



Annual reports for the board of Universities  
Superannuation Scheme Limited and its standing  
committees, and for USS' Joint Negotiating  
Committee and Advisory Committee

**Universities Superannuation Scheme**  
Governance supplement 2020



# Governance supplement

Within this supplement, we set out an overview of the board of Universities Superannuation Scheme Limited, the corporate trustee of the Universities Superannuation Scheme (USS), and the board's standing committees and also of the Scheme's Joint Negotiating Committee and Advisory Committee, together with an overview of the work undertaken by these in the financial year 2019/20. For details of the activities of USS during the financial year 19/20, please see the USS Annual report and Accounts online at [uss.co.uk/report-and-accounts](http://uss.co.uk/report-and-accounts).

## Governance and Nominations Committee

### Introduction

The Governance and Nominations Committee was established by the Trustee Board to:

- provide assurance on matters relating to USS's corporate governance capability; and
- ensure the effective design and operation of USS's governance arrangements in compliance with applicable legal and regulatory requirements.

The committee comprises five members, four of whom are also serving non-executive directors of the Trustee Board and Mr Bill Galvin, Group Chief Executive Officer. Ms Kirsten English, an independent director, has chaired the committee since 1 April 2016.

### Role

The committee is responsible for approving the succession plan for both the Trustee Board and the USSIM Board, and their principal committees. During the year, the committee has been actively involved in succession planning to ensure the ongoing effectiveness of the USS governance framework.

The committee has contributed to the development of a robust succession plan that has been tested and updated throughout the year. It was also involved in the director and committee member contingency arrangements that were put in place in response to the coronavirus pandemic.

The committee has a range of responsibilities in relation to recruitment to both the Trustee and the USSIM boards.

During the period, it played an instrumental role, alongside an executive search firm, in the recruitment of the USSSL board chair elect, Dame Kate Barker, and has supported the recruitment processes for various vacancies on each board.

Throughout the year, the committee has also closely monitored the composition of the committees of both boards and has made various recommendations to the Trustee Board to ensure their smooth running and continued effectiveness.

The committee is currently focusing on succession planning for those director vacancies that are due to be filled throughout the remainder of 2020/21.

The committee also oversees succession planning for the group executive and senior management team, performed by the Group Chief Executive, and is involved in the recruitment processes for the most senior executives.

During the year, the committee oversaw the recruitment process for a USSIM CEO in preparation for Roger Gray's retirement and recommended to the Trustee board that it approve Simon Pilcher's appointment as USSIM CEO. The committee takes a keen interest in the maintenance of a strong executive pipeline and ensuring diversity and inclusion across the business.

During the year, the committee has offered its support to the executive in the implementation of its diversity and inclusion programme and has played a key role in the introduction of a "designated non-executive director" on the Trustee Board, responsible for structured engagement with the wider workforce.

Ensuring that USS's governance framework operates efficiently and effectively is a key part of the committee's remit. During the year, on behalf of the Trustee Board, the committee has been involved in considering delegations across the governance framework to ensure the optimal use of the board's time and the continued effective operation of the framework.

## Governance and Nominations Committee *continued*

### **Other key activity in 2019/20**

As part of its ongoing oversight of the effectiveness of the operation of the USS group's governance framework, the committee is responsible for overseeing the regular effectiveness reviews performed of the Trustee Board and USSIM Board, and their respective committees.

During the year, the committee helped to finalise the proposal for the next round of board and committee effectiveness reviews and the selection of a new external provider. Due to the coronavirus pandemic, commencement of the reviews has been postponed until later in the year.

The committee is also responsible for overseeing the completion of individual director appraisals and any resulting actions. During the year, the committee contributed to the roll out of a more efficient director appraisal process. Having considered the outcomes of the most recent round of appraisals, and reviewed the external interests of the board members, the committee remains satisfied of the ability of all of the USSL and USSIM directors to commit sufficient time to their roles and about the effective management of conflicts of interest.

The committee is heavily focused on ensuring the effectiveness of the group's governance framework having regard to applicable corporate governance and regulatory requirements.

During the year, it has overseen and guided the executive's review of the numerous corporate governance codes, guidance and reports that the Trustee is required to, or could choose to, comply with. It also assisted in scoping training for the Trustee Board on new corporate governance requirements that came into force during the year.

Each year, the committee approves the training programme for the Trustee Board and USSIM Board, and their respective committees. During the year, as part of its ongoing oversight of the implementation of the training programmes, the committee made various suggestions that were implemented by the executive to enhance the delivery of training, including a move to personal training plans and the trial of different platforms for delivery. As well as oversight of director training, the committee is responsible for ensuring the completion of the director induction programme by new directors. During the year the committee received confirmation of the successful completion of the programme by Gary Dixon.

### **Membership - Appointed by the Trustee Board**

Ms Kirsten English (Chair), Professor Sir David Eastwood, Mr Bill Galvin, Mr Ian Maybury and Dr Steve Wharton.

## Audit Committee

### Introduction

The Audit Committee was established by the Trustee Board to provide it with assurance:

- on matters relating to the adequacy and effectiveness of the USS group's internal control and risk management framework;
- that appropriate financial and business reporting processes and controls are in place and operating effectively; and
- on the effectiveness of the internal and external audit functions.

The committee comprises four members: three of whom are serving non-executive directors of the Trustee Board and one of whom is a non-executive director of USSIM. The qualifications of the current members of the committee can be found on page 33 of the 2020 Annual Report and Accounts document. Mr Michael Merton, an independent director, has chaired the committee since February 2014. Mr Merton is a qualified chartered accountant with more than 30 years' experience in commercial roles.

### Role

The committee plays a key role in ensuring that there is appropriate challenge of the USS group's internal control and risk management framework and providing assurance to the Trustee Board on the robustness of these systems.

The committee receives a quarterly update and report at the end of each financial year from the Group Chief Executive Officer (GCEO) on the effectiveness of the internal control environment at the USS group. The quarterly statement is based on the output of the executive risk committees and the operating committees of the pensions business and of USSIM.

The end of year report is supported by assurance statements from each of the functions within each of the three lines of defence. In addition to receiving reports at each meeting from the GCEO, the committee also receives regular updates from the Chief Finance Officer, the Chief Risk Officer, the Group General Counsel, the USSL and USSIM compliance heads, the Head of Internal Audit, the Head of Information Technology and, the external auditor, Ernst & Young LLP (EY).

The committee actively monitors the internal controls in place at USS and challenges their effectiveness. During the year, the committee oversaw the completion of recommendations for improvements to USS's control environment relating to the documentation and ownership of controls and the model risk framework, that were agreed by the Trustee Board in December 2018. These recommendations were the result of a thorough review by the committee of USS's control framework (at the request of the Trustee Board).

The committee has also observed the positive contribution made to USS's control environment as a result of USSIM's preparations for compliance with the Senior Managers and Certification Regime (effective from December 2019 for USSIM) and enhancements made to process and control assurance reporting through heatmaps from the executive to the committee.

### Key activity in 2019/20

During the year, the committee also engaged in preliminary discussions with the executive on how balance can best be maintained, when considering further improvements to the control environment, between incremental costs and additional control complexity, the Trustee Board's risk appetite and the effectiveness of the resulting control environment.

The executive is currently developing further recommendations for consideration by the committee.

During the year, the committee oversaw internal audit-led work to provide assurance regarding the robustness of the processes used for the 2018 Valuation of USS' technical provisions. This work resulted in the committee receiving a report from Deloitte on (i) the actions taken or response by management in the 2018 Actuarial Valuation to address the findings reported by Deloitte in their review of the 2017 Actuarial Valuation, (ii) the process improvements which have been made since the 2017 review, (iii) the process and documentation controls for the 2018 valuation, and (iv) responses by management in relation to queries raised by directors.

The committee considered the results of the review, the executive's response to the findings and the actions being taken to address the recommendations made by Deloitte. The Trustee Board agreed with the committee's conclusion that the findings of the Deloitte review should be accepted and the assurance it provided in relation to the control environment that applied in respect of the 2018 Valuation.

Arrangements have been made for a similar review of the processes supporting the 2020 Valuation, which Deloitte will also be undertaking over key stages of the valuation lifecycle. The committee will consider each of the reports produced by Deloitte.

## Audit Committee *continued*

The committee approves the external audit plan annually and oversees the integrity of the financial reporting process and production of the scheme's annual report and accounts and those of USSL before submission to the Trustee Board for approval.

It provides assurance to the Trustee Board that the financial statements and accompanying information are fair, balanced and understandable and have been prepared in accordance with the applicable accounting framework.

The committee also oversees the integrity of the financial reporting process and production of the USSIM annual report and accounts, through assurance provided by the USSIM board.

Each year the committee reviews the performance and effectiveness of the external auditor and the appropriateness of the external audit partner.

The committee is supported in this process by the output of a detailed assessment co-ordinated by the Finance team.

In addition, at least once a year, and as required, the committee holds 'in camera' meetings with the external auditor. EY were appointed as external auditor for USS and its companies in late 2017 following a competitive tendering process.

EY were appointed for a five year term subject to satisfactory completion of the annual performance review process. The committee concluded during the year that EY had performed effectively since the last annual performance review conducted in November 2018.

To safeguard the external auditor's independence and objectivity, the committee has approved a policy for the provision of non-audit services by the external auditor and receives a regular update on compliance with the policy.

As part of its oversight of the external auditor, the committee also monitors progress on the external audit of USSL's special purpose vehicles (SPVs), which act as holding companies to the scheme's investments.

The committee also closely monitors the performance and effectiveness of the internal audit function. Discussions with the Head of Internal Audit are held 'in camera' at least once a year and as required.

During the year the committee approved the approach to be taken to an external quality assessment (EQA) of the internal audit function. The EQA will be carried out by a qualified independent assessor. The committee was involved in the selection of the assessor and will consider the results of the assessment later in the year.

### **Other activity in 2019/20**

The committee has closely monitored the successful implementation of substantial changes to the scheme's investment valuation process and associated governance framework. It also recently considered a two-year plan put forward by the Investment Valuations team to further increase the utilisation of the team.

The committee actively oversees the adequacy of the control environment through 'deep-dives' into the risk and control measures in place in the various teams across USS. During the year the committee focused on (i) how tax compliance is controlled and managed at USS, (ii) the Procurement team, and (iii) the operation of USS's risk event reporting process, aCCelerate.

The committee receives a quarterly report from the Compliance team on breaches of law, regulation and other events reportable or notifiable to the Pensions Regulator and has been keen to monitor trends in event reporting at USS and to understand the impact of activities carried out by the Risk team to encourage a robust event reporting culture.

Although outside the scope of this report, post the year end, the committee reviewed the assessments made by the executive about the continued robustness of USS's processes and controls in response to the coronavirus pandemic.

### **Membership - Appointed by the Trustee Board**

Mr Michael Merton (Chair), Mr Gary Dixon, Ms Kirsten English and Mr Tony Owens.

## Remuneration Committee

### Introduction

The Remuneration Committee ensures that remuneration arrangements for USS (both USSL and its subsidiary USSIM) promote the recruitment, motivation and retention of quality employees to support the delivery of the business and long-term strategic objectives and support the purpose, values and culture of the USS group.

The committee, on behalf of Trustee Board, considers and approves the structure of compensation and all long-term incentive plans for USS; and is also responsible for reviewing and making recommendations to the Trustee Board on non-executive director remuneration within an overall cap set by the Joint Negotiating Committee.

The committee comprises four members, each of whom are also serving non-executive Universities UK appointed, UCU appointed or independent directors of the Trustee Board. Mr Rene Poisson, an independent director, has chaired the committee since April 2014. McLagan is the appointed remuneration consultant for the committee.

### Role

The committee provides thorough review and robust challenge to executive remuneration proposals for staff (including senior management), in order to provide assurance to the Trustee Board that compensation complies with agreed remuneration principles.

The committee reviews total remuneration costs, including aggregate bonus awards and long-term incentive plans, to satisfy itself that they are aligned to industry trends and appropriate to balance stakeholder and member interests between:

- cost effectiveness;
- a long-term sustainable organisation;
- an incentive structure to drive behaviours and performance aligned with stakeholder and member needs; and
- effective risk management.

The committee challenges the executive and the proposals made by its subsidiary, USSIM, to demonstrate a clear and robust link between reward and performance, seeking assurance that a rigorous process of performance appraisal is in place, with appropriate controls to manage behaviour and manager discretion.

### Key activity in 2019/20

The key activity for the committee, as it is every year, was to review and approve the recommendations made by the USSIM board and the USSL executive in relation to remuneration proposals (salaries and incentive awards) for staff across USS's London and Liverpool offices.

Incentives for all employees are based on performance and vary depending on which part of the organisation in which an employee works.

Whilst any salary and incentive awards are discretionary, where awarded, some aspects of USSIM compensation are directly linked to long term investment performance, whilst other aspects are on a more qualitative assessment of an individual's performance (as they are for USSL employees).

Considering these factors in the executives' recommendations, how risk and compliance matters had been taken into account, and the advice and benchmarking information provided by the committee's external adviser, McLagan, the committee reviewed, questioned the executive and ultimately approved the remuneration proposals for 2019/20. Also, the committee reviewed and approved some changes to USS's compensation structure and role banding across the organisation to create more alignment between the compensation approach across USS's London and Liverpool-based staff.

Whilst these changes will help to ensure consistency in the consideration of year end compensation proposals, primarily these changes have been made to ensure that USS's compensation structure supports the retention and motivation of talented staff across the USS group.

The committee also reviewed the USSL and USSIM gender pay review data results for April 2019, including the changes year on year.

During the year, the committee reviewed and made updates to its terms of reference in line with recent changes in corporate governance best practice.

### Membership - Appointed by the Trustee Board:

Mr Rene Poisson (Chair), Mr Michael Merton, Mr Will Spinks, and Dr Steve Wharton.

# Investment Committee

## Introduction

The Investment Committee is a committee of the Trustee Board and makes recommendations on all strategic matters relating to, and provides oversight of, the investment of the scheme's assets.

As of 6 April 2020, the committee has eight members (as listed below in the 'membership' section of this report) and comprises non-executive directors and special members appointed for their investment experience. It is chaired by Dr Kevin Carter, an independent non-executive director.

## Role

The committee oversees the investment of the scheme's assets, the discretionary day to day management of which has been delegated to USS Investment Management Limited (USSIM).

The committee, having taken relevant investment advice where appropriate, provides recommendations to the Trustee Board on (or where delegated, approves aspects of) the investment strategy for the defined benefit (DB) and defined contribution (DC) or 'USS Investment Builder' assets of the scheme.

The committee regularly reviews investment performance and risk reports from USSIM and receives regular investment manager presentations, in order to provide assurance to the Trustee Board that USSIM's management of scheme assets is in line with the agreed strategy and targets. On behalf of the Trustee Board, the Investment Committee undertakes regular reviews of key investment documents including the Statement of Investment Principles and the Investment Management and Advisory Agreement between the trustee and USSIM (IMAA).

The committee also issues investment strategy instructions to USSIM and considers various investment strategy proposals or valuation related investment matters as required.

## Key activity in 2019/20

A significant project for the committee during 2019 was to review and recommend to the Trustee Board that changes be made to the scheme's Statement of Investment Principles (SIP) and DC default SIP, which, following consultation with employers, were approved in September. These documents set out the policies and approach to decision making with regards to the investment strategy for both the DB and DC assets of the scheme. The review and changes to the documents were prompted by the completion of the March 2017 and March 2018 Actuarial Valuations and changes in pension regulations regarding such documents. The SIP and DC default SIP are available in the '[How we Invest](#)' area of the USS website.

Changes made to the SIP and DC default SIP included additional information on the Trustee Board's policies on responsible investment, engagement and its arrangements with investment managers in this area. In this regard, over the year, the committee has considered USSIM's analysis of where environmental, social and governance (ESG) factors, including climate change, are financial factors which are expected to impact investment returns in the future. The committee has discussed with USSIM how these financial factors play into USSIM's own investment decision making processes.

A significant change to the scheme's investment policy made during the year was to allow USSIM to use its in-house investment management expertise for the benefit of the DC assets of the scheme. This followed a request made by the committee to USSIM to structure some its private market investments and operations so that these investments could be used to contribute to the DC funds that form the DC lifestyle options (implemented in February 2020).

Other DC-related activities included the completion of a triennial review of the DC default option. Whilst the committee regularly reviews the DC fund range (including the DC default fund) to ensure that it remains appropriate for members' requirements, the Trustee Board is required to undertake a formal review of the DC default lifestyle option every three years. Considering the Policy Committee's analysis of member requirements, the committee completed the investment aspects of this triennial review in September 2019.

The review concluded that the Policy Committee's existing assessment of members' requirements still reflected their actual requirements, the glidepath continued to meet these requirements, and all other aspects of the strategy and its performance remained suitable. However, the committee agreed that there were some enhancements that could be made to the glidepath to take account of the fact that there was likely to be an increasing appetite from members to use their DC benefits for drawdown rather than to fund the tax free lump sum from their DB pension.

## Governance supplement *continued*

### Investment Committee *continued*

In the first half of 2020 the committee has worked with USSIM to consider how best to reflect this in the scheme's lifestyle strategies and how best to implement the necessary changes.

These changes are due to be communicated to members in the second half of 2020, prior to implementation.

In relation to the defined benefit assets of the scheme, the committee has, with the benefit of its investment advisers, USSIM and Mercer, been focussed on reviewing and making recommendations to the Trustee Board on the appropriate investment strategy to implement in line with the March 2017 and later the March 2018 Actuarial Valuations, which were both completed during the financial year. In the second half of the financial year the committee also began preparing for the March 2020 valuation, focussing on USSIM's model for generating investment return forecasts (the Fundamental Building Block model), and consideration of its suitability for use in the March 2020 Actuarial Valuation.

This has involved the committee reviewing the key principles of the model, alternative approaches to forecasting, sensitivity to key assumptions and considering the views of the committee's external advisers, Mercer, as well as academic and industry experts.

In addition to the usual activities that the committee undertakes to review how USSIM implements the scheme's investment strategy, during 2019 the committee commissioned USSIM to complete a piece of work to assess and monitor on an ongoing basis how the scheme can manage its illiquid private market investments over time, as the characteristics of the scheme's cashflows change.

The committee also reviewed how USSIM can manage the scheme's appetite for liability-matching investments and ensure that a moderate degree of leverage can be safely deployed. The committee has received regular reporting from USSIM during a period of change. Mr Simon Pilcher joined as Chief Executive Officer (following Mr Roger Gray's retirement in this role) from 1 October 2019, and subsequent changes have been made to the way in which USSIM proposes to manage the scheme's equity investments with a long-term investment horizon, and increased focus on ESG factors.

Lastly, members of the committee (with certain trustee executives) undertook a tender process to review the external investment consultants that provide the committee with independent investment advice. This independent advice complements the investment advice received from USSIM.

As a result of this exercise, Mercer has been retained to provide DB-related investment advice and Lane Clark & Peacock was appointed to provide DC-related investment advice to the committee, with effect from 1 April 2020.

#### **Membership - Appointed by the Trustee Board**

Dr Kevin Carter (Chair), Dame Kate Barker (from 6 April 2020), Professor Sir David Eastwood, Professor Sir Anton Muscatelli, Mrs Virginia Holmes, Mr Ian Maybury, Mrs Sarah Bates, Mr Mark Fawcett.



# Policy Committee

## Introduction

The Policy Committee was established to provide oversight of pension policy related issues; oversee the scheme rule amendment process; and provide support to the Trustee Board in relation to administration of the pension business of the scheme and implementation of those rules that relate to pension policy issues.

The committee comprises five members, each of whom are also serving non-executive directors of the Trustee Board. Mr Ian Maybury, an independent director, has chaired the committee since 1 September 2018.

## Role

The committee undertakes, on behalf of the Trustee Board, detailed review of proposals for changes to the scheme rules. The committee also monitors those policy and regulatory developments within the pensions industry that may impact on USS's operating environment and potentially the scheme and the requirements of its members and sponsoring employers. In addition to more strategic matters, at each meeting the committee also receives, and reviews reports from the executive on the operation and administration of the pensions business of the scheme, in accordance with the rules and the policies that the trustee has approved.

The committee also considers recommendations (where required) in respect of decisions of the Advisory Committee that involve a significant issue of principle or policy where the Advisory Committee is required to refer the matter to the Trustee Board.

## Key activity in 2019/20

During the financial year, the committee continued to play a key role within the trustee's governance framework, supporting the further development of the scheme's Defined Contribution (DC) programme. As part of its annual review of member requirements (including the formal triennial review of the DC default investment option), the committee submitted its conclusions to the Investment Committee and board. Whilst the review concluded that the current member requirements remained suitable (without amendment), the default lifestyle glidepath continued to meet these requirements, and all other aspects of the strategy remained suitable, the committee agreed that there was likely to be an increasing appetite from members to use their DC benefits for drawdown rather than to fund the tax free lump sum from their DB pension. This led the Investment Committee to recommend changes to the design of the glidepath for the scheme's lifestyle options which are due to be implemented in the second half of the 2020 calendar year.

Linked to the committee's work in considering member requirements, the committee has overseen the executive in developing and recommending to the board for approval final proposals to allow the trustee to offer a number of guidance, advice and annuity bureau services to support members in making decisions around how to flexibly take their benefits from the scheme. As a result of this significant programme of work, a suite of guidance and advice services will start to become available to members around the end of 2020.

The committee has also overseen the design and implementation of the executive's member and employer communication strategies to support understanding of the scheme's benefits, processes and support member decision making.

The committee has also continued to consider issues relating to employer participation, a number of specific employer debt cases during the year and, following advice from the Scheme Actuary, approved actuarial factors (the calculations used to calculate certain DB-related pension benefits from the scheme) following the completion of the 2018 valuation.

In addition, the committee has reviewed proposed amendments to the scheme rules, including the removal of certain restrictions in relation to early pensions on incapacity and payments following death (embodied in the Tenth Deed of Amendment); and to extend the period for inflation linked increases to the salary threshold up to which benefits on a Defined Benefit basis are accrued (in the Eleventh Deed of Amendment).

Although considered at the beginning of the 2020/21 financial year, the committee also reviewed and recommended to the Trustee Board a number of policy responses to help support members and employers through the coronavirus pandemic. This included the maintenance of Death in Service cover (without the requirement for contributions to be paid) for members who are deployed to support the NHS and would need to take a period of unpaid voluntary absence from their USS employment.

## Membership - Appointed by the Trustee Board

Mr Ian Maybury (Chair), Dr Kevin Carter, Mr Rene Poisson, Mr Will Spinks and Dr Steve Wharton.

## Joint Negotiating Committee

### Introduction

The Joint Negotiating Committee was established under the rules of the scheme. Its constitution, powers and responsibilities are set out in the scheme rules.

The committee's main purpose is to initiate amendments to the scheme rules, and/or to consider and/or approve amendments to the scheme rules proposed by the trustee. If, following an actuarial valuation of the scheme, the trustee determines that the cost sharing provisions under rule 64.10 of the scheme rules are triggered, the committee also has the power to decide how the cost of the contribution increases or decreases is to be addressed and/or the benefit changes that should be made in respect of the scheme.

There are also certain other decisions under the scheme rules that require the committee's approval (such as increases in fees for directors and certain other committee members, and whether payment of investment management costs from the fund and the cap on such costs remains appropriate).

The Joint Negotiating Committee comprises five representatives of Universities UK (UUK) and five representatives of the University and College Union (UCU), together with an independent committee member who acts as Chair. Sir Andrew Cubie retired as chair of the Committee on 30 June 2020 having served as chair since 1 September 2008. Ms Judith Fish of Dalriada Trustees Limited was appointed as interim chair of the committee with effect from 1 July 2020. Ms Fish has been appointed for a period of 12 months.

The committee met 11 times during the year. Its Funding and Benefits Sub-Committee (FBSC) did not meet during the financial year, preferring instead to discuss the committee business itself, and for this reason the Joint Negotiating Committee resolved to disband the FBSC.

### Key activity in 2019/20

The committee has devoted a substantial amount of time to receiving updates on and discussing the 2018 and 2020 valuation processes as well as considering the second report of - the Joint Expert Panel (JEP) (a panel set up by UUK and UCU to examine the valuation of USS). The valuations have been the primary topic discussed by the committee during the year. An informal Stochastic Analysis Working Group was established to facilitate more technical discussion in between committee meetings and included representatives from UCU, UUK and the trustee. The Stochastic Analysis Working Group was discontinued at the commencement of the 2020 valuation process, but the discussions continued for the remainder of the financial year as part of the Valuation Methodology Discussion Forum. The committee also reviewed and agreed to continue the current arrangement whereby the Salary Threshold (as set out in the scheme rules) is increased annually in line with CPI for a further period of five years to 31 March 2025. Benefits in the defined benefit section of the scheme can only be accrued up to a limit called the Salary Threshold. Above that level, benefits are accrued in the defined contribution section of the scheme. If the committee had not made this decision, the annual indexation of the Salary Threshold would have ceased at the end of March 2020. During the financial year, the committee also:

- reviewed (and consented to) three deeds of amendment to the scheme rules for the following changes:
  - minor improvements to the application of early pensions on incapacity where a member changes part time service fraction, and the time limit on monies being paid from the discretionary trust upon death, as well as amendment of some glitches,
  - to introduce a moratorium on employers leaving USS, unless the trustee company gives written consent to the employer to leave, in order to support the covenant assessment of 'strong' for the 2018 valuation; and
  - the change to the Salary Threshold referred to above;
- established a Confidentiality and Transparency Working Group to discuss confidentiality and transparency and review the JNC Code of Conduct approved the previous year. The Working Group included representatives of UUK, UCU, a trustee director and members of the executive. One of the key recommendations of the Group was that one or more trustee directors should attend each Joint Negotiating Committee meeting to observe and answer questions. In addition, the work of the Group resulted in a new Code of Conduct being approved on 12 May 2020;
- received regular updates regarding the funding status of the Scheme;
- received and reviewed detailed 'insight' in relation to the scheme's membership, considered analysis of important data, such as that relating to member affordability and opt out rates, and received updates on the Member Voice Panel created by the trustee to support the improvement of the member experience; and

## Joint Negotiating Committee *continued*

- received and considered the annual review of the voluntary salary cap (VSC) and enhanced opt out (EOO) options available as part of the scheme proposition and member participation with each option.

In addition, during the year:

- the Chair of the JEP met three times with the members of the committee;
- representatives of the Pensions Regulator met with the members of the committee once;
- the Scheme Actuary attended some committee meetings to support valuation related discussions;
- trustee directors attended committee meetings as observers as part of the drive to become more visible to the committee;
- a training session in relation to the scheme's actuarial valuation and the role and responsibilities of the committee was run for committee members in April 2019; and
- the committee approved changes to its Terms of Reference as required to remove the references to the FBSC.

### **Membership during the year**

Independent committee member: Sir Andrew Cubie (Chair) (retired with effect from 30 June 2020).

Universities UK appointees: Mr Phil Harding, Mr Cliff Vidgeon, Mr John Neilson, Mr Anthony Odgers and Mr Stuart McLean (appointed during the year). Mr Brendan Mulkern retired from the Committee during the year.

UCU appointees: Ms Victoria Blake (appointed during the year), Ms Christine Haswell, Dr Sam Marsh, Dr Marion Hersh (appointed during the year) and Ms Deepa Govindarajan Driver (appointed during the year). Dr Renee Prendergast, Dr Carlo Morelli and Ms Amanda Williams retired from the Committee during the year. Following the year end, Ms Blake stepped down as a member of the Committee and was replaced by Dr Adam Ozanne.

# Advisory Committee

## Introduction

The Advisory Committee is established under the Scheme Rules and it exercises the dispute resolution function on behalf of USS under s50 of the Pensions Act 1995. Its role also extends to advising the trustee company on matters on which it requires advice, including those relating to:

- the exercise by the trustee company of its powers and discretions (other than those relating to investment matters)
- difficulties in the implementation or application of the Scheme Rules
- complaints received from members or participating employers

The committee met four times during the year.

## Key activity in 2019/20

During the year, the committee considered 12 complaints. The cases covered a broad range of topics including retirement quotation errors, unreduced benefits, definition of a dependant, additional voluntary contributions, dismissal and enhanced incapacity retirement, eligible child's pension, pension sharing orders and transfers. Distress and inconvenience payments were awarded in two of the cases considered, although the committee did not find grounds to uphold any of the cases.

The committee also oversees USS's pension ombudsman (TPO) cases and received regular updates on the progress and outcome of all applicable cases during the year. TPO decisions during the year have generally been in line with the committee's decisions.

Following the committee referring a case relating to the application of USS's full commutation policy to the Trustee Board, as the committee considered that it involved a significant issue of policy. A working group was set up for the Policy Committee, with support from the committee, to review USS's full commutation benefit, policy and procedures. The working group determined that no changes were required to the benefit, although it was agreed that the scope of the policy should be widened.

The committee also provided guidance to the trustee company in relation to the Scheme Rules in relation to the principles to be applied in determining a "dependant" and the exercise of the trustee company's discretion in respect of dependants' pensions. A sub-committee was established to review these issues and recommendations were made in respect of the appropriate governing principles to be applied by the trustee company.

The committee exercised its oversight role in relation to full commutation cases and considered 28 applications during the year.

In addition to receiving regular updates on non-USS TPO cases and industry developments, the committee received training on pension sharing orders on divorce.

## Membership

Universities UK (UUK) appointees: Mr Cliff Vidgeon (Chair), Dr Tony Bruce, Mr Denis Linfoot.

University and College Union (UCU) appointees during the year: Professor Dennis Leech, Dr Marion Hersh and Ms Amanda Williams (who replaced Ms Pauline Collins) and Dr Adam Ozanne with effect from the July 2019 meeting of the committee

Since the financial year end, Dr Chris Grocott and Dr Renee Prendergast have been appointed to the committee in place of Professor Dennis Leech and Ms Amanda Williams.

Mr William Spinks and Dr Steve Wharton acted as the UUK and UCU director, respectively, on the committee. Their presence is required when the committee is considering cases raised under the Independent Dispute Resolution (IDR) procedure. Dr Wharton replaced Mr David Guppy (who had replaced Professor Jane Hutton from the November 2019) meeting as the UCU IDR director with effect from the March 2020 meeting.

The registered number of the trustee company (Universities Superannuation Scheme Ltd) at Companies House is 01167127

The reference number of the scheme (Universities Superannuation Scheme) at The Pensions Regulator is 10020100  
Royal Liver Building, Liverpool, L3 1PY