

QUARTER END FMP MONITORING REPORT - END JUNE 2025

Monitoring of the 2023 Financial Management Plan

This report details the financial development of the Scheme since the valuation date (31 March 2023). This monitoring is intended to update the funding position of the Scheme to reflect the changes in financial conditions. It is not intended to predict the results of an actuarial valuation however it should provide an indication of the direction of travel.

Changes in financial position of the Scheme and main drivers since the valuation date

Over the last quarter real gilt yields rose slightly, by around 5bps, following a small rise in nominal yields and a marginal fall in long-term inflation expectations. The expected return on equities has increased over the quarter (in both nominal terms and relative to gilts), leading to a higher pre retirement discount rate than on 31 March 2025, the post retirement discount rate has also increased but by a lower amount.

Since the 2023 valuation date, gilt yields have risen significantly but expected returns relative to gilt yields are lower. This leads to discount rates that are lower relative to gilts but higher in nominal terms, reducing the Technical Provisions liability at 30 June 2025 when compared to the valuation date.

The Technical Provisions liability was £62.2bn on the monitoring basis at 30 June 2025, a decrease of £3.5bn since the valuation date (£65.7bn), having made allowance for the benefit improvement granted at 1 April 2024.

The Scheme's asset value was £74.4bn at 30 June 2025, £1.3bn higher than at the valuation date. This gives a monitoring TP surplus of £12.2bn, significantly higher than the £7.4bn surplus on the valuation date.

Looking at the last quarter, assets rose by £1.4bn whereas TP liabilities fell by £0.7bn, improving the TP monitoring surplus by £2.1bn since 31 March 2025 (when it was £10.1bn).

The self-sufficiency funding position has improved from a deficit of £5.1bn on the valuation date to a surplus of £5.6bn on the monitoring basis at 30 June 2025.

The future service contribution requirement has reduced on the monitoring basis due to higher expected returns, falling from 20.6% on the valuation date to 16.1% on the monitoring basis at 30 June 2025.

The Integrated Risk Management Framework (IRMF) metrics' RAG status remain Green and show an improvement since the valuation date. The RAG status of the covenant and investment metrics continues to be green.

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Technical Provisions

£12.2bn Surplus

Valuation date (31/03/2023) £7.4bn Surplus

Liability £62.2bn

Pre-retirement discount rate Gilts + 2.12%

Post-retirement discount rate Gilts + 0.67%

Future Service Contribution Requirement

16.1%

Valuation date 20.6%

IRMF - Actual Reliance

	31-Mar-23	30-Jun-25
Actual Reliance (£bn)	13.1	2.4
% of AffRC	47%	9%
RAG	Green	Green

Self-Sufficiency

£5.6bn Surplus

Valuation date £5.1bn Deficit

Liability £68.8bn

Discount rate Gilts + 0.33%

Self-sufficiency VaR £13.8bn

Future Service Contribution Requirement

Current RAG 16.1% (Green)

Last quarter-end (Mar-25) 17.4% (Green)

Trigger if Red for two quarters **No**

IRMF - Target Reliance

	31-Mar-23	30-Jun-25
Target Reliance (£bn)	20.5	14.5
% of AffRC	73%	54%
RAG	Green	Green

Assets

£74.4bn

Valuation date £73.1bn

'Breakeven' discount rate
Gilts + 0.00%
CPI + 2.10%

Investment Risk

The underlying Investment Risk metrics are all green

RAG **Green**

Covenant

Unchanged

Valuation date Strong

Covenant: **Green**

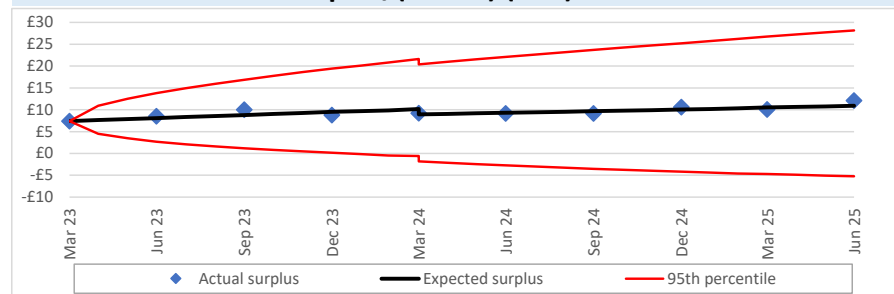
Note: Affordable Risk Capacity is determined as the present value of 10% of salaries over 30 years. The 'Breakeven' discount rate is that at which the liability value equals the asset value.

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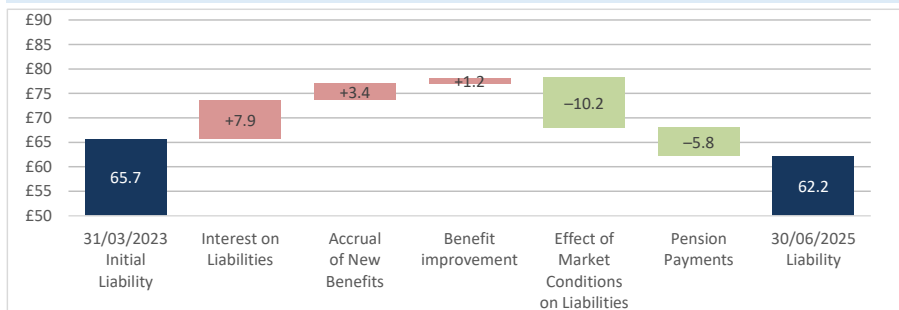
Technical Provisions

	31-Mar-23	30-Jun-25	Change
Assets £bn	73.1	74.4	+1.3
Liabilities £bn	65.7	62.2	-3.5
Surplus/(deficit) £bn	7.4	12.2	+4.8
Funded Status %	111%	119%	+8%

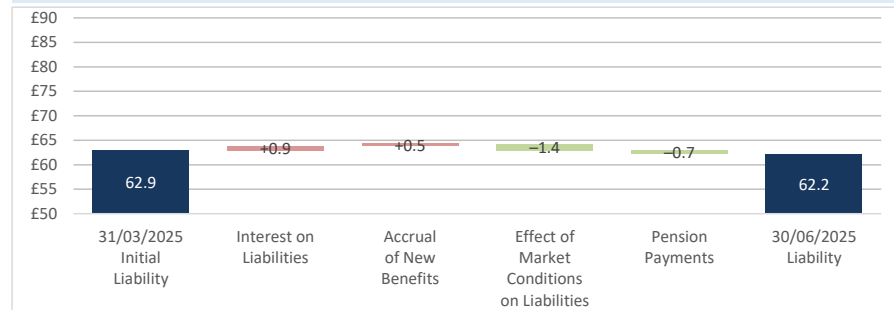
Technical Provisions surplus/(deficit) (£bn)



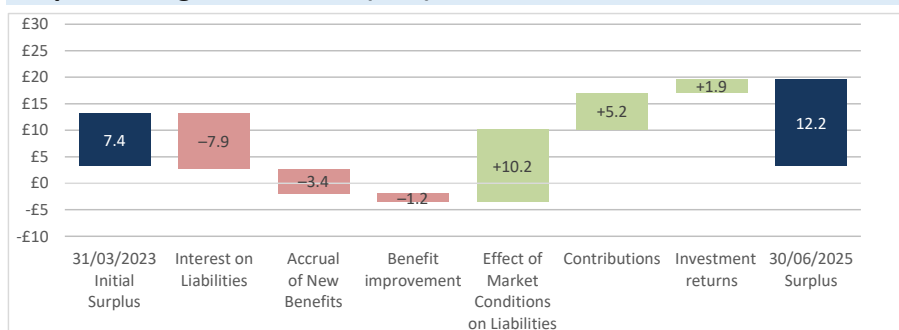
Liability change attribution (£bn) since the valuation date



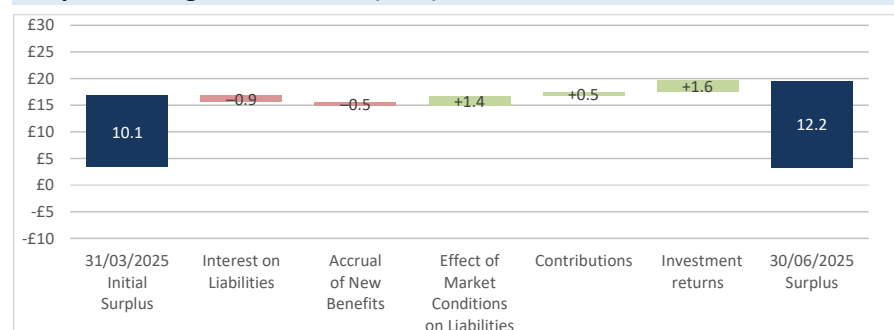
Liability change attribution (£bn) - Q2 2025



Surplus change attribution (£bn) since the valuation date



Surplus change attribution (£bn) - Q2 2025



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Market Gilts and CPI	31-Mar-23	30-Jun-25
Gilts, nominal (single equivalent)	3.72%	5.10%
Market implied CPI (single equivalent)	3.08%	2.82%

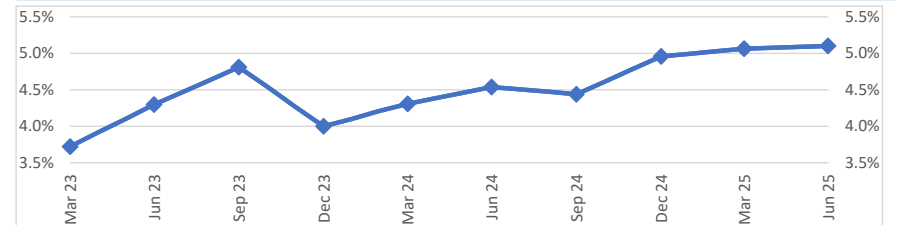
Technical Provisions - Assumptions	31-Mar-23	30-Jun-25
Assumed future TP CPI (single equivalent) *	3.0%	3.0%
Change in market implied CPI relative to TP CPI (a)		-0.26%
CME Pre ret expected rtn vs Index-linked gilts **	ILG + 3.92%	ILG + 3.29%
Change since 31-Mar-23 relative to ILG (b)		-0.63%
Pre-retirement discount rate: Adjusted by (b) - (a)	Gilts + 2.50%	Gilts + 2.12%
CME Post ret expected rtn vs Index-linked gilts **	ILG + 1.08%	ILG + 0.60%
Change since 31-Mar-23 rel to ILG (c)		-0.48%
Post-retirement discount rate: Adjusted by (c) - (a)	Gilts + 0.90%	Gilts + 0.67%

Single equivalent discount rates	31-Mar-23	30-Jun-25
Single equivalent discount rate (TP)	Gilts + 1.4%	Gilts + 1.1%
	CPI + 2.2%	CPI + 3.2%
Single equivalent discount rate (TP future service)	Gilts + 1.8%	Gilts + 1.5%
	CPI + 2.5%	CPI + 3.6%

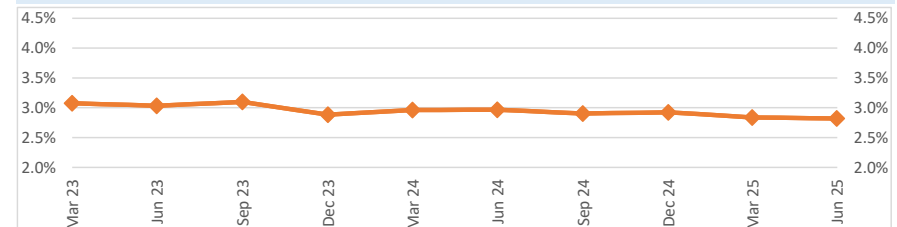
* This is our forward view of expected inflation. We allow for known inflation and its effect on the Scheme's liabilities in the cashflows valued. Market CPI (also allowing for known inflation) is assumed for the self-sufficiency liability.

** 30 yr expected return VIS portfolio. Calculated on a deterministic basis allowing for an estimated rebalancing premium for monitoring purposes.

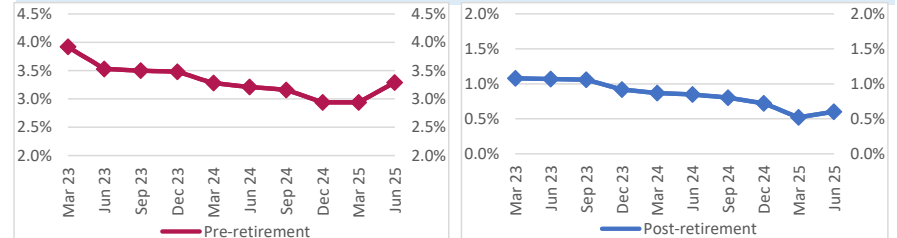
Gilts, nominal (single equivalent)



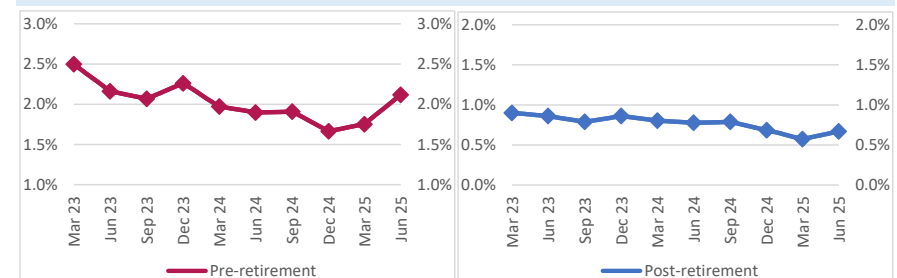
Market implied CPI (single equivalent)



CME expected return relative to index-linked gilts



TP Discount rates (Gilts+)



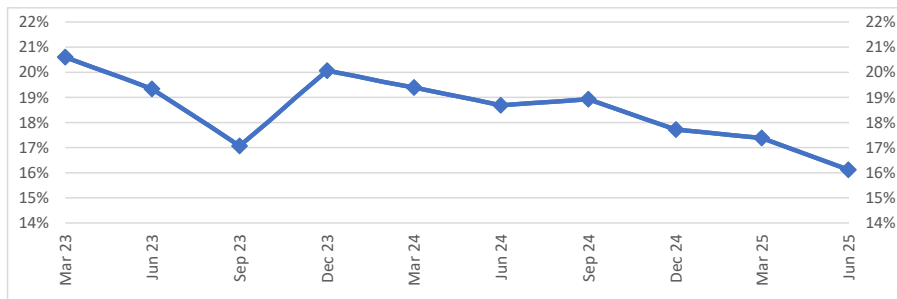
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Future service contributions required

	31-Mar-23	30-Jun-25
DB Future Service contribution required	18.3%	13.7%
Expenses	0.5%	0.5%
Expected DC contributions ¹	1.8%	1.9%
Total	20.6%	16.1%

Note 1. Includes 0.1% subsidy.

Future service contributions required (including DC)



Sensitivity and Duration

	31-Mar-23	30-Jun-25
TP Sensitivity (£bn) ¹	-1.0	-0.9
TP Duration of scheme (years)	17.2	15.5

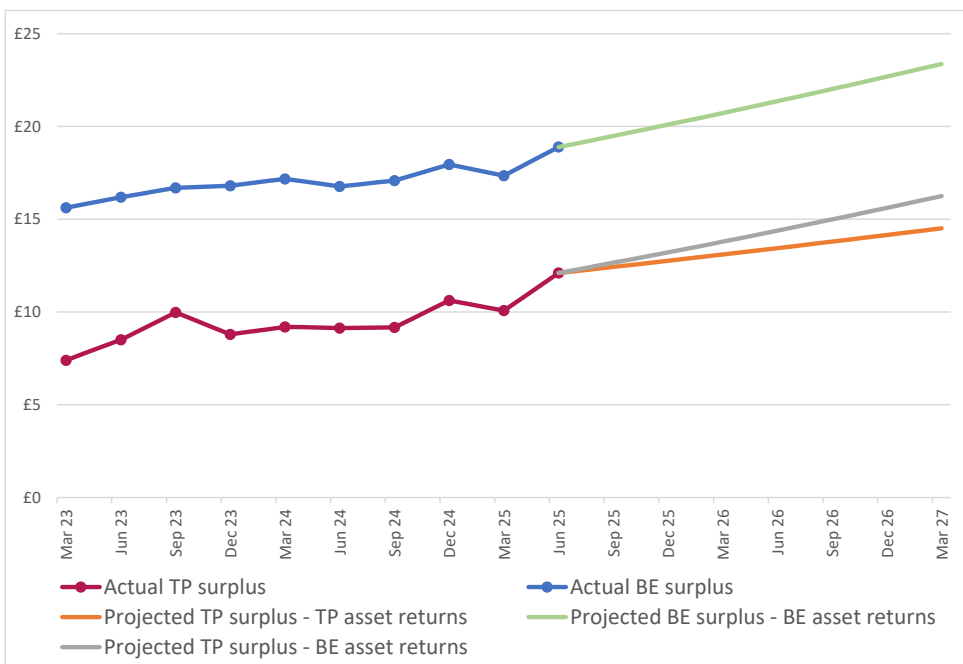
Note

1. Sensitivity is the impact of a +0.1% change in the TP discount rates

Best Estimate basis

	31-Mar-23	30-Jun-25	Change
Pre-retirement discount rate	Gilts + 4.75%	Gilts + 4.37%	-0.38%
Post-retirement discount rate	Gilts + 1.20%	Gilts + 0.97%	-0.23%
Assets (£bn)	73.1	74.4	+1.3
Liabilities (BE) £bn	57.5	55.5	-2.0
Surplus/(deficit) (BE) £bn	15.6	18.9	+3.3
Future Service conts reqd (BE)	15.2%	12.3%	-2.9%
SE discount rate (liabilities)	Gilts + 2.3%	Gilts + 2.0%	-0.3%
SE discount rate (future service)	Gilts + 3.3%	Gilts + 2.9%	-0.4%

Projected funding position (£bn)

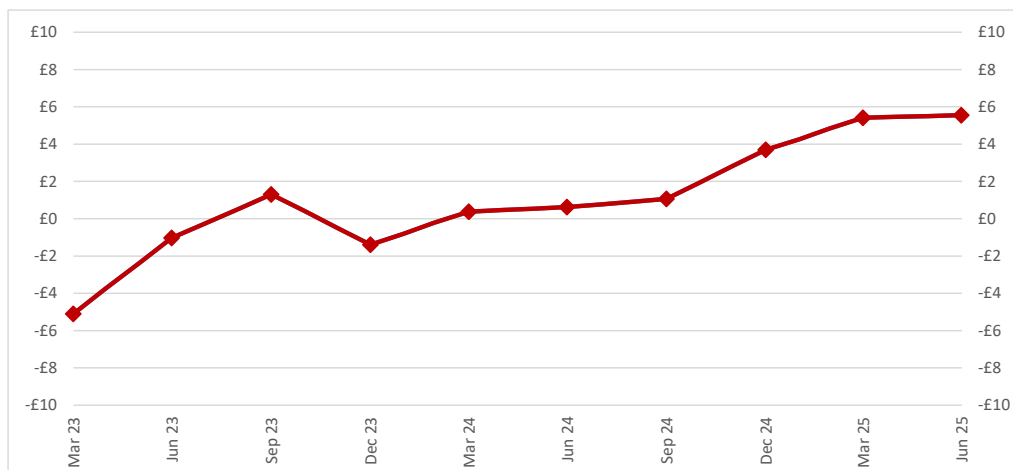


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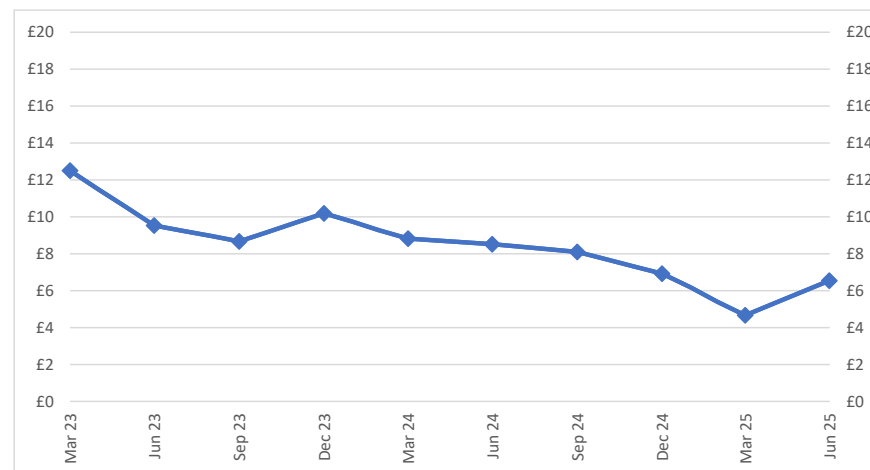
Self-Sufficiency

	31-Mar-23	30-Jun-25	Change
Discount rate	Gilts + 0.50%	Gilts + 0.33%	-0.17%
Assets £bn	73.1	74.4	+1.3
Liabilities £bn	78.2	68.8	-9.4
Surplus/(deficit), £bn	-5.1	5.6	+10.7
Funded Status %	93%	108%	+15%
Single equivalent discount rate	Mkt CPI + 1.2%	Mkt CPI + 2.6%	+1.4%

Self-Sufficiency surplus/(deficit) (£bn)



Gap between Self-Sufficiency and Technical Provisions (£bn)



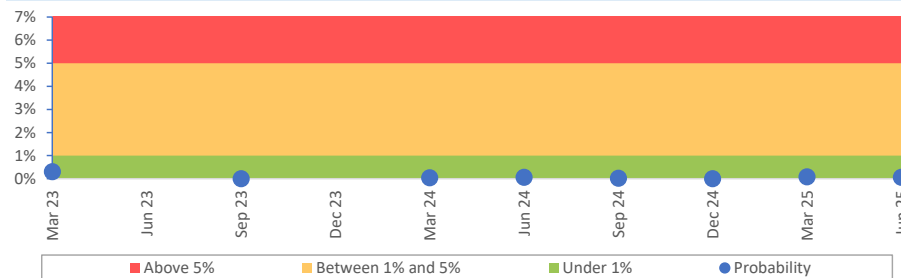
Affordable Risk Capacity: Value of 10% of pay for 30yrs

	31-Mar-23	30-Jun-25	Change
Discount rate to calculate the AffRC	Gilts + 0.70%	Gilts + 0.44%	-0.26%
Affordable Risk Capacity, £bn	28.1	26.9	-1.2
Range: +/- 10%, £bn	25 - 31	24 - 30	

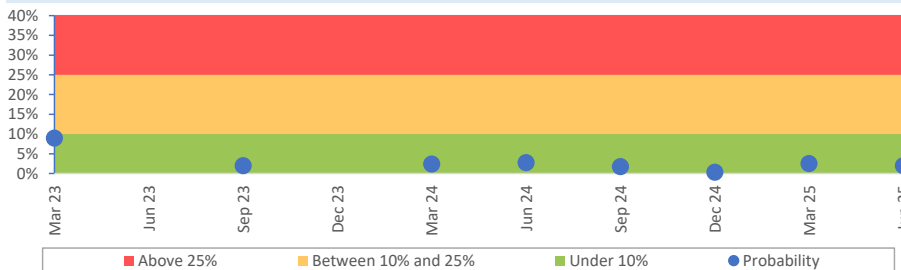
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INVESTMENT RISK

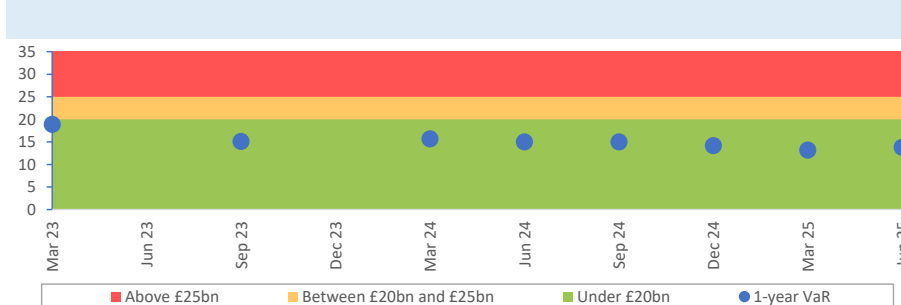
1. Probability of Actual Reliance exceeding Limit of Reliance in three years



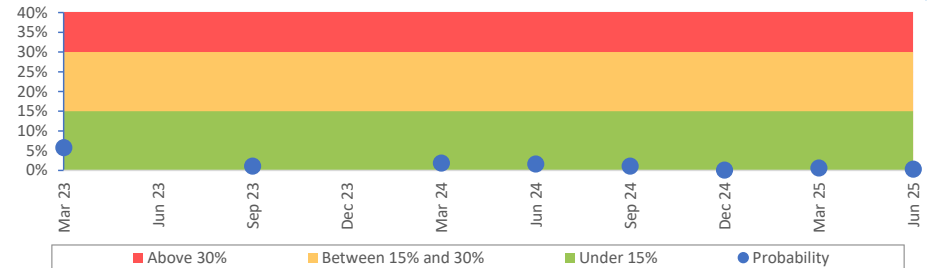
2. (a) Probability of Actual Reliance exceeding Affordable Risk Capacity in three years



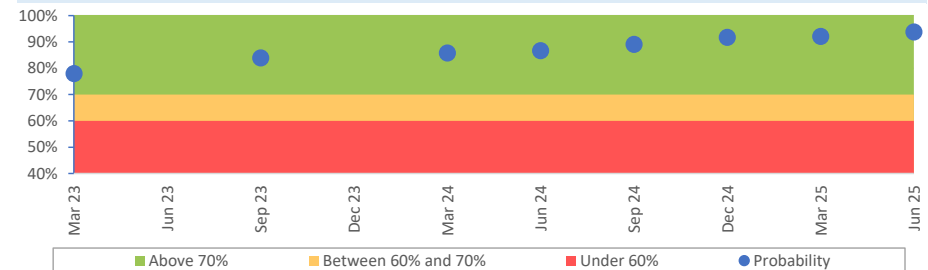
2. (b) Self-sufficiency funding deficit 1-year Value at Risk (£bn)



3. (a) Probability of the contribution requirement exceeding 26% in three years



3. (b) Probability of TP full funding in 2032, allowing for contributions of 26% from 2026



Overall investment risk metric

The underlying Investment Risk metrics are all green

RAG **Green**

Figures are based on the 2023 Valuation Investment Strategy and were not calculated at Jun 23 or Dec 23.

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Quarterly covenant monitoring update

SUMMARY The covenant remains Strong

Rationale:	- No indication of significant weakening of financial position of employers that contribute the majority of employer risk capacity - Employer capacity to support risk remains in excess of Scheme reliance on employers
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KEY DEVELOPMENTS

- The latest financial sustainability report from the Office for Students (OfS) covering HE providers in England, based on financial results and forecasts submitted by providers at the end of 2024 / early 2025, showed a deterioration in the expected financial position and performance compared to expectations a year earlier. The aggregate financial performance of providers deteriorated in 2023-24, driven by broadly flat student recruitment and increasing costs. Student recruitment was below previous university forecasts for 2023-24, largely because of challenging international student recruitment from January 2024 onwards. The OfS noted that 43% of institutions were forecasting a deficit for 2024/25, in contrast with providers' prior year projections for a y/y improvement in financial performance in FY25. (May-25).
- The UK government released an immigration white paper on 12 May. The government is considering introducing a levy on higher education provider income from international students, which it states will then be reinvested into the higher education and skills system. The paper also outlined plans to reduce the duration of time international graduates can stay in the UK on the sponsorship-free Graduate Visa to 18 months, down from the current 24 months, as part of a broader effort to reduce low-skilled migration and manage asylum claims. (May-25).
- The Gillies report into the University of Dundee's finances was published on 19 June. The report found that the main causal factors for a rapid deterioration in the university's financial position were largely specific to the University of Dundee and included poor financial judgement, inadequate management and reporting, poor monitoring of the key financial sustainability performance indicators, lack of agility in responding to a fall in income by the University leadership and weak governance in relation to financial accountability by the Court. (Jun-25).

ENGAGEMENT ACTIVITY (Not survey-related, # cases)	QTD	YTD 2025/26
Notifications of intention to execute:		
• new secured debt	0	0
• new Quasi-security	1	1
Open engagement cases	9	9
Total engagement cases	9	9

DEBT MONITORING SURVEY	2025	2024
Response rate		
• All employers	85%	90%
• Pre-92 universities	95%	100%
• All HEIs	94%	97%
Average # metrics A-D exceeded per response	1.51	1.12
# in-scope employers:		
• above engagement thresholds	20	14
• requiring additional measures	4	1

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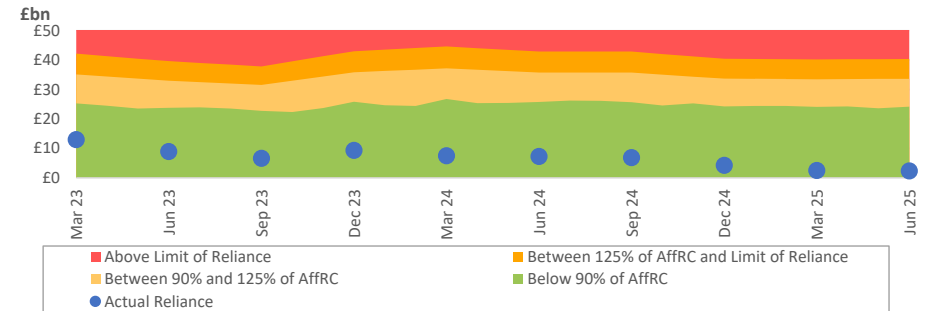
APPENDIX A - IRMF RAG rating definitions

Actual Reliance

Self-sufficiency liabilities + Transition Risk - Assets

Green	Less than or equal to 90% of Affordable Risk Capacity
Lower Amber	Between 90% and 125% of Affordable Risk Capacity
Upper Amber	Between 125% of Affordable Risk Capacity and Limit of Reliance
Red	Above Limit of Reliance (150% of Affordable Risk Capacity)

Actual Reliance

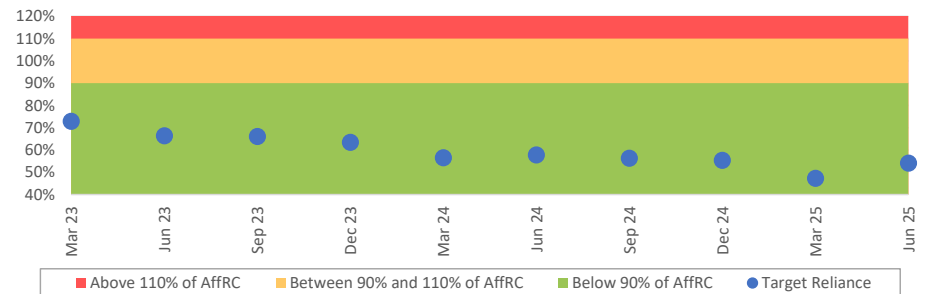


Target Reliance

Self-sufficiency liabilities + Transition Risk - Technical Provisions

Green	Less than or equal to 90% of Affordable Risk Capacity
Amber	Between 90% and 110% of Affordable Risk Capacity
Red	Above 110% of Affordable Risk Capacity

Target Reliance as % of Affordable Risk Capacity

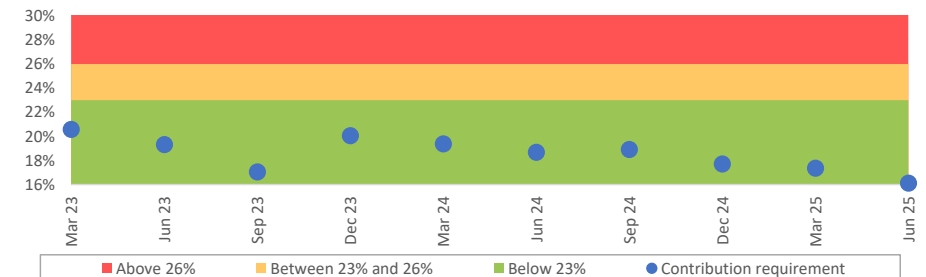


Contribution Metric

Green	If the total contribution requirement is less than or equal to 23% (i.e. the current contribution rate plus a margin)
Amber	If the total contribution requirement is between 23% and 26%
Red	If the total contribution requirement is greater than 26%

The metric will be deemed to have triggered if 'Red' for two consecutive quarter-ends

Contribution Metric



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APPENDIX B - Investment Risk RAG rating definitions

1. Probability of Actual Reliance exceeding Limit of Reliance in three years

Green < 1%
Amber 1% - 5%
Red > 5%

2. (a) Probability of Actual Reliance exceeding Affordable Risk Capacity in three years

Green <10%
Amber 10% - 25%
Red > 25%

2. (b) Self-sufficiency funding deficit 1-year Value at Risk

Green < £20bn
Amber £20bn - £25bn
Red > £25bn

3. (a) Probability of the contribution requirement exceeding 26% in three years

Green < 15%
Amber 15% - 30%
Red > 30%

3. (b) Probability of TP full funding in 2032, allowing for contributions of 26% from 2026

Green > 70%
Amber 60% - 70%
Red < 60%

Overall Investment Risk Metric

Green Where the underlying metrics are all green
Amber Where at least one underlying metric is not green, but no underlying metrics have been red at two consecutive quarter ends
Red Where at least one particular underlying metric has been red for two consecutive quarter ends

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APPENDIX C - Glossary and Definitions

(see also Appendix A – IRMF RAG rating definitions)

Affordable Risk Capacity	The present value of 10% of salaries over 30 years. In this calculation, the scheme's salary roll is assumed to increase by CPI+1% based on the TP CPI assumption shown on page 3. The present value of these salaries is then determined using the Affordable Risk Capacity discount rate shown on page 5.
Benefit improvement	The benefit improvements applicable to existing benefits agreed as part of the 2023 valuation: a) A one-off benefit uplift to all members that had a period of active service between 1 April 2022 and 31 March 2024 dependent on their status at 31 March 2024. The uplift on 1 April 2024 was set at £215 p.a. plus £645 lump sum for non-pensioners, £241 p.a. for pensioners and £108 p.a. for dependants where the associated member had active service between 1 April 2022 and 31 March 2024. b) An increase in the indexation cap on benefits accrued between 1 April 2022 and 31 March 2024 from 2.5% p.a. to the 'soft cap' approach that preceded it.
Breakeven discount rate	The discount rate at which the liability value equals the asset value at the applicable date.
CME	Capital Market Expectations. Expected returns on assets as determined by USS Investment Management, the Trustee's principal investment advisor.
Covenant RAG	Current view of the covenant relative to that at the last valuation assessed by the covenant team: Green - No apparent deterioration since the previous review. Amber - Potential deterioration due to emerging new and/or financial information. Red - Significant deterioration due to emerging news and/or financial information.
Duration	The average time in years until payments from the scheme are expected to be made, weighted by the value of those payments. The TP duration statistic takes into account all benefits which have been accrued as at the calculation date.
Funded Status	The value of assets divided by the value of liabilities, expressed as percentage.
Market implied CPI	Calculated as the difference between index-linked and nominal gilt yields, less an RPI/CPI wedge. The RPI/CPI wedge is advised by the Scheme Actuary; since March 2024 this is 80bps up to 2030 and 20bps thereafter.
Self-sufficiency VaR (Value at Risk)	The increase in self-sufficiency deficit over a one-year period, in a 1-in-20 downside event (i.e. 95% of outcomes over a one-year time period would not lead to this increase).

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APPENDIX C - Glossary and Definitions (continued)

Single Equivalent (SE)	The rate which leads to the same liability by using the same flat discount rate throughout rather than individual year-by-year rates or different pre- and post retirement discount rates. For the single equivalent of market indices, the 'discount rate' is the relevant market index, and for gilts+ or CPI+ the single equivalent is the flat margin above the gilt or CPI curve. The cashflows for calculating the liability are generally the past service Technical Provisions cashflows. For the single equivalent discount rate we also calculate using the 1-year future service cashflows which leads to a different result due to the different shape of the cashflows.
TP Sensitivity	Within the FMP monitoring report, this is the amount that the Technical Provisions liability would change following a +0.1% change in discount rates.
Valuation Investment Strategy (VIS)	The scheme's broad investment strategy, set out as a theoretical, but investible, asset allocation. It should be noted that the VIS is not intended to be the actual implemented investment strategy, but it does serve as a guide to the construction of the implemented portfolio. The implemented portfolio can differ from the VIS (within limits), as USS Investment Management finds opportunities in the financial markets to use its discretion to add value and improve risk-adjusted returns. The implemented portfolio operates within the same risk and return envelope as the VIS.