



VfM Policy Team
Department for Work and Pensions

Your ref
Our ref
Date

CY/JMR
15 September 2026

By email: caxtonhouse.vfmconsultation2026@dwp.gov.uk

Dear VfM Policy Team

USS response: *The Value for Money Framework: Consultation*

We welcome the opportunity to respond to this consultation and appreciate the constructive engagement we have had with DWP officials over the course of the summer.

Background: USS as a hybrid scheme

The Universities Superannuation Scheme (USS) was established in 1974 as the principal pension scheme for universities and Higher Education institutions in the UK. We work with around 320 employers to help build a secure financial future for almost 599,000 members and their families. We are one of the largest pension schemes in the UK, with total assets of around £84bn (at 31 March 2026).

USS is a hybrid pension scheme under a single trust, which means we have both a defined benefit (DB) element (which provides career average salary benefits) – the Retirement Income Builder – and a defined contribution (DC) element – the Investment Builder. The DC element means that we are an authorised Master Trust. A member only contributes to the DC element if they are contributing to the DB element and the assets attributable to DC benefits are not legally segregated from the Scheme's DB assets. This structure enables the Investment Builder to benefit from the scale and investment capabilities of the £84bn Scheme as a whole. Our benefit structure underpins many of the concerns raised in this response, in particular why we believe hybrid schemes should be excluded from the Framework (see our response to Question 3).

An inappropriate regulatory regime for hybrid schemes

We are wholly supportive of the intent behind the Value for Money Framework, to enable consistent and meaningful comparisons across pension schemes, supporting better decision-making by trustees, scheme managers, employers and ultimately savers. We have engaged with the consultation with positive intent and are grateful for our ongoing engagement with officials, with whom we have had constructive conversations over the summer.

Our key concerns are summarised below, with specific details related to each question added to the relevant section.

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Head Office: Royal Liver Building, Liverpool L3 1PY Tel: +44 (0)151 227 4711 Local: 0845 068 1110 Fax: +44 (0)151 236 3173 Website: www.uss.co.uk

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The Framework is clearly designed for commercial standalone DC schemes, and the assumptions embedded throughout support that. We share the concerns being raised right across the pensions industry that the amount of data that is proposed to be collected and published seems disproportionate to the issue you are trying to address. More specifically, the Framework does not work for a hybrid scheme such as USS, and including us risks false comparisons, member misunderstanding and significant cost and work. It has the potential to undermine our investment strategy, particularly our strong private market allocation (see our response to Question 28). Not only will there be no benefit to USS members from being within scope, but there is also an associated risk of member detriment. If included, we face a genuine risk of having to close the whole USS scheme to new employers. This would create issues and disruption across the Higher Education sector and would mean fewer members benefiting from the guaranteed DB element of our Scheme, and less capital for long-term investment. This also raises concerns about the data sets used for publication of multi-employer cohorts (see our response to Question 27).

These consequences would be the direct result of including USS in a VfM Framework that is simply not fit for purpose for a hybrid scheme like ours and are not the policy or regulatory outcomes you are seeking to achieve. For this reason, we do not agree with the proposed actions for arrangements rated red or amber applying to hybrid schemes (see our response to Question 3 and 33).

We would therefore ask you to reconsider urgently the inclusion of hybrid schemes within the VfM Framework. The simplest solution would be to fully exempt hybrid schemes such as USS to avoid the risks of significant member detriment. This would be wholly consistent with the position in the consultation that states that your “intention is to initially target the VfM Framework on areas where the greatest number of members are at the most risk of receiving poor value for money”. Alternatively, you could create a temporary exemption until a bespoke Framework suitable for hybrid schemes such as USS has been created. This would be analogous with the position that has been taken for CDC, where you note that “an active market is yet to emerge”. We would argue that there is no active market for hybrid schemes comparable with USS. As an absolute last resort, should we remain in scope, we believe there should be an exemption from the disclosure requirements and the enforcement actions, to avoid the most acute and immediate risks of harm from application of the VfM Framework to USS. This is because seeking to close the DC element of the Scheme to new employers for any period would also have an immediate impact on the operation of the hybrid scheme and the DB element, placing both the USSL Trustee and TPR in an invidious position in pursuing enforcement actions.

Response to the consultation questions

Please find our answers to the relevant consultation questions set out below. Note that we have not responded to every question. There are also some areas of detail where we have not offered a view.

Question 1: Do you have any comments on our proposals for phasing?

The proposals for the first data collection from July-December 2027 are relatively aggressive given the Framework and metrics are still under development and, we expect, are likely to receive further material feedback from the industry through this consultation. We have serious concerns about the public disclosure of data and assessment requirements and full regulatory consequences and supervisory action from the second year of implementation which we outline in this response. We would therefore encourage DWP and regulators to use the initial implementation period to assess whether the resulting assessments are producing meaningful information and supporting better decisions and ultimately member outcomes.

We raise further concerns in relation to exemptions and inclusions and the pace of implementation below.

Question 2: Do you have any comments on our proposal to limit the first data collection period to 6-months?

We believe that six months is too short a period of measurement, and there appears to be no allowance for review, refinement, or lessons learned by DWP or TPR/FCA following the abridged first year of data collection. This creates a significant risk that the public disclosure of data and assessment, and regulatory consequences, are introduced before there is full understanding of how the measurement is working in practice.

Given the significance of the disclosure and enforcement actions, this seems too risky and rushed – it would be better to allow time for a full dry run of data collection and measurement followed by review.

We do not envisage specific challenges with a data collection period of six months, albeit it will create another additional reporting requirement.

Question 3: Do you have any concerns about our proposed exemptions and inclusions?

As stated at the start of our response, the Framework does not work for a hybrid scheme such as USS and we ask you to urgently consider an exemption for hybrid schemes.

Step 1: The approach to investment metrics will be a problem for any scheme that has a materially different asset allocation from the broader market. We believe that a diversified investment approach with significant private market exposure is in our members' best interests, as well as aligning with the Mansion House Accord aspirations and wider government policy intent. The proposed approach to investment metrics would, however, leave us highly exposed when compared with other schemes with different objectives and investment approaches. Periods of strong public vs private market performance would result in us being assessed as 'underperforming', whilst weaker public vs private market performance would see us being assessed as 'outperforming'. This is a particular risk for USS because we are already in a position with regards to private markets that many schemes aspire to but have not yet achieved. The consequences of relative 'underperformance' in the metrics, and the resultant amber or red rating, are so severe for USS due to our hybrid nature, that we would face the invidious position of ***having to consider reducing our private market exposure to align with others, despite our belief that this would be detrimental to our members' best interests***, and at odds with the government's ambitions.

We also note that other schemes are likely to face higher incremental costs than USS when increasing their private market exposure, which may limit their ambitions when considering the combined effect of Step 1 and Step 2.

We do not believe that there are likely to be any reasonable commercial market comparators for USS within the VfM Framework and no other hybrid scheme has the same benefit structure or member requirements to allow for fair comparison. This creates an irreconcilable position: we could be rated poorly for having an investment strategy we believe to be correct, with no credible improvement plan to offer that we would expect to improve member outcomes.

Step 2: The approach to service quality and cost exacerbates the risks that hybrid schemes, including USS, will face an amber or red rating, or have to defend our interpretation of the metrics, ***simply because the metrics are not fit for purpose for us.***

Our operational processes reflect our hybrid nature where all of our members accrue DB benefits, whilst some also build up DC benefits. For example, where our members are transferring, they will generally be transferring out all of their USS benefits, including DB. Therefore, our average times for transferring out any DC benefits will be significantly higher than for 'pure' DC schemes, given the safeguards that are rightly in place for members wishing to transfer out DB benefits, such as the requirement to seek regulated financial advice for DB transfers valued at £30,000 or more.

This increases the risk that we face an amber or red rating or that standard disclosure reporting appears to reflect poorly on the Scheme. We recognise that we will be able to explain any "delays" in the contextualisation section of the assessment. However, we are concerned that it is not in the best interests of our members to spend time and resource explaining our approach and defending our interpretation of the metrics simply because the metrics are not fit for purpose for a hybrid scheme. As a large Scheme, we tend to attract significant external attention that may not look beyond the headline numbers and being forced to compare to inappropriate benchmarks may cause unnecessary member distress and use of Scheme resource. We have already seen early media reporting of the Framework referring to 'league tables' on a rudimentary basis. While we would not be comparable to other schemes, the inappropriate metrics would likely mean we would appear 'low in the league'. These are narratives that will ultimately reach members and potentially drive detrimental behaviours.

Step 3: The approach to rationalisation and rating means that at best we will have to present arguments about why USS is different, and why our assessment differs from the comparison of metrics in Steps 1 and 2, undermining the credibility of the VfM Framework. As set out below, it could damage the Scheme and ***require us to close the entire hybrid scheme (DB and DC) to new employers.***

As articulated above, as a hybrid scheme, USS faces a higher likelihood of an amber or red rating than for an equivalent standalone DC scheme. The potential threat of enforcement actions and needing to close the DC element of our Scheme to new employers would have serious ramifications for the Scheme overall, because our DC and DB elements are so intrinsically linked, by design.

A member of a hybrid scheme considering their pension position on the basis of inappropriate metrics, without suitable context reflecting the wider scheme benefits, is prone to making decisions (such as opting-out, capping contributions, or transferring out their DC fund altogether) and losing other valuable benefits such as death in service benefits, subsidised investment management charges, and the option to use their DC pot for tax-free cash at retirement.

There are also plausible scenarios under the enforcement actions where we may have to consider stopping new or merging employers joining USS or consider dismantling the existing scheme structure.

As a scheme dedicated to serving the Higher Education sector, we regularly deal with employer requests to join or change their participation terms. Closing the DC element to new employer entrants, even temporarily, would, in practice, mean needing to close the entire hybrid scheme to those employers, who cannot access comparative provision elsewhere in the market. Similarly, we could not bulk transfer out the DC element of the Scheme without our stakeholders changing the Scheme structure and unwinding some specific member benefits provided given its fully integrated nature. We would also need to consider whether the existence of these potential scenarios and the destabilising and reputational impacts on the wider Scheme would then threaten the overall open nature of the DB element of the Scheme, which would affect its approach to cashflow management and the resulting investment strategy.

We would reiterate our request to reconsider hybrid schemes' inclusion in the Framework as outlined earlier in this response. Permitting an exemption would prevent the unintended consequences outlined above and avoid significant complication of already substantial and important regulation designed for commercial, standalone DC schemes.

Question 10: Would there be a material reduction in burden if net performance were to be calculated first, and then chain-linking applied to it, rather than chain-linking costs in order to derive accurate net performance metrics?

No, we do not consider there would be a material reduction in burden from calculating net performance first and then chain-linking, as opposed to chain-linking costs to derive net performance. USS calculates gross performance as our official return series. Net performance is then derived by applying fees to the gross figure. Reversing this sequence, by calculating net performance first and chain-linking that, would not simplify our process, since gross remains our primary calculation regardless of the method used to layer on costs. We therefore prefer the proposed approach (chain-linking costs to derive net performance) over the alternative.

Question 12: Do you agree with the proposed requirements for FLM disclosures and safeguards? Why or why not?

We support the proposed removal of the external advice requirement, as well as the removal of disclosures for the 5 YTR cohort. However, we are less convinced that detailed disclosure of modelling assumptions will improve transparency or comparability. Assumptions will naturally vary across schemes, both due to differences in capital market assumptions, and because of differences in investment strategy and asset allocation. In either case, comparing FLMs may reflect these underlying differences in approach rather than differences in expected member outcomes. For example, a scheme that assumes markets will perform well would show a higher FLM than another scheme with an identical investment strategy but more conservative assumptions, despite no real difference in what members are likely to receive.

There is also a risk that assumptions are interpreted out of context. The proposed assumptions table overlooks material differences between schemes and their main default arrangements, including hedging policies and cohort-specific strategy design. For example, our fixed income allocation differs materially between the 30 YTR and 0 YTR cohorts, with changes in both diversification and duration as members approach retirement. These differences can have a significant impact on projected outcomes but are not readily captured through a standardised assumptions table.

For USS, which has a mature and diversified asset allocation spanning a wide range of public and private market exposures, requiring asset class level assumptions and returns across multiple cohorts could result in a significant volume of disclosures, risking key information being obscured by less material data.

We therefore favour a materiality-based approach, with schemes required to disclose methodology and assumptions for exposures above a defined strategic allocation threshold, while smaller allocations are covered at a methodology level only. This would better capture the factors that materially influence member outcomes without requiring an increasingly complex and potentially incomplete set of disclosures. **We would be happy to explore this proposal further with DWP officials.**

Question 13: Do you agree with our revised proposals in relation to Asset Allocation? Please provide details of any concerns you have relating to our proposals.

We do not support asset allocation to the level of two decimal places. This is a spurious level of accuracy especially with allocations to private markets. Rounding to the nearest percentage point should be sufficient.

Pooled fund look-through data can be subject to significant reporting lags, particularly for private markets and specialist asset classes. Given the proposed March submission deadline, providers may need to rely on estimates where underlying data is not yet available. This could increase reporting complexity and act as a practical constraint on schemes seeking to increase private market allocations. We propose the Framework explicitly allows flexibility in asset allocation estimates for pooled fund look-through data

where final figures are not yet available, with a requirement to reflect the actual figures in the following year's submission to preserve data quality.

Question 15: Do you agree with our proposed definitions? In particular, do you agree with our definitions of UK assets? Are there any areas where definitions need to be tightened to ensure consistency of measurement?

We do not currently distinguish infrastructure or real estate investments as debt or equity funded and would welcome a broader categorisation of these assets. We would be happy to share how we categorise our exposures internally and to contribute to any further technical work on these definitions.

Question 21: Would it be helpful if we defined STP as a fully automated process for the purposes of VFM and asked schemes to confirm:

- What percentage of payments fall within this definition?
- The mean and range of all contributions falling outside this definition?

Defining straight-through processing (STP) as a fully automated process helps create a distinction between those contribution and switch transactions that are fully automated and those that require manual intervention. We are therefore supportive of this definition.

USS incorporates STP at certain stages of its contribution and switch transaction processes. However, it needs to be made clear that all USS contribution payments will fall outside of the STP definition applying end-to-end due to a requirement to split incoming contributions between the DB and DC elements of the Scheme. Contributions are paid singularly per member from each employer, and the Trustee calculates which element should be designated to the DC part of the Scheme based on a salary threshold (for core member and employer contributions) and for additional voluntary contributions. The process is deliberately designed in such a way in members' interests to avoid delays and errors caused by employers running this calculation. Consequently, this means that STP is not possible for the end-to-end process of receiving and investing contributions and therefore 100% of payments will fall outside of this definition and will typically be in the 4-6 day category.

For hybrid schemes like USS to follow this model and not be unreasonably penalised, an adaptation would be required such that DWP excludes the contribution splitting part of the process and treats it as a reconciliation activity. That would mean the measure for this transaction would be from the point the DC contributions are calculated/determined (rather than from monies received) to the point at which they are invested in the appropriate fund. This aligns with TPR's expectation for DC contributions to be invested promptly (three working days) after completion of a reconciliation activity.

While the question focusses on STP definitions, we wish to flag that we have concerns in relation to other financial transactions. For example, for transferring out DB and DC benefits together, due to the additional safeguarding processes required for DB benefits, a like for like comparison with a pure DC arrangement is not appropriate for many member cases. And in relation to payments out as PCLS and as a taxable retirement income, our members typically have a single crystallisation event for their DB and DC benefits. This means that while we tend to pay PCLS (which may include DC) on the first working day after retirement, we pay pensions (which may include DC) on the 21st of each month, which will typically be 21 days after a month end retirement date. Therefore, it would be helpful to clarify that the "due date" refers to the standard date for monthly payments rather than the date of retirement. These are just some of the examples where the features and processes of a hybrid arrangement mean simple comparisons of metrics will not be appropriate.

Question 22: Do you agree that the metrics for trust-based and contract-based complaints processes are now comparable? Are there any further steps that we should take?

We agree that the metrics are comparable for trust-based and contract-based schemes, however, there may be disparities between how trust-based schemes operate their internal dispute resolution (IDR) procedures depending on their wider governance arrangements and whether they have adopted a single or two-stage IDR procedure. For example, USS has a two-stage IDR procedure where complainants have six months from the date of a stage one IDR determination to appeal to the Advisory Committee (formally established under USS's Trust Deed and Rules). The Advisory Committee meets every two to three months to review and determine IDR stage two complaints covering the whole scope of the hybrid Scheme. Other trust-based schemes may adopt a different trustee review cycle depending on their own governance arrangements, scale and complexity, and therefore it is difficult to make a reasonable comparison between schemes without this information and an understanding of why different approaches may be in place. Schemes dealing with purely DC issues, such as the timeliness of processing core financial transactions, are more likely to be able to respond to such complaints quickly compared to complainants who also have DB benefits, which are governed by a much more complicated set of scheme rules and legislation. For schemes who have adopted a two-stage IDR procedure, this can extend the timescales for closing a complaint broadly by ten months if a complainant waits the full six months to make a stage two IDR application, compared to schemes who have adopted a single-stage IDR procedure. This reinforces the point that hybrid arrangements such as USS do not fit into the proposed framework.

Question 23: Are partly upheld Financial Ombudsman decisions recorded as a separate category by firms or included within the upheld figures?

The Trustee is not within the compulsory or voluntary jurisdiction of the Financial Ombudsman.

Pensions Ombudsman decisions are recorded separately in respect of upheld and partially upheld determinations but, like complaints and IDRs, may not relate to decisions only in relation to the DC part of the Scheme and so some judgement will need to be applied. Due to well-publicised issues with Pensions Ombudsman processing times whereby complaints can be active for several years with no or little active engagement with the scheme / complainant, some of our complaints have remained within the proposed 'end-to-end' definition for a number of years. Without explanation, measuring end-to-end response times is therefore likely to lead to unnecessary member concern and diminishing member confidence, where the underlying issue is not within the control of the Scheme.

Question 24: Do you agree with the proposed approach to consider decumulation aims separately for the 0 YTR cohort? Why or why not?

We are supportive of the DWP's intention to recognise that schemes have different objectives and that meaningful comparisons require consideration of the characteristics of the arrangement and the outcomes it is designed to deliver. However, we do not believe the proposed approach addresses the challenge of ensuring fair comparisons for hybrid arrangements such as USS.

The USS hybrid model is designed to deliver retirement outcomes through a combination of DB and DC benefits, with all members benefiting from a DB guaranteed pension delivering them a secure retirement income. Many members take their DC pots as tax-free cash, thereby increasing the amount of guaranteed DB income they receive through converting some or all of their DB lump sum into additional DB income. Our default strategy is therefore developed in the context of members' wider hybrid retirement benefit, their risk capacity and benefit options, and the fact that we have no members with DC-only benefits. As a result, our risk profile, investment approach and member objectives may differ materially from those of standalone DC arrangements within the proposed cohort. Members at 0 YTR are making real decumulation decisions informed by their total retirement income, including the guaranteed income provided by their DB benefits, rather than just their DC pot which is usually a much smaller percentage of

the benefits they have built up within USS, and may be a combination of both regular contributions and additional voluntary contributions. We propose that DWP set out explicitly how hybrid arrangements' wider retirement context will be factored into 0 YTR cohort assessment. The use of the catch-all "other" decumulation category will not address these concerns as it simply represents an average across the whole comparator group rather than a valid comparator group. In the case of a unique hybrid arrangement, this may not exist and shows why we continue to believe it is not appropriate to bring hybrid schemes into the assessment.

Question 25: Would decumulation aims be more appropriately considered in step 3 rationalisation?

We do not agree that decumulation aims are more appropriately considered at step 3 rationalisation.

Step 1 establishes the fundamental characteristics of an arrangement, including how it is classified and grouped for comparison. Decumulation aims are a core feature of scheme design. Considering them only at step 3 risks measuring an arrangement against a cohort or benchmark that was established without reference to how it is designed to deliver member outcomes.

We propose that decumulation aims be addressed at step 1, ensuring differences in scheme design are reflected from the outset rather than corrected for later. However, we would note that if the proposals for decumulation categories at step 1 remains unchanged, USS would then likely need to use the rationalisation step to explain why the decumulation category is not a suitable benchmark. This is because the decumulation strategy is designed in line with members' best interests in the context of their overall hybrid benefits and the unique design of USS.

Question 26: Do you agree with the decumulation aim sub-categories? Why or why not? Are they sufficiently clear, or do they need to be defined?

We support the principle of sub-categorising decumulation aims, to recognise that DC main default arrangements (MDAs) are designed to deliver different outcomes based on an understanding of their underlying membership. However, we do not believe the proposed sub-categories, as currently framed, adequately capture hybrid arrangements such as USS, where DC outcomes are delivered alongside a guaranteed DB pension. A sub-category framework that does not reference this wider context risks misclassifying hybrid arrangements or forcing them into a catch all "other" category that does not reflect their actual design intent.

Additionally, it is unclear how a scheme should decide which decumulation aim to use for the assessment. For USS, most members currently take their DC pots as cash, but our default strategy does not state one single decumulation aim. We would welcome clarity on whether there is flexibility for trustees to decide the most appropriate decumulation aim for their scheme or for it to be made clearer that use of the "other" category in the case of a hybrid scheme may simply mean the comparison is not relevant.

Question 27: The proposed shift in approach for the first year of the Framework moves away from a more granular assessment of value that we have consulted on previously. We welcome feedback on where stakeholders consider there to be concerns in relation to the data sets, the proposals set out in CP26/1 for the publication and use of multi-employer cohorts, and the proposed changes.

Our primary concerns relate to the proposed publication of performance assessments and associated rating, as well as the potential consequences of a negative rating, particularly as it applies to hybrid arrangements such as USS. Please refer to our overarching message at the start of this response for our main concerns and proposed action.

Publishing an overall rating or comparative metrics for USS within a cohort designed for standalone DC schemes risks producing a figure that could lead to detrimental outcomes for members. This is because it may create unjustified concerns among members and/or employers that USS does not offer good value,

without recognising the holistic benefit package provided by the hybrid structure, which members would not be able to receive outside the Scheme; no comparable scheme design exists in the UK or elsewhere. USS is a relatively high-profile scheme that routinely receives high levels of external scrutiny and reporting, putting us in the spotlight in this way risks increased overall Scheme costs, and reduced member understanding for no member benefit, given that we are not in any way the primary target of legislation intended to protect those at most risk of poor value.

The enforcement actions proposed by the Framework assume an arrangement's DC provision can be assessed and, where necessary, closed or transferred independently of the wider scheme. This does not hold for USS. USS provides all members with the safety net of death in service benefits and a guaranteed retirement income. The retirement benefits are primarily a DB pension Scheme, with a DC top up. Our default strategy, risk profile and investment approach are developed with that wider context and the specific demographics of our members in mind.

Retirement outcomes for our members are delivered through the combination of the two types of benefits with a higher degree of flexibility than a standalone DC scheme would provide. DC cannot be severed from DB participation without fundamentally altering the benefits members build up and the choices they have available when taking them. Applying automatic market-exit consequences designed for standalone, severable DC arrangements to a hybrid scheme of this kind risks a regulatory outcome that is not only disproportionate, but also practically unworkable and ultimately not in the best interests of our members. We are assuming that the government's policy intent in improving member outcomes is not to render the USS hybrid scheme structure untenable due to the threat of regulatory enforcement actions from a VfM Framework designed for trust- and contract-based DC schemes. USS is governed by Scheme rules that do not provide the Trustee with a unilateral power to close the Scheme or to close the DC part / bulk transfer out members' DC benefits. Therefore, any consequences of the VfM Framework impact the whole Scheme, the majority of which is made up of DB assets and for the vast majority of our members their primary benefits are from the DB part of the Scheme.

Question 28: Does the second factor for consideration proposed for weighting BLMs and FLMs risk excessive use of FLMs? If so, should we restrict this factor more explicitly? For example, to significant investments in assets affected by 'J-curves'?

The proposed approach to investment metrics and comparator groups will show those schemes with higher private market allocations, such as USS, as 'underperforming' in the short term. This could clearly adversely affect members' confidence in USS and other schemes with significant private market allocations, despite our view, aligned with the Mansion House Accord, that diversified private market exposure is in members' long term best interests. We recognise the reverse could also occur: private markets appearing to outperform following public market falls, simply because infrequent valuations lag in reflecting the downturn.

While we would reflect our higher private markets allocation in the forward-looking metrics (FLMs), the draft regulations limit these to 'near equal' weight, so they cannot outweigh the backward-looking metrics. Listed equity returns often reflect concentrated rallies (including over the last five years), which differ from the more predictable cashflows underpinning many private markets. J-curve effects, valuation smoothing and vintage dispersion can all distort backward-looking performance for private markets despite improving long-term expected outcomes. We would therefore urge that the 'near equal' limit be removed, allowing greater weight to be placed on forward-looking metrics for private markets.

We believe that diversified private markets exposure is in our members' best interest, as well as being in line with the governments ambitions.

But, given the implications for USS of an amber or red rating or simply being seen to lag 'comparator' performance, there would be a clear incentive for us to reduce our private markets exposure so as to align with that of other schemes. Those schemes are likely to face higher incremental costs than USS when increasing their private market exposure, which may limit their ambitions when considering the combined effect of Step 1 and Step 2 of the Framework.

That would likely be at the expense of genuine value to our members of better long-term performance foregone, as well as running contrary to the government's stated aims of promoting greater private market investment. These arguments will apply to any DC scheme considering its future allocation to private markets investments.

We would also note that it is currently unclear what "moderate" weight is intended to mean in practice. Without a clearer definition or worked example, arrangements have no consistent basis for applying this factor, which risks inconsistent treatment across schemes and undermines the comparability the Framework is intended to deliver.

Question 33: Do you agree with the proposed actions for not value arrangements? Why or why not?

We do not believe the proposed actions are appropriate for a hybrid scheme such as USS. We have set out our key concerns in the introduction to our response.

Question 34: Do you anticipate that a shorter initial data collection period would create any practical or analytical challenges, and if so, how might these be mitigated?

As noted in the introduction to our response, we would be required to collate data that is inappropriate for USS. While the investment performance numbers could be calculated promptly, noting our concerns about the non-standard and unnecessarily granular nature of some of the required data, operational data solely for DC-related service metrics will be complex to collate and ultimately imperfect. The H2 data collection period would, however, be achievable; we would argue that it would not, however, be a reasonable indication of value for members in our case.

Question 35: Do you agree to proceed with data publication in November given the risks identified? How likely are these risks to emerge and what steps could we take to address them effectively?

We recognise the rationale for a single point of publication. We also welcome the recognition that the metrics alone will provide an inappropriate and insufficient basis on which to consider the performance of different schemes. While the focus of the consultation is on the mechanisms for data submission, we would also encourage further work to ensure that background, explanation and commentary sufficient to provide context is published with sufficient visibility alongside the data. For example, 'league tables' of transfer out times or payment out times should be avoided, and if hybrids are included in such tables it must include direct reference to the fact that transfer times will be based on the protections for integrated DB benefits.

There are risks to members, potential members and employers in the November data and 'comparators' being misunderstood. Any publication announcements from government or regulators in November when the data is made public should be clear about the preliminary nature of the data being provided and the breadth and diversity of schemes covered. Linking scheme level publication to the Chair's Statement and Annual Report & Accounts will help understanding and contextualisation. It will also allow the underlying metrics to be understood in the context of the Trustee's assessment, and the November data publication should support this. For hybrid schemes, there are likely to be cases where because the metrics are inappropriate for hybrid schemes (some) metrics may unfairly look poorer than for schemes that have a poorer RAG rating. This reinforces our case for an exemption for hybrid schemes, as explained in the introduction to our response.

We would also encourage government and regulators to look at how regulatory powers might be used to prevent 'leaking' of comparative data between March and November, or inappropriate publication of misleading data from November onwards. Misrepresenting scheme circumstances and ratings for commercial purposes, particularly by other FCA regulated entities, such as SIPP providers not required to participate, given the potential detriment to members and unfair treatment of (potential) customers should be identified as a serious risk. Expectations should therefore be clear in advance of the first publication point.

Summary

We agree with the policy intent that DC schemes should be able to clearly demonstrate that they offer value for money to savers. Our Trustee Board receives regular benchmarking and reporting to enable it to challenge the value we are providing to our DC members and we share information with employers and members on value for members from the DC element and the hybrid scheme more broadly.

However, we would emphasise that the proposed Framework is not appropriate for hybrid schemes like USS. It does not provide a level playing field as we do not have an appropriate comparator group and our inclusion therefore risks regulatory outcomes which we believe surely cannot be intended.

We would reiterate our request to reconsider hybrid schemes' inclusion in the Framework. Permitting an exemption would prevent the unintended consequences outlined above and avoid significant complication of already substantial and important regulation designed for commercial, standalone DC schemes.

Given the significant risk of USS member detriment if pursued as drafted, we look forward to continuing to engage with you on your proposals.

Yours sincerely

Carol Young
Group Chief Executive