

28 November 2016

To: USS employers and UCU representatives

Dear Colleague,

Publication of USS response to the questions posed by the Valuation Discussion Forum (VDF)

As part of the agreement on USS benefit reforms reached by the Joint Negotiating Committee (JNC) in January 2015, UCU and UUK agreed to take part in a dialogue on the methodology used for the scheme valuation.

The Valuation Discussion Forum (VDF), established in September 2015, was designed to explore and develop a shared understanding of the current approach used by the USS Trustee and to identify a framework for further discussion, whilst recognising that any changes to the valuation methodology are a decision for the USS Trustee.

The Forum's work concluded in November 2016 with a response from the USS trustee to 11 questions set by the Forum around the areas of transparency, prudence, consistency and volatility. Those questions were informed by views from a number of academics and pension scheme funding experts on the principles of valuations and more specifically the discount rate used in scheme valuations. The VDF is extremely grateful to those who helped inform the development of the questions to USS and would like to thank all those involved in that part of the process.

The USS response entitled "*Proposed Approach to the Methodology for the 2017 Actuarial Valuation – Response to the Valuation Discussion Forum (VDF)*" is available from <http://www.universitiesuk.ac.uk/policy-and-analysis/Documents/response-valuation-discussion-forum-24-november-2016.pdf>. The Forum is grateful to USS for their time in considering and discussing the points raised and for supplying their response.

The focus of the work of the Forum has been to consider the valuation methodology rather than the assumptions used in the valuation. UCU and UUK expect to engage with USS in discussions on the assumptions used as part of expected valuation cycle of work for the 2017 valuation.

That work towards the 2017 valuation has commenced with the recent review of the employer covenant. Any queries, comments or views can be fed into both UCU and UUK through normal channels throughout the valuation process.

Yours sincerely



Professor Jimmy Donaghey – UCU

A. Spencer

Mr Allan Spencer – UUK

Signed by Valuation Discussion Forum Joint Chairs