

Public summary of the Valuation Technical Forum meeting on 17 November 2022

Present

Forum attendees	Trustee Board directors
Melanie Duffield (Chair)	Dame Kate Barker
Steve Golden (USS)	Dr David Watts
Steve Towers (USS)	Russell Picot
Jeff Rowney (USS)	
Richard Barker (USS)	
Alan Fryer (USS)	
Anthony Odgers (UUK)	
Stuart McLean (UUK)	
Margaret Monckton (UUK)	
John Coulthard (Aon)	
Dr Jackie Grant (UCU)	
Professor Mark Taylor-Batty (UCU)	
Dr Renee Prendergast (UCU)	
Derek Benstead (First Actuarial)	

The VTF introduction

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. The full terms of reference for the forum can be found on the USS website.

Welcome and introductions

UUK and UCU were invited to share their respective positions in terms of what they wanted to achieve within the forum discussions.

UCU wished to develop its understanding around risk, including how the Trustee considers and develops its positions on risk, taking account of the scheme's open and long-term status, and the impact of volatility on self-sufficiency metrics and valuation outcomes. Assumptions, particularly about prudence and best estimates, would be important to discuss and explain. Developing the public communications and the forum being as transparent as possible was also a UCU objective.

UUK was clear on the need to focus on the 2023 valuation and timetable and the matters that will have the most material impact on outcomes and pricing of benefits – including understanding what pricing information could be shared with the wider sector and by when. Developing understanding of how to deliver greater stability across subsequent valuations would also be a key matter to discuss as well as overall scheme resilience to avoid frequent changes.

The Trustee confirmed that the 2023 valuation was at an early stage and no decisions had been made. It was important to remain focused on an accelerated 2023 valuation process – and therefore there was little to no room to diverge from the main tasks on the critical path. The three parties to the process must remain aligned on the timetable challenges in order to deliver the required critical tasks on time and avoid any detailed technical discussion which may be worthwhile discussions in

the round, and relevant to future valuation cycles, but which would likely not be key inputs into the 2023 valuation given the current outlook for the funding position.

VTF meeting schedule and terms of reference

The schedule of meetings was discussed, no further clarifications were required. Minor updates to the Terms of Reference were proposed and approved after the meeting. The Pensions Regulator would be invited to attend some meetings of the Forum.

Update on the Trustee valuation workstreams

An overview of the valuation timeline and the key technical workstreams (actuarial, investments and covenant) was given.

On the timeline update, the plan and what is required from all parties was understood and agreed as challenging but achievable.

The updates on the workstreams were noted and the point made that the date the stakeholders are given the FMP update as at 31 December 2022 was a key milestone for UCU and UUK to ensure that they were able to track to the 2023 timeline.

With no change in methodology, and assuming the covenant position remains strong, it was anticipated that the end of December analysis of the funding position and sensitivities might provide a reasonable indication of the range of potential valuation outcomes and potential benefit pricing as 31 March 2023.

FMP report to 30 September 2022 (including a discussion on 30 Sept pricing modelling)

It was noted that the direction of travel shown in the monitoring continued to be a positive indicator for the 2023 valuation. There was a discussion on self-sufficiency and what other measures could potentially be used to demonstrate the solvency position over time of the scheme. There was brief discussion on inflation which identified the need to understand just how impactful it would be on the valuation outcomes before engaging in a detailed discussion.

Look forward to 31 December 2022

The forum would consider offline if there are additional elements and sensitivities to consider for the 31 December analysis and indicative pricing update which would support the 31 December FMP. UCU and UUK expressed their desire to have as solid a basis as possible to consider in February, in advance of the 31 March date, and there was a discussion about the art of the possible from the Trustee's perspective including the sensitivities and book ends that could be provided to the Forum.

It was noted by the Forum that the most relevant sensitivities to test may depend in part on the prevailing financial conditions at the time.

Capital exhaustion

A broad overview was given on this analysis for the forum and what it was looking to consider (i.e., a metric that is looking to test what failure may actually mean as measured by the risk of running out of money to pay benefits). Within the discussion it was agreed that the analysis to date which had been prepared for and discussed with stakeholders be made available on the USS website. It was agreed this would be taken forward.

Wrap up

The next meeting to take place in December would be confirmed and the notes plus public summary documents would be drafted for review.