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To: Finance Directors, Official contacts

## USS Debt Monitoring Framework

Dear Colleague,

- The USS employer debt monitoring framework is effective from 1 October 2021;
- Employers may need to notify USS if they are considering new secured debt, or if their financial situation changes;
- Annual data collection exercise will commence in March 2022;
- For any queries, or to make any notifications, contact [DebtMonitoring@uss.co.uk](mailto:DebtMonitoring@uss.co.uk)

### [Annex A: USS debt monitoring framework](#)

You will be aware that USS has been working with employers and Universities UK to develop a debt monitoring framework in parallel with the 2020 actuarial valuation. This framework facilitates employers and the Trustee working together to support the overarching employer covenant to the scheme.

Following the Joint Negotiating Committee's decision on benefit changes made on 31 August, which was priced on the basis of a package of covenant support measures being in place including the framework, on 28 September 2021 the Trustee formally agreed to adopt this framework for operation from 1 October 2021. A copy of the final framework is attached. You will shortly be able to find a copy of this framework, and other supporting information, on the USS website under "About us/Valuation and funding".

### **What does this mean for you?**

There are two main elements of the framework:

- The first element involves the Trustee working with employers to develop and maintain a picture of the USS employers' high level debt position, and to seek appropriate assurance or mitigation where an employer's debt levels may adversely impact its covenant to the scheme. It primarily involves an annual collection (around March each year) of certain financial data from employers, and then further engagement if indicated by the calculated debt metrics. Employers should also advise USS if they think their metrics have or are

likely to worsen significantly between data collection exercises.

- The second element involves employers, who (from 1 October 2021) are considering agreeing secured debt above certain de minimis levels, informing USS at the earliest opportunity if they believe it will take their total security above one of the 10% thresholds or are granting a floating charge or entering into a new quasi-security arrangement. Depending on the nature of the new security, the Trustee may request provision of comparable equal priority (pari passu) security for the scheme.

Under the framework, all employers will need to:

- Submit data when requested,
- Notify USS of ad hoc events (see 3.4 of the Requirements Document), or
- Notify USS if seeking new security of certain types or which would take their position above the relevant thresholds (see 5.5 of the Requirements Document).

However, the Trustee will not seek further engagement with employers who are de minimis (those with less than £50m total assets and less than £50m total annual income in the most recent financial year), or who participate in USS on “Limited” terms (we will issue a follow-up note to those employers we believe participate in USS on this basis).

### **What action do you need to take?**

Employers should:

- Review the framework document (including whether one or more of the carve-outs in 4.3 or 5.1 of the Requirements Document applies to them);
- Read the Trustee’s [summary](#) of how it will operate the framework and work with employers;
- Ensure they are clear on their obligations under the framework, and in particular of the events or circumstances in which they should notify or contact USS;
- Note that USS can be contacted at [DebtMonitoring@uss.co.uk](mailto:DebtMonitoring@uss.co.uk) for any questions or queries relating to the framework or its operation, or for support and information on how to comply with the framework.

The Trustee will seek regular feedback from employers on the operation of the framework. If you have any queries on this I-letter, or in relation to the framework or its operation, please contact [DebtMonitoring@uss.co.uk](mailto:DebtMonitoring@uss.co.uk).

Thank you to all of you who have helped to develop the framework.

Yours faithfully

Dominic Gibb  
Chief Financial Officer

[Annex A: USS debt monitoring framework](#)

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1 October 2021

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