



For members, for the future.

Universities Superannuation Scheme

Report and Accounts
for the year ended
31 March 2025



Strategic report

How we create lasting value for our members and employers.

Governance

The governance framework that supports our decision-making and accountability.

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About USS

Our purpose

Working with Higher Education employers to build a secure financial future for our members and their families.


Our strategic priorities



Members feel financially more secure



A sustainable scheme, for the long term



USS is recognised as a competent scheme manager

Our values

Integrity

- We always do the right thing
- We put our members' interests first
- We take decisions for the long term

Collaboration

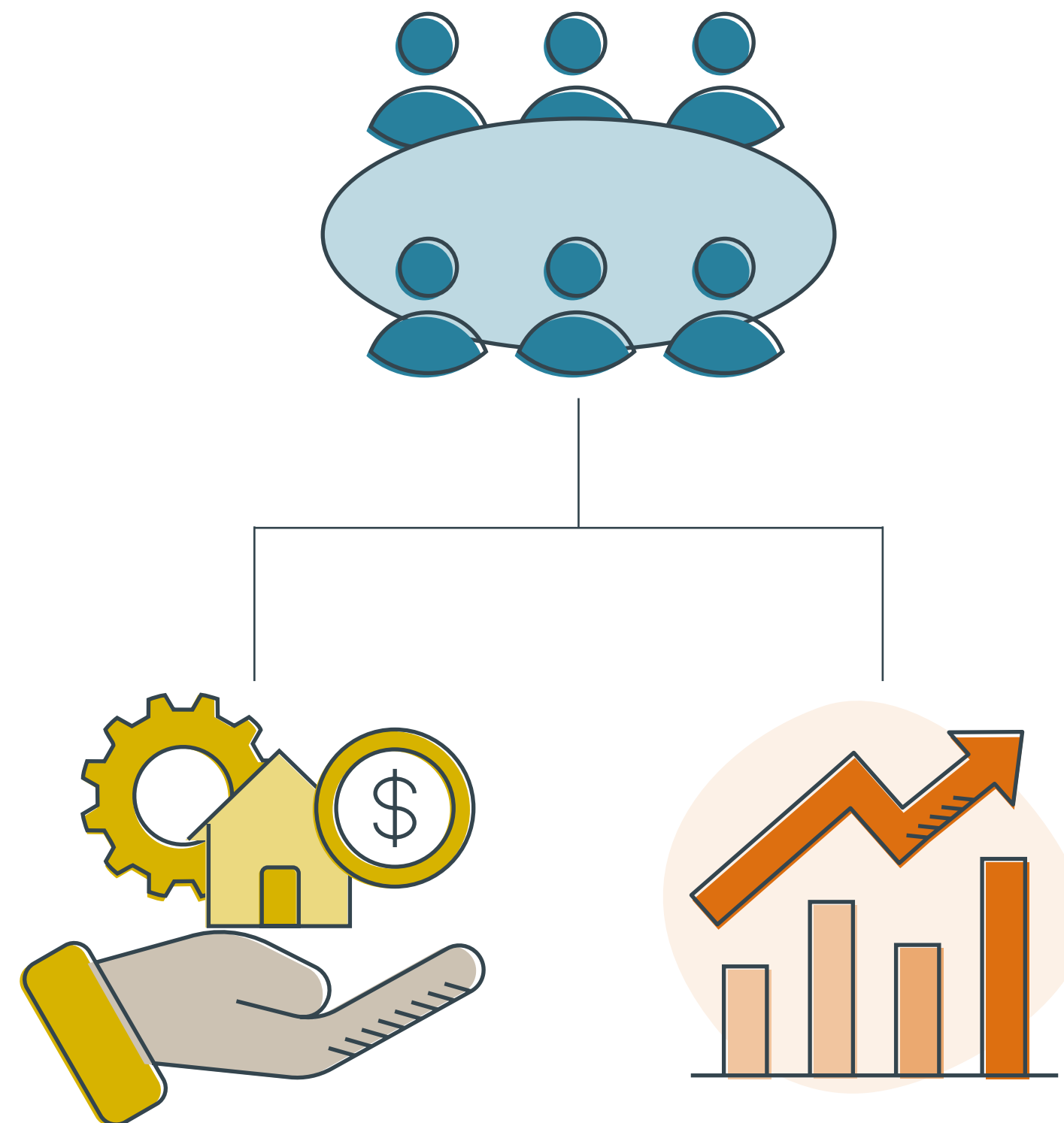
- We work towards a common goal
- We take responsibility for our own actions
- We are straight-talking and respectful in our dealings with each other

Excellence

- We set high standards for ourselves and our colleagues for the benefit of our members
- We adapt and innovate to achieve the best outcome
- We bring our best selves to work, every day

Our scheme

Universities Superannuation Scheme (USS) was established in 1974 as the principal pension scheme for universities and other Higher Education institutions in the UK.



The trustee

The scheme's trustee is Universities Superannuation Scheme Limited (USSL). It is a corporate trustee which has overall responsibility for scheme management, overseen by a non-executive board of directors and employing a team of pensions professionals in Liverpool and London. The trustee's key responsibility is to ensure that benefits promised to members are delivered in full on a timely basis.

Pension management

The trustee employs an experienced pension management team, providing member, employer and scheme funding and strategy services, who are based in the Liverpool and London offices. This team has been supported by Capita since 2016, an external pensions administration firm. We have commenced a project to migrate to Procentia, an award-winning service provider.

Investment management

The trustee delegates design and implementation of investment strategy to a wholly owned subsidiary – USS Investment Management Limited (USSIM) – which employs a team of professionals in our London offices, providing in-house investment management and advisory services.

About USS
Continued

The scheme

The scheme provides two types of pension benefits: defined benefit (DB) and defined contribution (DC). In both cases we invest contributions received from our members and employers to generate funds to pay for benefits in the future.

Our pension scheme net assets and membership at 31 March 2025

Retirement Income Builder
(defined benefit)

Net investments **Members**
£73.3bn **577,000**

Investment Builder
(defined contribution)

Net investments (excluding legacy AVCs) **Members**
£3.5bn **191,000**

Stakeholders



Members feel financially more secure

We are committed to helping members understand their pension entitlements, providing them with the right retirement savings options, and helping them to make good decisions about their retirement.

> For more information see page 11



Employers have a high-quality service and a sustainable scheme

We engage with our employers informally, as well as through more formal channels, such as the Institutions Advisory Panel and annual Institutions Meeting.

> For more information see page 11



Employees are valued and have the opportunity to thrive

Our employees are key to our success, so our people approach aims to foster a culture that recruits, retains and develops a high-quality, diverse workforce in an inclusive and supportive environment.

> For more information see page 34



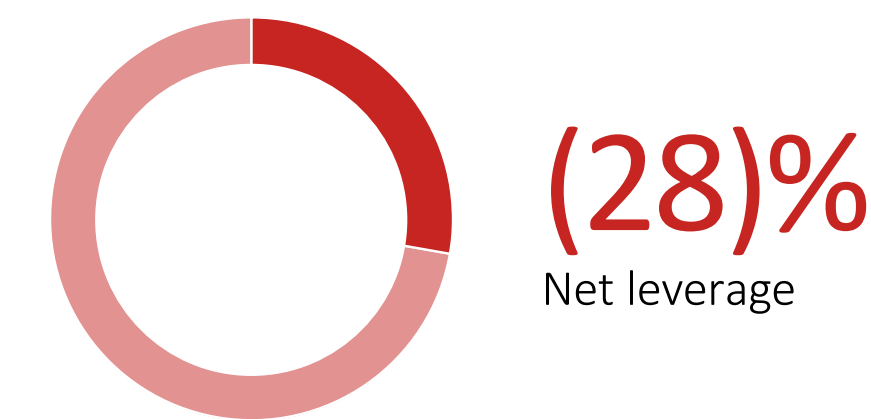
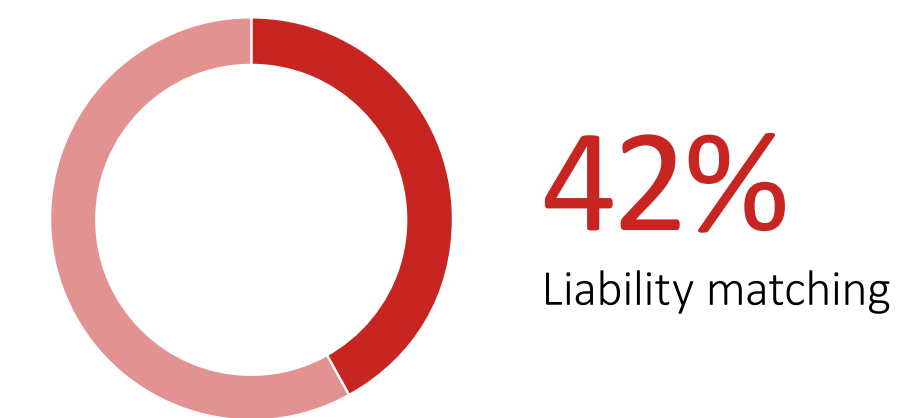
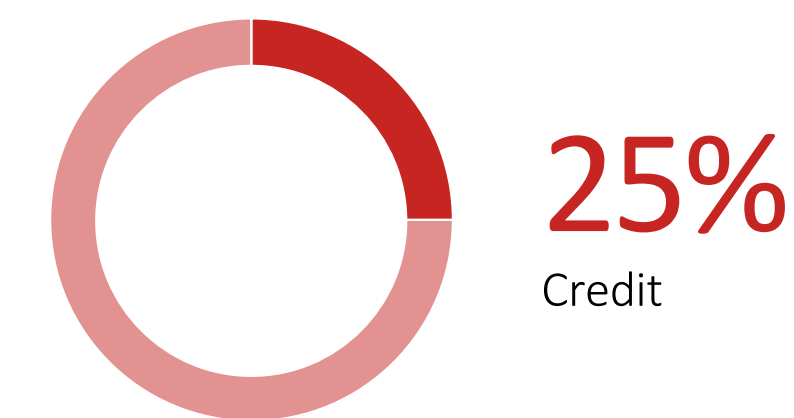
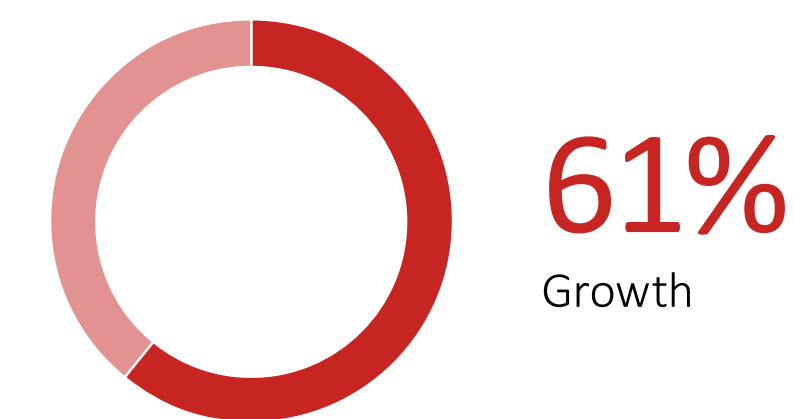
Investee companies have a responsible investor who fosters long-term growth

We are a long-term, responsible investor with a legal duty to invest in the best financial interests of our members and beneficiaries so we can pay pensions long into the future.

> For more information see page 19

Our investments

We invest in a diversified portfolio in the UK and globally. Our Retirement Income Builder net investments of £73.3bn are deployed across four main categories:



> For more information see page 21

Chair's introduction



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As the largest private defined benefit scheme in the country by assets, with a sophisticated in-house investment team, we have the scale, expertise and appetite to provide long-term investment in support of the UK economy.

Dame Kate Barker
Chair of the Trustee Board

As we celebrate the scheme's 50th anniversary, we consider how far USS has come and how the decisions we make today may influence the next half-century – and beyond.

When I look back on the various ways we marked the scheme's anniversary over the last year, one particular point stood out: remarkably, there are members who joined USS in 1975 who are still actively contributing to the scheme and building up new benefits today.

This serves as a fantastic reminder of the scheme's purpose: to work with Higher Education (HE) employers to build a secure financial future for our members and their families.

As trustee, we appreciate that the choices and decisions we make now should contribute to the scheme's successes in the future. We take great care in discharging our duties.

Chief among those duties is our fiduciary duty. As we have made clear over the past year, this is a significant responsibility that must be combined with the right to set the scheme's investment strategy. That is, to decide where and how to invest in what we believe will be the best financial interests of the scheme's members and beneficiaries.

As Simon Pilcher makes clear in Investment matters starting on page 18, our domestic market is important for us, as is the performance of the UK economy to our members and the HE sector we serve. In practice, UK investments account for around half of the scheme's total assets and the scheme made a number of notable domestic investments in the period.

As the largest private defined benefit (DB) scheme in the country by assets with a sophisticated in-house investment team, we have the scale, expertise and appetite to provide long-term investment in support of the UK economy.

Indeed, we have been engaging extensively with ministers and officials to promote the right conditions that will attract investment into UK assets and are keen to support the Government as it develops a pipeline of attractive investment opportunities.

While the Trustee Board has responsibility for setting the scheme's overall investment strategy, day-to-day investment decisions are delegated to USS Investment Management Limited (USSIM), our principal investment manager and adviser.

The financial year was dominated by the US presidential election and the performance of the 'Magnificent Seven' tech stocks (see Investment matters, page 18).

The trustee's Investment Committee (IC) assesses the performance of USSIM on a calendar-year basis and, for 2024, decided on an overall score which was slightly below target when looking across both the DB and DC investment balanced scorecards.

In taking investment risk there is always the potential for investments being unsuccessful. This was clearly the case with our Thames Water investment, as we set out in last year's report, and this was reflected in the committee's overall assessment of USSIM's investment performance.

The USSIM Board has worked to learn lessons from this experience. Private markets are a critical part of our portfolio. Overall, they have delivered strong returns over the past decade and our in-house team has contributed to the scheme's persistently strong value for money performance.

The IC also concluded that USSIM had made strong progress in relation to responsible investment, with a refreshed strategy embedded over the past year focusing on four key areas: climate, nature, governance and people.

Chair's introduction

Continued

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I believe there are grounds for cautious optimism about the outcomes the scheme's next full actuarial valuation might produce.

Dame Kate Barker
Chair of the Trustee Board

Consistent with the long-term risks faced by universal asset owners like USS, the strategy places greater emphasis on engaging with policymakers and peers to encourage and achieve real-world change. This recognises that systemic risks like climate change and biodiversity loss are inherent to the entire market and cannot simply be avoided by divestment or exclusion from portfolios.

As a case in point, the good progress being made in decarbonising the scheme's investment portfolio – as evidenced in our latest Task Force on Climate-related Financial Disclosures [report](#) – is not being replicated at a global, real-world level. Simon sets out on page 19 the kind of action that needs to be taken by investors, business, policy makers and society if we are to achieve meaningful change.

As ever, our focus is on achieving good long-term outcomes for our members and beneficiaries.

Cautious optimism

I believe there are grounds for cautious optimism about the outcomes the scheme's next full actuarial valuation might produce.

Monitoring of the DB funding position reported an estimated 'Technical Provisions' surplus of £10.1bn at the end of March 2025, an increase of £2.7bn since the 2023 valuation (see Report on actuarial liabilities, page 28).

The past few months have been a salutary reminder of how much can happen in a short period, and we live in increasingly uncertain times – but this estimated surplus provides a potential buffer against adverse experience between now and 31 March 2026.

The 2026 valuation will be the first the scheme conducts under new UK funding and investment regulations and the Pensions Regulator new DB Funding Code and covenant guidance. Following the new legislation, the Pensions Regulator has issued an associated DB Funding Code and covenant guidance – both of which are key overlays we will need to consider.

Like other schemes, the Trustee Board plans to review its funding methodology in light of the new regulatory environment.

Following previous volatile valuation outcomes, since the early stages of the 2023 valuation stakeholders have been exploring how the scheme might be put on a more stable footing in future valuations through a dedicated working group of the Joint Negotiating Committee (JNC). As part of this work, the group has been exploring the opportunities and challenges of a [Conditional Indexation](#) benefit design.

Changes of note

In August 2024, Universities UK's (UUK) role in relation to USS transferred to Universities and Colleges Employers Association (UCEA). As part of the transfer, existing UUK appointments to the Trustee Board, the Advisory Committee, and the JNC are now UCEA appointments.

We welcomed Dr Samuel Marsh on to the Trustee Board as a non-executive director appointed by University and College Union (UCU). Sam previously served as a UCU representative on the JNC between June 2018 and June 2022, during which time he was also Vice-Chair of UCU's Superannuation Working Group.

He replaces Andrew Brown, whose term on the board came to an end on 31 July 2024. On behalf of my colleagues on the Trustee Board, I want to thank Andrew for his valuable contribution.

And, on 1 January 2025, Lawrence Churchill CBE became the JNC's new independent Chair. Lawrence replaced Akbar Khan, whose appointment by the King as a Judge of the Upper Tribunal precludes him from holding any other remunerated office.

Among Akbar's important contributions during his two-year term as Chair was supporting the completion of the scheme's 2023 valuation in record time by facilitating constructive stakeholder discussions and securing key JNC decisions.

Lawrence is the current Chair of Clara Pensions and, among various other senior roles in the financial services sector, is a former Chair of the National Employment Savings Trust, Pensions Policy Institute, and Pension Protection Fund.

As we look to the future, it is pertinent to consider what we can do today to support the scheme's continued success over the next 50 years. Here, our focus is on good long-term investment and working with our stakeholders to achieve greater stability – ambitions that I am sure our successors will be grateful we pursued.

Dame Kate Barker
Chair of the Trustee Board
22 July 2025

USS
EST. 1974

Celebrating fifty years



50 years of the scheme's enduring value and focus on the long term

[Read more](#)



1974

Universities Superannuation Scheme (USS) is set up and USSL is incorporated. The first Trustee Board is created and USS operates from Exchange Flags, Liverpool.



1975

The scheme formally comes into operation, and USS accepts its first members.

1982

The London Investment Office opens.

1995

USS moves its headquarters to the Royal Liver Building, Liverpool.



2007

The Private Markets Group investment team is established.

2012

USS Investment Management Limited is established, operating from the office in Threadneedle Street opened in 2010.

2016

The DC part of USS (Investment Builder) is launched and the DB part of USS becomes the Retirement Income Builder. Online member portal launched (My USS), enabling DC investment choices. Employer portal also launched, with enhanced contribution and HR data interface.



2020

USS becomes one of the first UK pension schemes to enable DC members to access private market assets.

2021

USS announces its net zero ambition and interim targets, including reducing emissions related to the scheme's non-sovereign DB investments that USSIM manages by 25% by 2025 and by 50% by 2030.



Group Chief Executive Officer's review



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We have been hard at work protecting members' best financial interests and promoting the scheme's strengths.

Carol Young
Group Chief Executive Officer

In the scheme's 50th year, we have been pro-actively sharing perspectives, and protecting and promoting the scheme's interests.

It has been wonderful to mark this landmark anniversary with colleagues, employers and members, including: producing a **commemorative film**, providing a **deep dive** into the scheme's history, sharing the **reflections and perspectives** of our UCEA- and UCU-appointed directors, meeting one of our **longest standing active members**, and hosting the annual Institutions Meeting in our hometown of Liverpool.

Fifty years on from the very first members joining the scheme, we now serve 577,000 people, including 93,000 pensioners.

And colleagues across our offices in Liverpool and London have been hard at work sharing perspectives and promoting the scheme's strengths.

Engagement

A lot of our energies over the past year have been spent engaging positively and constructively with our sponsoring employers and the Government.

My team and I have toured the country, meeting with senior representatives from more than 40 institutions covering all four points of the compass.

We held Trustee Engagement Events at Nottingham, Lancaster and Newcastle. These events featured drop-in sessions where members could speak with our Pensions Operations team to find out more about the scheme and their benefits, meetings with their senior leadership, formal trustee presentations, and live Q&A sessions for members with colleagues from the Trustee Board and Executive team.

And, in October, we held our annual Institutions Meeting. As noted above, for the scheme's 50th anniversary, we came to our hometown of Liverpool. And, the meeting was co-ordinated to coincide with the launch of the Pensions and Lifetime Savings Association's Annual Conference, for which attendees were given free access.

All of these activities have been beneficial in terms of sharing perspectives on challenges and opportunities, and in better understanding how the scheme can continue supporting the UK Higher Education sector as effectively as possible.

We have, in tandem, continued to engage with Government to protect and promote the scheme's interests, and support policymakers through our unique perspective on the pensions landscape.

As the largest private DB scheme in the UK by assets, and as one of the relatively few still open to new members, we have both the capacity and the investment horizon to play an enduring role in the Government's productive finance agenda where we believe it is in members' interests to do so.

We have been very energetic in putting our views across over the past year and are pleased that we have had many opportunities to do so. We have engaged extensively with the Government's Pensions Review and made our position clear on a range of issues, including inheritance tax on pensions, the Pension Protection Fund levy, and the prospect of mandatory levels of UK investment being introduced.

In October, I joined business leaders from around the globe at the Government's International Investment Summit. I took part in the closing plenary session, chaired by the Chancellor of the Exchequer Rachel Reeves, which covered growth, next steps for the National Wealth Fund, and providing a stable and competitive environment for capital investment in the UK.

In November, I attended the Financial and Professional Services Dinner at Mansion House in London, during which the Chancellor give her maiden Mansion House speech.

We hosted then Pensions Minister Emma Reynolds at our Liverpool headquarters, where she met members of our Pensions Operations teams to hear about how we support members, particularly through bereavement. We also discussed the scheme's history, hybrid nature, covenant and how it serves the HE sector.

Group Chief Executive Officer's review

Continued



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Perhaps most importantly of all, trust and how members rate their relationship with USS are both at the highest levels we have seen since we started tracking them.

Carol Young
Group Chief Executive Officer

In March, at the PLSA's Investment Conference, I met with Emma Reynolds' successor, Torsten Bell MP.

Investment delivery and value

Consolidation has also been a topic of discussion over the past year, with DC super funds and the Government's proposals to consolidate Local Government Pension Schemes both being driven at least in part by the potential gains to be achieved by leveraging economies of scale.

The way USS has built out the team's capabilities and expertise particularly in private markets over the past 18 years was held up as a case study in a report – **Achieving critical mass** – published by the People's Pension earlier this year.

Our Private Markets team has contributed to our cost advantage over our peers. By managing most of our investments in-house, at USSIM, the scheme saves significant amounts compared to the expense of external management.

According to the latest independent analysis by CEM Benchmarking, the scheme's investment management costs in 2023 were the equivalent of £86m lower than the median global peer pension fund. And that is a long-term trend – cumulatively, our investment costs were £440m lower than the peer median over the five years up to, and including, 2023.

This is, however, just one of the ways in which we assess if we are delivering **value for money** for members and employers.

So, I am pleased to report that CEM Benchmarking's independent comparison of our member and employer support services for the calendar year 2023 versus that of our peers puts us in the top three of 11 overall, and top for active members.

And, in DC, in the areas that are pertinent to our Investment Builder product, we have come out on top,

in aggregate, in Redington's assessment compared to six other Master Trusts.

Member and employer service

Recognition of our service levels extends beyond our benchmarking scores – our Pensions Operations team has yet again achieved the Customer Service Excellence (CSE) accreditation.

And, in October, they added to this the Investors in People (IIP) Gold award, which reflects the quality of the processes and procedures in place to lead, support and develop the team, and our commitment to investing in our people and providing members with high-quality services and experiences.

The team was also awarded **Elevate Education Business Partnership** patron status for supporting a range of initiatives in Liverpool, including work experience placements, internships for those from non-traditional university backgrounds, mock interviews, CV writing, and school presentations on career opportunities. They also took part in 'career carousels' in local schools, highlighting the exciting employment prospects in financial services.

As well as investing in our people, we are also investing in our systems.

The move from Capita's Hartlink system to Procentia's Intellipen platform, announced last year, will bring with it an expansive suite of innovative tools, and increased levels of self-service and automation. It is a significant investment in the member experience that will also drive value.

I am pleased that we have continued to maintain very strong scores in our employer surveys – with 90% rating their relationship with USS as good or very good (46% rating it as very good).

I hope all of this gives stakeholders confidence in USS. It certainly appears to be translating into members' perceptions of the scheme; we have seen some very positive improvements in recent surveys, particularly in satisfaction with the service we provide.

Perhaps most importantly of all, trust and how members rate their relationship with USS are both at the highest levels we have seen since we started tracking them. The number of people choosing to opt out of the scheme is also down to the lowest level since the scheme began recording this.

Promoting from within

A key driver of our strong culture of service delivery has been Helen McEwan's contribution as Chief Pensions Officer over the last five years. Helen decided last year to step down to focus on her non-executive career and I would like to record my and the trustee's gratitude for her service to the scheme.

I am pleased we were able to respond to Helen's departure in March by promoting from within. Helen's role has effectively been split between Mel Duffield (now Chief Pensions Strategy Officer), and Piers Bishop (now Chief Pensions Delivery and Technology Officer), both of whom will continue to build on Helen's approach to member service and innovation.

Carol Young
Group Chief Executive Officer
22 July 2025

Group Chief Executive Officer's review
Continued

Our strategic priorities

Our strategy is underpinned by our purpose: Working with Higher Education employers to build a secure financial future for our members and their families.

Strategic priorities	2024/25 highlights	Key performance indicators	2024/25		2023/24		Description	Risks	Remuneration
			Result	Target	Result	Target			
 <p>Members feel financially more secure</p> <p>We are committed to helping members understand their pension entitlements, providing them with the right retirement savings options, and helping them to make good decisions about their retirement</p>	<ul style="list-style-type: none"> Record levels of member engagement, reflecting success in member segmentation to tailor communication for members Provided education and support for members and employers, including webinars, benefits calculators and institution events Won the DC Innovation of the Year award at the UK Pension Awards 2024 Delivered strong customer service through our member-first approach, with the Pension Operations team winning the Investors in People Gold award. We also achieved Customer Service Excellence accreditation for the third year running 	Employer positive relationship	90%	85%	88%	85%	Further information can be found on page 11.	See page 38 for more detail	See page 51 for more detail
		My USS active member registrations	73%	70%	N/A	N/A	Proportion of active members registered for My USS.	See page 38 for more detail	See page 51 for more detail
		My USS active member usage	75%	75%	54%	54%	2025: Active members registered who log in at least once in the last 12 months as at 31 March 2025 2024: Active members that have logged in in the last 12 months as at 31 March 2024.	See page 38 for more detail	See page 51 for more detail
 <p>A sustainable scheme, for the long term</p> <p>We strive to ensure that funding is put on a stable path and that the scheme is aligned with the long-term interests of the HE sector where possible.</p>	<ul style="list-style-type: none"> Engaged with government and regulators to advocate for the scheme and promote ability to deliver for members Maintained a strong funding position despite economic and political volatility, with the DB part of the scheme estimated to have a surplus of £10.1bn at 31 March 2025 Significant reduction in the emissions intensity of the DB part of the scheme's investments, reducing 51% between 2019 and 2024 putting us well ahead of our interim net zero target of a 25% decline by 2025 	Investment balanced scorecard assessment	Average to Good	Average to Good	Good	Average to Good	The Investment Committee assessment of USSIM performance was slightly below target, between 'Average' and 'Good'. More information is available on page 23.	See page 40 for more detail	See page 51 for more detail
 <p>USS is recognised as a competent scheme manager</p> <p>We deliver clear expertise in scheme management with the right people, systems, and processes to drive value for employers and members.</p>	<ul style="list-style-type: none"> Made significant progress towards implementing Procentia's award-winning pensions administration platform, which will enhance our technical capabilities to deliver enhanced functionality, digital services and levels of automation Pensions Operations overall service level agreement (SLA) compliance of 95% on c278,000 transactions Latest CEM Benchmarking survey (calendar year 2023) showed investment management costs as a proportion of scheme assets remained materially below peer cost benchmark. USS was 12 basis points, equivalent to £86m per year, below peer median 	Pension administration cost per member	£76	£84	£76	£81	Further information can be found on page 26.	See page 39 for more detail	See page 51 for more detail
		Investment management cost	32bps	31bps	34bps	31bps	Further information can be found on page 25.	See page 39 for more detail	See page 51 for more detail
		% of internal audit (IA) findings remediated	98%	100%	100%	100%	1 medium priority IA finding reopened upon validation by Internal Audit.	See page 37 for more detail	See page 51 for more detail
		% of material breaches remediated	100%	100%	100%	100%	1 material breach: Scheme Rules breach occurred due to more generous operational practice for some members than the Scheme Rules provided, which are now amended.	See page 41 for more detail	See page 51 for more detail
		Employee engagement	7.8/10	7.8/10	7.9/10	7.8/10	Further information can be found on page 34.	See page 40 for more detail	See page 51 for more detail

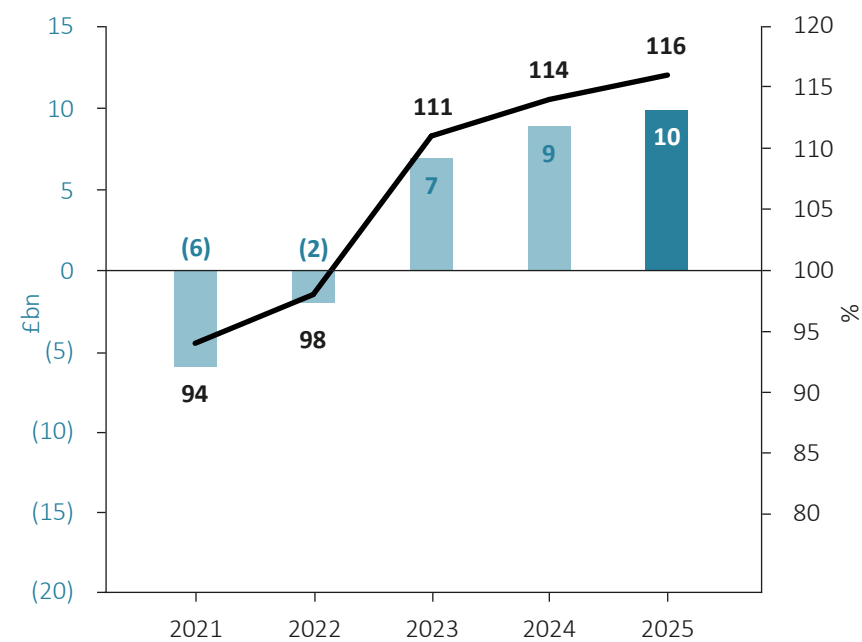
Key facts and figures

For the year ended 31 March 2025



Funding ratio

116% Funding ratio (Technical Provisions method)



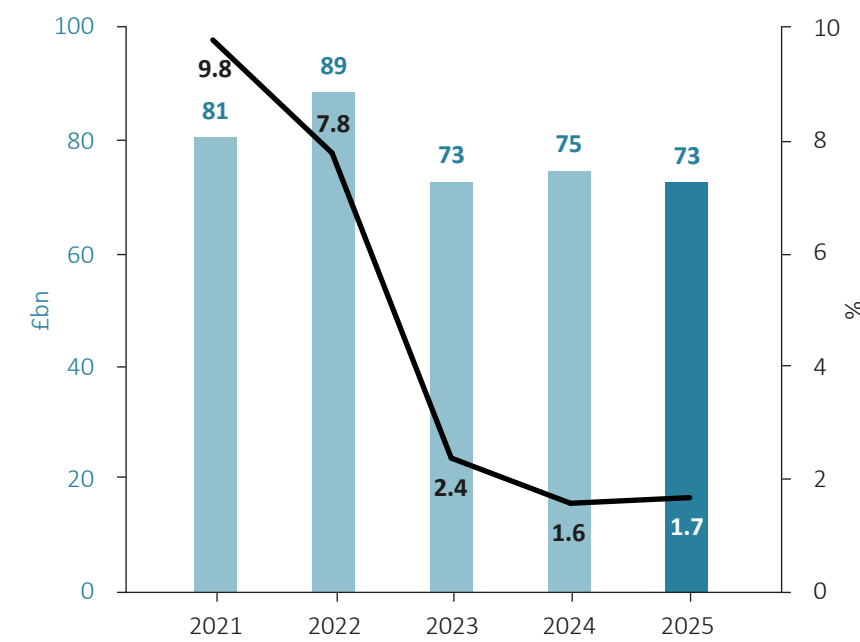
● Technical Provisions surplus/(deficit)
— Technical Provisions funding ratio

> For more information see page 29



Retirement Income Builder assets and return

£73.3bn Total defined benefit net investments



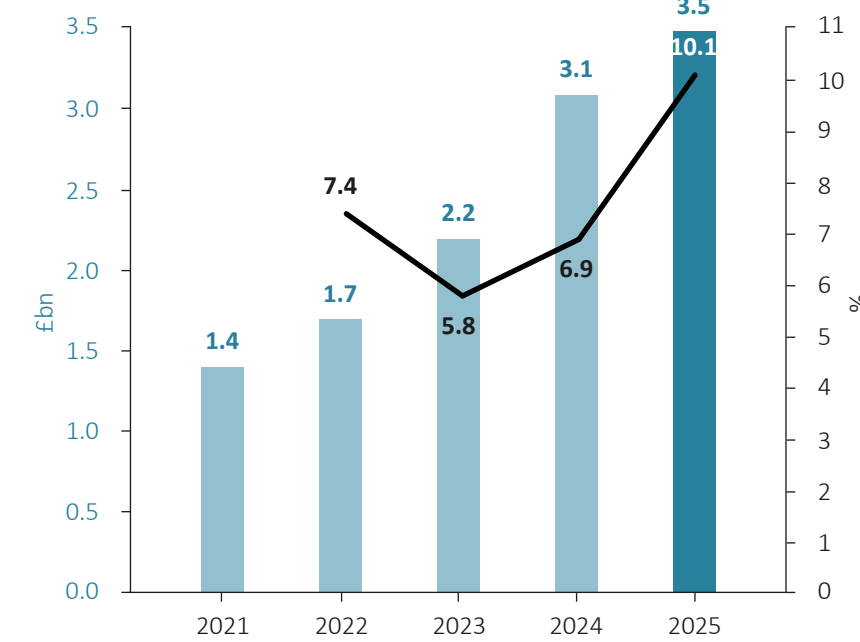
● Retirement Income Builder net investments
— Retirement Income Builder 5-year annualised return

> For more information see page 21



Investment Builder assets and return

£3.5bn Total defined contribution net investments (excl. legacy AVCs)



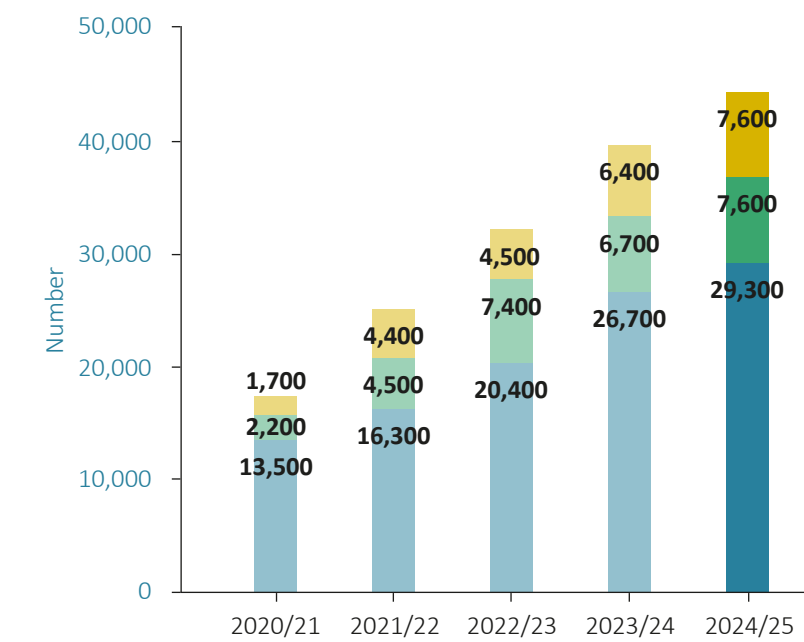
● Investment Builder net investments
— USS growth fund 5-year return (5-year data only available since 2022, due to inception year 2016).

> For more information see page 22



Improved digital engagement

45k members accessing My USS each month



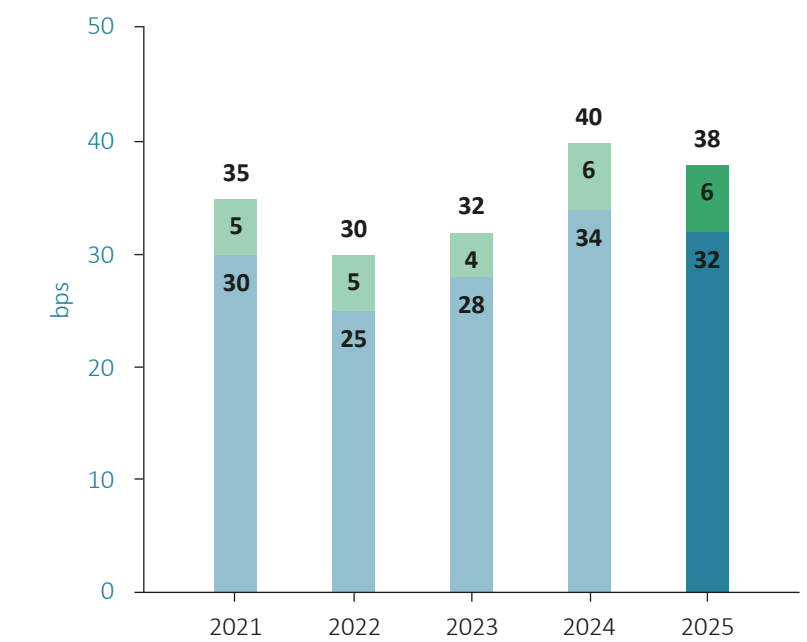
● Active members
● Deferred members
● Pensioners

> For more information see page 13



Scheme management cost ratios

38 basis points



● Investment management
● Pension administration

> For more information see page 25

Pension services



“

We've seen record levels of engagement, along with improved trust and relationship scores this year, as a result of using feedback to develop our approach to communications, decision support and experience. It's pleasing that opt-out rates for those eligible to join the scheme have reduced against a more stable backdrop.

Mel Duffield
Chief Pensions Strategy Officer



“

Our infrastructure is fundamental in enabling the service we provide to members and employers. We want to continue to make improvements and are taking steps to enhance our technical capabilities to deliver higher levels of automation, enhanced functionality and increased digital services. We believe this will add real value to the experience for members and employers.

Piers Bishop
Chief Pensions Delivery and Technology Officer

We have driven continued improvement across key areas of service, engagement and support, that seeks to ensure that members have a positive experience whenever they interact with the scheme.

Over the last year we have seen strong levels of engagement and satisfaction, not only as a result of the enhancements delivered this year, but also the sustained improvements made over a number of years. This supports one of our key long-term goals, to help members feel financially more secure.

A period of stability for the scheme, combined with high quality operational service and further improvements to communications and decision support, has driven record levels of member engagement.

With lower contribution rates and improved benefits from early 2024, we have also seen reduced opt-out rates and further improvements in trust and relationship scores. For the first time since 2016, more than half of member survey respondents have rated their overall relationship as good or very good, with negative sentiment continuing to decline.

Employer satisfaction continues to score well, with sustained high performance across administration, communications and support. The health of the overall relationship remains positive with 9 in 10 rating it as good/very good.



Member opt-out

10%

of eligible joiners have opted out of the scheme during 2025, down from 12% in 2024



Member trust

66%

of members trust USS to look after their pension, up from 50% last year



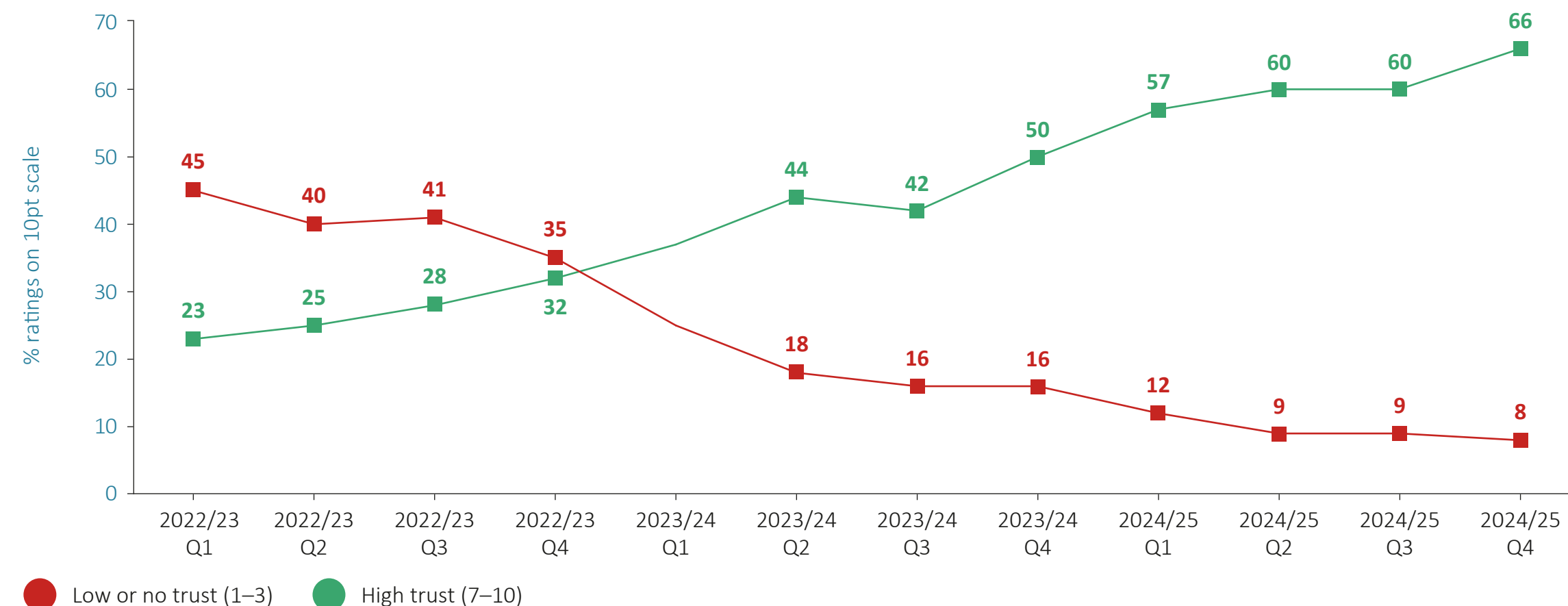
Employer satisfaction

90%

of employers rate their relationship as good or very good, up from 88% last year

Pension services
Continued

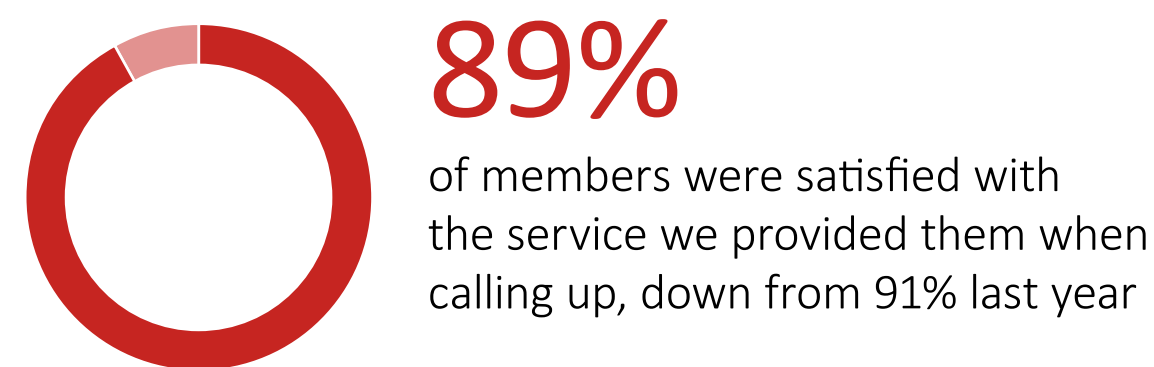
Member trust in USS



Administering the scheme

We continue to work with our employers to ensure contributions are processed on time and that we pay the right pensions when due. We aim to deliver a best-in-class experience for our members across telephony, digital, communications, and support services.

Delivering high-quality service for members and employers



“
USS always take the time and provide a member facing experience that always delivers

Member telephone call, January 2025

The Pensions Operations & Service team is on hand to support members every step of the way. Whether helping a member with their My USS account, guiding someone through the retirement process or supporting a beneficiary dealing with a bereavement, their focus is on providing the very best service that meets members’ needs.

This year, the team delivered strong service to our members through telephone interactions, achieving an 89% satisfaction score. They surpassed service targets and successfully issued 95% of responses to members within the designated timeframe despite a 7% increase in member interactions with the scheme.

Our dedicated Member Services team is trained to identify members’ individual circumstances and support vulnerable members. The team provides multi-channel support and is, importantly, available by phone, as many people in vulnerable circumstances are less able to benefit from digital channels, and we know from our regular surveys that members who have suffered a bereavement really value speaking to someone.

The Pensions Operations & Service team has also supported our employers with the day-to-day management of scheme contributions processing, with 97% of employers achieving their processing targets in key areas such as submission, and finalisation of contribution data and monthly payments.

Recognising the high-quality service the Pensions Operations & Service team provides to both members and employers, the team was granted the coveted Investors in People Gold award. This reflected processes and procedures put in place to help team members provide the best experience possible. The team also achieved accreditation under the Customer Service Excellence standard for the third year running.

A continued focus on cyber protection and awareness

We understand how important cyber security is to our members, especially in a climate where online threats are ever-present and continually evolving. We continue to reinforce our cyber security position and enhance employee awareness, to protect our members’ data and manage inherent risks.

This year, we further enhanced our operational resilience by investing in technical and non-technical controls and support. This has been complemented by mandatory all staff training and regular phishing awareness exercises. Regular testing and auditing is performed on the controls, demonstrated through external accreditation of ISO27001 and Cyber Essentials Plus.

Engagement and support

Providing an excellent service is the foundation for creating a positive experience. However, ensuring members understand when and how to interact with their pension, and providing practical support at those key touchpoints, is equally vital to help members to plan and prepare for retirement with confidence.

We have been busy evolving our communications approach, improving our website and enhancing our support services, to further improve the member experience. We have also explored how we can help employers better support members at key points whenever they interact with the scheme.

Delivering personalised communication for members

We recognise that members now expect greater personalisation from their pension providers, just as they do from other financial services. Our members want to be treated as individuals with tailored support

Pension services Continued

services relevant to their personal circumstances, and many are looking for digital-first communications. This year, our aim has been to create a communications strategy that address these demands, and it worked, with all performance metrics significantly higher than a year ago.

As well as delivering our flagship communications, such as the Annual Member Statement (AMS), this year our Communications team developed and delivered a range of email campaigns, designed to improve members' understanding of the key features of the scheme – helping them get to grips with pension basics and build their broader financial knowledge. To help members feel more confident in making pensions decisions, attention was drawn to the support services we offer such as webinars, calculators, and guidance and advice.

“

We're delighted that the team has been recognised with the Investors in People Gold award. This reflects our member-first approach to service, where we continually strive to provide a positive experience.

Ste Worthington, Pensions
Operations Executive

A key improvement in our communications approach has been the introduction of segmentation, which enables us to tailor messaging based on several characteristics including age, pension profile, salary range, and pension pot size. The result of this approach has been continued high levels of email engagement with the emails that USS sends, with on average 53% of emails opened and 25% of links accessed, an increase in website and portal engagement and higher numbers of members accessing our support services. In addition, we have seen improved understanding of the defined benefit and defined contribution parts of the scheme among active members, as well as an increase in ratings for communications timeliness, relevance and ease of understanding.

The segmented approach to communications across all member types, whether pensioners, deferred or active, has delivered a further increase in My USS registrations and usage. As a result, 72% of active members are now registered for My USS, up from 69% last year. Monthly usage across all member types has also increased by 12% with an average of 45,000 members a month using My USS, up from 40,000 last financial year.

The public website has also seen several improvements over the year, from enhanced navigation to content aligned with segmentation, allowing members to easily find the information most relevant to them at different points in their savings and retirement journey. Perceptions of our website have improved, with perceived relevance of information rising by 25 percentage points in the last three years for uss.co.uk, taking us to 76%. Ratings for 'easy to understand information' and 'information that helps me to manage my pension' have also continued their upward trajectory, showing 61% and 60% respectively.

To further improve the accessibility of our communications, we worked with neurodiversity specialists Lexxic, who provided training to our Communications team, enabling them to gain a better understanding of the ways neurodivergent members may read and interpret content. While our communications are broadly in line with neurodiversity best practice, there is more we can do and will do to refine our content.

64%

of members rate communications as good or very good, up from 57% last year

77%

of members agree their Annual Member Statement was easy to read

72%

of members are aware of the key features of the Retirement Income Builder

66%

of members are aware of the key features of the Investment Builder

72%

of active members are registered for My USS, up from 69% last year

45,000

Average monthly My USS users



Pension services Continued

Guiding and supporting members

To support members in getting to grips with the many aspects of their pension and financial planning, we continue to offer a range of webinars, with topics ranging from pensions basics and understanding DC, to planning for retirement and tax.

Our segmented communications approach enables us to tailor content to be more relevant for different groups. A result of this has been a marked increase in both the number of members attending the live webinars and watching webinar recordings online. More than 9,000 members have attended the 36 live webinars this year compared with 2,166 last year, with 95% of attendees rating them as good/very good.

The Benefit Calculator is a popular resource for members. A simple version of the calculator is available on the public website and a more advanced model on

My USS. The calculator allows members to estimate what they might get at retirement, based on when and how they'd like to take their benefits, providing key decision-support and empowering members to plan for their future.

More than 93,000 members accessed the Benefit Calculator on My USS this year. 84% of members who used the Benefit Calculator reported a positive experience, with 82% reporting the information it provided as easy or somewhat easy to understand.

Guidance calls remain available to help active members at retirement to understand their retirement quote and options. Take-up of this service is consistent with last year, and member feedback remains positive, with 95% of members feeling confident to make a decision following the call, compared with 65% feeling confident prior to the call.

This year, we also worked with our employers to create more direct engagement opportunities with members, so they can share their thoughts with us and for us to gather in-person feedback on what matters most to them. Events have been hosted at several institutions including the University of Bradford, the University of Nottingham and the Newcastle University.

Keeping our employers informed

Our employers fulfil important responsibilities and provide valuable support to members; keeping them engaged and informed ensures that a good member experience extends beyond USS. We continue to provide employers with day-to-day support via our Client Engagement team, who are always on hand to help. Regular engagement continues to provide employers with clarity on how the scheme works and a better understanding of their key responsibilities, helping them manage their participation more effectively.

“

The communications from USS are generally very good and the information and facilities on the website are excellent. I have not seen any other pension provider providing such a good service.

Member feedback, March 2025

95%

of members rate the content relevance of webinars as good/very good

95%

of members feel confident in making decisions after a guidance call

30%

of active members have used the Benefit Calculator

The level of support we offer is valued by employers, with positive scores across relationship, communications, training and support. Ratings for support provided across specific administrative processes also remains high, with a good or very good score of 83% for onboarding new joiners and 87% for retirements.

Regular communication with employers is vital for their engagement with USS, so we also send a monthly email to provide general news, information on changes, employer training, and resources. This year we updated the structure and design to draw more attention to the key actions employers need to take. The overall positive rating of the employer email has increased from 88% to 91% with nine out of 10 employers rating it as good or very good.

“

Very useful session and great to see the relevant USS portal screens

Member feedback post webinar, January 2025

Pension services

Continued

We also collaborate through an Employer Value Working Group to identify ways we can further assist employers with supporting their USS members. In the last year we have focused on the key areas where employers felt their knowledge or the support available could be improved. A number of employers said they'd like more support to help them explain the benefits of the scheme to prospective members, so we created a 'Benefits of USS' resource pack. We also created one stop shop resource packs aligned to key points in the member journey, including new joiner and at retirement journeys. This was made available in response to feedback that employers would benefit from clearer guidance in terms of the resources they should be providing to members.

Delivering positive long-term enhancements

In support of one of our long-term goals 'USS is recognised as a competent scheme manager', delivering the right systems and processes to provide value for money for members is key. With this in mind, we have begun the process of moving to Procentia's award-winning pensions administration platform, with a view to transition in 2026.

91%

of employers rate quality of support as good or very good

85%

of employers rate the overall quality of communications as good or very good

85%

of employers rate usefulness of training as good or very good

We have worked closely with Procentia to implement the new platform and have already made progress in several areas, using the Member Voice Panel and newly created Employer Implementation Working Group to test and inform our thinking.

Consistent with our aim to provide the best possible service to members and employers through digital self-serve, the new platform will provide enhanced functionality and higher levels of process automation and will digitise a number of key member journeys such as retirements, providing members with an enhanced online experience.

In a rapidly changing market it's important we also look further ahead, to consider the future communications, support and guidance needs of our members and employers. We are evolving our understanding of developments in the pensions industry and the wider financial services environment, and what these might mean for the service we provide beyond the improvements we'll see as a result of moving to Procentia's platform. This will include considering the implications of the introduction of pensions dashboards and what this means for the way members engage with USS.

Giving members and employers a voice

We value regular feedback from our members and employers, as it helps us to make improvements that are tailored to their needs.

We engage directly with members to understand how they feel about USS and their experience of the scheme. In addition to sending regular surveys to our active members, we also ask for member feedback at key points in the journey, including when members interact with My USS, when they use planning tools such as the Benefit Calculator, and when they go through the retirement process. We analyse this feedback to understand what is and is not working for members, and to make improvements to the support we offer.

We re-launched our Member Voice Panel to create a more engaging space for participating members. As well as enabling us to gather spontaneous feedback quickly and easily, the new panel also allows us to create larger online studies to delve deeper into topics. We have already run a number of studies, including research on attitudes to the Investment Builder, the scheme's DC product, and user testing of a digital retirement process.

“

I just spoke with pension personnel at a staff wellbeing benefits event which was very enlightening and gave me confidence and trust.

Member feedback, March 2025

“

I have gained a deeper insight into how USS works

Employer Training Day survey comment, March 2025



Pension services

Continued

We have continued to seek feedback from employers, through daily contact with scheme administrators and through well-established, formal channels such as the Institutions Advisory Panel (IAP) and our annual Employer Perception Survey.

We have also collaborated with employer focus groups on specific initiatives such as the re-enrolment process. As a result, we created resources for employers to use to support informed decision making among eligible employees and those who will be re-enrolled as part of the triennial auto-enrolment process. The resource promotes the scheme as a valuable part of their overall employment package. It covers key features of the scheme, costs, how benefits are built up, and how they compare with other savings vehicles. We will continue to closely monitor opt-out rates and work with employers so that as many eligible employees as possible are able to benefit from the valuable pension USS offers.

Resolving pensions administration issues

Ensuring we pay members their correct benefits is at the heart of the work we do. As reported in our last two annual reports, in 2023 we identified some historical issues in relation to iterations of the Scheme Rules that applied at different points prior to October 2011. The issues affect a relatively small proportion of our members. Our aim was, and is, to be sure that our administration practice is aligned with the requirements of those Scheme Rules and relevant legislation through time.

To that end, we are working through a complex, historical dataset to resolve these matters and to expedite the clarification of benefits entitlements for affected members and any associated remediation, while keeping the Pensions Regulator and other stakeholders informed. We have made good progress resolving members' benefits where their positions are more straightforward.

As reported last year, we had anticipated seeking court directions to resolve some of the issues. We no longer believe this is likely to be the most efficient approach to resolving the remaining members' benefits entitlements in a timely manner. Our belief is due in part to the potential impact of recent and upcoming court cases and regulations in relation to historical actuarial certificates, which have implications for the pensions industry as a whole, including USS.

Membership numbers

The tables below analyse movements in the membership of the scheme during the year:

	University institutions	Non-university institutions	Total
Active members			
Active members as at 31 March 2024 as reported	225,462	6,898	232,360
Restatement of active members ¹	(5,998)	(82)	(6,080)
Active members as at 31 March 2024 as restated	219,464	6,816	226,280
New members	29,407	930	30,337
Rejoiners	8,470	177	8,647
Sub-total	257,341	7,923	265,264
Leavers and exits during the year			
– Retirements	(2,870)	(155)	(3,025)
– Retirements through incapacity	(157)	(6)	(163)
– Deaths in service	(155)	(6)	(161)
– Refunds	(369)	(29)	(398)
– Deferrals	(23,010)	(629)	(23,639)
– Retrospective withdrawal ²	(3,868)	(73)	(3,941)
Sub-total	(30,429)	(898)	(31,327)
Active members at 31 March 2025³	226,912	7,025	233,937

Notes

- Membership data has been restated for administrative processes completed after 31 March 2024 but with an effective date prior to that date.
- Based on notifications from participating employers, we estimate that 3,941 employees of participating employers who were eligible to join the scheme elected not to do so, which equates to 10%. This represents a decrease of 1,417 from approximately 5,358 in the prior financial year.
- Included in the active member numbers are 149,344 active members in the Investment Builder as at 31 March 2025.

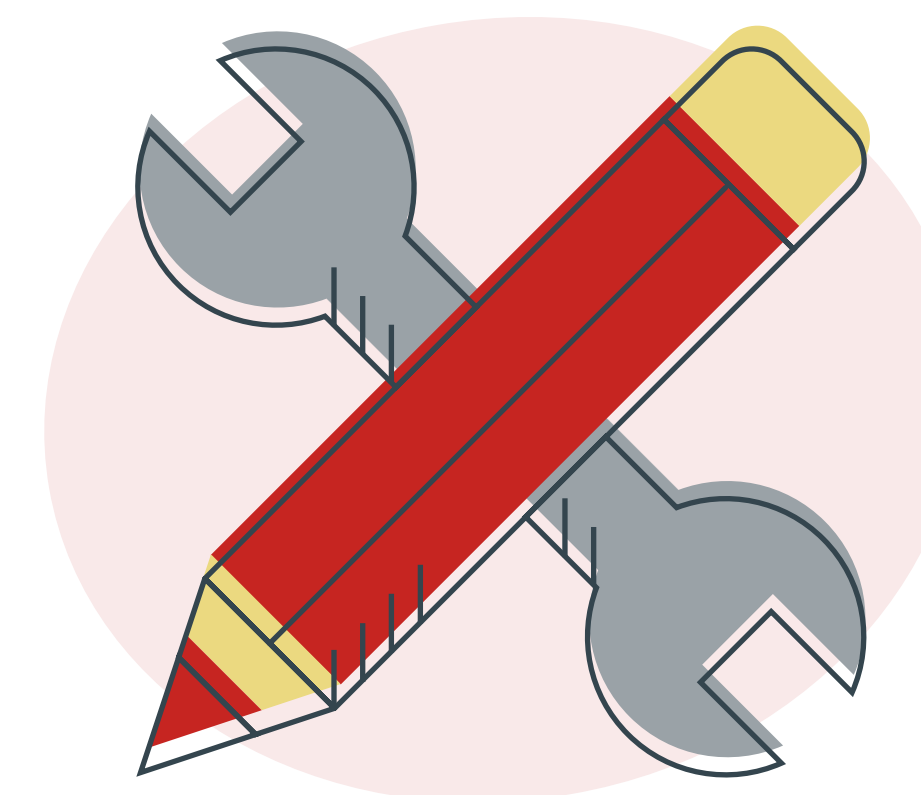
Pension services
Continued

	University institutions	Non-university institutions	Total
Deferred members			
Deferred members as at 31 March 2024 as reported	223,981	9,957	233,938
Restatement of deferred members ¹	4,415	231	4,646
Deferred members as at 31 March 2024 as restated	228,396	10,188	238,584
New deferrals	23,010	629	23,639
Sub-total	251,406	10,817	262,223
Leavers during the year resulting from:			
– Rejoiners	(8,470)	(177)	(8,647)
– Transfers	(451)	(32)	(483)
– Retirements	(2,869)	(173)	(3,042)
– Deaths in deferment	(110)	(11)	(121)
Sub-total	(11,900)	(393)	(12,293)
Deferred members as at 31 March 2025	239,506	10,424	249,930

	University institutions	Non-university institutions	Total
Pensioner members			
Pensioner members as at 31 March 2024 as reported	84,343	3,610	87,953
Restatement of pensioner members ¹	1,022	44	1,066
Pensioner members as at 31 March 2024 as restated	85,365	3,654	89,019
New pensioners in year resulting from:			
– Retirement of active members	3,027	161	3,188
– Retirement of deferred members	2,869	173	3,042
Sub-total	91,261	3,988	95,249
Other movement	(232)	(84)	(316)
Deaths in retirement	(1,818)	(60)	(1,878)
Pensioner members as at 31 March 2025²	89,211	3,844	93,055

Notes

- 1 Membership data has been restated for administrative processes completed after 31 March 2024 but with an effective date prior to that date.
- 2 At 31 March 2025, there are an additional 16,842 pensions paid in respect of the service of another person (e.g. to a surviving spouse or dependant).



Investment matters



“

Core to our investment strategy has been embedding better our approach to responsible investment into our decision-making framework.

Simon Pilcher
Chief Executive Officer of USSIM

The global financial landscape has remained heavily influenced by ongoing geopolitical instability, particularly in Eastern Europe and the Middle East, and latterly across the developed world by changing US policy.

Despite these uncertainties, for most of the financial period US equity markets produced strong returns, largely driven by the technology and financial sectors, with generative artificial intelligence (AI) playing a pivotal role in powering growth.

Market conditions

While markets were boosted by the outcome of the US presidential election, with expectations of further de-regulation and fiscal policy support, this gave way to uncertainty with the emergence of trade wars and rising geopolitical tensions, which introduced additional volatility into global markets. Tariffs and retaliatory measures between major economies have created an unpredictable environment, affecting global supply chains, trade flows and business sentiment. As a result, we have seen some reversal of performance across global markets in the first quarter of 2025.

Central banks in developed markets, notably the US Federal Reserve and the Bank of England, have largely normalised monetary policy after aggressive tightening in previous years, though there are growing concerns regarding future policy shifts. Persistent inflationary pressures and recent potential tariff impacts have led to a revision in market expectations regarding future

interest rate cuts. The anticipated easing of rates has been dialled back, keeping yields elevated. This has had a notable impact on UK gilt values, which have suffered as investors adjust to the reality of prolonged inflationary pressures.

Europe has faced weaker economic performance. High energy prices, exacerbated by ongoing geopolitical tensions, continue to put pressure on manufacturing sectors, while global demand for European exports remains lacklustre, leading to slower growth prospects across the continent. This hindered the region's ability to capitalise on the wider global economic recovery, with European markets subdued relative to their US counterparts in the first part of the period but then performing relatively better than other markets as the US policy stance evolved. More recently, tensions between the US and Europe have led to an increase in many European countries' planned spending on defence, which has contributed to higher borrowing costs.

The UK economy has remained steady overall. Initial optimism following the general election gave way to more caution, as the Autumn budget revealed larger-than-expected tax increases. The increased fiscal burden, combined with slow growth, has reduced market

positivity, leaving the UK economy facing headwinds despite a more stable government and some positive indications on structural reforms in areas such as planning and energy infrastructure. In the first quarter of 2025 the UK equity market has also experienced the tariff driven volatility noted above.

Investment strategy

We have continued to invest in line with the strategy supported by the majority of our sponsoring employers in last year's Statement of Investment Principles (SIP) consultation and have made significant progress in delivering the frameworks and infrastructure needed to support it.

The majority of employers continued to favour a growth-oriented portfolio, reflecting the scheme's open nature, with a desire to limit volatility in the funding position at future valuations where possible. Following the SIP consultation we increased hedging of inflation and interest rate risks, while recognising that the investment strategy does not seek to maximise absolute returns but rather to outperform a liability proxy and thereby improve the scheme's overall net funding position.

In particular, we are enhancing our data management and investment systems in USSIM to ensure we are well-placed for the future. Our focus on building a more agile and integrated infrastructure will allow for better risk management, streamline operations, and allow us to respond faster to market changes. USSIM has also established a dedicated front office analytics function to enhance the quality, accuracy, and timeliness of its data, providing deeper insights and improving decision making across asset classes.

Investment matters
Continued

Responsible investment

Core to our investment strategy has been embedding better our approach to responsible investment into our decision-making framework.

Our ambition is to be seen as a leading UK asset owner with respect to responsible investment, and among the leading asset owners globally, in areas that are key priorities for the scheme, namely climate, nature, people, and governance.

As a **Universal Owner**, we have a role to play in promoting the proper functioning of markets and in protecting investor rights. This includes macro or system-level engagement with policymakers and regulators in markets in which we invest in order to articulate our concerns as an asset owner with a long-term investment horizon.

Chief among these concerns is climate risk. As a long-term investor, it is in our interests to do what we can to reduce climate risk by acting to help mitigate the rise in global temperatures – because we believe that a world with higher temperatures will deliver poor financial outcomes.

We have collaborated with the University of Exeter in order to better understand the investment risks and opportunities associated with the global transition to a net zero economy. This work involves an exploration of possible future climate scenarios, as well as physical risk and transition risk. We are also collaborating with Transition Risk Exeter Limited ('Trex', a commercial spin-out from the University of Exeter) and Professor Cameron Hepburn of the University of Oxford, as we evaluate our approach to integrate physical and transition risks in our investment process.

As a Universal Owner, we cannot simply avoid climate risk through stock-picking, divestment, or portfolio diversification. USS already invests in clean and renewable energies which can enable the retirement

of high-carbon generation and which offer the possibility of good investment returns. But excluding assets in high-emission and harder-to-abate sectors does not reduce real-world emissions and nor does it impact the trajectory of global temperatures.

While we recognise that progress may not be linear, the emissions intensity of the USS portfolio declined by 51% between 2019 and 2024, putting us well ahead of our interim net zero target of a 25% decline by 2025. The reduction is also aligned with our ambition for our investments to be net zero by 2050, if not before. This progress, however, has not been matched by real-world emissions, which continue to rise. More needs to be done to slow down or reverse the rise in global temperatures.

We will continue to complement our system-level engagement with active, bottom-up company engagement. Similarly, our policy of voting and exercising our rights as shareholders in line with our responsible stewardship of the scheme's assets will continue. We are keen to encourage companies to adopt better standards of corporate governance and to manage better key environmental and social issues within their business operations.

Carbon emissions are a global issue and therefore investors, businesses, policymakers and society will need to work together globally. USS is committed to working with asset owners globally as we each seek to influence where we are most able so to do.

There needs to be a significant shift in incentives (both financial and non-financial) to encourage a move towards low-carbon behaviour among business and consumers. There is little point in calling for radical change in behaviour if that comes with a material financial penalty. Planning and other regulatory factors should also facilitate and encourage such a shift so that it becomes the easy thing for people and companies to do.

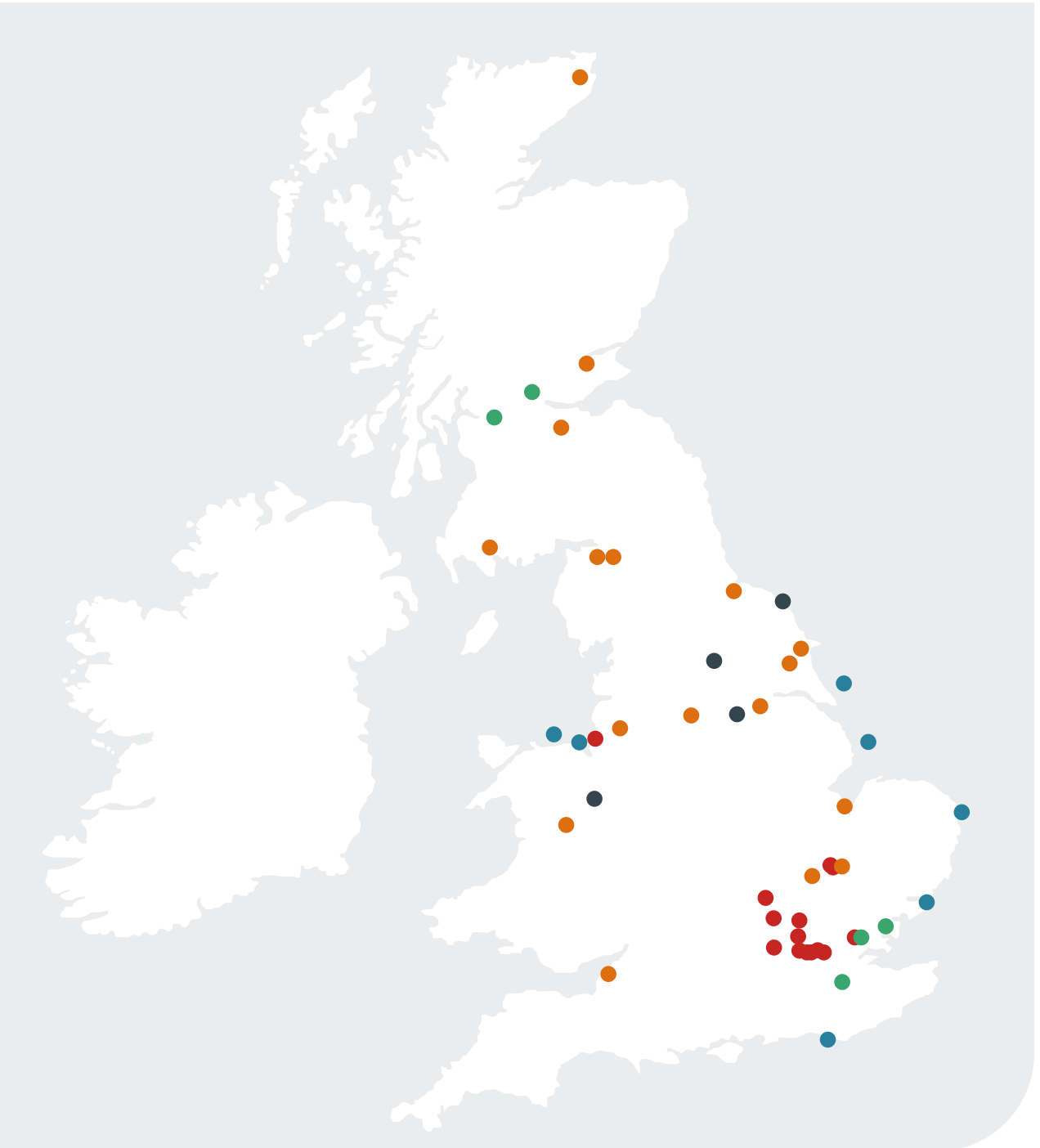
Some of our key UK private market investments and where they are located:

- Property
- Loans for energy efficient installations
- Onshore wind farms
- Energy from waste
- Offshore wind farms

In addition, we invest in:

- Over 3,000 shared and affordable housing locations
- 69 Moto service stations
- 201 BP service stations
- 42 Westerleigh crematoria locations
- 17 UK airport National Air Traffic Services
- 15 GP surgeries

As well as our major UK portfolio, we hold private market investments across Europe, Australia and the Americas.



Voting and engagement measures

Challenging economic conditions, deglobalisation, deregulation and an invigorated focus on growth, globally, has meant fundamental characteristics of public investment markets are being tested. In certain markets, we have seen the lessening of shareholder rights, the removal of investor protections and obstacles put in place that can limit investor actions. Against this backdrop, it is critical that investors are active and good stewards in relation to their individual investments and that this activity extends to being effective in public policy debates.

We are actively engaging with the companies we own through dialogue and by exercising our voting rights. See our Implementation Statement on page 103 for information on how we voted during the year to 31 March 2025. We also publish a list of our voting records at [how we vote](#).

Private markets

Private investments continue to form a significant part of our portfolio. Some, particularly in the case of infrastructure, are growth assets that may also provide long-term inflation-linked returns supporting the defined benefit pensions we promise to our members.



Investment matters

Continued

Many private investments support the diversification of our portfolio and provide different opportunities from those available in public markets.

Our private assets are part of the fabric of everyday life: housing, schools, health centres, retail and leisure facilities, motorway service stations, and even energy-efficient street lighting. We have more than £2bn invested in renewable energy and clean technology, including wind farms from the far north of Scotland to the south coast of Cornwall, which provide enough energy to light around 400,000 homes. We also invest in gas networks, toll roads, reusable pallet logistics, crematoria, and even a port.

As a long-term investor, we can provide patient capital to support the long-term success of businesses, and the ownership structure can give us more direct engagement with a company's management team and comparatively greater influence and/or clarity over its direction than is possible when investing in public markets.

And, thanks to our experienced Private Markets team, the scheme is able to access these opportunities at a lower all in fee level than the market rate. We are transparent about the costs of our employment of skilled staff in a well-remunerated area of the economy but doing so in-house is one of the biggest drivers of our cost advantage over our peers.

According to the latest independent analysis by CEM Benchmarking, the scheme's investment management costs in 2023 were the equivalent of £86m lower than the median global peer pension fund (after adjusting for relative size of assets under management). Our cumulative cost advantage over five years is £440m.

The way we have developed our private markets expertise over the past 18 years has been held up by both the Government and by others (see: [Achieving Critical Mass](#)) as an exemplar of how to achieve economies in an expensive area.

As I alluded to in my commentary in last year's annual report, and as reflected in the Investment Committee's balanced scorecard assessment (see page 23), we wrote down the value of our Thames Water investment to zero in 2024. This was a deeply disappointing outcome given our extensive efforts engaging with the company's management, its regulator, and the Government to attempt to turn the business around.

While our overall track record of investing in private markets is strong, we are always looking to improve by learning from our investment experiences – whatever the outcome. With the oversight of USSIM Board we have reviewed each stage of our decision making in relation to Thames Water in depth. The outputs will inform and strengthen the processes we follow and the approach we take in future.

Despite our experience with Thames Water, the UK remains an important market for us as a long-term investor providing defined benefit pensions that are linked to UK inflation. Over the past year, we have made some significant investments in the UK. In May 2024, we entered into a £250m joint venture with specialist healthcare property investor and developer Assura, to support investment in essential NHS infrastructure. And, in August, we invested £405m in more than 3,000 shared ownership homes across the UK – the largest acquisition of its kind since the creation of the shared ownership scheme in 1990.



Investment matters
Continued

In December, in a positive outcome for the scheme, we announced the completion of the sale of the majority of our long-held stake in Heathrow Airport, achieving an above benchmark return over an 11-year period.

A healthy, growing and greener domestic economy can only be good for such investments, for USS members and the UK-based Higher Education employers that the scheme serves. So, I am pleased that our Group Chief Executive Carol Young was able to work with the [National Wealth Fund taskforce](#) to support the Government in its goal to create the right conditions to attract the private investment that is needed for it to achieve its ambitions for the country’s future prosperity.

Engagement with government

As set out by Carol Young on page 7, we have continued to engage with Government, regulators and key policymakers over the past year to protect our position and drive change on the issues that matter to us.

We have had regular engagement with officials at 10 Downing Street and in various government departments on the economic and regulatory environment. We outlined our views at the Government’s International Investment Summit, and we have built constructive relationships with Treasury officials.

Performance of the Retirement Income Builder

The Retirement Income Builder is the DB part of USS. It promises members an income for life plus a one-off cash lump sum at retirement.

The value of the DB net investments decreased to £73.3bn over the 12-month period to 31 March 2025. The majority of the equity markets across the globe performed strongly over the period despite ongoing inflation concerns and global instability in early 2025 as a result of a policy shift towards greater protectionism from the new US administration. While credit markets displayed positive performance over the year, rising

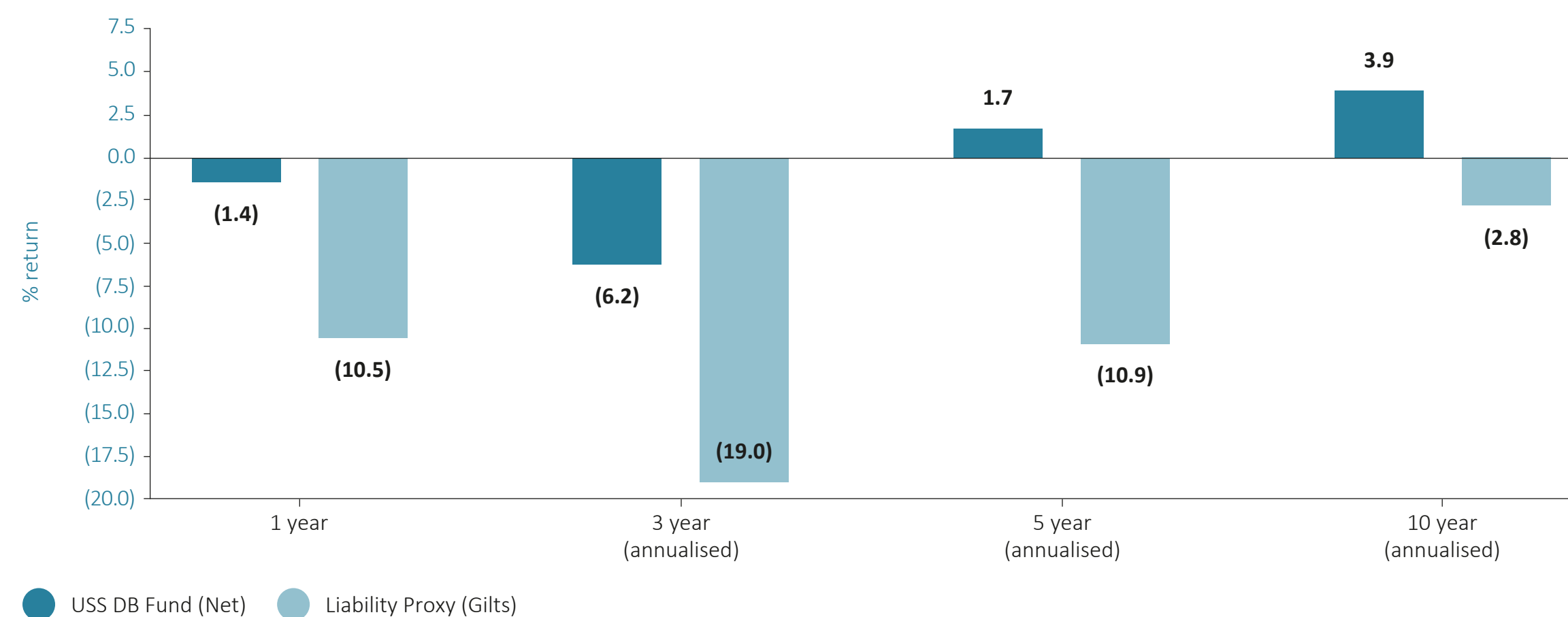
bond yields as a result of lingering inflation and fiscal deficit concerns proved to be a drag on government bonds, especially in the UK. As a result, the estimated value of the scheme’s liabilities (the amount we need to pay out in pensions in the future) continued to fall materially. We have hedged part of the risk associated with the liabilities with liability matching assets, but the net outcome is that our monitoring of the estimated funding position indicates that the surplus has increased over the year.

The following table sets out the distribution of Retirement Income Builder assets (the implemented portfolio) as at 31 March 2025.

	Implemented portfolio %	2023 VIS %	Difference %
Growth	61.0	60.0	1.0
– Public Equities	36.3		
– Commodities	2.4	54.0	
– Private Growth	6.9		
– Infrastructure	10.4		
– Real Estate	5.0	6.0	
Credit	25.0	20.0	5.0
– Public Credit	12.5	20.0	
– Private Credit	12.5		
Liability matching	41.7		
Net leverage	(27.7)		
Total	100.0		

The Valuation Investment Strategy (VIS) is a high-level theoretical investment strategy for the DB part of the scheme that was developed for the most recent actuarial valuation. The implemented portfolio can differ from the

Retirement Income Builder performance



VIS (within limits), as USSIM finds opportunities in the financial markets to add value and improve risk-adjusted returns. The implemented portfolio operates within the same risk and return envelope as the VIS.

Hedge ratios ¹	Implemented portfolio %	2023 VIS %	Difference %
Rates hedge ratio	52.2	50.0	2.2
Inflation hedge ratio	50.1	50.0	0.1

Notes on the hedge ratios:

1 Implemented portfolio and 2023 VIS hedge ratios include beta adjustments to non-GBP exposures of 0.9 for interest rates and 0.7 for inflation.

The trustee’s Investment Committee (IC) assesses the performance of USSIM over calendar years using a ‘Balanced Scorecard’ approach. This takes a rounded view of investment performance against the backdrop

of our investment objectives and the interests of our members and employers.

For 2024, the IC decided that USSIM’s investment performance was slightly below target when looking across both the DB and DC scorecards.

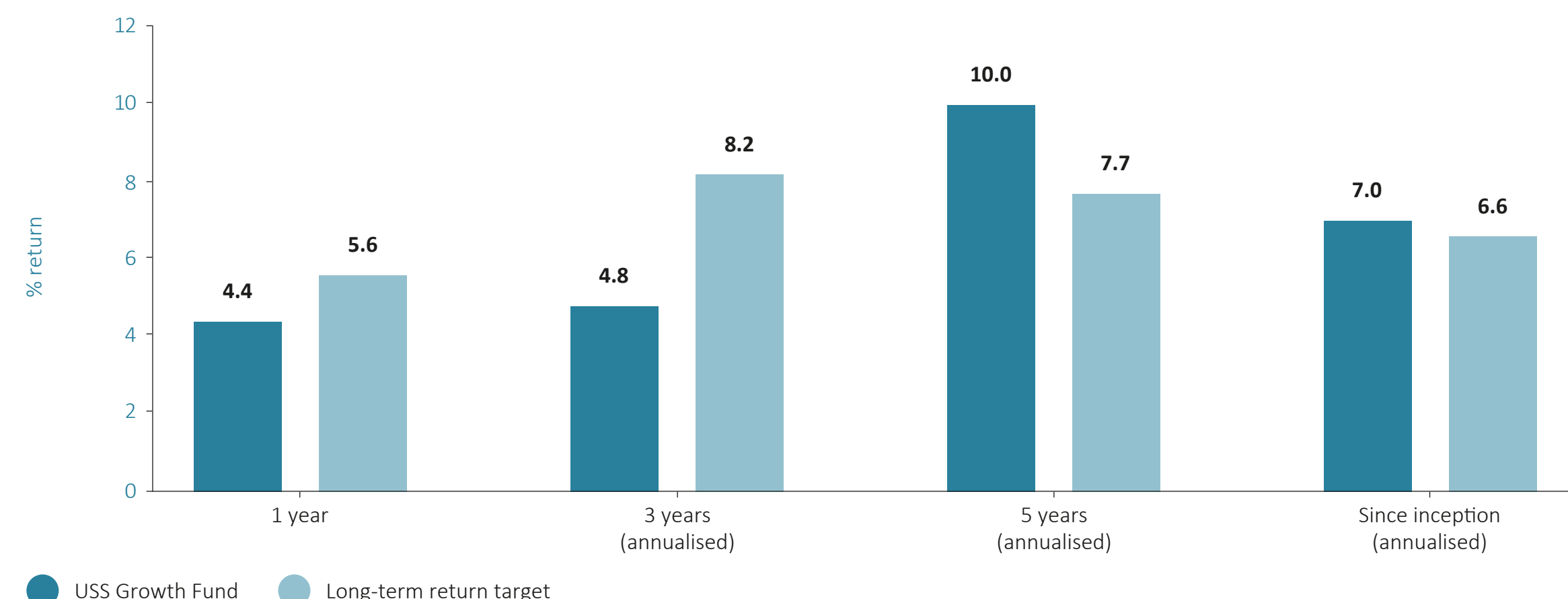
The IC particularly noted the outcome of our investment in Thames Water and USSIM’s strategic foreign currency positioning, which had a negative impact on scheme performance. It also highlighted the strength of USSIM’s work with stakeholders to finalise the 2023 Defined Benefit Valuation Investment Strategy (VIS) and SIP.

The committee also concluded that we had made strong progress in relation to responsible investment.

The scheme outperformed the Liability Proxy (which keeps track with the estimated present day value of the scheme’s future pension liabilities) by 14.1% per annum over the five years to March 2025.

Investment matters
Continued

Investment Builder performance (USS Growth fund)



Performance of the Investment Builder

The Investment Builder is the DC part of USS. It offers members the option to manage their own investments in the ‘Let Me Do It’ option, or to have their investments managed for them in the ‘Do It For Me’ option.

The majority of DC funds recorded positive returns over the 12 months to 31 March 2025, with the funds within the Do It For Me options all delivering positive returns. Market volatility returned at the start of 2025, reflecting concerns on the impact of tariffs on global trade. This resulted in some funds within the Do It For Me option, particularly the ones with higher equity content, underperforming against their long-term return targets over the year. Most of the Let Me Do It funds matched or outperformed their respective benchmarks over the period, with the exception of the Ethical Equity Fund, UK Equity Fund and Bond Fund.

We measure the performance of the Growth Fund, where most DC assets are invested, using a long-term return target (LTRT), which is CPI inflation +3% each year. In recent years this has been a tough target to beat in the context of historically high inflation throughout 2021 to 2023.

While recent high inflation means that the medium-term targets are more volatile, particularly over the past three years, looking over a longer-term horizon the fund return since inception has outperformed the target. The chart above shows performance of the Growth Fund against this LTRT over various time periods.

Our DC investment adviser reviewed the USS Growth Fund against 12 UK DC master trust default growth fund returns over the 12 months to 31 March 2025. The USS Growth Fund returns were similar to the other diversified default growth funds in the peer group, however those with larger allocations to equities delivered higher returns over the year.

The following table sets out the performance of all funds within the Investment Builder against a LTRT or benchmark.

Investment Builder performance	1 year		5 years (annualised)	
	Fund %	LTRT/Benchmark %	Fund %	LTRT/Benchmark %
Growth Fund	4.4	5.6	10.0	7.7
Moderate Growth Fund	4.7	4.6	7.8	6.7
Cautious Growth Fund	4.8	4.1	5.2	6.2
Liquidity Fund	5.2	5.1	2.6	2.5
UK Equity Fund	8.3	9.1	11.1	11.8
Global Equity Fund	4.1	4.0	14.3	14.2
Emerging Markets Equity Fund	7.0	5.8	8.6	7.5
Ethical Equity Fund	(1.2)	4.8	11.5	15.2
Sharia Fund	4.0	3.7	16.8	16.8
Bond Fund	3.8	4.4	0.5	0.7
Ethical Growth Fund	0.1	5.6	8.1	7.7
Ethical Moderate Growth Fund	0.9	4.6	5.5	6.7
Ethical Cautious Growth Fund	1.9	4.1	3.5	6.2
Ethical Liquidity Fund	5.2	5.1	2.6	2.5

Our globally diversified portfolio looks to spread investment risk across a variety of factors and the USS Growth Fund is therefore invested in a number of different asset classes including equities, property, infrastructure and bonds. As a result of this diversification its performance was behind some less diversified, more equity-reliant peer funds. The fund has outperformed its long-term return target (LTRT) over longer time periods (namely, five years and since inception). We believe that using an LTRT, is in the best financial interests of our members as it allows them to see how their Investment Builder savings are performing relative to inflation over the long term.

Investment balanced scorecard

To help us measure USSIM’s investment and advisory performance we use an investment balanced scorecard.

This takes a view of investment performance in the round against the backdrop of our investment objectives and the interests of our members and employers. The assessment includes a range of factors from quantitative risk and return metrics, to qualitative inputs, allowing the Investment Committee to assess USSIM’s performance independently and holistically.

There is a scorecard for both the defined benefit (DB) and defined contribution (DC) parts of the scheme, which each cover six important categories. The DB and DC versions have the same six categories, but different metrics are used in each scorecard. The Investment Committee’s assessment of the scorecard is a rating on a scale of Very Good, Good, Average, Poor and Very Poor.

The metrics used in the DB version of the scorecard are shown to the right.



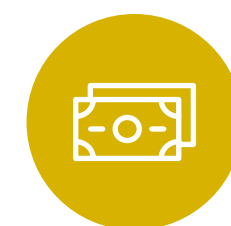
1. Investment return

- a. Realised return**
 - i. Versus required return
 - ii. Versus expected returns
- b. Funding measures**
 - i. Probability of Technical Provisions full-funding
 - ii. Evolution of Technical Provisions funding level
 - iii. Evolution of Self-Sufficiency funding level



2. Investment risk

- a. Deficit risk**
 - i. A projection of the scheme’s affordability
 - ii. Self-sufficiency liability hedge ratios
 - iii. Asset liability volatility and Value at Risk (95%)
- b. Other liability hedging attributes**
 - i. The contribution from longer-term inflation sensitive assets
 - ii. Effectiveness of hedging



3. Active management

- a. Asset allocation**
 - i. Return versus market comparators
- b. Public markets**
 - i. Return over benchmarks
 - ii. Information ratio
 - iii. USSIM self-assessment
- c. Private markets**
 - i. Return over benchmarks
 - ii. Quality and quantity of matching assets originated
 - iii. USSIM self-assessment



4. Portfolio resilience

- a. Liquidity**
 - i. Probability of running out of cash
 - ii. Probability of running out of collateral
 - iii. Ability to replenish collateral
- b. Counterparty risk**
 - i. The probability of losing 0.5% of scheme NAV from a counterparty default



5. Responsible investment

- a. Net zero ambition**
 - i. USSIM self-assessment
 - ii. An assessment of how USSIM is delivering against the scheme’s net zero ambition
- b. ESG integration**
 - i. USSIM self-assessment
 - ii. An assessment of how USSIM is integrating financially material ESG factors (including reporting and stewardship)



6. Advice & Support

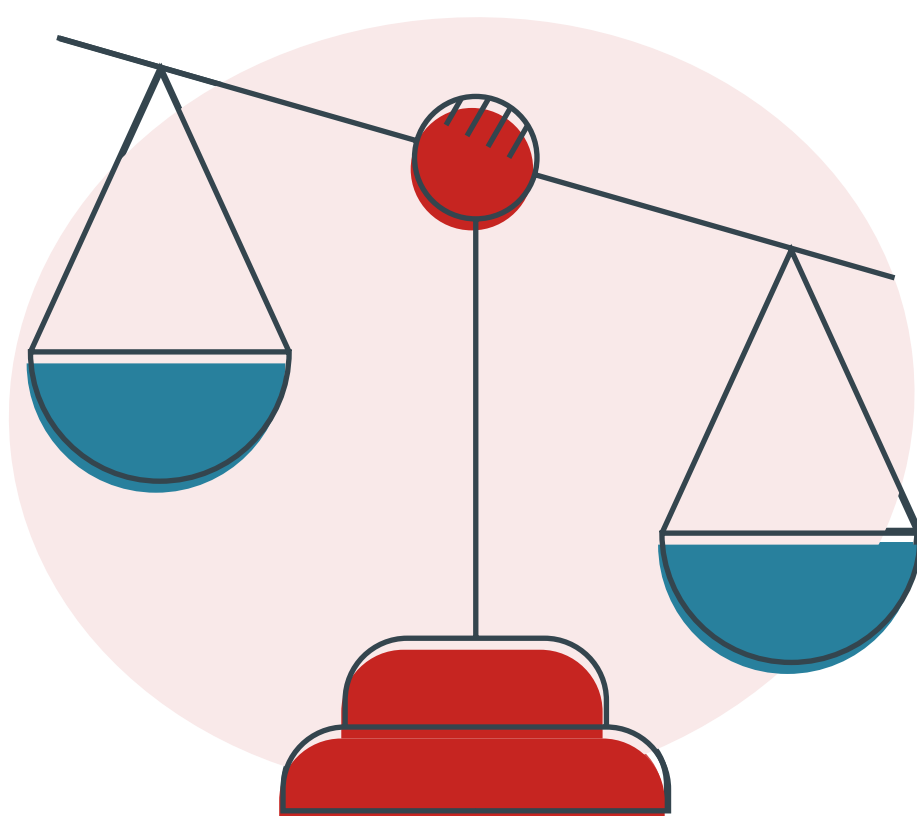
- a. Investment Committee assessment of USSIM advice**
 - i. The annual Investment Committee advice survey
 - ii. A qualitative assessment by the Investment Committee
- b. Support provided by USSIM**
 - i. Support to USS non-executive bodies and other stakeholders delivered through the year

Investment balanced scorecard

Continued

The Investment Committee assessed USSIM's investment performance using the DB and DC investment balanced scorecards.

The committee's review considered all aspects of USSIM's performance during the calendar year to 31 December 2024, with input from USSIM, the trustee executives and external advisers, Mercer (for DB) and LCP (for DC).

**Assessment by the Investment Committee**

The committee acknowledged that USSIM had delivered against most of its objectives during 2024 and highlighted the following areas of USSIM's performance as being particularly strong:

- The provision of high-quality investment advice and support – in DB, USSIM's work to support stakeholder engagement to finalise the Valuation Investment Strategy (VIS) from the 2023 valuation, and Statement of Investment Principles (SIP); and in DC, USSIM's work on the introduction of private equity and alternative income (via co-investments) to the DC default growth funds, and being recognised at the UK Pensions Awards with the DC Innovation of the Year Award.
- Responsible investment (RI) – significant progress had been made in this area, with a new RI policy and strategy, and collaboration with both the University of Oxford and the Cambridge Universal Ownership Initiative on an Anti-Microbial Resistance project. USSIM also continued to collaborate with the University of Exeter on innovative climate scenarios, physical risk and transition risk factors and how these considerations can be implemented in investment decision-making processes. For DC, the onboarding of the Impax sustainability-themed equity mandate in DC had been successful.
- Investment returns – all DB investment metrics were positive, including USSIM's overall outperformance against the required return and expected returns, and strong improvement in scheme funding levels.

The committee felt that USSIM's performance in the following areas was not at the level achieved in other scorecard categories:

- In active management, where the Thames Water investment and USSIM's strategic foreign currency positioning had a negative impact on scheme performance, and some of the scheme's private market returns were less than peers; and
- In DC, due to the diversified nature of USSIM's DC portfolios, USSIM's performance was considered to be marginally below target based on overall investment returns versus long-term real return targets and public market comparators (which tended to be less diversified with higher equity allocations).

Taking all of these elements into account, the committee awarded USSIM an overall score of between 'Average and Good' for its investment performance across both the DB and DC investment balanced scorecards, which was slightly below target.

At the end of the assessment process, the committee provides USSIM with the assessment rating and associated feedback on performance over the year. The committee also provides USSIM with the trustee's expectations and investment priorities for the year ahead, to allow USSIM to factor this into its planning and priorities.



“

Significant progress had been made in RI, with a new RI policy and strategy, and collaboration with both the University of Oxford and the Cambridge Universal Ownership Initiative on an Anti-Microbial Resistance project.

Russell Picot

Chair of the Investment Committee

Russell Picot

Chair of the Investment Committee

22 July 2025

Financial review and value for money



Delivering value for money for the scheme is an essential part of our strategic priorities. We monitor performance and KPIs regularly, including how we compare to peers, to provide members and employers with the best value possible.

Dominic Gibb
Chief Group Services Officer

Efficient financial management is at the heart of delivering value for money for the scheme, benefiting both members and employers.

Value for money

Achieving value for money for the scheme is a fundamental aspect of our strategic priorities. We monitor our performance using a detailed set of KPIs, which are reviewed and updated by the Trustee Board each year.

Our approach includes a range of strategies, such as professional procurement, supplier management, and setting annual cost-saving targets, which are supported by organisation-wide initiatives and benchmarking. Alongside the compensation benchmarking outlined in the Remuneration report on page 51, we also engage in various annual cost and value benchmarking activities as part of our broader efforts in line with our value for money framework.

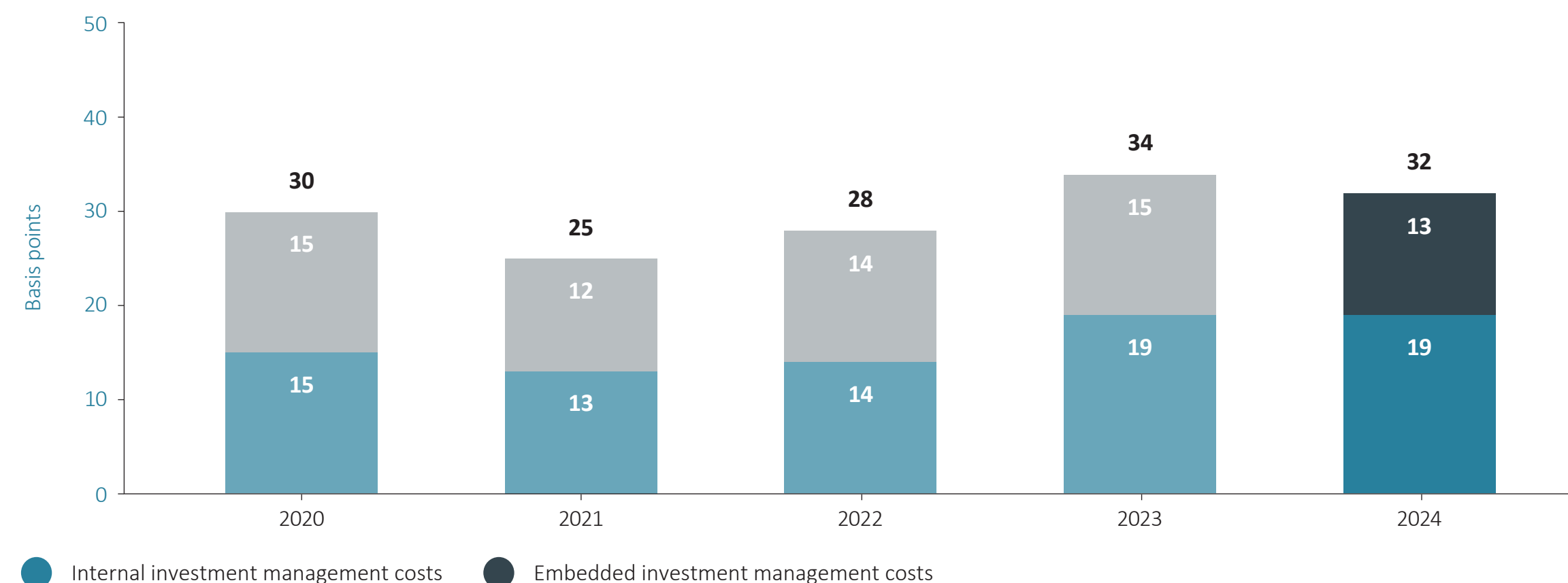
We engage CEM Benchmarking, an independent pension scheme benchmarking specialist, to compare our investment management and pension management costs and service levels against our peers on an annual basis. Participants' reported costs are adjusted to harmonise cost treatments and provide like-for-like comparisons.

In relation to investment management, the analysis uses ratios of cost as a proportion of asset values (normalised for asset mix) in basis points i.e. 1/100ths of a percent.

In the latest CEM Benchmarking survey (calendar year 2023), our investment management costs as a proportion of scheme assets remained materially below the peer cost benchmark with USS assessed as being 12 basis points, equivalent to £86m a year, below the median global peer pension fund.

The chart below shows the investment management cost ratio calculated by USS on a basis consistent with CEM Benchmarking using calendar year reference periods. The ratio decrease in the 2024 calendar year reference period is largely driven by lower private market embedded fees and an increase in average assets under management compared to the prior year.

Investment management cost ratios



Financial review and value for money

Continued

Our investment management cost advantage versus the median global peer pension fund is mostly driven by our in-house capabilities which, as well as enabling approaches tailored to the scheme’s needs, also provide greater value to our members.

Using skilled and experienced internal resource to deliver an active approach to managing the scheme’s assets results in cost savings compared to outsourcing, particularly in private assets and in emerging markets. In these areas we manage more in-house and incur lower expenses to manage those assets internally than the peer median.

The latest CEM Benchmarking Pension Administration survey for the year to 31 March 2024, showed USS costs of core employer and member processing activities at £29 per member compared to a peer benchmark of £25. Our initiative to replace our current pension administration platform aims to reduce USS costs once implemented.

Our multi-employer, hybrid benefit and governance structure is not typical of the peer group. The increased complexity of USS relative to peers results in higher pension support costs, which drives an overall pensions administration cost per member of £76, against a peer benchmark of £38, equivalent to £24m a year above the benchmark.

The chart shows the pension administration cost ratio calculated by USS on a basis consistent with CEM Benchmarking over five scheme years ending 31 March. Cost per member remains flat for the year ended 31 March 2025, driven primarily by inflation-led increases and one-off restructure driven personnel costs, offset by member growth.

We are assessed as providing member service levels that are above peer benchmarks and as the highest overall for active members.

While acknowledging the scheme’s complexity compared to peer schemes, we continue to work to improve our cost effectiveness while developing our service levels.

Our significant cost advantage in investment management more than offsets the additional pension administration costs associated with our scheme structure. This is demonstrated by a further CEM Benchmarking peer comparison of the total costs of running the scheme. In the most recent comparison (calendar year 2023) it showed that on a total cost basis USS was 8 basis points, equivalent to approximately £62m a year, less expensive than the peer benchmark.

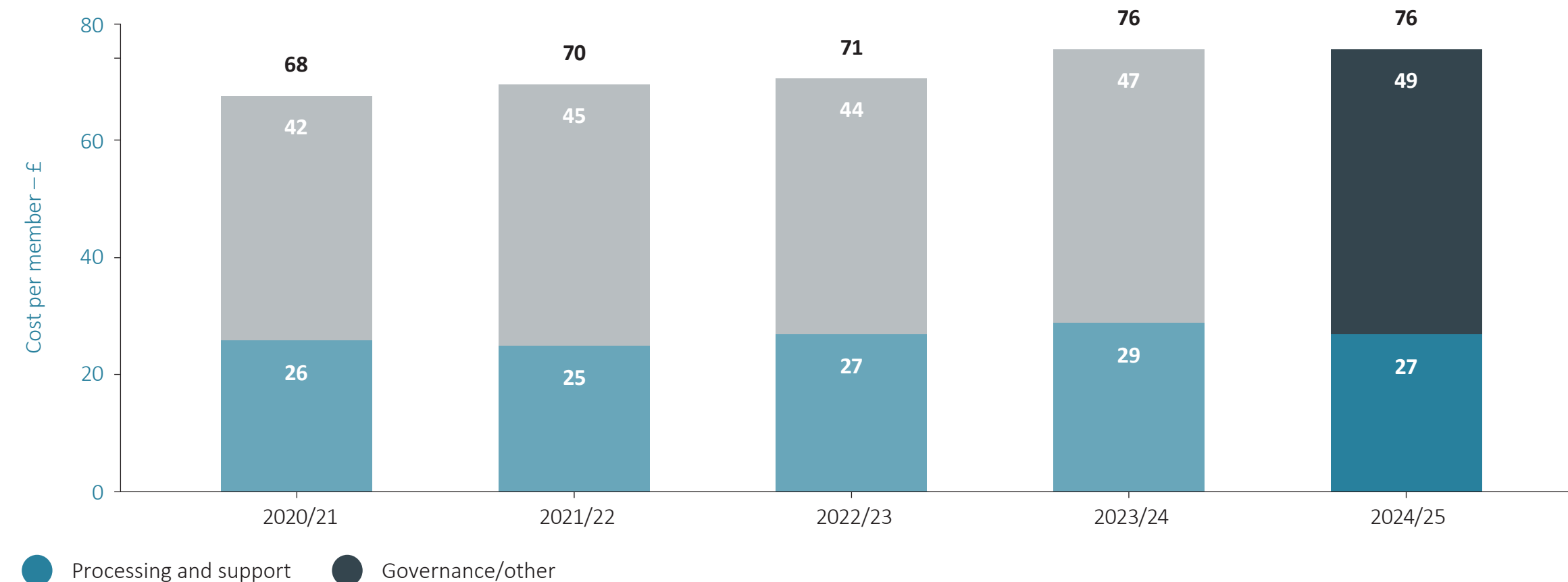
Further information on how USS delivers value for money, including more on our in-sourcing/out-sourcing decisions, our investment performance and quality of pension services can be found on our website at [Value for money](#).



The most recent comparison (2023), showed that on a total cost basis USS was approximately £62m a year less expensive than the peer benchmark.

Dominic Gibb
Chief Group Services Officer

Pension administration cost per member





Financial review and value for money

Continued

Cost management

We manage total costs (shown in the table below) which comprise scheme expenses as included in the financial statements combined with embedded costs deducted by investment managers within scheme investment returns. Around 82% of total scheme costs relate to the investment management of our £77bn fund. The remaining 18% relate to pension management costs incurred in the delivery of services to members and employers.

The table below shows the total costs of running the scheme have increased by 24% (£55m) compared to the prior year. Within that, reported scheme expenses have increased by 42% (£60m), the most significant driver being the impact of the release of the £47m pension deficit recovery liability in the prior year due to the scheme reporting a surplus in the 2023 valuation.

Excluding the release of the pension deficit recovery liability, total costs increased by £13m (7%), with pension management costs up by £4m (9%) and investment management costs up by £9m (6%).

Looking at costs by type, personnel costs (excluding group functions) have remained consistent, with the impacts of inflation and higher headcount being offset by a reduction in long-term incentive plan provisions as expected future payout levels fell in the year.

More information including analysis of remuneration paid in the year is shown in the Remuneration report on page 51.

Invoiced investment management expenses have increased by £10m (31%) year-on-year, through an increase in private investment transaction costs and other professional fees.

Other invoiced expenses have increased £3m (17%), with increased costs relating to the pension administration platform project, partially offset by reduced other expenses and the Pension Protection Fund Levy.

In group functions, personnel costs have increased by £2m due to wages and salary inflation and headcount increases and non-personnel costs fell by £3m mainly due to a reduction in irrecoverable VAT expenses and other finance charges.

Embedded investment management costs decreased by £5m (6%) year-on-year due to sales of certain private market fund assets.

Looking forward, the scheme is continuing to increase spending on a number of projects over the next few years to deliver a more efficient, effective and well-

controlled scheme better able to support employers and members and to manage our investments. These include the new pension administration platform, resolution of historical pension entitlement issues and development of our investment management IT infrastructure.

Costs £m	Pension management		Investment management		Total	
	2025	2024	2025	2024	2025	2024
Personnel costs (excluding group functions)	17	14	85	87	102	101
Invoiced investment management expenses – including performance and custody fees	–	–	42	32	42	32
Other invoiced expenses (excluding group functions)	16	14	5	4	21	18
Personnel costs (group functions)	11	10	10	9	21	19
Non-personnel costs (group functions)	7	9	9	10	16	19
Reported scheme expenses before pension deficit recovery liability credit	51	47	151	142	202	189
Pension deficit recovery liability credit	–	(27)	–	(20)	–	(47)
Reported scheme expenses	51	20	151	122	202	142
Embedded investment management costs	–	–	84	89	84	89
Total costs of running the scheme	51	20	235	211	286	231

Note:

Current year embedded fees are based on estimated figures. The CEM benchmarking methodology used for figures quoted on pages 25 and 26 is not directly comparable to figures in the table above, as the CEM methodology excludes certain costs to aid comparability between peer schemes.

Report on actuarial liabilities

Actuarial valuations: how we provide for the promises made to members.

Overview

As trustee, we must regularly carry out an actuarial valuation of the funding of the Retirement Income Builder (defined benefit) part of the scheme. A valuation establishes whether, at the valuation date, we believe the scheme has sufficient assets to be able to pay pensions to which members are entitled, and determines the contributions required to fund future benefits. We carried out a valuation as at 31 March 2023 in accordance with the requirements of the Scheme Rules and the Pensions Act 2004 including required consultation with UUK acting as the employer representative for those purposes. The next valuation is planned to be at 31 March 2026, and in the interim the scheme's funding position is being monitored using the 2023 position and approach as a baseline. This section describes both the 2023 valuation outcomes and the subsequent evolution of the scheme's funding position.

Alongside the 2023 valuation we worked closely with the scheme's stakeholder representatives, UUK and UCU, via their membership of the JNC to facilitate the benefits changes the JNC wished to make. This valuation showed a substantially improved funding position, and lower contribution requirements, compared with the valuations over the previous decade. Based on this, the JNC recommended improvements to future service benefits, returning these to the levels provided prior to April 2022, alongside a reduction in the contribution

rates. It also recommended giving a one-off uplift to members who built up benefits between 1 April 2022 and 31 March 2024, and improving the cap on future pension increases for benefits accrued between these dates. The valuation was completed in late December 2023, a significantly shorter time frame than previous valuations, with the contribution rate reductions implemented from 1 January 2024, and the associated benefit changes and uplift recommended by the JNC coming into effect in April 2024.

The package of measures to protect the strength of the covenant which was introduced at the 2020 valuation has remained in place. This includes limitations on employer exits without trustee approval, a debt monitoring framework and requirements for pari passu ('equal footing') security for the scheme should employers grant security over their assets to third parties in certain circumstances. These measures support the scheme's ongoing capacity to take funding and investment risk.

The next valuation will be the scheme's first valuation under the new funding and investment regulations and DB Funding Code which came into force during 2024. We will be considering the valuation methodology in light of this, and we will continue to engage with stakeholders in preparation for the 2026 valuation.

Methodology and assumptions

At every actuarial valuation we review all the underlying assumptions relating to the funding of the scheme's defined benefit part.

The 2023 actuarial valuation maintained the use of a dual discount rate approach. This notionally allows for a lower-risk investment strategy for assets which back pensions that are being paid, and a higher-risk return-seeking strategy for assets which back accrual of benefits prior to members' retirement. Provided the scheme membership remains stable and the covenant support from employers remains strong (helped by the support measures outlined earlier), the overall investment strategy can remain broadly consistent over time, while still giving sufficient security to members' benefits.

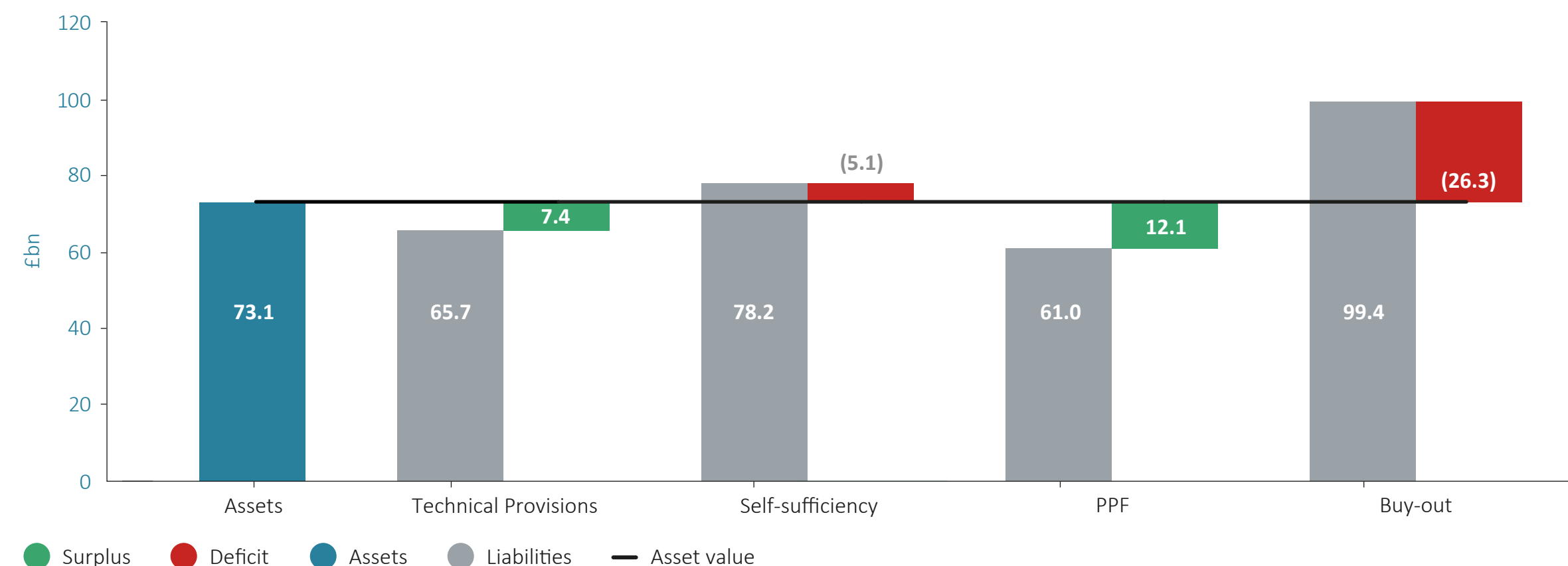
Based on advice from the Scheme Actuary, we state the discount rates relative to gilts. However, the discount rates are informed primarily by our analysis of expected returns of all asset classes relative to CPI.

More detail on the final set of assumptions for the 2023 valuation is shown on page 32, and further information is available on our website [2023 valuation](#).

Following the completion of the 2023 valuation, the trustee updated its Financial Management Plan (FMP) and the framework for monitoring the scheme's funding position based on this.

In the chart below, we show the results of the valuation at 31 March 2023, across a range of approaches. These results reflect different levels of certainty of being able to provide the benefits promised to members.

USS defined benefit funding positions at 31 March 2023 valuation under various funding measures





Report on actuarial liabilities

Continued

The 'technical provisions' is the value of assets we seek to hold given our investment strategy, and the support provided by the covenant of the employers. This support allows us to take both funding and investment risk now and well into the future, allowing lower contributions to be paid than would otherwise be required. As required by legislation, in determining the technical provisions, we take a prudent view of the investment return we expect to achieve. For the first time in recent years, we had a surplus on this measure at the 2023 valuation; in other words the assets we held exceeded this value.

The 'self-sufficiency' value reflects the value of assets required to pay, with a high probability, all the benefits members have built up so far, using a low-risk investment strategy without any further contributions from members or employers. It is intended to give at least a 95% chance of being able to meet all the benefits as they fall due while continuing to demonstrate a high level of funding.

The 'buy-out' value is effectively the cost of buying near certainty of all earned benefits being paid – it represents the estimated cost of paying for an insurer to provide the benefits.

The 'PPF' value is an indication of the level of assets which the Pension Protection Fund would require to provide benefits at the reduced level of compensation the PPF grants in the event of the scheme being discontinued due to employer insolvency. These are figures which are produced as part of the scheme's valuation, but there are no plans for the scheme to be discontinued or for a buy-out with an insurance company. We also had an estimated surplus on the PPF basis.

A more detailed explanation is set out in 'How we measure the financial position of the defined benefit part of the scheme'.

The USS benefit structure

Members build up benefits in the defined benefit part of the scheme based on their salary, up to a threshold, on a Career Revalued Basis. This means benefits which accrue based on salary (up to the threshold) at the time are revalued each year thereafter based on inflation, subject to certain limits.

The total contributions as a percentage of pensionable earnings each year arising from the 2023 valuation are laid out in the table below. These are next planned to be reassessed as part of the 2026 valuation.

Contributions from sponsoring employers and scheme members into the defined benefit part of the scheme, together with the investment returns earned, are used to pay the defined benefits to members and other beneficiaries (such as eligible dependants) and to pay the costs of operating the scheme.

Total contributions as a percentage of pensionable earnings each year

	Member	Employer
1 January 2024 onwards	6.1%	14.5%

The salary threshold is £71,484 from 1 April 2025. This threshold will be adjusted each year in line with the increases to official pensions, which currently broadly go up with the CPI measure of inflation (subject to limits if those increases exceed 5%) until 2028 or any earlier review by the JNC. Above this salary threshold, defined contribution (DC) savings are built up in the Investment Builder part of the scheme. These DC savings are funded by contributions of salary that fall above the threshold being paid into the Investment Builder by active members and employers, of 6.1% and 13.9% respectively. The balance of the total contributions made are paid into the Retirement Income Builder.

> For more information on the scheme's benefits please refer to the USS website at [for-members](#)

How we measure the financial position of the defined benefit part of the scheme

The main way we measure the financial position of the defined benefit part of the scheme is by comparing the current value of its assets with our prudent estimate of the current value of its liabilities. We determine the current value of the assets at a particular point in time, using their market value at that date. In estimating the current value of the liabilities there are inherent uncertainties. These uncertainties include the future rate of return on investments, the future level of inflation, the length of time a pension might be paid for, and the possibility that a survivor's benefit might be paid. We use estimates or 'assumptions' of these factors. We then determine the value of the liabilities by calculating the amount of assets that would be required today in order to meet the benefits members have already earned up to the date of the valuation. We aim to fund the scheme with an appropriate level of certainty allowing for the support provided by employers, with a view to ensuring that the reliance on employers is at an appropriate level now and in the future.

More detail on the trustee's approach to funding the defined benefit part of the scheme is available in the Financial Management Plan documentation on [our valuations](#).

At every actuarial valuation we review all of the underlying assumptions relating to the Retirement Income Builder. We then consult UCEA, on behalf of employers, to obtain its view of our proposed assumptions and methodologies. Our technical provisions assumptions for the 2023 valuation are shown on page 32.

Funding position based on the 2023 monitoring approach

The following table summarises the estimated funding position of the defined benefit part of the scheme under the 2023 monitoring approach described below. It shows that, on this basis, the defined benefit part of the scheme is now estimated to have a surplus of £10.1bn at 31 March 2025, compared with a surplus of £7.4bn at 31 March 2023.

Funding position based on the 2023 monitoring approach

At 31 March £bn	Funding update 2025	Funding update 2024	Actuarial valuation 2023
Value of net assets	73.0	74.8	73.1
Value placed on liabilities	(62.9)	(65.6)	(65.7)
Surplus	10.1	9.2	7.4
Funding ratio	116%	114%	111%

How the funding position has changed since the 31 March 2023 valuation

As part of our overall monitoring of progress against the Financial Management Plan, we regularly monitor the funding position under several approaches. These include funding positions under both technical provisions and self-sufficiency assumptions. Self-sufficiency provides a baseline against which the level of risk in funding the scheme and the level of reliance on the sponsoring employers can be measured.

Estimation of these funding positions does not involve the same detailed review of all the underlying assumptions that is carried out in a full valuation. Our monitoring approach allows for expected changes in membership since 31 March 2023 (but not for actual changes) and updates the analysis for changes to market conditions and investment return expectations.

Report on actuarial liabilities

Continued

At 31 March 2025, based on updating the 2023 valuation results on an approximate basis using our monitoring approach, the funding level is 116%. This includes allowance for an estimate of the cost of providing the benefit uplift agreed as part of the 2023 valuation.

The chart below details the underlying drivers of the change in the defined benefit part of the scheme’s funding position since the 2023 valuation using this monitoring approach. The liabilities in respect of the benefit improvement granted at 1 April 2024 have been estimated at 31 March 2024.

Over the year to 31 March 2025, there have been some increases in interest rates and expected returns, leading to a decrease in liabilities since the valuation date. There has also been a small fall in asset value, however this coupled with the fall in the liabilities results in an improved funding position compared to that at the valuation date. The 31 March 2025 position does not

take into account the subsequent market volatility due to increased geopolitical uncertainty. This is described in more detail in the Investment Matters section.

You can find reports and other information on the 2023 valuation at [our valuations](#).

The graphs on the next page show the development of the value of the defined benefit part of the scheme’s assets and liabilities, based on the monitoring approach, since 31 March 2023. The black dashed line reflects the expected central path of assets and liabilities at the time of the valuation. The grey area represents the range of outcomes around those central paths that represent 90% of the likely distribution of outcomes, with a 5% chance of being exceeded at each boundary (as implied by modelled levels of market volatility). Each of the dots corresponds to the actual scheme assets and the monitoring approach estimate of the liabilities and resulting funding position at the end of each quarter.

Other approaches

As mentioned earlier, the value placed on the defined benefit part of the scheme’s liabilities can be measured on a number of different bases, including technical provisions, buy-out, and self-sufficiency.

The table below summarises the defined benefit part of the scheme’s position on a self-sufficiency basis. The self-sufficiency liability is the value of assets we would need to hold in order to have a greater than 95% chance that all the benefits members have earned to date can be paid when due while demonstrating a high level of funding without any further contributions.

At 31 March £bn	Self-sufficiency 2025	Self-sufficiency 2024	Self-sufficiency 2023
Value of net assets	73.0	74.8	73.1
Self-sufficiency liabilities	(67.6)	(74.4)	(78.2)
Surplus/(Deficit)	5.4	0.4	(5.1)
Funding ratio	108%	101%	93%

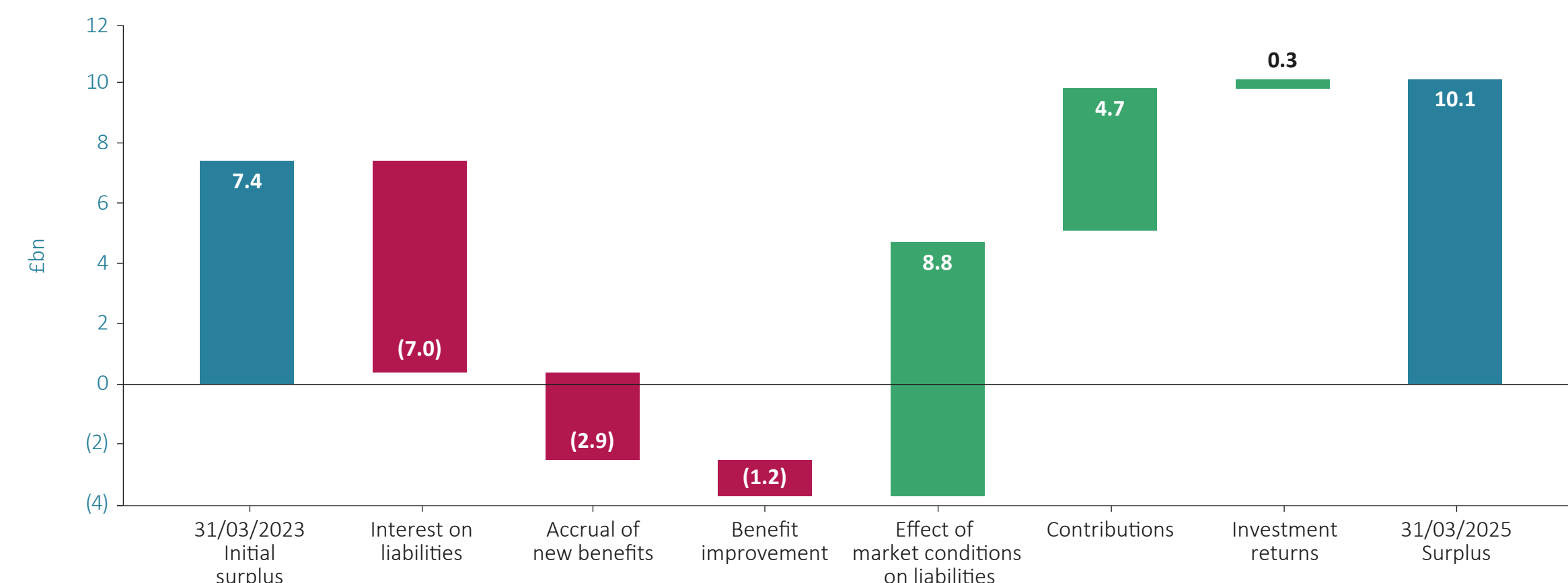
The 2023 valuation did not target self-sufficiency, but the distance from self-sufficiency was considered as part of the trustee’s Integrated Risk Management Framework, such that the ability to secure the benefits promised to members at that point is, credibly and demonstrably, within the means of employers to fund. More details can be found in the [Statement of Funding Principles](#).

At 31 March 2023, the Scheme Actuary estimated the cost of an insurance buy-out as £99.4bn. As a result, the deficit on this basis was £26.3bn. A buy-out basis normally gives the highest view of the liabilities because it represents the cost of paying an insurer to take on the responsibility for paying the benefits.

Although not required, we also produced figures under the FRS 102 accounting approach which uses a discount rate based on corporate bond yields. We did this because such figures are a required disclosure for many UK entities, so it is a recognised method of measurement across different pension schemes. Using this approach, at 31 March 2025, produces estimated liabilities of £66.4bn and an estimated surplus of £6.6bn. This is based on a discount rate of 5.7% and a pension increase assumption of 3.0% with all other assumptions unchanged from those stated on page 32. This approach is not used to inform our decisions.

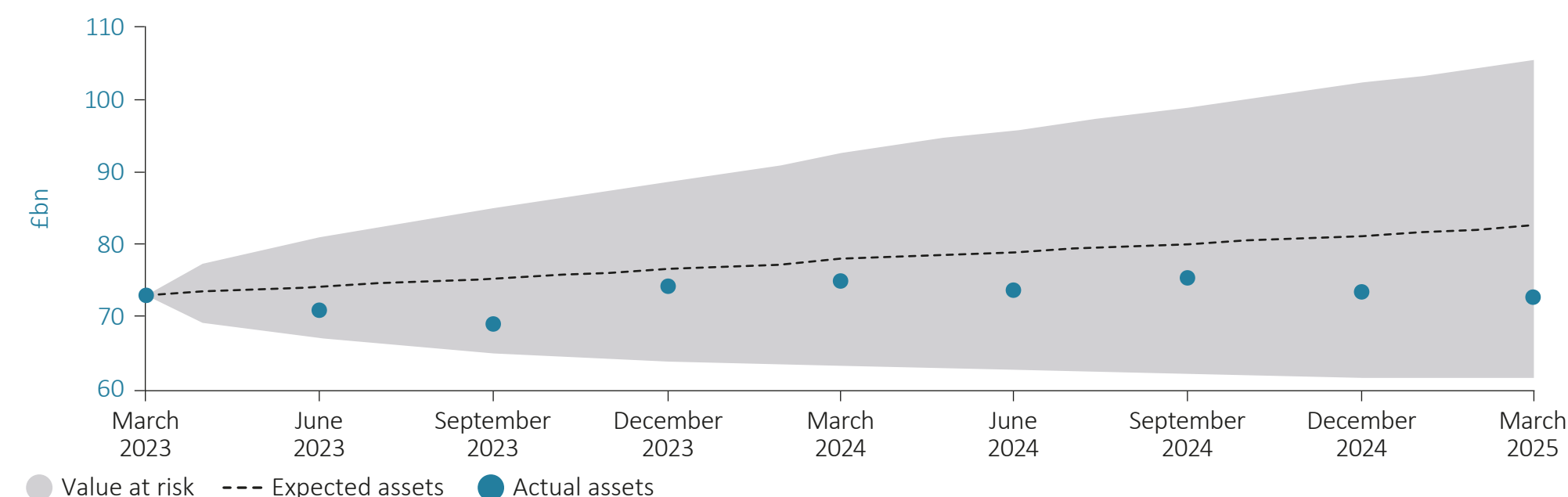
This is the funding level we would need to achieve in the absence of support from employers. Self-sufficiency is assessed using return assumptions for the portfolio of assets that would achieve this level of security, using a discount rate reflecting this portfolio, and with a different inflation assumption to that adopted in the technical provisions.

Change in funding position since 2023 valuation (monitoring approach)

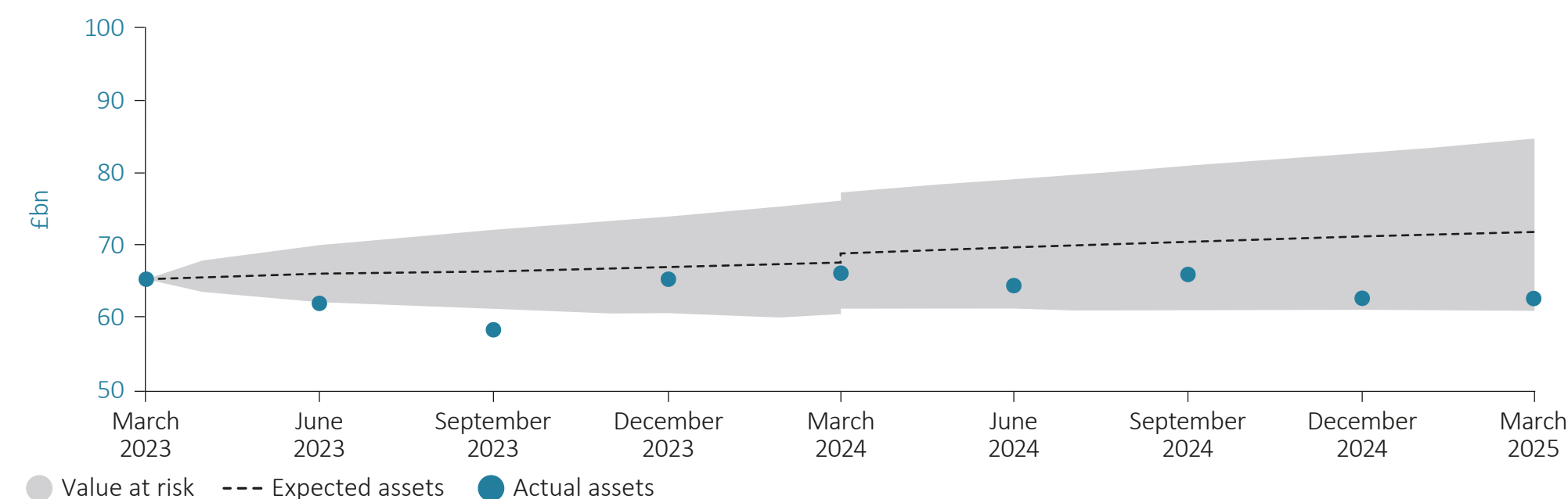


Report on actuarial liabilities
Continued

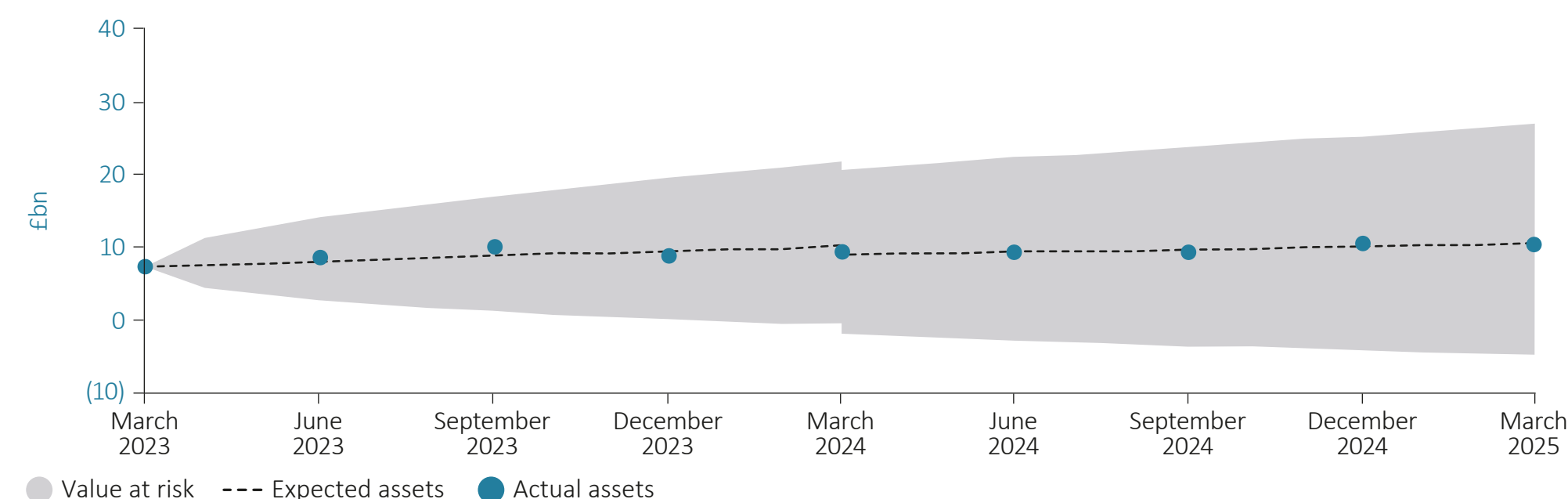
Asset progression since 2023 valuation



Liability progression since 2023 valuation



Surplus progression since 2023 valuation



The Trustee Board’s funding plan

Our funding of the scheme is intended to ensure that the funding and solvency risk within the defined benefit part of the scheme should be proportionate to the amount of financial support available from the scheme’s sponsoring employers. Specifically, the reliance being placed on the employers should not be greater than that which they are willing and able to support. We consider this as part of the Integrated Risk Management Framework which feeds into the Financial Management Plan.

You can find details of our investment approach in the Statement of Investment Principles (SIP); this is available online at [our principles and approach](#). We consulted on a new SIP following the 2023 valuation, which was implemented on 1 July 2024.

We determined the funding plan following extensive work with our advisers on the ability of the scheme’s sponsoring employers to support the scheme financially – the ‘covenant’.

The conclusion from that work was that there was good visibility of the ongoing strength of the covenant over the next 30 years (with the covenant support measures in place, described on page 28), but the position became less clear after that.

No deficit recovery plan was required resulting from the 2023 valuation, because the scheme was in surplus.

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) becomes insolvent without there being sufficient funds available in the scheme to meet promised benefits.

USS is recognised by the PPF as a multi-employer scheme with a joint or shared liability. This joint liability is based on the ‘last-man standing’ concept. This means that it would only become eligible to enter the PPF in the extremely unlikely event that most 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. However, 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 and the total value of benefits. At the 2023 valuation date, the scheme’s ‘section 179’ valuation position, used in determining the PPF levy payable by the scheme, showed a surplus of £12.1bn, in other words at that date we held more assets than the PPF would have needed to pay their standard benefits.

Further information about the PPF is available at ppf.co.uk or you can write to Pension Protection Fund, PO Box 254, Wymondham, NR18 8DN.



Report on actuarial liabilities

Continued

Principal actuarial assumptions

The following table shows the assumptions used for technical provisions in the 2023 actuarial valuation, and how these have been updated since then to produce the figures for 31 March 2025 shown earlier. These funding updates, reflected above in the 'Funding position based on the 2023 monitoring approach' section, reflect broad changes in market conditions and expected investment returns. The contributions payable to the scheme are determined based on the full actuarial valuations, with the funding updates used only for monitoring purposes.

All these assumptions will be reviewed as part of the next valuation.

The 2023 valuation uses full yield curves in the discount rate assumptions, rather than averages. The full year-on-year figures in the 2023 valuation assumptions are available in the documents shown on our website here: [our valuations](#).

Principal actuarial assumptions	31 March 2023 valuation – technical provisions
Price inflation – Consumer Prices Index (CPI)	3.0% p.a. (based on a long-term average expected level of CPI, broadly consistent with long-term market expectations)
RPI/CPI gap	1.0% p.a. to 2030, reducing to 0.1% p.a. from 2030
Discount rate	Fixed interest gilt yield curve plus: Pre-retirement: 2.5% p.a. Post-retirement: 0.9% p.a.
Pension increases (all subject to a floor of 0%)	Benefits with no cap: CPI assumption plus 3bps Benefits subject to a 'soft cap' of 5% (providing inflationary increases up to 5%, and half of any excess inflation over 5% up to a maximum increase of 10%). CPI assumption minus 3bps
Mortality base table	101% of S2PMA 'light' for males and 95% of S3PFA for females
Future improvements to mortality	CMI_2021 with a smoothing parameter of 7.5, an initial addition of 0.40% p.a., 10% w2020 and w2021 parameters, and a long-term improvement rate of 1.80% p.a. for males and 1.60% p.a. for females

At 31 March	2025 funding update	2024 funding update
Discount rate spread over fixed interest gilt yield ¹		
Pre-retirement	1.75%	1.97%
Post-retirement	0.57%	0.80%
Average CPI assumption	3.0%	3.0%
Pension increase assumption		
Uncapped increases	CPI plus 3bps	CPI plus 3bps
Soft cap increases	CPI minus 3bps	CPI minus 3bps

1 In practice full yield curves for gilts have been used in the calculations.

Report on actuarial liabilities
Continued

Actuarial certificate of technical provisions

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Universities Superannuation Scheme**

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 March 2023 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustee of the scheme and set out in the Statement of Funding Principles dated 20 December 2023.

Signature:
DocuSigned by:
7A1910D328A648F...

Date: 20 December 2023

Name: *Aaron Punwani*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
 95 Wigmore Street
 London
 W1U 1DQ

About Lane Clark & Peacock LLP

We are a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK and in the EU. All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office.

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Actuarial certificate of schedule of contributions

Actuary's certification of schedule of contributions

Universities Superannuation Scheme

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Universities Superannuation Scheme**

Adequacy of rates of contributions

- I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2023 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

- I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 20 December 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature:
DocuSigned by:
7A1910D328A648F...

Date: 20 December 2023

Name: *Aaron Punwani*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

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Our people approach

We work to attract, retain and reward talented colleagues in a motivated workforce that consistently delivers the service and support our stakeholders expect.

Achievements this year

Talent development

Several senior colleagues moved on to new challenges which demonstrates the success of our internal development of talent and succession initiatives.

Continued with our bespoke talent development programme to grow and nurture USS talent pool. Both Pensions Operations and Private Markets Group have structured career development programmes in place for employees to develop and establish long careers within USS. Launched a mentoring programme with 50 employees across the business.

Learning and development

Continued our commitment as a Learning Organisation through increased adoption of My Learning, a Learning Experience Platform for all staff.

Employee Value Proposition (EVP)

Continuation of our Employee Value Proposition to support attracting and retaining talented employees. The EVP articulates the benefits of working at USS through four pillars: ‘excel in your role’; ‘build your career’; ‘thrive in and out of work’; and ‘find purpose and fulfilment’.

Health and well-being

Continued focus on all aspects of employee well-being.

Equity, diversity, and inclusion (EDI)

Continued collaboration with the EDI employee networks enabling a full programme of EDI awareness and education across gender, ethnicity, ability, LGBTQ+ and social mobility. We undertook an employee survey on social mobility to understand and engage with employees from a variety of backgrounds, we also worked with Lexxic, to develop and provide support for neurodiverse employees.

USS engagement survey

83% of staff participated:

The scores, ranging from 0 to 10, reflect how strongly employees agree with statements about their workplace.



Overall engagement



“People from all backgrounds are treated fairly at USS.”



“I understand how my work supports the team’s goals.”

Mandatory e-learning completion rates within set time frames



- Risk
- Compliance
- Legal
- EDI
- Lead Inclusively
- Hire Inclusively
- Equality, discrimination and harassment

Total learning experiences

Across the year

736

staff enrolled on a total of 10,452 learning experiences, via My Learning, including mandatory training, plus non-mandatory courses and online modules including professional development, skills development, behavioural and technical competence, leadership and early talent development.

68

employees have completed professional qualifications relating to their role and their career development.



People priorities

We continue to invest in our people, focusing on creating an engaging and inclusive culture that retains and develops a talented workforce to enable us to deliver our objectives.

Creating a rewarding and competitive proposition is a top priority. We have continued with our colleague benefit programme, which remains aligned to the market.

Our formal Employee Value Proposition allows us to communicate the benefits of working at USS in a clear and consistent way, enhancing how we attract and retain talented colleagues.

Also, the Trustee and USSIM Boards have each appointed a designated non-executive director (DNED) to enhance workforce engagement. The DNEDs aim to ensure that employees’ perspectives are factored into board decisions when appropriate.

During the scheme year, the DNEDs participated in employee forums, engaged with employees and executives, and organised a town hall meeting to gather feedback on the proposed strategic priorities for both USSL and USSIM. This feedback was incorporated into the one- and three-year business planning processes.

Our people approach
Continued

Talent development

Our talent management and succession planning strategies are embedded at all levels to ensure we have strong successors for many of our critical roles. Long-term investment in succession is motivational, develops loyalty to our purpose and provides value for money.

We continued with our bespoke talent development programme to grow and nurture the USS talent pool. Both Pensions Operations and Private Markets Group have structured career development programmes in place for employees to develop and establish long careers within USS. We launched a mentoring programme in late 2024, with 50 employees across the business.

Senior colleagues, including two Group Executive members, moved on to new challenges outside USS and the organisational changes that followed demonstrated the success of our talent development activities and internal succession.

Resourcing

Hiring talented colleagues to deliver the best service remains a strategic imperative. Our resourcing partners are integral to the success of our EDI plans and work in close partnership with hiring managers to ensure these plans are delivered.

The continuation of our Employee Value Proposition plays an important part in attracting talented new staff. We successfully recruited candidates aligned to our purpose and values and continue to receive positive feedback from candidates on their experience of the hiring and joining process.

We continue to look at ways to enhance EDI in our recruitment practices. We have continued with the process for candidate salary/total compensation disclosure in recruitment, which aims to support

reducing pay gaps and pay disparities that can be experienced by candidates. We have also expanded our candidate equal opportunities data gathering to help us further assess the impact of our changes. Developing potential at an early stage is an important part of our EDI strategy and in Liverpool we have partnered with Elevate to support a work experience and career awareness programme for local schools.

Employee engagement

We continue to see strong employee engagement across the business, supported by a focus on action planning based on employee feedback received as part of the bi-annual Employee Engagement Surveys.

Participation in our last pulse engagement survey in December 2024 was 83%. The overall engagement score was 7.8/10 which is at the industry benchmark. Our ability to provide a high-quality service depends on a motivated and engaged workforce, and we were pleased to see our employees scored highly on their

understanding of how their roles support team goals (8.7/10).

Learning and development

We have continued to develop and implement a range of tailored learning opportunities for all employees over the last year. L&D provision includes core programmes and those which cover business specific needs, professional and regulatory external qualifications, EDI, mandatory training, talent development, apprenticeships and employer training.

Capability development planning this year focused on change, collaboration (across the organisation and for specific teams), stakeholder management and technical programmes, development of the Group Executive, leaders and managers. Our delivery was supported by the functionality in a Learning Experience Platform with 3,270 online courses completed by staff.

Equity, diversity, and inclusion

Our EDI strategy focuses on attracting and recruiting talented colleagues, creating an inclusive culture through our working practices, and developing diverse talent and EDI awareness through education and development.

We are committed to promoting diversity in all its forms at USS, and progress on EDI forms part of our strategic objectives. Our EDI programme is actively supporting our goal to build an inclusive and supportive environment where everyone feels able to be themselves at work, creating a more effective and positive working experience. We collaborate across the organisation and the work is endorsed and supported by the Trustee Board, senior executives, and the HR team.

Our EDI employee networks have been active both in supporting colleagues and generating ideas to advance the programme of activity across USS in support of our goal of USS being an equitable, diverse and inclusive organisation.



Employee testimonial:

Mark Gidman, Financial Planning and Performance Manager & USSIM Finance Business Partner

“In my four years at USS, I have been part of the Financial Planning & Analysis team, supporting our business planning, budgeting and performance management across the business. I have completed multiple Learning & Development programmes, including Developing Potential and the Finance Development Programme. I also achieved Unit 1 of the CFA Investment Management Certificate.

“USS has supported my career growth, providing opportunities to develop my skills and contribute beyond my role. I have also benefited from USS’s commitment to flexible working, and feel incredibly fortunate to be taking six months of paternity leave following the birth of my second child.

“The flexibility and support at USS are invaluable.”



“A great culture, working with great people for a great purpose!”

(Engagement survey, May 2024)

“A welcoming company that fosters a culture of inclusion and development.”

(Engagement survey, December 2024)

Risk management



“

We have identified the scheme's principal risks based on their potential to threaten the trustee's ability to deliver its purpose, goals and strategic priorities.

Lindsey Matthews
Chief Risk Officer



“

Clear roles and responsibilities, combined with close collaboration across all three lines of defence, are the foundation of our risk management approach.

Jeremy Hill
Group General Counsel

Our robust approach to risk management protects USS's investments and operations and aims to help members feel more financially secure.

In conducting our business, we manage a wide range of risks that could affect our objectives including our duty to ensure that the benefits promised to members are delivered in full, and on a timely basis.

For the Retirement Income Builder (the defined benefit part of the scheme), this means ensuring there are sufficient funds available to provide members with their promised retirement income.

For the Investment Builder (the defined contribution part of the scheme), it means having an appropriate range of investment fund options available, along with an effective investment process, to enable members to manage their investment selections in line with their risk appetite.

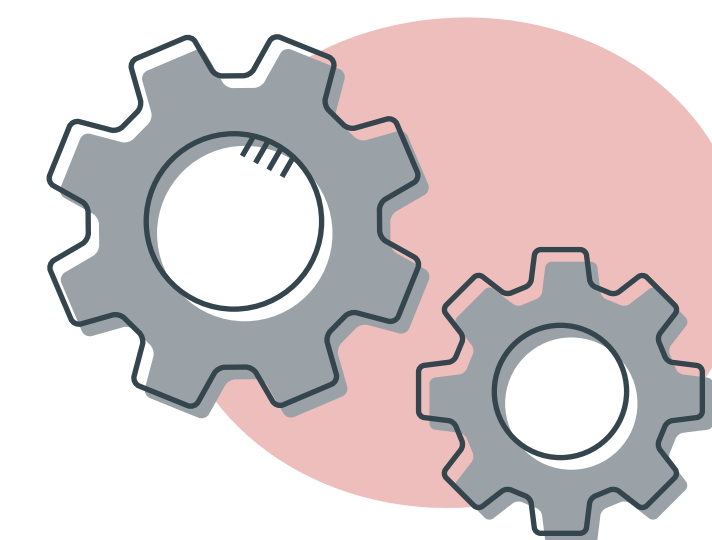
Risk governance

As the ultimate owner of all risks, the Trustee Board has overall responsibility for risk management. It sets risk appetite and must satisfy itself that the risk management framework has been implemented effectively. It delegates responsibility for this implementation to executive management, which ensures that responsibilities for risk management are clearly articulated, clearly applied, and consistent with the three lines of defence model. Risk management is overseen by executive and non-executive risk committees, ensuring that risk management processes are effective, and that risk is appropriately assessed against appetite.

Risks are identified on an ongoing basis, as part of both business-as-usual and business change activities. Consideration is also given to emerging risks. Risks are measured regularly using key risk indicators (KRIs) and reviewed by business management and the Group Risk team before being reported to the relevant risk governance and oversight committees.

Risks are managed by control, transfer, hedging or avoidance. Risk monitoring and reporting is implemented through several tools, including investment risk reports, risk and control registers, event logs and assurance activities.

Assurance activities have been developed collaboratively by each of the three lines of defence, to provide an indication of the health of the control environment in relation to key business processes. Additionally, risks are monitored through the delivery of a risk-based assurance programme undertaken by the Compliance and Internal Audit functions.



Risk management
Continued

The USS three lines of defence risk management approach



Risk framework

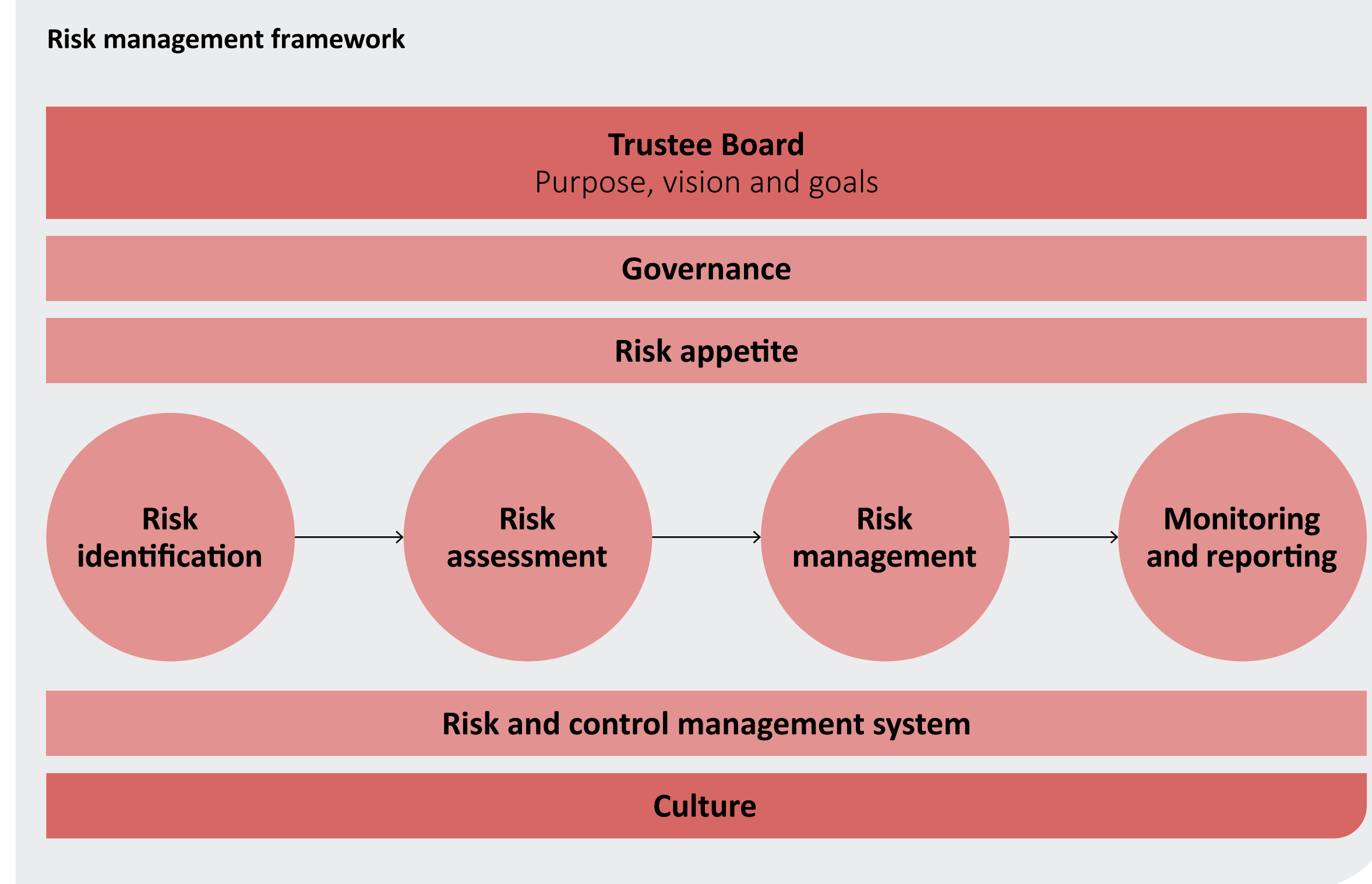
We operate a three lines of defence approach to risk management (see above), which is embedded in the organisation through the operation of a comprehensive risk management framework.

The framework aims to ensure that risks are effectively identified, managed, monitored and reported across the 1st line USS business units. 2nd line functions of Group Risk, Compliance and Legal maintain the risk framework and oversee and challenge the 1st line. The 3rd line, Internal Audit provide independent review and assurance over both the 1st and 2nd lines. We continue to evolve and mature our risk framework. In the last year, we have launched a new risk and control management system that offers an enhanced user experience and fully supports our risk management framework. Also, our control framework has been updated to align with industry best practices, further strengthening our ability to manage risks effectively. Additionally, our Business Continuity Management (BCM) programme

continues to enhance our resilience and supports the recovery of operations and systems during potential disruptions. Over the past 12 months, we have made significant progress in enhancing Business Continuity Planning, strengthening our Incident and Crisis response framework and increasing staff awareness and training.

Group Risk (which includes the Enterprise & Operational Risk, Information Security and Investment Risk teams), Legal and Compliance functions are independent of USS first line businesses. The Group Chief Risk Officer (for the Risk function) and the Group General Counsel (for Legal and Compliance) report directly to the GCEO.

The team are responsible for ensuring the risk frameworks are in place for the first line management of risks and for overseeing that management. They also provide independent risk and performance metrics for the investment portfolio, and these are used for the management of the scheme’s investments and for the investment balanced scorecard assessment of USSIM.



Risk appetite

Taking on too much or too little risk could result in a failure to deliver our strategic priorities. At the core of our approach to risk management is our risk appetite; this is articulated in our risk appetite statements which describe the types and levels of risk we are prepared to accept. They, along with related KRIs, set risk-taking boundaries and enable consistently risk-aware decision making.




Remuneration risk adjustment process







We operate a process by which control functions, with input from the Chair of the Group Audit and Risk Committee, assess the approach of the organisation to risk and compliance and its implications for performance assessment and remuneration decisions. This assessment is provided to the remuneration committees as input to their compensation decisions.

Principal risks

We maintain a register of the risks faced by the business as well as their potential impact and how we mitigate them.

These risks can arise from internal or external factors and can adversely impact the trustee’s administration of the scheme: its funding, investments, operations and reputation. The tables below set out those principal risks, their potential impact and the mitigation in place and represent a high-level summary of the organisation’s risk registers.

-  Members feel financially more secure
-  A sustainable scheme, for the long term
-  USS is recognised as a competent scheme manager

Description	Impact	Control/mitigation	Strategic priority
<p>Funding risk</p> <p>The risk that USS holds inadequate assets to cover the accrued pension benefits.</p>	<p>This may lead to the requirement to substantially increase contributions, amend investment strategy and/or reduce future benefits.</p>	<ul style="list-style-type: none"> • Implementation of a comprehensive Financial Management Plan (FMP) as part of each actuarial valuation, incorporating the acknowledged strength of the employers’ covenant, the appropriate contribution rate and investment strategy • A dedicated Funding Strategy and Actuarial team focused on monitoring funding of the defined benefit (DB) part of the scheme • Provision of expert investment advice from the Scheme Actuary and the scheme’s principal investment manager and adviser • Regular monitoring of the funding level, employers’ covenant strength, contribution adequacy and liability in the context of the FMP • Regular analysis of the sources of changes in both the liability and the surplus/deficit and of the impact of this on the required employer contribution rate • Protection of the covenant strength by having in place a moratorium on institutions leaving the scheme and a framework for monitoring debt levels among employers and pari passu rules on future issuance by employers of secured debt 	  
<p>Scheme proposition risk</p> <p>The risk that employers, members or their representative bodies no longer view USS as their preferred service provider for retirement benefits.</p>	<p>Members choose not to participate in USS, missing out on the scheme’s benefits.</p> <p>Employers, or their representative bodies, may no longer view USS as the right provider to build a secure financial future for their employees and their families.</p>	<ul style="list-style-type: none"> • Working closely with the scheme’s stakeholders, including the JNC, who are responsible for agreeing member benefits • Regular meetings with employers, member representatives and employer representatives, including both UCEA and UCU • Inviting regular feedback from members and employers through surveys, advisory panels and online research communities, to understand their priorities and needs and adapt our proposition • Communications to employers and members explaining how to make the most out of USS, including emails, videos, webinars and blogs 	  






Principal risks
Continued

Description	Impact	Control/mitigation	Strategic priority
<p>Climate change risk</p> <p>The risk of material financial impact from climate change, driven by transition risk where asset values are impacted by economic transition in response to climate change, and by physical risk of damage to assets from extreme climate and weather events.</p>	<p>This could lead to loss of value of assets and/or asset stranding from transition to a low-carbon economy or from actual or potential physical damage, especially where we are long-term holders of those assets.</p>	<ul style="list-style-type: none"> • Our ambition is for our investments to be net zero by 2050, if not before. Our interim net zero target is to reduce the emissions of the scheme’s non-sovereign DB assets in our portfolio by 25% by 2025, and by 50% by 2030 (relative to a 2019 baseline) • Integration of climate risk into our Governance and Risk Management processes with oversight at Trustee Board level • Integration of climate risk into investment decision-making process • Regular scenario analysis and modelling to help identify and quantify the systemic impact of climate change on the real economy and markets • USSIM Executive Committee to monitor and provide oversight of progress towards net zero ambition. • Stewardship of emissions intensive assets, through direct and collective engagement and system level engagement where appropriate, to ensure climate risk in all forms is being appropriately managed • Dedicated in-house Responsible Investment team with specialist expertise to support investment teams and trustee, in managing the risk arising from systemic issues linked to the transition to a net zero economy 	
<p>Transaction processing & execution risk</p> <p>The risk of failing to process, execute and support member and/or third-party transactions and payments appropriately.</p>	<p>This may lead to poor or incorrect outcomes for our members or beneficiaries and the potential for increased costs and reputational damage.</p>	<ul style="list-style-type: none"> • Service delivery standards are defined and tracked on an ongoing basis • Review and reporting of performance across all administration teams • Comprehensive workload management reporting on current and forecasted volumes • Controls are documented and tested on a periodic basis, control results are included in monthly reporting • Data is subject to system validation processes • All service delivery staff receive extensive training on a regular basis to ensure consistency and maintain high service standards 	
<p>Supplier performance failure risk</p> <p>The risk that a supplier fails to perform a contracted service.</p>	<p>This could result in the failure of key business processes, potential data leakage, monetary loss and remediation costs.</p>	<ul style="list-style-type: none"> • Dedicated procurement function with responsibility, together with the Group General Counsel (GGC) for controlling supplier onboarding, supplier selection (through either direct Procurement involvement or oversight) and ongoing monitoring of critical suppliers’ financial standing and performance. Appropriate remedial actions and/or commercial compensatory actions, and ultimately replacement of non-performing suppliers should value for money not be received • Relationship management structures are in place with critical suppliers, supported by service level agreements, management information provision and incident escalation and resolution protocols • Ensure that suppliers have appropriate Business Continuity Plans (BCPs) in place that align to business criticality • Review and oversight, using a risk-based approach, of suppliers’ cyber security and data security controls 	



Principal risks
Continued

Description	Impact	Control/mitigation	Strategic priority
<p>Investment performance risk</p> <p>The risk that investment returns are below the required return over the medium to long term (5+ years), leading to the scheme funding ratio being below acceptable minimum levels for DB, or member investment return targets not being met for the defined contribution (DC) portfolios.</p>	<p>This could result in a significant change to the funding position for DB, leading to a potential requirement to increase contributions, amend investment strategy and/or reduce future benefits.</p> <p>Lower growth in the size of members’ DC funds is also a potential consequence, leading to lower than expected values being available to members on retirement.</p>	<ul style="list-style-type: none"> • A documented, structured and effective investment process, run by experienced investment professionals, incorporating robust controls and diligent oversight. ESG factors (such as social or governance impacts) considered in investment decisions • DB: the investment portfolio is diversified across various investment types and risk factors. It is managed relative to a series of KRIs which seek to align the investment strategy with the trustee’s investment risk appetite to fulfil the goals of the FMP • DC: the ‘Let Me Do It’ fund range was chosen to provide members with an appropriate range of risk and return expectations. The Default Lifestyle Option progressively reduces investment risk exposure over the 10 years before expected retirement to provide greater certainty around outcomes • Investment risk appetite is captured via the trustee’s risk appetite statements (RASs) developed for the Investment Framework and measured by KRIs, including KRIs for environmental, social and governance risks • The RASs and KRIs are reviewed annually by the Investment Committee, and USSIM is regularly assessed for its adherence to them by the Investment Risk function • Use of the investment balanced scorecard process (see page 23) to assess investment performance against multiple criteria over various investment horizons • All of this is overseen by the Investment Risk and Performance team who report into the Group Chief Risk Officer 	
<p>People risk</p> <p>The risk of an absence of sufficient, competent and engaged employees and people leaders, who are aligned to the scheme’s purpose and values, to enable the delivery of business objectives and strategic goals.</p>	<p>This may lead to an inability to provide the necessary capacity, skills and leadership culture to achieve successful delivery of the scheme’s strategic priorities. This could result in: poor investment performance, reduced service levels to members, increased incidence of operational error and failure, and ultimately result in reputational damage with key stakeholders.</p>	<ul style="list-style-type: none"> • Robust recruitment, talent management and succession planning and training and development programmes to attract and retain colleagues • Performance management framework that focuses on setting clear objectives that link to the USS purpose and strategic priorities and regular employees performance reviews • Remuneration strategy that incorporates external benchmarking and incentive programmes that reward performance • Regular employee engagement reviews to gain direct colleague feedback • Employee health and well-being programmes that promote a healthy and productive working environment for employees • EDI strategy and targets to address diversity challenges and to foster an inclusive organisational culture • Ongoing mandatory training to ensure employees’ understanding of relevant regulation, legislation and company policies 	

Principal risks
Continued

Description	Impact	Control/mitigation	Strategic priority
Legal and regulatory risk			
<p>Breaching risk – Risk that the activities of USS personnel breach an applicable legal or regulatory obligation/requirement or the Scheme Rules.</p> <p>Awareness risk – Risk that USS fails to have necessary awareness on applicable legal or regulatory obligation/requirement.</p>	<p>This could lead to potential for member detriment as a result of activities of USS being non-compliant with an applicable legal or regulatory obligation/requirement or the Scheme Rules.</p> <p>Potential for change to impact the scheme’s product and service offering gives rise to additional costs and leads to operational complexity.</p> <p>Failure to respond to such changes in an appropriate and timely manner could lead to fines, compensation costs and censure, as well as damage to stakeholder relationships and reputation.</p>	<ul style="list-style-type: none"> • Group General Counsel leads the process to monitor legal and regulatory change. Updates are flagged to the relevant business areas • Key changes are communicated by specific updates to relevant business heads, compliance and legal training, advisory work and monitoring activity • Change management is applied by relevant business areas for the implementation of necessary changes • Risk based assurance activities assess the design and effectiveness of the control environment across key business processes and functions • Key policies are implemented and maintained. These combined with legal and compliance training to inform staff of their legal and regulatory obligations 	  
Resilience, technology and change risk			
<p>Risk that the ability of USS to provide important business services is compromised as a result of:</p> <ul style="list-style-type: none"> • Disruption to IT or facilities infrastructure • Inadequacy of technology arrangements; or • Changes to business capabilities and practices not being delivered reliably 	<p>Physical and infrastructural disruption could lead to adverse impact on operational capacity and controls.</p> <p>Disruption could result in deterioration of the value of the scheme’s assets, adversely impacting our funding and liquidity position and asset valuation uncertainty in the short term.</p>	<ul style="list-style-type: none"> • Full remote working capability for all teams, to allow continuity of key processes and physical isolation of employees • Business continuity management governance framework operates, with defined continuity plans in place and regular testing of IT Disaster Recovery plans • Secure, resilient data centre hosting arrangements in place providing high availability for key business systems • A defence in-depth Cyber Security framework in place, with 24/7 Security Operation Centre and threat intelligence • Monitoring of supplier resilience arrangements and their recovery plans through the supplier management framework 	 

Principal risks
Continued

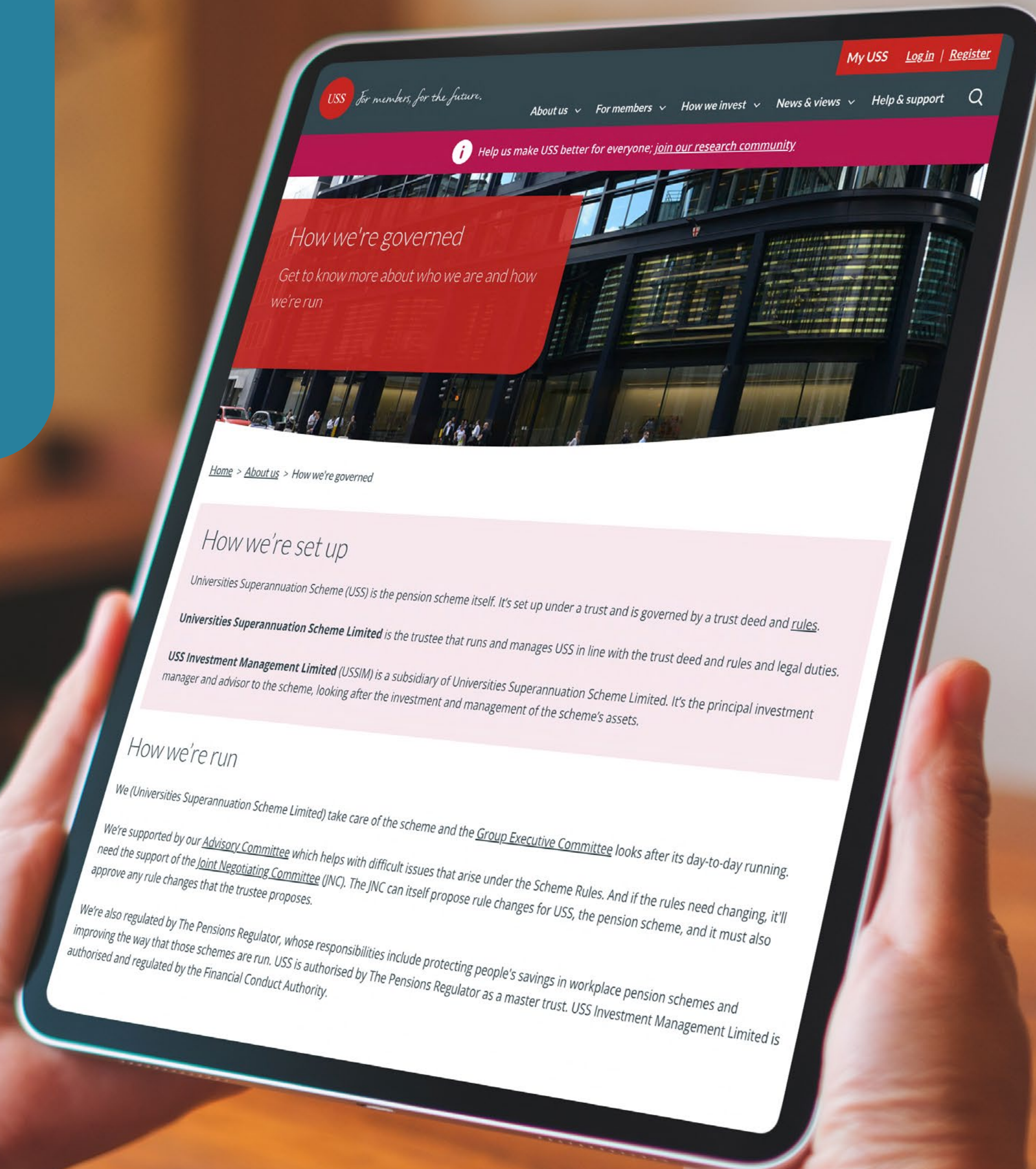
Description	Impact	Control/mitigation	Strategic priority
<p>Information security and privacy risk</p> <p>The risk that the confidentiality, integrity and availability of the data that we hold and manage is compromised.</p>	<p>Breach of applicable data protection legislation, potential for regulatory censure or fine, damage to stakeholder relationships and reputation.</p> <p>Potential for monetary loss and remediation costs.</p>	<ul style="list-style-type: none"> • A dedicated Information Security team whose head is the USS Data Protection Officer • Implementation of appropriate information security and data protection framework and processes • Implementation of appropriate cyber risk controls • Delivery of regular education and awareness training to employees, including phishing campaigns • Ongoing maintenance of the international information security accreditation, ISO 27001 • Achievement of government-backed Cyber Essentials Plus accreditation • Implementation of processes designed to maintain compliance with the UK General Data Protection Regulations (UK GDPR) as enacted via the Data Protection Act 2018 • Mandatory compliance with Information Security team requirements as a condition of supplier onboarding with ongoing oversight through the appropriate relationship management structures • Oversight of key suppliers and their information security and privacy risks for the work they carry out on behalf of USS 	 

Governance

- 44 Governance
- 51 Remuneration report



Find out more about [how we're governed](#)



Strong governance by the trustee ensures members' pensions are managed with care, clarity and with the long-term future success of the scheme in mind.

Governance

High-quality governance and decision making is critical to success.

The scheme's trustee is Universities Superannuation Scheme Limited (the 'trustee' or 'USSL'). It has overall responsibility for scheme management and administration, led by a non-executive board of directors (the 'Trustee Board'). The trustee employs a team of pensions professionals in Liverpool and London. The trustee is regulated by the Pensions Regulator (TPR) and has a legal duty to ensure that benefits promised to members are paid in full on a timely basis.

The Trustee Board provides monitoring and oversight of the scheme's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate systems of internal control, and compliance with statutory and regulatory obligations. This includes oversight of the administration of the scheme (including investment of the scheme's assets) to ensure that: (i) the scheme is adequately funded; (ii) benefits are paid when they fall due; (iii) the scheme is effectively administered in line with the trustee's objectives; and (iv) the scheme and its administration continue to meet the needs of the UK Higher Education (HE) sector.

While the Trustee Board retains overall oversight of USSL and its wholly owned subsidiary, USS Investment Management Limited (USSIM) (together referred to as the 'Group'), day-to-day management of USSL in accordance with the approved business plan and budget has been vested by the Trustee Board in the Group Chief Executive Officer (GCEO). The GCEO then allocates specific responsibilities to the senior members of her team.

The trustee delegates implementation of its investment strategy to USSIM which provides in-house investment management and advisory services to the trustee. USSIM currently manages approximately 76% of the scheme's investments in-house and oversees external investment managers to manage the rest. USSIM is authorised and regulated by the Financial Conduct Authority.

The USSIM board of directors is responsible for the overall leadership, long-term strategy and oversight of USSIM including oversight of day-to-day management and values and culture, and the delivery of services as agreed with USSL.

To achieve effective leadership and discharge their duties successfully, the Trustee Board must have an appropriate balance of knowledge, skills and experience. Recruitment, ongoing training and development and performance management processes are in place to achieve this. You can read about the skills and expertise of the Trustee Board members on pages 46 to 47. The same principles apply to the USSIM Board. Details of the USSIM Board can be found on our [website](#).

The Trustee Board is supported by five specialist standing committees:

- Audit and Risk Committee
- Governance and Nominations Committee (GNC)
- Investment Committee
- Pensions Committee
- Remuneration Committee

The Trustee Board and committee structure is set out on the next page.

There are two other key committees linked to the scheme:

- The Advisory Committee
- The Joint Negotiating Committee (JNC)

The Advisory Committee and the JNC are constituted, empowered, and governed by the Scheme Rules, not the Trustee Board. While entirely separate to, and distinct from the trustee, they play an important part in the governance of the scheme.

The Advisory Committee is the primary body for managing member complaints and the Internal Dispute Resolution (IDR) process. The Trustee Board is responsible for seeking and acting upon the advice of the Advisory Committee as appropriate and in line with the Scheme Rules. The Advisory Committee advises the Trustee Board on any matters on which it requires advice, including: the exercise of its powers and discretions (except for any matter falling within the jurisdiction of the Investment Committee); matters of difficulty in the interpretation or application of

the Scheme Rules; and any complaints received from members. The Advisory Committee comprises three representatives from UCEA and three representatives from UCU. The members of the Advisory Committee appoint its Chair, and two trustee directors attend its meetings when the Advisory Committee considers cases raised under the IDR procedure.

The JNC comprises five members appointed by UCEA, and five members appointed by UCU. It is chaired by an independent Chair appointed by the JNC. The JNC has a number of responsibilities, including to initiate changes to the Scheme Rules and to approve any changes proposed by the trustee. The JNC creates working groups when required to discuss particular matters in greater detail.

More information about the activities and membership of the Trustee Board, its committees, the Advisory Committee and the JNC is set out on the following pages and in the Governance Supplement provided on the USS website at [report and accounts](#).

Division of responsibility between the Trustee Board and executive

As explained earlier in this report, the Trustee Board has delegated day-to-day management of the Group to the GCEO, supported by the Group Executive team. The allocation of roles and responsibilities is set out in the terms of reference of each of the Trustee Board and the Group Executive team.

Governance
Continued

Trustee Board composition

The Trustee Board consists of 12 non-executive directors comprising:

- Four directors nominated by UCEA
- Three directors nominated by UCU (one of whom is a pensioner member)
- Five independent directors

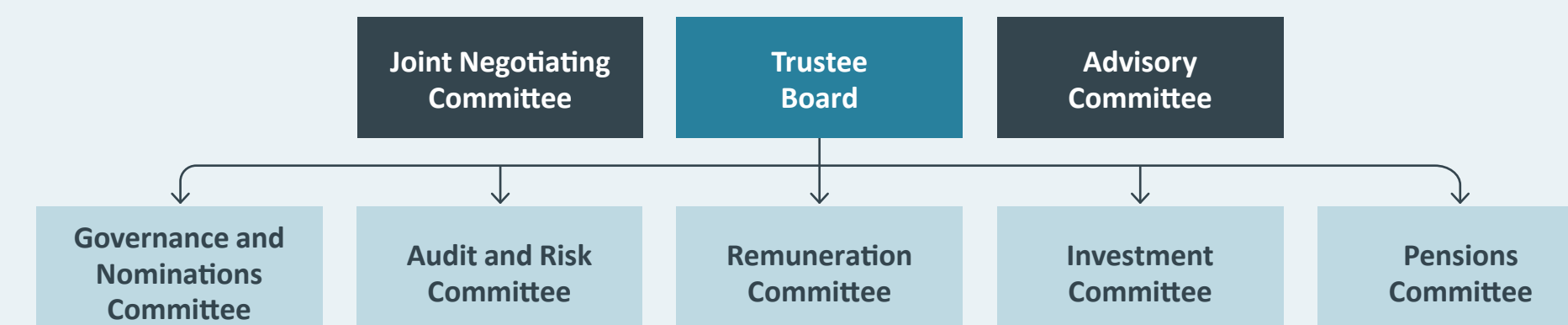
The composition and diversity of experience of the directors promotes an effective and balanced Trustee Board and helps to ensure that directors collectively have the key competencies and knowledge required to manage and oversee the scheme. This includes competencies in, and knowledge of, pensions, investments, actuarial matters, the HE sector, audit and financial management, and communications. The trustee works with UCEA and UCU to ensure that the Trustee Board includes directors with a good understanding of the views of both employers and members.

The trustee is committed to improving the diversity of its board, and during the financial year, continued to pursue EDI initiatives to promote diversity on the Trustee and USSIM Boards. At 31 March 2025, the Trustee Board continued to meet its gender representation goal of at least 33% for both female and male directors with four female directors and eight male directors. It remains committed to achieving its ethnic representation target of at least one director from an ethnic minority background. The Trustee Board also joined [Standard Life's Trustee Accelerator Programme](#) (TAP) which offers people from different backgrounds the opportunity to bring fresh ideas and perspectives to pensions trustee boards.

Maintaining and improving key competencies, knowledge and diversity remains vitally important for the Trustee Board. During the financial year, the Trustee Board has been particularly focused on recruitment and succession planning. Several director roles came to the end of their terms in 2024, and the Trustee Board worked together with its stakeholders to fill these positions while ensuring that the combined skills, experience and knowledge of the Trustee Board continues to be appropriate for the scheme.

The Trustee Board regularly reviews its succession plans to ensure the appropriate balance of continuity and refreshed membership is achieved going forward. Director recruitment exercises are undertaken by reference to a skills matrix which captures the core skills required for running a pension scheme of the size and complexity of USS. This provides a framework for the Trustee Board's consideration of key skills and competencies for director roles, and for the evaluation of potential candidates for those roles. A summary of the skills of the serving trustee directors can be found in the table to the right.

Trustee Board and committee structure



The JNC and Advisory Committee are constituted, empowered and governed by the Scheme Rules, not the Trustee Board

Board competencies	Number of directors with this competency*
Experience in university governance and leadership	8
Senior/substantial experience of HE leadership and understanding of the economics of the HE sector	8
DB/DC pensions industry experience	12
Senior corporate governance expertise/board management knowledge	12
Industrial relations	7
Pensions administration and member engagement	8
Communication, media and stakeholder engagement	12
Control, compliance and risk management	9
IT, security and digital development	5
Supplier/contract management	8
Senior management experience	10
Actuarial	5
Audit, accounting and financial management expertise	8
Investment	8
Ethical, social and environmental	8
Legal	3
HR and remuneration	10
Strategy development	9

* From the 12 directors who held office at 31 March 2025

Members of the Trustee Board

Key to committee membership

- Chair
- Senior Director
- USSIM Director
- A Audit and Risk Committee
- G Governance and Nominations Committee
- I Investment Committee
- P Pensions Committee
- R Remuneration Committee



Dame Kate Barker

- G I

- Independent appointee
- Chair of the Trustee Board since 1 September 2020
- Appointed April 2020 (reappointed for second term from 1 April 2024)
- Current term ends March 2028

Dame Kate was Chief Economic Adviser at the CBI (1994–2001) and a member of the Bank of England’s Monetary Policy Committee (2001–2010). Since leaving the Bank of England, she has held various non-executive directorships in financial services, pensions, housebuilding, private equity, and government bodies.

Dame Kate has extensive pensions experience having been Chair of the British Coal Staff Superannuation Scheme since 2014 and serving as a pension trustee for the Yorkshire Building Society (2015–2019). She also has a strong understanding of the HE sector, having served as governor at Anglia Ruskin University (2000–2010), including Chair of Governors (2007–2010) and on the Council of Oxford University (2017–2020).



Russell Picot

- A I

- Independent appointee
- Deputy Chair and Senior Director
- Chair of the Investment Committee
- Appointed February 2021 (reappointed for second term from 1 February 2025)
- Current term ends January 2029*

Russell is a former HSBC Group Chief Accounting Officer with deep experience in pensions and broader Environmental, Social and Governance (ESG) knowledge. He left HSBC in 2016 after more than two decades with the bank. He was appointed as a Trustee of the HSBC Pension Scheme in 1999, becoming Investment Committee Chair in 2013 and Chair of the board in 2017. He has since also held a number of significant external appointments including roles with several accounting bodies, Special Adviser to the Task Force on Climate-related Financial Disclosures (TCFD), and a trustee on the Master Trust LifeSight.

He is a chartered accountant and Accredited Professional Pension Trustee.



Andrew Brown

- I R

- UCU appointee
- Appointed August 2020
- Term ended in July 2024

Prior to joining the Trustee Board in August 2020, Andrew was CEO and Secretary for the Church Commissioners for England. Andrew is Chair of William Leech Investments and Foundation Trusts, and a trustee of Trust for London and the Jane Cart Trust.

Andrew has previously been Chair of the CMS Pension Trust. In January 2020, was awarded an OBE for services to the Church.



Professor Sir Paul Curran

- G R

- UCEA appointee
- Appointed September 2020 (reappointed for second term from 1 September 2024)
- Current term ends August 2028*

Sir Paul was President of City, University of London from 2010 to 2021, having served previously as Vice-Chancellor of Bournemouth University and Deputy Vice-Chancellor of the University of Southampton. He is a former NASA research scientist and adviser to the European Space Agency.

Sir Paul currently serves as Chair of the MS Society and the NHS National Joint Registry and holds several governance roles across the HE sector. He has significant experience in pay and pensions through previous roles as Chair of UCEA and the national Review Body on Doctors’ and Dentists’ Remuneration (DDRB).

Sir Paul was knighted in the 2016 New Year Honours for ‘services to Higher Education’.



Marian D’Auria

- P

- Independent appointee
- Chair of the Pensions Committee
- Appointed September 2021 (reappointed for second term from 1 September 2025)
- Current term ends August 2029*

Marian is currently Global Head of Risk & Sustainability at GFG Alliance. Prior to joining GFG, she was a Managing Director at Redington and before that led Deloitte’s Trustee Advisory team in London. Marian has over 20 years’ experience advising trustees and corporate clients in both the public and private sectors. Her experience covers risk management, sustainability, trusteeship and governance, scheme actuarial work, corporate advisory and investment consulting.

Marian is a Fellow of the Institute & Faculty of Actuaries and has served two terms on their governing Council, as well as sitting on their Management Board and working with the Sustainability Board’s Education Committee.



Gary Dixon

- A R

- UCEA appointee
- Chair of the Audit and Risk Committee
- Designated NED
- Appointed April 2019 (reappointed for second term from 1 April 2023)
- Current term ends March 2027

Gary is Chair of Council at the University of Leicester, having served as a Lay Member since 2009, and also chairs the Remuneration and Nominations Committees and the University’s Stakeholder Pension Scheme. Formerly Group CFO at Pointon York, a financial services group, he founded the Compliance Solutions group before its sale to a global plc. Gary has held many iNED roles and is presently Chair of Trading 212 UK Limited, iNED and Audit Committee Chair at The Wesleyan Assurance Society and Trustee and Audit Committee Chair at Barclays UK Retirement Fund.

A Chartered Accountant trained with PwC, he holds a degree in Physics with Astrophysics from the University of Leicester, an MBA from Warwick Business School, and is a Fellow of the ICAEW.

* The appointment processes for these directors allow for an optional additional year to their term of office to support effective succession planning

Members of the Trustee Board
Continued



Ellen Kelleher

(G) (P)

- Independent appointee
- Chair of the GNC
- Appointed November 2021 (reappointed for second term from 1 November 2025)
- Current term ends October 2029*

Ellen has over 35 years' experience in the pensions industry, advising on pensions administration, operational effectiveness and governance. She was, until recently, Chief Pension Officer at Trafalgar House Pension Trust and previously served as COO of the HSBC Bank (UK) Pension Scheme. She was also a member and Chair of the Judicial Pension Board.

Ellen currently serves on the Operations Committee for Lloyds Banking Group Pension Schemes and as a non-executive director of Trafalgar House Pensions Administration. She holds pensions management and legal qualifications and is an accredited Professional Pension Trustee.



Dr Alain Kerneis

(I) (R)

- Independent appointee
- A director of USSIM
- Appointed January 2022
- Current term ends January 2026

Alain is an investment and governance specialist with over 20 years of experience managing portfolios on behalf of pension schemes, and mitigating market, operational and regulatory risks.

Since transitioning from an executive career, Alain has built a diverse portfolio of non-executive director and investment advisory roles across pensions, private wealth and retail markets. Alain was co-Head of Investments for BlackRock's Client Portfolio Solutions, overseeing £75bn of client assets in EMEA. Prior to BlackRock, he spent 14 years at Goldman Sachs in senior asset management and investment research roles. Alain was awarded a doctorate at AgroParisTech in 1994.



Dr Samuel Marsh

(I)

- UCU appointee
- Appointed August 2024
- Current term ends August 2027

Sam has a PhD in Pure Mathematics from the University of Sheffield, where he has taught for almost 20 years, including in financial mathematics.

Sam served as a UCU representative on USS's Joint Negotiating Committee between June 2018 and June 2022, during which time he was also Vice-Chair of UCU's Superannuation Working Group.

He is currently a member of the University's Senate and has held senior roles on the UCU Committee at the University, including Branch President.



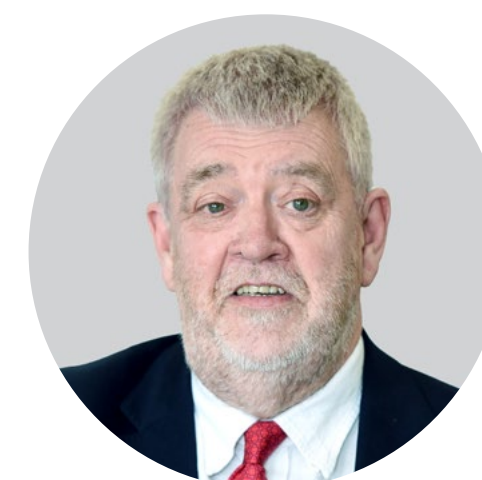
Helen Shay

(A) (G)

- UCU appointee
- Appointed September 2020 (reappointed for second term from 1 September 2024)
- Current term ends August 2028
- Pensioner member

Helen started her career in law firms before moving in-house to Next plc and working with the College (now University) of Law. She later worked on complex pension cases at the Financial Ombudsman Service, then joined Skipton Building Society. In 2008, she became the University of York's first In-house Counsel, establishing the legal function and supporting the strategic planning team.

Helen brings experience across the commercial and HE sectors and has served as a school governor, a board member of the Association of University Legal Practitioners and with the Law Society on several initiatives (most recently appointed a Social Mobility Ambassador).



Will Spinks

(P) (R)

- UCEA appointee
- Chair of the Remuneration Committee
- Appointed September 2018 (reappointed for second term from 1 September 2022)
- Current term ends August 2026

Will has worked in Higher Education since 2007, serving as the first Chief Operating Officer at Loughborough University and later as Registrar, Secretary, and Chief Operating Officer at the University of Manchester until his retirement in 2018.

Before moving into the HE sector, Will had a successful career with ICI, Zeneca and AstraZeneca and was formerly a non-executive director of AstraZeneca Pensions Trustee Limited and a UUK-nominated member of USS's Joint Negotiating Committee.



Professor Adam Tickell

(I)

- UCEA appointee
- Appointed April 2024
- Current term ends March 2028

With a career spanning more than 20 years – starting as a Research Assistant at the University of Manchester in 1989 – Professor Tickell has extensive executive experience in the UK's HE sector. He has been Vice-Chancellor and Principal of the University of Birmingham since January 2022 and was Vice-Chancellor of the University of Sussex between 2016 and 2021.

Professor Tickell was a member of UCEA's Board and Chair of the Employers Pensions Forum – an advisory body to the UUK Board on USS pensions – from 2018 to 2024.

He was appointed as a non-executive director at the Department of Science, Innovation and Technology in November 2024.



Dr David Watts

(P) (R)

- UCU appointee
- Appointed March 2021 (reappointed for second term from 1 March 2025)
- Current term ends February 2029*

David is a social scientist and historian and has worked for the University of Aberdeen since 2007, first in the School of Geosciences and since 2018, in the Rowett Institute.

Before joining the Trustee Board, David was a local pensions representative for the University and College Union (UCU). He was a trustee of the University of Aberdeen from 2017 to 2020 and served on its Policy and Resources Committee.

Key to committee membership

- Chair
- Senior Director
- USSIM Director

- (A) Audit and Risk Committee
- (G) Governance and Nominations Committee
- (I) Investment Committee

- (P) Pensions Committee
- (R) Remuneration Committee

* The appointment processes for these directors allow for an optional additional year to their term of office to support effective succession planning

Governance
Continued

Trustee Board key activities 2024/25

There continued to be a significant volume of activity carried out by the Trustee Board during 2024/2025, particularly in connection with the completion of the scheme's triennial actuarial valuation at 31 March 2023 (the '2023 valuation'). More information is set out below.

Board activities

Topic	Activity
Scheme valuation related activities	<ul style="list-style-type: none"> • Oversaw the implementation of the benefit changes and uplift proposed by the JNC in April 2024 following the 2023 valuation of the scheme • Began preparations and engagement with UCU on the valuation methodology approach for the next valuation (the 2026 Scheme Valuation) • Reviewed and approved updates to the scheme's self-sufficiency framework
Regulatory	<ul style="list-style-type: none"> • Engaged with TPR as part of its ongoing supervision of USS, as well as key regulatory development matters including the new DB Funding Code and Covenant Guidance • Monitored current legal and regulatory matters, and relevant legal and regulatory change, and oversaw the executive's approach to ensuring compliance with these developments • Approved the 2024 Task Force for Climate-related Financial Disclosures (TCFD) Report and the USS Stewardship Code Report • Monitored and oversaw the executive's response to several consultations including those led by the DWP, FCA, HMRC, TPR and the PPF
Pensions operations	<ul style="list-style-type: none"> • Oversaw the ongoing migration from the scheme's current pension administration platform to the Trustee Board approved future platform • Reviewed plans in relation to the implementation of the pensions dashboard • Oversaw pensions administration during the year, including key service levels and turnaround times for services to members and employers • Oversaw engagement with members and employers • Received and discussed the outcomes of the member and employer perception surveys
Investment	<ul style="list-style-type: none"> • Approved updated investment key risk indicators for the Defined Benefit (DB) and Defined Contribution (DC) Investment Frameworks which allow USSIM to manage the scheme's assets according to the Trustee Board's risk appetite • Undertook annual review and approved minor updates to the DB and DC Investment Balanced Scorecards, which are used by the trustee to assess USSIM's investment performance • Provided oversight of USSIM's investment activities • Reviewed and approved the scheme's Valuation Investment Strategy and Statement of Investment Principles, following completion of the 2023 valuation and a consultation exercise with employers • Approved the trustee's Statement of Investment Principles Implementation statement • Received and discussed updates on compliance with and activities undertaken in accordance with the Trustee Board's Responsible Investment (RI) strategy • Reviewed and approved the scheme's RI Beliefs and Ambition Statement, and new RI Strategy • Oversaw USS's ongoing collaboration with the University of Exeter to develop new climate scenarios to help us consider the real-world risks and opportunities and how these might inform our investment decision making over the short and medium term • Considered the outcomes of work overseen by the USSIM Board and the Investment Committee to review the scheme's investment in Thames Water
Business planning, strategy and financial reporting and controls	<ul style="list-style-type: none"> • Approved the Group Three Year Plan, Annual Business Plan and Budget • Approved the financial statements for the scheme and the trustee company for the year ended 31 March 2024, on recommendation from the Audit and Risk Committee • Reviewed annual statements on the effectiveness of company internal controls from the Audit and Risk Committee, GCEO and Internal Audit Director • Reviewed the executive's activities to ensure that the financial control environment was adequately robust

Governance
Continued

Board activities continued

Topic	Activity
Master Trust	<ul style="list-style-type: none"> • Approved and oversaw the implementation of the DC business plan for the financial year 2024/25 • Oversaw the Value for Members assessment for 2024/25 • Approved the scheme's 2024 supervisory return, updated Continuity Strategy, and a Master Trust Audit Assurance Framework report (also known as a AAF 05/20 Assurance Report, in line with guidelines published by the ICAEW's Audit and Assurance Faculty)
Risk management and internal controls	<ul style="list-style-type: none"> • Approved a revised Risk Governance Policy and the associated risk management framework (which includes the trustee's risk appetite statements and key risk indicators) • Regularly reviewed the enterprise risk report encompassing all key risks impacting upon the delivery of the scheme's strategic objectives • Considered the adequacy of the scheme's internal control and risk management framework, based on assurance provided by the Audit and Risk Committee on each of the three lines of defence
Performance and general oversight	<ul style="list-style-type: none"> • Received and discussed reports from all standing Trustee Board committees which had met in the reporting period • Reviewed performance reports from all key business areas on a quarterly basis
Corporate governance	<ul style="list-style-type: none"> • Reviewed the Group corporate governance framework which includes the terms of reference for the Trustee Board, its standing committees, and the Group Executive team • Reviewed and approved one appointment (Dr Samuel Marsh) and four reappointments (Ms Helen Shay, Mr Russell Picot, Professor Sir Paul Curran and Dr David Watts) to the Trustee Board and changes to the membership of Trustee Board standing committees • Undertook an externally facilitated effectiveness review of the Trustee Board and committees and considered the recommendations arising from the review • Approved changes to the trustee company Articles of Association to reflect UCEA replacing UUK as the organisation that represents employers under the scheme • Approved amendments to several key policies • Oversaw the implementation of the designated non-executive director (DNED) programme to help ensure that employees' perspectives are considered and factored into board decision making • Approved the USSIM Board succession plan and amendments to the Trustee Board succession plan
Leadership	<ul style="list-style-type: none"> • Discussed the outcomes of the 2024 USS employee engagement survey and the Group Executive team's response • Approved the Trustee Board's participation in the Standard Life's Trustee Accelerator Programme (TAP) as part of its EDI initiatives • Received and discussed updates on initiatives being undertaken by the executive to increase EDI
Stakeholder	<ul style="list-style-type: none"> • Engaged directly with UCEA and UCU and their actuarial advisers and oversaw the executive's engagement with each of them • Attended and participated in meetings with the JNC and its working groups (including the Stability Working Group to consider scheme funding stability and the future stability of benefits and contributions) • Oversaw the implementation of the 2024/25 Member and Employer Communications strategy, including regular member updates and consultations with UCEA • Monitored support of various stakeholder initiatives, such as the conditional indexation programme, collaborative review forum and the proposed review of scheme governance • Received and discussed updates on ongoing initiatives being undertaken by the executive to enhance employee experience, including: (i) to champion USS's EDI Networks; and (ii) to develop USS's community volunteering activity

Governance
Continued

Trustee Board meeting and committee attendance

The Trustee Board met eight times during the financial year. A summary of the Trustee Board activity during the year is outlined on pages 48 to 49. An overview of attendance at meetings of the Trustee Board and its specialist standing committees is provided to the right.

Meetings held in the year	Trustee Board	Investment	Pensions	Audit and Risk	Remuneration	Governance and Nominations
Total number of meetings held in the year	8	8	8	5	4	3
Trustee Board members						
Dame Kate Barker	8	8				3
Mr Russell Picot	8	8		5		
Mr Andrew Brown ^{1*}	2	2			1	
Professor Sir Paul Curran ²	8				3	3
Mr Gary Dixon	8			5	4	
Mrs Marian D'Auria	8		8			
Ms Ellen Kelleher	8		8			3
Dr Alain Kerneis*	7	8			4	
Mr Will Spinks*	8		7		4	
Ms Helen Shay ^{3*}	6			5		
Dr David Watts ⁴	8		8		2	3
Professor Adam Tickell	8	8				
Dr Samuel Marsh ⁵	5	5				
Committee members						
Mr Tony Owens ⁶					3	
Mr Richard Metcalf					5	
Mrs Carol Young*			8			2
Mrs Helen McEwan ⁷			3			
Ms Mel Duffield ⁸			5			

Notes

- 1 Mr Andrew Brown retired from the Trustee Board on 31 July 2024.
- 2 Professor Sir Paul Curran was appointed to the Remuneration Committee on 1 September 2024 and has attended all committee meetings since his appointment.
- 3 Ms Helen Shay was appointed to the Governance and Nominations Committee on 5 December 2024.
- 4 Dr David Watts was appointed to the Remuneration Committee on 5 December 2024 and has attended all committee meetings since his appointment.
- 5 Dr Samuel Marsh was appointed to the Trustee Board and the Investment Committee on 12 August 2024 and has attended all board and committee meetings since his appointment.
- 6 Mr Tony Owens stepped down from the Audit and Risk Committee following his retirement from the USSIM Board on 31 October 2024. He attended all Audit and Risk Committee meetings until that date.
- 7 Mrs Helen McEwan (Chief Pensions Officer) stepped down as an executive member of the Pensions Committee on 30 September 2024.
- 8 Ms Mel Duffield (Chief Pensions Strategy Officer) was appointed as an executive member of the Pensions Committee on 1 October 2024.

* On occasion, trustee directors and other committee members were unable to attend meetings due to prior commitments.

Remuneration report

We focus on aligning pay with performance to ensure the right mix of skills to deliver our strategic priorities and value for money for members.

Our remuneration framework is designed to ensure USS attracts and retains individuals with the right mix of skills to deliver our strategic priorities and value for money for members.

We hire individuals with relevant expertise and experience, and we seek to pay fairly relative to external market benchmarking and complying with equal pay legislation for each role. Consistent with this approach, the scheme is accredited as a Real Living Wage employer.

Paying for performance is key to our remuneration policy, which means rewarding contribution that is aligned to the needs of employers and members in a cost-effective manner.

Investment management professionals represent the largest proportion of the remuneration paid, in particular receiving 90% of the variable incentive paid in the year. The direct costs associated with employing an in-house team of highly skilled investment professionals in a competitive market are much lower than the fees charged by external managers for similar services.

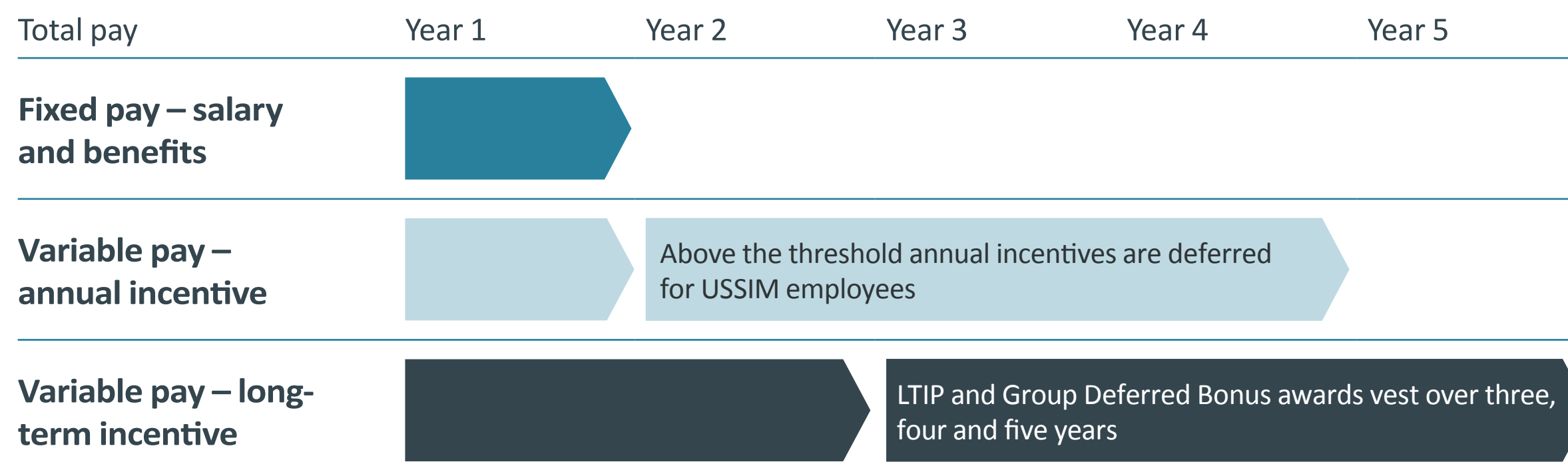
Our approach to managing costs and how they compare against peer benchmarks is described in the Financial review and value for money section on page 25. Our total remuneration approach includes the following key elements which are benchmarked against market levels annually:

- Base salary
- Incentive payments, details of which are shown on page 54, include:
 - Annual incentives, which are aimed at motivating and rewarding performance, including in particular investment performance, aligned to USS values
 - Long-term incentive plans (LTIPs) and Group Deferred Bonuses, which are available to a limited population, are designed to incentivise delivery of scheme performance over the long term and to encourage retention of key personnel respectively
- All employees are eligible to join the USS pension scheme, aligning employee benefits with the purpose of the scheme
- Trustee Board directors and other non-executives receive only the agreed fee for their role

£86m Having an in-house Investment Management team is the most material driver enabling our investment management costs to be the equivalent of £86m per year lower than the peer median according to the most recent analysis by CEM Benchmarking (for the calendar year 2023).

Independent benchmarking is performed by third-party advisers.

Remuneration structure



Note

For USSIM LTIP awards made from March 2023, vesting for all recipients will be after three years rather than previous LTIP award vesting schedules of 50% after four years and 50% after five years. Payment will be made at vesting other than for USSIM executive directors where payment will be made after an additional two-year holding period. Also from March 2023, Group LTIP awards were discontinued in favour of Group Deferred Bonuses which vest and are paid either in full after three years or, for the Group Executive team, 50% after four years and 50% after five years. These changes will result in increased awards vesting for a transitional period covering the years ending 31 March 2026 and 2027. The changes aim to provide greater incentives alignment to the external market and, therefore, support members’ interests by attracting and retaining key talent within the organisation. Changes in the timing of the pay-outs will not impact the total amounts awarded.



Remuneration report

Continued

Benchmarking and oversight of remuneration

Annual benchmarking is performed on total remuneration. Remuneration benchmarking is key to ensure we pay people fairly and in a way that delivers value for money to employers and members. We use two external benchmarking agencies: one for investment management and support services, and another aimed at pension services roles and their support functions.

The Remuneration Committee oversees USS remuneration arrangements ensuring that they promote the recruitment, motivation and retention of high calibre employees, while delivering value for money within a competitive market. This in turn supports the delivery of the trustee's long-term strategic priorities for the scheme and support the purpose, values and culture of USS. On behalf of the Trustee Board, the Remuneration Committee considers and approves both aggregate and individual senior employee remuneration including long-term incentive plans for USS staff.

The Group includes both malus and clawback provisions within its variable incentive awards that seek to ensure risk alignment, accountability and responsible behaviour. Malus provisions apply to all variable awards allowing for reductions, cancellations, and delays before vesting. Events that could trigger consideration and application of malus include material failures of responsible risk management, employee negligence, misconduct, regulatory investigations, contract breaches, significant unauthorised absences, poor performance, and regulatory non-compliance. Clawback provisions were introduced in 2023 and apply to variable incentives awarded to Material Risk Takers (MRT). Relevant events that could trigger consideration and application of clawback include fraud, significant losses, or failure to meet UK regulatory standards. The standard clawback period is three years (five years for Group Executive members and USSIM executive directors).

Remuneration in 2024/25

The total remuneration paid includes amounts in respect of incentive amounts deferred from previous years and prior year LTIP awards paid out in the year.

The investment performance reference period for USSIM remuneration is based on the calendar year to 31 December 2024. Amounts awarded in the year to 31 March 2025 are based on performance up to that date. USSIM performance in calendar year 2024 was assessed by the Investment Committee (IC) as slightly below target when looking across both the defined benefit and defined contribution scorecards. Please see page 24 for further details.

As part of the oversight noted above, the Remuneration Committee has considered both individual behaviour – including risk alignment and accountability – and investment performance in reaching its conclusions on the remuneration granted and paid for the year. It paid particular attention to the genesis and impact of the Thames Water investment to ensure appropriate accountability, and that the remuneration structures in operation delivered appropriate outcomes for teams and individuals.

For USSIM annual incentive awards from March 2023 (relating to the 2022 performance year), any deferred portion is distributed equally over the subsequent three years, a change from 100% of the deferral being paid after three years which applied to annual incentive awards in previous periods. Consequently, the amounts vesting increased during the period of overlap between the old deferral profile and the revised profile which concluded on 31 March 2025. While the revised approach changes the timing of payment of awards it does not increase the overall value of awards granted. For the year to 31 March 2025, this results in an increase in annual incentive awards vested of £3.6m (2024: £1.7m).

The growth in remuneration paid to key management personnel and high earners is primarily influenced by the following factors: increased investment management headcount, increased benchmarked market pay rates, long-term scheme performance (in recent years as assessed by the IC under the USSIM investment balanced scorecard), as well as the impact of the change in deferral period for USSIM annual incentive awards. As a result of developing our Investment Management team, it now manages more of our assets internally and has adopted more sophisticated approaches, particularly regarding the hedging of scheme liability risks.

As we continue to enhance our internal capabilities, our latest evaluation by CEM Benchmarking demonstrates a material cost advantage over our peers, as detailed on page 25. Our investment management cost advantage is mostly driven by our in-house capabilities. It should be noted that the calculations are influenced by changes in both our own and our peers' investment approaches, as well as refinements to the methodologies employed by CEM Benchmarking.

Remuneration	For the year ended 31 March 2025 £m			
	High earners (excluding A and B)	Group Executive (A)	Trustee Board (B)	Total key management personnel (A+B)
Fixed pay – salary, fees and benefits	37.4	3.0	0.8	3.8
Variable pay – annual incentive	28.6	2.4	–	2.4
Variable pay – Long-term incentive	6.7	1.7	–	1.7
Total remuneration paid to key management personnel and high earners	72.7	7.1	0.8	7.9

Remuneration	For the year ended 31 March 2024 £m			
	High earners (excluding A and B)	Group Executive (A)	Trustee Board (B)	Total key management personnel (A+B)
Fixed pay – salary, fees and benefits	31.5	2.9	0.8	3.7
Variable pay – annual incentive	25.2	2.1	–	2.1
Variable pay – Long-term incentive	7.3	1.5	–	1.5
Total remuneration paid to key management personnel and high earners	64.0	6.5	0.8	7.3



Remuneration report

Continued

Remuneration paid banding

We report of the total remuneration of the Group Executive, the Trustee Board and high earners (those whose base salary plus incentives and non-pension benefits paid in the year exceed £100,000 including any such members of the Group Executive and the Trustee Board). In addition to legislative requirements, the table below provides analysis of total remuneration (base salary plus any incentives and non-pension benefits) paid in the year for high earners and how it has changed year-on-year. Approximately 79% of these high earners are investment management professionals. As noted on the previous page, there is an increase in cash payments this year due to the overlap between the old and new annual incentive deferral profiles.

For the year ended 31 March, amounts paid	Number of individuals	
	2025	2024
£100,001 to £150,000	95	73
£150,001 to £200,000	68	57
£200,001 to £250,000	37	37
£250,001 to £500,000	57	47
£500,001 to £750,000	21	18
£750,001 to £1,000,000	7	9
£1,000,001 to £1,250,000	3	3
£1,250,001 to £1,500,000	3	1
£1,500,001 to £1,750,000	–	1
£1,750,001 to £2,000,000	–	–
£2,000,001 to £2,250,000	1	–
£2,250,001 to £2,500,000	–	1
Total	292	247

Remuneration for Group Chief Executive Officer

The table below shows total remuneration (base salary plus any incentives and non-pension benefits) paid in the year to Carol Young.

For the year ended 31 March, amounts paid	2025 £'000	2024* £'000
Fixed pay – salary and benefits	502	297
Variable pay – annual bonus	282	150
Buy-out award	153	30
Total remuneration paid	937	477

* Comparative is from Carol Young's 4 September 2023 commencement date to 31 March 2024

Carol Young's remuneration package consists of base salary, benefits and incentive arrangements that are in line with our remuneration policy.

Her accrued Retirement Income Builder pension at 31 March 2025 was £1,442 (2024: £844) and the accrued lump sum and Investment Builder pension total was £150,081 (2024: £51,077). These accrued pension benefits relate to amounts earned in respect of services to the scheme and exclude transfers from other schemes.

USS agreed to compensate awards forfeited on her resignation from her previous employer in the form of deferred annual bonus awards. The total value of the buy-out award was £457,000 of which £152,809 was paid on 31 March 2025 (2024: £29,616). The buy-out award is scheduled to be paid over several years and is subject to our standard remuneration buy-out terms.

Bill Galvin, the scheme's previous Group CEO, received payments in relation to the outstanding 2020 and 2021 LTIP awards that have vested totalling £330,805 (2024 vested: £321,000). His remaining 2022 and 2023 LTIPs will vest, subject to his adherence to vesting conditions on the original scheduled payment dates. In addition, in the prior year Bill Galvin received salary of £202,000 and contractual benefits in respect of service until his final date of employment on 3 September 2023.

Remuneration ratio: Group CEO to median paid employee

The remuneration ratio of the Group CEO relative to the median paid employee in USS is 19.3:1. The total remuneration figure used for the purposes of calculating the pay ratio in the prior year reflects the sum of the total remuneration for Carol Young and the former Group CEO, Bill Galvin. Excluding the former Group CEO, the remuneration ratio of the current Group CEO relative to the median paid employee in USS is 14.3:1.

Compensation for loss of office

The aggregate amount of compensation payable for loss of office to employees during the year was £0.7m (2024: £0.1m) of which £0.4m (2024: £0.1m) was payable to employees whose remuneration exceeded £100,000 during the year.

Trustee Board

Total Trustee Board director fees are shown in the table on page 52 together with the comparison to 2024.

Directors are remunerated on a basis which is approved by the JNC and is in accordance with the contribution which they make to the work of the trustee and their legal responsibilities.

The Remuneration Committee report provides a summary of the oversight and governance of the remuneration awards and can be found within the Governance Report on our website at [report and accounts](#).

The number of directors who are members of the Retirement Income Builder	2025	2024
At 31 March (100% of those eligible)	7	6

Trustee Board directors do not earn pension benefits from their role on the Board, however, they may be a member of the scheme through employment outside their trustee role.



Remuneration report

Continued

Incentive payments

There are three types of incentive payments:

	Annual incentive	Investment LTIP ¹	Group LTIP ¹ and Deferred Bonus
Main features and objectives	<ul style="list-style-type: none"> To drive strategic change and individual delivery of the business plan To recognise and reward individual contributions to USS priorities Individual contribution is calibrated annually 	<ul style="list-style-type: none"> Restricted to a minority of roles in the USSIM subsidiary Value at vesting depends on scheme and/or private markets mandate investment performance Promotes performance and retention of key personnel 	<ul style="list-style-type: none"> To support the recruitment, reward and retention of senior staff key to the delivery of strategic objectives Restricted to those not in receipt of an Investment LTIP Promotes performance and retention of key personnel
Performance conditions	<p>For investment managers:</p> <ul style="list-style-type: none"> Scheme performance² over five years, to include the investment balanced scorecard assessment, and mandate performance (where applicable) over five years Qualitative assessments aligned to USS values and delivery of strategic objectives <p>For other employees:</p> <ul style="list-style-type: none"> Qualitative assessments aligned to USS values and delivery of strategic objectives 	<ul style="list-style-type: none"> Scheme performance² over multiple years, to include the investment balanced scorecard assessment Private markets mandate performance over multiple years Retention element included 	<ul style="list-style-type: none"> All qualitative – not linked to scheme performance Reflects achievement of personal objectives Promotes objectivity of senior management within the second and third lines of defence
Service conditions	<ul style="list-style-type: none"> Must be in employment and not serving notice at date of award or otherwise treated as a 'good leaver' under USS leaver provisions For deferrals, must be in employment and not serving notice at the date of payment Awards are subject to malus and clawback. Details of when these may be applied are set out on page 52 	<ul style="list-style-type: none"> Must be in employment and not serving notice at date of award and through to vesting although 'good leaver' provisions may apply LTIPs vest in tranches, the earliest being three years and the latest being five years after award Awards are subject to malus and clawback. Details of when these may be applied are set out on page 52 	<ul style="list-style-type: none"> Must be in employment and not serving notice at date of award and through to vesting although 'good leaver' provisions may apply LTIPs and Group Deferred Bonuses vest after either three, four or five years Awards are subject to malus and clawback. Details of when these may be applied are set out on page 52
Deferred element	<ul style="list-style-type: none"> Incentives above threshold for USSIM employees are deferred over three years as follows: <ul style="list-style-type: none"> – 30% over £50,000 – 40% over £200,000 – 50% over £400,000 Where the deferred element is calculated as less than £5,000, this is paid in year 	<ul style="list-style-type: none"> As a long-term plan, the payment is deferred until vesting conditions are fulfilled. For USSIM executive directors, for three-year vesting LTIPs, payment is deferred until five years after award 	<ul style="list-style-type: none"> As a long-term plan, the payment is deferred until vesting conditions are fulfilled

Notes

¹ Long-term incentive plans.

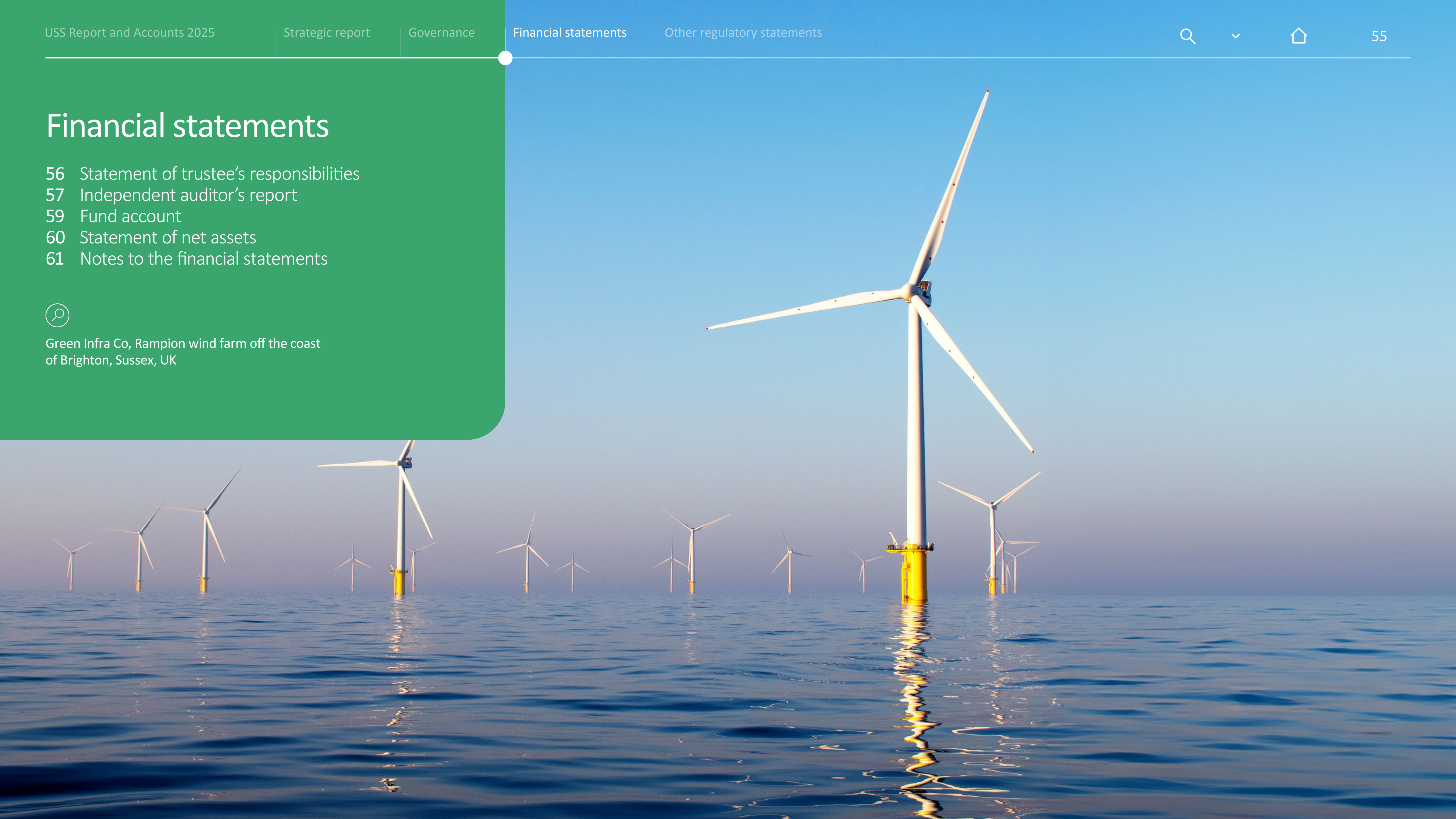
² Consistent with previous years, scheme performance is assessed over calendar year periods allowing awards to be made at the financial year end.

Financial statements

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Green Infra Co, Rampion wind farm off the coast of Brighton, Sussex, UK



Statement of trustee's responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the trustee. Pension scheme regulations require, and the trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

The trustee is also responsible for making available certain other information about the scheme in the form of an annual report.

The trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employers and the active members of the scheme and the dates on or before which such contributions are to be paid. The trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions are made to the scheme by the employers in accordance with the schedule of contributions. Where breaches of the schedule occur, the trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

Signed on behalf of the trustee on 22 July 2025.

Dame Kate Barker
Chair

Independent auditor's report to the trustee of Universities Superannuation Scheme

Opinion¹

We have audited the financial statements of the Universities Superannuation Scheme for the year ended 31 March 2025 which comprise the Fund account, the Statement of net assets available for benefits and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the scheme during the year ended 31 March 2025, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the scheme's ability to continue as a going concern for a period of 12 months from when the scheme's Annual Report and Accounts are authorised for issue.

Our responsibilities and the responsibilities of the trustee with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the scheme's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The trustee is responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the trustee

As explained more fully in the Statement of trustee's responsibilities set out on page 56, the trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the trustee is responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to wind up the scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Note

- 1 The maintenance and integrity of the Universities Superannuation Scheme website is the responsibility of the trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the trustee of Universities Superannuation Scheme Continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Acts 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.

- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the management, including the Group General Counsel, Chief Group Services Officer, Group Finance Director, Head of Group Compliance, Internal Audit Director and also the Trustee Board directors including the Chair of the Group Audit and Risk Committee. We corroborated our enquiries through our review of the board meeting minutes, papers provided to the Group Audit and Risk Committee and correspondence with regulatory bodies.
- We assessed the susceptibility of the scheme's financial statements to material misstatement, including how fraud might occur by meeting with the Trustee Board directors and management to understand where they considered there was susceptibility to fraud. We considered the key risks impacting the financial statements and documented the controls that the scheme has established to address risks identified, or controls that otherwise seek to prevent, deter or detect fraud. We considered the financial reporting risk arising from the potential for management override of controls and the valuation of illiquid assets to be a significant risk. Whilst we have assessed that this override risk is mitigated by the segregation of duties that exists within the scheme, we have performed specific procedures to gain assurance that the risk associated is adequately mitigated. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those

journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the trustee for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator, review of board minutes, journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the scheme, enquiries of senior management and focused substantive testing.
- The scheme is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the scheme with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website <https://www.frc.org.uk/library/standards-codes-policy/audit-assurance-andethics/auditors-responsibilities-for-the-audit/>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the scheme's trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme's trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
London
22 July 2025

Fund account for the year ended 31 March 2025

	Note	2025			2024		
		Defined benefit £m	Defined contribution £m	Total £m	Defined benefit £m	Defined contribution £m	Total £m
Contributions and benefits							
Employer contributions receivable	2	2,022	166	2,188	2,414	561	2,975
Employee contributions receivable	2	100	213	313	115	175	290
Total contributions		2,122	379	2,501	2,529	736	3,265
Transfers in		–	28	28	–	20	20
Total additions		2,122	407	2,529	2,529	756	3,285
Benefits payable	3	(2,837)	(117)	(2,954)	(2,374)	(69)	(2,443)
Payments to and on account of leavers	4	(16)	(8)	(24)	(18)	(4)	(22)
Administrative expenses	5	(46)	(5)	(51)	(17)	(3)	(20)
Total withdrawals		(2,899)	(130)	(3,029)	(2,409)	(76)	(2,485)
Net (withdrawals)/additions from dealings with members		(777)	277	(500)	120	680	800
Return on investments							
Investment income	6	1,521	70	1,591	1,486	51	1,537
Taxation		(62)	(4)	(66)	(28)	(1)	(29)
Change in market value of net investments	7	(2,323)	68	(2,255)	217	238	455
Investment management expenses	5	(144)	(7)	(151)	(117)	(5)	(122)
Net return on investments		(1,008)	127	(881)	1,558	283	1,841
Net (decrease)/increase in the fund during the year		(1,785)	404	(1,381)	1,678	963	2,641
Net assets of the scheme at the start of the year		74,795	3,371	78,166	73,117	2,408	75,525
Net assets of the scheme at the end of the year		73,010	3,775	76,785	74,795	3,371	78,166



Statement of net assets available for benefits as at 31 March 2025

	Note	2025			2024		
		Defined benefit £m	Defined contribution £m	Total £m	Defined benefit £m	Defined contribution £m	Total £m
Investment assets							
Equities	7	19,719	1,976	21,695	22,626	1,666	24,292
Bonds	7	35,338	379	35,717	36,123	398	36,521
Pooled investment vehicles	8	13,797	1,117	14,914	12,444	1,050	13,494
Derivatives	9	1,862	26	1,888	2,100	1	2,101
Property	7	2,403	93	2,496	2,537	86	2,623
Cash and cash equivalents	7	2,418	33	2,451	2,201	32	2,233
Other investment balances	10	1,628	28	1,656	2,349	12	2,361
Finance leases	11	1,037	22	1,059	791	26	817
		78,202	3,674	81,876	81,171	3,271	84,442
Investment liabilities							
Derivatives	9	(2,082)	(6)	(2,088)	(2,544)	(9)	(2,553)
Other investment balances	10	(2,843)	(7)	(2,850)	(3,794)	(7)	(3,801)
		(4,925)	(13)	(4,938)	(6,338)	(16)	(6,354)
Total net investments		73,277	3,661	76,938	74,833	3,255	78,088
Current assets	16	228	125	353	221	125	346
Current liabilities	17	(495)	(11)	(506)	(259)	(9)	(268)
Net assets of the scheme at 31 March		73,010	3,775	76,785	74,795	3,371	78,166

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the Report on actuarial liabilities on page 28 and should be read in conjunction with this report.

The financial statements on pages 59 to 79 were approved by the trustee, Universities Superannuation Scheme Limited, on 22 July 2025 and were signed on its behalf by:

Dame Kate Barker
Chair

The notes on pages 61 to 79 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2025

1 Basis of preparation and significant accounting policies

This section describes the significant accounting policies of the scheme that relate to the financial statements and notes as a whole. If an accounting policy relates to a specific item, the applicable accounting policy is contained within the relevant note. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2018) (the SORP).

Universities Superannuation Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore not normally liable to income tax on income from investments directly held, nor to capital gains tax arising from the disposal of such investments.

Going concern

The financial statements are prepared on the going concern basis, as the trustee considers the scheme to be operationally resilient. In making this assessment, the trustee has reviewed the principal risks and uncertainties facing the scheme as set out on pages 38 to 42 and has concluded that these risks do not cast significant doubt on the scheme's ability to continue as a going concern. The Trustee Board has also reviewed the cash flow forecasts of the scheme for a period of 12 months from the date of signing these financial statements, and in doing so has considered the impact of the recent U.S. tariff policies, inflation, interest rate fluctuations and global market volatility which have brought about increased market uncertainty. There have been no material operational incidents or losses post year end.

(b) Treatment of subsidiary undertakings

The trustee company, Universities Superannuation Scheme Limited, owns a number of investments in limited partnerships to aid the efficient administration of the scheme's investment portfolio. In accordance with FRS 102 and the SORP, the trustee is not required to prepare consolidated accounts which include these entities and has chosen not to do so because the entities are held for investment purposes and not as operating subsidiaries. Assets and liabilities held within such entities are included in the appropriate lines in the statement of net assets and an analysis of these net assets is shown in note 14.

Details of these entities may be obtained by writing to the Company Secretary of Universities Superannuation Scheme Limited, Mr M Burt, at Royal Liver Building, Liverpool L3 1PY.

(c) Foreign currency translation

The scheme's functional and presentation currency is pounds sterling. Foreign currency investments and related assets and liabilities are translated into sterling at the rate of exchange on the date of the transaction and subsequently at the rates of exchange at the year end. Exchange differences arising from translation are included in the fund account within the change in market value of investments. Foreign currency income and expenditure is translated at exchange rates prevailing on the appropriate dates, which are usually the transaction dates.

(d) Judgements and key sources of estimation uncertainty

In preparing these financial statements, the trustee is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

i) Critical judgements in applying the scheme's accounting policies

Finance leases: The trustee determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the trustee makes an overall assessment of whether the lease transfers substantially all of the risks and rewards of ownership of the underlying asset to the lessee. If this is the case, the lease is a finance lease. If it is not, it is an operating lease. As part of this assessment, the trustee considers the substance of the lease terms including whether the lease transfers ownership to the lessee at the end of the lease term or whether there is an option for the lessee to purchase the asset at a nominal value. Further information is contained in note 11.

ii) Key sources of estimation uncertainty

Measurement of fair values: The scheme holds its investment assets either at fair value or, in the case of the finance leases, the net present value of the net investment in the lease. For unquoted equities and bonds, valuation techniques such as discounted cash flow models are used in determining fair value.

One of the key assumptions in determining fair value using the discounted cash flow technique is the discount rate. Others may include assumptions relating to macroeconomic forecasts, debt financing and growth and profitability aspects of the asset. The discount rate(s) are derived by taking into account a number of factors including, among others, the underlying nature of the asset, relative risk of the industry to which the asset relates compared to the wider equity market and the assessed level of uncertainty in the cash flows.

The market approach is often used as a cross-check and compares the valuation to metrics derived from either or both of comparable publicly traded assets and transactions in comparable assets.

Notes to the financial statements for the year ended 31 March 2025

Continued

1 Basis of preparation and significant accounting policies continued

The judgements are applied by valuation experts and there is significant estimation uncertainty underpinning the assumptions used in both the discounted cash flow approach and market approach cross-check. The trustee has considered the uncertainty in cash flows and the assumptions made and determine these to be the best estimates as at valuation date, when calculating fair value.

Finance leases: The scheme holds finance leases at the net present value of the net investment in the lease, discounted at the rate implicit within the lease terms. To calculate the net investment in the lease, the trustee assumes an inflationary increase for each lease payment over the life of the lease term. This inflationary increase is based on Bank of England data.

2 Contributions receivable**Accounting for contributions receivable**

Contributions represent the amounts due to the scheme from participating employers under the Schedule of Contributions for the year of account. The amounts include deficit recovery contributions, if any such funding is required.

Retirement augmentation receipts and benefits payable are accounted for in the period in which they fall due under the agreement under which they are payable.

Employer Section 75 debt contributions are accounted for when a reasonable estimate of the amount receivable can be determined.

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Employer contributions						
Employer contributions	1,475	118	1,593	1,734	360	2,094
Employer salary sacrifice contributions	542	48	590	677	201	878
S75 debt	3	–	3	1	–	1
Augmentation	2	–	2	2	–	2
	2,022	166	2,188	2,414	561	2,975
Employee contributions						
Members' basic contributions	49	4	53	70	15	85
Main section AVCs	15	209	224	17	160	177
Supplementary section	36	–	36	28	–	28
	100	213	313	115	175	290
	2,122	379	2,501	2,529	736	3,265

Main section AVCs represent additional contributions made into the Investment Builder which provides defined contribution benefits from the scheme. Contributions from members who commenced additional contributions on or after October 2016 are paid into main section AVCs.

Notes to the financial statements for the year ended 31 March 2025

Continued

3 Benefits payable**Accounting for benefits payable**

Pensions in payment are accounted for in the period to which they relate. The principal scheme benefits are provided under the main section.

The supplementary section, which is funded by a contribution of 0.35% (2024: 0.35%) of salary from the members, provides additional benefits payable when a member retires on the grounds of ill health or incapacity or dies in service.

Where members can choose whether to take their retirement benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis from whichever is the later of the retirement date and the date the scheme is advised of the member's choice. Other benefits are accounted for on the date of retirement or death as appropriate.

Opt-outs are accounted for when the scheme is notified of the opt-out.

Where the trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within benefits.

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Main section						
Pensions	2,186	–	2,186	1,988	–	1,988
Lump sums on or after retirement	405	115	520	333	65	398
Lump sums on death in service	31	1	32	31	1	32
Provision for benefits payable	192	–	192	–	–	–
Taxation where lifetime and annual allowance exceeded	–	1	1	–	2	2
	2,814	117	2,931	2,352	68	2,420
Supplementary section						
Pensions	20	–	20	19	–	19
Lump sums on death in service	3	–	3	3	1	4
	23	–	23	22	1	23
	2,837	117	2,954	2,374	69	2,443

Taxation arising on benefits paid is in respect of members whose benefits have exceeded the lifetime or annual allowance and who elected to take lower benefits from the scheme in exchange for the scheme settling their tax liability.

The provision for benefits payable represents the trustee's estimate of liabilities arising in relation to the remediation of historical pension benefit entitlement issues.



Notes to the financial statements for the year ended 31 March 2025

Continued

4 Payments to and on account of leavers

Accounting for transfers to and from the scheme

Transfers to and from the scheme are accounted for when member liability is accepted or discharged, which is normally when the transfer amount is received or paid.

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Individual transfers out to other schemes	15	8	23	17	4	21
Refunds of contributions in respect of non-vested leavers	1	–	1	1	–	1
	16	8	24	18	4	22

5 Administrative and investment management expenses

	2025			2024		
	Administrative expenses £m	Investment management expenses £m	Total £m	Administrative expenses £m	Investment management expenses £m	Total £m
Defined benefit						
Personnel costs						
Wages and salaries	17	40	57	15	35	50
Employee incentives	4	34	38	3	41	44
Pension costs	2	5	7	(24)	(15)	(39)
Social security costs	2	10	12	2	10	12
Other	–	2	2	–	2	2
Total personnel costs	25	91	116	(4)	73	69
Other costs incurred in managing and administering the scheme						
Professional fees	9	18	27	9	10	19
Invoiced external manager fees	–	8	8	–	9	9
Securities research fees	–	3	3	–	3	3
Information services costs	2	13	15	2	12	14
Group premises costs	2	3	5	2	3	5
Recruitment, training and welfare	2	3	5	1	2	3
Pension Protection Fund levies	3	–	3	3	–	3
Other costs	3	5	8	4	5	9
Total other costs	21	53	74	21	44	65
Total defined benefit costs	46	144	190	17	117	134
Total defined contribution costs	5	7	12	3	5	8
Total scheme expenses	51	151	202	20	122	142

Notes to the financial statements for the year ended 31 March 2025

Continued

5 Administrative and investment management expenses continued**Accounting for administrative and investment management expenses**

Administrative and investment management expenses represent the costs incurred by the trustee company in managing and administering the scheme. These costs are recharged to the scheme in accordance with its rules and recognised in the scheme accounts on an accruals basis.

Administrative expenses are incurred by the trustee company in managing and administering the scheme and, in accordance with the trust deed, are chargeable to the scheme. Investment management expenses comprise all costs directly attributable to the scheme's investment activities, including the operating costs of USS Investment Management Limited and the costs of management and advisory services rendered by third parties.

USS operates a hybrid scheme and therefore administrative and investment expenses are incurred, recorded and controlled as a whole. The split between defined benefit and defined contribution is calculated with reference to the Master Trust DC business plan as submitted to TPR for the current and prior year.

Prior period pension costs include a one-off credit of £47m relating to the release of the pension deficit recovery liability in the trustee company which reduced the value of amounts recharged for that year.

The aggregate amount of compensation payable for loss of office to employees during the year was £0.7m (2024: £0.1m) of which £0.4m (2024: £0.1m) was payable to employees whose remuneration exceeded £100,000 during the year.

6 Investment income**Accounting for investment income**

Investment income is brought into account on the following bases:

- Dividends, tax and interest from investments, on the date that the scheme becomes entitled to the income
- Interest on cash deposits and bonds, as it accrues
- Property rental income, on a straight-line basis over the period of the lease
- Finance leases, based on a pattern reflecting a constant periodic rate of return on the net investment in the lease over the period of the lease

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Dividends from equities	485	38	523	404	26	430
Net property income	115	4	119	115	2	117
Income from pooled investment vehicles	257	8	265	312	4	316
Income from bonds	853	18	871	747	17	764
Interest on cash deposits	104	1	105	111	1	112
Expenses from derivatives	(249)	–	(249)	(219)	–	(219)
Other expenses	(96)	–	(96)	(23)	–	(23)
Income from finance leases	52	1	53	39	1	40
	1,521	70	1,591	1,486	51	1,537

Income from property is net of property-related expenses of £12m (2024: £10m).

Investment income from overseas investments may be subject to deduction of local withholding taxes under relevant domestic law. Where double taxation treaties exist between the UK and the country in which the income arises, the tax withheld may be reduced to a lesser rate or to zero by the operation of the relevant treaty. Final withholding taxes suffered, after applying any beneficial treaty rates, are disclosed on the face of the fund account as taxation.



Notes to the financial statements for the year ended 31 March 2025

Continued

7 Investments reconciliation**Accounting for investments**

Investments are included in the statement of net assets at fair value at the year end as follows:

- (i) Quoted equities and bonds – Quoted equities and bonds in active markets are stated at closing prices; these prices may be last traded prices or bid market prices depending on the convention of the stock exchange on which they are quoted
- (ii) Fixed interest securities – Interest is excluded from the market value of fixed interest securities and is included within investment income receivable. However, in some global markets, the market value of the fixed income security includes the accrued interest and there will not be any separate interest accruals on these securities
- (iii) Unquoted equities and bonds – Unquoted equities and bonds are stated at fair value as estimated by the trustee using appropriate valuation techniques, for example discounted cash flow models. Direct investments are valued by independent valuation experts or a qualified internal team of valuation experts
- (iv) Pooled investment vehicles – Pooled investment vehicles are stated at unit prices or values as advised by the fund administrator based on the fair value of the underlying assets
- (v) Derivatives – Derivative contracts are recognised initially and are subsequently measured at fair value
- (vi) Property – Property is stated at fair value as at the year-end date and determined by independent professional valuers who are members of the Royal Institute of Chartered Surveyors. Any gains or losses arising from a change in fair value are recognised in the return on investments
- (vii) Finance leases – Leases are stated as the present value of the minimum lease payments, discounted at the interest rate implicit within the lease

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The changes in the market value of investments are shown below:

	Note	Market value Mar 2024 £m	Purchases at cost and derivative payments £m	Proceeds of sales and derivative receipts £m	Changes in value during the year £m	Market value Mar 2025 £m
Defined benefit						
Equities		22,626	4,184	(7,571)	480	19,719
Bonds		36,123	13,087	(10,307)	(3,565)	35,338
Pooled investment vehicles	8	12,444	3,093	(2,168)	428	13,797
Derivatives (net)	9	(444)	5,935	(5,938)	227	(220)
Property		2,537	25	(239)	80	2,403
		73,286	26,324	(26,223)	(2,350)	71,037
Cash and cash equivalents		2,201			(17)	2,418
Other investment balances (net)	10	(1,445)			44	(1,215)
Finance leases	11	791				1,037
		74,833	26,324	(26,223)	(2,323)	73,277
Defined contribution						
Equities		1,666	702	(430)	38	1,976
Bonds		398	255	(264)	(10)	379
Pooled investment vehicles	8	1,050	377	(338)	28	1,117
Derivatives (net)	9	(8)	76	(61)	13	20
Property		86	11	(7)	3	93
		3,192	1,421	(1,100)	72	3,585
Cash and cash equivalents		32			(4)	33
Other investment balances (net)	10	5				21
Finance leases	11	26				22
		3,255	1,421	(1,100)	68	3,661

Notes to the financial statements for the year ended 31 March 2025

Continued

7 Investments reconciliation continued

At 31 March 2025, the scheme's approach to valuation was consistent with its normal process and valuation policy. There is a Fair Value Committee to review the valuation policies, processes and their application to individual investments. The trustee has satisfied itself as to the methodology used, the discount rates and other key assumptions applied in the valuations reported at the year end date.

Included in the amount for derivatives are realised and unrealised gains of £132m (2024: realised and unrealised losses of £608m) from forward currency contracts, which are used to hedge the currency risk relating to overseas investments (see note 9). These are offset by losses in the values of the corresponding overseas assets.

At year end, within other investment balances, amounts payable under repurchase agreements amounted to £1,804m (2024: £2,118m). At the year end £1,802m (2024: £2,201m) of bonds reported in scheme assets are held by counterparties under repurchase agreements.

Investments purchased by the scheme in respect of the defined contribution (DC) part are allocated to provide benefits to the individuals on whose behalf the corresponding contributions were paid. Accordingly, these assets do not form a common pool of assets available for members generally. Members each receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights. All investment assets under the DC part of the scheme are designated to members.

DC investments include legacy money purchase AVC investments with Prudential Assurance Company Limited of £138m (2024: £158m). These assets are specifically allocated to secure extra benefits for those members who have made these additional voluntary contributions.

Transaction costs**Accounting for transaction costs**

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the scheme such as advisory fees, commissions and stamp duty. In addition to the direct transaction costs disclosed below, indirect costs are incurred through the bid-offer spread on investments.

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees and taxes £m	Commission £m	2025 £m	Fees and taxes £m	Commission £m	2024 £m
Defined benefit						
Equities	22	3	25	7	4	11
Bonds	2	–	2	1	–	1
Pooled investment vehicles	10	–	10	3	–	3
Property	1	–	1	1	–	1
Finance leases	4	–	4	10	–	10
	39	3	42	22	4	26

The defined contribution element of transaction costs is not separately disclosed on the basis of materiality.



Notes to the financial statements for the year ended 31 March 2025

Continued

8 Pooled investment vehicles**Accounting for pooled investment vehicles**

Equities held by unit trusts and managed funds are stated at latest available bid price or single price, as advised by the fund manager, based on the market valuation of the underlying assets.

Hedge funds are stated at fair value based on prices determined by the independent administrator of each respective investment manager.

Private equity funds are stated at the latest available cash flow adjusted valuations prepared in accordance with International Private Equity and Venture Capital (IPEV) Guidelines.

The accounting policy for specific investment categories within pooled investment vehicles is described in note 7.

The scheme's pooled investment vehicles at the year end comprised:

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Equities	1,195	151	1,346	180	211	391
Hedge funds	231	–	231	222	–	222
Private equity	9,882	196	10,078	9,665	51	9,716
Property	1,975	47	2,022	1,824	42	1,866
Bonds	514	408	922	553	443	996
Cash	–	177	177	–	145	145
Legacy AVCs	–	138	138	–	158	158
Total pooled investment vehicles	13,797	1,117	14,914	12,444	1,050	13,494

9 Derivatives**Accounting for derivative contracts**

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivatives with an initial purchase price are reported as purchases. Those that do not have an initial purchase price but require a deposit, such as initial margin to be placed with the broker, are recorded at nil cost on purchase. Derivatives comprise the following types of contracts which are either exchange-traded or over-the-counter (OTC).

At the year end, the scheme recognised the following derivatives:

	Note	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Assets							
Options	9(a)	233	–	233	139	–	139
Futures contracts	9(b)	74	–	74	131	–	131
Swaps	9(c)	1,075	–	1,075	1,667	–	1,667
Forward foreign exchange contracts	9(d)	480	26	506	163	1	164
		1,862	26	1,888	2,100	1	2,101
Liabilities							
Options	9(a)	(304)	–	(304)	(73)	–	(73)
Futures contracts	9(b)	(141)	–	(141)	(43)	–	(43)
Swaps	9(c)	(1,394)	–	(1,394)	(2,067)	–	(2,067)
Forward foreign exchange contracts	9(d)	(243)	(6)	(249)	(361)	(9)	(370)
		(2,082)	(6)	(2,088)	(2,544)	(9)	(2,553)
Net (liability)/asset	7, 12	(220)	20	(200)	(444)	(8)	(452)

Notes to the financial statements for the year ended 31 March 2025

Continued

9 Derivatives continued**Objectives and policies**

The trustee has authorised the use of derivatives by the investment managers in accordance with the investment guidelines for each mandate. Investment in derivative instruments is only permitted for the purposes of:

- Contributing to a reduction of risks
- Facilitating efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk)

Processes and controls are in place to ensure risk exposures, including to individual counterparties, are maintained within acceptable levels.

The main objectives for the use of derivatives are summarised as follows:

(i) Protection

Derivatives may be used as part of the permitted instrument types available to managers to protect (or enhance) active returns, for example, through the use of options and credit default swaps.

(ii) Modify exposure to asset classes

Derivatives are bought or sold to allow the scheme to change its exposure to a particular market or asset class more quickly than by holding the underlying physical assets. They may also be easier to trade than conventional stocks, particularly in large amounts.

(iii) Hedging

Forward currency contracts are used to partially hedge the currency risk relating to overseas investments. This aims to achieve a better match between the fund's assets and the base currency of its future liabilities. Derivatives may also be used for the purpose of hedging risk exposures affecting future scheme liabilities, for example, through the use of inflation and interest rate swaps.

(iv) Replication

Derivatives are used where liquidity or funding for generating a relevant investment exposure is perceived to be more efficient in derivatives, rather than the underlying physical assets.

Derivative contracts outstanding at year end

A summary of the scheme's outstanding derivative contracts at the year end is set out below. The valuations are based on the unrealised fair values of the various investments at 31 March 2025.

a) Options (OTC)**Accounting for options**

Options are recognised at the fair value as determined by the exchange price for closing out the option as at the year end. Collateral payments and receipts are reported as broker balances and are not included within realised gains or losses reported within change in market value.

The economic exposure is represented by the notional principal value of stock purchased under the contract on an absolute basis.

Defined benefit	Expires within	Notional principal £m	Asset £m	Liability £m
Type of option				
Swaption	1 year	3	–	(2)
Index	1 year	605	233	(302)
		608	233	(304)

b) Futures contracts (exchange traded)**Accounting for futures contracts**

Open futures contracts are recognised in the statement of the net assets at their fair value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract, as determined by the closing exchange price as at the year end.

Amounts included in the change in market value represent realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

The economic exposure is represented by the notional principal value of stock purchased under the contract on an absolute basis.



Notes to the financial statements for the year ended 31 March 2025

Continued

9 Derivatives continued

	Expires within	Notional principal £m	Asset £m	Liability £m
Defined benefit				
Type of future				
Equities	1 year	5,422	31	(89)
Commodity	1 year	310	16	–
Bonds	1 year	5,877	27	(52)
Currency	1 year	34	–	–
		11,643	74	(141)

	Expires within	Notional principal £m	Asset £m	Liability £m
Defined contribution				
Type of future				
Equities	1 year	11	–	–
Bonds	1 year	9	–	–
		20		

c) Swaps (OTC)**Accounting for swaps**

Swaps (OTC) are recognised at fair value, which is the current value of future expected net cash flows arising from the swap, taking into account the time value of money.

Net receipts and payments are reported within change in market value. Realised gains and losses on closed contracts and unrealised gains and losses on open contracts are included within change in market value.

The notional principal amount is used for the calculation of cash flow only.

	Expires within	Nature of swap	Notional principal £m	Asset £m	Liability £m
Defined benefit					
Credit default	6 years	Index	98	2	(2)
	6 years	Single	224	1	(3)
Interest rate	50 years	Fixed vs floating	9,820	690	(1,016)
Total return	7 years	Equity	5,283	2	(56)
	7 years	Commodity	1,360	49	–
	1 years	Bond	965	–	(161)
Inflation linked	10 years	HICPXT	582	30	–
	10 years	CPI	626	6	–
	48 years	RPI	6,635	295	(156)
			25,593	1,075	(1,394)

d) Forward foreign exchange contracts (OTC)**Accounting for forward foreign exchange contracts**

Forward foreign exchange contracts outstanding at the year end are stated at fair value, which is determined as the gain or loss that would arise if each outstanding contract was matched at the year end with an equal and opposite contract at that date.

Notes to the financial statements for the year ended 31 March 2025

Continued

9 Derivatives continued**Defined benefit**

Currency bought	Currency sold	Notional principal £m	Asset £m	Liability £m
GBP	Other	4,022	83	(10)
GBP	USD	14,228	173	(34)
Other	USD	8,616	143	(65)
Other	Other	886	13	(5)
Other	GBP	8,578	23	(68)
USD	Other	6,779	45	(61)
		43,109	480	(243)

Defined contribution

Currency bought	Currency sold	Notional principal £m	Asset £m	Liability £m
GBP	Other	303	6	–
GBP	USD	846	20	–
Other	GBP	453	–	(6)
		1,602	26	(6)

Other currency relates to a number of smaller contracts in denominations not disclosed above. All of the above contracts settle within one year.

At the end of the year the scheme held collateral of £365m (2024: £277m) and had pledged collateral of £326m (2024: £325m) in the form of cash and government bonds in respect of OTC derivatives.

10 Other investment balances**Accounting for other investment balances**

Repurchase agreements (repos) – the scheme continues to recognise and value securities that are delivered out as collateral under repurchase agreements and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable.

Margin balances with the brokers represent the amounts outstanding in respect of the initial margin and any variation margin due to or from the broker.

During the normal course of business, the scheme enters into derivative transactions which are reflected in the scheme financial statements. As a consequence of the clearing arrangements in respect of these transactions, certain charges have been granted by Universities Superannuation Scheme Limited. No liability is expected to arise as a result of these charges.

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Assets						
Amount due from stockbrokers	18	18	36	104	1	105
Dividends and accrued interest	329	9	338	304	10	314
Derivative contracts	1,273	1	1,274	1,929	1	1,930
Other	8	–	8	12	–	12
	1,628	28	1,656	2,349	12	2,361

Notes to the financial statements for the year ended 31 March 2025

Continued

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Liabilities						
Amount due to stockbrokers	(68)	(5)	(73)	(197)	(5)	(202)
Accrued interest	(39)	–	(39)	(48)	–	(48)
Derivative contracts	(739)	(1)	(740)	(1,037)	(1)	(1,038)
Stock lending	(155)	–	(155)	(356)	–	(356)
Repurchase agreements	(1,804)	–	(1,804)	(2,118)	–	(2,118)
Other	(38)	(1)	(39)	(38)	(1)	(39)
	(2,843)	(7)	(2,850)	(3,794)	(7)	(3,801)
Other investment balances (net)	(1,215)	21	(1,194)	(1,445)	5	(1,440)

11 Finance leases**Accounting for finance leases**

On initial recognition, finance leases are held at the present value of the net investment in the lease; this net investment is the aggregate of minimum lease payments and residual value at end of lease. On subsequent measurement, changes to the net investment in the lease are recognised in return on investments immediately.

Lease payments receivable due in	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Less than 1 year	36	1	37	25	1	26
1 year to 5 years	198	4	202	139	5	144
Greater than 5 years	13,418	279	13,697	12,327	407	12,734
Total undiscounted lease payments receivable	13,652	284	13,936	12,491	413	12,904
Unearned finance income	(12,615)	(262)	(12,877)	(11,700)	(387)	(12,087)
Net investment in leases	1,037	22	1,059	791	26	817

Unearned finance income is the undiscounted value of lease payments over the lease term. As lease payments fluctuate with inflation over the lease term, the unearned finance income will also fluctuate over time.

12 Fair value determination

Fair value is the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Category 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Category 2: Valuation using directly or indirectly observable inputs other than those in category 1. i.e. quoted prices for similar instruments in active markets or quoted prices for similar instruments in inactive markets.

Category 3: Valuation where one or more significant inputs are unobservable from market data.



Notes to the financial statements for the year ended 31 March 2025

Continued

12 Fair value determination continued

	Note	2025 category			Total £m
		1 £m	2 £m	3 £m	
Defined benefit					
Equities	7	13,843	–	5,876	19,719
Bonds	7	22,740	8,117	4,481	35,338
Pooled investment vehicles	7, 8	1,216	–	12,581	13,797
Derivatives	7, 9	(67)	(153)	–	(220)
Property	7	–	–	2,403	2,403
Cash and cash equivalents	7	2,418	–	–	2,418
Other investment balances	7, 10	(1,215)	–	–	(1,215)
Finance leases	7, 11	–	–	1,037	1,037
		38,935	7,964	26,378	73,277

	Note	2024 category			Total £m
		1 £m	2 £m	3 £m	
Defined benefit					
Equities	7	16,361	–	6,265	22,626
Bonds	7	23,400	8,090	4,633	36,123
Pooled investment vehicles	7, 8	237	–	12,207	12,444
Derivatives	7, 9	87	(531)	–	(444)
Property	7	–	–	2,537	2,537
Cash and cash equivalents	7	2,201	–	–	2,201
Other investment balances	7, 10	(1,445)	–	–	(1,445)
Finance leases	7, 11	–	–	791	791
		40,841	7,559	26,433	74,833

Bonds include government bonds which are measured using pricing provided by Gilt-edged Market Makers Association (GEMMA). The SORP permits government bonds to be disclosed as Level 1 assets even if priced using the GEMMA mid-price provided the bond is highly actively traded and there is an insignificant difference between GEMMA and a market quoted price.

UK, US, French, German and Italian government bonds are all considered to be highly actively traded. Accordingly, £22.7bn of bonds have been classified as Level 1 at 31 March 2025 (2024: £23.4bn).

	Note	2025 category			Total £m
		1 £m	2 £m	3 £m	
Defined contribution					
Equities	7	1,760	–	216	1,976
Bonds	7	5	267	107	379
Pooled investment vehicles	7, 8	5	869	243	1,117
Derivatives	7, 9	–	20	–	20
Property	7	–	–	93	93
Cash and cash equivalents	7	33	–	–	33
Other investment balances	7, 10	21	–	–	21
Finance leases	7, 11	–	–	22	22
		1,824	1,156	681	3,661

	Note	2024 category			Total £m
		1 £m	2 £m	3 £m	
Defined contribution					
Equities	7	1,503	–	163	1,666
Bonds	7	10	272	116	398
Pooled investment vehicles	7, 8	6	951	93	1,050
Derivatives	7, 9	–	(8)	–	(8)
Property	7	–	–	86	86
Cash and cash equivalents	7	32	–	–	32
Other investment balances	7, 10	5	–	–	5
Finance leases	7, 11	–	–	26	26
		1,556	1,215	484	3,255

Notes to the financial statements for the year ended 31 March 2025

Continued

13 Investment risks

Investment risks are set out below as follows:

Credit risk: This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: This comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the scheme's strategic investment objectives. These objectives and risk limits are implemented through the holistic DB and DC investment frameworks which have been agreed with USSIM and are overseen by the trustee.

Further information on the trustee's approach to risk management and the scheme's exposures to credit and market risks are set out below and within the Statement of Investment Principles and Implementation Statement.

Credit risk

The scheme is subject to credit risk because the scheme invests directly in bonds, OTC derivatives, has cash balances and unsettled trades, undertakes stock lending activities, leases properties and enters into repurchase agreements. The scheme also invests in pooled investment vehicles, and is therefore exposed directly to credit risk in relation to those vehicles and indirectly in relation to the underlying instruments held by them.

	Investment grade		Non-investment grade		Unrated		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Defined benefit								
Direct non-collateralised								
Bonds not under repurchase or stock loan agreements	19,697	20,844	1,908	1,849	7,163	7,490	28,768	30,183
Cash	2,418	2,201	–	–	–	–	2,418	2,201
Pooled investment vehicles	–	–	–	–	12,581	12,207	12,581	12,207
Finance leases	–	–	–	–	1,037	791	1,037	791
Rent debtors	–	–	–	–	2	3	2	3
Amounts due from stockbrokers	–	–	–	–	31	96	31	96
Sub-total	22,115	23,045	1,908	1,849	20,814	20,587	44,837	45,481
Direct collateralised								
Bonds lent under repurchase agreements	1,823	2,132	–	–	–	–	1,823	2,132
Bonds lent under stock loan agreements	4,972	3,887	–	–	–	–	4,972	3,887
Equities lent under stock loan agreements	1,407	1,697	–	–	–	–	1,407	1,697
Derivatives	1,788	2,414	–	–	–	–	1,788	2,414
Sub-total	9,990	10,130	–	–	–	–	9,990	10,130
	32,105	33,175	1,908	1,849	20,814	20,587	54,827	55,611



Notes to the financial statements for the year ended 31 March 2025

Continued

13 Investment risks continued

	Investment grade		Non-investment grade		Unrated		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Defined contribution								
Direct non-collateralised								
Bonds not under repurchase or stock loan agreements	141	119	124	150	113	123	378	392
Cash	33	32	–	–	–	–	33	32
Pooled investment vehicles	–	–	–	–	1,112	1,043	1,112	1,043
Finance leases	–	–	–	–	22	26	22	26
Amounts due from stockbrokers	–	–	–	–	2	1	2	1
Sub-total	174	151	124	150	1,249	1,193	1,547	1,494
Direct collateralised								
Bonds lent under stock loan agreements	5	8	–	–	–	–	5	8
Equities lent under stock loan agreements	61	43	–	–	–	–	61	43
Derivatives	27	1	–	–	–	–	27	1
Sub-total	93	52	–	–	–	–	93	52
	267	203	124	150	1,249	1,193	1,640	1,546

Credit risk arising on bonds is managed:

- Through investment in developed-market government bonds where the credit risk is minimal
- For corporate and emerging-market bonds and private credit, through individual investment mandates which set out the maximum permissible exposure to non-investment grade issuers, so as to maintain the overall credit quality of the portfolios

The use of credit default swaps has the effect of mitigating the maximum exposure to credit risk. The exposure to fixed interest credit risk mitigated through credit derivatives was £156m (2024: £50m).

Cash is held with financial institutions which are at least investment grade credit rated, with the maximum deposit limit for any one counterparty set by reference to its credit rating. Credit default swaps (CDS), spreads and rating notifications are monitored to ensure exposures remain within the approved limits. Money market liquidity funds must have a minimum AAA rating to be eligible for investment and limits are in place on the maximum allowable exposure to any single fund.

The scheme is exposed indirectly to credit risks arising on financial instruments held by the pooled investment vehicles. Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles which themselves hold private market funds, hedge funds and controlled property funds (only the value of those underlying assets which are subject to credit risk is included in the note).

The DB value at the year end was: private market funds £9,882m (2024: £9,655m), hedge funds £231m (2024: £222m), listed bonds funds £514m (2024: £553m) and controlled property funds £16m (2024: £48m).

The DC value at the year end was: private market funds £196m (2024: £51m), DC USS Investment Builder £585m (2024: £587m), £138m legacy AVCs (2024: £158m), and controlled property funds £1m (2024:£1m).

A summary of pooled investment vehicles by type of arrangement is as follows:

Note	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Unit trusts	364	15	379	380	13	393
Open ended investment companies (OEICs)	1,709	874	2,583	734	957	1,691
Partnership interests	11,493	228	11,721	11,108	80	11,188
Interests in limited partnerships	231	–	231	222	–	222
	13,797	1,117	14,914	12,444	1,050	13,494

Notes to the financial statements for the year ended 31 March 2025

Continued

13 Investment risks continued

Direct credit risk on pooled investment vehicles comprises the pooled funds shown in note 8 with the exception of £1,216m (DB) and £5m (DC) (2024: £237m DB, £6m DC) invested in exchange traded funds which are not considered to be subject to credit risk as they are traded on an active market.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, provisions to automatically dissolve the funds in the event of insolvency of the pooled investment manager or general partner, a cap of liability to pooled funds at the level of funds committed, and diversification of investments among a number of pooled arrangements. Due diligence checks are carried out on the appointment of new pooled investment managers and on an ongoing basis thereafter.

Credit risk arises from the rents due from tenants of the scheme's investment property portfolio. This is mitigated through credit control procedures, regular review of tenant credit ratings and the use of rent deposits where appropriate.

Credit risk arising from amounts due to stockbrokers is mitigated through delivery versus payment settlement in the majority of markets.

Credit risk arising from repurchase activities is mitigated through collateral arrangements which fully collateralise the exposure.

Credit risk arising from finance leases is mitigated by holding title of the underlying property, which fully collateralises the exposure.

Credit risk arising from stock lending activities is mitigated by restricting the amount of stock that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and through collateral arrangements. Loans are fully collateralised, with daily mark to market of all loaned securities, to ensure collateral is received or returned to maintain full collateralisation. In addition, the scheme's custodians provide indemnities against losses arising from stock lending exposure to counterparties.

Credit risk arising on derivatives depends on whether the derivative is exchange-traded or OTC. OTC derivative contracts, other than those which are centrally cleared, are not guaranteed by any regulated exchange and therefore the scheme is subject to risk of failure of the counterparty. The credit risk for OTCs, including swaps and forward foreign currency contracts, is reduced by collateral arrangements (see note 9). OTCs are valued daily and counterparty exposures are fully collateralised subject to de minimis limits.

Market risk**Currency risk**

The scheme is subject to currency risk because some of the scheme's investments are denominated in foreign currencies, comprise assets whose economic value is generated in foreign currencies, and/or take active exposure to foreign currencies. Derivative holdings are represented on a market value basis within the table below:

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Direct						
Australian Dollar	703	51	754	976	47	1,023
Canadian Dollar	275	48	323	255	36	291
Euro	3,883	271	4,154	5,767	224	5,991
Hong Kong Dollar	1,011	54	1,065	889	40	929
Indian Rupee	658	26	684	806	26	832
Japanese Yen	924	105	1,029	1,814	118	1,932
Norwegian Krona	674	4	678	476	6	482
Polish Zloty	250	2	252	110	1	111
South Korean Won	256	12	268	494	16	510
Swedish Krona	323	17	340	136	20	156
Swiss Franc	699	48	747	1,156	35	1,191
Taiwan New Dollar	452	28	480	679	22	701
Turkish Lira	813	1	814	51	1	52
United States Dollar	23,459	1,591	25,050	20,903	1,216	22,119
Other	675	54	729	3,013	57	3,070
	35,055	2,312	37,367	37,525	1,865	39,390
Less: Foreign currency hedging	(3,437)	–	(3,437)	(2,740)	–	(2,740)
	31,618	2,312	33,930	34,785	1,865	36,650

Notes to the financial statements for the year ended 31 March 2025

Continued

13 Investment risks continued

Indirect currency risk arises on pooled investment vehicles when the vehicle invested in is denominated in a foreign currency and/or comprise assets whose economic value is generated in foreign currency. At the year end, the market value of indirect currency risk was £10,986m in the DB part of the scheme (2024: £9,926m) and £189m in the DC part of the scheme (2024: £51m).

Interest rate risk

The scheme's investments are subject to interest rate risk because they include public and private credit, swaps and money market instruments. Also, investments in certain unquoted equities are valued in a way that makes them sensitive to interest rates and are, therefore, directly subject to interest rate risk. Much of this investment-related interest-rate risk provides an offsetting exposure to the interest risk which is inherent to the scheme's liabilities. This serves to mitigate the interest rate risk across the scheme as a whole.

Cash including liquidity funds are exposed to short duration interest rate risk. However, these balances have been excluded from the amounts disclosed below as the interest rate risk involved is immaterial.

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Direct						
Bonds	35,338	379	35,717	36,123	398	36,521
Equities	4,387	172	4,559	5,116	150	5,266
Derivatives	(104)	20	(84)	(780)	(8)	(788)
	39,621	571	40,192	40,459	540	40,999

Indirect interest rate risk arises on pooled investment vehicles where the vehicle invests in assets which are exposed to interest rate risk. The value as at the year end relating to pooled investment vehicles – defined benefit was £591m (2024: £626m) and to pooled investment vehicles – defined contribution was £586m (2024: £587m).

Other price risk

Other price risk arises principally in relation to the scheme's return-seeking portfolio, which includes directly held equities, equities held in pooled vehicles, futures, hedge funds, private equity and investment properties. Derivative values below are based on market value.

The scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Direct						
Equities	19,719	1,976	21,695	22,626	1,666	24,292
Derivatives	(116)	–	(116)	336	–	336
Property	2,403	93	2,496	2,537	86	2,623
Pooled investment vehicles	13,283	532	13,815	11,891	462	12,353
	35,289	2,601	37,890	37,390	2,214	39,604

Indirect other price risk arises in relation to underlying investments held in pooled investment vehicles holding equity, private market funds, hedge funds and property funds.

The value relating to defined benefit pooled investment vehicles at the year end was: equity £1,195m (2024: £180m), private market funds £9,882m (2024: £9,665m), hedge funds £231m (2024: £222m), and property funds £1,975m (2024: £1,824m).

The value relating to defined contribution pooled investment vehicles at the year end was: equity £151m (2024: £211m), legacy AVCs £138m (2024: £158m), private market funds £196m (2024: £51m), and property funds £47m (2024: £42m).

Notes to the financial statements for the year ended 31 March 2025

Continued

14 Subsidiary undertakings controlled by Universities Superannuation Scheme

The net assets of subsidiary undertakings through which the scheme holds investments are summarised below.

	2025 £m	2024 £m
Equities	6,015	6,232
Bonds	3,570	3,491
Pooled investment vehicles	8,883	7,999
Property	215	202
Cash	16	19
Other investment balances	(56)	(67)
Finance leases	225	221
	18,868	18,097

15 Self investment

The scheme had no 'employer-related investments' at year end, as defined by relevant legislation, except equity and loan investments made in the normal course of business in certain investment holding companies. The funding of these investment vehicles, which are held for investment purposes and are not operating subsidiaries as explained on page 61, amounts to 0.88% (2024: 1.47%) of the net assets of the scheme.

16 Current assets

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Contributions receivable:						
– employer contributions	159	35	194	168	59	227
– members' basic contributions	7	1	8	6	1	7
– members' additional voluntary contributions	–	7	7	1	13	14
Other debtors	41	82	123	27	50	77
Cash at bank and in hand	21	–	21	19	2	21
	228	125	353	221	125	346

Contributions due at the year end have been paid to the scheme subsequent to the year end in accordance with the Schedule of Contributions.

17 Current liabilities

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Benefits payable	(336)	(6)	(342)	(132)	(4)	(136)
Taxation creditor	(1)	–	(1)	–	–	–
Due to trustee company	(80)	(5)	(85)	(84)	(5)	(89)
Other creditors	(78)	–	(78)	(43)	–	(43)
	(495)	(11)	(506)	(259)	(9)	(268)

Notes to the financial statements for the year ended 31 March 2025

Continued

18 Securities on loan**Accounting for other investment arrangements**

The scheme continues to recognise securities delivered out under stock lending arrangements and as collateral under OTC derivative contracts reflecting its ongoing interest in those securities.

Securities received as collateral in respect of stock lending arrangements and derivative contracts are disclosed but not recognised as scheme assets.

The value of collateral received in respect of OTC derivative contracts reflects its fair value.

Securities have been lent to the counterparties in return for fee income earned by the scheme. Security for these loans is obtained by holding collateral in the form of cash, equities, government bonds and letters of credit.

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Value of stock on loan at 31 March						
Equities	1,407	61	1,468	1,697	43	1,740
Bonds	4,972	5	4,977	3,887	8	3,895
	6,379	66	6,445	5,584	51	5,635
Collateral held	6,826	71	6,897	5,978	55	6,033

19 Financial commitments

	Defined benefit £m	Defined contribution £m	2025 £m	Defined benefit £m	Defined contribution £m	2024 £m
Outstanding commitments	4,686	59	4,745	4,466	11	4,477

These represent amounts subscribed and committed that had not been drawn down at the year end and are committed for drawdown in the next five years.

20 Related party transactions

Related party transactions are defined as either employer-related transactions or trustee-related transactions. There were no transactions with employers in either the current or preceding years, other than those identified as employer-related investments disclosed in note 15. Such transactions are performed in the normal course of business and at arm's-length.

The only trustee-related transactions in either the current or prior year relate to the day-to-day administration of the scheme by the trustee company and its subsidiary, and the membership of the scheme of certain Trustee Board members or key management personnel. The membership of those Trustee Board directors is through past or present employment with scheme employers and accordingly is in the normal course of business on an arm's length basis. Similarly, membership of key management personnel which arises on account of their employment by the trustee company, is based on the same conditions as all members and is therefore considered to be on an arm's-length basis and in the normal course of business.

Administrative and investment management expenses incurred by the trustee company are shown in note 5. All transactions are solely for the purposes of effectively administering the scheme.



Other regulatory statements

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Bruc Energy solar farm, Andalusia, Spain



Chair's defined contribution statement

The purpose of this statement is to explain how the trustee ensures that the scheme is governed and managed to the standard required by legislation and expected by the Pensions Regulator (TPR).

The Investment Builder, the defined contribution (DC) part of the Universities Superannuation Scheme (the scheme), was introduced in October 2016.

This is the ninth annual statement from the Chair of the trustee (Universities Superannuation Scheme Limited) regarding the governance of the Investment Builder and the scheme's money purchase AVC arrangement with the Prudential¹.

The content of this statement is structured around the following areas:

- 1 Investment design:** the default investment approach and other investment options available to members.
- 2 Fund performance and governance:** management of investment options to ensure investment performance is at appropriate levels compared to risks, benchmarks and charges and that the fund selection remains appropriate.

- 3 Administration:** demonstrating how core financial transactions are processed promptly and accurately.
- 4 Value for members:** how costs and charges, including transaction costs, are managed, monitored and recorded, and how this provides value for money to our members.
- 5 Trustee knowledge and understanding:** how the Trustee Board ensures that it has the skills and competencies required for the role it performs and how the requirements regarding non-affiliation of trustee directors are met.
- 6 Member communications, engagement and representation:** how the scheme engages with members (and member representatives) and encourages member feedback to improve member experience.

1 Investment design

Members have savings in the Investment Builder if they earn above the salary threshold of £70,296 for the 2024/25 scheme year, or have earned above the salary threshold in the past, have made additional voluntary contributions to the Investment Builder, or have transferred funds into the scheme since October 2016.

The investment choices fall into two broad categories reflecting the degree of self-management that members wish to undertake:

- **Do It For Me** – a choice between two lifestyle options – the USS Default Lifestyle Option and the USS Ethical Lifestyle Option. Both lifestyle options automatically adjust to reduce risk as the member approaches their Target Retirement Age (TRA), as illustrated in the graphic to the right.
- **Let Me Do It** – a choice of 10 individual funds if members wish to customise their approach. These are referred to as the self-select options. These options offer a range of funds with different levels of risk and prospective return to cater for a range of investment objectives and beliefs for members who want to make their own investment choices.

It is possible in some circumstances for a member to adopt a combination of the two options outlined above.

Members who do not make an active investment choice will be invested in the USS Default Lifestyle Option. At 31 March 2025, 87% of the scheme's active membership were fully invested in the USS Default Lifestyle Option. 6% chose a combination of both the Lifestyle and self-select options. The remaining active members were wholly invested in either the self-select options (5%) or the Ethical Lifestyle Option (2%).

Default Lifestyle Option glidepath

At outset

Invested in the USS Growth Fund to provide greater opportunity to generate investment returns over the longer term.

10 to 5 years from Target Retirement Age

Half of funds switched progressively into the USS Moderate Growth Fund to reduce the overall level of risk

5 years or less from Target Retirement Age

Start switching funds progressively into the USS Cautious Growth Fund and the USS Liquidity Fund

At and beyond Target Retirement Age

Invested 25% in the USS Moderate Growth Fund, 50% in the USS Cautious Growth Fund and 25% in the USS Liquidity Fund

¹ Prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended from time to time).



Chair's defined contribution statement

Continued

My USS portal

By logging on to the member portal (My USS), members can manage their Investment Builder savings and options at any time including:

- Changing investment choices for their existing funds and/or future contributions, including moving between the Do It For Me and Let Me Do It options
- Making new or amending additional voluntary contributions
- Amending their TRA
- Updating their contact details and contact preferences
- Updating their Expression of Wish form for discretionary lump sum death benefits

Default investment approach:**USS Default Lifestyle Option**

The USS Default Lifestyle Option is designed to reflect the different investment needs of a member during their working life and as they approach their TRA. If a member has not set their TRA, it will be set to the scheme's normal pension age (currently age 66 and increasing in line with State Pension age) at the date of joining the Investment Builder.

Design of the USS Default Lifestyle Option

The default option explicitly takes into account the hybrid structure and demographics of the scheme, and considers the findings of:

- Large surveys with members to understand their risk appetite and investment beliefs
- Projections of member benefits and the relative role of the State Pension, DB and DC benefits at retirement
- Focus groups with members to understand their views on DC benefits and their plans for how they might use their funds at retirement

- Extensive investment strategy modelling to consider different risk and return profiles and asset allocation strategies

The conclusions from this research and a corresponding set of 'Policy Beliefs', which are reviewed annually, guide the management of Investment Builder funds and are available online at the [USS Investment Builder Policy Beliefs page](#).

The suitability of the Investment Builder is reviewed each year by the trustee.

The output of this review aims to inform the trustee's Pensions Committee and Investment Committee about the following:

- Ongoing suitability of the default option
- Range of alternative investment options
- At retirement options
- Engagement objectives

With effect from 1 April 2024, the way members build up benefits in the Retirement Income Builder (the defined benefit (DB) part of the scheme) changed, including increasing the salary threshold from £41,004 to £70,296. This means that fewer members are now making contributions to the Investment Builder, and most that are, are contributing significantly less.

This was considered a significant change in the demographic profile of members who have assets invested in the default arrangement. In light of this, the trustee undertook a full review of the suitability of the default strategy, including revised projections of member benefits, modelling based on example members, analysis of current and likely future use of Investment Builder savings, and a large-scale survey looking at attitudes to risk.

The trustee's Pensions Committee concluded in November 2024 that while the role of Investment Builder had changed for many members, this resulted in only minor changes to the Policy Beliefs and the requirements for the default strategy remained suitable, as did the alternative investment options, at retirement options, and engagement objectives. The next regulatory review of the default strategy suitability is due in 2027.

The details of the review of the default investment strategy and performance of the USS Default Lifestyle Option which took place during the scheme year are to the right under 'Fund performance and governance'.

A full description of the USS Default Lifestyle Option is included in the latest USS Default Lifestyle Option Statement of Investment Principles (DC Default SIP) on pages 99 to 102, annexed to and immediately following this Chair's defined contribution statement. The latest DC Default SIP can also be found on the USS website.

Prudential money purchase AVCs

In addition to the funds offered in the Investment Builder, some scheme assets are managed by Prudential.

These assets relate to the money purchase AVC (MPAVC) arrangement previously in place. Prudential funds are closed to new contributions.

Members with Prudential funds can choose to transfer them into the Investment Builder or retain them in the MPAVC arrangement.

2 Fund performance and governance

In setting and monitoring the DC investment strategy, the trustee assesses the key investment risks relevant to the DC part. These risks include inflation, currency, the impact of market movements in the period prior to retirement, returns on investments relative to the investment objectives, liquidity risk, climate change management risk, operational risk and market risk including equity, interest rate and credit risk. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members and within the agreed parameters set by the trustee. These are formalised in the Investment Framework which was agreed between the trustee and Universities Superannuation Scheme Investment Management Limited (USSIM) on 2 January 2023 and was last reviewed on 19 December 2024.

The trustee has appointed USSIM, as its investment manager. USSIM monitors the performance of each of the investment options offered to members within the Investment Builder in line with the Investment Framework. The trustee reports periodically on the return of the DC funds relative to their targets and reviews its policies on currency management and liquidity on an annual basis. The trustee also reviews performance versus expectations, benchmarks, and peers.

It also reviews the performance of any remaining funds held under the Prudential MPAVC arrangement on a periodic basis.

Chair's defined contribution statement

Continued

USSIM provides regular investment performance reports to the trustee's Investment Committee (IC), which is responsible for the oversight of the performance of the Investment Builder.

The IC provides the trustee with a report on its activities and any recommendations arising after each meeting.

In March 2025, the IC carried out the annual review of the performance of the USS Default Lifestyle Option. As part of this review, the IC examined the returns in relation to different groups of members, and concluded that the returns for all groups of members were consistent with the aims and objectives set out in the USS Default Lifestyle Option SIP. In summary, the USS Default Lifestyle Option seeks to generate returns in excess of inflation during the growth phase of the strategy and to provide exposure, at retirement, to a portfolio of assets to align as much as possible with how a member is likely to use their savings at and into retirement.

The IC therefore concluded that the USS Default Lifestyle Option strategy remained appropriate and recommended that it was not changed. A similar review was also carried out in relation to the other investment options available in the Investment Builder and the IC reached the same conclusion. The recommendations from these reviews were approved by the Trustee Board prior to scheme year end.

Since their appointment in February 2020 Lane Clark & Peacock (LCP) have acted as external investment consultants to the trustee. This appointment helps to provide robust, independent challenge on all investment matters relating to members' DC benefits.

This is separate from, and additional to, the investment advice that the trustee receives from USSIM as principal investment adviser to the trustee.

3 Administration

The trustee operates and reviews a suite of processes and controls designed to (i) ensure that those who are carrying out scheme administration have the appropriate training and expertise and (ii) enable a continuous and consistent service in the event of a change of administrator personnel or administration provider, including the business continuity plan that is tested periodically.

Quality assurance is embedded in scheme procedures as the trustee recognises that delay and error in these financial transactions can cause losses to members. The financial transactions for the Investment Builder arrangement include (but are not limited to):

- Receipt, reconciliation and investment of contributions to the scheme
- Transfers of members' assets into and out of the scheme
- Switching of members' assets between different investment options within the scheme, including operation of the glidepath for the lifestyle options
- Payments from the scheme to, or in respect of, members

The trustee has considered and tested the processes, controls and assurance reports and is assured that the scheme has processed core financial transactions promptly and accurately during the scheme year and, to the extent of any delays or errors, those transactions²

have been or will be dealt with in accordance with the scheme's DC Errors and Omissions policy and remediation process.

More detail on processes and how they operate in practice is provided below.

Strategic partnerships

The trustee has established strategic partnerships with two external suppliers to deliver different aspects of core financial transactions within the Investment Builder, namely:

- Capita: provides the pensions administration system for the scheme and all DC related back-office administration services
- Northern Trust: provides the investment platform to enable contributions and assets to be invested

Working with these two partners, the trustee closely monitors end-to-end financial transactions to ensure prompt and accurate processing. This is achieved by delegation of this function to various dedicated teams, which are described in more detail below. The trustee conducts monthly service reviews with the partners.

The reviews are underpinned by comprehensive monthly stewardship and management information reports which include month-by-month performance against service level agreements (SLA) attributable to the processing of the core financial transactions explained earlier. Collaboration between the dedicated teams and the external partners is critical and appropriate systems

and processes are in place to ensure smooth and timely communication as well as engendering opportunities for continuous improvement.

The trustee has a dedicated Pensions Supplier Manager to oversee its strategic relationship with key pensions suppliers, including Capita.

Although the day-to-day oversight remains with the dedicated teams, the Pensions Supplier Manager provides a point for escalation of any matters that the teams deem appropriate, and tracks those matters through to resolution.

Core transactions

Contributions

Daily reconciliations of contributions receipts into the trustee bank account from employers are made, and DC related contributions are sent to Capita for investment the subsequent working day.

The Service Level Agreement between Capita and the trustee requires contributions to be invested by the end of the third working day following receipt or reconciliation against member records where this occurs later. Any delays in reconciliation are investigated to identify thematic issues which require improvement.

Processes and controls are established across both employer and USS teams and assisted by a significant degree of process automation, providing assurance to the trustee that issues are identified and addressed promptly.

A dedicated USS Client Services Team works with employers on a daily basis to manage contribution cycles effectively and to monitor validation matters or queries.

² As defined in Regulation 24 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996/1715.

Chair's defined contribution statement

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Where validation matters are not addressed within prescribed timescales, and therefore contributions not reconciled and allocated to member records, an automatic loss remedy procedure is invoked. Performance in this area is particularly strong with zero validation queries outside of the prescribed timescales at 31 March 2025.

The trustee's Pensions Operating Group and DC Product Governance Committee monitor receipt and investment of contributions on a monthly basis. Any significant matters are also reported to the trustee.

Transfers into and out of the scheme

Transfers in and out of the scheme are overseen by the trustee's Transfers Team. Transferred monies from other schemes into the Investment Builder are sent directly to the DC bank account which is operated by Capita. To ensure out of market exposure is limited, the USS Transfers Team work closely with the Capita DC Back Office Team to identify these payments and send them for investment within two working days of receipt.

Members can transfer out their Investment Builder savings to another registered pension scheme or recognised overseas pension scheme at any time, including after retirement (but only in relation to DC savings that are still invested). Members can initiate a transfer by completing a form available on the USS website, following which the scheme must complete its due diligence procedures and aims to make the transfer within 15 working days of those procedures being completed (excluding any time allocated to correspondence with the member receiving scheme or other third party).

Switching of investments

Switching of investments happens quarterly for those members with funds invested in the scheme's lifestyle options and who are within 10 years from their TRA. The switches operate in line with the scheme's glidepaths, which stipulate the gradual movement of investments from higher to lower risk funds. Automatic switches are sample checked by Capita and the trustee's Pension Operations team to ensure they have been completed in accordance with the glidepaths.

Members can also voluntarily switch investments between funds via a digital form on the member portal, My USS. Switches are implemented within one working day of the member's instruction. System reporting controls and sample reviews are in place to ensure that voluntary switches are executed to the member's instruction and completed within expected timescales.

Members can choose to switch funds invested with the MPAVC provider (Prudential) into the Investment Builder. Once funds have been received, they are sent to Capita for investment within two days of receipt.

Payment of pensions and other amounts to members

Disinvestment of members' DC funds is completed within three working days from the point where all preparatory work for the payment to members has been completed by the trustee's Pensions Operations team.

Pension commencement lump sum (PCLS) and uncrystallised funds pension lump sum (UFPLS) payments are made directly to members' bank accounts from the scheme. Once a payment request has been confirmed, payment of a PCLS is usually made on the first working day

following the member's date of retirement and regular pension payments are made on the 21st of each month. UFPLS payments also go through the pension payroll, however, the trustee operates a shorter payment cycle of up to five working days from the date the UFPLS case has been approved to ensure that they are paid to members in the shortest time possible.

Quality controls

The trustee ensures that core financial transactions are processed promptly and accurately by:

- Defining the timescales and associated SLAs both internally and with the third-party service providers (see below) that accord with the expectations within TPR's General Code of Practice and The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended)
- Requiring daily and monthly reporting and assessment against the SLAs
- Designing appropriate and effective controls to mitigate the risk of inaccurate or protracted transactions, including peer review of transactional processes
- Identifying errors or delays that have affected Investment Builder investments or core financial transactions and rectifying these in conjunction with the scheme's DC Errors and Omissions Policy, while also ensuring that controls are reviewed to reduce the likelihood of repeat errors
- Completing monthly sample reviews of the effectiveness of the controls and the timeliness of information processing, performance against SLAs

and the accuracy of transactions, which are carried out by the DC administration team – the results are reported to various committees including the Pensions Executive Committee

- Coordinating bi-annual assessments of risks and controls to ensure they remain appropriate and robust
- Completing monthly reconciliation exercises to ensure that unit holdings are consistent between the administration platform and the fund manager (Northern Trust)
- Carrying out regular data review exercises to ensure that the data held in relation to members' DC benefits is complete and accurate, with conditional data and key DC administration data reviewed on a monthly basis. In addition to this, further checks are carried out on other data at least four times a year to ensure that fund choices, values and all key Statutory Money Purchase Illustration (SMPI) data requirements are present and correct
- Implementing a DC assurance dashboard to comprehensively and frequently assess the accuracy of members' core DC data held on the administration platform and to provide an extra layer of assurance
- Leveraging assurance reviews completed by the USS Internal Audit and Compliance teams who carry out periodic risk-based audits across key processes and controls
- Commissioning an external annual audit (performed by Ernst & Young LLP) to provide external assurance that the financial statements are free from material misstatement



Chair's defined contribution statement

Continued

The trustee also routinely considers administration of the scheme on a quarterly basis and the Trustee Board reviews any material DC risks via an enterprise risk report. Records of any issues in this area are also kept and the need to report any failures to TPR, or events likely to be of interest to TPR, are considered and documented.

Information security

The trustee has multiple controls to ensure scheme members' data is secure and processed in accordance with the Data Protection Act 2018 and other data protection requirements, including:

- Implementation of appropriate information security and data protection framework and processes
- A dedicated Information Security team whose head is the trustee's Data Protection Officer
- Ongoing maintenance of the international information security accreditation, ISO 27001
- Delivery of regular Information Security and Data Protection education and awareness training, including phishing campaigns, to USSL and USSIM employees
- Implementation of appropriate cyber risk controls
- Achievement of government-backed Cyber Essentials Plus accreditation

4 Value for members

Costs and charges

In preparing this section of the Chair's DC Statement, the trustee has had regard to the statutory guidance from the Department of Work and Pensions (DWP), last updated on 21 October 2022³.

Charges and transaction costs borne by members can have a significant impact on the value of their Investment Builder savings. In recognition of this, the approach to, and appropriate level of member charges was subject to extensive discussion as part of the design of the Investment Builder and charges are benchmarked against a range of other DC schemes at least annually, as are the services offered by the scheme in exchange.

Typically, the majority of members who are invested in the Investment Builder do not incur any direct charges. This is because employers meet all administration costs of the scheme, which carries a notional cost of 0.20% per annum of a member's fund value in respect of pension management and other services provided by the scheme. They also subsidise investment costs up to 0.30% per annum of a member's fund value on all funds resulting from normal and additional contributions.

In practice, this means the charges for all of the funds offered are covered entirely by the scheme subsidy. Funds resulting from transfers into the scheme (unless resulting from a transfer from legacy AVCs that were managed by Prudential), and funds built with legacy

³ Reporting of costs, charges and other information: guidance for trustees and managers of occupational schemes, effective from 21 October 2022 – www.gov.uk

AVCs that remain managed by Prudential, do not qualify for the investment management charge subsidy and therefore incur a charge on funds under management as set out in the tables on page 87. Whenever we refer to 'pre-subsidy' charges in this statement, we are referring to this situation, where amounts do not qualify for the subsidy on the investment management charges.

USS Default Lifestyle Option – notional charges

While employers meet the majority of the costs of the Investment Builder on behalf of members (unless members have transferred in benefits from another arrangement since October 2016), for transparency, estimated notional investment management charges are included below to demonstrate what members would pay if they met these costs.

The trustee reviews this notional charge on an annual basis and benchmarks it against the wider industry, noting the challenges in direct cost comparisons arising from the scheme's hybrid structure and the additional administrative complexity of running such an arrangement. The last review of the level of the notional charges was completed by the trustee in May 2025.

The notional charging structure for the USS Default Lifestyle Option is a single notional charge per annum of the member's fund value, including up to 0.30% per annum for investment management charges and 0.20% per annum in respect of administration costs.

In the 12 months to 31 March 2025 the trustee made a number of changes to the underlying investment managers within the 'Do It For Me' and 'Let Me Do It' options. Value for members was a key consideration when these changes were being proposed and approved.

Self-select options

The trustee has considered the costs and charges of the self-select investment options (which include the USS Ethical Lifestyle Option) and compared these to those for the USS Default Lifestyle Option. Investment management charges (pre-subsidy) range from 0.10% per annum to 0.30% per annum of the members' fund value, as shown in the tables on page 87.

Transaction costs

Transaction costs are the costs associated with buying and selling units within a fund. There are three components (the first two of which are one-off costs):

- Purchase costs – these are the costs of making new investments into a fund.
- Selling costs – these are the costs of selling out of a fund.
- Embedded costs – these costs can be explicit and therefore easily identifiable (such as taxes, levies, and broker commissions) or implicit and therefore less readily defined and may include the response of the market to a trade or the timing of a trade (market impact, opportunity cost, and delay costs).

Chair's defined contribution statement

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There may be times when there is a negative embedded cost (in other words, a gain) shown due to market impact. The potential transaction costs for buying and selling funds vary over time and with market conditions. Transaction costs within the Investment Builder are minimised as far as possible by netting sales and purchases and using new cash flows for rebalancing funds to their target allocation.

The Cost Transparency Initiative (CTI) is an industry body overseeing the introduction of standardised templates for reporting of costs and charges by suppliers of investment services. The trustee has adopted its templates for the purpose of collecting transaction cost information from the external investment managers.

Without exception, the external investment managers have all provided the requested data in this format for the period 1 January 2024 to 31 December 2024. The data collected for periods prior to 1 January 2019 used the DC workplace pensions template developed by the industry working group for the purpose of providing insurers with transaction cost data in accordance with COBS 19.8.4R.

The embedded transaction cost data provided for the funds in the MPAVC arrangement with Prudential was an aggregate figure rather than being collected via the CTI template. The transaction cost data received for the period 1 January 2024 to 31 December 2024 has been aggregated with data from prior periods (as described above) to calculate the average transaction costs included in the illustrations on pages 90 to 92.

The tables on the following pages provide the details of the (pre-subsidy) investment management costs and specific transaction costs for both the USS Default Lifestyle Option and the Let Me Do It self-select funds (including the USS Ethical Lifestyle Option).

As mentioned above, no members pay the 0.20% per annum notional cost of pension management services. Regarding Investment Management Charges, the pre-subsidy charges are shown in the 'Transaction costs and charges for the year ended 31 March 2025' tables. Sale and purchase costs range up to 0.22% for the USS Default Lifestyle Option, up to 0.13% per annum in the USS Ethical Lifestyle Option, and up to 0.55% for the USS self-select funds, as shown in the 'Transaction costs and charges for the year ended 31 March 2025' tables. Exact costs will depend on the particular funds members are invested in, whether they are buying or selling and the day on which they deal.

Transaction costs apply to the investment of contributions, requests by members to switch between funds or disinvest funds, automatic switching as part of the scheme's lifestyle options and transferring assets in from schemes outside USS. Transaction costs include advisory fees, commissions and stamp duty (stamp duty is applicable on property and UK equity purchases only, not sales).

Overall value for members

Delivering good value for both employers (who subsidise the costs of the Investment Builder) and members is fundamental to the scheme.

In designing and managing the Investment Builder, the trustee focused on using the scheme's scale and investment expertise to deliver a high-quality, cost-effective DC arrangement as part of the hybrid scheme.

The trustee has worked with Redington Investment Consultants to undertake a value for member benchmarking exercise with Master Trust peers to assess the scope and quality of services being provided.

Assessment framework

The assessment follows a two-stage approach:

Stage 1: A primary assessment considers how the scheme's features performed relative to their objectives, including whether investment charges are competitive compared to peers. This assessment concluded that the investment options met their long-term objectives, at competitive fees, while the scheme continued to expand the service offering and support for members, at no increase in member-borne charges. Regarding the legacy MPAVC investments, Prudential was also found to provide satisfactory investment options.

Stage 2: A supplementary assessment considers how the features of the Investment Builder compare to DC-only Master Trust providers. This was based on a benchmarking exercise performed by Redington, which considered the features of the Investment Builder alongside that of the five peers across six service characteristics, which weighs the different assessment areas differently based on the areas of most importance to Investment Builder members. The Redington assessment continues to assign the highest score for the Investment Builder in the Investment category, with robust controls and innovations in areas such as private markets investments and climate tilted equities within the Lifestyle Options. Overall, the Redington assessment concluded that the scheme continues to rate ahead of the other Master Trusts assessed.

The trustee is satisfied that the quality of the Investment Builder product and service is high relative to both the costs of running it and the charges borne by members pre- and post-subsidy, and that the scheme offers good value for members. Investments delivered their long-term objectives, at competitive fees, while the scheme continued to expand the service offering and support for members, at no increase in charges. As a secondary, supporting point, the scheme's features, in aggregate, have continued to perform ahead of a sample of other DC schemes.



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Transaction costs and charges for the year ended 31 March 2025

Funds in the USS Default Lifestyle Option

Fund	Transaction costs and charges (%)			
	IMC	Purchase (max)	Sale (max)	Embedded
USS Growth	0.30	0.22	0.01	0.08
USS Moderate Growth	0.30	0.22	0.02	0.09
USS Cautious Growth	0.30	0.21	0.02	0.08
USS Liquidity	0.10	0.00	0.00	(0.06)

Funds in the USS Ethical Lifestyle Option

Fund	IMC	Purchase (max)	Sale (max)	Embedded
USS Ethical Growth	0.30	0.05	0.03	0.11
USS Ethical Moderate Growth	0.30	0.11	0.08	0.08
USS Ethical Cautious Growth	0.30	0.13	0.11	0.06
USS Ethical Liquidity	0.10	0.00	0.00	(0.06)

Self-select Funds

Fund	IMC	Purchase (max)	Sale (max)	Embedded
USS Growth	0.30	0.22	0.01	0.08
USS Moderate Growth	0.30	0.22	0.02	0.09
USS Cautious Growth	0.30	0.21	0.02	0.08
USS Liquidity	0.10	0.00	0.00	(0.06)
USS Bond	0.20	0.24	0.00	0.11
USS UK Equity	0.10	0.55	0.07	0.02
USS Global Equity	0.10	0.02	0.03	0.01
USS Emerging Markets Equity	0.30	0.15	0.20	0.13
USS Ethical Equity	0.30	0.00	0.00	0.13
USS Sharia	0.30	0.07	0.09	0.03

Funds in an AVC arrangement with Prudential

Fund	IMC	Purchase (max)	Sale (max)	Embedded
With-Profits Cash Accumulation	1.27	N/A	N/A	0.06
Deposit	N/A	N/A	N/A	0.00
International Equity	0.66	0.16	0.17	0.17
UK Equity	0.62	0.56	0.09	0.26
Index-Linked	0.66	0.10	0.09	0.06
Discretionary	0.66	0.08	0.09	0.17
Fixed Interest	0.66	0.05	0.04	0.07
LGIM FTSE4Good Developed Equity Index	0.85	0.07	0.03	0.00
UK Equity Passive	0.45	0.50	0.06	0.11
Cash	0.65	0.00	0.01	0.00

Notes for the transaction cost information included in the table above

- 1 Purchases and sale costs are maximum costs. Actual realised costs may be much lower.
- 2 A negative embedded cost indicates a positive impact, i.e. a gain. This may be due to implicit costs such as market timings.
- 3 IMCs and embedded fees are calculated on a per annum basis, sales and purchases are one-off costs.
- 4 Prudential embedded transaction costs are the average over the period from 1 October 2023 to 30 September 2024, more recent information was not available from Prudential. The trustee continues to ask Prudential for the transaction cost information, so that the latest information available can be included in this statement.

Chair's defined contribution statement

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Performance-based fees and the charge cap

The trustee is required to disclose the amount of any performance-based fees incurred in relation to the default investment option, calculated as a percentage of the average value of the assets held within the default investment option during the scheme year to 31 March 2025.

	Performance as % of average value of assets held within the default investment option
USS Growth	0.02
USS Moderate Growth	0.01
USS Cautious Growth	0.01

Notes for the performance based fee information included in the tables above

1 Figures shown refer to the period from 1 January 2024 to 31 December 2024 and are based on estimated positions as complete data from 1 April 2024 to 31 March 2025 is not available at the time of writing.

Net investment returns

The trustee is required to state the net investment returns for funds that members were invested in during the scheme year to 31 March 2025, including the USS default investment option, after the deduction of any charges or transaction costs. In preparing this section of the Chair's DC statement the trustee has taken account of statutory guidance issued by the DWP effective from October 2021⁴.

The historical net investment returns shown are not a guide to future returns, which may vary over time.

Funds/investment options in the Investment Builder

As set out in more detail in the sections above, employers currently subsidise investment costs up to 0.30% per annum on all Investment Builder funds resulting from normal and additional contributions. Investment Builder funds resulting from transfers into the scheme (unless resulting from a transfer from legacy MPAVCs that were managed by Prudential), and funds from legacy MPAVCs that remain managed by Prudential, do not qualify for this subsidy. Therefore, the investment returns in the following tables are shown both before (within brackets) and after (outside of brackets) the scheme subsidy to reflect that the net investment returns experienced by members will be dependent on the extent to which their funds are covered by the subsidy. We have shown the net investment returns over one-year and five-year periods to 31 March 2025 only.

Funds in an AVC arrangement with Prudential

The legacy AVC funds do not include a lifestyle option and do not qualify for the subsidy. The investment returns presented for these funds are therefore net of costs and charges.

Net investment returns

Funds/investment options in the Investment Builder

Fund/investment option	1 year (%) to 31 March 2025		
	Age at 31 March 2024		
	25 year old	45 year old	55 year old
USS Default Investment Option	4.4 (4.1)	4.4 (4.1)	4.4 (4.1)
USS Ethical Investment Option	0.1 (-0.2)	0.1 (-0.2)	0.1 (-0.2)
USS Growth	4.4 (4.1)	4.4 (4.1)	4.4 (4.1)
USS Moderate Growth	4.7 (4.4)	4.7 (4.4)	4.7 (4.4)
USS Cautious Growth	4.8 (4.5)	4.8 (4.5)	4.8 (4.5)
USS Liquidity	5.2 (5.1)	5.2 (5.1)	5.2 (5.1)
USS UK Equity	8.3 (8.2)	8.3 (8.2)	8.3 (8.2)
USS Global Equity	4.1 (4.0)	4.1 (4.0)	4.1 (4.0)
USS Emerging Markets Equity	7.0 (6.7)	7.0 (6.7)	7.0 (6.7)
USS Ethical Equity	-1.2 (-1.5)	-1.2 (-1.5)	-1.2 (-1.5)
USS Sharia	4.0 (3.7)	4.0 (3.7)	4.0 (3.7)
USS Bond	3.8 (3.6)	3.8 (3.6)	3.8 (3.6)

Source: USSIM. Returns shown are annualised geometric mean returns.



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Fund/investment option	5 years (% p.a.) to 31 March 2025		
	Age at 31 March 2020		
	25 year old	45 year old	55 year old
USS Default Investment Option	10.0 (9.6)	10.0 (9.6)	9.8 (9.5)
USS Ethical Investment Option	8.1 (7.7)	8.1 (7.7)	7.9 (7.6)
USS Growth	10.0 (9.6)	10.0 (9.6)	10.0 (9.6)
USS Moderate Growth	7.8 (7.4)	7.8 (7.4)	7.8 (7.4)
USS Cautious Growth	5.2 (4.9)	5.2 (4.9)	5.2 (4.9)
USS Liquidity	2.6 (2.5)	2.6 (2.5)	2.6 (2.5)
USS UK Equity	11.1 (10.9)	11.1 (10.9)	11.1 (10.9)
USS Global Equity	14.3 (14.2)	14.3 (14.2)	14.3 (14.2)
USS Emerging Markets Equity	8.6 (8.2)	8.6 (8.2)	8.6 (8.2)
USS Ethical Equity	11.5 (11.2)	11.5 (11.2)	11.5 (11.2)
USS Sharia	16.8 (16.4)	16.8 (16.4)	16.8 (16.4)
USS Bond	0.5 (0.3)	0.5 (0.3)	0.5 (0.3)

Source: USSIM. Returns shown are annualised geometric mean returns.

Funds in an AVC arrangement with Prudential

Fund/investment option	1 year (%)	5 years (% p.a.)	10 years (% p.a.)	15 years (% p.a.)	20 years (% p.a.)
With-profits Cash Accumulation	6.2	6.2	5.5	5.9	5.6
Deposit	5.0	6.2	1.5	1.2	1.9
International Equity	4.9	13.0	8.4	8.4	9.0
UK Equity	6.0	9.6	4.7	6.1	6.1
Index Linked	(11.5)	(9.0)	(1.8)	2.5	3.3
Discretionary	4.0	7.9	5.6	6.3	6.8
Fixed Interest	(2.5)	(6.1)	(1.0)	1.6	2.5
LGIM FTSE4Good Developed Equity Index	3.5	15.8	10.9	N/A	N/A
UK Equity Passive	10.4	11.6	5.7	6.4	6.5
Cash	4.5	1.9	0.9	0.5	1.2

Source: Prudential – USSIM calculations. Returns shown are annualised geometric returns. Investment returns data was not available covering periods of more than 20 years. As such we have shown net investment returns to 31 March 2025 over a one year, five-year, 10-year, 15-year and 20-year period. Prudential were able to provide investment returns after allowing for the impact of certain fund charges and further costs, but before the deduction of the Investment Management Charge. USSIM calculations include the deduction of charges and transaction costs shown on page 87.

The value of a member's With-Profits policy can change by more or less than the underlying net investment return of the overall fund. The above table therefore shows average overall returns experienced by policyholders, which combine the previously declared regular bonus and final bonus applicable to a fund to provide benefits from 15 March 2025 subject to any further bonuses notified by Prudential after the scheme year end. At the time of writing, the Prudential With-Profits policies are subject to an IMC of 1.27% per annum. The fund charge and any transaction costs are allowed for in the overall returns shown in the above table.

Illustration of costs and charges

The trustee is required to provide an illustrative example of the cumulative effect over time, of the application of the transaction costs and charges, including any performance-based fees, on the value of a member's Investment Builder savings.

Members automatically make contributions into the Investment Builder at the point where their salary exceeds the salary threshold (£70,296 for the 2024/25 scheme year and £71,484 for the 2025/26 scheme year).

All active members (including those with earnings below this threshold) can elect to make additional voluntary contributions into the Investment Builder.



Chair's defined contribution statement

Continued

The potential impact of costs and charges across three different investment examples is set out on the following pages, for three member profiles. All illustrations have been based on contributions as set out in the scheme's schedule of contributions and the 2025/26 salary threshold amount.

The examples illustrate the costs and charges borne by each member whose entire funds are invested in one of the funds named below only (and not a combination of the different options):

- (i) USS Default Lifestyle Option.
- (ii) USS Emerging Markets Equity Fund (highest charging self-select fund with the highest expected return).
- (iii) USS Liquidity Fund (lowest charging self-select fund with the lowest expected return).

It is important to note that for the purposes of the illustration it is assumed that members meet all investment management costs, even though employers currently subsidise these, but there is no guarantee they will continue to do so in the future.

In preparing this section of the Chair's DC statement, the trustee has taken account of statutory guidance issued by the DWP and last updated on 21 October 2022⁵.

Member 1: Member who joins the scheme age 30 with a starting salary of £30,000 and makes additional voluntary contributions of 2% of salary from joining the scheme until accessing their Investment Builder funds at age 66 (normal pension age)

Investment in USS Default Lifestyle Option

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	620	617	0.59
3	1,944	1,926	0.44
5	3,385	3,341	0.42
10	7,557	7,389	0.39
15	12,668	12,268	0.39
20	18,900	18,120	0.38
25	26,465	25,112	0.38
30	34,965	32,813	0.39
35	42,627	39,580	0.35
36	43,894	40,680	0.35

Investment in USS Emerging Markets Equity Fund (highest charging fund)

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	626	623	0.78
3	1,981	1,962	0.68
5	3,483	3,435	0.66
10	7,975	7,778	0.65
15	13,725	13,233	0.64
20	21,044	20,047	0.64
25	30,317	28,520	0.64
30	42,023	39,020	0.64
35	56,755	51,991	0.64
36	60,127	54,818	0.64

Investment in USS Liquidity Fund (lowest charging fund)

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	597	597	0.09
3	1,800	1,797	0.09
5	3,015	3,007	0.09
10	6,107	6,079	0.09
15	9,282	9,220	0.09
20	12,545	12,438	0.09
25	15,903	15,737	0.09
30	19,362	19,125	0.09
35	22,929	22,607	0.09
36	23,656	23,315	0.09

⁵ Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes – www.gov.uk

Chair's defined contribution statement
Continued

Member 2: Member who joins the scheme age 50 with a starting salary of £80,000 transfers in a starting pot of £100,000 to the Investment Builder, and who makes normal member contributions (but no additional voluntary contributions) to the Investment Builder until accessing their Investment Builder funds at age 66 (normal pension age)

Investment in USS Default Lifestyle Option

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	105,176	104,799	0.38
3	116,556	115,328	0.38
5	129,395	127,174	0.38
10	165,553	160,115	0.39
15	200,780	191,487	0.35
16	206,992	196,944	0.35

Investment in USS Emerging Markets Equity Fund (highest charging fund)

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	106,168	105,733	0.44
3	119,827	118,385	0.44
5	135,390	132,734	0.44
10	183,881	177,050	0.44
15	248,844	235,660	0.44
16	264,165	248,877	0.64

Investment in USS Liquidity Fund (lowest charging fund)

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	101,207	101,120	0.09
3	104,070	103,808	0.09
5	107,538	107,096	0.09
10	118,893	117,979	0.09
15	134,171	132,742	0.09
16	137,708	136,168	0.09



Chair's defined contribution statement
Continued

Member 3: Member who joins the scheme age 20 with a starting part-time salary of £10,000 and makes additional voluntary contributions of 1% of salary to the Investment Builder from joining the scheme

Investment in USS Default Lifestyle Option

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	103	103	0.59
3	324	321	0.44
5	564	557	0.42
10	1,259	1,232	0.39
15	2,111	2,045	0.39
20	3,150	3,020	0.38
25	4,411	4,185	0.38
30	5,936	5,573	0.38
35	7,776	7,221	0.38
40	9,806	9,000	0.39
45	11,538	10,471	0.35
46	11,807	10,693	0.35

Investment in USS Emerging Markets Equity Fund (highest charging fund)

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	104	104	0.58
3	330	327	0.48
5	581	573	0.46
10	1,329	1,296	0.45
15	2,287	2,205	0.44
20	3,507	3,341	0.44
25	5,053	4,753	0.44
30	7,004	6,503	0.44
35	9,459	8,665	0.44
40	12,542	11,329	0.44
45	16,403	14,605	0.44
46	17,285	15,314	0.64

Investment in USS Liquidity Fund (lowest charging fund)

Years in scheme	Before charges and costs £	After all charges and costs £	Annual charges incurred %
1	100	99	0.09
3	300	299	0.09
5	502	501	0.09
10	1,018	1,013	0.09
15	1,547	1,537	0.09
20	2,091	2,073	0.09
25	2,651	2,623	0.09
30	3,227	3,187	0.09
35	3,821	3,768	0.09
40	4,435	4,365	0.09
45	5,069	4,980	0.09
46	5,198	5,106	0.09

Notes on the illustration of costs and charges:

- Starting pot criteria is as follows:
 - Members 1 and 3: starting pot criteria is nil and no funds are transferred in.
 - Member 2: starting pot criteria is £100,000 of transferred in funds. No further funds are transferred in.
- All members retire at age 66 and funds are then fully disinvested, with no early withdrawals.
- The costs and charges shown have been estimated in line with statutory guidance issued by the DWP and last updated on 21 October 2022. They include investment management charges, purchase costs, selling costs and embedded costs.
- Values shown are illustrations and actual experience will depend on investment returns, as well as realised charges and costs.
- Projected pension pot values are shown in today's prices, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% per annum as prescribed in the Statutory Money Purchase Illustrations.
- Normal contributions are assumed to be 20% per annum in excess of salary cap (6.1% employee and 13.9% employer). It is assumed that there are no contribution holidays for any of the three members and no additional contributions are made by member 2. Member 1 is assumed to make 2% additional voluntary contributions from entering the scheme. Member 3 is assumed to make 1% additional voluntary contributions from entering the scheme.
- Salary increases are assumed to be 3.5% per annum.
- The projected growth rate for the USS Default Investment Lifestyle Option is 6.0% per annum up to 10 years prior to retirement, reducing to 5.0% per annum at five years prior to retirement, and 3.8% per annum at one year prior to retirement. The projected growth rate for the USS Emerging Markets Equity Fund is 7.0% per annum. The projected growth rate for the USS Liquidity Fund is 2.0% per annum. These are consistent with the assumptions used in calculating members' Statutory Money Purchase Illustrations issued for scheme year ending 31 March 2025.
- Year 1 represents the year ending 31 March 2026, with a related salary threshold of £71,484. The salary threshold is projected to increase in line with inflation each year.

Chair's defined contribution statement

Continued

Members typically face minimal charges, as administrative costs are met in full by the employer and investment costs are currently fully subsidised (other than for funds transferred in) for members in all Investment Builder funds. Where a member does face some charges, for example a member who has transferred funds into the Investment Builder, the trustee assesses that the charges for investment management represent value for members.

Asset allocation disclosure

In preparing this section of the Chair's DC statement the trustee has taken account of statutory guidance issued by the DWP and last updated on 30 January 2023⁶.

The trustee is required to disclose the percentage of assets allocated in the default arrangement by reference to specified asset classes. The table to the right illustrates the average asset allocation split in the default arrangement at 31 March 2025 by reference to four different age cohorts.

USS Default Investment Option Asset Allocation at 31 March 2025

Asset class		Percentage allocation – average 25 year old	Percentage allocation – average 45 year old	Percentage allocation – average 55 year old	Percentage allocation – average 1 day prior to state pension age
Cash		0.0	0.0	0.0	25.0
Bonds	Fixed interest government bonds	3.9	3.9	3.9	9.5
	Index-linked government bonds	5.0	5.0	5.0	7.7
	Investment grade bonds	2.0	2.0	2.0	13.1
	Non-investment grade bonds	3.9	3.9	3.9	5.6
	Securitised Credit	0.0	0.0	0.0	3.2
Bonds total		14.8	14.8	14.8	39.1
Listed equities	Developed market equities	51.3	51.3	51.3	15.8
	Emerging markets	6.4	6.4	6.4	1.9
	UK equities	2.1	2.1	2.1	0.6
Listed equities total		59.7	59.7	59.7	18.3
Private equity		3.8	3.8	3.8	0.7
Infrastructure	Economic infrastructure	11.2	11.2	11.2	4.9
	Social infrastructure	0.8	0.8	0.8	0.4
Infrastructure total		12.0	12.0	12.0	5.3
Property		5.5	5.5	5.5	3.9
Private debt	Inflation linked credit	1.3	1.3	1.3	0.9
	Investment grade bonds	0.6	0.6	0.6	5.3
	Non-investment grade bonds	2.3	2.3	2.3	1.6
Private debt total		4.2	4.2	4.2	7.7
Total		100.0	100.0	100.0	100.0

Figures may not sum to total due to rounding.

5 Trustee knowledge and understanding

The Trustee Board currently consists of 12 non-executive directors from a range of backgrounds. Collectively, those individuals possess the broad range of skills needed to manage and oversee both the DC and DB parts of the hybrid scheme, and the trustee executive and in-house investment manager, USSIM, required to support the scheme. All Trustee Board members during the scheme year have been assessed as Master Trust Scheme Strategists.

The Trustee Board includes directors with significant expertise and recent and relevant practical experience in DB and DC pensions, investment, actuarial, governance, financial management, law, risk and compliance, IT, HR, stakeholder engagement and the Higher Education sector. Several trustee directors are, or have been, trustees of, or executives or advisers to, other DC or hybrid schemes and bring practical knowledge and experience of value for money assessments, pensions administration, investment management and developing member facing products and services within a DC context. Several board directors who are also members of the scheme, help to support and contribute to the board's understanding of the views and needs of the scheme's membership.

The range of experience on the Trustee Board allows individuals to challenge each other, the executive and advisers, offering different perspectives and proposed solutions.

⁶ Statutory guidance: Disclose and Explain asset allocation reporting and performance-based fees and the charge cap – www.gov.uk

Chair's defined contribution statement

Continued

In addition to the skills within the Trustee Board and the trustee's executive, the trustee has also appointed professional advisers who provide specialist support and advice. This includes the scheme's lawyers, actuary, auditors, investment consultants and remuneration consultants.

The trustee is committed to ensuring that its directors, both individually and collectively, have access to appropriate professional advice, and have and maintain all the necessary skills, knowledge, competence and understanding required for the effective performance of their role as trustee directors. As part of this, each trustee director ensures that they:

- Are conversant with all the key scheme documents (including the Trust Deed and Rules which govern the scheme (as amended), Statement of Investment Principles, USS Default Lifestyle Option Statement of Investment Principles, Statement of Funding Principles), and other key documents relating to the administration of the scheme
- Have an appropriate degree of knowledge and understanding of: (i) the law relating to pension schemes and trusts; (ii) the principles of funding pension schemes; and (iii) investing assets of pension schemes

The Trustee Board has various procedures in place to facilitate this, which are detailed below.

Several activities are undertaken each year to evaluate and enhance the individual and collective skills, knowledge, competence and experience of the Trustee Board. These activities facilitate compliance with the trustee's knowledge and understanding sections of TPR's General Code of Practice and are summarised

in the diagram below and further details appear on the following pages.

Trustee skills, knowledge and understanding: key tools

Skills matrix	Competency matrix	Induction
Training needs assessment and training programme	Annual appraisal process	Trustee Board/ committee performance reviews

Skills and competencies

On appointment and subsequently, trustee directors are required to maintain appropriate levels of knowledge and understanding, both individually and collectively, to ensure that the Trustee Board as a whole has the right combination of skills, knowledge and experience to fulfil its responsibilities.

An effectiveness review of the Trustee Board is usually carried out annually and of the trustee's standing sub-committees every two years. The effectiveness reviews are usually undertaken by the trustee's governance team, with an externally facilitated review commissioned every three years.

During the scheme year, an external firm, Independent Audit, was commissioned to conduct an effectiveness review of the Trustee Board, USSIM Board, as well as their respective standing committees. The results were presented to the respective boards. This review provided assurance that both boards consistently demonstrate the characteristics expected of effective boards. The report outlined several recommendations for the Trustee Board to consider. Primarily, these recommendations were

to improve the feedback and communication process between the trustee's Investment Committee and the USSIM Board as well as actions to foster greater focus and time on strategic matters. The Trustee Board agreed an action plan to respond to these recommendations.

The Trustee Board uses a skills matrix and competency matrix to summarise areas of expertise, specific knowledge and behavioural competencies, and indicate where training may be required for the trustee directors. In doing this, the Trustee Board also considers the strategic priorities in the business plan to identify any future areas of focus.

The Governance and Nominations Committee (GNC) reviews the board competency and skills matrices annually (and in anticipation of changes to board membership).

The GNC assesses whether or not the Trustee Board's collective competencies are appropriate to enable the trustee to properly exercise its functions and whether there are any gaps which should be filled by training, succession planning or other means. As part of this review, consideration is also given to whether the skills and knowledge of the trustee's standing committees are appropriate or need supplementing.

Rigorous appointment processes are followed in respect of all trustee director appointments and reappointments (having regard to the board succession plan and competency matrix), including use of a role specification which highlights the skills, experience and behaviours required for the role. This helps to ensure that the directors collectively have appropriate competencies, and that each director appointed is fit and proper.

Training

In addition to the review of individual directors' training and development needs during annual appraisals (as noted under the 'Skills and competencies' section of the Statement), the collective training needs of the Trustee Board and the standing committees are reviewed at least annually by the GNC. The GNC has responsibility for approving and overseeing the implementation of the annual board and committee training programme.

In compiling the annual training programme, consideration is given to a number of relevant matters including:

1. Directors' completed skills matrices and any gaps identified
2. The scheme's business plan and business and strategic objectives
3. Future board and committee agenda plans
4. Legal and regulatory developments
5. Regulatory guidance
6. Feedback from directors, committee members and the executive

The training programme is compiled in this way in order to ensure that any actual or potential knowledge gaps are identified and rectified. The directors receive targeted training sessions delivered by both USS employees, as well as external industry experts.

These formal training sessions are supplemented by additional (non-compulsory) educational sessions, open house events where the directors spend time with different areas of the business and the completion of mandatory e-learning modules. A log is maintained of all training undertaken by the trustee directors.



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Trustee directors are also encouraged to attend additional external training events relevant to their specific areas of expertise and/or the committees on which they sit.

The trustee directors' working knowledge of the scheme's Trust Deed and Rules, the latest Statement of Investment Principles, pensions and trust law, the principles of pension funding and investment, and identification, assessment and management of climate change risks and opportunities is evidenced by the latest completed training needs analysis and supplemented by training for trustee directors.

Trustee directors receive training on a broad range of topics, including some that are DC specific. In addition to deep dive sessions and presentations from different teams across USS during the scheme year, training received by the trustee directors and its committees included the following topics:

- An introduction to nature and antimicrobial resistance (AMR)
- Artificial Intelligence (AI) and an update on the scheme's response/plans
- Asset backed securities (ABS) and USSIM's ABS mandate
- Conditional indexation modelling and learnings from schemes in other jurisdictions
- DC perspective on the government's pensions strategy
- ESG disclosures and regulatory frameworks
- Integrating ESG into private market investing
- Investment outlook (a consideration of the investment implications of macro themes, including the geopolitical landscape)

- Legal risk in direct equity investment
- Responsible investment levers on climate: Macro-stewardship and the potential for transition investment
- Technical provisions vs self-sufficiency hedging
- USSIM's investment decision-making framework and approach to its foreign exchange allocation and management

At the end of the scheme year, the GNC concluded that the training delivered had been aligned to the scheme's strategic priorities and had provided timely information to the directors and committee members to allow them to discharge their duties and to facilitate decision making.

Induction

The scheme has a detailed induction process for new trustee directors, designed to ensure familiarity with the key scheme documents and sufficient knowledge and understanding of pensions and trust law, as well as the principles of pension scheme funding and investment (among other matters). The induction process includes sessions with Trustee Board directors, members, members of the trustee's management team and key external advisers, covering topics such as: investments, pensions administration, actuarial, accounting, communications, risk and internal audit, compliance, legal and governance as well as the role of the Joint Negotiating Committee (JNC) and Advisory Committee which are both established under the scheme's Trust Deed and Rules.

This process is documented and is regularly reviewed by the GNC, which also oversees completion of the induction process by each new director. Two new trustee directors, Professor Adam Tickell and Dr Samuel Marsh, joined the Trustee Board during the scheme year and have completed the induction process.

Each new director is expected to devote significant time to their induction, which is tailored to reflect their individual level of knowledge and assessed by reference to their completion of the skills matrix.

The trustee's appointment and induction processes also require that any individual appointed to the Trustee Board completes TPR's Trustee Toolkit prior to commencement of their appointment (in line with TPR's General Code of Practice). All the current trustee directors have completed TPR's Trustee Toolkit. In addition, four trustee directors have been accredited as professional trustees, either by the Pensions Management Institute (PMI) or the Association of Professional Pension Trustees (APPT).

Advice and guidance

The combined knowledge of the Trustee Board is supported by the trustee executive (which includes a range of professionals from various disciplines including legal, actuarial and risk and compliance) as well as external professional advisers.

The scheme Actuary and the Group General Counsel generally attend all Trustee Board meetings ensuring that the board has access to timely actuarial and legal advice. The trustee's principal investment manager and adviser is USSIM. The trustee also receives the benefit of independent investment advice in relation to members' DC benefits provided by LCP, and DB benefits by Mercer Limited. Both USSIM and the scheme's external investment advisers generally attend each meeting of the trustee's Investment Committee. In addition, other professional advisers attend meetings of the Trustee Board and its other committees on an ad hoc basis when required.

Non-affiliation of trustee directors

The scheme is a multi-employer trust-based occupational pension scheme and as such the trustee is required to comply with additional requirements in relation to governance as set out under Chapter 3 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996. This includes the requirement that the majority of the trustee directors (including the Chair) must be 'non-affiliated'. The Trustee Board has considered these requirements and determined that, with the exception of Dr Alain Kerneis, all directors (including the Chair) in office during the scheme year are 'non-affiliated' trustees for the purpose of the legislation. Dr Alain Kerneis is considered an 'affiliated director' as he is a director of both the trustee and the trustee's wholly owned subsidiary, USSIM. Therefore, during the year, 11 trustee directors out of 12 were classed as non-affiliated trustees and the requirement for a majority of non-affiliated directors has been satisfied. In making this assessment, we have considered any links that the

Chair's defined contribution statement

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directors may have with companies providing services to the scheme and reviewed the procedures in place for managing any conflicts of interest that may arise.

The length of service of each of the trustee directors on the Trustee Board has also been reviewed and no director who is regarded as non-affiliated has been in their post for longer than the time limits prescribed by legislation, and each has either been appointed or reappointed through an open and transparent process.

The trustee has procedures in place to ensure that it has suitable control and oversight over the appointment process for all trustee directors and that this process complies with relevant legislation.

During the scheme year ended 31 March 2025, five non-affiliated trustee directors were subject to an appointment/reappointment process as follows:

- Russell Picot, Deputy Chair of the Trustee Board and an independent director, was reappointed by the Trustee Board with effect from 1 February 2025. The role was advertised in The Sunday Times newspaper, posted on USS recruitment pages and also listed on public websites. Applicants were reviewed by the trustee's external recruitment adviser – Omni RMS, prior to being shortlisted. The shortlisted candidates were then assessed against a common scorecard. The process was overseen by the GNC and the Chair of the Trustee Board with input from the Group CEO. The GNC and the Trustee Board then reviewed and approved the reappointment of Russell Picot.

- The appointment/reappointment process for UCEA-appointed or UCU-appointed directors is led by UCEA or UCU, as appropriate, with the involvement of the trustee, and follows a similar process as that for the appointment of independent directors as explained above, subject to certain minor modifications as explained below.
- During the scheme year, UCU nominated one director for appointment (Dr Samuel Marsh was appointed to the Trustee Board with effect from 12 August 2024) and two directors for reappointment (Ms Helen Shay with effect from 1 September 2024 and Dr David Watts with effect from 1 March 2025). In addition, Professor Sir Paul Curran was nominated for reappointment to the Trustee Board by UCEA and was reappointed with effect from 1 September 2024.
- All these roles were advertised in The Sunday Times, posted on USS recruitment pages, and listed on public websites. In addition, the recruitment processes were managed by UCEA and UCU, as appropriate, and were also advertised by them in communications with USS employers and members. Applicants were shortlisted based on the criteria of the relevant role profiles. Shortlisted candidates were interviewed and assessed against a common scorecard by an interview panel led by UCEA or UCU, as appropriate, and including the chair of the GNC. The Chair of the Trustee Board was consulted on the proposed appointment/reappointments. The GNC and the Trustee Board then reviewed and approved the director appointment and each of the director reappointments.

6 Member communications, engagement and representation

We take a proactive approach to member communications, and have a strategy that is designed to engage, educate, and support members throughout their pensions journey, while building their knowledge of pension basics along the way.

As well as meeting statutory disclosure requirements, our aim is to drive engagement, ensure members understand the scheme, and have a positive experience.

This year, we introduced a Key Performance Indicator to monitor the effectiveness of our communications in enabling members to understand the key aspects of the Investment Builder.

We've used a range of channels to communicate key messages and provide support to members over the year, including regular emails, webinars, new website content, the Annual Member Statements, and the Statutory Money Purchase Illustration.

Email

Emails continue to be our primary communication channel and this year we've taken a more personalised approach with the roll-out of segmentation.

Segmentation involves using data to identify groups with different wants and needs, so we can create a communications approach designed to deliver relevant messaging to members at the time they need it in their pension journey.

These communications have focused on both supporting members and improving understanding of the DB and DC parts of the scheme.

The result of this approach has been continued high levels of email engagement and an improved understanding of the Investment Builder. More than 75% of members surveyed reported a good understanding of the key features of the Investment Builder, 4% above the KPI we set for the year.

We've also seen increases in engagement with the support we offer, with 1,665 attendees joining our Understanding DC webinars in the last year, up from 307 attendees the previous year, in addition 296 members attended two new DC webinars between January and March 2025.

Chair's defined contribution statement

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Segmentation has also played a key part in the distribution of our key statutory communications, in particular the Annual Member Statement (AMS). Here we emailed members to let them know their Annual Member Statements for the year to 31 March 2024 were available on My USS.

Emails were personalised, with wording relevant to both the USS benefits they had built up and at what stage in their retirement journey they were at. Members were then directed to My USS where they could view their up-to-date pensions benefits, download a full statement which included key calls to action, and information on the tax status of members' pensions in relation to annual and lifetime allowances. Engagement was high with this year's AMS seeing a 55% open rate and 45% click rate.

This year we also implemented a new approach to both members that have stopped paying into the scheme and retired members, with regular emails using elements of segmentation. These emails, which included messaging around DC, saw high levels of email engagement, with emails out-performing email engagement KPIs.

Website

The website has seen several improvements over the year, from improved navigation to key pages, in particular Investment Builder pages, such as the 'Using your Investment Builder pot' page, to content more aligned to segmentation.

We've changed the 'Thinking about your future' section of the website, to include content relevant to members at different points in their retirement and savings journey. These new pages include key actions, content on retirement planning and saving, as well as educational information about the Investment Builder including how members can use it to save more. We've also strengthened Investment Builder messaging across the website and replaced key collateral such as the 'Your Guide to USS' with more accessible content, with more detailed information on the Investment Builder.

Online videos remain a valuable resource for members, and we've improved navigation to some of the key videos, in particular the additional contributions video, following queries from members on how to save more in the Investment Builder.

We continue to have a dedicated Guidance and Financial Advice area on the USS website that aims to ensure members have the information they need. In this area, we signpost members to sources of free guidance from webinars delivered by Mercer to other sources, such as MoneyHelper.

To further support members understanding of DC, we developed two new webinars, Understanding DC – saving in the Investment Builder and Understanding DC – taking savings from the Investment Builder.

Additional enhancements

Other key enhancements this year include the launch of new retirement quote packs, designed to address pain points members were experiencing with the retirement process, and help improve member understanding of the decisions they need to make both around the Retirement Income Builder and the Investment Builder. As part of the re-design we've included a new guidance insert, to be sent to active members with DC savings, offering them access to one free guidance call with Mercer.

To support our campaign to really improve understanding of DC, we've also worked closely with employers, and developed employer journey support packs that they can use when dealing with members enquiries, featuring key information and resources to support DC understanding.

My USS

More than 83% of the scheme's active membership with Investment Builder funds were registered for My USS on 31 March 2025. My USS allows active, deferred and retired (with remaining Investment Builder funds) members to manage their contributions and investment decisions, see the value and performance of their Investment Builder funds and view detailed fund information through fund fact sheets.

Members have access to calculators in My USS, including the Benefit Calculator, launched in November 2023. This calculator represents a significant investment for USS and a leap forward in terms of the personalised online support we now provide to members. It gives members a tool that allows them to see an instant estimate of the values of both their DC savings and DB benefits at a point in time they choose. They can also model the impact of saving more, transferring funds into the Investment Builder and projecting the various different ways and times they can access both their DC and DB benefits, including modelling taking their DC savings as UFPLS, an annuity or as flexi-access drawdown. During 2024/25, we've seen more than 93,000 members use the Benefit Calculator running more than 1.3 million calculations.

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Member feedback and views

We strive to ensure member experiences and views are at the heart of our decision making where possible and we encourage members to provide their feedback and make their views regarding the scheme known.

We gather feedback from individual members in several ways: We share information on our website about how to contact us with any questions or service comments online, by phone or by letter, and there is a specific number for the Member Service Team (MST) for members who want help with their benefits.

Members are also invited to provide specific feedback when they interact with their pension. For example, when using My USS, they can provide feedback through a pop up on the website or, when retiring, we survey newly retired members, to get their views on the process.

We also carry out four large-scale surveys of the active membership every year. These are designed to help us understand members' views about USS, including the options available in the Investment Builder, responsible investment, the quality of member communications and other aspects of the products and services USS offers. The results from these surveys show a year-on-year improvement in relation to the communications we send out, with 64% of members surveyed reporting our overall communications quality as good or very good, a 7% increase on our communications rating the previous year.

A new annual survey was introduced last year to invite general feedback from retired members too.

These surveys all include both structured questions and the ability to provide open feedback. In addition, with representation of all member types, we run – via an independent research agency – the 'Member Voice' research community. This provides a flexible and timely way of gathering in-depth, qualitative feedback from hundreds of members, as well as giving members another route to raise non-sensitive issues with the trustee.

Feedback from the surveys and the Member Voice community has been shared with the Trustee Board and the scheme stakeholders through the JNC.

The trustee takes member feedback seriously and through business control and member communications teams, continually assesses all of the channels (and their effectiveness), including through a dedicated member experience group, which reports regularly to the trustee's Pensions Committee.

Dame Kate Barker
Chair of the Trustee Board
22 July 2025

USS Default Lifestyle Option Statement of Investment Principles May 2024

1 Introduction

1.1

This is the Statement of Investment Principles of the Universities Superannuation Scheme ('USS' or 'scheme') Default Lifestyle Option (the 'Default SIP'). The USS Default Lifestyle Option is the default arrangement in relation to the Investment Builder part of the scheme ('DC part'). Although the USS Default Lifestyle Option can be actively chosen by members as their investment strategy, as the default arrangement it is the investment strategy into which the contributions of members in the DC part who do not make any investment decisions are paid.

1.2

Universities Superannuation Scheme Limited (the 'trustee') has selected a lifestyle strategy as its default arrangement. The lifestyle strategy is designed to meet the divergent objectives of maximising the value of a member's assets at retirement and protecting the value of accumulated assets particularly in the years approaching retirement.

1.3

This Default SIP sometimes refers to the main Statement of Investment Principles (the 'Main SIP'), which applies to the whole scheme. Copies of the Main SIP can be found in the 'How we invest' area of the scheme's website uss.co.uk.

2 The trustee's Investment Beliefs

2.1

The trustee maintains a set of Investment Beliefs which are available in the 'How we invest' area of the scheme's website uss.co.uk. These beliefs form the basis of the trustee's investment principles as set out in Section 1.2 of the Main SIP and Section 2 of this Default SIP.

2.2

In relation to the Default Lifestyle Option, the trustee's key beliefs are that:

2.2.1

The investment design of the Default Lifestyle Option will take into account the hybrid benefit design and the benefit flexibility that members have up to and into retirement;

2.2.2

The asset allocation will adjust around a glidepath consistent with assumed member risk tolerance throughout the member's savings life-cycle. The default strategy cannot capture all differences across individual members. However, a higher risk tolerance is assumed when members are far from retirement, with the aim of increasing expected real (after inflation) returns and retirement savings. In later stages of the savings life-cycle, the accumulated investment pots will typically be greater and the ability to subsequently make good any material losses is reduced;

2.2.3

Asset allocation and the timing of material changes to it are important drivers of a fund's financial outcomes. The asset allocation process for the Default Lifestyle Option balances diversified risks against the expected additional returns for exposure to these risks. The main sources of return for bearing risk ('risk premia') are expected to be equity, credit, illiquidity and complexity. Other exposures such as duration, inflation and foreign exchange offer less reliable risk premia but are expected to provide valuable sources of portfolio diversification. The asset mix should be reviewed periodically for suitability relative to evolving investment objectives and to take into account material changes to relative valuations across asset classes, which strongly influence long-run return prospects and risk of loss;

2.2.4

Private markets provide investment opportunities and structures not available in public markets in areas such as private equity, infrastructure, property and private debt. Private markets may be accessed via a mix of direct investments, co-investments and fund investments. They may provide opportunities for additional returns (including illiquidity premia), diversification or other desired characteristics relative to public market assets; and

2.2.5

Diversification through effective portfolio construction allows risk to be mitigated and spread across a range of factors. This reduces the adverse impact of any one risk on a member's pension investments. There are limits, however, on overall risk-reduction from diversification and there are scenarios in which the correlation between asset classes increases and diversification may be less effective.

3 Investment governance structure

3.1

The trustee applies the same governance structure it uses for the scheme as a whole to the Default Lifestyle Option. This is described in detail in Section 1.3 of the Main SIP.

3.2

Broadly, the trustee's governance structure focuses on embedding compliance with legislative and regulatory requirements into agreements with investment and related service providers. The trustee monitors compliance by having clear terms of reference for the board and sub-committees to which it delegates a number of tasks, supplementing this with appropriate formal investment advice where required.

USS Default Lifestyle Option Statement of Investment Principles May 2024

Continued

4 Aims and objective of the USS Default Lifestyle Option

4.1

The main investment objectives in relation to the DC part are described in detail in Section 3.1 of the Main SIP. The Default Lifestyle Option aims to take a suitably controlled amount of risk to generate investment returns in order to provide a reasonable level of retirement benefits for members, taking into account the expected performance of asset markets and the level of contributions paid over a member’s lifetime into the DC part and recognising the hybrid nature of the scheme.

4.2

As well as the objectives set out in the Main SIP, the specific objectives of the Default Lifestyle Option are detailed below:

4.2.1

To focus particularly on generating returns in excess of inflation during the growth phase of the strategy (up to 10 years before target retirement age) with a degree of downside risk mitigation;

4.2.2

To provide a strategy that reduces investment risk in the consolidation phase for members between 10 and five years before target retirement age;

4.2.3

To provide exposure, at retirement, to a portfolio of assets that aligns as much as possible with how a typical member is likely to use their savings at and into retirement; and

4.2.4

To ensure sufficient liquidity to be able to pay benefits or transfers when required.

5 Investment Strategy

5.1

Kinds of investments to be held:

5.1.1

The main policies covering the kinds of investments to be held, the expected returns and the balance between different kinds of investments can be found in Section 3.2 of the Main SIP.

5.1.2

The following are indicative descriptions of the type of investments that may be held by the different underlying funds comprising the USS Default Lifestyle Option:

- **USS Growth Fund** – will invest predominantly in growth assets, with an objective to provide long-term growth in excess of inflation to members. Investments will be made in both public and private markets across a range of asset classes in order to take advantage of the opportunity to earn enhanced returns including a premium for illiquidity and the benefit of diversification.
- **USS Moderate Growth Fund** – will typically invest a majority in growth assets, with more diversification than the growth fund, and with an objective to provide long-term growth in excess of inflation from a balanced, more diversified portfolio of assets. Investments will be made in both public and private markets across a range of asset classes to increase diversification and enhance returns. This additional diversification aims to mitigate portfolio risk to a greater extent than is the case for the USS Growth Fund.

- **USS Cautious Growth Fund** – with an objective to provide stable growth in excess of inflation to members from a portfolio of predominantly lower risk, income focused assets, with some diversification, and minority exposure to growth assets. Investment will be made in both public and private markets across a range of asset classes to increase diversification and enhance returns.
- **USS Liquidity Fund** – typically aims to produce a return in line with its benchmark which represents short-term interest rates, principally from a portfolio of sterling denominated cash, deposits and money market instruments.

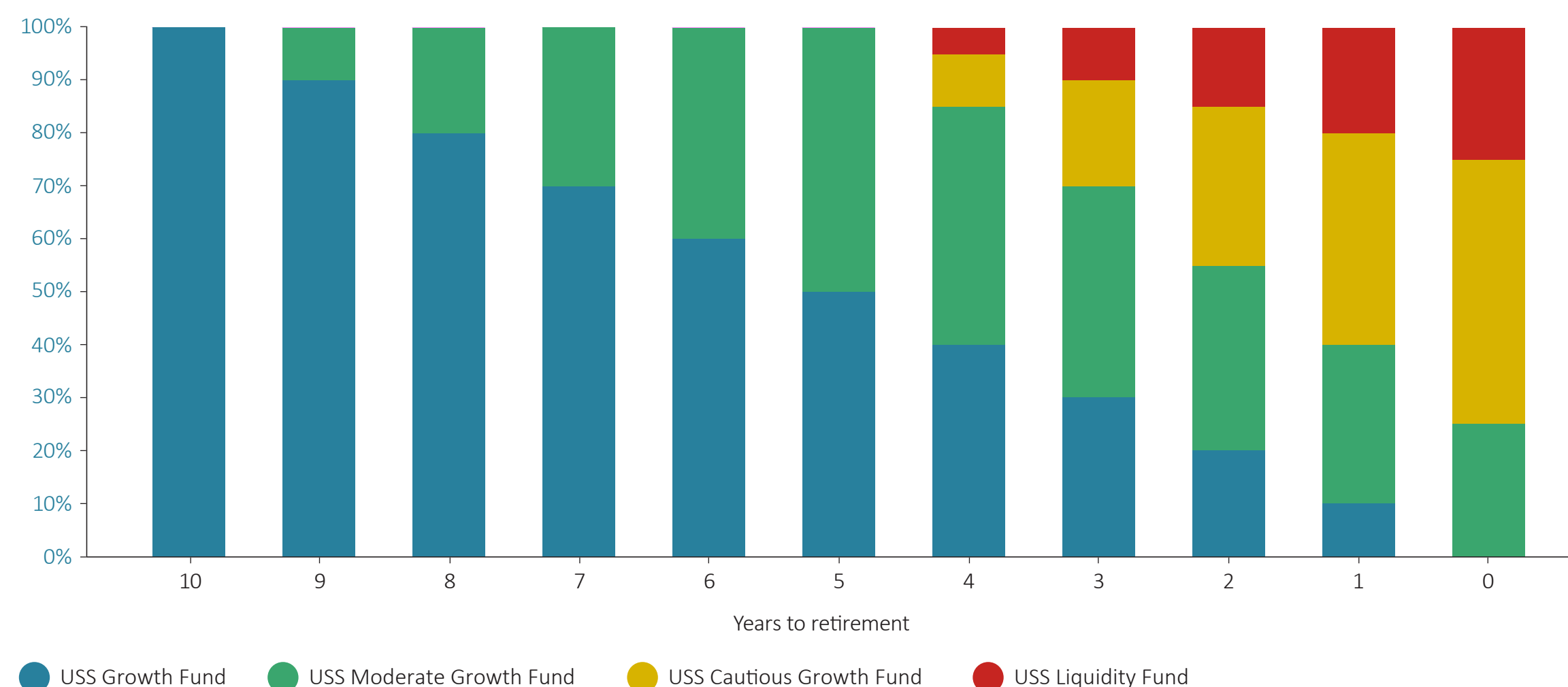
5.1.3

Moving from the USS Growth Fund to the USS Moderate Growth Fund to the USS Cautious Growth Fund would be associated with decreasing proportions in growth assets, such as equities and property; and increasing proportions in non-government and government bonds.

5.1.4

The chart below provides an illustration of the Default Lifestyle Option structure, in particular detailing the balance between the different funds held in the years prior to a member’s target retirement age:

USS Default Lifestyle Option Statement of Investment Principles May 2024





USS Default Lifestyle Option Statement of Investment Principles May 2024

Continued

5.2

Managing risk

5.2.1

The Default Lifestyle Option manages strategic asset allocation risks through use of diversification. The allocation typically consists of a mix of mainstream public market assets as well as allocations to private market assets throughout the savings life-cycle. The asset allocation is calibrated to different stages in the Default Lifestyle Option (as indicated in Section 5.1.3 of this Default SIP). Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Default Lifestyle Option, the trustee considers the trade-off between risk and expected returns and opportunities for diversification and continues to monitor these risks through ongoing reporting. The actual holdings within the constituent parts of the Default Lifestyle Option will include private market assets where appropriate in order to take advantage of the opportunity to earn enhanced returns including a premium for illiquidity and to gain additional diversification.

5.2.2

The USS Growth Fund invests in equities and other growth-seeking and diversifying assets. These investments are structured to generate higher real returns over the long term with some downside protection. During the growth phase, the downside risk from an equity market downturn is partially mitigated through diversification away from equities into other growth-seeking asset classes.

5.2.3

In the consolidation phase, which commences 10 years before target retirement age, the trustee is seeking, through greater diversification of assets, to reduce the likelihood of extreme investment shocks adversely affecting retirement outcomes.

5.2.4

In the final five years before target retirement age, the trustee has constructed a glidepath that seeks to continue to grow the member's DC retirement savings while reducing volatility. In the final five years, assets are therefore switched to more cautious assets (such as government and corporate bonds), including an allocation to money market instruments. This has been designed to reflect the uncertainty inherent in the timing of retirements, and the post-retirement investment choices that might be made by members.

5.2.5

Section 3.3 of the Main SIP details key risks that the trustee considers in relation to the DC part in particular.

5.3

Realisation of investments, cashflow and liquidity management

5.3.1

The DC part offers members a range of daily dealing notional funds. While a portion of the USS Default Lifestyle Option will be in illiquid assets throughout the savings life-cycle, the trustee's policy is to maintain sufficient investments in liquid assets so that the realisation of assets will not be unduly costly nor disrupt the Default Lifestyle Option or the scheme's overall investment strategies

in foreseeable circumstances. The trustee has thresholds on the proportion of illiquid assets being held in the Default Lifestyle Option and, while it currently has no plans to increase these in the near future, it reviews the thresholds on a periodic basis. More detail can be found in Section 3.2.9 of the Main SIP.

6 The trustee's policies on responsible investment and engagement activities

6.1

The USS Default Lifestyle Option is managed in line with the trustee's policies as set out in the Main SIP, in particular, Section 1.4 of the Main SIP. The trustee's policies on responsible investment and engagement activities cover:

6.1.1

how financially material considerations are taken into account in the selection, retention and realisation of investments. This includes how the trustee considers the financial impact of responsible investment (RI) factors where financially material to the scheme;

6.1.2

the extent to which non-financial matters are taken into account in the selection, retention and realisation of investments;

6.1.3

the exercise of the rights (including voting rights) attaching to the investments; and

6.1.4

engagement activities in respect of the investments.

6.2

In addition to the Default Lifestyle Option, the trustee makes available the Ethical Lifestyle Option reflecting the fact that a number of members have specific preferences. The specific objectives of the Ethical Lifestyle Option are defined in the USS Investment Builder Ethical Guidelines. This Ethical Lifestyle Option is built along similar principles to the Default Lifestyle Option but has been specifically designed to reflect certain preferences. As well as this, an ethical equity fund and a Sharia consistent fund are included in the range of self-select funds offered to members.

6.3

The scheme's Responsible Investment Policy sets out detailed information on how the trustee considers RI factors where financially material to the scheme and the extent to which it takes non-financial RI and other factors into account. The trustee expects its internal and external managers to act consistently with this statement in the selection, retention and realisation of the scheme's investments. The trustee's position on RI can be found in the 'How we invest' area of the scheme's website uss.co.uk. This area of the website includes the RI Beliefs and Ambition statement which further articulates the trustee's investment beliefs.

6.4

The trustee's policies in relation to its arrangements with asset managers are as set out in Section 1.5 of the Main SIP, including in relation to the trustee's wholly owned investment manager and adviser, USS Investment Management Limited (USSIM) which is primarily responsible for the management of the Default Lifestyle Option and manager selection.

USS Default Lifestyle Option Statement of Investment Principles May 2024

Continued

7 Investment in the best interests of beneficiaries

7.1

In designing the Default Lifestyle Option, the trustee aims to invest in the beneficiaries' best financial interests, taking into account the different risk profile of representative members (e.g., according to their expected time frame until retirement). In doing so, the trustee explicitly considers the trade-off between risk and expected returns and continues to monitor these risks through ongoing reporting. The trustee considers high level profiling analysis of the scheme's membership in order to inform decisions regarding the Default Lifestyle Option. In accordance with the trustee's mandate, USSIM also manages and monitors the default arrangement and the performance of investment managers involved in that arrangement and makes changes where necessary to ensure the trustee's aims and objectives are met.

8 Compliance and review

8.1

This Default SIP has been prepared in accordance with the requirements of the Pensions Act 1995 and relevant regulations, including the Occupational Pension Scheme (Investment) Regulations 2005, and taking into account guidance from the Pensions Regulator.

8.2

The trustee will undertake a review at least triennially, or sooner and without delay if there are significant changes to the scheme's investment policy, demographic profile or other circumstances which the trustee determines warrant a reconsideration of the Default Lifestyle Option.

8.3

The trustee will revise the Default SIP after every review unless it decides that no action is needed as a result of the review.

Implementation statement – 2025

1.1. Introduction

USS's¹ Implementation Statement (the Statement), sets out how, and the extent to which, the trustee believes the Statement of Investment Principles (SIP) has been followed during the scheme year ending 31 March 2025.

This Statement, as with the SIP, applies to both the defined benefit (DB) and defined contribution (DC) parts of USS. USS also has a supplementary SIP specifically for the USS Default Lifestyle Option in the Investment Builder (the DC part). This is called the Default SIP (see uss.co.uk/how-we-invest/our-principles-and-approach).

The purpose of this statement is to:

- Describe any formal review of the SIP and the Default SIP undertaken during the year
- Outline how key activities and decisions have followed the SIP and the Default SIP and, where they have not, what steps will be taken to remedy this
- Detail how, and the extent to which, in the opinion of the trustee, the policies in relation to voting rights and our engagement activities have been followed
- Describe the voting behaviour carried out by investment managers on the trustee's behalf, over the year

The Statement has been included in the scheme's Report and Accounts and made public online. It should be read in conjunction with the SIP.

The Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the associated guidance published by the Pensions Regulator. It also has regard to the guidance on 'Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement', issued by the Department for Work and Pensions in June 2022.

1.2. Review of the SIP and Default SIP

Following the completion of the 2023 valuation, USS reviewed and considered amendments to its SIP in March 2024. USS consulted on proposed amendments to the Main SIP with its participating employers during April 2024, and, having completed a legal review, finalised a new SIP on 21 May 2024. This Implementation Statement is based on the previous May 2022 SIP up until 20 May 2024, after which it is based on the current May 2024 SIP. The Default SIP, which did not require consultation on proposed amendments, was finalised on 21 March 2024. For DC Default fund matters, this Implementation Statement is based on the current Default SIP from 21 March 2024.

1.3. USS's Governance Structure

Further details of USS's governance structure, including the Terms of Reference within the Group Governance Framework for the Trustee Board and the Investment Committee can be found at uss.co.uk/about-us/how-were-governed. The allocation of responsibilities between the Trustee Board and its committees is clearly set out in their Terms of Reference. These Terms of Reference are reviewed at least annually, and updated to reflect any changes in regulations, best practice guidance and/or working practices.

The SIP is required to include USS's policy for arrangements with asset managers, and this includes USS Investment Management Limited (USSIM). USSIM is a subsidiary of Universities Superannuation Scheme Limited. It's the principal investment manager and adviser to the scheme, looking after the investment and management of the scheme's assets. USSIM is required to act in accordance with the SIP in performing its duties. USSIM manages assets directly on behalf of the trustee as well as having the delegated authority to appoint, monitor and change external asset managers.

2. How the SIP has been followed during the year

Following review and analysis, USS believes that the SIP, Default SIP and the USS Stewardship and Voting Policy have been followed during the scheme year April 2024 – March 2025. This Statement explains how USS has reached this view.

2.1. The kinds of investments to be held by the scheme and the balance between different kinds of investments – and the expected return on investments

The SIP and Default SIP set out USS's investment objectives and USS's policy in relation to the type and balance of investments held and the expected return on investments.

The Retirement Income Builder – the DB part

For the DB part, USS's broad investment strategy is set out as a theoretical, but investible, asset allocation across three key components: growth assets, credit assets and liability hedging. Liability hedging is expressed through interest rate and inflation hedge ratios. Growth assets may include assets such as equities and property, credit may include assets such as corporate and emerging market bonds and liability hedging may involve liability driven investments (LDI) and assets such as UK gilts and US Treasury Inflation-Protected Securities (US TIPS). This theoretical asset allocation is the Valuation Investment Strategy (VIS); it is the investment strategy developed for the most recent actuarial valuation. The VIS is reviewed at least annually and periodically adjusted to retain consistency with the Investment Risk Management Framework (IRMF), the risk appetite of the trustee and trustee investment beliefs.

1 To keep things simple, we have used USS as a catch-all reference for different parts of the USS group. So, depending on where it appears, USS means either the scheme (Universities Superannuation Scheme), the trustee (Universities Superannuation Scheme Limited) or the trustee's principal investment manager and adviser (USS Investment Management Limited or USSIM). We may refer specifically to one of these three elements, where it is helpful to do so.

Implementation statement

Continued

The VIS and its sub-composition were updated in July 2024, following the 2023 actuarial valuation, and an extensive stakeholder engagement programme and feedback from the SIP consultation. Details about the updated VIS, its composition, and the stakeholder engagement process are available on the USS website under uss.co.uk/for-employers/investment-related-documents-and-briefings.

The Implemented Portfolio corresponds to the actual investments held in the DB part and is therefore more granular than the VIS. As described in the SIP, the Implemented Portfolio can differ from the VIS as USS identifies opportunities to add value in its implementation of the strategy. The Implemented Portfolio invests in a range of asset classes, including quoted equity, government and non-government debt (including inflation-linked), currencies, money market instruments, commodities, derivatives or other financial instruments, as well as alternative strategies and private market assets including private equity and private debt, infrastructure and property. Investment is undertaken either directly, indirectly (for example via funds), in physical assets or using derivatives (where required for efficient portfolio management).

To better manage asset-liability risk, over recent years USS has taken on additional exposure to liability-hedging assets. This exposure is made possible by the prudent use of leverage, risk controls around the use of cash and collateral, as well as monitoring around counterparty risk.

The Investment Builder – the DC part

In the DC part, members have the option to manage their own investments (the Let Me Do It option) or have their investments managed for them (the Do It For Me option). USS regularly reviews its DC investment options against member requirements and makes enhancements as required.

The USS Default Lifestyle Option manages investment risks as members approach their Target Retirement Age by investing in four underlying funds: USS Growth Fund, USS Moderate Growth Fund, USS Cautious Growth Fund and USS Liquidity Fund. The investment objectives for these funds are set by USS to reflect member requirements and are collectively designed to deliver long-term returns above inflation, while providing some protection against market drawdowns in the years before retirement.

Although USS has discretion to invest in a wide range of assets, in practice the type of assets held in the Do It For Me and Let Me Do It options depends on the objectives and strategy of each DC fund. Investment is undertaken either directly, indirectly (for example via funds), in physical assets or using derivatives (where required for efficient portfolio and FX currency management). Since June 2024, investment is also undertaken via co-investments.

Expected return on assets

The SIP covers USS's policy in relation to the expected return on assets. The expected return of the VIS is typically updated at each actuarial valuation or as a result of a significant change in circumstances of the DB part. It was updated in July 2024 (using expected returns as at 31 March 2023), following the approval of the new VIS, via the DB Instruction Letter. The achieved investment returns are monitored regularly by the Investment Committee through reporting provided by USSIM. To ensure the DB Implemented Portfolio and DC funds remain appropriate (and are expected to deliver the appropriate long-term returns at the desired level of risk), USS monitors changes to asset class expected returns, the DB Implemented Portfolio and DC funds' expected returns regularly.

2.2. Risks – including the ways these are measured and managed

USS regards 'risk' as the likelihood of failing to achieve the objectives included in the SIP. USS seeks to measure and manage these risks as described below.

The SIP and the Default SIP cover USS's policy in relation to risks, including the ways in which risks are to be measured and managed. USS believes that risk is best understood and managed using multiple approaches and has a structure in place to monitor the risks relevant to both the DB and DC parts. USS will take action to mitigate risk when appropriate. The key investment risks are managed through a range of thresholds and limits as detailed in the Investment Management and Advisory Agreement (IMAA) and corresponding DB and DC Instruction Letters.

The SIP recognises USS's exposure to investment, funding, and operational risks. USS integrates the management of those risks throughout its organisation. USS considers these risks when advising on investment policy, strategic asset allocation and portfolio management, and manager and fund selection when applicable.

USSIM provides regular quantitative and qualitative assessments of investment-related risks and implements appropriate mitigation strategies within its delegated mandate. USS's overall investment risk is diversified across a range of different investment opportunities.

USS's Investment Framework for the DB and DC parts takes a holistic approach to both risk management and the assessment of USSIM's investment management performance. For risk management USSIM uses a range of risk metrics across investment, liquidity, counterparty and climate risks. For the assessment of USSIM's investment management performance, the Investment Committee uses a range of investment objectives on more comprehensive investment balanced scorecards (as shown in Section 5). The scorecards include separate categories for investment return, investment risk, active management, portfolio resilience, responsible investment, and advice and support.

USS assesses the definition of the risks, and the trustee's disposition to those risks throughout the year and more formally on an annual basis, when USSIM advises the trustee on the suitability of the risk metrics, thresholds, and limits in the Investment Framework.



Implementation statement

Continued

USS is satisfied with the operation of its risk management and measurement processes. Further details on the elements relevant to the DB and DC parts are provided below.

The Retirement Income Builder – the DB part

USS's funding risks are monitored and managed by the trustee's Funding Strategy team, in accordance with the trustee risk appetite, with advice from the Scheme Actuary. The key funding risks include sector reliance and affordability of contribution rates. USS's operational risks are managed throughout the organisation by individual teams.

Investment-related risks are assessed and monitored within the Investment Framework:

- USS assesses and manages the integration of investment-related risks, particularly as they relate to strategic asset allocation and investment strategy.
- The key risks include asset-liability (including inflation and interest rate risk), market, credit, currency, liquidity, collateral, counterparty, responsible investment, climate (including transition and physical risk) and operational risks.
- USS oversees the scheme's liquidity and collateral risks to ensure there is a sufficiently low probability of USS being forced to sell assets for liquidity and/or collateral purposes. Investments in illiquid assets are also subject to an upper limit and are periodically reviewed by USS.
- An appropriate allocation to foreign currency is made on the basis of risk/return considerations and, where appropriate, a proportion of the foreign currency exposure (arising from investments denominated in a non-GBP currency) is hedged back to sterling.

USS also assesses the returns of the scheme's investments relative to a range of comparators (including the VIS) and the strength of the employer covenant.

The SIP covers USS's policy in relation to the realisation of investments. USSIM ensures that the scheme maintains sufficient cash and other liquid instruments to pay benefits and other commitments as they fall due. This is supported by robust and timely disinvestment and financing procedures, which operate without either disrupting the asset allocation or incurring excessive transaction costs. These processes are overseen by an internal USSIM committee.

The Investment Builder – the DC part

In setting and reviewing the DC investment strategy, USS assesses the key investment-related risks relevant to the DC part. These risks include inflation, currency, the impact of market movements in the period prior to retirement, returns on investments relative to the investment objectives, liquidity risk, operational risk and market risk including equity, interest rate and credit risk. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members and within the Investment Framework.

USS reports periodically on the return of the DC funds relative to their targets and reviews its policies on managing currency risk and liquidity on an annual basis. USS also reviews performance versus objectives and peers on a regular basis.

The funds made available to members by the scheme are daily dealing notional funds. USS has put in place several measures to ensure that the introduction of illiquid assets (including private market assets) will not affect

a member's ability to switch or access their DC savings, unless in extreme market circumstances.

3. Stewardship, engagement and responsible investment**3.1. Introduction**

USS's Responsible Investment (RI) Policy was approved on 21 March 2024 by the Trustee Board. The RI Policy sets out clearly and in one place USS's stated investment beliefs about RI and its commitment to the principles (including relevant legal principles) which will guide its implementation of these beliefs.

The RI Policy and the SIP sets out the RI Investment Belief that USS is a Universal Owner. Universal Ownership involves having highly diversified and long-term portfolios that, by virtue of their large size, are broadly representative of global capital markets.

Both USSIM and the external managers use their influence as major institutional investors and long-term stewards to promote good practice in the assets and markets to which the scheme's investments are exposed.

Details of USS's approach to RI can be found at uss.co.uk/how-we-invest/responsible-investment and in [USS's Stewardship Report](#). This report provides details of how USS considers financially material factors to the scheme and examples as to how these are taken into account (see Section 6.3). Examples of engagement can also be found in the Stewardship Report.

The trustee agrees the RI strategy and formally reviews the RI team's activities on a semi-annual basis, approving key focus areas and policies as necessary. Over the past year, the trustee established four overarching priority themes for RI (climate, nature, people and governance) and determined the four primary activities for these themes (advocacy, collaboration, integration and stewardship).

The trustee receives reports from USSIM on a regular basis so that it can ensure that the strategy is being implemented effectively. USS's RI related policies² have been reviewed regularly and updated as required to ensure that they are in line with good practice. The trustee believes USS's RI related policies and procedures, and how they translate into stewardship activities, have been followed materially during the year.

3.2. Oversight and monitoring of external investment managers

USS expects its investment managers to undertake appropriate monitoring and oversight of investments they make on its behalf. This oversight is to enable the identification of issues and to facilitate early engagement with the boards, management and other stakeholders of investments as well as wider stakeholders. USS oversees USSIM's policies and practices on RI, with a focus on stewardship and the integration of RI factors into investment processes. This includes how USSIM, in turn, monitors external managers.

² By RI related policies we mean the following items: the RI Policy, USS Stewardship and Voting Policy and its associated Voting Guidance document, the USSIM scheme-wide investment exclusion policy and the Investment Builder (DC) Ethical Guidelines.



Implementation statement

Continued

USS has processes in place to assess and monitor how its external managers are addressing RI considerations in the selection and retention of assets. This applies to managers of both public market and private market funds, and managers within the DB and DC parts. The external managers also confirm that they will reflect RI considerations in portfolio management, in accordance with the USS policy.

USSIM's assessment of external managers' RI capabilities and processes is integrated into the manager selection and monitoring framework. Standard processes are in place for due diligence and monitoring for public and private markets but are adapted to suit the asset class and investment strategy for each fund under review. The due diligence establishes a baseline view which then informs USSIM's ongoing monitoring programme.

4. Voting behaviour and vote disclosure

4.1. Introduction

USS believes that there have not been any material divergences from its voting policies during the scheme year.

As a long-term owner of assets, exercising the right to vote is one of the cornerstones of USS's approach to stewardship. Further information on USS's approach and examples of USS's voting activities are in our [Stewardship Report](#) and at uss.co.uk/how-we-invest/responsible-investment.

4.2. USS Stewardship and Voting Policy

In 2024, USS introduced an updated Voting Guidance document, which supports the USS Stewardship and Voting Policy. These documents can be found at uss.co.uk/how-we-invest/responsible-investment/how-we-vote. The Stewardship and Voting Policy outlines USS's position on a range of RI issues and why USS believes RI factors should be well managed in the context of Universal Ownership and systemic risk. The documents also outline USS's expectations for investee companies. USS's Stewardship and Voting Policy is reviewed regularly to ensure continued alignment to USS's beliefs about good practice in line with USS's fiduciary duties.

The USS Stewardship and Voting Policy may be applied with discretion to form an independent voting decision on a case-by-case basis. USS considers factors including international and local market standards and best practices, proxy research, outcomes from engagement meetings, discussions with peers, USS's investment managers' perspectives and in the context of the underlying company's individual situation. USS integrates RI factors into its voting decisions where such factors are financially relevant. We promote high-quality disclosure and performance management of RI issues through both engagement with companies and our voting activities.

Shareholder proposals, including those which relate to RI issues such as climate change, human rights, labour relations and other matters, are considered on their individual merits. It is USS's intention to support resolutions it considers to be in USS's long-term financial interests. However, USS will not support a resolution which it considers overly burdensome or better addressed by another route.

Typically, USS has voted against company management on issues such as excessive executive remuneration or lack of board member independence. Often, when USS votes against management in one of USS's priority³ holdings, USS will write to the company to explain its concerns. For non-priority holdings, USS will write to the company after voting seasons informing them that we voted against certain resolutions and that the reasons for that are available on our dedicated disclosure tool.

USS has an active securities lending programme. To ensure that USS can vote all its shares at important meetings or where the scheme is a significant shareholder, USS has established procedures to restrict lending for certain stocks (for example in the event of a contentious vote or in relation to engagement activities, after discussion with the portfolio manager) and to recall shares in advance of shareholder votes.

4.3. Voting and USS's equity holdings

For the DB part, USS's internally managed equities (circa £7.5bn) and main externally managed equity mandate (circa £6.6bn) are subject to the USS Stewardship and Voting Policy. Generally, USS votes by proxy through an external voting platform for the assets subject to the USS Stewardship and Voting Policy. For the DC part, USS's largest externally managed equity mandate (circa £1.4bn), its externally managed ethical equity mandates (circa £212m), and the internally managed emerging

³ Prioritisation for voting and engagement activities is based on criteria set out in our Stewardship Report, including the size of our holding, the home market, the materiality of RI factors and the adequacy of public disclosure on RI factors.

market equity mandate (circa £158m) are also subject to the USS Stewardship and Voting Policy. The remaining equity holdings for the DC part are externally managed in pooled funds. For one of these funds, a UK equity index fund, voting is undertaken in line with the USS Stewardship and Voting Policy (circa £38m). For the other holdings, votes are cast in accordance with the external manager's policy (circa £108m).

USS expects USSIM and its external managers, where appropriate, to use their voting rights as part of their engagement work, in a prioritised and informed manner. USSIM monitors the voting and stewardship practices of its external equity managers as part of the external manager oversight and monitoring process. As part of USSIM's monitoring and engagement programme with external managers, USSIM engages managers to encourage greater alignment with international best practice and/or the USS Stewardship and Voting Policy, where appropriate.

4.4. Disclosure and oversight

Where USSIM has discretion over the exercise of voting rights, USS publicly discloses voting decisions on its website at uss.co.uk/how-we-invest/responsible-investment/how-we-vote.

USS monitors and reviews voting decisions twice a year through the Investment Committee and once a year through the Trustee Board. Regular proxy voting activity reports are also included in the standard quarterly reporting suite from our external equity managers and are typically covered in the manager's annual RI/stewardship publications.

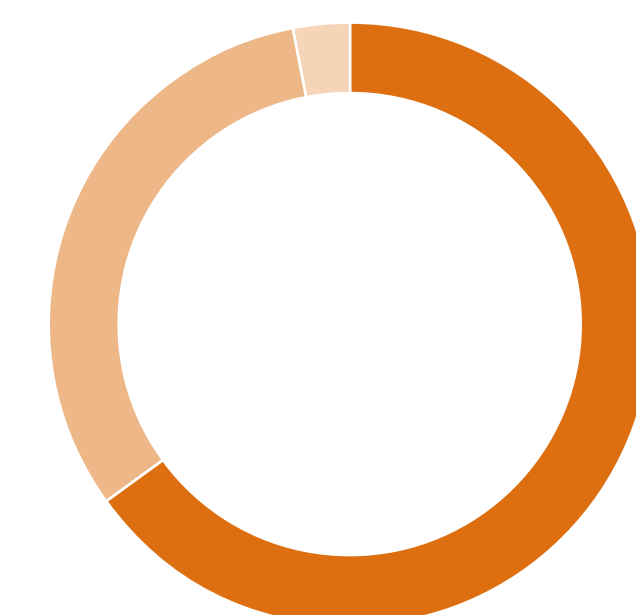
Implementation statement
Continued

4.5. Scheme voting statistics

The statistics below are in respect of USS’s internal equity assets and the large externally managed mandate (together representing over 98% of the scheme’s equity holdings):

	Voting statistics	
	Response	
	April 2023 – March 2024	April 2024 – March 2025
How many meetings was USS eligible to vote at?	1,999	1,960
How many resolutions was USS eligible to vote on?	29,706	28,301
What percentage of resolutions did we vote on for which USS was eligible?	99.9%	99.6%
Of the resolutions on which USS voted, what percentage did we vote with management?	73.6%	65.0%
Of the resolutions on which USS voted, what percentage did we vote against management?	24.7%	32.2%
What percentage of resolutions, for which USS was eligible to vote, did we abstain from?	1.7%	2.8%
In what percentage of meetings, for which USS was eligible to attend, did we vote at least once against management?	81.5%	81.8%

**USS global votes
April 2024 to March 2025**



- For (with management) **65.0%**
- Against **32.2%**
- Abstain **2.8%**

During the year, the three most common categories of resolutions where we voted against the recommendations of management included:

1. Audit & Reporting
2. Remuneration
3. Board elections

We utilise votes on resolutions relating to audit and reporting, as well as board elections, as an opportunity to convey concerns relating to a variety of matters. These can be beyond direct audit matters and the characteristics of an individual seeking election to the board. We also vote against these resolutions when we have material concerns with a board’s approach to managing systemic risks, such as climate change. A further example is where we have concerns relating to a company’s structure or outcomes of its remuneration policy; we may hold to account members of the remuneration committee by voting against their re-election to the board.



Implementation statement
Continued

4.6. Most significant votes – examples from 1 April 2024 – 31 March 2025

Below are details of the most significant votes on behalf of the trustee, in line with the trustee's four RI priorities.

Company and date of EGM	CTBC Financial Holding Company Ltd 11th October 2024
Summary of resolution	Resolution 1: Amendment to the Articles of Incorporation The company convened an EGM for the sole purpose of gaining shareholder approval to increase its authorised share capital by 39% through the issuance of new shares.
Size of holding at date of vote (% scheme assets)	0.1%
Vote	AGAINST (company management recommended voting FOR)
Rationale for vote	Our primary concern was that the proposed amendments would allow the company to fund significant acquisitions without requiring shareholder scrutiny or approval of the transactions. We believe that the discipline of gaining shareholder approval for significant transactions increases the likelihood of success. In addition, our vote decision was also based on the company's intent to acquire a company by way of a hostile takeover, which we felt would not support its position as a high-quality bank and could increase its risk profile unnecessarily. We contacted the company in order to communicate our views and concerns. We also explained why we had reduced our invested position.
Vote outcome	7.5% of votes were instructed against the resolution.
Implications of the outcome	The substance of the shareholder meeting, our engagement with the company and, also, other fundamental considerations, led to us reducing our investment in the company's shares.
Criteria selected for this vote to be significant and link to the USS Stewardship and Voting Policy	We recognised this as a significant vote owing to it being an important example of integrating responsible investment considerations and activities with investment decisions. It demonstrated how good governance considerations and deliberate engagement can influence investment decisions. A company's capital allocation policy and its discipline surrounding the use of capital can be fundamental to our investment case.

Company and date of AGM	Reliance Industries 29th August 2024
Summary of resolution	Resolution 1a: Accept Standalone Financial Statements and Statutory Reports
Size of holding at date of vote (% scheme assets)	0.1%
Vote	AGAINST (company management recommended voting FOR)
Rationale for vote	We expect companies that operate in sectors that emit high levels of greenhouse gas (GHG) emissions, or sectors exposed to climate risks, to have robust climate transition plans. This supports our ambition in relation to net zero. At this company's AGM in 2023, we voted against the Financial Statements owing to the company's lack of disclosure surrounding its management of GHGs. We wrote to the company explaining our voting rationale and were encouraged by the company's improved disclosures, which included the publication of emission reduction targets. While the progress was positive, the company continued to fail in meeting our minimum expectations. This year, we continued to vote against the resolution to accept the financial statements and statutory reports in order to impress on the company our expectations and also for it to continue progressing on its management of climate risks.
Vote outcome	0.14% of votes were instructed against the resolution.
Implications of the outcome	While we recognise that, in isolation, the vote outcome is not a substantial proof point in relation to the effectiveness of stewardship; coupled with targeted engagement and collaborative efforts by investors, stewardship is an important activity that can lead to positive outcomes. We expect to continue supporting the company's progress.
Criteria selected for this vote to be significant and link to the USS Stewardship and Voting Policy	We consider this vote to be significant as it aligns with our climate priorities and our net zero ambition. It is also an example of how voting and engagement can help support a company's progress towards managing a material systemic risk.



Implementation statement
Continued

Company and date of AGM	Visa Inc 28th January 2025
Summary of resolution	Resolution 7: Report on Lobbying Payments and Policy This shareholder requisitioned resolution requested that the company increase its disclosure on its lobbying expenses, as well as its related policies and procedures.
Size of holding at date of vote (% scheme assets)	0.1%
Vote	AGAINST (company management recommended voting AGAINST)
Rationale for vote	We supported the company's management by voting against this proposal due to the increased disclosures promised by the company in the 2024 Political Engagement report. However, we encouraged the company to disclose the specific amount of fees that may be used for lobbying activities, as opposed to the aggregate amount. We believe that clear disclosure of lobbying expenditure allows shareholders to evaluate whether such expenditures are consistent with the company's expressed goals and in the best interests of long-term shareholders.
Vote outcome	85.3% of votes were instructed against the resolution.
Implications of the outcome	We followed up this vote with a letter to the company outlining our key areas of concern and encouraging enhanced corporate disclosure, which would help investors better understand the risks associated with lobbying activities.
Criteria selected for this vote to be significant and link to the USS Stewardship and Voting Policy	We considered this vote to be significant as it aligns with our governance priority of supporting the functioning of capital markets. In addition, we believe this is a good example of how shareholder proposals can affect positive change on important issues to shareholders.

Company and date of AGM	ExxonMobil Corporation 29th May 2024
Summary of resolution	Resolution 1.6: Elect Director Joseph L. Hooley Resolution 1.12: Elect Director Darren W. Woods
Size of holding at date of vote (% scheme assets)	Less than 0.1%
Vote	AGAINST (company management recommended voting FOR)
Rationale for vote	We had concerns regarding the company's approach to corporate governance and shareholder rights. This concern centred on the company's decision to pursue legal action against its shareholders rather than use the established routes of engaging with these shareholders and using processes established by the U.S. Securities and Exchange Commission (SEC). We held to account the two board members most responsible by voting against the CEO/chair and the Lead Director. The Lead Director also chaired the board's Nominating and Governance Committee.
Vote outcome	Resolution 1.6: 12.8% of votes were instructed against the resolution. Resolution 1.12: 8.4% of votes were instructed against the resolution.
Implications of the outcome	USS followed up the vote decision by signing a joint statement with other investors that relates to the protection of shareholder rights. This letter, which was supported by investors with combined assets under management of USD 5.2 trillion can be found here: https://www.pggm.nl/en/press/group-of-investors-issues-joint-statement-on-shareholder-rights/ .
Criteria selected for this vote to be significant and link to the USS Stewardship and Voting Policy	We consider this vote to be significant owing to it aligning with USS's governance priority of protecting shareholder rights. We believe the ability to requisition and vote on shareholder proposals is a fundamental right of shareholders and that this case could set a precedent that undermines this very important and fundamental right of shareholders.

Implementation statement
Continued

5. Investment governance

The trustee believes USS's policies in relation to the arrangement with USSIM and any asset managers have been materially followed during the year.

5.1. Relationship with USSIM

USSIM is the principal investment manager and adviser to the scheme, looking after the investment and management of the scheme's assets. USS has various methods for overseeing USSIM and it is the Investment Committee that is responsible for overseeing the delivery of these services. USSIM also provides regular reporting on its performance.

In addition to the oversight provided by the Investment Committee, USSIM's remuneration structures and risk and control environment are overseen through the trustee's Remuneration Committee and Group Audit and Risk Committee respectively.

Investment advice

USS must obtain written investment advice before exercising its power of investment under the Scheme Rules. USS may also engage external advisers and other specialist advisers as it considers appropriate. Any investment advice required by USS is provided in accordance with legislation and primarily to the Investment Committee.

Alignment of interests

The SIP covers USS's policy on how the arrangements with USSIM incentivise USSIM to make decisions in the long-term interests of USS.

USSIM is a non-profit entity, which is wholly owned by USS. The duration of USSIM's appointment is indefinite. It is intended that USSIM will continue to manage

investments and external managers on behalf of USS on a continuous basis.

USS is satisfied that its arrangements incentivise USSIM to:

- Act in the best interests of USS, its members and employers
- Align its investment strategy and decisions with USS's policies, including whether to manage certain investments itself or to appoint external managers
- Make decisions based on assessments of the medium-to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their, and thereby USS's, performance in the medium to long term

USS has reached this conclusion on the basis that USSIM does not provide services to other clients and has no conflicting arrangements in place. USS does not have any fee arrangements in place with USSIM which would incentivise it to deviate from USS's policies.

USS undertakes a full value-for-money assessment of both the DB and DC parts of the scheme annually, including a review of investing internally via our in-house investment manager (USSIM) versus peer pension schemes' investment arrangements and using benchmarking analysis. In the latest CEM benchmarking survey (calendar year 2023), our investment management costs as a proportion of scheme assets remained materially below the peer cost benchmark, with USS 0.12% below peers, equivalent to £86m a year.

As part of the investment balanced scorecards, USS considers a wide range of metrics to assess the investment management performance of USSIM over time. The investment balanced scorecards help to provide greater transparency between the trustee and USSIM and align USSIM to the long-term interests of USS. Some of these metrics include USSIM's realised investment returns versus a measure of USS's liabilities, USSIM's active management performance, and an

assessment of USSIM's progress in integrating RI factors into its investment decision making. These metrics are included in the investment balanced scorecards below, which span six important categories. The scorecards are considered separately for both DB and DC. These categories have been designed to align with trustee objectives and be consistent with the best interests of the scheme's members and employers:

	1. Investment return		2. Investment risk
	3. Active management		4. Portfolio resilience
	5. Responsible investment		6. Advice and support



Implementation statement

Continued

USSIM uses a remuneration framework involving both quantitative (i.e. based on investment performance) and qualitative assessments. This framework ensures that USSIM's incentives are aligned to the needs of the scheme and USS's policies in relation to the selection and balance of investments, the management of risk, return on and realisation of investments, and responsible investment and engagement activities. To encourage alignment and retention of key personnel, this framework includes a base salary, annual incentives and, where applicable, long-term incentive plans (vesting over multiple years). From January 2023, every USSIM employee (with two years or more service) has had an element of their annual bonus linked to overall long-term scheme performance (using the balanced scorecard above).

USSIM is thereby incentivised and aligned with the medium- to long-term performance of the scheme (including through making decisions informed by both financial and non-financial considerations, on issuers of debt and equity in which USS invests and engaging with such issuers to improve their performance).

The investment balanced scorecards are reviewed formally on an annual basis to ensure they remain fit-for-purpose and aligned to the objectives of the trustee.

The trustee is satisfied that USSIM is aligned with its policies because of the relationship between the trustee and USSIM, and the non-profit arrangements in place.

5.2. Role of the Investment Committee

The purpose of the Investment Committee is to oversee the investment of USS's assets. It will, based primarily on investment advice from USSIM, make strategic recommendations to the Trustee Board. Where authority has been delegated to the Investment Committee, it will approve on USS's behalf strategic matters relating to the investment of the assets and development of the investment strategy, having regard to any legislative and regulatory requirements. All day-to-day investment decision making is made by USSIM.

The Investment Committee meets regularly to review investment strategy proposals and to receive regular reporting from USSIM on its ongoing investment management activities. Regular reviews of the existing investment strategy, including the overall and individual mandate investment performance, are also completed.

The Investment Committee is responsible for overseeing the delivery of services provided by USSIM under the IMAA. As part of this oversight, the Investment Committee reviews USSIM's business plan, budget and other investment costs prior to final approval by the Trustee Board. It includes consideration of the strategic projects that USS has asked USSIM to complete, as well as comparing USSIM's investment management costs to peers. The Investment Committee receives an annual attestation from USSIM confirming compliance with the responsibilities and guidelines given to it by the trustee under the IMAA.

The activities, decisions made, and recommendations of the Investment Committee are reported to the Trustee Board after each meeting. The Investment Committee also reviews the provision of investment advice from USSIM on an annual basis.

5.3. Relationship with external investment advisers

In addition to the advice from USSIM, USS has contracts in place with two external investment advisers. For the year ending 31 March 2025, USS's external investment advisers were Mercer (for DB matters) and LCP (for DC matters). Both attend all Investment Committee meetings and provide independent insight and challenge to the committee's consideration of USSIM's investment strategy proposals and on the reporting provided by USSIM. USS may also request formal investment advice from these advisers or other external advisers (in addition to or instead of that from USSIM), as it deems appropriate.

As required under the Occupational Pension Schemes (Scheme Administration) Regulations 1996, trustees of a 'relevant trust scheme' are required to: (1) set objectives for investment consultancy service providers and review their performance against those objectives at least every 12 months; and (2) review, and if appropriate revise, the objectives at least every three years and without delay after any significant change in investment policy. In early 2025, USS reviewed the performance of its external investment advisers against their respective objectives. The next triennial review of the objectives themselves is due in 2026.

The trustee is not required to do this in respect of USSIM as it is a wholly owned subsidiary of the trustee. However, the trustee rates the performance of USSIM in the same survey. The main mechanism for rating advisers is set out in the respective Investment Frameworks.

5.4. External manager selection and monitoring

USSIM is the principal investment manager and adviser to the scheme, looking after the investment and management of the scheme's assets. As part of this role, USSIM can allocate investment mandates to external managers.

Any decisions made by USSIM to appoint either internal or external managers and any decisions regarding the preferred investment structure to be used for any mandate are made in the best interests of the members and beneficiaries considering several factors including investment capability, experience and value for money. This applies for both the DB and DC parts.

Manager selection

When appointing a new public markets manager, USSIM sets out mandate requirements which detail the investment and operational requirements for the mandate. These underpin the selection process which will usually consist of a long-list of managers that is then filtered based on assessed skill, quality and fit with scheme requirements.

At the short-list stage, further due diligence is carried out on the external manager's investment team, process, risk management, responsible investment practices and business structure. Initial fee negotiations will also be undertaken at this stage. During the new manager selection process, USSIM compares fund expenses where relevant and possible. After this work, a final candidate will be proposed for further due diligence including an Operational Due Diligence assessment.

External manager due diligence also considers remuneration, firm culture and incentive structures.

Implementation statement

Continued

As part of the analysis prior to investment, USSIM will consider how the key decision-makers are aligned to fund performance, how performance fees (where applicable) are shared among the team and how the ownership of the business is shared. A key focus of this review is to ensure that those performing the analysis and responsible for the allocation of USS's capital are well-aligned with USS's long-term investment objectives.

Manager monitoring

Oversight of the external and internal public market mandates is carried out by USSIM. The method and time horizon for evaluating and remunerating external managers is determined by policies set by USSIM. USSIM engages via questionnaires and regular meetings, covering performance, emerging risks and changes to the portfolio and process.

USSIM also undertakes formal in-depth annual reviews of all external public market managers covering changes in the organisation, team, process, portfolio turnover, risk, responsible investment considerations and diversity, equity and inclusion initiatives. USSIM undertakes periodic benchmarking exercises of the external managers' fees and looks to renegotiate accordingly to ensure the fees remain competitive.

For private markets fund investments, USS's policy is complied with at the time of the investment and oversight is undertaken by USSIM on at least a semi-annual basis.

USSIM has processes in place to assess and monitor how its external managers are addressing financially material considerations in the selection and retention of investments. This assessment takes place before

appointment and is monitored on an ongoing basis. This applies to managers of both public market and private market funds, and managers within both the DB and DC parts.

5.5. Fees and transaction costs

There are different types of investment costs and charges, some of which are explicit (for example, an investment management charge) and some of which are implicit (for example, transaction costs).

To provide USS with a full view of the costs and charges, USSIM carried out an exercise to report total investment costs incurred over the calendar year 2024 (for both the DB and DC parts). USSIM appointed an external provider to help with the data collation and benchmarking purposes. Upon conclusion, USS was able to include the costs and charges for the DC funds within the DC Chair's Statement as at 31 March 2025 and comply with the Cost Transparency Initiative's guidance. The exercise also covered external portfolios, allowing USS to monitor target portfolio turnover and/or turnover ranges, which it does on an annual basis.

Best execution is overseen by an internal USSIM committee. The committee's responsibilities include oversight and challenge of USSIM and the external managers' Cost and Quality of Execution.

6. Financially material considerations

6.1. Introduction

USS's legal duty in relation to investment strategy is to invest in the best financial interests of members and beneficiaries, with an appropriate level of risk. In carrying out this duty, USS expects its investment managers (USSIM and the external managers appointed by USSIM) to take into account all financially material

considerations in the selection, retention and realisation of investments. This includes RI considerations (such as, but not limited to, climate change) where these are considered relevant financial factors. This approach is implemented in three ways:

- Integration into investment decision-making processes: USS requires active managers to seek to identify mispriced assets and make better investment decisions to enhance long-term performance by taking account of financially material considerations. USS believes additional returns are available to investors who take a long-term view and can identify where the market is overlooking or misestimating the role played by these considerations in corporate and asset performance.
- Stewardship, engagement and voting rights: As a long-term investor USS expects its managers to behave as active owners on its behalf and use their influence to promote good practices concerning financially material considerations.
- Market transformation activities: USS and its agents engage with policymakers and regulators in markets in which it invests, and articulate concerns of asset owners and long-term investors, covering areas such as listing rules and climate change policies.

USS has processes in place to ensure the investment strategy and management of the assets are in the best financial interests of the members and beneficiaries. These processes are overseen by USSIM and the Investment Committee. USS is satisfied that USSIM is informed about the matters that the investment managers are taking into consideration and that these are aligned with USS's policies, as expressed in the SIP and the Default SIP.

As it is financially material, USS believes that addressing climate change is in the best financial interests of its members and beneficiaries, and as such has set an ambition for its investments to be net zero by 2050 if not before. Further detail on our emissions intensity and progress towards this target is included in our TCFD reporting.

6.2. Investment manager oversight: alignment of interests

The SIP sets out USS's policies in relation to arrangements with internal (USSIM) and external asset managers, which is set out in Section 5 of this Statement.

USS has put in place several processes with its investment managers (internal and external) to ensure alignment of interests with USS's policies and objectives, and a long-term focus. These are considered in the selection, retention and realisation of investments.

When appointing an investment manager, USS requires managers, including USSIM, to consider these investment policies which cover such things as:

- The kinds of investments to be held
- The balance between different kinds of investments
- Financially material considerations to be looked at over the appropriate time horizon of the scheme, including how those considerations are weighed in the selection, retention and realisation of investments

Implementation statement

Continued

USS considers that the following processes create alignment with USS's investment policies:

Setting the investment strategy with a long-term horizon, including the use of private market assets

USS recognises that while underperformance may occur over periods of time, the probability of return-seeking assets outperforming lower-risk investments increases as the investment horizon lengthens, though it does not become a certainty. USS, as a long-term investor, is likely to hold some investments over many years, including the use of private market assets that provide opportunities for additional returns over the long term.

Investing responsibly and engaging as long-term owners

USS expects its investment managers, including USSIM, to engage as active owners of assets, focused on sustainability, good corporate governance and to consider all financially material considerations, including material RI factors, in relation to the selection, retention and realisation of investments. Members' interests are further protected from adverse impacts by collaboration with like-minded investors and engagement with government, policymakers, industry and regulators.

Long-term relationship with USSIM and external managers

USSIM and external managers are appointed as long-term investment managers, in line with the long-term focus and horizon of the scheme. USS monitors the performance of USSIM over rolling five-year periods and USSIM monitors external managers in the same way.

Using in-house investment management where beneficial to the scheme and members

USSIM's compensation approach for in-house investment managers is designed to incentivise the delivery of performance over the long term and to encourage the retention of key personnel.

6.3. Consideration of non-financial factors

Investing in the best financial interests of members and beneficiaries is USS's legal duty. However, to the extent permitted by its fiduciary duties, there are some circumstances where USS may consider non-financial factors and take account of member views in relation to the selection, retention and realisation of investments. These circumstances may include where:

- I) Taking those non-financial factors into account would not pose a risk of significant financial detriment to the scheme, for example, where the choice is between two investments which are broadly equivalent from a financial perspective
- II) USS has good reason to believe that all members would share each other's concerns about the non-financial factors

In the Investment Builder (the DC part), where USS is able to offer members a choice of self-select funds, alternative options are made available. These are based on member research and allow members to reflect their views and preferences and take account of their own position on the risks of potentially lower returns. There have been no circumstances over the past 12 months outside of these alternative options where non-financial factors could be taken into account for investment decision making.

6.4. Engagement with the members

USS offers members several ways to provide feedback on investment issues, including via a contact form on the website, post and member surveys. As part of USS's survey engagement, USS invites views from members and beneficiaries on non-financial matters. These include (but are not limited to) RI issues.

Task Force on Climate-related Financial Disclosures (TCFD)

Report summary

Do Introduction

The TCFD framework

The Task Force for Climate-related Financial Disclosures (TCFD) is a framework that includes a series of recommendations for how organisations should disclose information on their climate-related risks and opportunities. The goal of the TCFD framework is to bring transparency and consistency to these disclosures and allow more decision-useful, forward-looking information to be available to investors, shareholders and other stakeholders.

Disclosure requirements

We are required to publish our climate-related financial disclosures under the requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (DWP TCFD Regulations). The Regulations require us to explain the governance and actions the trustee has taken to identify, assess and manage climate-related risks and opportunities.

We are also required to undertake scenario analysis, which considers the potential impact of climate change on the scheme's assets and liabilities, the resilience of the scheme's investment strategy and the resilience of our funding strategy.

Our reporting approach

Our full 2025 TCFD Report can be found on the [website](#).

It includes our emissions data for 2024 and progress against our net zero ambition and interim target. During the reporting year, we worked with the University of Exeter to re-run and update the 'No Time To Lose' scenarios (which we explain further on page 116) to:

- Incorporate the most recent climate data, projections, and significant changes in markets, policies, and regulation
- Provide insights on the economic impact of geopolitical conflicts and trade wars
- Revise the Boom-and-Bust scenario to consider the possibility of an overheated US economy leading to a recession

We provide the detailed findings of this in a strategy update that can be found in the 2025 TCFD Report.

We also publish a Stewardship Report – our 2025 Stewardship Report can be found [here](#). We define stewardship as the responsible allocation, management and oversight of capital, to allow us to protect and enhance long-term value for the scheme. Our Stewardship Report demonstrates:

1. Our active approach to stewardship
2. How we engage with the assets we own to encourage emissions reduction and transition planning
3. How we exercise our shareholder rights through voting to encourage better standards of corporate governance and management of environmental and social issues

4. How we engage with policy makers and regulators to seek to improve how markets operate and address climate-related risk in the real world

Other information on our responsible investment approach can also be found on our [website](#).

TCFD Report findings

Climate-related risks and opportunities

We set an ambition for our investments to be net zero by 2050, if not before. We set interim targets for 2025 and 2030. Our interim target is to reduce the emissions intensity of our non-sovereign DB assets by 25% by 2025, and by 50% by 2030, relative to our 2019 baseline.

We achieved our 2025 target to reduce emissions by 25% ahead of the deadline, and are on track for the 50% reduction target by 2030. We believe our own progress does not reflect a decrease in the scheme's exposure to the risks from climate change.

As a [Universal Owner](#), we are exposed to certain market wide or systemic issues that could impact the investment returns we seek. Climate change is considered a systemic issue because it is inherent to the entire market, rather than to just a particular company, industry or sector. We must therefore act as an active, engaged and responsible long-term investment owner to address these systemic issues and work with other Universal Owners to minimise the financial impact they could have on our investments.

We recognise that climate change is a global issue and that as a Universal Owner we need to work together with other investors, governments and regulators to seek to improve how to influence change. In 2025 and the years ahead we will continue to progress towards our net zero ambition. In addition, we will place more emphasis on engagement with policy makers and regulators to improve how markets operate and address climate-related risk in the real-world.

Climate-related financial disclosures – TCFD Report Summary
Continued

Progress made in 2024/25

In our 2024 TCFD Report we set four focus areas for the year ahead. The table below demonstrates how we the progress we have made and our next steps.

Focus areas	Progress we have made	Looking ahead to 2026
Put our new decision useful climate scenarios into practice	<p>We updated our approach to climate scenario analysis. The new analysis includes an enhanced assessment of transition risk and includes physical risk analysis for the first time.</p> <p>We have also redefined our time horizons to be more consistent with investment time horizons which highlights the urgency of the climate challenge.</p>	<p>We will continue to use the updated climate scenarios both to inform top-down asset allocation and bottom-up security selection.</p> <p>We will also use the scenarios to inform our policy advocacy and system-level engagement with regulators and policy makers.</p>
Enhance our long-term investment outlook to inform asset allocation	<p>The updated scenarios are being used actively by our asset allocation and investment teams to inform their investment decision-making.</p> <p>The outputs of the scenario analysis are also being used to inform our stewardship activities.</p>	<p>Active stewardship is a core element of our investment approach therefore we will continue to consider climate transition in our asset-level stewardship and engagement.</p> <p>As a Universal Owner, we will also seek to engage in climate-related policy advocacy our engagement with policymakers, standard setters and regulators.</p>
Continue our active ownership approach to climate issues	<p>We have enhanced our integration of material climate-related issues into our advisory and investment decision making.</p> <p>We continue to engage with carbon intensive assets we own to encourage emissions reduction, transition planning and to gather information to integrate into investment decision making.</p>	
Further embed net zero into how we invest	<p>Climate transition scenarios featured on the agenda of our Investment Committee away day, held in November 2024.</p> <p>The Trustee Board received training on systemic risks and introduction to climate-covering physical and transition risk.</p> <p>Non-investment employees received wider training on temperature alignment and climate-related regulations for USSIM.</p>	<p>We will develop training as required to ensure that our Trustee Board, executives, and employees have the necessary skills to ensure climate considerations are embedded in both investment processes and decision-making and strategic oversight.</p>

Governance

The Trustee Board is responsible for the oversight and management of climate-related risks and opportunities relevant to the scheme. By formal delegation, it assigned responsibility to USSIM to implement the investment strategy. USSIM’s role includes:

- Managing climate-related risks
- Identifying climate-related investment opportunities
- Allocating investment mandates to external managers
- Advising the trustee on investment policy and strategy matters (including climate-related risks)

For further detail on the approach USSIM takes and how the Trustee Board receives information and training please see the Governance section of the 2025 TCFD Report.

Strategy

In the 2024/25 reporting period, we updated our approach to climate scenario analysis using bespoke scenario narratives and developed an approach to assess both transition and physical risk exposure. Our approach to addressing both transition and physical risk enhances our ability to achieve climate objectives and strengthens our capacity to manage climate-related risks and opportunities and make informed investment decisions.

We have adapted our time horizons over shorter timeframes to represent more realistic economic and financial market behaviour over the next 5–10 years. By focusing on shorter horizons, we can create a more accurate and actionable framework, better understand the interplay between climate transition and macroeconomic factors for strategic planning and investment decisions.

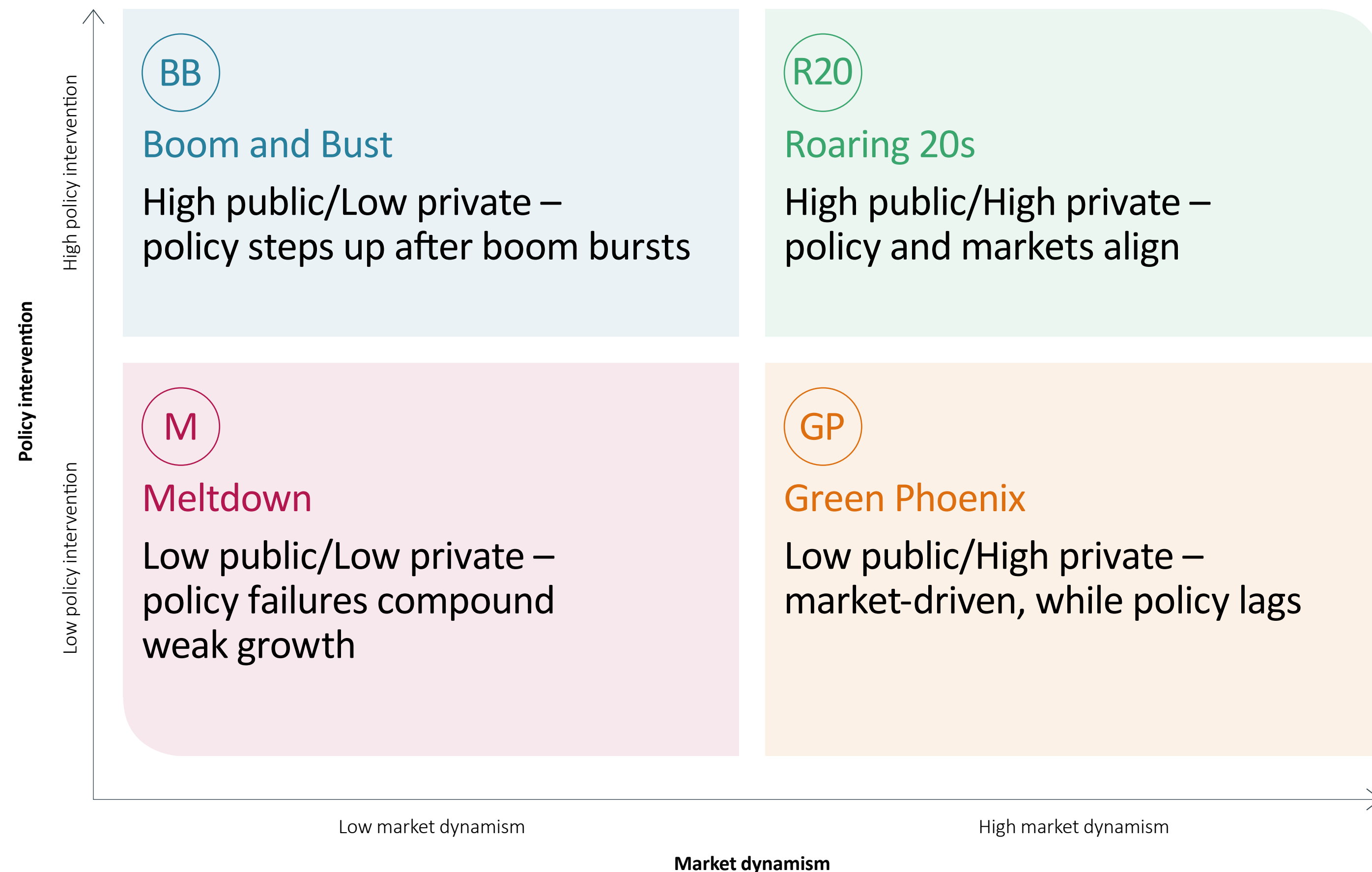
New Time Horizons	Previous Time Horizon
Short Term: Less than 5 years	Short Term: 5–10 years
Medium Term: 5–10 years	Medium Term: 15 years
Long Term: Over 10 years	Long Term: 30 years

Climate-related financial disclosures – TCFD Report Summary
Continued

The four climate scenarios

Working with the University of Exeter, we have updated our ‘No Time To Lose’ scenarios that were presented in last year’s report.

Real world climate scenarios (to 2030) – 2x2 matrix



The diagram illustrates the scenarios, which combine high or low policy action and high or low market dynamism in different ways.

We have worked with the University of Exeter to model the potential impacts of physical climate risks. Our modelling focused on five acute hazards – river flooding, wildfires, heatwaves, tropical cyclones, and droughts – as well as one chronic hazard: the impact of heat stress on labour productivity.

Climate-related financial disclosures – TCFD Report Summary Continued

The four climate scenarios continued

R20

Roaring 20s – policy and markets align

- Strong climate policies (led by China and Europe) and technology advancements drive economic growth.
- Easing geopolitical tensions, particularly with China, support global trade.
- Investments in renewables and infrastructure boost sustainability and economic stability.

GP

Green Phoenix – market-driven, while policy lags

- Geopolitical tensions disrupt supply chains, hindering international cooperation.
- Governments struggle to meet climate goals, but market forces drive renewable investments.
- Private sector plays a key role in pushing green initiatives forward despite weak policy support.

BB

Boom and Bust – policy steps up after boom bursts

- Rapid growth fuelled by tech advancements and aggressive fiscal policies leads to economic imbalance.
- A major recession follows, driven by inflation, policy conflicts and financial instability.
- Weak recovery prioritises traditional energy over renewables due to cost advantages.

M

Meltdown – policy failures compound weak growth

- Aggressive US fiscal policies and trade wars cause high inflation, instability and slow growth.
- Governments backtrack on climate commitments. Geopolitical tensions, and economic fragmentation disrupt supply chains.
- Energy security becomes a significant risk in Europe.

Transition risk

We collaborated with Cambridge Econometrics to use a global macro-econometric model to assess alternative scenarios for key macro variables.

Our analysis of the ‘No Time To Lose’ scenarios reveals a range of potential outcomes, even in the short term. The scenarios show a broad range of GDP impacts and inflation is a major concern across all scenarios, with current projections suggesting a sustained higher inflation regime compared to pre-COVID driven by economic policies and geopolitical tensions.

Physical risk

Our internal Country Risk Scorecard now includes physical risk metrics ensuring these risks are considered in asset allocation. For the United Kingdom, flooding is the primary climate risk to investments by 2030, impacting GDP in urban centres and infrastructure corridors. This aligns with the UK’s Third Climate Change Risk Assessment, highlighting vulnerabilities in developed areas along major rivers and cities.

In the scenario analysis deep dive we present physical risk exposure of an illustrative selection of countries that are meaningfully represented within our investment portfolio.

Please refer to the 2025 TCFD Report for a full explanation of our scenario analysis including the impacts on the DB and DC parts of the scheme including impacts on assets, liabilities and the funding strategy.



Climate-related financial disclosures – TCFD Report Summary Continued

Risk Management

The Trustee Board has ultimate responsibility for the scheme's risk management, even where this is delegated to USSIM. The Trustee Board is responsible for setting risk appetites and satisfying itself that appropriate systems are in place and the Risk Governance Policy is implemented.

In this context, risk is defined as the possibility that the scheme's objectives will not be achieved, including, for example:

- Target funding levels are not met.
- Expected investment returns do not materialise.
- Climate change impacts the scheme's investments.

Our Enterprise Risk Management Framework (ERMF) comprises a set of processes to identify, measure, manage and report enterprise and operational risks. It includes risk appetite statements (RASs) set by the trustee along with key risk indicators (KRIs). This allows us to take a top-down approach to identify and prioritise high-level risks including climate risks. We also take a bottom-up approach where the Group Risk team assesses each business area's operating risk registers. We embed climate risk assessment and management, and other Environmental, Social and Governance (ESG) issues, into our ERMF.

Our Investment Framework is part of our ERMF, and includes investment-related RASs and KRIs, including those for climate risk. This makes clear the parameters within which USSIM is to manage the scheme's investments. The Investment Framework also includes an assessment of investment performance using an investment balanced scorecard for defined benefit (DB) and defined contribution (DC).

Our 2025 TCFD Report describes how we assess the impact risk (including climate risk) has across the employer covenant, investment and potential liabilities.

Metrics and Targets

We use the following four metrics to assess and manage climate-related risks and opportunities and to measure progress towards our net zero ambition:

Category	Our chosen metric	Explanation and scopes covered
Absolute emissions	Portfolio emissions (tCO ₂ e)	Absolute amount of carbon dioxide and equivalents emitted (Scopes 1 and 2) by the investments: Million tCO ₂ e. We currently focus on Scopes 1 and 2 and report Scope 3 emissions separately where available. We expect to see this metric reduce substantially over the long term as the scheme and the global economy decarbonise.
Emissions intensity¹	tCO ₂ e per £m invested	The amount of carbon dioxide and equivalents emitted per million pounds of scheme investments: tCO ₂ e per £ million invested on an Enterprise Value Including Cash (EVIC) basis. We currently focus on Scopes 1 and 2 and report Scope 3 emissions separately where available. We expect to see this metric reduce substantially over the long term as the scheme and the global economy decarbonise.
Portfolio alignment	Percentage of portfolio emissions from assets aligned with a pathway of well below 2°C	This assesses the proportion of our assets that are on a decarbonisation trajectory expected to align with 2°C or below. This is based on the warming path as assessed by S&P Trucost modelling. This forward-looking metric shows how assets are transitioning. We expect to see the percentage increase in future.
Data quality	Estimated reliability of sourced data for proportions of our investments	We group different sources of Scope 1 emissions data by an estimate of their accuracy. We then report the portion of our investments for which emissions data were sourced using that method. This metric tracks how well investments are disclosing their carbon exposure and climate transition plans, giving us greater confidence to use these data in our investment decision-making. We expect to see the percentage increase in future.

1 The TCFD guidance defines carbon footprint as the total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes of CO₂e per million dollars invested. In this report, we use emissions intensity to express the amount of carbon dioxide and equivalents emitted per million pounds of scheme investments.

Climate-related financial disclosures – TCFD Report Summary
Continued

Progress against our net zero ambition and interim targets

We set an ambition for our investments to be net zero by 2050, if not before. We have set an interim target for 2025 and 2030. Our target is to reduce the emissions intensity of our non-sovereign DB assets by 25% by 2025, and by 50% by 2030, relative to our 2019 baseline.

The emissions intensity of the DB scheme’s non-sovereign assets continued to fall, from 54.6 tCO₂e per £m invested to 44.2 tCO₂e per £m invested, on a Scope 1 and 2 basis.

Emissions intensity of non-sovereign assets compared to 2019.

2019 emissions intensity (Scopes 1 and 2)	2024 emissions intensity (Scopes 1 and 2)	Reduction from 2019 to 2024	Annualised reduction
89.5 tCO ₂ e per £m invested	44.2 tCO ₂ e per £m invested	51%	13%

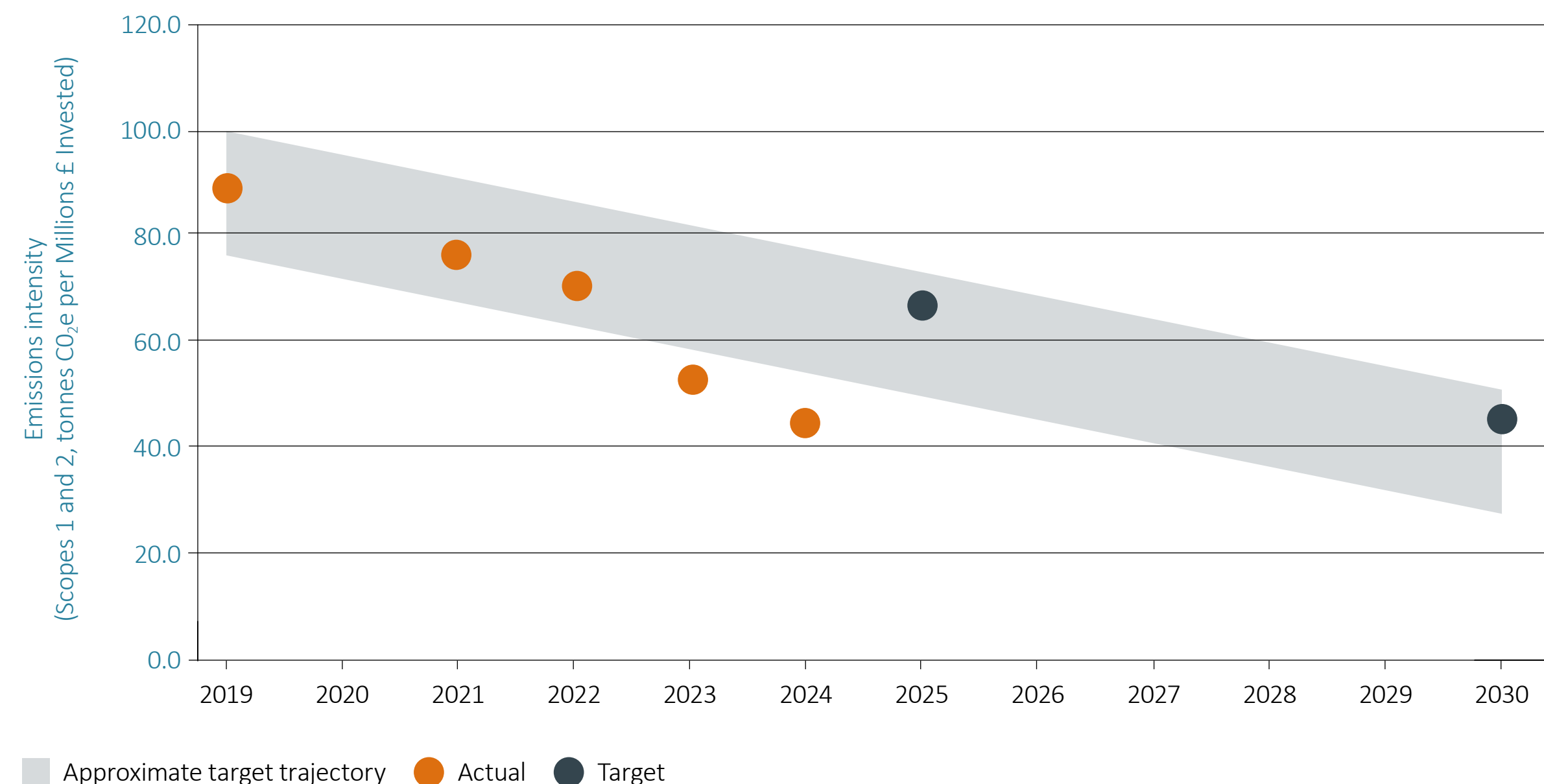
For a full breakdown of our DB non-sovereign emissions and DC non-sovereign emissions over £1m in assets and our sovereign emissions please refer to the Metrics and Targets section in the 2025 TCFD Report.

In the context of continuing increases in global emissions, we treat the rapid pace of reduction in emissions from the scheme’s assets with caution. Lower emissions intensity for the portfolio does not reflect the risks from the climate transition, or from the physical risks from climate change. Similarly, emissions intensity does not reflect the extent to which the scheme is capturing opportunities from the transition, or its role in funding the transition. Furthermore, emissions intensity is calculated on a per £m invested (Enterprise Value Including Cash) basis and is therefore sensitive to market moves – rising asset prices will decrease emissions intensity, and similarly a fall in asset prices will increase emissions intensity.

We continue to explore opportunities to complement our existing metrics with additional metrics that capture broader climate-related risks and opportunities.

We have included here a snapshot of our key metrics and data, in particular our performance against our net zero ambition and interim targets. Please refer to the TCFD Report for a complete view of calculated metrics across both DB and DC together with an explanation of the methodology used.

Emissions intensity vs targets



Glossary

absolute emissions	amount of carbon dioxide (CO ₂) and equivalents emitted by USS's investments, expressed in million tonnes of carbon dioxide equivalents (tCO ₂ e)	FCA Senior Managers and Certification Regime	relates to regulation, implemented by the Financial Conduct Authority (FCA), to extend regulatory accountability to the senior managers within financial institutions in an effort to curb corruption and enforce an increased culture of compliance in the UK's financial services market
actuarial valuation	appraisal of the defined benefit element of the scheme's assets and liabilities, using investment, economic and demographic assumptions for the model to determine whether, at a certain date, we believe the scheme will have enough money for us to be able to pay the pensions promised to our members on a timely basis	fixed income	an investment approach focused on preservation of capital and income. It typically includes investments like government and corporate bonds and can offer a lower risk steady stream of income
basis points	a unit of measurement to describe the percentage change in the value or rate of a financial instrument. One basis point is equal to 1/100th of a percent or 0.01%	funding ratio	ratio of a pension or annuity provider's assets to its liabilities
CEM Benchmarking	specialist independent external benchmarking service for pension providers to compare value for money across 150 of the world's top 300 pension funds	greenhouse gases (GHGs)	the six gases listed in the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride. These contribute to the greenhouse effect and climate change
climate change	climate change is an urgent issue of global significance. The scientific consensus is that carbon dioxide and other greenhouse gas emissions, caused by human activity, are contributing to changes in the atmosphere that will cause significant changes in global temperatures	growth assets	investments expected to deliver capital growth and/or variable/dividend income over time
CPI	Consumer Price Index	HICPXT	Harmonized Index of Consumer Prices excluding Tobacco, a specific type of inflation index used in the Eurozone, particularly in the context of inflation-linked derivatives and financial instruments
defined benefit (DB)	an employer-sponsored retirement plan where employee benefits are computed using a formula that considers several factors, such as length of employment and salary history	IAP	Institutions Advisory Panel; employer advisory group to USS
defined contribution (DC)	a plan in which members and employers contribute a fixed amount or a percentage of pay which is invested and the proceeds used to buy a pension and/or other benefits at retirement	implemented portfolio	the actual distribution of the scheme's assets, across a diversified asset mix, as determined by the investment programme
emissions intensity	emissions intensity is the level of greenhouse gas (GHG) emissions per unit of economic activity. In USS' case, it is the amount of carbon dioxide and equivalents emitted per million pounds of scheme investments	Investment Builder	the defined contribution element of the scheme. Members have funds in the USS Investment Builder if they have earnings above the salary threshold (£41,004 for the 2023/24 financial year increasing to £70,296 from 1 April 2024), made additional contributions, or transferred funds into the scheme
employees	employees of Universities Superannuation Scheme Limited or USSIM	Investment Management and Advisory Agreement (IMAA)	the document which details the terms under which USSL has appointed USSIM to invest the assets of the scheme and to provide advice to USSL in respect of scheme investments
employers	Higher Education and other institutions who pay contributions to their employees' pensions	investment management cost ratio	a measure of investment management costs relative to the value of the scheme's assets, expressed in basis points calculated using a basis designed to be consistent with that used by CEM Benchmarking
ESG	environmental, social and governance		

Glossary
Continued

leverage	leverage measures the degree to which total investment exposure exceeds the value of scheme net assets. Leverage is created by repurchase agreements and derivatives, including futures and swaps	Scope 1 emissions	direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organisation
liability-matching assets	investments exposed to interest rate and inflation risks and which are expected to hedge those risks within the scheme's liabilities	Scope 2 emissions	indirect GHG emissions from the generation of purchased energy for example electricity, steam, heat or cooling
Material Risk Taker (MRT)	an employee whose professional activities have a material impact on the risk profile of the relevant entity or of the assets that they manage on behalf of the scheme	Scope 3 emissions	indirect emissions (not included in Scope 2) that occur in the value chain of an organisation, including both upstream and downstream emissions. Scope 3 emissions can include categories such as business travel, waste disposal and use of sold products
members	individuals who are members of the Universities Superannuation Scheme who have accrued benefits and/or on whose behalf contributions have been made during their current or previous employment by a scheme employer	systemic risks	risks that are inherent to the entire market, rather than a particular stock or industry sector
My USS	the online service for managing USS savings and benefits	the scheme	the scheme means Universities Superannuation Scheme
net zero	net zero refers to a state where greenhouse gases from human activities added to the atmosphere are balanced by their removal from the atmosphere	the trustee	the trustee or trustee company means Universities Superannuation Scheme Limited. It is a corporate trustee which has overall responsibility for scheme management
pari passu	pari passu is a Latin phrase meaning 'equal footing'	transition risk	the risk associated with the pace and extent to which an organisation reduces its GHG emissions and transitions to a sustainable, low carbon economy
pension administration cost per member	a measure of the cost of administering USS pensions per member, calculated using a basis designed to be consistent with that used by CEM Benchmarking	Trustee Board	a board comprised entirely of non-executive directors that provides overall leadership, strategy and oversight of the scheme, the trustee company and USSIM, in co-operation with USSIM's board of directors
physical risk	risks that relate to the physical impacts of a changing climate, such as the increase in frequency and severity of extreme weather events and temperature effects on productivity	USS	USS means Universities Superannuation Scheme
private markets	financial companies involved in private rather than public markets are part of the capital market. They include investment banks, private equity and venture capital firms in contrast to broker-dealers and public exchanges	USSIM	USSIM means USS Investment Management Limited, the scheme's principal investment manager and advisor
public markets	refers to securities available on an exchange or an over-the-counter market	USSL	USSL means Universities Superannuation Scheme Limited, the scheme's trustee
Retirement Income Builder	the defined benefit element of the scheme. Members automatically join the Retirement Income Builder	we, us or our	we, us or our means the trustee but, where the context admits, may mean USSIM
return-seeking assets	investments comprising growth assets and assets expected to deliver fixed income in excess of cash and gilts		
RPI	Retail Price Index		

Pensions increases

USS pensions are generally increased in line with increases in official pensions as defined in the Pensions (Increase) Act 1971, although, from 1 October 2011, changes to the Scheme Rules introduced limits on such increases in respect of rights that accrue after that date. Increases to official pensions are based on the rate of inflation for the 12 months to September, measured using the Consumer Prices Index (CPI). For the year to September 2023, the CPI rate was 6.7% and therefore the increase applied to USS pensions in payment and deferment accrued prior to 1 October 2011 was 6.7% effective from April 2024. This CPI rate exceeds the limit previously introduced for benefits accrued from 1 October 2011 however, and therefore the increase applicable to these benefits effective from April 2024 was 5.85%.

Enquiries about the scheme

Enquiries should be addressed to the Company Secretary, Mr Michael Burt, Universities Superannuation Scheme Limited, Royal Liver Building, Liverpool L3 1PY.

Principal advisers

A range of external advisers were engaged in the UK and overseas to support the operation of the scheme during the year. The principal external advisers of the scheme and for the trustee company are:

Scheme Actuary

Aaron Punwani of Lane Clark & Peacock LLP, 95 Wigmore Street, London, W1U 1DQ

Independent Auditor

Ernst & Young LLP, 25 Churchill Place, Canary Wharf, London, E14 5EY

Bankers

Barclays Bank PLC, 48B & 50 Lord Street, Liverpool, L2 1TD

National Westminster Bank Plc, 22 Castle Street, Liverpool, L2 0UP

Custodians

JP Morgan, 25 Bank St, Canary Wharf, London, E14 5JP

Northern Trust, 50 Bank Street, Desk 7-18-F, London, E14 5NT

Legal advisers

(Actuarial Valuation) CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF

Covenant advisers

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH

Investment adviser

USS Investment Management Ltd, 60 Threadneedle Street, London, EC2R 8HP

supported by:

Lane Clark & Peacock LLP, 95 Wigmore Street, London, W1U 1DQ

Mercer Ltd, 1 Tower Place West, Tower Place, London, EC3R 5BU

The financial statements included within the Annual Report and Accounts have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

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

The reference number of the scheme (Universities Superannuation Scheme) at the Pensions Regulator is 10020100.