Report on USS valuation process from SUCU

Mohammad Rajjaque - SUCU Pension Officer
Briana Chapple - SUCU Rep for University Valuation Group
Moty Kazman - SUCU Rep for University Valuation Group

(Note - If you have any observation, suggestion or query related to the valuation consultation, please share with us through email (ucu@sheffield.ac.uk))

1. USS Valuation

a. Scope and Information

The valuation is conducted by the USS every three years to assess the health of funds. It compares the estimates of future assets and their expected growth on one side and the liabilities (mostly benefits to members) that need to be paid out in future on the other. The difference is either a surplus (Assets > Liabilities) or a deficit (Assets < Liabilities). Based on the surplus/deficit values USS management then decides if there is a need to change contribution rates/benefits to members/fund management strategy etc, among other things.

The 2026 valuation process started in March 2026 and is expected to be completed by July 2027.

Over recent times, the valuation led to significant estimates of deficit resulting in change of contribution rates and benefits in 2020 (changes implemented in 2022-23 onwards). UCU continued to maintain that the scheme was in good health, and were vindicated when the 2023 valuation found a surplus of £7.4bn (117% funded), which allowed UCU to secure a reversal of the changes made based on the 2020 valuation. Currently, a substantial surplus is estimated in 2026 to the tune of £16.9 billion or 127% funded.

b. University Valuation Group

The UoS organises a University Valuation Group (UVG) for every valuation round to respond to USS consultation and to represent UoS views on the process and proposals to USS. UVG includes representatives from SUCU, University HR and University Finance departments.

The UVG has organised shared information folders and collectively prepared responses for USS consultation so far. The meetings have been scheduled around key dates for the valuation timeline.

2. Progress so far

USS has issued various reports and documents to inform members and employers (i.e universities) about the process. The initial consultation with employers (including UoS) suggested that stability of the scheme over the long term is the top priority while contribution level and benefits are next. The consultation also sought views on a potential new structure for the scheme called "Conditional Indexation" (or CI). CI is still under consideration, and there is no firm proposal being issued yet and it remains early days. Certainly there is no question of CI being introduced at this valuation.

The USS has now issued consultation for some additional issues after the release of the valuation figures. The UVG will be responding to these in due course. **We recommend that you refer to the consultation question and share any feedback or comment with us.**

3. Comments from SUCU pension team
   a. The current USS valuation round is likely to focus on what needs to be done with the fund’s substantial surplus.
   b. It is expected that due to financial stress faced by many universities the political pressure may be directed towards reducing the contribution rate or distributing the surplus to ease the immediate cash flow of the employers, however we expect the USS trustees to resist that robustly.
   c. The employers may also lean towards requesting lowering the contribution rates for the same reason.
   d. The UCU (and our) stance is that
      i. We retain the current employer contribution rate.
      ii. Aim for a future funding level of 110% to 115%.

iii. The surplus (over and above the funding level agreed in ii above) needs to be further negotiated.

4. Final Summary

There is no contentious issue that has emerged as of yet during this valuation round. We also have very good ideological similarity with the UoS's management stance and expect frictionless agreements/discussions over the course of consultation.

As a SUCU member, for queries related to your pension scheme and support to make your pension related decisions please get in touch with Mohammad Rajjaque through the UCU email account (ucu@sheffield.ac.uk)