



# Universities Superannuation Scheme

## Statement of Investment Principles

May 2024

### 1. General

#### 1.1 Introduction

1.1.1 The Universities Superannuation Scheme (the “**scheme**”) was established by a deed of trust. Universities Superannuation Scheme Limited is the corporate trustee (the “**trustee**”) that runs and manages the scheme in line with the trust deed and rules and legal duties. The scheme operates as a hybrid pension scheme providing defined benefit (“**DB**”) and defined contribution (“**DC**”) pension benefits. Whilst members accrue distinct DB and DC benefits, the two “parts” exist within a single trust.

1.1.2 Additional contributions paid by members to purchase additional benefits on a DC basis are separately identifiable from DB contributions and normal DC member contributions.

1.1.3 This Statement of Investment Principles applies to both the DB and DC parts of the scheme and applies from the date shown on the front page. It has been prepared in accordance with the requirements of applicable legislation, taking into account guidance from The Pensions Regulator and the written advice of independent investment advisers. As required by regulation there is also a separate Statement of Investment Principles relating to the default strategy of the DC part (which can be found in the “*How we invest*” area of the scheme’s website [uss.co.uk](https://uss.co.uk)).

#### 1.2 The trustee’s Investment Beliefs

1.2.1 The trustee maintains a set of Investment Beliefs concerning investment risk and returns relative to the scheme’s liabilities and member requirements, and the range of suitable investment options to be made available to DC members. The trustee has developed a Responsible Investment (“**RI**”) Beliefs and Ambition Statement which further articulates its investment beliefs.

1.2.2 These beliefs form the basis of the trustee’s investment principles as set out in this statement. The trustee’s wholly owned subsidiary, USS Investment Management Limited (“**USSIM**”), is required to act in accordance with this statement in performing its investment management and advisory duties. Ultimately this statement and the trustee’s Investment Beliefs guide the scheme’s governance and strategy managed through USSIM.

- 1.2.3 With the support of its investment committee (the “**Investment Committee**”), the trustee regularly reviews its Investment Beliefs. A fundamental change to the trustee’s Investment Beliefs would be incorporated in an update to this Statement of Investment Principles. The current statement of these Investment Beliefs in relation to both the DB and DC parts can be found in the “*How we invest*” area of the USS website [uss.co.uk](https://uss.co.uk).

#### **Policy in relation to the expected return on assets**

- 1.2.4 The trustee believes that as the investment horizon lengthens, the probability increases that returns on assets at the lower end of the risk spectrum, such as UK gilts or cash, will be lower than those on assets at the higher end of the risk spectrum such as non-government debt, publicly traded equities, property, other Private Market assets and investment in alternative strategies. The trustee, with the support of its Investment Committee and USSIM, monitors changes to expected returns across asset classes and at the overall portfolio level.

### **1.3 Investment Governance Structure**

#### **Compliance**

- 1.3.1 The trustee has a responsibility to ensure compliance with sections 35 and 36 of the Pensions Act 1995 as amended from time to time and any regulations made under the Pensions Act 1995 as amended from time to time.
- 1.3.2 The trustee uses a number of different methods to ensure compliance. Primarily, it monitors the requirements of section 36 of the Pensions Act 1995 and the underlying Occupational Pension Schemes (Investment) Regulations 2005 (both as amended) and embeds the requirements of that legislation (and any subsequent legislation) into any investment management agreements the trustee enters into. The trustee also has clear terms of reference for the Trustee Board and its sub-committees in relation to investment matters, with appropriate formal investment advice where required.

#### **Monitoring**

- 1.3.3 The Trustee Board retains responsibility for the investment strategy of the scheme but has delegated oversight and monitoring of the implementation of its investment policies and strategies to its Investment Committee. Additionally, the Investment Committee oversees and assesses the investment management activities and performance of USSIM and the quality of the advice that USSIM and other external advisers provide. The trustee uses an investment framework which takes a holistic approach to monitoring risk and to the assessment of USSIM’s investment management and advisory performance, tailored as appropriate for the DB and DC parts. The day-to-day management of the scheme’s investments, including the purchase or sale of those investments, is delegated to USSIM, which acts as both principal investment manager and principal investment adviser. The trustee also takes advice from other external advisers as required. The trustee’s relationship with USSIM is governed by an Investment Management and Advisory Agreement (“**IMAA**”), which covers the provision by USSIM to the trustee of

discretionary investment management, as well as certain investment advisory and ancillary services. USSIM is focused on delivering the investment requirements of the scheme and it may, if appropriate and within the terms of the IMAA, allocate investment mandates to external managers and agree fees for such services on behalf of the trustee. USSIM recovers its costs from the scheme through the trustee.

## 1.4 The trustee's policies on RI and engagement activities

1.4.1 The trustee's position on RI can be found in the "How we invest" area of the scheme's website [uss.co.uk](https://uss.co.uk). This area of the website includes the RI Beliefs and Ambition Statement which further articulates the trustee's Investment Beliefs. The website sets out detailed information on how the trustee considers environmental, social and governance factors where financially material to the scheme and the extent to which it takes non-financial factors into account. The trustee expects its internal and external managers to take this statement into account in the selection, retention and realisation of the scheme's investments.

1.4.2 Set out below are the trustee's policies in relation to these matters which are elaborated on in the "How we invest" area of the scheme's website [uss.co.uk](https://uss.co.uk).

### Universal Ownership

1.4.3 Universal Ownership involves having highly diversified and long-term portfolios that, by virtue of their large size, are broadly representative of global capital markets. The trustee is a Universal Owner and is therefore exposed to certain market-wide or systemic issues which could impact the investment returns it seeks. With risks that are systemic, it is unlikely that portfolio diversification alone will be enough to avoid all material risks in the same way as can be achieved with non-systemic risks. The trustee acts as an active and engaged long-term owner to address them, together with other universal owners, to minimise the financial impact such issues can have on the scheme's investments.

### Financially material considerations

1.4.4 The trustee's legal duty when exercising its investment power is to invest the scheme assets in the best financial interests of members and beneficiaries, having regard to the position of the scheme as a whole. In carrying out this duty, the trustee expects its investment managers (USSIM and the external managers appointed by USSIM on behalf of the trustee) to take into account all financially material considerations in the selection, retention and realisation of investments. This includes the consideration of RI issues (such as, but not limited to climate change and the ambition for the investment portfolio to achieve net zero greenhouse gas emissions by 2050) where these are considered relevant financial factors.

1.4.5 This approach is implemented in three ways, all of which are monitored by the Investment Committee and the Trustee Board:

1.4.5.1 *Integration into investment decision-making processes:* The trustee

believes superior risk-adjusted returns should be available to investors who take a long-term view of financially material considerations. The trustee expects its active managers to reflect this belief in their decision-making processes.

1.4.5.2 *Stewardship, engagement and voting rights:* As a long-term investor the trustee expects its managers, either individually or in collaboration with other investors, to behave as active owners on its behalf. This includes using the scheme's voting rights and voting in accordance with the USS Stewardship and Voting Policy.

1.4.5.3 *Market transformation activities:* The trustee and its agents engage with policymakers and regulators in markets in which the trustee invests, to articulate the concerns of asset owners and long-term investors covering areas such as accounting standards and climate change policies.

1.4.6 The trustee, via oversight of and delegation to USSIM, has processes in place to assess and monitor how its internal and external managers are addressing financially material considerations, both before they are appointed and post appointment.

#### **Member views and non-financial matters**

1.4.7 The trustee engages with members on their investment views, considering direct feedback and views expressed by member representatives. As part of this engagement, the trustee asks for the views of the members and beneficiaries on financial matters including (but not limited to) their views in relation to RI issues.

1.4.8 While the trustee has a legal duty to exercise its investment power in the best financial interests of members and beneficiaries having regard to the position of the scheme as a whole, there are some circumstances where the trustee may consider non-financial factors when making investment decisions, based on its engagement with members. These circumstances may include where:

1.4.8.1 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) and

1.4.8.2 the trustee has good reason to think that scheme members share each other's concerns about the non-financial factors.

1.4.9 In the DC part of the scheme, where the trustee is able to offer members a choice, alternative options are made available, based on member research and allowing members to reflect their preferences and risk appetites.

#### **Stewardship, engagement and voting rights**

1.4.10 The trustee is an active and responsible steward of the scheme's assets and the trustee expects this approach to both protect and enhance the value of the

scheme in the long-term by creating sustainable value for the members and beneficiaries, recognising the interdependence of performance for the members with benefits to the economy and society. The trustee's RI Policy applies to all the assets in which the scheme invests (albeit in different ways), whether via portfolios run by USSIM or external managers. As a result, the scheme has processes in place to assess and monitor how potential or existing managers are addressing RI factors.

- 1.4.11 The trustee will undertake its decision making in a manner which is consistent with the trustee's investment objectives, its legal duties and other relevant commitments. Specifically, the trustee has instructed USSIM, as its principal investment manager and adviser, and its external managers (through USSIM), where applicable, to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the scheme's investments are exposed. The trustee's RI Policy is also reviewed regularly by the trustee and updated as required to ensure that it remains in line with good practice.
- 1.4.12 The trustee, via its Investment Committee, expects its investment managers to undertake appropriate monitoring and oversight of current investments. This oversight is to enable the identification of issues and facilitate early engagement with boards and management of investee companies and other stakeholders where necessary. These matters include strategy, capital structure, management of actual or potential conflicts of interest, corporate governance and social and environmental impact. The Trustee Board oversees USSIM's policies and practices on RI, stewardship and RI integration, including how USSIM, in turn, monitors external managers in this regard.
- 1.4.13 The trustee also expects USSIM and its external managers, where appropriate, to use their voting rights as part of their engagement work. The trustee reviews USSIM's voting decisions through its Investment Committee and the Trustee Board. USSIM votes in accordance with the USS Stewardship and Voting Policy (which can be found in the "How we invest" area of the scheme's website [uss.co.uk](https://uss.co.uk)). The Investment Committee monitors this on an ongoing basis with the aim of maximising its effectiveness.

## 1.5 The trustee's policy in relation to arrangements with asset managers

- 1.5.1 The trustee appoints USSIM to implement the scheme's investment strategy within the terms of the IMAA. USSIM manages assets directly on behalf of the trustee as well as having the delegated authority to appoint, monitor and change the trustee's external asset managers (including investing directly into funds operated by external asset managers).
- 1.5.2 USSIM is a non-profit entity, which is wholly owned by the trustee. The duration of USSIM's appointment is indefinite. The trustee intends that USSIM will manage investments and external managers on behalf of the trustee on a continuous basis. The trustee periodically reviews the overall value-for-money of investing via USSIM, while its Investment Committee, with assistance from its external advisors, regularly reviews the investment strategy, the quality of investment

advice and the overall and individual mandate investment performance.

- 1.5.3 The trustee is satisfied that its arrangements incentivise USSIM:
- 1.5.3.1 to align its investment strategy and decisions with the trustee's policies, including whether to manage certain investments itself or to appoint external managers; and
  - 1.5.3.2 to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them, and thereby improve the scheme's performance in the medium to long-term, on the basis that USSIM does not provide services to other clients and has no conflicting duties or arrangements in place. In addition, the trustee does not have any fee arrangements in place with USSIM which would incentivise it to deviate from the trustee's policies.
- 1.5.4 USSIM uses a remuneration framework involving both investment performance-linked and qualitative assessments for its staff to ensure that USSIM's incentives are aligned to the needs of the scheme and the trustee's policies in relation to the selection and balance of investments, the management of risk, return on and sale of investments, and RI 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). USSIM is thereby incentivised and aligned with the 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 the trustee invests and engaging with such issuers in order to improve their performance).
- 1.5.5 The trustee has annual processes in place to review and monitor the services, performance and fees of USSIM, including benchmarking analysis. The trustee receives regular performance and risk reporting at an overall level and for significant individual investment mandates, across both Public and Private Markets. The trustee uses an investment framework which takes a holistic approach to risk management and to the assessment of USSIM's investment management and advisory performance, tailored as appropriate for the DB and DC parts. The trustee is satisfied that USSIM is aligned with the trustee's policies because of the relationship between the trustee and USSIM and the non-profit arrangements in place.
- 1.5.6 USSIM appoints and has processes in place to review external managers on behalf of the trustee, including performance reviews, manager oversight meetings and operational due diligence reviews. The method and time horizon for evaluating and remunerating external managers is determined by policies set by USSIM, rather than the trustee.
- 1.5.7 USSIM undertakes regular reviews of all external managers. Such reviews typically address (amongst other things): the governance structures, fees and expenses (and where ascertainable, remuneration arrangements to ensure they are aligned with the trustee's policies, values and principles).

- 1.5.8 The trustee has processes in place to review the investment holding turnover costs incurred by USSIM and the external managers. This includes defining portfolio turnover and monitoring portfolio turnover over time against expectations. These processes are overseen by the Investment Committee.
- 1.5.9 USSIM also seeks, prior to making a new investment, evidence from the external managers of its Private Market fund investments, that the remuneration of key personnel is appropriately structured and aligned to incentivise investment performance over the long-term.

## 2. Retirement Income Builder (the DB part)

### 2.1 Investment objectives

- 2.1.1 The trustee has a legal duty for the DB part to ensure that the existing benefits promised to members can be paid (i.e., to ensure that the scheme is sufficiently well funded to secure benefits due under the rules of the scheme and to make these payments now and in the future).
- 2.1.2 The investment strategy for the DB part aims to achieve an appropriate balance between generating returns and managing risks, while maintaining consistency with the DB part's Integrated Risk Management Framework ("IRMF") and the trustee's risk appetite. This balance between returns and risk is reviewed in detail as part of an investment strategy review at each triennial actuarial valuation and is regularly monitored by the Investment Committee.

#### **Long-term journey plan**

- 2.1.3 The strength of the employers' covenant informs the trustee's view of how much investment risk relative to the scheme's liabilities it can reasonably take in delivering the DB benefits and managing the appropriate long-term investment strategy. The trustee monitors the employer covenant and will adjust its investment risk appetite as appropriate. A number of other factors may affect the trustee's appetite for investment risk including the scheme's funding position, its cashflow profile and its liability profile. The trustee monitors these factors regularly and may alter its investment objectives and/or investment risk appetite in the event of any significant changes.
- 2.1.4 The amount of reliance the trustee places on the employers in funding the scheme should be within the employers' risk capacity and within their and the trustee's risk appetite.

### 2.2 Investment strategy

#### **Kinds of investments to be held**

- 2.2.1 Subject to the relevant regulations, the regulatory permissions of USSIM and available investment infrastructure, the trustee may invest in any asset and apply a range of investment strategies, including quoted equity, government and non-government debt (including inflation-linked), currencies, money market



instruments, commodities, derivatives or other financial instruments and other risk management tools, as well as alternative strategies (such as absolute return strategies) and Private Market assets including equity and debt, infrastructure and property. Investments may be undertaken directly, indirectly (e.g., via funds), in physical assets or using derivatives (in so far as they contribute to a reduction of risks or facilitate efficient portfolio management). Additionally, the trustee may use leverage to facilitate the efficient management of risk, the efficient deployment of the scheme's capital and, in particular, to enable it to take separate decisions about the management of liability hedges and the exposure to growth assets.

### **Balance between different kinds of investments**

2.2.2 The trustee'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 assets may include assets such as corporate and emerging market bonds; and the liability hedge ratios include the interest rate and inflation exposure from various assets including gilts and other fixed income assets, including liability driven investments. This theoretical asset allocation is referred to as the Valuation Investment Strategy ("**VIS**") which is the investment strategy developed following the most recent actuarial valuation and is adjusted from time to time to retain consistency with the IRMF, the trustee's risk appetite and to balance the DB part's objectives for returns and risk tolerance. The VIS does not define the actual assets in which USSIM may invest; it is a hypothetical investment strategy which is expected to deliver appropriate long-term returns at an acceptable level of risk. Therefore, the actual implemented investment portfolio can differ from the VIS (within risk limits set by the trustee), as USSIM finds opportunities in the financial markets to use its discretion to add value and improve risk-adjusted returns. USSIM is set risk and return objectives by the trustee in respect of the implemented portfolio which pay regard to the level of risk and expected return associated with the VIS.

2.2.3 The VIS is reviewed periodically and changes may be decided by the trustee following a recommendation from the Investment Committee to ensure that it continues to be appropriate for the circumstances of the scheme and the trustee's objectives.

2.2.4 More details on the current VIS and the composition of the investment strategy can be found in the "*How we invest*" area of the scheme's website [uss.co.uk](https://uss.co.uk).

### **Realisation of investments, cashflow and liquidity management**

2.2.5 The trustee's policy is that there will be sufficient investments in liquid assets to meet cash flow requirements in foreseeable circumstances without disrupting the scheme's asset allocation or incurring excessive transaction costs. USSIM will ensure the scheme holds sufficient cash to meet benefit and other payment obligations as they fall due.



## 2.3 Managing risk

### **Risk capacity and risk appetite**

- 2.3.1 In order to meet the long-term funding objective to pay the scheme benefits as they fall due, whilst limiting the level of contributions and overall risk within acceptable parameters, the trustee takes a degree of investment risk relative to the scheme's liabilities. This investment strategy targets a greater return than the liability hedging assets would provide whilst maintaining a prudent approach to meeting the scheme's liabilities, as required by the funding regulations. This involves making a relatively high allocation to growth assets while ensuring that the overall level of risk remains within the risk capacity of the employers and within the risk appetite of the employers and the trustee.

### **Risk management approach**

- 2.3.2 The trustee recognises that the scheme is exposed to investment, covenant, funding and operational risks and its approach is to integrate management of these risks throughout the business consistently with the IRMF. USSIM, as the trustee's principal investment adviser, gives consideration to these risks, to the extent they apply, when advising on investment policy, strategic asset allocation and investment strategy and on manager and fund selection where applicable.
- 2.3.3 In setting and reviewing the scheme's investment strategy at least annually, the Trustee Board and the Investment Committee assess the key risks relevant to the DB part, including asset-liability (matching), market, credit, longevity, currency, liquidity, collateral, RI, counterparty and operational risks, as well as variability of returns on the scheme's investments and the strength of the employer covenant.
- 2.3.4 The overall investment risk taken by the trustee is diversified across a range of different investment opportunities, which in aggregate are expected to provide excess returns relative to liability hedging assets over time. USSIM aims to diversify the asset allocation exposures geographically, by asset class and across active management strategies, to meet the trustee's investment risk and return objectives.
- 2.3.5 The trustee has put in place a structure both to monitor these risks and to take action to mitigate them when the trustee believes it appropriate to do so. The role of USSIM is key here in providing the trustee with regular assessments of all relevant investment-related risks and in implementing appropriate mitigation strategies.

### **Liability hedges**

- 2.3.6 To reduce asset-liability risk (the risk of a mismatch between the characteristics of the assets compared with the liabilities) and to improve the investment return for a given level of risk, the trustee has taken on exposure to liability hedging assets. The valuation of these hedging assets is expected to move broadly in line with changes in the valuation of the scheme's liabilities, largely due to providing secure cash flows similar to the liabilities. These assets include bonds such as UK gilts (including inflation-linked), US Treasury Inflation-Protected Securities (US TIPS) and

related derivatives. Importantly, increasing liability-hedging assets without an equivalent reduction in return-seeking growth assets via the use of leverage means that the economic value of the total asset exposure will exceed the net assets of the scheme.

- 2.3.7 The risks and costs associated with leverage are monitored and managed by USSIM (under delegation from the trustee) using various controls for managing cash, collateral and counterparties.
- 2.3.8 The trustee delegates the management of currency risk to USSIM, which defines an appropriate allocation to foreign currency on the basis of risk/return considerations and, where appropriate, hedges back to Sterling a proportion of the foreign currency exposure (within levels set by the trustee). The basis risks involved with using non-Sterling assets (e.g., US TIPS) to hedge Sterling liabilities are also monitored and managed by USSIM (under delegation from the trustee).

#### **Cashflow and liquidity management strategy**

- 2.3.9 The trustee delegates the management of liquidity risk to USSIM, which monitors the amount of cash and other liquid instruments held and operates robust and timely disinvestment and financing procedures in order to ensure that all liabilities, e.g., benefits, collateral, margin, expenses and other cash calls, can be paid as they fall due. The overall exposure to investments in illiquid assets (like Private Markets assets which may be harder to sell) is monitored and periodically reviewed by the Investment Committee.

### **3. Investment Builder (the DC part)**

#### **3.1 Investment objectives**

- 3.1.1 The key objectives of the trustee for the DC part (known as Investment Builder) are as follows:
  - 3.1.1.1 To maintain a default strategy that offers an investment solution suitable for the majority of members saving in the DC part, informed by extensive research with members;
  - 3.1.1.2 Alongside the default strategy, to provide a range of self-select funds to meet the needs and preferences of most members as regards level of risk and return and different preferences and investment beliefs throughout their working lives;
  - 3.1.1.3 To provide both the default strategy and the range of self-select funds that deliver value for members, benefiting from a subsidy from the employer of the administration and running costs and (subject to a cap) on investment management charges, thus allowing members to benefit from retaining a higher share of the investment growth on their savings;
  - 3.1.1.4 Where agreed by key stakeholders, to make available to members flexibilities in relation to the DC part, particularly concerning the

freedoms around how DC savings can be accessed and options at retirement; and

3.1.1.5 To maintain a robust governance framework that will allow the ongoing suitability of the DC part, including the suitability of the investment arrangements, to be monitored over time.

3.1.2 The realised and expected returns on the funds in the DC part are monitored regularly by the Investment Committee in relation to these objectives, as addressed in paragraph 1.2.4, above.

## 3.2 Investment strategy

### **Kinds of investments to be held**

3.2.1 The trustee may invest in any asset and apply a range of investment strategies, by making a range of self-select funds, and a default strategy, available to members. As with the investment strategy for the DB part (see paragraph 2.2.1, above), this is subject to the relevant regulations, regulatory permissions of USSIM and the available investment infrastructure.

3.2.2 Although the trustee has broad discretion to invest in a wide range of assets, in practice the type of assets held in the default strategy and self-select funds depends on the particular objectives and strategy of each fund option.

### **Balance between different kinds of investments**

3.2.3 The trustee has designed a lifestyle strategy as its default strategy for members of the DC part. Lifestyle strategies are designed to balance 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. This adjustment occurs automatically in the absence of specific input from the member, based on the member's scheme retirement age. The applicable retirement age (in relation to the DC part) can be changed by the member.

3.2.4 The default strategy is designed to balance the overall investment risk and expected returns by allocating to a range of diversified default lifestyle funds. The constituent default lifestyle funds will include Private Market investments where deemed suitable in order to take advantage of the opportunity to earn enhanced returns including a premium for illiquidity and to gain additional diversification.

3.2.5 Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default strategy, the trustee explicitly considers the trade-off between risk and expected returns and opportunities for diversification and continues to monitor these risks through ongoing reporting. The balance between kinds of investments held in each of the default strategy and self-select funds depends upon the particular strategy of each of those funds, and the investment choices made by members.

3.2.6 The current Statement of Investment Principles of the Default Lifestyle Option can be found in the "*How we invest*" area of the scheme's website [uss.co.uk](https://uss.co.uk).

3.2.7 In addition to the default strategy, the trustee makes available a range of self-select funds, including an alternative lifestyle option. This alternative lifestyle option is built along similar principles to the default strategy but has been informed by members' views.

3.2.8 The trustee believes that the current default strategy and range of self-select funds are suitable for the members of the scheme. It will continue to review this over time, at least triennially or, if sooner, after significant changes to the demographics of the scheme's membership and the trustee's views of how the membership is likely to behave at retirement, based on extensive analysis of the active member population and modelling of members' expected pension outcomes.

#### **Realisation of investments, cashflow and liquidity management**

3.2.9 As is the case with the investment strategy for the DB part (see paragraph 2.2.5, above), the trustee's policy is that there will be sufficient investments in liquid assets to meet cash flow requirements in foreseeable circumstances so that the realisation of assets will not be unduly costly nor disrupt the scheme's overall investment strategies, as much as practicable. USSIM will ensure the scheme holds sufficient cash and financing arrangements to meet payment obligations. The investment options for DC members are delivered through daily dealing notional funds.

### **3.3 Managing risk**

3.3.1 In setting and reviewing the scheme's investment strategy at least annually, the Trustee Board and the Investment Committee assess the key risks relevant to the DC part. These risks include: inflation, currency risk, RI, the impact of market movements in the period prior to retirement, suitability of the default strategy and range of self-select funds, returns on the scheme's investments relative to their benchmarks, liquidity risk (including in relation to Private Market assets), operational risk and market risk including equity, interest rate and credit risk.

3.3.2 The trustee has put in place a structure both to monitor these risks and to take action to mitigate them when the trustee believes it appropriate to do so. The role of USSIM is to provide the trustee with regular assessments of all relevant investment-related risks and to implement appropriate mitigation strategies.