategy (12 respondents, representing 21% of the active membership), they highlighted the Scheme's strong funding position and surplus as providing capacity to absorb some additional volatility, while potentially benefiting from greater long-term investment returns. The open and long-term nature of USS was also an important consideration for some respondents (raised by 11 respondents, representing 21% of the active membership) most commonly in the context of retaining sufficient exposure to growth assets and avoiding excessive de-risking.

However, support for potentially increasing risk was generally qualified. Respondents more commonly discussed modest or marginal increases in risk rather than substantial changes. Some emphasised the need to balance potential additional returns against the risk of future deficits and contribution increases.

Openness to a potential lower risk strategy was mentioned by a similar number of respondents, but organisations representing a smaller proportion of the active membership (12 respondents, representing 15% of the active membership). These respondents most commonly saw a reduction in risk as a way of increasing resilience and reducing future funding and contribution volatility. Some highlighted the Scheme's current strong funding position as an opportunity to lock in greater resilience and reduce the likelihood of future deficits or contribution increases. As with those open to higher risk, support was generally for modest changes. Some respondents also emphasised the need to retain sufficient expected returns to support an open scheme.

It should be noted that some respondents did not complete this part of the consultation, preferring to reserve their position on the appropriate level of risk until the formal consultation with employers.

When reflecting on different combinations of contribution rates and risks, across both contribution rates respondents were most comfortable with potentially maintaining the same investment risk. Respondents were more likely to be more comfortable with contributions remaining at 20.6% rather than changing to 16.4%.

- At 20.6% contributions, 54% of respondents (n=41), representing 54% of active members said they are comfortable or very comfortable with maintaining the same investment risk. A further 25% of respondents (n=19), representing 17% of active members considered this neutral/accepting.
- At 16.4% contributions, 50% of respondents (n=38), representing 43% of active members, were comfortable or very comfortable with maintaining the same

investment risk. A further 33% (25) respondents representing 20% of active members considered this neutral/accepting.

Respondents were less comfortable with a lower risk strategy, regardless of the contribution rate.

- At both 20.6% and 16.4% contributions, 55% of respondents (n=42) representing 53% of the active membership were somewhat or very uncomfortable.

Discomfort was greater with a higher risk strategy. It was highest when an increased investment risk was combined with contributions of 16.4%.

- 70% of respondents (n=53), representing 56% of the active membership, were somewhat or very uncomfortable with higher investment risk at 20.6% contributions.
- This increased to 79% of respondents (n=60), representing 67% of active membership, when combined with contributions of 16.4%.

Contributions at 20.6% (NB. 4 respondents representing 3% of active members chose not to answer this question).

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	Lower investment risk	Same investment risk	Higher investment risk
Very comfortable	7% (5), 4% of active members	26% (20), 32% of active members	4% (3), 8% of active members
Comfortable	16% (12), 11% of active members	28% (21), 23% of active members	17% (13), 14% of active members
Neutral/ Acceptable	22% (17), 18% of active members	25% (19), 17% of active members	9% (7), 8% of active members
Somewhat uncomfortable	29% (22), 22% of active members	12% (9), 10% of active members	41% (31), 32% of active members
Very uncomfortable	26% (20), 31% of active members	9% (7), 5% of active members	29% (22), 24% of active members

Contributions at 16.4% (NB. 4 respondents representing 3% of active members chose not to answer this question). NB. Bolder colours indicate higher response rate.

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	Lower investment risk	Same investment risk	Higher investment risk
Very comfortable	11% (8), 4% of active members	17% (13), 16% of active members	0%, 0% of active members
Comfortable	18% (14), 12% of active members	33% (25), 27% of active members	4% (3), 6% of active members
Neutral/ Acceptable	16% (12), 17% of active members	33% (25), 20% of active members	17% (13), 14% of active members
Somewhat uncomfortable	29% (22), 22% of active members	13% (10), 17% of active members	39% (30), 23% of active members
Very uncomfortable	26% (20), 31% of active members	4% (3), 6% of active members	39% (30), 44% of active members

Question 7.4: Noting that some contribution-related decisions are within the remit of the JNC and investment strategy is the responsibility of the USS Trustee Board, how comfortable would your institution be with each of the following combinations of contribution rates and investment risk? Base: All respondents who answered the question (76), missing respondents (5), all active members 233,840

Some respondents reflected on investment risk and contributions in their response to the open text question (mentioned by 23 respondents, representing 37% of the active membership). Most emphasised the need to consider the two decisions together, without expressing a simple view on how one should change in response to the other. Among the smaller group of those who did express a directional view, different positions emerged.

- Some considered that reducing contributions increased reliance on investment returns and therefore cautioned against de-risking at the same time, favouring maintaining the current investment strategy.
- A smaller group were open to greater investment risk where additional expected returns could support lower contributions or longer-term affordability.
- Others took the opposite view, placing greater emphasis on reducing investment risk alongside lower contributions to protect against future deficits or contribution increases.

Respondents also identified further information they would like to see before decisions were made on investment strategy (discussed by 21 respondents, representing 34% of the active membership). Many of these included calls for greater transparency and external benchmarking of USS's investment performance (raised by 10 respondents representing 18% of the active membership). Less commonly, it included further modelling of the implications of different investment strategies, including for future contribution rates, surplus, funding volatility and downside risk (9 respondents, representing 13% of the active membership).

Some respondents were not yet in a position to express a view on investment strategy and reserved their position until the formal consultation.

2.3.2. Question 8: Support for the UCEA draft response on Affordable Risk Capacity

All respondents supported the UCEA draft response on Affordable Risk Capacity.

100% (n=76), of respondents representing 91% of active membership, supported the UCEA draft response on Affordable Risk Capacity (AffRC). Five respondents, representing 2% of the active membership, chose not to answer this question. 29 respondents, representing 45% of the active membership, provided an open text response sharing further detail on their position.

In the open text question, some respondents offered unconditional support for the draft response on Affordable Risk Capacity. The minority of respondents expressed unqualified support for the proposal (nine, representing 11% of the active membership). Respondents generally saw AffRC as a practical and established part of the Integrated Risk Management Framework, providing a consistent reference point for assessing the level of risk that the collective employer covenant can support.

However, the majority of respondents to the open text question gave conditional support with caveats or recommendations for the draft response on AffRC (17 respondents representing 29% of the active membership). Key areas respondents discussed included:

- **Recommendations for periodic reviews as circumstances in the sector change.** Some discussed regularly revisiting the AffRC assumptions rather than treating the parameters as fixed (recommended by 11 respondents, representing 22% of the active membership). This reflected recognition that the higher education sector, employer finances and the Scheme's risk position could change substantially between valuations.
- **AffRC should be considered alongside complementary metrics rather than used in isolation.** Many suggested that the AffRC should remain one part of a broader assessment of covenant strength and employer risk appetite (raised by 10 respondents, representing 21% of the active membership). They referred to Supportable Risk, qualitative covenant assessments, stress testing, institution-specific affordability and other covenant indicators as important complements.
- **Consider employer diversity and avoid treating aggregate capacity as individual affordability.** Six respondents (representing 15% of the active membership) highlighted that AffRC necessarily simplifies a highly diverse employer population into a single sector-wide measure. There were concerns that sector average affordability could mask substantial differences between institutions.

2.3.3. Question 9: Support for the UCEA draft response on the Long-Term Objective

All respondents supported the UCEA draft response on the Long-Term Objective.

100% (n=77), of respondents representing 91% of active membership, supported the UCEA draft response on the Long-Term Objective. Four respondents, representing 2% of the active membership, chose not to answer this question. 22 respondents, representing 37% of the active membership, provided open text responses sharing further detail on their position.

In the open text question, there was also consistent strong support for the draft response on the Long-Term Objective (expressed by 21 respondents, representing 36% of active membership). Key areas of support respondents discussed include:

- **Funding and investment strategy** (eight respondents, representing 21% of the active membership). Some highlighted the benefits of USS remaining open for taking an appropriately long-term approach to funding and investment. They felt the open scheme assumption provides a coherent basis for setting Technical Provisions, prudence and investment strategy.
- **Future scheme sustainability** (seven respondents, representing 12% of the active membership). Respondents saw it as consistent with USS's long-term sustainability, ongoing accrual and continued participation by future members. Some explicitly linked openness to greater stability and resilience over time.
- **Consistency with the nature of the higher education sector** (five respondents, representing 6% of the active membership). Respondents saw run-on as a natural fit with the structure of the sector and reflects the long-term nature of participating institutions.
- **Maintaining valuable benefits for current and future staff** (four respondents, representing 7% of the active membership). A few respondents framed their support around the role USS plays in the employment offer and the benefits it provides to staff.

“The open-scheme assumption is consistent with the long-term nature of USS, its ongoing accrual of benefits and the collective strength of the participating employer covenant. We consider that this provides an appropriate basis for setting the Technical Provisions and supports a funding and investment approach that reflects the Scheme's long-term horizon.”

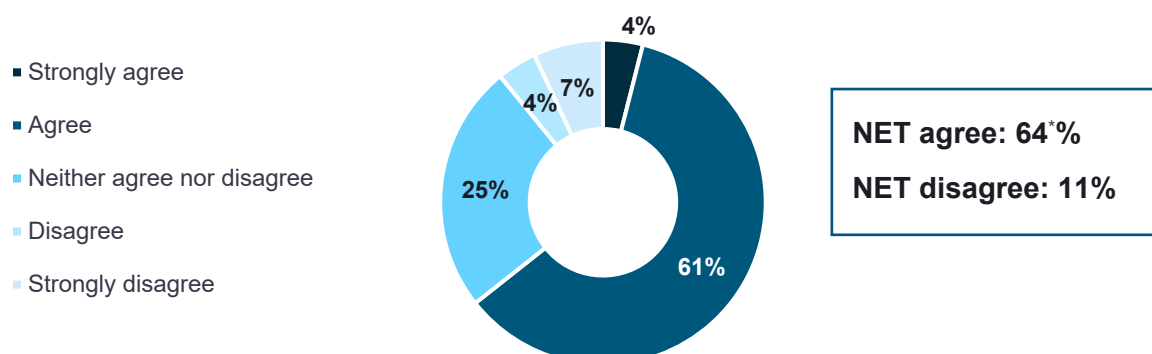
2.3.4. Question 10: Covenant Support Measures

There was broad agreement that the Covenant Support Measures are appropriate and proportionate. 64[†]% of respondents (n=49), representing 68% of the active membership either agreed or strongly agreed with this. In comparison, 11% of respondents (n=8) representing 11% of the active membership disagreed. 25% of respondents (n=19), representing 12% of the active membership neither agreed nor disagreed. Five respondents, representing 2% of the active membership, did not answer this question. 44 respondents, representing 65% of the active membership, provided open text responses sharing further detail on their position.

[†] Percentages have been rounded individually, meaning the sum of the displayed figures (65%) differs from the rounded combined percentage (64%).

The Covenant Support Measures are appropriate and proportionate

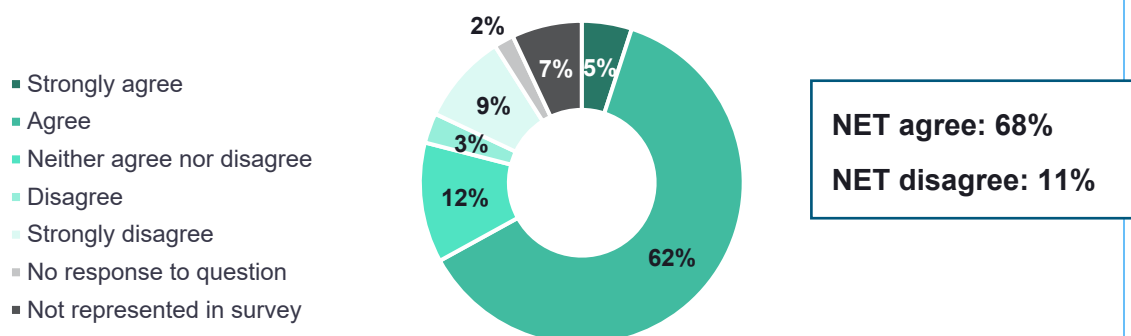
Number of respondents who answered the survey



Question 10.1 The USS Trustee has stated that the enduring nature of the Covenant Support Measures is fundamental to the assessment of covenant and their ability to adopt a longer-term approach to funding and investment. Against this context, does your institution view the Covenant Support Measures as appropriate and proportionate? Base: Respondents who answered (76); Missing responses (5)

The Covenant Support Measures are appropriate and proportionate

Proportion of active members



Question 10.1 The USS Trustee has stated that the enduring nature of the Covenant Support Measures is fundamental to the assessment of covenant and their ability to adopt a longer-term approach to funding and investment. Against this context, does your institution view the Covenant Support Measures as appropriate and proportionate? Base: Active members (233,840)

In the open text question, respondents discussed specific measures of the Covenant Support Measures. There were varying levels of support across the measures.

- The moratorium on employer exits tended to receive the strongest support (12 respondents, representing 23% of the active membership). Respondents saw it as important for protecting the collective covenant and maintaining the strength of the Scheme.

"We regard maintaining the moratorium on scheme exits as important to protect the collective covenant strength. Whilst in the current funding position the overall package of measures might be regarded as a little excessive, for the purpose of protecting the overall covenant position we would accept the continuation of the measure."

- **While views were split on the weighting of pari passu arrangements for new secured debt** (Eight respondents, representing 8% of the active membership). Some felt it should have the greatest weighting alongside the moratorium, regarding it as one of the more important covenant protections. While a smaller group felt the requirements can restrict or complicate legitimate borrowing, particularly when institutions need access to finance.
- **Debt Monitoring Framework received the most scrutiny, with many questioning its proportionality** (14 respondents, representing 29% of the active membership). Respondents recognised its role, but the majority of those who discussed this questioned whether it remains proportionate in the current funding environment.

“In particular, the Debt Monitoring Framework needs to be updated to take account of the new rules governing the accounting treatment of income and leases, which affect some of the ratio definitions; this would be an opportunity to revisit the whole package of measures currently in place.”

Reflecting on the Covenant Support Measures as a whole, in the open text questions respondents raised specific asks for clarity and practical guidance. Some wanted to know how the measures operate in practice (raised by nine respondents, representing 12% of the active membership). They requested clearer guidance on issues such as what counts as a “covenant enhancing” debt-funded investment, how mergers are treated, what happens when an institution breaches a threshold, and how new accounting rules will affect the monitoring metrics.

“Broadly acceptable, though we think that there should be proportionality and practical guidance for institutions undertaking financing and refinancing. There should also be a pragmatic and supportive approach taken for institutions who are undertaking a financial turnaround.”

2.3.5. Other comments

35 respondents provided final comments in the consultation. Most responses largely reinforced themes raised earlier in the consultation, particularly around contribution rates, the use of surplus, and the future development of a potential Conditional Indexation design for USS. There were three key themes:

- **Contribution rates and stability.** Respondents returned to the trade-off between maintaining predictable contribution levels and making use of the Scheme’s improved funding position. Some emphasised the importance of avoiding reductions that might later need to be reversed, while others argued that the current surplus creates scope to reduce contributions without undermining long-term stability. Affordability pressures on both employers and members were also raised in this context.
- **The future of the surplus and investment strategy.** Comments included calls for greater clarity on the level of surplus that should be retained as a buffer against future risks, the circumstances in which surplus could be used, and how decisions on surplus should interact with contributions, benefits and investment risk across future valuation cycles.

- **Conditional Indexation.** Comments included support for continuing work on the model, requests for further modelling of how it could operate at different contribution rates, and calls for greater clarity on design and timing. Some respondents also highlighted the importance of considering the implications of a potential Conditional Indexation design for different groups of members and for future use of the surplus.

A smaller number of respondents raised points relating to wider issues relating to scheme design, affordability and intergenerational fairness. This included possible lower-cost or more flexible participation options, equality considerations, and the relationship between USS and other pension arrangements in the sector.

Some also commented on the Covenant Support Measures and wider governance of the Scheme, including USS operating costs, the treatment of mergers and employer exits, and the proportionality of covenant monitoring.

Individual respondents also raised a number of more specific issues, including investment in UK universities and innovation, environmental considerations in investment strategy, the DB/DC salary threshold, Normal Pension Age, and the design and timing of the consultation process.

3. Annexe

3.1 Methodology

The consultation survey was designed by the UCEA team, with support from UCEA's advisers. The survey was shared with USS employers and the consultation period ran between 15th July – 11th September 2026. **81 employers responded to the survey, representing 93% of the active membership of USS.**

UCEA commissioned Thinks Insight & Strategy to conduct independent analysis of anonymised consultation responses. This involved:

- Processing the quantitative data using R software to create data tables for each question. Responses were shown by:
 - The **total number and percentage of respondents** selecting each answer. Percentages were rebased to exclude missing responses (i.e. those who chose not to answer the question for any reason).
 - The **share of active membership**. This was based on the number of active scheme members at each responding employer, against a total active membership base of 233,840 (using data supplied to UCEA by USS).
- Coding responses to the open-text questions, assisted by the AI tool CoLoop. This involved:
 - Cleaning the data, including removing non-substantive responses such as 'no comment'.
 - Where a respondent referred to an answer given elsewhere, for example 'see previous comments', we copied across the relevant earlier response.
 - Each open text question was then reviewed separately in CoLoop. The Thinks team then developed a codebook of the main themes appearing in the responses.
 - Each respondent was then assigned to the themes included in their answer.
 - The Thinks team quality checked the codebook and coding. Where needed, we refined code names or manually reallocated responses to ensure the themes were captured accurately.
 - For each theme, we calculated the number of respondents coded to it, as well as the number and percentage of active members they represented.