Comparison of assumptions and liabilities shown in 2017 and 2018 USS accounts

The accounts for both the scheme and the trustee company contain details of the scheme's liabilities as at 31 March 2017 and 2018 on both the "monitoring" and "accounting" basis.

The demographic assumptions used in determining the 'monitoring' (at 31 March 2017 and 2018) and 'accounting' liabilities (at 31 March 2017) are those adopted for the 2014 valuation.

For the 31 March 2018 accounting liabilities, demographic assumptions proposed for the 2017 valuation have been used.

Different financial assumptions are used for monitoring and accounting and in respect of the different dates, these are summarised in the table below.

Assumption	"Technical Provisions" Monitoring Basis		FRS102 Accounting position	
	2017	2018	2017	2018
Discount rate	3.26% in year 1, decreasing linearly to 2.83% over 17 years	3.21% in year 1, decreasing linearly to 2.81% over 16 years	2.57%	2.64%
Inflation (CPI)	2.36% in year 1, increasing linearly to 2.46% over 17 years	2.27% in year 1, increasing linearly to 2.37% over 16 years	2.41%	2.02
Demographic assumptions (including life expectancy)	As per 2014 Technical Provisions	As per 2014 Technical Provisions	As per 2014 Technical Provisions	As proposed for the 2017 Technical Provisions
Liabilities reported	£72.6bn	£75.7bn	£77.5bn	£72.0bn

The monitoring basis uses the 2014 valuation assumptions, updated for changes in discount rate and assumed inflation, which are based on changes in gilt yields.

The accounting position uses a discount rate based on AA-rated corporate bond yields. The 2018 position took into account updated views on expected CPI inflation and demographic assumptions, based on the approach used in the 2017 full actuarial valuation.

Approximate reconciliation between 2017 and 2018

All else being equal the liabilities in the year to 31 March 2018 would have increased nearly £4bn on the monitoring approach and around £3.5bn on the accounting approach, based on the combined effect of interest, the actual pension increase based on September 2017 CPI, and the additional year's accrual, offset by the benefits paid during the year.

The change in financial assumptions on the technical provisions basis led to a reduction in liabilities of nearly £1bn.

The change in financial assumptions on the accounting basis led to a reduction in liabilities of around £6.5bn, with a further reduction of around £2.5bn from updating the demographic assumptions to be based on those proposed for the 2017 valuation.