

Terms of reference: 2023 Valuation Technical Forum

Purpose and Scope

The purpose of the Forum is to provide the opportunity for early and informal discussion between the USS Trustee, UCU and UUK in relation to some of the technical aspects of the 2023 valuation. This will explore some of the key moving parts that will impact on the funding position as at 31 March 2023, and facilitate a shared understanding of the different inputs, assumptions, evidence and perspectives, and how they will feed into the decisions of the Trustee.

- In particular, it is envisaged that the Forum will consider:
 - The key assumptions, and underlying drivers of those assumptions, that may have a material impact on the scheme's funding position;
 - The development of the scheme's funding position up to 31 March 2023;
 - Sensitivity analysis in respect of the key assumptions, and how changes in individual assumptions can impact both the overall funding position and the pricing of benefits, to support stakeholders own mandate development;
 - How the range of risks considered support both the scheme in general and the valuation methodology in particular, the volatility and stability of the metrics used, and the extent to which they capture the long-term and open nature of the scheme.
- Whilst the primary purpose of the Forum won't be to consider methodology, it's envisaged that the first meeting of the Forum will consider the use of self-sufficiency within the IRMF and other supporting metrics.
- For illustrative purposes an indicative schedule of the types of issues that could be considered at each Forum meeting is set out in the attached appendix. This sequencing of issues, over a series of monthly meetings, is designed to align with the Trustee Board's own consideration of the key inputs and assumptions as they are being developed and therefore supports the overall valuation timeline proceeding at pace.
- The Forum will provide an opportunity for the USS technical teams and advisors to present their emerging viewpoint on each topic, and for stakeholders and their advisors to give their viewpoint, and to consider areas of common ground or potential refinement. This may include discussion of any further inputs stakeholders and their advisors would wish the Trustee Board to consider when taking decisions.
- The Forum will also provide a channel through which UCU and UUK can consider if there are any specific information or modelling requests they would like the USS Trustee to prioritise in developing evidence and inputs, either to inform the decision-making processes for the 2023 valuation, or to facilitate early engagement by stakeholders with their own mandate gathering processes. These will be managed through the established stakeholder information request and Hold Harmless processes. Some information and modelling might be best facilitated and brought forward through UCU's and UUK's actuarial advisers.

Structure

Group representatives: UCU and UUK will each be invited to nominate three representatives to participate in the group; to attend meetings and to input into the discussions. As well as the three representatives, actuarial advisers will be invited to attend and participate in the discussions. Trustee Directors will also be invited to attend (an anticipated 2-3 Directors per Forum meeting). Members of the USS executive will attend to support the agenda items and running of the meeting as appropriate.

Meetings: A meeting quorum will be a minimum of two members each from the USS Trustee, UCU and UUK and the Group Chair. Meetings will be held in a format which allows either attendance in person or via remote access. Meeting arrangements, agendas and notes will be provided by the USS executive supported by UUK and UCU as appropriate.

Consideration will be given to whether there are Forum meetings for which it would be appropriate for TPR to be invited to attend and TPR will be kept informed of the activities of the group and any published reports.

Chair: The USS Trustee propose that Mel Duffield (CSS&O) chairs the group given the Forum is primarily supported by the USS executive and advisors and will inform the Trustee's decision making in due course. It would be helpful to agree a primary representative from each of UCU and UUK that the Chair can work closely with to ensure the effective running of the meetings (including the development of agendas and prioritisation of actions) and to lead on aspects of the discussions as appropriate.

Timeline: the expected timeline is set out in the Annex, together with the headline items currently proposed for each of the group meetings. It would be helpful if any other areas of discussion be raised at the first meeting of the group (or via a pre-meeting if more appropriate) and ideally shared in advance if at all possible.

For the first phase the Forum will meet on a monthly basis between November 2022 and March 2023. Timing of further meetings in April, May and June (once the emerging funding position is clearer) can be considered in due course, recognising the pace of activity USS will need to be progressing during that time in order to meet the shared timeline.

Working assumptions for the Valuation Technical Forum

- Whilst the USS Trustee will ultimately need to take those valuation decisions that are within its remit and follow the formal consultation processes as set out in legislation and the Scheme Rules, an objective for this group is to allow informal discussions to take place and both UCU and UUK will be invited to make any representations they would like the Trustee Board to consider in February/March 2023. The USS Trustee will consider these representations as part of its decision making and will explain the rationale for the decisions it takes.
- As the Forum is designed to facilitate shared and collaborative exploration and understanding and is likely to involve preliminary discussion of evolving perspectives, all papers shared with the Forum and discussions at meetings will be confidential and subject to the hold harmless letters that have been signed by each of the members, unless otherwise agreed. It is suggested that a copy of the papers and a short report of each meeting of the Forum will be provided to the Board and JNC.
- Reports from each Forum meeting will be shared with the Trustee Board and the JNC, a summary of which will be made publicly available.
- The Forum will also consider if there are any supporting outputs from the group's discussions that would be suitable for wider sharing with the sector or broader publication in advance of, or following, formal decision-making processes.
- It is envisaged that a report of the Forum's activities will be agreed by UCU and UUK representatives, with the support of the USS executive as appropriate, and shared with the Trustee Board in good time to inform views on 2023 valuation assumptions. If separate reports are issued by UCU and UUK representatives, then these will also be shared with the Trustee Board. Subject to agreement by all parties the report will be published on the USS website.
- The Trustee will consider the inputs of the Forum and provide an explanation for its valuation decision making consistent with the Blueprint for Communicating Board Decision-Making developed by the Joint Expert Panel Tripartite Group.
- Whilst the Forum has no decision-making powers or formal status under USS's constitution or for the purposes of statutory consultation requirements (for example, the work of the Forum does not prejudice the formal role of the employer representative (UUK) in the valuation process under the rules of the scheme), it is anticipated that the work of the group will allow an open discussion on many of the key valuation assumptions, and thus potential valuation outcomes, ahead of the funding position for the 2023 valuation being confirmed.