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Investment approach

How USS invests

The trustee’s ultimate objective, which underscores its investment approach, is to provide secure pensions for the scheme’s members. The trustee has an active investment strategy and innovative approach to portfolio management, which are implemented by an in-house investment management team.

The trustee believes it is crucial that the investment portfolio is managed in such a way that the amount of pension risk within the scheme is proportionate to the amount of financial support available from the scheme’s sponsoring employers. Furthermore, there should be no increase in the reliance placed on that support over time.

The trustee’s approach to investment is outlined in the [Statement of Investment Principles \(SIP\)](#), and is consistent with the [Financial Management Plan \(FMP\)](#), the trustee’s core [Investment Beliefs](#) and its [responsible investment approach](#).

A supplementary [Statement of Investment Principles](#) approach specifically in relation to the default lifestyle option provided within the USS Investment Builder has also been outlined.

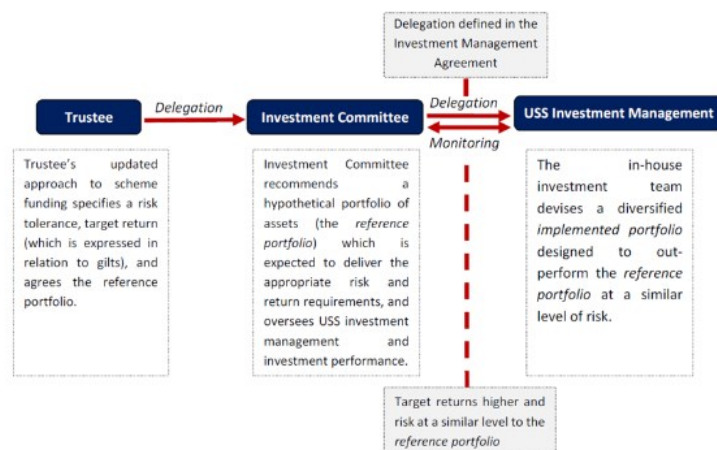
Investment by the expert in-house team within the trustee’s risk parameters

One of the trustee’s key beliefs is that a well-run and appropriately governed internal investment capability is the best way to meet its long term investment objectives in the most cost-effective manner.

The trustee sets parameters for acceptable risk, in line with the [Statement of Investment Principles](#). The in-house investment team is responsible for ensuring that, within those parameters, it has a well-diversified portfolio of assets that can deliver sufficient returns to meet the trustee’s investment return targets and hence its funding objective.

In 2015 the trustee took a major step forward towards greater delegation of investment authority through the introduction of the reference portfolio framework, a ground-breaking approach to investment governance. This approach facilitates more effective evaluation of investment opportunities and faster decision making, which are expected to enhance returns. USS is amongst the first pension schemes in the UK to adopt this approach; indeed it is used by only a small number of funds globally.

Delegating day-to-day implementation of the investment strategy to the in-house investment team enables a more flexible and efficient response to evolving investment opportunities and market circumstances. This in turn leads to greater opportunity for return on investment.



What is the reference portfolio framework?

The reference portfolio is a hypothetical allocation across standard market assets - such as equities, credit, and property - which is expected to deliver the level of returns targeted by the trustee within acceptable levels of risk. The reference portfolio acts as a guideline for the level of risk the in-house investment team should target in its actual investment portfolio and also serves as a benchmark for investment performance.

The in-house investment team is tasked with delivering greater returns than those derived from the reference portfolio, whilst simultaneously targeting a similar (or lower) level of risk. This is achieved by investing in a broad range of asset classes and instruments.

The 2015 Reference Portfolio:

Asset Class	% of Reference Portfolio
	63%
Equities	
Credit	12.5%
Property	7.5%
Liability-hedging assets (gilts)*	17%

*Total fixed income amounts to 29.5%

Over time the reference portfolio, which is reviewed on an at least an annual basis, will evolve as circumstances permit incremental risk reduction over the next 20 years.

Responsible investment underpins our approach

The in-house investment team includes a specialist “responsible investment” team to integrate certain non-financial factors into investment decisions. The trustee believes this approach is fundamentally important to protecting the value of the scheme’s assets over the long term. Find out more about our [responsible investment approach](#).



Last updated: about 7 months ago