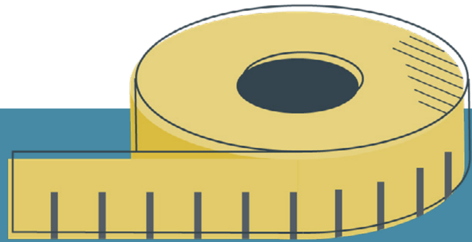
Summary Funding Statement 2024

This Summary Funding Statement outlines the Universities Superannuation Scheme's ("USS"/"the scheme") funding position and how the scheme's assets compare with its liabilities.

It's a regulatory requirement and shows you the funding that supports your defined benefits in the scheme and how it compares with previous years.

Background

At least every three years, we carry out an actuarial valuation – an in-depth analysis of the scheme's funding position and the factors that influence it. In the years where we do not carry out a full actuarial valuation, we produce a funding update called an actuarial report. The results of the 2024 actuarial report inform the detail in this Summary Funding Statement, which is based on the figures as at 31 March 2024.



How do we measure the funding position of USS?

We invest the contributions that you – our members – and your employers pay into the scheme. To measure the scheme's funding position, we look at how much money has been built up from all the contributions to the Retirement Income Builder, the defined benefit (DB) part of the scheme, and at the investment returns that the scheme's assets have achieved. Then, we look at all the benefits that have been built up in the Retirement Income Builder, which are known as the scheme's 'liabilities'. Calculating the scheme's assets is fairly simple – it's just the actual value of all the investments at a set point in time, in this case, 31 March 2024. It differs slightly for the liabilities, which we value in a number of ways. The main calculation assumes that the Retirement Income Builder will remain open to new members, and that members will continue to build benefits in the scheme in the future. The way we value the liabilities for the benefits already built up on this approach is called a 'technical provisions basis'. Using this, we can make an allowance in the funding assumptions for the investment returns we reasonably expect to achieve over time. Once we've put values on everything, we compare the assets with the liabilities which gives us a reasonable outline of the scheme's funding position.

Assumptions

When we calculate the liabilities, we have to consider a number of factors, which cannot be measured with absolute certainty. We make informed assumptions on these, considering the state of the economy, how investments might perform in the future and how much it might cost to invest in certain assets in the future.

While nobody likes to talk about death, we have to think about this too, as life expectancies play a part in how long we assume pensions will be in payment. When making assumptions, we also include the possibility of paying pensions to members' beneficiaries and paying ill health benefits to members who have to leave work early.

While the evaluation we've carried out has been independently assessed, ultimately these are assumptions about how the future might unfold and we cannot take them for granted. By law, we must apply some prudence when we estimate the scheme's liabilities and the assets we need to fund them.

What was the funding position of USS when we provided the last Summary Funding Statement?

Last year, we provided the 2023 Summary Funding Statement, which showed the funding position based on the 31 March 2023 actuarial valuation. The value of the Retirement Income Builder assets was £73.1bn and the value of the liabilities was £65.7bn.

As such, the value of the Retirement Income Builder assets was 111% of the value of the liabilities, leading to a Retirement Income Builder surplus of £7.4bn.

How has the funding position changed since the 2020 valuation?

The results of the actuarial report as at 31 March 2024 showed that, on a technical provisions basis, the Retirement Income Builder assets have increased while the liabilities have remained relatively stable, resulting in the surplus increasing to £9.2bn and the funding level increasing to 114%.

Year ended 31 March figures in £billions	**Valuation 2023**	**Actuarial report 2024**
Value of assets	73.1	74.8
Value placed on liabilities (on a technical provisions basis)	65.7	65.6
Surplus/(Deficit)	7.4	9.2
Funding ratio	111%	114%

Financial conditions changed over the 2023/24 year, which was the main reason for the £1.8bn increase in the surplus. This was offset by lower than assumed investment returns over the year and the impact of the past service benefit changes introduced on 1 April 2024 (including the uplift to accrued pensions for members who were in service between 1 April 2022 and 31 March 2024), for which an allowance was made in the 31 March 2024 figures.

The 2024 actuarial report is based on projecting forward the assumptions used for the 2023 valuation (updated for market conditions). It does not involve the same detailed review of the underlying assumptions that we do for a full actuarial valuation.

At an actuarial valuation, as well as calculating the liabilities on a technical provisions basis, we also have to do it on a ‘buy-out’ basis. That means we need to estimate their value based on what it would cost if they were bought-out by an insurance company. This is a legal requirement but neither we nor our stakeholders have any intention of implementing a buy-out. The 2023 valuation gave an estimated buy-out funding level of 74% as at 31 March 2023.

The scheme's funding plan

We aim to provide secure pensions for all our members. This is at the heart of everything we do, and it's built into the scheme's investment approach.

We have an active investment strategy and advanced approach to portfolio management, with an in-house investment management team.

We believe it's crucial that the investment portfolio is managed in a way that the risk in the funding of the scheme can be supported by the scheme's sponsoring employers.

Our Statement of Funding Principles (SFP) based on the 2023 valuation is available at uss.co.uk/fundprinciples-sfs. Similarly, our Statement of Investment Principles (SIP) is available at uss.co.uk/principles-sfs.

Contributions

The contributions that employers pay go mainly towards the cost of funding members' benefits as they are built up. We calculate the contribution requirements using the same assumptions as we do for the liabilities and set them as part of an actuarial valuation – contributions do not change based on actuarial reports between valuations.

The overall improvement in the scheme's funding position shown in the 2023 actuarial valuation meant that we were able to reduce the overall contribution requirements as part of that valuation. The scheme implemented lower contribution rates from 1 January 2024, as recommended by the Joint Negotiating Committee (JNC), an independently chaired group made up of individuals appointed by University and College Union (UCU) and Universities UK (UUK), which respectively represented members and employers in the scheme*. The table below shows the previous contribution rates, and those which have applied since 1 January 2024. These figures are subject to review following the next actuarial valuation due in 2026.

You can find more detail in the valuation report on our website at uss.co.uk/about-us/valuation-and-funding/our-valuations as well as the Schedule of Contributions at uss.co.uk/schedule-sfs

Percentage of pensionable salaries (%)	To 31 December 2023	1 January 2024 onwards
Total employer	21.6	14.5
Total member contributions	9.8	6.1
Total contributions	31.4	20.6

*Since the 2023 valuation, the representation of employers in the scheme has changed to Universities and College Employers Association (UCEA) rather than UUK.

The total employer contributions cover:

- the expected cost of building future Retirement Income Builder benefits (net of member contributions)
- non-investment related administrative expenses and Pension Protection Fund levies (at an assumed level of 0.5% of total salaries)
- contributions towards members' savings in the Investment Builder and provision for certain investment management costs, subject to review by the JNC if those investment management costs exceed 0.1% of total salaries.

Member contributions go towards the cost of building future benefits.

Statutory statements

There has been no payment out of the scheme's assets over the period from 1 April 2023 to 31 March 2024 to the scheme's sponsoring employers pursuant to section 37 of the Pensions Act 1995, nor has this happened previously.

There has been no intervention from The Pensions Regulator to use its powers to modify the scheme as regards the future accrual of benefits or to impose a direction as to the manner in which the scheme's technical provisions are calculated. This includes the methods and assumptions to be used in calculating the scheme's technical provisions or the period and manner in which any failure to meet the statutory funding objective is to be remedied or to impose a schedule of contributions.

More information on our identification, assessment and management of climate change risk is contained in our TCFD (Task Force on Climate-related Financial Disclosures) report, a copy of which is published on the Our Journey to Net Zero page of our website at
Our journey to Net Zero (uss.co.uk).

A hard copy of the TCFD report is available on request.

Pension Protection Fund

The Government established the Pension Protection Fund (PPF) in 2005 to provide benefits in the event that a scheme's sponsoring employer (or employers) become(s) insolvent without there being sufficient funds available in the scheme.

USS is recognised by the PPF as a multi-employer scheme with a joint liability. This joint liability is based on the "last man standing" concept, meaning that the scheme would only become eligible to enter the PPF in the event that the vast majority (if not all) of the scheme's employers were to become insolvent.

If such circumstances were ever to occur, the PPF would take over the payment of pension benefits to members, but the benefits received might be less than the full benefits earned within USS. The precise amount that the PPF would pay to each member would depend on the member's age, the period over which the benefits were earned, the total value of benefits and the application of any PPF compensation cap in force at the relevant time.

You can find more information about the PPF on its website at ppf.co.uk or by writing to The Pension Protection Fund, PO Box 254, Wymondham NR18 8DN.

Contact us

If you would like to find out more about USS, please get in touch with the person who deals with USS matters at your workplace. You can also visit our website at uss.co.uk, call on 0333 300 1043 9am - 5pm, Monday to Friday, or write to us at Universities Superannuation Scheme Limited, Royal Liver Building, Liverpool, L3 1PY.