Monitoring of the 2023 Financial Management Plan
March 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 31 March 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 and the Trustee is separately considering appropriate assumptions to use for the 2026 valuation, which will reflect new funding legislation, guidance from the Pensions Regulator and be the subject of a consultation with UCEA over the summer of 2026.

This monitoring **is not intended to predict the results of the valuation as at 31 March 2026** however it should provide an indication of the direction of travel. 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.

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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.

- Over the last quarter, the funding position improved on the technical provisions basis. The market's long-term expectations of both interest rates and inflation were higher; these offset to give broadly unchanged real yields. The expected return on equities has increased over the quarter, leading to a higher pre-retirement discount rate than on 31 December 2025, reducing the value of the liabilities. The future service contribution requirement was lower compared to December for similar reasons.
- 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 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 MARCH 2026

Technical Provisions

£15.8bn Surplus

Valuation date (31/03/2023)	£7.4bn Surplus
Liability	£64.0bn
Pre-retirement discount rate	Gilts + 1.88%
Post-retirement discount rate	Gilts + 0.31%

Self-Sufficiency

£9.4bn Surplus

Valuation date	£5.1bn Deficit
Liability	£70.4bn
Discount rate	Gilts + 0.33%
Self-sufficiency VaR	£12.9bn

Assets

£79.8bn

Valuation date	£73.1bn
'Breakeven' discount rate	Gilts – 0.59% CPI + 1.85%

Future Service Contribution Requirement

16.1%

Valuation date	20.6%

Future Service Contribution Requirement

Current RAG	16.1% (Green)
Last quarter-end (Dec-25)	17.0% (Green)
Trigger if Red for two quarters	No

Investment Risk

The underlying Investment Risk metrics are all green

RAG Green

IRMF - Actual Reliance

	31-Mar-23	31-Mar-26
Actual Reliance (£bn)	13.1	-1.4
% of AffRC	47%	-5%
RAG	Green	Green

IRMF - Target Reliance

	31-Mar-23	31-Mar-26
Target Reliance (£bn)	20.5	14.4
% of AffRC	73%	54%
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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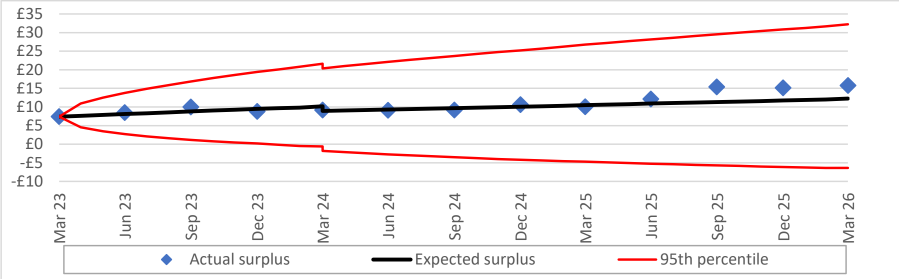
QUARTER END FMP MONITORING REPORT - END MARCH 2026

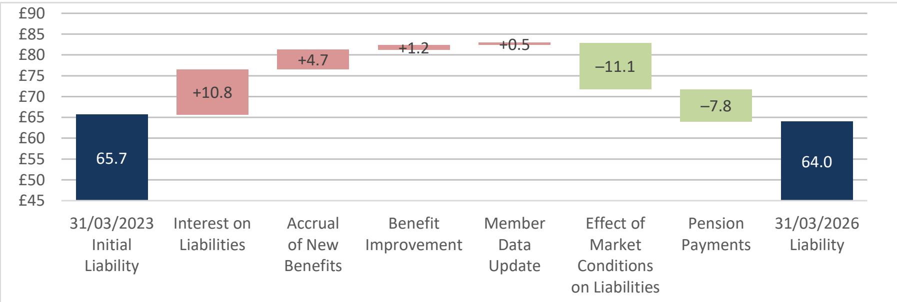
Technical Provisions

	31-Mar-23	31-Mar-26	Change
Assets £bn	73.1	79.8	+6.7
Liabilities £bn	65.7	64.0	-1.7
Surplus/(deficit) £bn	7.4	15.8	+8.4
Funded Status %	111%	125%	+14%

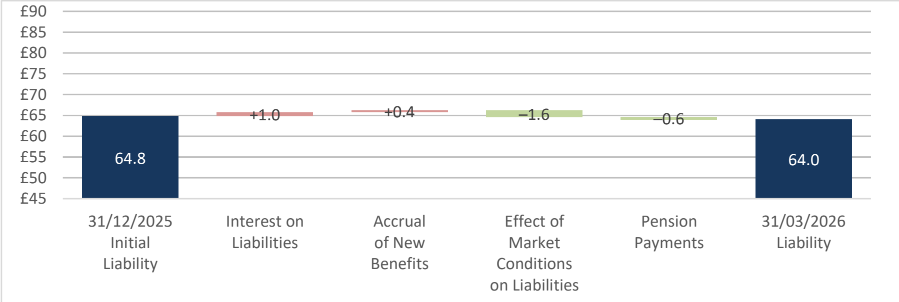
Technical Provisions surplus/(deficit) (£bn)



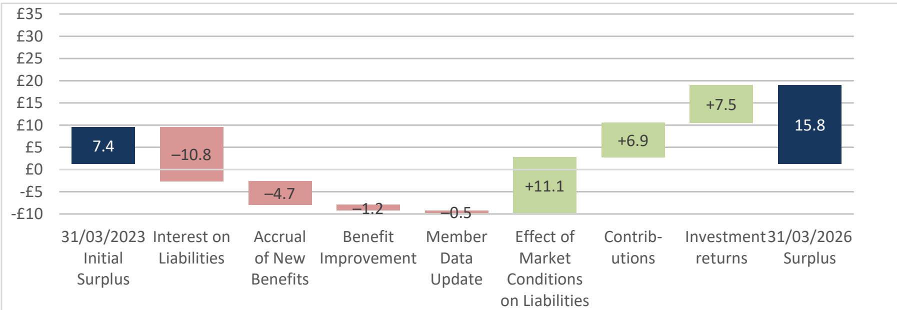
Liability change attribution (£bn) since the valuation date



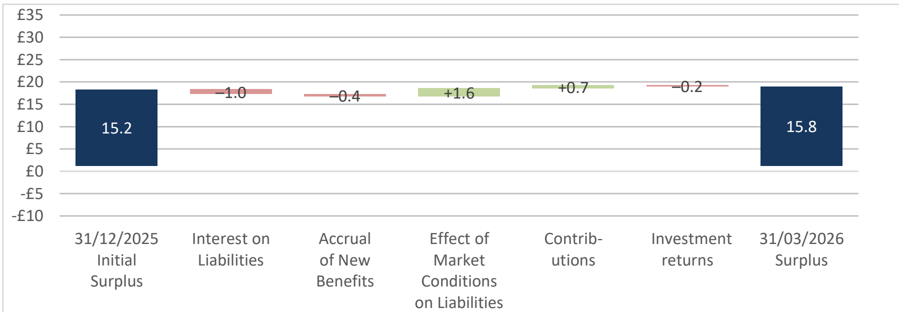
Liability change attribution (£bn) - Q1 2026



Surplus change attribution (£bn) since the valuation date



Surplus change attribution (£bn) - Q1 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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QUARTER END FMP MONITORING REPORT - END MARCH 2026

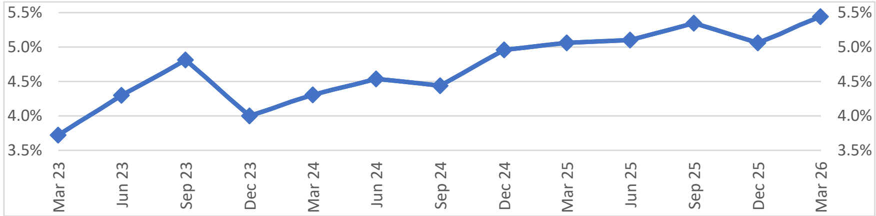
Market Gilts and CPI	31-Mar-23	31-Mar-26
Gilts, nominal (single equivalent)	3.72%	5.44%
Market implied CPI (single equivalent)	3.08%	3.17%

Technical Provisions - Assumptions	31-Mar-23	31-Mar-26
Assumed future TP CPI (single equivalent) *	3.0%	3.0%
Change in market implied CPI relative to TP CPI (a)		0.10%
CME Pre ret expected rtn vs Index-linked gilts **	ILG + 3.92%	ILG + 3.40%
Change since 31-Mar-23 relative to ILG (b)		-0.52%
Pre-retirement discount rate: Adjusted by (b) - (a)	Gilts + 2.50%	Gilts + 1.88%
CME Post ret expected rtn vs Index-linked gilts **	ILG + 1.08%	ILG + 0.59%
Change since 31-Mar-23 rel to ILG (c)		-0.49%
Post-retirement discount rate: Adjusted by (c) - (a)	Gilts + 0.90%	Gilts + 0.31%

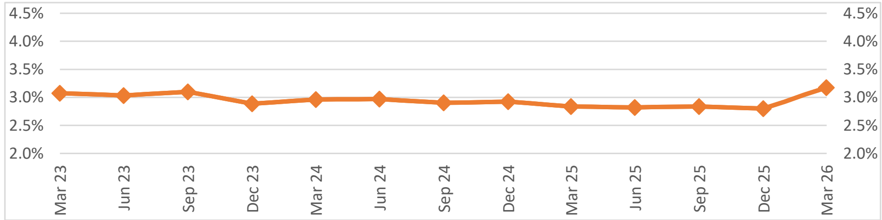
Single equivalent discount rates	31-Mar-23	31-Mar-26
Single equivalent discount rate (TP)	Gilts + 1.4%	Gilts + 0.8%
	CPI + 2.2%	CPI + 3.3%
Single equivalent discount rate (TP future service)	Gilts + 1.8%	Gilts + 1.2%
	CPI + 2.5%	CPI + 3.7%

* 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.

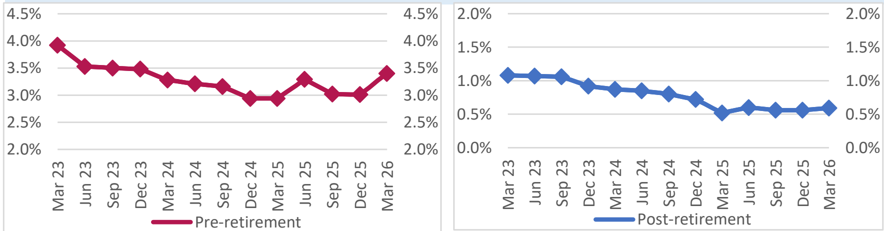
Gilts, nominal (single equivalent)



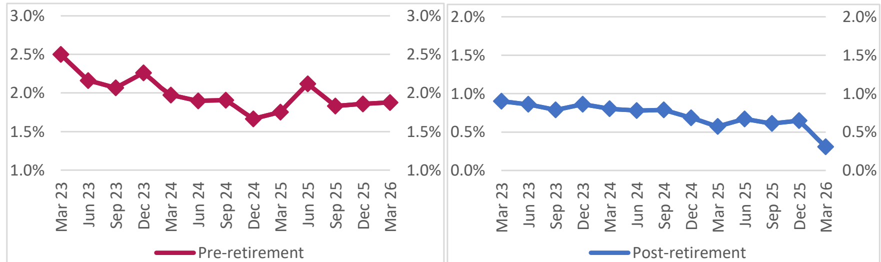
Market implied CPI (single equivalent)



CME expected return relative to index-linked gilts



TP Discount rates (Gilts+)



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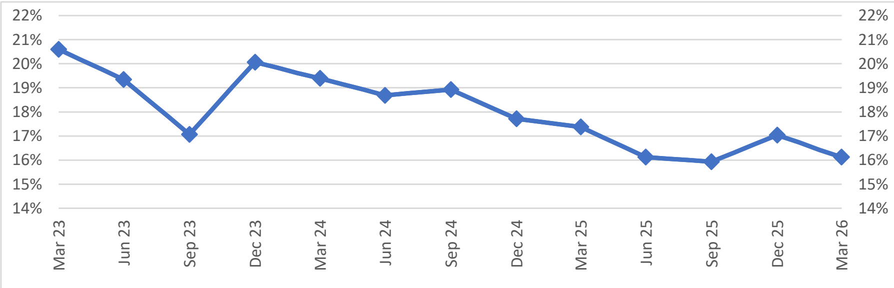
QUARTER END FMP MONITORING REPORT - END MARCH 2026

Future service contributions required

	31-Mar-23	31-Mar-26
DB Future Service contribution required	18.3%	13.8%
Expenses	0.5%	0.5%
Expected DC contributions [1]	1.8%	1.8%
Total	20.6%	16.1%

Note 1. Includes 0.1% subsidy.

Future service contributions required (including DC)



Sensitivity and Duration

	31-Mar-23	31-Mar-26
TP Sensitivity (£bn) [1]	-1.0	-0.9
TP Duration of scheme (years)	17.2	15.5

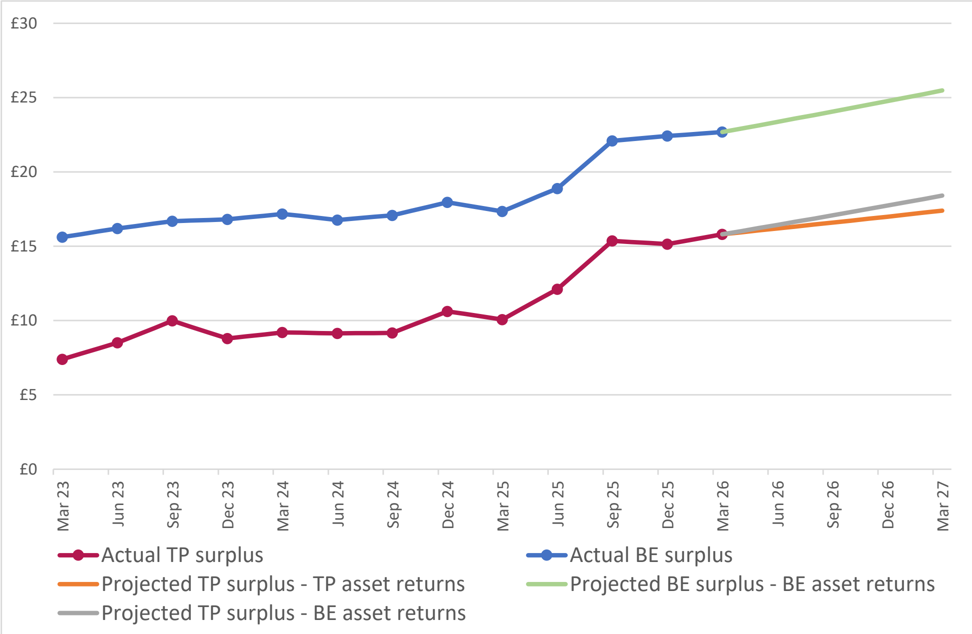
Note

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

Best Estimate basis

	31-Mar-23	31-Mar-26	Change
Pre-retirement discount rate	Gilts + 4.75%	Gilts + 4.13%	-0.62%
Post-retirement discount rate	Gilts + 1.20%	Gilts + 0.61%	-0.59%
Assets (£bn)	73.1	79.8	+6.7
Liabilities (BE) £bn	57.5	57.1	-0.4
Surplus/(deficit) (BE) £bn	15.6	22.7	+7.1
Future Service conts reqd (BE)	15.2%	12.3%	-2.9%
SE discount rate (liabilities)	Gilts + 2.3%	Gilts + 1.7%	-0.6%
SE discount rate (future service)	Gilts + 3.3%	Gilts + 2.6%	-0.7%

Projected funding position (£bn)



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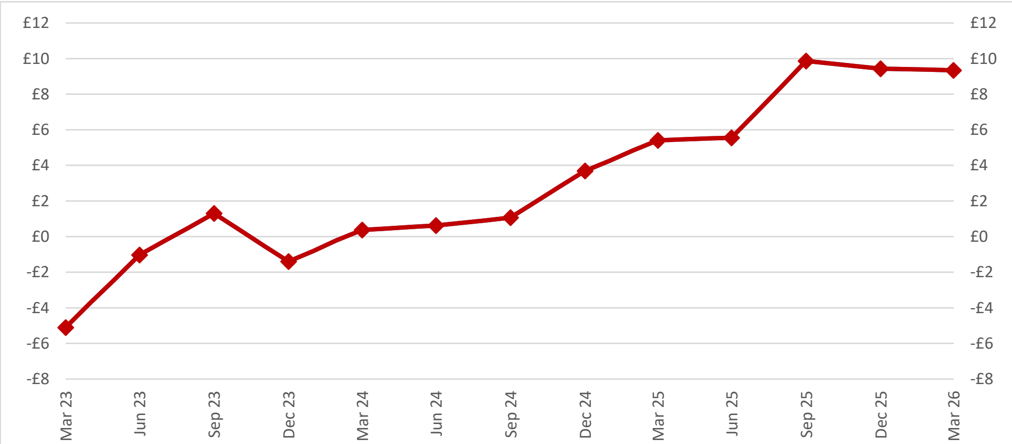
QUARTER END FMP MONITORING REPORT - END MARCH 2026

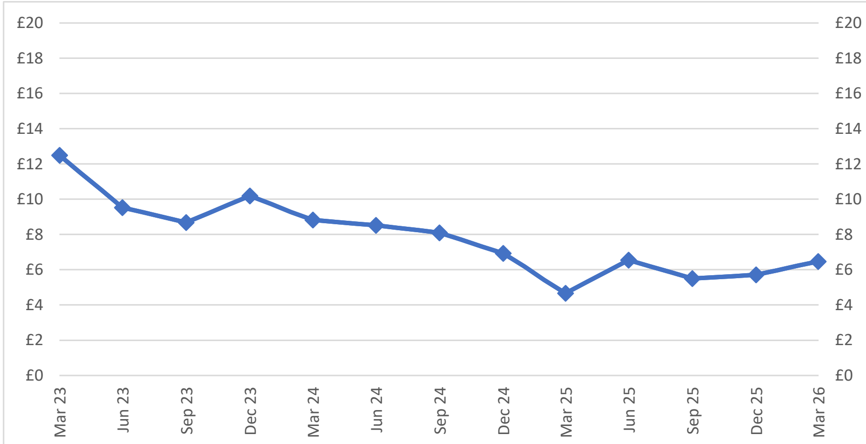
Self-Sufficiency

	31-Mar-23	31-Mar-26	Change
Discount rate	Gilts + 0.50%	Gilts + 0.33%	-0.17%
Assets £bn	73.1	79.8	+6.7
Liabilities £bn	78.2	70.4	-7.8
Surplus/(deficit), £bn	-5.1	9.4	+14.5
Funded Status %	93%	113%	+20%
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	31-Mar-26	Change
Discount rate to calculate the AffRC	Gilts + 0.70%	Gilts + 0.57%	-0.13%
Affordable Risk Capacity, £bn	28.1	26.8	-1.3
Range: +/- 10%, £bn	25 - 31	24 - 29	

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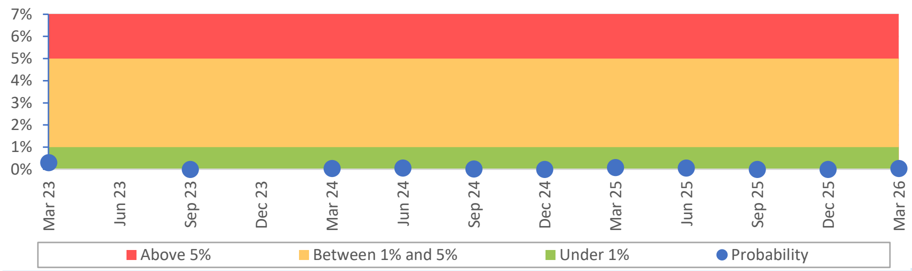
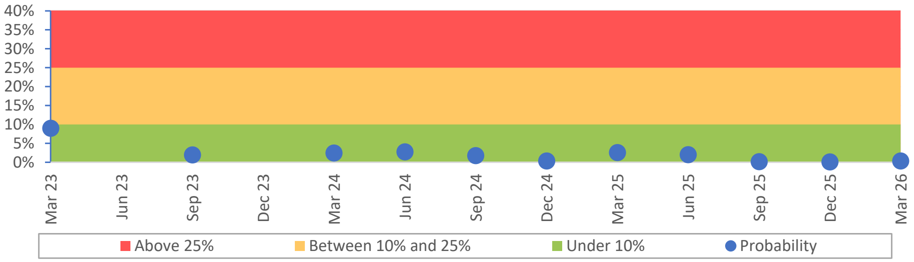
QUARTER END FMP MONITORING REPORT - END MARCH 2026

INVESTMENT RISK

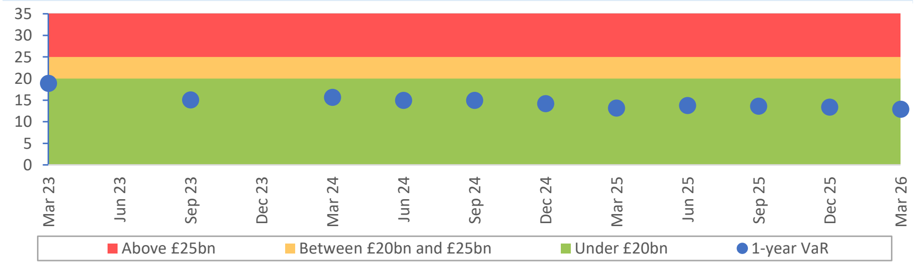
1. Probability of Actual Reliance exceeding Limit of Reliance in three years



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

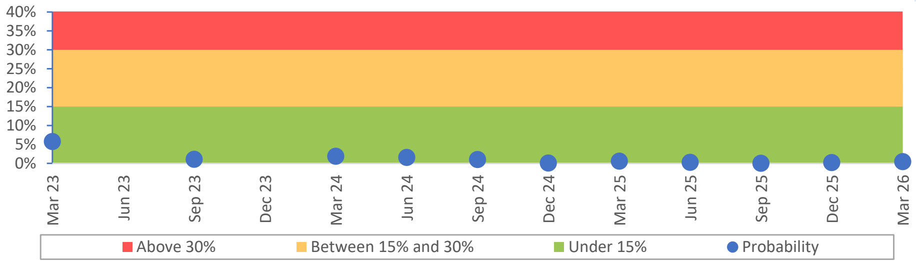


2. (b) Self-sufficiency funding deficit 1-year Value at Risk (£bn)

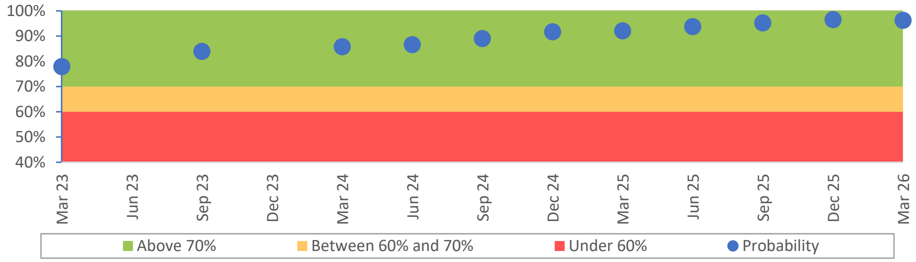


Figures are based on the 2023 Valuation Investment Strategy and were not calculated at Jun 23 or Dec 23.

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**

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QUARTER END FMP MONITORING REPORT - END MARCH 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

- The UK government published a new International Education Strategy sponsored by the departments for Education, Business and Trade, and the Foreign Office (but notably not the Home Office that is responsible for issuing study visas). The strategy targets £40bn of education "export" value by 2030 (up from £32bn in 2022). The strategy moves away from a numerical target for inbound international students to the UK, with increased emphasis on UK institutions developing overseas partnerships and operations (Trans-national education, or "TNE") to diversify income and on "sustainable recruitment of higher-quality international students". (Gov.uk, Jan)
- Various media stories in the quarter detailed challenges in international student recruitment: rising visa refusal rates for applicants from some countries; tighter scrutiny of, and delays in processing, study visa applications, leading to missed enrolments (THE, Feb); some universities pausing student recruitment from markets with high visa refusal rates (BBC, Mar); a pause in issuance by the Home Office of study visas to applicants from Afghanistan, Cameroon, Myanmar and Sudan (THE, Mar).
- Monthly data from the Home Office showed a marked drop in study visa applications to the UK over the quarter, down 17% y/y in December, 31% y/y in January, 35% y/y in February and 25% y/y in March, a notable deterioration in trend from the rebound seen in H1 2025 (Gov.uk).
- The government's decision to freeze the Plan 2 student loan repayment threshold for three years continued to draw strong criticism from recent graduates. The Institute for Fiscal Studies estimated that a typical Plan 2 borrower might need to earn more than £60,000/year just to keep pace with inflation-linked interest rates and concluded that the threshold freeze risks deterring debt-averse and lower-income prospective students, potentially adding pressure to institutions already facing student recruitment uncertainty. The UK government announced a cap (at 6% from Sept-26) on Plan 2 interest rates in response to students' affordability concerns. (Telegraph/IFS, Feb/Apr).

ENGAGEMENT ACTIVITY (Not survey-related, # cases, year to end March)	QTD	YTD 2025/26
Notifications of intention to execute:		
• new secured debt	0	0
• new Quasi-security	0	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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QUARTER END FMP MONITORING REPORT - END MARCH 2026

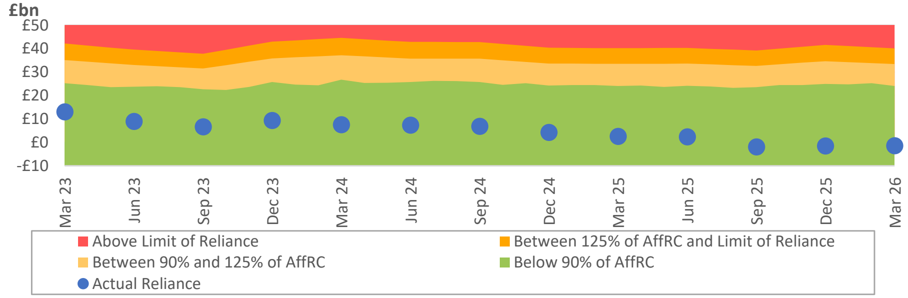
APPENDIX A - IRMF RAG rating definitions

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

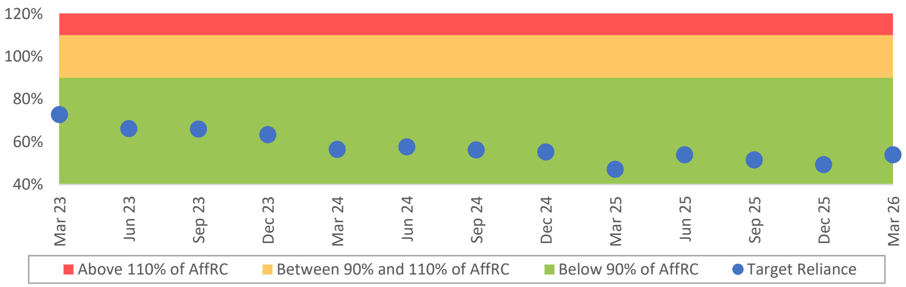


Target Reliance

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

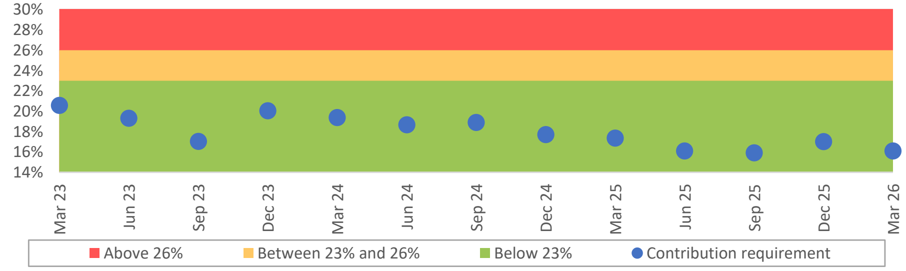


Contribution Metric

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 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).

QUARTER END FMP MONITORING REPORT - END MARCH 2026

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.