

Financial Management Plan (FMP) reports

Is the information included in the FMP monitoring reports indicative of what a full valuation would find?

The [FMP monitoring reports](#) are not a prediction of the likely outcome of a valuation at any particular date. A full valuation requires substantial first principles analysis across a range of issues (such as demographics, covenant, and expectations for investments and inflation) supported by professional advice and overlaying judgement by the trustee.

Our FMP monitoring reports instead reflect conditions between valuations on a pre-agreed methodology with limited judgement being applied. They seek to provide an *indication* as to whether the Trustee Board might need to check the ongoing adequacy of the funding plan; in particular, if contributions are likely to be sufficient to continue to cover the cost of new benefits and repair the deficit and whether employers can support the reliance being placed upon them in the funding plan.

The reports can show a fluctuating position from month to month and so should be interpreted with a degree of a caution.

The Board may decide to commission further analysis and advice on the reasons behind any notable changes indicated by the FMP reports before deciding if any other action is required.

Is it true that the USS scheme no longer has a deficit?

The [latest interim monitoring report](#) provides some positive indicators about the current funding status and contribution requirements of the scheme based on the benefit changes introduced from 1 April. But it suggests even on this basis that, as at the end of February 2022, there was a Technical Provisions (TP) deficit of around £2bn.

If the previous benefit structure was still in place, our monitoring at the end of February 2022 suggests the TP deficit would be between £3.6bn (see [here](#)) and £6.3bn (see final page [here](#)), depending on the level of covenant support provided by employers.

This illustrates the extent to which the scheme's revised benefit structure, introduced from 1 April 2022, is limiting the impact of higher-than-expected inflation and a reduced outlook for future investment returns.

Is it true that pre-1 April 2022 benefits could be funded for a total contribution rate of 31.4%?

We can't say for certain without doing a full valuation – but it seems highly unlikely based on our monitoring at the end of February (see final page [here](#)).

Even allowing for [the same level of covenant support](#) as is supporting the new benefit structure, the indicative contribution rate required for the previous structure, based on monitoring at the end of February, would be between 38.9% and 41.5% (with an implied future service cost of 38% and a TP deficit of £3.6bn).

Benefit changes came into effect from 1 April 2022. Is it possible for the JNC Chair to order that those changes are reversed?

No. The JNC Chair does not have unilateral power to reverse or revoke the benefit changes.

In any event, the current benefit package (as implemented on 1 April) would need to be replaced through the proper process. That would require an alternative proposal to be brought to the JNC by either the UUK or UCU representatives and passed by majority vote of the committee (or, where there is a deadlock, with the casting vote of the JNC Chair).

The JNC Chair cannot put proposals forward themselves or unilaterally put stakeholder proposals to a vote. In both instances, the action needed to change benefits rests with the stakeholders.

Where benefit changes are recommended by the JNC, the Trustee must implement those changes unless one of the restrictions in the amendment power is engaged.

Who can decide to call a valuation of USS? Is this something the JNC/the JNC chair can do?

The Trustee decides when to hold a valuation (noting that, by law, a full valuation must be held at least every three years¹) – and we take representations made by UUK and UCU into account to that end.

Is it the JNC Chair's role to assess the funding position of the Scheme?

No. That is a matter reserved under the Scheme Rules for the Trustee – although we do engage extensively with the committee to explain the valuation, the assumptions we are making and, at a high-level, the advice we have received. We also share the monitoring reports with the JNC for information.

The JNC is responsible for deciding what benefits are provided by the scheme and, in the context of a valuation, how any increase or decrease in the contributions required to fund them are split between members and employers. The JNC can propose benefit changes at any time.

¹ The latest the Trustee could carry out the next valuation is therefore 31 March 2023.