

## Public summary of the Valuation Technical Forum meeting on 14 December 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)	
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)	
Professor Dennis Leech (UCU observer)	

### Notes and matters arising

The note of the meeting of 17 November 2022 was approved. All matters arising had been addressed. There were a small number of points to consider on the terms of reference before they could be approved. The final version of the terms of reference can be found [here](#). The forum discussed the public summary note for 17 November and further consideration would be given to the narrative to use in that note in relation to what could be expected from the FMP numbers for 31 December 2022.

UCU asked that it be clear that its participation in the forum should not be taken as an endorsement of the use of self-sufficiency in the valuation process

### Update on the Integrated Risk Management Framework (IRMF)

An overview was given on the IRMF. The update set out that the IRMF was there to ensure that the amount of reliance being placed on the sector in funding the Scheme, is within the risk capacity and appetite of the sector and the risk appetite of the Trustee.

There was a discussion on the modelled self-sufficiency investment strategy (SS) which clarified that it does not have a direct impact on the implemented investment strategy. Self-sufficiency is used by the Trustee to help it consider if the scheme is within the Trustee's risk appetite. A discussion covered model risks and solvency metrics for different measures of what might be considered SS, including capital exhaustion. No consensus was reached on optimal approaches to SS and solvency. The discussion continued to explore how SS either directly or indirectly affected the discount rates and in particular the role of the IRMF in determining the discount rates. There would be further exploration and an update on these points to the forum at the planned meeting for March.

Within this agenda item the forum also considered transition risk within the IRMF, and how that is to be developed within the 2023 valuation.

It was agreed that analysis of failures, and drivers of failure, over time within the self-sufficiency analysis would help build understanding and that this would be explored at future meetings.

**Summary of approach to setting inflation**

The discussion considered how USS capital market expectations compared to other industry providers. An overview was given by the Trustee on the approach to construct inflation and interest rate assumptions as part of the valuation process.

The forum asked for support to better understand the decision-making process of the Trustee in relation to setting the discount rates, best-estimates, and its prudence lenses as well as an update on the use of an inflation risk premium and its impact on the valuation.

UCU and UUK shared the view that inflation projections should have little impact on modelling, and the USS presentation made clear that inflation assumptions below around 5% did indeed have little impact on the modelling. A request was agreed to circulate a note setting out the sensitivity of the Scheme's liabilities to interest and inflation rates.

**The Pensions Regulator's draft defined benefit funding code**

It was confirmed that the 2023 valuation would not fall under TPR's draft DB funding code currently being consulted on.

**Any other business**

The next meeting would take place on 27 January.