Monitoring of the 2023 Financial Management Plan
June 2026

Background

In between actuarial valuations, the Trustee monitors the financial position of the scheme, following the Financial Management Plan and monitoring framework which the Trustee has established for the scheme. This document provides details of the monitoring for the quarter ending 30 June 2026.

This monitoring is based on the 2023 valuation and updates the funding position of the scheme to reflect the changes in financial conditions since that valuation date.

We are currently carrying out a valuation as at 31 March 2026; at the date of publication of this report the Trustee has an open consultation with UCEA on the method and assumptions for the 2026 valuation.

This report is intended to indicate the direction of travel since the 2023 valuation date and over the last quarter; it is important to note that the quarter-start figures shown in this report are **not a prediction of the 31 March 2026 valuation results**. For the avoidance of doubt, once available, the results of the valuation as at 31 March 2026 will supersede these figures.

The purpose of the monitoring is to indicate whether or not the Scheme's financial position is progressing as expected. It does not lead to any direct action from the Trustee other than potentially commissioning further analysis and advice.

This document is published by the Trustee for information only and is not intended to be used as the basis for any decisions.

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Differences between monitoring and actuarial valuation

The monitoring approach is not as thorough as that adopted at an actuarial valuation and hence does not give the same outcome as would be given by an actuarial valuation at the effective date. This is for a number of reasons, including:

- While monitoring updates the main financial assumptions, these and other assumptions do not go through the same level of assessment as would be the case for an actuarial valuation. For example, when setting the mortality assumption at a valuation we would undertake a full review of the Scheme's experience, as well as considering other relevant evidence. Further, the assumptions used for monitoring do not necessarily reflect the risk capacity and appetite of employers at that date. A valuation also involves a full review of the covenant provided by the employers whilst our monitoring seeks only to capture any change in the covenant that requires further investigation. In practice for an actuarial valuation the Trustee's Integrated Risk Management Framework would also potentially influence the choice of assumptions.
- An actuarial valuation would require consultation with UCEA in relation to the assumptions used and the contributions payable; it is not possible to pre-judge the outcome of any such process.
- Any deficit recovery contributions needed would be based on additional factors, including the views of the Pensions Regulator.
- The calculations do not allow for new membership data, and contain some approximations relative to an actuarial valuation.

The monitoring position is relatively volatile from quarter to quarter, and in light of this the Trustee considers the overall history and trends since the valuation date rather than just the position at the monitoring date.

- Looking at the last quarter, the Scheme's funding position at the end of June was an improvement compared to March mainly due to positive investment returns. Expected future returns on growth assets fell over the quarter, resulting in a higher future service contribution requirement than at March.
- Since the March 2023 valuation date, market conditions have been favourable for the Scheme. This leads to a higher TP surplus when compared to the 2023 valuation date, allowing for benefit improvements granted on 1 April 2024, and a lower future service contribution requirement. The self-sufficiency funding position has also improved since the valuation date and now shows a surplus.

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QUARTER END FMP MONITORING REPORT - END JUNE 2026

Technical Provisions

£17.9bn Surplus

Valuation date (31/03/2023)	£7.4bn Surplus
Liability	£66.0bn
Pre-retirement discount rate	Gilts + 1.39%
Post-retirement discount rate	Gilts + 0.49%

Self-Sufficiency

£13.7bn Surplus

Valuation date	£5.1bn Deficit
Liability	£70.2bn
Discount rate	Gilts + 0.30%
Self-sufficiency VaR	£12.6bn

Assets

£83.9bn

Valuation date	£73.1bn
'Breakeven' discount rate	Gilts – 0.73% CPI + 1.65%

Future Service Contribution Requirement

17.0%

Valuation date	20.6%

Future Service Contribution Requirement

Current RAG	17.0% (Green)
Last quarter-end (Mar-26)	16.1% (Green)
Trigger if Red for two quarters	No

Investment Risk

The underlying Investment Risk metrics are all green (at last review)

RAG: Green

IRMF - Actual Reliance

	31-Mar-23	30-Jun-26
Actual Reliance (£bn)	13.1	-5.7
% of AffRC	47%	-21%
RAG	Green	Green

IRMF - Target Reliance

	31-Mar-23	30-Jun-26
Target Reliance (£bn)	20.5	12.2
% of AffRC	73%	45%
RAG	Green	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.

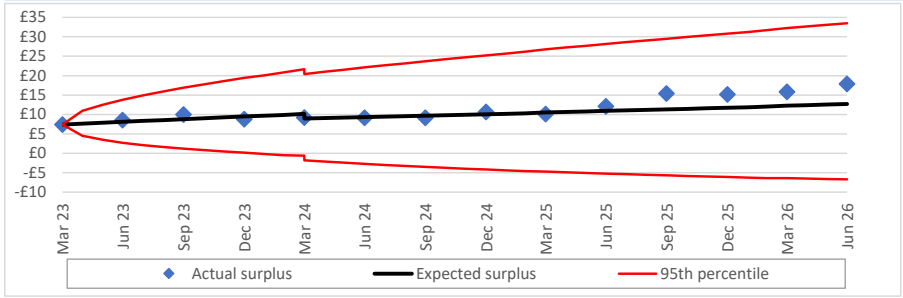
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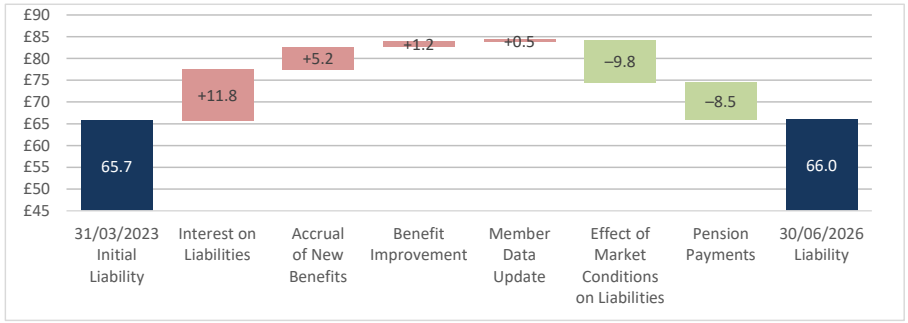
Technical Provisions

	31-Mar-23	30-Jun-26	Change
Assets £bn	73.1	83.9	+10.8
Liabilities £bn	65.7	66.0	+0.3
Surplus/(deficit) £bn	7.4	17.9	+10.5
Funded Status %	111%	127%	+16%

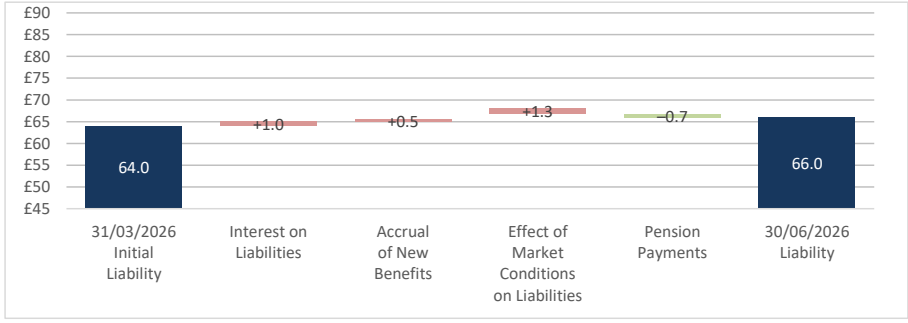
Technical Provisions surplus/(deficit) (£bn)



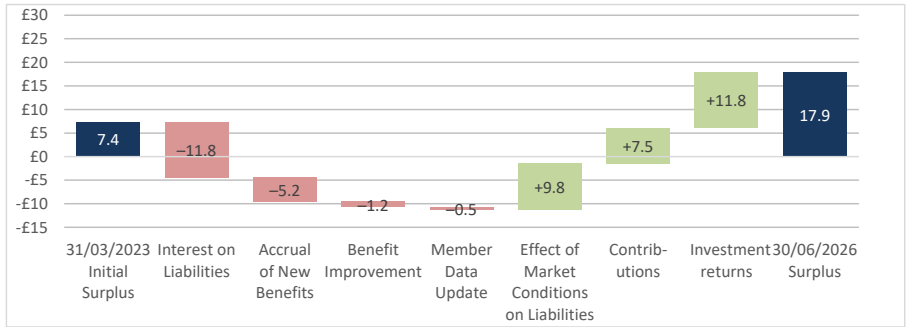
Liability change attribution (£bn) since the valuation date



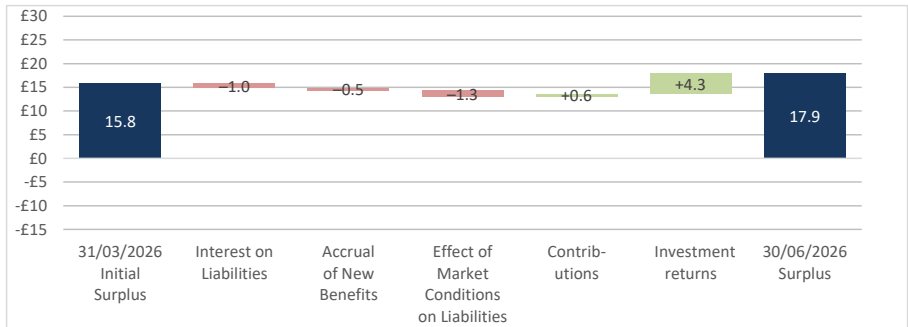
Liability change attribution (£bn) - Q2 2026



Surplus change attribution (£bn) since the valuation date



Surplus change attribution (£bn) - Q2 2026



The Benefit Improvement item in the attributions have been calculated as at 31 March 2024. The step in the cone chart as at this date reflects this.
The 'Member Data Update' reflects the effect of updating member data to 31 March 2025 and is calculated at that date. Note that the items in these reconciliations are approximate only.

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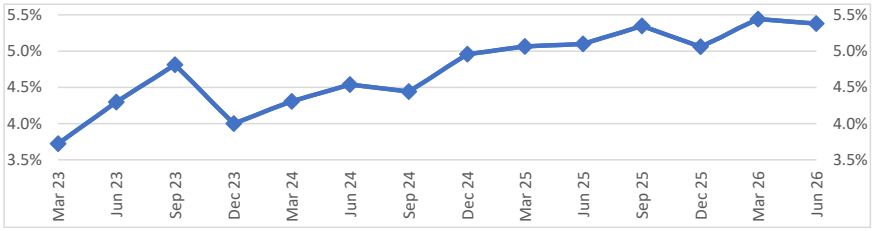
Market Gilts and CPI	31-Mar-23	30-Jun-26
Gilts, nominal (single equivalent)	3.72%	5.38%
Market implied CPI (single equivalent)	3.08%	2.93%

Technical Provisions - Assumptions	31-Mar-23	30-Jun-26
Assumed future TP CPI (single equivalent) *	3.0%	3.0%
Change in market implied CPI relative to TP CPI (a)		-0.15%
CME Pre ret expected rtn vs Index-linked gilts **	ILG + 3.92%	ILG + 2.67%
Change since 31-Mar-23 relative to ILG (b)		-1.25%
Pre-retirement discount rate: Adjusted by (b) - (a)	Gilts + 2.50%	Gilts + 1.39%
CME Post ret expected rtn vs Index-linked gilts **	ILG + 1.08%	ILG + 0.53%
Change since 31-Mar-23 rel to ILG (c)		-0.55%
Post-retirement discount rate: Adjusted by (c) - (a)	Gilts + 0.90%	Gilts + 0.49%

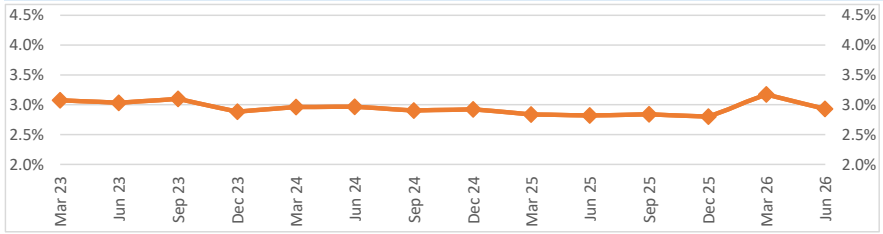
Single equivalent discount rates	31-Mar-23	30-Jun-26
Single equivalent discount rate (TP)	Gilts + 1.4%	Gilts + 0.8%
	CPI + 2.2%	CPI + 3.2%
Single equivalent discount rate (TP future service)	Gilts + 1.8%	Gilts + 1.0%
	CPI + 2.5%	CPI + 3.4%

* 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.

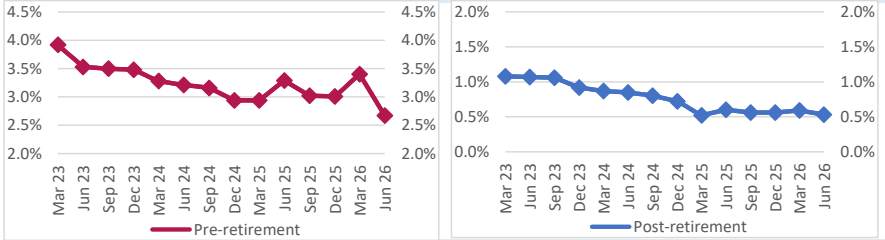
Gilts, nominal (single equivalent)



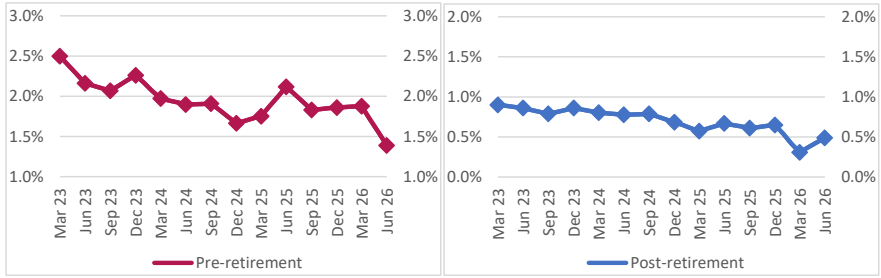
Market implied CPI (single equivalent)



CME expected return relative to index-linked gilts



TP Discount rates (Gilts+)



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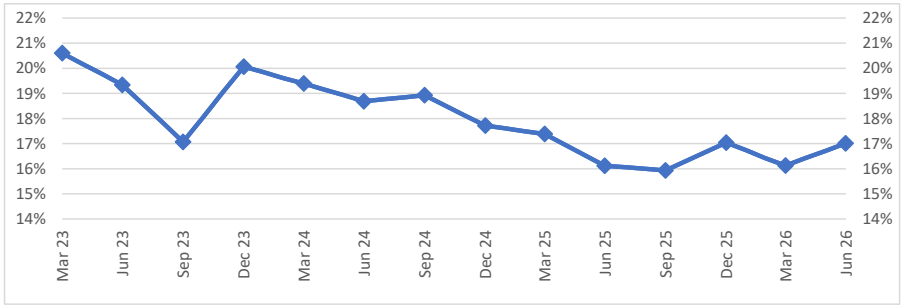
QUARTER END FMP MONITORING REPORT - END JUNE 2026

Future service contributions required

	31-Mar-23	30-Jun-26
DB Future Service contribution required	18.3%	14.7%
Expenses	0.5%	0.5%
Expected DC contributions [1]	1.8%	1.8%
Total	20.6%	17.0%

Note 1. Includes 0.1% subsidy.

Future service contributions required (including DC)



Sensitivity and Duration

	31-Mar-23	30-Jun-26
TP Sensitivity (£bn) [1]	-1.0	-0.9
TP Duration of scheme (years)	17.2	15.6

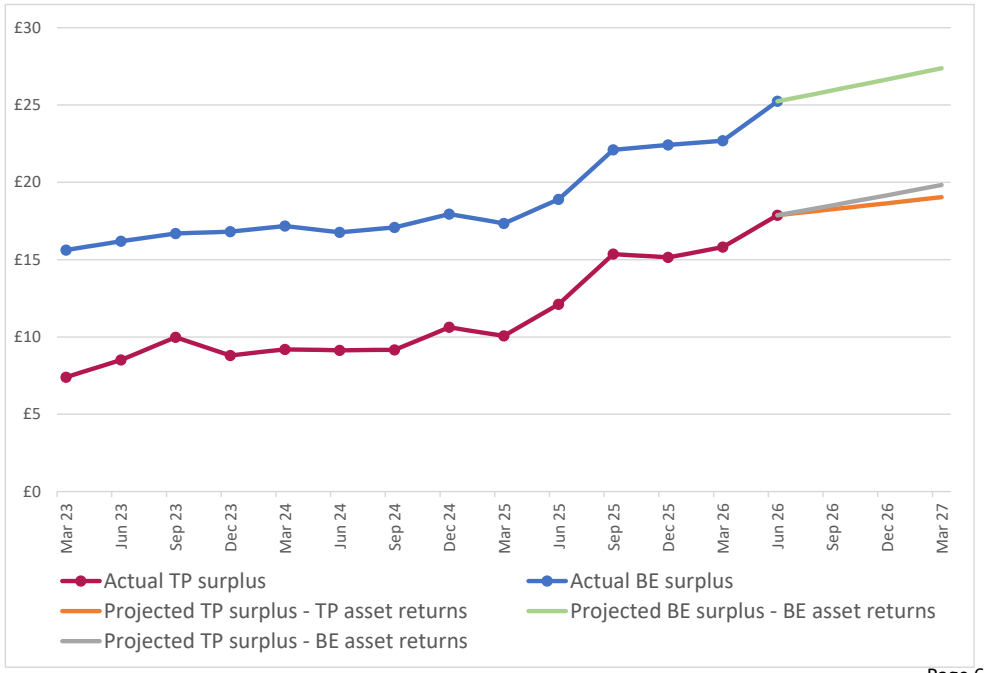
Note

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

Best Estimate basis

	31-Mar-23	30-Jun-26	Change
Pre-retirement discount rate	Gilts + 4.75%	Gilts + 3.64%	-1.11%
Post-retirement discount rate	Gilts + 1.20%	Gilts + 0.79%	-0.41%
Assets (£bn)	73.1	83.9	+10.8
Liabilities (BE) £bn	57.5	58.6	+1.1
Surplus/(deficit) (BE) £bn	15.6	25.3	+9.7
Future Service conts reqd (BE)	15.2%	12.9%	-2.3%
SE discount rate (liabilities)	Gilts + 2.3%	Gilts + 1.7%	-0.6%
SE discount rate (future service)	Gilts + 3.3%	Gilts + 2.5%	-0.8%

Projected funding position (£bn)



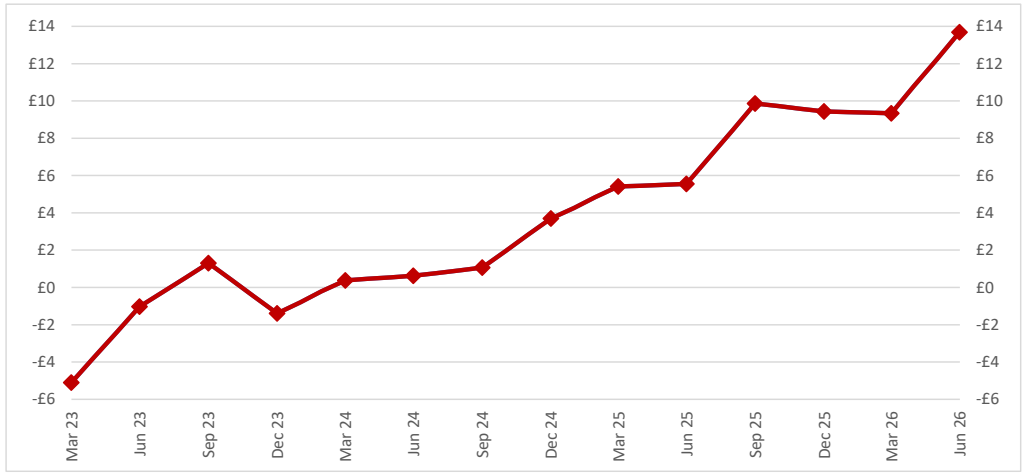
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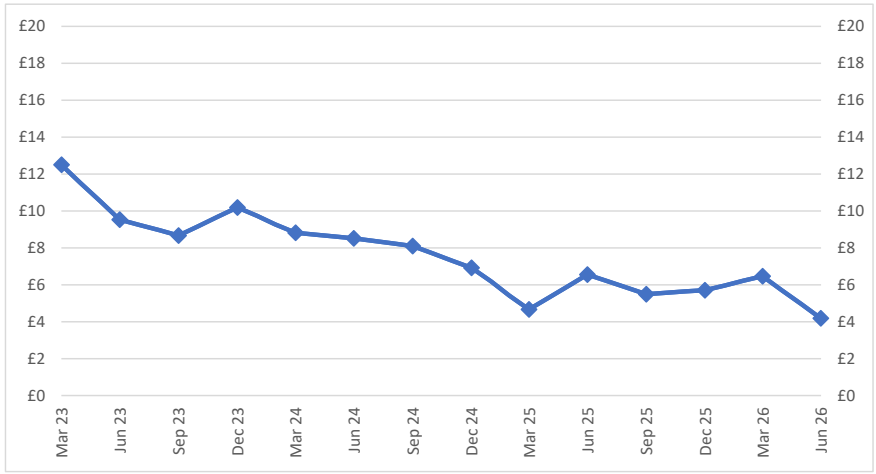
Self-Sufficiency

	31-Mar-23	30-Jun-26	Change
Discount rate	Gilts + 0.50%	Gilts + 0.30%	-0.20%
Assets £bn	73.1	83.9	+10.8
Liabilities £bn	78.2	70.2	-8.0
Surplus/(deficit), £bn	-5.1	13.7	+18.8
Funded Status %	93%	119%	+26%
Single equivalent discount rate	Mkt CPI + 1.2%	Mkt CPI + 2.8%	+1.6%

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



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



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

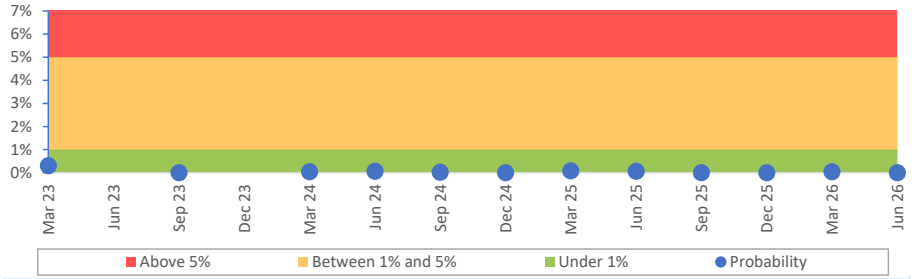
	31-Mar-23	30-Jun-26	Change
Discount rate to calculate the AffRC	Gilts + 0.70%	Gilts + 0.55%	-0.15%
Affordable Risk Capacity, £bn	28.1	27.1	-1.0
Range: +/- 10%, £bn	25 - 31	24 - 30	

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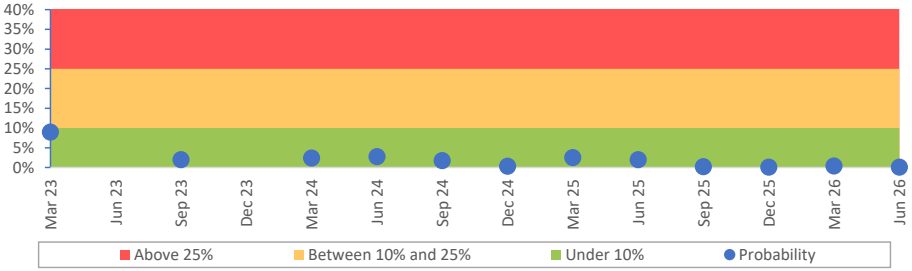
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INVESTMENT RISK

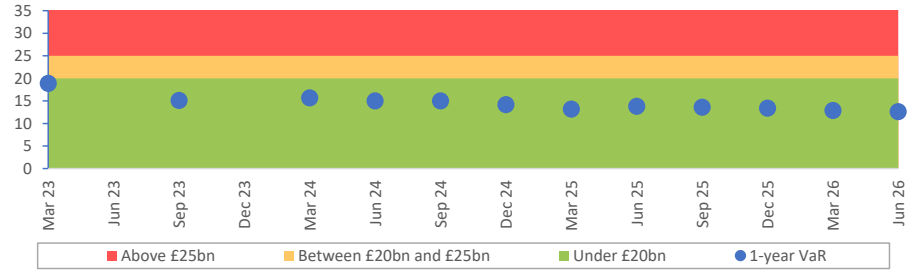
1. Probability of Actual Reliance exceeding Limit of Reliance in three years



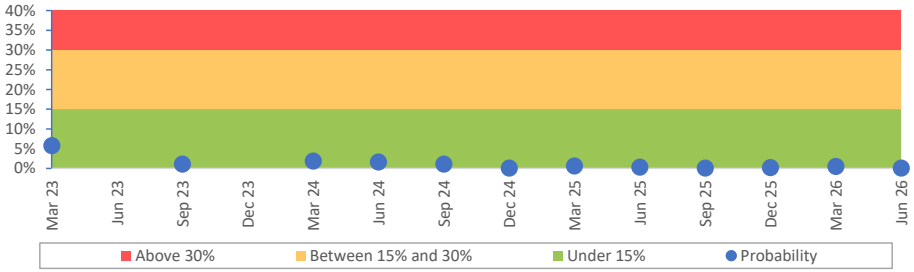
2. (a) Probability of Actual Reliance exceeding Affordable Risk Capacity in three years



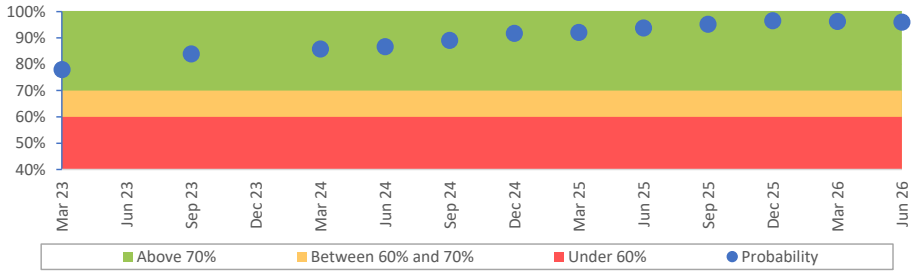
2. (b) Self-sufficiency funding deficit 1-year Value at Risk (£bn)



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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QUARTER END FMP MONITORING REPORT - END JUNE 2026

Quarterly covenant monitoring update

SUMMARY The covenant remains Strong

Rationale:
- No indication of material weakening of long-term position of employers that contribute the majority of employer risk capacity
- Employer capacity to support risk remains in excess of Scheme reliance on employers

KEY DEVELOPMENTS

- Monthly data on study visa applications showed UK international student recruitment continues to weaken, with applications down 35% year-on-year during January-May 2026 following tighter application scrutiny and compliance requirements for university sponsors (Home office, Icef).
- The OfS published its annual report on financial sustainability of English higher education providers based on financial returns covering FY24-FY30. The report indicated a modest y/y recovery in sector finances during FY25, although performance remains uneven and increasingly polarised. International student recruitment continues to be the primary financial risk, with liquidity and cashflow pressures persisting. Despite the improvement, 36% of institutions reported a deficit in FY25 and the report noted continuing reliance by many universities on optimistic student recruitment forecasts. (OfS, May).
- In a further sign that financial challenges are prompting structural responses in the sector, Cranfield University announced that it had agreed provisionally to merge with Kings College London with effect from August 2027 (Cranfield/KCL, May). A survey by Universities UK found that 40% of its members that responded were open to or actively considering potential mergers (UUK, May).
- The FT noted the relative rise of Chinese institutions in the 2027 QS world university rankings published in June, compared with relative declines in the US and the UK. China now has 3 institutions in the top 30 and 10 in the top 200 compared with 4/28 in the UK and 11/38 in the US. However, the 93 UK institutions ranked in 2027 is 1 more than in 2026 and 8 more than China's 85, while 65% of US institutions saw rankings fall in the 2027 rankings compared with 40% of UK institutions (FT, Jun).
- In its first update since the publication of the Gillies Report on the University of Dundee, the Committee of University Chairs (CUC) published a revised Code of Higher Education Governance, setting out minimum expectations for financial stress testing, academic risk oversight, board composition, conduct and independent performance reviews (CUC, Jun).

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

DEBT MONITORING SURVEY	2026	2025
Response rate		
• All employers	83%	85%
• Pre-92 universities	98%	95%
• All HEIs	96%	94%
Average # metrics A-D exceeded per employer		
- all employers	0.99	1.12
- universities	1.24	1.39
# in-scope employers:		
• above engagement thresholds	17	20
• and requiring further measures	5	4

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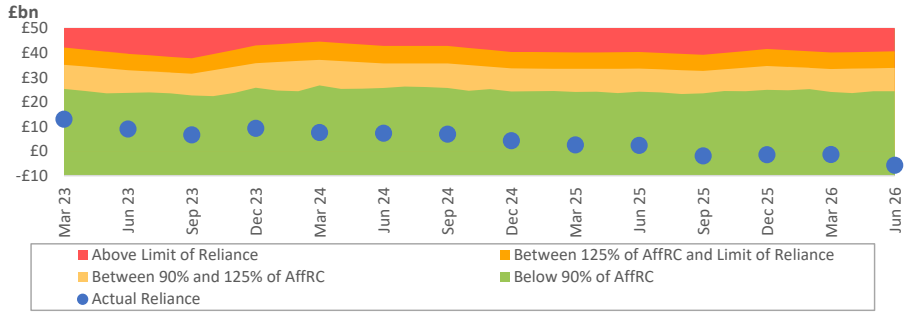
APPENDIX A - IRMF RAG rating definitions

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

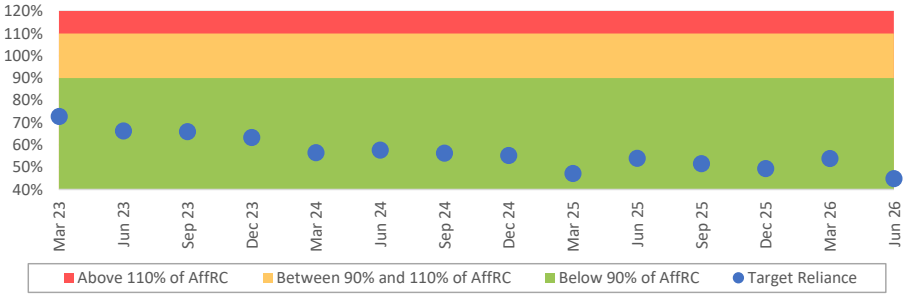


Target Reliance

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

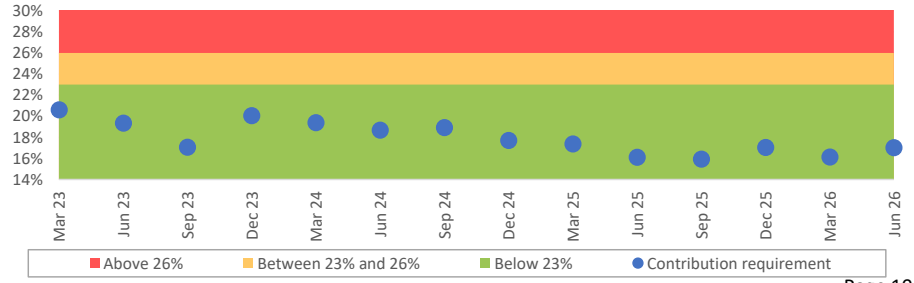


Contribution Metric

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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QUARTER END FMP MONITORING REPORT - END JUNE 2026

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 4. The present value of these salaries is then determined using the Affordable Risk Capacity discount rate shown on page 6.
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.