USS
UNIVERSITIES
SUPERANNUATION
SCHEME LIMITED

Report & Accounts
for the year ended 31 March 2010

Universities Superannuation Scheme Limited is the corporate trustee of one of the largest private sector pension funds in the UK with assets at 31 March 2010 of over £30 billion. It was established in 1974 to administer the principal pension scheme for academic and senior administrative staff in UK universities and other higher education and research institutions.

The head office is at Royal Liver Building, Liverpool and the London Investment Office is at 60 Threadneedle Street, London

The registered number of the Trustee Company
(Universities Superannuation Scheme Limited) at Companies House is 1167127

The reference number of the scheme
(Universities Superannuation Scheme) at the Pensions Registry Office is 100201003

USS

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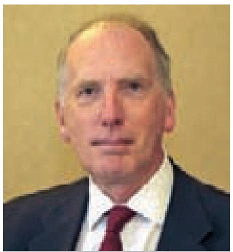
Management Statement

Sir Martin Harris
Chairman



Tom Merchant
Chief Executive

The year to 31 March 2010 has been another challenging one for USS. Throughout the year, the employer and member representatives were in discussion over the future benefits provided by the scheme and its funding. These discussions took place in a joint review group and chaired by the independent chairman of the Joint Negotiating Committee (JNC), Sir Andrew Cubie. This group was not able to achieve an agreed outcome in the timescale it had set itself, but on 7 July 2010 the JNC, after detailed consideration, accepted a package of proposals that had been put forward by the employers. These proposed changes to the scheme benefits, and to the way in which the scheme is funded by the employers and the members, were subsequently considered by the board at a meeting on 22 July. In the light of the JNC's recommendation, the board confirmed its acceptance of the proposed scheme changes, acknowledging Sir Andrew's view that they are in the best long-term interests of the scheme as a whole. The proposals will be subject to consultation by institutions with members and their representatives, with a view to their implementation from 1 April 2011.

Stock markets recovered during the year following the global financial crisis in 2008. The performance of the fund's assets is measured on a calendar year basis with the year to 31 December 2009 being a year of strong returns for USS and pension funds generally. The fund returned 20.7% against its benchmark return of 20.8%, reversing much of the fall in value experienced in the previous year. Over the past five years the fund has returned 5.2% per annum, underperforming its benchmark by 0.4%.

The improvement in stock markets during the year helped to improve the scheme funding level. As at 31 March 2010, the actuary estimated that the funding level under the scheme specific funding regime was 91%, ie the assets in the fund amounted to 91% of the estimated liabilities. This was a deterioration in the funding level of 103% reported at the last triennial valuation as at 31 March 2008 but an improvement on the funding level of 74% reported at 31 March 2009.

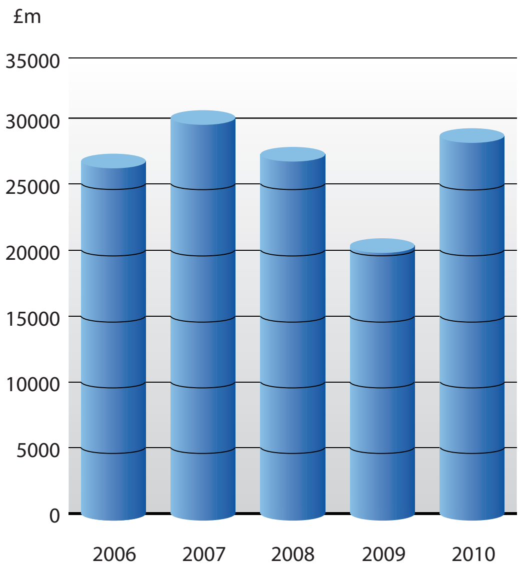
The actuary also provides an estimate of the scheme funding level on a number of other bases as at the year end. On the scheme's historic gilts basis, which uses more conservative assumptions, the funding level was approximately 63%; under the Pension Protection Fund regulations, introduced by the Pensions Act 2004, the scheme was 112% funded; and using the FRS17 formula (as if USS were a single employer scheme) the actuary estimated that the funding level at 31 March 2010 was 80%.

Scheme membership continued to grow during the year with total membership increasing by 5% to 277,000 at 31 March 2010, an increase of 29% in the last five years. Cuts in the funding of the higher education sector announced by the previous government, together with the announcement by the coalition government of further more severe cuts to come, have resulted in a slowdown in the flow of new joiners to the scheme. It is likely that the year-on-year growth in membership that the scheme has experienced throughout its history will be curtailed somewhat for the foreseeable future.

Staff in Liverpool have been heavily involved across all departments in progressing the *e*Pensions initiative. The new website went live on 1 June 2009, replacing the non-secure parts of the old website. The second phase of the initiative, *USSonline*, is the replacement for the secure section of the website used by institution administrators. This replaces the eManual (which contains all the forms used in the administration of USS) and Webaccess, (which allows institutions to see data held by USS in respect of its members). *USSonline* will provide institutional administrators with enhancements to these facilities and further features. Administrators will be able to produce retirement benefit and AVC quotations online accessing the USS database, which will improve the service to members and be more efficient and cost effective for both institutions and the scheme. Administrators will also benefit from two prototypes that will be further developed in later releases, affecting the year-end return process and the leavers process, and will be able to input data to the USS database and manage queries online. *USSonline* will radically change the way that USS and its participating employers work together and we are grateful for the collaboration of a number of institutions as we developed this complex system to ensure that it is fully tested and that users are ready at the launch. Implementation is now expected to begin in November 2010 and it will be rolled out to institutions gradually, one institution at a time, to ensure there is no detriment to processing.

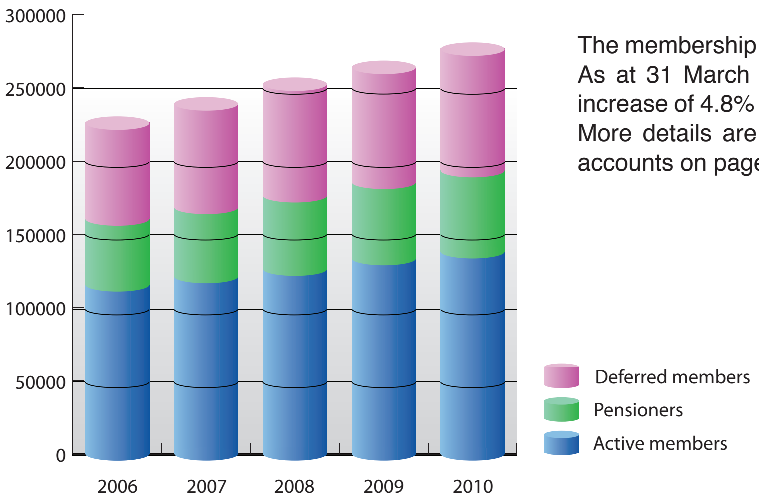
Summary of Year

Fund



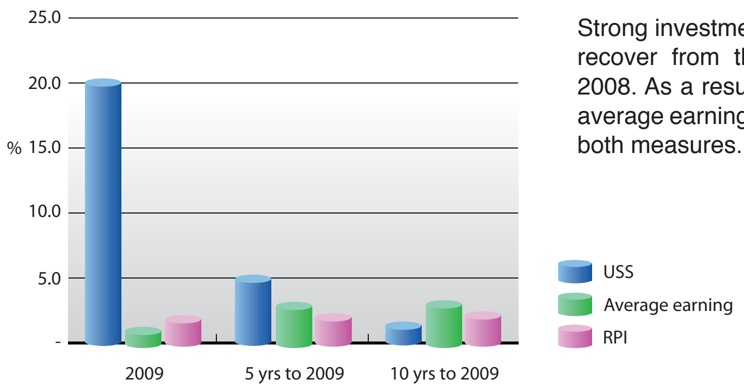
The fund's investments (excluding money purchase AVC investments) have risen to £29.8 billion as at 31 March 2010 from £21.4 billion in 2009. More details are given in the investment committee report on page 21 and in the five year summary of the fund accounts on page 73.

Membership



The membership of the scheme has continued to grow steadily. As at 31 March 2010 the total membership was 277,000 an increase of 4.8% from last year and 22.3% from four years ago. More details are given in the five year summary of the fund accounts on page 74.

Performance



Strong investment returns in 2009 have seen the fund's position recover from the adverse market conditions experienced in 2008. As a result, the 5 year returns now exceed both RPI and average earnings, although the 10 year returns are slightly below both measures.

Principal Officers and Advisers

The principal officers and advisors of the trustee company at 1 August 2010 are:

Chief Executive
T H Merchant

Chief Investment Officer
R Gray

Chief Financial Officer
C S Hunter

Pensions Policy Manager
B J Mulkern

Pensions Operations Manager
B Steventon

Company Secretary
I M Sherlock

Communications Manager
C G Busby

Chief Administrative Officer
A R Little

Actuary
E S Topper of Mercer, Manchester M2 4DW

Solicitors
DLA Piper LLP, Liverpool L2 0NH

Auditors
KPMG LLP, Manchester M2 6DS

Bankers
Barclays Bank plc, Manchester M2 1HW

The other organisations acting for the trustee company during the year were:

Solicitors
Lawrence Graham LLP
McGrigors
Proskauer Rose
Linklaters

Investment managers
Capital International Limited

Investment consultants
Mercer

AVC provider
Prudential

Custodians
JP Morgan plc
Bank of New York Mellon

Investment performance measurement
Investment Property Databank Limited
HSBC

Property advisors
Jones Lang LaSalle
DTZ
King Sturge

Property managers
Jones Lang LaSalle
Workman
King Sturge
DTZ

Property valuer
CB Richard Ellis
Drivers Jonas Deloitte

Computer software
Civica plc
Morse Limited
GSL Limited

Website design
Anthony Hodges Consulting Ltd

Computer hardware
Hewlett Packard PLC

Data recovery
Hewlett Packard PLC

Insurers
AIG
AXA

Internal Audit
Ernst & Young

Hedge fund administrators
UBS Fund Services

Tax advisors
PricewaterhouseCoopers
KPMG LLP

The trustee of Universities Superannuation Scheme is the trustee company, Universities Superannuation Scheme Limited, which is appointed under USS rule 59.1. The statutory power of appointing new trustees applies provided that a new trustee may not be appointed without the approval of the joint negotiating committee.

The trustee company is also the administrator of the scheme for the purposes of the Finance Act 2004.

The registered office of the trustee company to which enquiries about the scheme generally or about an individual's entitlement should be sent is:

Universities Superannuation Scheme Limited
Royal Liver Building, Liverpool L3 1PY

The membership at 31 March 2010 of the principal committees was as follows:

Board
Appointed by Universities UK (UUK)
Sir Martin Harris (Chairman), Professor Glynis Breakwell, Professor David Eastwood, D McDonnell
Appointed by the University and College Union (UCU)
J Devlin, D Guppy, J W D Trythall
Appointed by the Higher Education Funding Councils (HEFCs)
S Egan
Co-opted
Professor John Bull, M Butcher, V Holmes, H R Jacobs

Finance & Policy Committee
Appointed by the board
Professor John Bull (Chairman), Professor David Eastwood, D Guppy, V Holmes, H R Jacobs, J W D Trythall, R Gray, C S Hunter, T H Merchant, B J Mulkern

Investment Committee
Appointed by the board
V Holmes (Chairman), G Allen, Professor John Bull, A Docherty, A Gulliford, R Gillson, Sir Martin Harris, H R Jacobs

Audit Committee
Appointed by the board
M Butcher (Chairman), Professor John Bull, J Devlin, S Egan, D McDonnell

Remuneration Committee
Appointed by the board
H R Jacobs (Chairman), Professor Glynis Breakwell, M Butcher, J Devlin, D McDonnell

Rules Committee
Appointed by the board
H R Jacobs (Chairman), A D Linfoot, J W D Trythall

Advisory Committee
Appointed by UUK
Dr A Bruce, A D Linfoot, C Vidgeon
Appointed by the UCU
Dr A Roger (Chair), J Guild, T Hoad

Nominations Committee
Appointed by the board
Professor John Bull (Chairman), Professor David Eastwood, D Guppy, Sir Martin Harris

Joint Negotiating Committee
Independent Chairman
Sir Andrew Cubie
Appointed by UUK
Dr A Bruce, P Harding, A D Linfoot, Dr J Nicholls, C Vidgeon
Appointed by the UCU
A Carr, Dr R Brooks, G Egan, Dr T McKnight, Dr A Roger

Board Members

Sir Martin Harris, Chairman

Martin Harris (66) is President of Clare Hall Cambridge and has been a director of Universities Superannuation Scheme Limited since 1 April 1991, deputy chairman from 1 July 2004 and chairman from 1 April 2006. He was Vice-Chancellor of the University of Manchester from 1992 to 2004 and Vice-Chancellor of the University of Essex from 1987 to 1992. He served as chairman of the Committee of Vice-Chancellors and Principals (now UUK) from 1997 to 1999.

Professor John Bull CBE

Professor Bull (70) was Vice-Chancellor of the University of Plymouth from 1989 until his retirement in 2002. An economist and accountant by discipline, he had a particular interest in the finance and management of higher education. He became a co-opted member of the USS board in 2004 and deputy chairman on 1 April 2006. From 2002 to 2008 he was chairman of Devon and Cornwall Learning and Skills Council and also of Dartington College of Arts. Since 2002 he has been chairman of the Plymouth Hospitals NHS Trust.

Michael Butcher

Michael Butcher (63) became a co-opted member of the board on 1 November 2004 having retired from IBM where he held a variety of technical, operations and marketing positions in UK and Europe, latterly as Tivoli European Marketing Director. He is a member of both the audit committee and the IT Project Steering Group at Loughborough University.

Steve Egan

Steve Egan (52) is deputy chief executive at the Higher Education Funding Council for England. He was previously director of finance at the National Rivers Authority. He has a degree in banking and finance from Loughborough University, an MBA from Bath University and is a fellow of the Chartered Institute of Management Accountants. Steve is vice chair of the IMHE (the higher education program) of the OECD and trustee of the National Centre for Social Research.

Professor Glynis Breakwell

Professor Glynis Breakwell (58) was appointed Vice-Chancellor of the University of Bath in 2001. As Vice-Chancellor, she is both the academic leader and chief executive of the university.

Professor Breakwell took her PhD from the University of Bristol and DSc from the University of Oxford. In 2003, in recognition of the significance of her contribution to the social sciences, she was awarded an honorary doctorate of laws from the University of Bristol and in 2004 became an Honorary Professor at the University of Shandong in China. She is a psychologist specialising in research on leadership, on identity processes, on risk communication and on military cultures. She has been a Fellow of the British Psychological Society since 1984 and is a chartered health psychologist. In 2002, she was elected an Academician of the Academy of Social Sciences. In 2006, she became one of the Honorary Fellows of the British Psychological Society.

Howard Jacobs

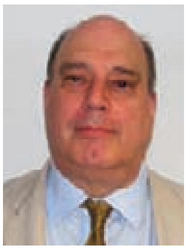
Howard Jacobs (57) became a co-opted member of the board on 1 October 2002 upon his retirement from the solicitors, Slaughter and May, where he specialized in employment law and pensions law. He is also Chairman of the Woolworths Group Pension Scheme, and Deputy Chairman of the Board of Governors of University College Falmouth incorporating Dartington College of Arts.

David Guppy

Dave Guppy (66) worked in the computing service at University College London from 1979 to 2009. Prior to that he worked in similar roles at the London Hospital Medical College, a software co-operative and IBM. He was President of University College London Association of University Teachers (2002/04) and served as Vice-Chair of the national AUT computer staffs committee (1998/2003). He is a member of the national executive committee of the University and College Union. He was appointed a director of USS in 2005 and re-appointed in 2008.

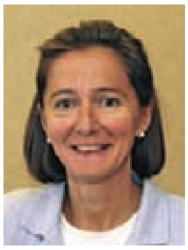
David McDonnell CBE DL

David McDonnell (67) was Global Chief Executive of Grant Thornton until 2009. He is currently President of the University of Liverpool, Honorary Fellow of Liverpool John Moores University, Deputy Lieutenant of the County of Merseyside and a committee member of various charities. He was Chairman of the Trustees of the National Museums Liverpool for ten years and was awarded the CBE in June 2005 Queen's Birthday Honours. He was High Sheriff of Merseyside 2009-2010. He was appointed Director of USS in April 2007.



Bill Trythall

Bill Trythall (65) has retired after nearly 40 years teaching History at the University of York. He has had a long involvement in USS, including over 20 years representing the former Association of University Teachers (now UCU) on the Joint Negotiating Committee, membership of the Rules Committee from its inception, and many years as an AUT director of the trustee company up to 2005. He is a former national President of AUT and was subsequently a trustee of the union and of its staff pension fund. He was appointed Pensioner Director in October 2009.



Virginia Holmes

Virginia Holmes (50) was formerly chief executive of AXA Investment Managers in the UK, and managing director of Barclays Bank Trust Company. She is currently non-executive director and chair of the audit committee of JP Morgan Claverhouse Investment Trust, non-executive director of Standard Life Investment Limited and non-executive director and chair of the investment committee of the Alberta Investment Management Corporation in Canada. She became a director of USS in September 2005.

Professor David Eastwood

Professor David Eastwood (51) became Vice-Chancellor of The University of Birmingham in April 2009. Former posts include Chief Executive of HEFCE, Vice-Chancellor of the University of East Anglia (UEA) and Chief Executive of the Arts and Humanities Research Board. Before that he held a Chair in Modern History at the University of Wales Swansea, where he was also Head of Department, Dean and Pro-Vice Chancellor. He was a Fellow and Senior Tutor of Pembroke College (1988-95), and is an Honorary Fellow of St Peter's College, Oxford, from where he graduated in 1980, and of Keble College, Oxford from 2006. Professor Eastwood was made an Honorary D. Litt of the University of the West of England in 2002 and of the UEA in 2006.

Joseph Devlin

Joe Devlin (50) has been the Open University's Pensions Manager since 1998, having previously worked over a number of years in the private sector in the areas of actuarial, pension consultancy and administration. He has tutored for the Pensions Management Institute and International Employee Benefits Examinations. He was appointed a UCU nominated director of USS in September 2007.

Board Report

The board submits its thirty-fifth annual report on the progress of USS. Separate reports on the activities of the main committees of USS follow this report.

Directors

There were four changes to the membership of the board during the year. Baroness Warwick retired on 31 August 2009 and was succeeded as a Universities UK (UUK) appointed director by Professor David Eastwood. Sir Muir Russell retired on 31 August 2009 and was succeeded as a UUK appointed director by Professor Glynis Breakwell. Professor David Eastwood ceased to be the Higher Education Funding Councils' (HEFCs) appointed director on 31 August 2009 and was succeeded by Mr S Egan. Lady Merrison retired as the pensioner director on 30 September 2009 and was succeeded by Mr J W D Trythall.

Four of the directors on the board of the trustee company are appointed by UUK, three are appointed by the University and College Union (UCU), of whom at least one must be a USS pensioner member, one is appointed by the HEFCs and a minimum of two and a maximum of four directors are co-opted directors appointed by the board. UUK, UCU and the HEFCs have the power to remove their respective appointed directors. The articles of association also provide for the removal of any director where (in relevant circumstances) he or she is prohibited from acting as a director.

The co-opted directors are appointed with the prior approval of the joint negotiating committee. The approval of that committee is not, however, required for the reappointment of a co-opted director on the expiry of his or her period of office. Co-opted directors serve for a maximum of three three-year terms, with the option of a further three-year term in exceptional circumstances (which would then be recorded in this report).

On appointment, all directors receive detailed information from the company secretary relating to the trustee company, the scheme and their duties. Copies of all scheme documents are held at the trustee company's registered office and are available for inspection by the directors. They visit the registered office in Liverpool and the investment office in London where they take part in an induction programme and receive information on the company and the role they are expected to undertake. They meet key members of the management team in their respective offices. Directors are required to undertake appropriate trustee training both initially and on an ongoing basis, and they receive periodic updates on their responsibilities and current developments, legal or otherwise, from the trustee company's advisers. They are also encouraged to attend appropriate conferences, seminars and professional presentations.

Trustee training

The board and the principal committees each have an individual skills requirement matrix, which identifies the knowledge areas and levels of knowledge expected for members of the board and each committee. The committee chairmen review the skills matrix for their committee each year, assess the members of the committee against the skills matrix. Where appropriate, training sessions are arranged for individuals or groups of committee members to bridge any identified gaps.

Each director completes an annual training record, listing all training undertaken in the year. These are reviewed by the nominations committee, which makes recommendations on training for both committees and individual directors.

The board held a number of education and training sessions during the year, on topics including currency hedging strategies, liability swaps, the valuation of alternative assets and derivatives.

Responsibilities of the management and the executive

The trustee company and the scheme are controlled through the trustee company's board of directors, which meets at least five times a year. The board's primary roles are to ensure that the scheme is adequately funded, that its standards of administration are at a level with which the members, participating employers and other beneficiaries are content, that the scheme's investment policy is appropriate for the scheme's liabilities and that the scheme continues to meet the developing needs of the UK higher education sector.

The specific responsibilities reserved to the board include:

- setting the employer contribution rate and determining the schedule of contributions;
- determining the investment policy and investment management structure of the fund;
- setting long-term strategy and approving an annual budget for the trustee company;
- determining the assumptions to be used in the triennial actuarial valuation;
- reviewing investment, operational and financial performance;
- approving amendments to the scheme rules for recommendation to the joint negotiating committee and considering amendments to the scheme rules recommended by the joint negotiating committee;
- approving scheme mergers and major capital expenditure;
- reviewing the organisation's systems of financial control and risk management;
- ensuring that appropriate management development and succession plans are in place;
- approving the appointment of independent directors (subject, on initial appointment, to the approval of the joint negotiating committee), members of committees of the board and senior management;
- approving staff remuneration policy;
- the admission of new institutions and removal of existing institutions;
- determining policy, and making decisions where appropriate, on the treatment of participating employers which leave the scheme;
- determining interest rates to be charged or paid in specific circumstances;
- the appointment of professional advisers; and
- deciding, where appropriate, on the compromise of any claims in excess of £50,000 (above £200,000 funding council approval would also be required).

The board has delegated the following responsibilities to the chief executive and the trustee company's executive:

- managing the trustee company against plans and budgets;
- the development and recommendation of strategic plans for consideration by the board;
- implementation of strategies and policies established by the board and the exercise of trustee company discretion in the determination and payment of benefits;
- day-to-day investment decisions, including stock selection and asset allocation decisions (within bands approved by the board) which are the responsibility of the chief investment officer, reporting to the investment committee.

The roles of the chairman, the chief executive and the chief investment officer

The chairman leads the board in the determination of its strategy and in the achievement of its objectives. The chairman is responsible for organising the business of the board, ensuring its effectiveness and setting its agenda. The chairman has no involvement in the day-to-day business of the organisation. The chairman facilitates the effective contribution of each of the directors and promotes constructive relations between the directors and the executive to ensure that directors receive accurate, timely and clear information and that there is adequate communication with the scheme's stakeholders.

The chief executive has direct charge of the organisation on a day-to-day basis and is accountable to the board for the effective running of the trustee company and the provision of services to the institutions and membership of USS.

The chief investment officer is responsible for the investment performance of the internally managed fund and for monitoring the performance of those investment managers who have external mandates that are not included in the portfolios managed by the London Investment Office. He reports on these matters to the investment committee.

Board and committee meetings

The number of full board meetings and other committee meetings attended by each director during the year are shown below. Figures in brackets indicate the maximum number of meetings in the period in which the individual was a member of the relevant committee.

	Board	Investment	F&PC	Audit	Remuneration	Rules	Nominations
Sir Martin Harris	5(5)	6(7)	-	-	-	-	4(5)
Professor John Bull	4(5)	7(7)	5(5)	6(6)	-	-	4(4)
Professor Glynis Breakwell	2(3)	-	-	-	2(2)	-	-
Michael Butcher	5(5)	-	-	6(6)	4(4)	-	-
Joe Devlin	4(5)	-	-	5(6)	2(2)	-	-
Professor David Eastwood	4(5)	-	2(3)	-	-	-	3(3)
Steve Egan	3(3)	-	-	1(2)	-	-	-
Dave Guppy	5(5)	-	5(5)	-	-	-	5(5)
Virginia Holmes	5(5)	7(7)	5(5)	-	-	-	-
Howard Jacobs	5(5)	6(7)	4(5)	-	4(4)	5(5)	-
David McDonnell	3(5)	-	-	4(6)	3(4)	-	-
Lady Merrison	3(3)	4(4)	3(3)	4(4)	2(2)	-	-
J W D Trythall	2(2)	-	2(2)	-	-	-	-
Sir Muir Russell	2(2)	-	-	-	-	-	-
Baroness Warwick	2(2)	-	2(2)	-	1(2)	-	2(2)

Regular reports and papers are circulated to board and committee members in a timely manner in preparation for all board and committee meetings. These papers are supplemented by information specifically requested by directors and committee members from time to time. The board papers include the minutes of the meetings of all the principal committees of USS.

Institutions

At 31 March 2010 there were 392 institutions which participate in USS under an appropriate deed of accession. They comprised all the 'old' UK universities (ie those established prior to 1992), including the constituent schools and colleges of the universities of London and Wales, colleges of the universities of Oxford and Cambridge and 254 other institutions.

During the year ended 31 March 2010 changes in institutions participating occurred as follows:

New participating institutions:
Langford Veterinary Services Ltd*
Chawton House Library*
North West Wales Management Development Centre Ltd*
London Higher
Liverpool School of Tropical Medicine
Buckinghamshire New University*
* restricted membership

Institutions which ceased to participate:

Aston Technical Planning and Management Services Ltd
Florida State University IPA UK

Scheme membership

During the year 20,685 new members joined the scheme and at 31 March 2010 the total membership, including pensioners and those entitled to deferred benefits, was 277,000 compared with 264,100 a year earlier. Further details of the changes in membership during the year are contained in the section "Membership Statistics" on page 39 and over the five years ended 31 March 2010 in the Summary on page 74.

The proportion of eligible new employees of participating institutions choosing not to join USS was 16% compared with 17% last year.

The review of future funding

Throughout the year the employer and the member representatives have been in discussions on the future funding of USS. The review took place in a Joint Review Group, which was constituted as a sub-group of the Joint Negotiating Committee (JNC) and chaired by the independent chairman of the JNC, Sir Andrew Cubie. Unfortunately, the group was unable to reach an agreed outcome by the end of April 2010 (the timescale it had set itself) and, as reported in the Management Statement on page 4, the matter was taken forward for the consideration of the JNC and of the Board.

Employer debt

During the year there has been continued activity in the area of employer debt, mainly as a result of the ongoing technical restructuring and re-organisational activity which has taken place in participating institutions, and also more significantly where an employer has ceased to employ its last active member or where its business activities came to an end. There have been major changes to the employer debt legislation in recent years, designed to allow greater flexibility for trustees of multi-employer defined benefit schemes, such as USS, in dealing with the 'section 75' debts which are triggered in these circumstances. Following this theme, government introduced further changes in April 2010 to permit certain types of "corporate restructuring" not to be treated as an employer debt event, together with the inclusion of a de minimis test. These latest changes are helpful in some circumstances, however detailed analysis and consideration is still necessary in each individual case.

The board has developed a framework in which decisions are taken in relation to employer debt, and specifically whether a form of arrangement may be entered into to modify the debt in particular circumstances. There are a number of such arrangements which might be utilised, depending on the individual circumstances and in particular a satisfactory assessment of covenant and/or the presence of a guarantor for pension commitments.

Policy on scheme mergers

During the year the Board completed its review of the mergers policy, which sets out the terms under which the trustee company would permit an institution to merge its pension scheme for support staff (often referred to as “SATs”, or self-administered trusts) with USS. This review was initiated following the most recent actuarial valuation of the scheme, and also took into account the experience of the trustee company gathered whilst undertaking previous scheme mergers.

A new mergers policy has been agreed, which introduces new financial terms upon which schemes in the higher education sector may be merged with USS, and which includes some new features which will enhance the attractiveness of the policy to candidate institutions whilst ensuring that the funding of the scheme is protected at all times.

During the period of the trustee company’s policy review, the Employers’ Pensions Forum has produced a report on SATs as part of its own review of pension provision across higher education entitled “Self-Administered Trusts: some options for consideration”. This report provides a thorough examination of the options that exist for the sector’s employers, and this will hopefully assist relevant institutions as they consider the future management and trusteeship of their in-house pension arrangements. The trustee company plans to formally launch the updated mergers policy in the Autumn.

The government’s policy and legislative developments

During the year the board reviewed a number of policy developments emerging from government that affect defined benefit pension schemes. There are two major areas in which proposals (and indeed to some degree, legislation) have been put forward, which will have a major impact on pension schemes generally and specifically on USS, namely (i) changes to the tax rules on pension contributions and the earning of pension benefits, and (ii) new pensions obligations for employers.

Firstly, during the year the government proposed a new approach to the provision of tax relief on pension contributions for high earners (at or above the level of £130,000) which would come into force in April 2011. In the intervening period (and with immediate effect), the government put in place ‘anti-forestalling provisions’ designed to discourage individuals from making large pension contributions in anticipation of new, penal tax rules. Upon taking up office the new coalition government reviewed the proposals and confirmed its intention to replace the proposed changes with new arrangements based on the existing ‘annual allowance’ test. These are hugely important changes for USS and its members, with potentially far-reaching implications. The timescale for implementation is likely to be extremely tight, and the Board will maintain a close eye on developments.

Secondly, the government has put in place the vast majority of the legislative provisions relating to new pension obligations on employers, which will come into effect from October 2012. However, the introduction is staged and the provisions are unlikely to have effect for USS participating employers until early 2013. The new requirements mean that employers will be obliged to provide a minimum contribution to pensions for their employees, and the government has established its own national scheme (known as the National Employment Savings Trust, or ‘NEST’) for those employers who choose the minimum default option. It is anticipated that USS will be a qualifying scheme and employers will adequately fulfil their statutory obligations by offering USS to staff, although employers will need to consider all categories of staff in their employment. During the year the trustee company has kept abreast of these developments, and has provided support to institutions as they have started to consider the implications of the future obligations.

Separately, the board has continued to monitor developments on the Pension Protection Fund (PPF) levy, and in particular future plans for determination of the risk-based levy. The board was pleased to note the announcement from the Board of the PPF that a fundamental review of the levy’s objectives would be undertaken, and it looks forward to engaging with the PPF’s consultation with the pensions industry on these issues in the coming year.

Pension increases

Rule 15 of the USS rules provides that pensions in payment, deferred pensions and deferred lump sums payable from the main section shall be increased in a similar manner to the increases provided for official pensions under the Pensions (Increase) Act 1971 (although increases on the amount of pension which represents the Guaranteed Minimum Pension (GMP) are treated differently - see below). As the increase in the Index of Retail Prices over the 12 month period to September 2009 was negative at -1.4% no increase was paid to USS pensioners on either their USS or post-1988 GMP pension elements. There was however a 3% increase on certain pension elements for those pensioners who had transferred their benefits in connection with one of the scheme mergers, in accordance with their rights in those schemes.

That part of the pension payable from the main section of USS which represents the pre-1988 GMP is generally not increased by USS as increases are paid by the Department for Work and Pensions, as are increases in excess of 3% on that part of the pension which represents the post-1988 GMP. More detail on the way in which increases are applied to the GMP is given in the USS booklet ‘Payment of Retirement Benefits’ which is issued to all USS pensioners and can be found on the USS website at www.uss.co.uk

Rule 15 also provides that pensions payable from the supplementary section shall be increased to the extent that the trustee company, acting on actuarial advice, decides. As a result, the trustee company decided that pensions arising from the supplementary section should not be increased in April 2009.

Contribution rates

The rates of ordinary contributions payable by members and institutions between 1 April 2009 and 31 March 2010 were as follows:

USS Main Section	Member	6% of salary
	Institution	14% of salary to 30 September 2009
		16% of salary from 1 October 2009
USS Supplementary Section	Member	0.35% of salary
	Institution	Nil

Actuarial matters

The actuary carries out a full actuarial valuation of the scheme every three years, with the next valuation to take place as at 31 March 2011. In the period between the triennial valuations the actuary carries out a funding review at 31 March each year to update the funding position of the scheme and also provides quarterly estimates of the funding level of the scheme to the trustee company. The annual funding review and quarterly estimates of the funding level are based on the same member data as is used in the triennial actuarial valuations, but take account of changes in interest rates and actual investment performance since the date of the last triennial valuation.

As at 31 March 2010, the actuary estimated that the funding level under the scheme specific funding regime was 91%, ie the assets in the fund amounted to 91% of the estimated liabilities. This was a deterioration in the funding level of 103% reported at the last triennial valuation as at 31 March 2008 but an improvement on the funding level of 74% reported at 31 March 2009. The period since 31 March 2008 has seen markets fluctuate considerably, with the gains of the last 12 months recovering much of the falls of 2008 and early 2009.

In addition to the funding basis that the scheme uses for its triennial valuations, the actuary also calculates the USS funding position on a number of other bases. On the scheme's historic basis the actuary estimated that the funding level at 31 March 2010 was 63% while on the FRS17 basis, using an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 112% funded. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate from 14% to 16% of pensionable salaries from 1 October 2009, with the employees' contribution rate remaining at 6.35% of pensionable salary.

Further information on the funding of the scheme is included in the summary funding statement, which is issued to all members and pensioners, and in the statement of funding principles. The summary funding statement can be found on page 75.

Accounting matters

Scheme financial statements and summary of contributions

The financial statements of the scheme for the year ended 31 March 2010 are set out on pages 53 to 68; and the auditors' statement about contributions and trustee's summary of contributions are set out on pages 72 and 70. The financial statements have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

The accounts of Universities Superannuation Scheme Limited (the trustee company) are set out on pages 82 to 97 and show an increase in operating costs from £44.6 million in 2008/2009 to £52 million in 2009/2010. This represents a 2% increase in administration costs and a 24% increase in investment management costs.

Personnel costs increased by less than 2% in Liverpool but by 34% in London. The increase in London reflects the increase in staffing levels, with staff numbers increasing from 57 at the start of the year to 71 by 31 March 2010. Peter Moon retired as chief investment officer at the end of the year with his replacement, Roger Gray taking up his post in August 2009. The alternatives team, in particular, has been strengthened as the fund continued to build its allocation to alternative assets, and with the increasing size of the office and complexity of the investment process, the compliance, risk and legal teams were also strengthened. The opportunity was also taken to strengthen the fund's expertise in emerging markets by bringing in a global emerging markets team. The London office continues to manage the bulk of the fund's assets. Neither office received an increase in basic pay during the year while good investment performance for the year saw increased bonus payments in London.

While the majority of other costs in Liverpool have remained fairly static or have reduced, there has again been an increase in the levies payable to the Pensions Protection Fund. Total payments increased by over 12%, adding almost £500,000 to administration costs for the year. Costs were also incurred in Liverpool, from management as well as USS's professional advisers, in assisting the Joint Review Group in its deliberations and in making provisional plans to implement the range of changes to business systems and processes that might emerge from the group.

Further details regarding the operating costs and a review of the activities for the year are given in the Directors' Report & Accounts on page 79.

Investment policy

The arrangements for management and custody of the assets, together with the approximate proportion managed by each manager at 31 March 2010, were as follows:

(a) 80.8% was managed internally by the trustee company's London Investment Office (with JP Morgan as custodian), of which 63.1% were securities assets (or cash), 11% were alternative assets and 6.7% were property assets. Of the 11% of alternative assets, 0.4% is managed by State Street Global Advisers, a hedge fund replicator. The internally managed fund has a balanced mandate;

(b) 9.3% was managed by Capital International Limited (with Bank of New York Mellon as custodian) with a global equity mandate;

(c) 9.9% was administered internally on the advice of HSBC James Capel Quantitative Techniques with a mandate to track the FTSE All-Share Index of UK equities (with JP Morgan as custodian).

It is the board's belief that the most appropriate investment management structure for the fund is for the bulk of the fund's assets to be managed internally, complemented by external managers in specific specialist areas where in-house management is not cost effective. There will always be significant costs associated with managing a fund the size of USS but a substantial core of in-house management is always likely to be more cost effective for a fund of our size, while the short term commercial pressures experienced by most third party providers makes it difficult for them to adopt the long term investment approaches which USS requires.

The cost of the in-house management team has been rising in recent years as staffing levels have increased to cope with the increased volume and range of assets being managed by the in-house team, particularly with the increased investment in alternative assets, such as private equity, which are more resource intensive than more traditional investment classes. Increased regulatory pressure has further increased the headcount. The relocation of the London Investment Office to new and larger premises at 60 Threadneedle Street will, of course, add further to costs but this move was necessary to provide the growing in-house team with suitable premises to meet its immediate and future needs. The board regularly monitors its investment costs and compares its costs and investment returns with those of other schemes and with potential alternative structures and remains confident in the current structure.

The year to 31 December 2009 was a good year for investment markets generally, reversing much of the fall in values experienced in 2008. It was also a good year for the fund, returning 20.7% against a benchmark return of 20.8%. Further details of the investment targets, investment performance and amounts managed by each manager are given in the report of the investment committee.

Corporate governance

The directors of the trustee company continue to acknowledge their responsibility for ensuring that the company has in place appropriate systems of internal control which are designed to give reasonable assurance that:

- financial information used by the scheme or for publication is reliable and that proper accounting records are maintained;
- assets are safeguarded against unauthorised use or disposition;
- the trustee company and the scheme are being operated efficiently and effectively;
- relevant legislation is complied with; and
- appropriate risk management systems are in place.

However, any system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss and cannot eliminate business risk.

The board receives reports, generally on a quarterly basis, from the main committees: the finance & policy committee, the investment committee, the audit committee, the remuneration committee, the rules committee, the joint negotiating committee, the nominations committee and the advisory committee. The functions of these committees are set out in the reports that follow this report.

Internal audit in the trustee company comprises the head of internal audit and two assistants supplemented by a co-source arrangement for specialist investment and IT audits. It reviews the operation of the internal control systems affecting the trustee company and the scheme and where relevant at external suppliers. Each year the head of internal audit, in conjunction with senior management, carries out a formal evaluation of the risks facing the organisation and the audit programme is determined in the light of this evaluation. The chief executive has established a risk committee which meets quarterly to consider regular reports on non-investment risk. Non-investment risk is reported via the finance and policy committee to the board. Investment risk is reported via the investment committee to the board. These committees review the risk management and control process to consider whether any changes to internal controls, or responses to changes in the levels of risk, are required. Any weaknesses identified in these reviews are discussed with management and an action plan is agreed to address them. Through regular reports by the head of internal audit, the audit committee assisted by the external auditor monitors the operation of the internal controls in force and any perceived gaps in the control environment.

The directors confirm that they have established internal control procedures such that they comply with the Turnbull Guidance in the Combined Code on Corporate Governance where relevant.

The board, through its audit committee, has reviewed the effectiveness of the process for identifying, evaluating and managing the key risks affecting the scheme.

Administration

The service provided to members and institutions continues to be monitored each quarter. All statutory and internal targets have been met satisfactorily.

The annual meeting with institutions' representatives took place in London in November 2009 with a report of the proceedings available on the USS website.

The trustee company reviews its activities regularly in conjunction with its advisers to ensure that the scheme remains fully compliant with all relevant legislation and other requirements.

During the year there were two late payments of contributions arising from administrative errors at institutions, both of which were subsequently submitted within four days of the due date. There was no requirement to report these to the Pensions Regulator.

Member AVC contributions to the Prudential are no longer included in the schedule of contributions. However, the trustee company has stated that it will report institutions to the Pensions Regulator where their payments of AVCs to the Prudential are consistently late. No such reports were made during the year.

Dispute resolution procedures in the trustee company provide for the pensions operations manager, on the application of a complainant, to give a decision on a dispute and for the trustees or managers, on the application of the complainant if they are unhappy about that decision, to review the matter in question and either confirm or alter the decision. The review is undertaken by the advisory committee, augmented for this purpose alone by two members of the board (one nominated by UUK and the other by UCU). The augmented advisory committee met on one occasion to consider the decisions given by the pensions operations manager at stage one of the internal dispute resolution procedure. Three cases were considered at stage two of the internal disputes resolution procedure. In all three cases, the officer's decision at stage 1 of the internal disputes resolution procedure was upheld.

The notifications from institutions continue to indicate that around one sixth of employees eligible to join USS, who were not in variable time employment, elected not to do so when they first had an opportunity to join. This figure has remained fairly constant for many years and the trustee company continues to monitor the situation. Typically employees who opt not to join USS are on short fixed-term contracts and in some cases decide to join USS if their contract is extended.

It should be noted that the rules of USS prevent an institution from paying contributions (in respect of an "eligible employee" under the rules) to a pension arrangement other than USS, except in circumstances described in the rules. Each institution's eligibility criteria are set out in its deed of accession and an institution that breaches this requirement may be unable to continue to participate in USS. A small number of institutions have been found to have unintentionally deviated from the criteria originally agreed with USS and steps are being taken in these cases to regularise the situation.

Communications

As in previous years, the communications team has visited most of the large institutions, to speak to members about the scheme and give them an opportunity to ask questions about a wide variety of issues. These presentations are well attended and the feedback collected afterwards indicates that they are appreciated by members and institutions. One important issue, raised at every meeting, has been the scheme review and this has provided an opportunity to explain to members the funding risks that the joint review group was discussing and the review process itself.

The institution advisory panels, comprising pension specialists from the largest universities, met three times during the year and discussed a variety of subjects including the changes to taxation for high earners and the protected pension age following the increase in the minimum retirement age. The panel received regular reports on the activity and performance of USS and contributed to the development of new reports, amendments to processes and revised documentation. The contribution of the panel members, to the development of USS processes and procedures, is greatly appreciated.

The panel played an important part in reviewing the 2009 Service Statement exercise. A number of problems were identified and detailed improvements were agreed by the panel, which will be implemented for the 2010 exercise.

The major activity for the communications team during the year has been the development of the new website, which is reported below.

*e*Pensions

The *e*Pensions initiative is a bold strategy to change the way we collect information on scheme members and how we communicate with them. The first phase was to create a new website that was attractive, helpful to members and easy to use. This phase was completed in June 2009 when the new USS internet site was launched. It has been refreshed and updated, and the navigation and search facilities improved. This part of the website is still being developed but the feedback from users is very encouraging.

The next phase is the roll-out of a secure extranet site for institution users to carry out the administration of USS. We are calling this section *USSonline* and it will replace the current *e*Manual and Webaccess. *USSonline* contains new features that will help institution users provide a better service to members. It will also help to improve the quality and timeliness of data submission to USS.

This is an important development and we want to make sure that the systems are robust before we start moving institutions over to the new website. We have carried out extensive testing and worked closely with institution users, to ensure that *USSonline* meets their needs. However, some of the new features are prototypes, which will be developed further in later phases. This will give us an opportunity to analyse users' experiences and factor those findings into later releases of *USSonline*.

Training sessions for institution users are scheduled to commence towards the end of 2010 as *USSonline* is gradually rolled out to all institutions.

Disclosure requirements

The general rights which members and beneficiaries have always enjoyed to request information under trust law have been greatly supplemented by statutory disclosure requirements which apply under the Occupational Pension Schemes (Disclosure of Information) Regulations 1996. Where the requirement is for a document to be available for reference by an interested person, it is met by providing each institution with access to a complete library of publications via the scheme's website. Other information, for example A Guide for USS Members, must be provided to every new member and supplies are available from our Liverpool office to enable institutions to issue them as part of their appointment procedures. Individual statements are required on the occurrence of certain events such as leaving service, retirement or death and these are provided by our Liverpool office as part of the processing of such benefits.

Enquiries about the scheme generally or about an individual's entitlement should be sent to the trustee company's registered office.

Transfer values paid during the year were determined in accordance with the Pension Schemes Act 1993 and appropriate regulations. No transfer values paid represented less than their full cash equivalent.

USS has had no employer-related investments during the year.

Acknowledgements

The chairman would like to thank Baroness Warwick, Sir Muir Russell and Lady Merrison for their contribution to USS matters during their terms of office on the board.

Mr P G Moon retired as chief investment officer on 30 April 2010. Peter joined USS in November 1992 and the trustee company is appreciative of his dedication to the company throughout his seventeen years of service.

The board also wishes to record once again its appreciation of the services given by all those who are concerned with the administration and management of USS, including the staff of the trustee company in Liverpool and London and the officers of the institutions that participate in the scheme. It wishes also to thank the various USS consultants and advisers who, by their specialist knowledge and experience, make a valuable contribution to the work of the trustee company.

Signed on behalf of the board.

Sir Martin Harris
Chairman

Investment Committee

Review of 2009

Over the calendar year, financial markets performed well with global equity markets rising nearly 25%, alongside strong returns on global credit, index-linked bonds and commodities. UK property and conventional government bonds were the laggards, with negative returns for the year. For much of the first quarter, the market rout and flight from risk assets of late 2008 continued. Global equity markets fell 25% in the first 45 trading days of the year. As the year progressed, market confidence was restored by the commitment of central banks and governments to do whatever it took to avoid a Japanese style deflation and evidence the medicine was working. The economic freefall subsided and global growth gradually resumed. Risk assets staged a remarkable rally, after their previous remarkable fall. Sterling recovered partially from its sharp weakness in late 2008, rising 9% over the year on a trade-weighted basis.

Outlook

Many countries have been left with unsustainably high budget deficits, following the policy actions required in 2009 to avoid the collapse in the global financial system. The debt and deficit hangover will continue to impact global growth for years ahead. The recent travails of the Euro and of Greece, Portugal and Spain in particular reflect market beliefs that they are carrying ultimately unsustainable debt burdens, which may require a combination of harsh austerity and/or debt restructuring. Fiscal and economic credibility must be restored for the Euro to survive in its current form and for bond markets to provide the necessary debt finance. The EU's €440bn special purpose vehicle, and the associated IMF facilities, as put forward in May this year, might well not be of sufficient size to fill the potential gap if market funding dries up for a sustained period. At mid-year, however, both equity markets and the government bonds of the more debt and deficit challenged Euro-zone members had already weakened sharply – suggesting that considerable pessimism has already been priced in.

28-29 Dover Street, London W1

Market returns have also been impacted by renewed concern over the strength of the global economic recovery. In many emerging markets, there were concerns about excessively rapid growth and overheating entering 2010. This has been replaced by concerns that steps taken in these countries to slow growth, particularly in China, combined with the 'forced' austerity in indebted developed countries, could cause global growth to falter. This has been reflected in a significant sell off in cyclically sensitive assets and a rally in perceived safe haven investments.

The aftermath of steep recessions, in the context of lasting financial stresses, generates an elevated level of uncertainty about the future economic and market trajectories. This is reflected in high financial market volatility. If a double dip recession is avoided, equity market valuations appear extremely attractive particularly compared to cash, index linked and conventional bond yields. Even after the high profile dividend cut from BP, the UK equity market is yielding 3.7%. The UK market is priced at 11 times expected earnings and 6 times 2010 expected cash-flows. By comparison, 10 year UK government bonds yield 3.3%, while the longest index-linked gilts yield little over 0.5%.

Investment management

The fund's investments are divided between those under the direct control of the trustee company and those managed externally. The majority of the assets are currently managed internally by the London Investment Office (LIO). The table below shows the current investment managers, their mandate and the percentage of the total fund they managed at the end of 2009:

	Mandate	% Assets
LIO actively managed	Multiple	69%
Alternatives	Multiple including external funds and providers	10%
UK Index Fund (advised by HSBC Quantitative Techniques)	FTSE All Share index tracker	12%
Capital International	Global Equities	9%

Capital International is rewarded on an ad valorem and performance fee basis. The alternative assets portfolio managed by the LIO employs a number of external managers who are selected and monitored by LIO. The fund believes in employing external managers in areas where the strategies or styles are complementary and where the skills either do not exist or cannot cost effectively be developed internally. The allocation of cash between the above mandates is reviewed by the investment committee and the board.


Marsh Mills Retail Park, Plymouth

The property portfolio managed by LIO uses external investment advisors and property managers to assist with managing the portfolio. These are competitively re-tendered on a periodic basis every 5 years and are subject to an interim review after 3 years. The contracts currently in place are shown in the following table:

Role	**Portfolio**	
Investment Advisory	Retail and Leisure	Jones Lang LaSalle
	Offices and International Indirects	DTZ Investment Management
	Industrial	King Sturge
Property Management	Shopping Centres and High Street	Workman & Partners*
	Retail Parks and Offices	Workman & Partners
	Industrial	King Sturge

* Grand Arcade property management is carried out by DTZ on behalf of the Grand Arcade Partnership

The services provided under these contracts are remunerated primarily through a management fee, and, in some cases the contract holder may also benefit from transaction fees.

USS Investment Performance

The total fund rose by 20.7% in 2009 compared to a benchmark rise of 20.8%. Both the LIO and Capital International outperformed their respective benchmarks in 2009, whilst the HSBC advised index tracking fund performed in line with its benchmark. The scheme held some frictional cash in order to meet immediate liquidity needs. This acted as a drag on overall performance against the total fund benchmark, which did not reflect this cash allocation. From the start of 2010, the cash allocation has been overlaid with an equivalent amount of equity futures, to allow the scheme to be fully invested and still have the required ready access to cash. Over the last 5 years, the fund has returned 5.2% p.a. underperforming its benchmark by 0.4%. The performance of the individual managers for 2009 and the last 5 years is shown in the table below:

	2009			**5 Years (annualised)**		
	Fund	**Benchmark**	**Relative**	**Fund**	**Benchmark**	**Relative**
LIO	19.4%	18.9%	+0.4%	5.1%	5.3%	-0.1%
Capital International	20.8%	20.0%	+0.7%	7.1%	8.2%	-1.0%
UK Index Fund	30.1%	30.1%	+0.0%	6.4%	6.5%	-0.1%

The committee has reviewed the range of AVC products managed by Prudential and their performance and considers both to be adequate at present. The committee has expressed concern to Prudential about the high level of fees and very low returns on the Cash Fund.

Investment Management Developments

After 17 years as CIO of USS, Peter Moon retired and was succeeded by Roger Gray in September 2009. Mr Gray joined USS from Hermes Fund Managers where he was Chief Investment Officer. Since his appointment, a Global Emerging Markets equities team has been recruited. We are engaged in strengthening the investment risk, performance and quantitative analysis team, as well as deepening the investment strategy capability, at LIO. Additional headcount has also been added in both the compliance and legal departments to reflect the growth of LIO and its range of activities, as well as the increased regulatory scrutiny over all financial services firms.

The allocation of capital to alternative assets has continued to increase and at the end of 2009 alternatives accounted for almost 10% of the fund. The team to run the absolute return programme was brought up to full strength during 2009 and the first allocations to individual managers were made in September. Building out this programme is a key focus for 2010. Undertaking manager selection and programme management internally offers the fund a number of advantages over using third party fund of funds providers including lower costs, greater transparency and tailoring to USS' specific and evolving requirements.

After due consideration, a dynamic element was introduced into the fund's strategic asset allocation (SAA) policy, effective from end 2009. This links the fund's funding ratio to its allocation to risk reducing assets. The Investment Committee's full SAA recommendations were approved by the Board in March 2010. As a result of these, the fund's actual and prospective allocation to fixed income and to emerging market equities have been somewhat increased. The fund has retained the medium- term objective to increase the weighting in Alternatives to 20%, funded by commensurate reductions in the allocation to listed equities.

The Board believes that the SAA and its planned evolution reflect an appropriate balance to achieve targeted long-term returns, while managing risk through diversification and the gradual build-up of risk reducing assets. The table below sets out the fund's asset distribution as at 1st April 2010, relative to the strategic benchmark and tolerance limits then in place (excluding the AVC programme managed by Prudential):

	Fund	Benchmark (SAA)	Active Position	Tolerance Range
Equities	**67.0%**	**66.6%**	**+0.3%**	**-7.5% to +7.5%**
Developed Markets	61.4%	60.9%	+0.4%	
UK	*29.1%*	*28.4%*	*+0.7%*	
N America	*11.8%*	*13.0%*	*-1.2%*	
Europe	*10.5%*	*9.8%*	*+0.7%*	
Japan	*7.2%*	*6.5%*	*+0.7%*	
Pacific ex Japan	*2.8%*	*3.3%*	*-0.5%*	
Emerging Markets	5.6%	5.7%	-0.1%	
Alternatives	**11.0%**	**11.0%**	**0.0%**	**-10% to +10%**
Fixed Income	**9.8%**	**12.5%**	**-2.7%**	**-5% to +5%**
Global Government	9.8%	10.0%	-0.2%	
Liability Hedging Portfolio	0.0%	2.5%	-2.5%	
Property	**6.4%**	**10.0%**	**-3.6%**	**-5% to +5%**
Cash	**5.9%**	**0.0%**	**+5.9%**	**Max 10%**
Total Fund	**100%**	**100%**	**0.0%**	

N.B. table may not sum due to rounding

Responsible Investment

USS continues to maintain its strong commitment to RI by actively engaging with companies, sectors and markets on extra financial factors. The RI function is active across all investment classes, including increasing focus on private equity, hedge funds and property. In recognition of this commitment, the fund was awarded Pension Fund of the Year – Best Use of RI in 2009 by Professional Pensions.

Active voting of stock is a core part of the RI function and USS currently votes over 90% of its listed equities. USS has established a UK voting and engagement alliance with RAILPEN Investments (the pension scheme for the railways sector), in order to pool governance expertise and to maximise the impact of our resources and share-ownership. Active engagement with companies is also an important element of the USS approach and when necessary, an enhanced engagement process will be undertaken to address more substantive concerns at specific companies. In the last year engagements have been carried out with UK banks, BP, Shell, Vedanta Resources, BAE Systems, and Marks and Spencer as well as a significant number of UK small cap companies and overseas investments. Oil sands has been an area of particular focus as it impacts a number of the companies the fund invests in and covers a broad range of complex issues.

USS has been focusing its attention on improving the governance structure of the hedge funds which we consider for investment. In property, significant savings have been made in terms of reduced energy, water use, and waste disposal costs. In private equity, we encourage the funds in which we invest to integrate these issues into their investment processes.

Following the financial crisis, the UK regulators and government have attempted to introduce measures to encourage shareholders to be more active owners of companies in which they invest and to improve the effectiveness of shareholder engagement. USS has played and continues to play an active role in the various consultation exercises that are being undertaken.

Summary Investment Exposures as at 31 March 2010

The following table sets out in more detail the allocation of investments between the managers utilised by the Scheme (rounded to the nearest million):

£m	**Internally Managed**		**Externally Managed**		**Total**	
	LIO	**Index Fund**	**Capital Int'l**	**Prudential**	**31st March 2010**	**31st March 2009**
	Active	Passive	Active	Active		
Equities	**14,025**	**2,923**	**2,747**	**-**	**19,695**	**14,454**
Developed Markets	12,628	2,923	2,431	-	17,982	14,288
UK	*5,146*	*2,822*	*386*	-	*8,354*	*6,756*
Overseas	*7,482*	*101*	*2,045*	-	*9,628*	*7,532*
Emerging Markets	1,397	-	316	-	1,713	166
Alternatives	**3,331**	**-**	**-**	**-**	**3,331**	**1,985**
Fixed Income	**2,750**	**-**	**-**	**-**	**2,750**	**1,998**
Property	**1,991**	**-**	**-**	**-**	**1,991**	**1,341**
Cash and Equivalent	**1,860**	**10**	**39**	**-**	**1,909**	**1,348**
Money Purchase AVC Investments	**-**	**-**	**-**	**324**	**324**	**286**
Other Investment Balances	**115**	**17**	**(1)**	**-**	**131**	**211**
Total Fund 2010	**24,072**	**2,950**	**2,784**	**324**	**30,131**	
Total Fund 2009	16,891	2,491	1,956	286		21,624

Note: The allocation of assets in the above table has been reclassified from that in the Statement of Net Assets in the accounts of USS to reflect the underlying economic exposure to each asset class. The table may not sum due to rounding.

The allocation to alternative assets, managed by multiple external managers and London Investment Office, is broken down in more detail below:

£m	31st March 2010	31st March 2009
Infrastructure	797	600
Private Equity – Funds	1,618	991
Private Equity – Co-investment	123	45
Absolute Return Strategies	607	245
Commodities	144	96
Other	42	8
Total	**3,331**	**1,985**

We show below the fund's 20 largest investments in listed equities and in bonds.

	Value £m	%
Royal Dutch Shell	630	2.1
HSBC Holdings	597	2.0
BP*	587	1.9
Vodafone Group	443	1.5
BHP Billiton	375	1.2
Glaxosmithkline	356	1.2
Rio Tinto	329	1.1
UK Treasury 5% 07/03/2025	278	0.9
Barclays	238	0.8
Astrazeneca	214	0.7
British American Tobacco	214	0.7
BG Group	210	0.7
Anglo American	206	0.7
Unilever (UK)	184	0.6
Tesco	182	0.6
Standard Chartered	175	0.6
Lloyds	159	0.5
UK Treasury 4.5% 07/09/2034	153	0.5
Xstrata	146	0.5
Reckitt Benckiser	142	0.5
	5,818	**19.3**

* The valuation of BP shares is as at 31 March 2010. The shares fell by 49% in the second calendar quarter, during which period the managers increased the number of shares held – giving an end June exposure of £340m (1.2% of the fund).

A list of all the fund's equity holdings and a more comprehensive review of corporate governance issues is available on the USS website: www.uss.co.uk

Signed on behalf of the Investment Committee

V Holmes
Chairman

Finance and Policy Committee

The finance and policy committee considers and reports to the board on any matters relating to the structure and management of Universities Superannuation Scheme Ltd as the corporate trustee of USS, other than those which have been allocated to the investment, audit, remuneration, nominations and rules committees.

In essence, inter alia, it:

- Undertakes detailed work on behalf of the board and makes recommendations to it on major policy issues.
- Gives preliminary consideration to major issues, which it is intended should be brought to the board.
- Oversees the detail of revisions to the company's non-investment risk register and policy and submits annual reports to the board.
- Gives detailed consideration to business and strategic plans and performance against plans.
- Gives detailed consideration to financial estimates and performance against estimates.
- Monitors communication with, and levels and quality of service provided to, member institutions and individual members.
- Monitors compliance with the requirements of appropriate regulatory bodies.

The committee members are appointed by the board and at 31 March 2010, comprised 10 members. Of the committee's 10 members, six are directors of the trustee company; one is a UUK appointee to the board, two are UCU appointees, and three are co-opted appointees of whom one, Professor John Bull, is the chairman. The other members of the committee are the chief executive, chief investment officer, chief financial officer and pensions policy manager. Baroness Warwick retired on 31 August 2009 and was replaced by Professor David Eastwood. Lady Merrison retired on 30 September 2009 and was replaced by Mr Trythall. We thank both Baroness Warwick and Lady Merrison for their significant contributions as committee members.

During the year, the committee met on five occasions and considered matters such as the actuarial report, the scheme funding consultation, employer covenant, mergers and expansion of USS, insolvency and withdrawal of institutions from USS, the government's pensions reform, salary sacrifice, the ePensions initiative, corporate performance of the trustee company and the business plan.

Signed on behalf of the finance and policy committee.

Professor John Bull
Chairman

Audit Committee

The audit committee was established under the authority of the board in March 1982.

Its purpose is to consider and report on any matters relating to internal control systems, financial reporting arrangements and corporate governance.

In essence, it examines management's processes for ensuring the appropriateness and effectiveness of systems and controls and arrangements to ensure compliance with standards and arrangements under appropriate regulatory systems.

In addition it:

- Reviews the scope, planned programmes of work and findings of both the internal and external auditors and the compliance officer.
- Ensures that the accounting and reporting policies are in line with legal requirements, Financial Services Authority and other appropriate regulatory body requirements and best practice.

A copy of the committee's terms of reference is available on the USS website or can be obtained by writing to the company secretary.

The committee members are appointed by the board and at 31 March 2010 comprised five members;

- Michael Butcher (chairman) co-opted
- Professor John Bull co-opted
- Joseph Devlin UCU appointed
- Steve Egan HEFC appointed
- David McDonnell UUK appointed

Their biographical details can be found on pages 8 and 9. Lady Merrison retired on 30 September 2009 and was replaced by Mr Egan. We thank Lady Merrison for her significant contribution to the committee. More than one member of the committee possesses what the Smith Report describes as recent and relevant experience.

During the year, the committee met on six occasions. It has also met with the external auditor, the internal auditor and the compliance officer privately each on one occasion without members of the executive being present. During the year, the committee has, inter alia:

- reviewed the accounts of both the trustee company and the scheme prior to approval by the board;
- reviewed its terms of reference;
- reviewed the external auditor's strategy for the audit of the accounts of the trustee company and the scheme;
- reviewed the performance, independence and objectivity of the external auditor, including a review of non-audit fees, and recommended the re-appointment of the external auditor to the board;
- reviewed the objectives, effectiveness, structure and future direction of the internal audit function to ensure that it meets the assurance needs of the trustee company;
- reviewed the internal audit function's terms of reference, its work programme and quarterly reports on its work during the year;
- received regular reports from the compliance officer;
- reviewed the effectiveness of the trustee company's internal financial controls and its approach to identifying and dealing with risks to its business.

Signed on behalf of the audit committee.

M Butcher
Chairman

Remuneration Committee

The remuneration committee considers and reports on matters relating to the employment, remuneration and termination of contracts for employees within the trustee company. It sets salaries, pay levels and performance criteria by which all staff are rewarded, with the exception of the chief executive and the chief investment officer, whose salaries are determined at board level.

The committee's members are appointed by and from the board and at 31 March 2010 comprised five members; two are UUK appointees to the board, one is a UCU appointee and two are co-opted appointees of whom one, Mr Jacobs is the chairman. Baroness Warwick retired on 31 August 2009 and Lady Merrison retired on 30 September 2009; we thank them for their significant contribution as committee members. Professor Breakwell and Mr Devlin were appointed to the committee with effect from 1 October 2009.

The committee met on four occasions during the year.

Signed on behalf of the remuneration committee.

H R Jacobs
Chairman

Joint Negotiating Committee

The functions of the joint negotiating committee are to approve amendments to the rules proposed by the trustee company, to initiate or consider modifications to the rules in conjunction with the rules committee and to consider any alterations proposed by the advisory committee arising out of the operation of the rules. The joint negotiating committee also has powers under the Articles of Association of the trustee company and under the scheme rules in connection with the appointment of co-opted directors and with the remuneration of directors.

The committee met on three occasions during the year, and its principal activity was to agree the final form of the re-written scheme rules, a project completed under the supervision of the rules committee. The final form of the draft rules was agreed in April 2009 and the new provisions were duly executed, coming into force on 1 May 2009.

In addition, the committee agreed the form of three sets of amendments to the rules of the scheme, as follows:

- The seventeenth supplemental amending deed to the pre-May 2009 rules, which was executed on 1 April 2009, introduced changes to the rules to comply with the Employment Equality (Age) Regulations 2006, so far as these apply to occupational pension scheme rights with effect from 1 December 2006. Specifically, this deed made amendments to the reason by which early retirement benefits may be granted (other than redundancy), and around related issues of the giving of consent by employers.
- The first amending deed to the new rules, which was executed on 6 August 2009, made amendments with regard to the maximum number of members that may be appointed to the investment committee, and also dealt with a small number of glitches in the re-written version of the rules.
- The second amending deed, executed on 11 November 2009, introduced changes to widen the circumstances in which the trustee company is permitted to enter into a scheme apportionment arrangement, to deal with situations where the employer debt regulations have been triggered.

During the year, the Joint Review Group (JRG) continued its activities in considering possible changes to USS to address the cost pressures facing the scheme. The JRG, comprising representatives of the employers and of the University and College Union, was constituted as a working group of the joint negotiating committee, under the independent chairmanship of Sir Andrew Cubie.

In addition to the work on rule amendments described above, the committee also considered a number of important areas of scheme policy, namely:

- A review of the arrangements for payment of children’s pensions beyond age 23 in cases where a child continues in full time education
- Potential changes to the administrative involvement of the funding councils in relation to USS, and
- The extension of salary sacrifice arrangements within the scheme to additional voluntary contributions paid by regular installment.

Consideration of these matters will continue during 2010.

Signed on behalf of the joint negotiating committee.

Sir Andrew Cubie
Chairman

Advisory Committee

The functions of the advisory committee are to advise the trustee company on the exercise of its powers and discretions (other than those relating to investment matters), on difficulties in the implementation or application of the rules and on any complaints received from members or participating institutions, and any other matters on which the trustee company requires advice.

Three full meetings were held during the year. Dr A Roger fulfilled the role of chairperson.

The majority of questions raised on the application or interpretation of the rules of USS were dealt with by the senior officers. There were ten cases which required detailed consideration by the advisory committee during the year.

Six cases were related to members requesting full commutation of their benefits on the grounds of serious incapacity and in each case the full commutation was granted.

Three cases were considered at stage two of the internal disputes resolution procedure. One case related to a dispute in respect of an application for retirement on the grounds of incapacity, one related to the transfer of benefits and one in respect of the distribution of benefits following the death of a member. In all three cases, the officers' decision at stage 1 of the internal disputes resolution procedure was upheld.

The advisory committee considered one further case, which did not fall under the internal dispute resolution procedure, but required consideration to be given in relation to the distribution of benefits following the death of a member. The committee again agreed with the officers' decision in respect of the distribution of benefits.

In addition to making adjudications on these individual cases the committee reviewed a number of other areas of the scheme including: correspondence issued in cases of full commutation and during the full commutation application procedure, eligible child annuities when an adult child is physically or mentally incapable of being self-supporting and cases submitted to the Pensions Ombudsman.

On reviewing the USS cases over the past twelve months, it is notable that the Pensions Ombudsman has on number of occasions made positive comments in respect of the administration practices of the trustee company, and endorsed the decisions and actions both of the trustee company and the advisory committee.

Signed on behalf of the advisory committee

Dr A Roger
Chairman

Rules Committee

In conjunction with the executive and the scheme's professional advisers, the rules committee's primary function is to supervise the rule amendment process within USS.

In its seventh year the rules committee was involved in a number of activities, which included:

- On the issue of employer debt, implementing changes to the scheme rules (in the second deed of amendment) which permit the trustee company to enter into a scheme apportionment arrangement in cases which it considers appropriate, and also preparing for and implementing the further regulatory changes which came into force in April 2010;
- Undertaking further analysis of the statutory rules regarding unauthorised payments, and in particular advising on the options that might be exercised to deal with children who continue in full-time education beyond the age of 23;
- Examining the new employer obligations as set out in the Pensions Act 2008 and associated regulations, and identifying the key questions that will face the trustee company ahead of the implementation of the new requirements from 2012 (and the impact on USS's participating institutions).

The committee also completed a review of glitches in the former rules of USS (those in force before 1 May 2009), and a small number of amendments were identified and duly implemented.

The committee met on five occasions during the year.

Signed on behalf of the rules committee.

H R Jacobs
Chairman

Nominations Committee

The nominations committee was established under the authority of the board.

Its main purpose is to support and advise the board to ensure that the board and its committees comprise individuals who are best able to discharge the responsibilities of the committees.

The committee members are appointed by the board and at 31 March 2010 comprised the chairman of the trustee company, a UUK appointed director, a UCU appointed director, the chief executive and a co-opted director who acts as chairman. Baroness Warwick retired on 31 August 2009 and was succeeded by Professor David Eastwood as the UUK appointed director. We thank her for her significant contribution as a committee member. When considering matters relating to the membership of a committee, the relevant committee chair is co-opted to the committee for that matter.

During the year, the committee met on five occasions. The matters that have been considered include:

- conducting the appointment process for committee vacancies on the finance & policy, audit and remuneration committees;
- conducting the reappointment process for a co-opted director;
- selection criteria for directors and committee appointments;
- reviewing the composition of and skill sets for committees;
- reviewing the induction, training and development programmes for directors;
- agreeing the content of board education sessions;
- succession planning for directors.

Signed on behalf of the nominations committee.

Professor John Bull
Chairman

Statement of Investment Principles

1. Introduction

1.1 This statement has been prepared by Universities Superannuation Scheme Limited, the trustee company of Universities Superannuation Scheme. Its purpose is to outline the broad principles governing the investment policy of the trustee company and to satisfy the requirements of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005). It also provides information on various other aspects of the investment of the fund's assets.

1.2 The statement has been agreed by the board of the trustee company on written advice from the investment committee (a sub-committee of the board) working with the internal investment team, the scheme's external investment consultants and the scheme actuary and has followed consultation with the participating employers.

1.3 The board reviews the statement at least every three years and without delay if there are any significant changes in investment policy or where the trustee company considers that a review is needed for other reasons. The investment committee monitors compliance with this statement at least annually and obtains confirmation from the investment managers that they have exercised their powers of investment with a view to giving effect to the principles contained herein as far as reasonably practicable.

1.4 The fund's investment arrangements, based on the principles set out in this statement, are detailed in the Investment Policy Implementation Document (IPID). This is a working document which is updated on a regular basis and which is available to participating employers and scheme members on request.

2. Investment principles

2.1 *The trustee company will act in the best financial interests of all classes of scheme member, seeking to ensure that the assets are invested in a way most likely to secure the benefits offered by the scheme*. The managers are instructed to give primary consideration to the financial prospects of any investment they hold or consider holding.

2.2 *The trustee company's investment objective is to achieve returns over the long-term that will meet the liabilities with a stable contribution rate*. Regard is had to the scheme's relative immaturity, strong positive cash flow, the scheme's statutory funding objective, the covenant of the employer, the wishes of the employers and the board to minimise the risk of higher contributions at some time in the future and the need to ensure that the risk of deterioration of the funding level, to such an extent as to lead to the need to implement a recovery plan under The Occupational Pensions Schemes (Scheme Funding) Regulations 2005, is acceptable. Assessment of the USS employer covenant is carried out internally by the chief financial officer and his staff and is based primarily on information from the UK funding councils, Dun & Bradstreet and other publicly available information on the financial health of the sector. The board considers the employer covenant at each of its meetings.

2.3 *The trustee company takes a long-term view on investment given the scheme's strong positive cash flow and ongoing flow of new entrants, and the strength of covenant of the employers*. Some short-term volatility of returns can be tolerated, as the scheme does not need to realise investments to meet liabilities, although the trustee company is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

2.4 *The trustee company seeks to manage investment risk through a diversified portfolio and with regard to the risk appetite of its stakeholders*. Further information on risk is given in sections 3 and 4 below.

2.5 *The trustee company believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes*. Further information on the trustee company's beliefs about investment returns and its investment benchmark and management structure are given in section 5 below.

2.6 *The trustee company seeks to be an active and responsible long-term investor believing that this will protect and enhance the value of the fund's investments in the long-term*. Further information on responsible investment is given in section 6 below.

3. Risk

3.1 The trustee company recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. With a fund of this size, it is impractical and presently very expensive to match the bulk of the scheme's liabilities. Therefore, in order to meet the long-term funding objective to pay the scheme benefits as they fall due whilst managing the level of contributions, the trustee company needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the liability matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities.

3.2 Before deciding what degree of investment risk to take relative to the liabilities, the trustee company receives advice from the internal investment team, the investment consultant and the scheme actuary, and considers the views of the employers. In particular, it considers carefully the following possible consequences:

- The assets might not achieve the excess return relative to the liabilities expected over the long-term. If the value of assets increased at a lower rate than the value of the liabilities, this would result in deterioration in the fund's financial position and consequently, given the USS rules regarding contribution rates, the need for higher contributions from the employers than currently expected.
- The relative value of the assets versus the liabilities will be more volatile over the short term than if investment risk had not been taken. This will increase the potential size of any shortfall of assets relative to the liabilities at the date of the scheme's triennial valuation, which may result, given the USS rules regarding contribution rates, in a requirement to impose deficit contributions on the employers, or in the event of the discontinuance of the fund.

3.3 The trustee company's willingness to take investment risk is dependent on the continuing financial strength of the employers and their willingness to contribute appropriately to the fund, the financial health of the fund and the fund's liability profile. The trustee company monitors these factors regularly with a view to altering the investment objectives, risk tolerance and/or return target should there be any significant change in any of the factors.

3.4 Having regard to the above, and after taking advice from the internal investment team, the investment consultant and scheme actuary, the trustee company has adopted investment arrangements that it believes offer an acceptable trade-off between risk and return.

4. Diversification of risk

4.1 The overall investment risk to the fund is diversified across a range of different investment types, which are expected to provide excess return over time, commensurate with risk.

4.2 The fund may invest in a wide range of assets and strategies, including quoted equity, government and non-government debt (including inflation-linked), currencies, money market instruments, property and alternative assets and strategies including private equity and debt, infrastructure, commodities and absolute return strategies. Investment may be undertaken directly, indirectly (e.g. via funds), in physical assets or derivatives.

4.3 The trustee company also monitors, analyses and responds to other risks such as regulatory risk, administrative risk, custody risk, concentration, currency, liquidity and counterparty risk and political and country risk.

4.4 The investment portfolio has been constructed to be consistent with the investment objective, risk tolerance and excess return target of the trustee company.

5. Strategic investment benchmark and investment management structure

5.1 The trustee company believes that, over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee company also believes that a portfolio of alternative assets can provide similar returns to equities whilst reducing risk through greater diversification.

5.2 The fund's strategic investment benchmark is reviewed periodically to ensure that it is appropriate for the circumstances and objectives of the scheme. Full details of the fund's current benchmark and divergence limits are set out in the IPID, but the following table provides a summary in broad terms as set at 31 December 2009.

The target allocation for alternatives is presently set at 20% with a corresponding reduction in the allocation to quoted equities. The alternatives allocation will build up progressively, driven particularly by the drawing of existing and new investment commitments to private equity and infrastructure and by new investment to hedge funds or absolute return strategies.

	31 December 2009
Equities	68
Alternatives	9.5
Fixed interest (including index-linked)	12.5
Property	10

5.3 It is the trustee company's intention to diversify the asset allocation exposures geographically, by asset class and across active management strategies. It also aims gradually to increase the allocation to risk reducing assets (such as government bonds and index-linked gilts) and other risk-hedging instruments as the scheme's funding level improves, whilst being mindful of the desire of the employers to minimise the likelihood of an increase in the scheme contribution rate. The allocation to risk reducing assets would primarily be drawn from the allocation to quoted equities. The market-related triggers for incremental allocations will be driven by improvements in the scheme funding level.

5.4 The above distributions have been agreed on the recommendation of the investment committee based on its belief that, over the long-term, a reasonable estimate of the real annual rates of return of each asset class would typically be:

Equities	5%
Alternative assets	5%
Property	3.75%
Fixed interest	2%
Index-linked	1.75%

5.5 The trustee company's policy is to hedge back to sterling an appropriate proportion of the developed market currency exposure.

5.6 The majority of the fund's investments are currently managed in-house. This is generally supported by the in-house managers' longer-term investment orientation and incentives, lower costs and greater transparency, as well as the absence of marketing or commercial demands. External managers are appointed (and may be dismissed) as appropriate, given our assessment of their skill and expected net returns versus relevant benchmarks. They can enable the scheme to diversify market and fund manager risks and to achieve access to a wider range of opportunities and styles than we could deliver, economically and competitively, in-house. Index tracking is used as appropriate to reduce investment risk relative to benchmark and investment management costs. The IPID, as periodically updated, gives details of each investment manager's mandate as set out in their respective investment management agreements.

5.7 The alternative asset programme is managed in-house, substantially through sub-contracting some management functions to specialists or through direct investment.

5.8 The overall property portfolio is managed in-house with advice received from external specialists. External managers or funds are used as appropriate.

5.9 The assumptions and beliefs concerning investment risk and returns, on which the trustee company's benchmark and management structure are based, are reviewed regularly by the investment committee and the board.

5.10 The external managers are remunerated through a combination of ad valorem fees and performance-related fees. The fee arrangements in each case are considered by the trustee company to be the best way of encouraging outperformance while ensuring value for money.

5.11 The investment management structure is subject to a formal review at least every five years. The appointment of any manager can be reviewed at any time if, for example, changes to its investment management process, personnel or business management lead to a loss of confidence in the manager's ability to outperform its benchmark over a full market cycle or result in the manager no longer being suitable for the mandate for which it was appointed.

6. Responsible investment

6.1 As an institutional investor that takes its fiduciary obligations to its members seriously, the trustee company aims to be an active and responsible long-term investor in the assets and markets in which it invests. By encouraging responsible corporate behaviour, the trustee company expects to protect and enhance the value of the fund's investments in the long-term.

6.2 The trustee company therefore requires its fund managers to pay appropriate regard to relevant extra-financial factors including corporate governance, social, ethical and environmental considerations in the selection, retention and realisation of all fund investments. The trustee company expects this to be done in a manner which is consistent with the trustee company's investment objectives and legal duties.

6.3 Specifically, the trustee company has instructed its internal fund managers and called on its external managers to use influence as major institutional investors to promote good practice by investee companies and by markets to which the fund is particularly exposed.

6.4 The trustee company also expects the scheme's fund managers, both internal and external, to undertake appropriate monitoring of the policies and practices on material corporate governance and social, ethical and environmental issues of current and potential investee companies so that these extra-financial factors can, where material, be taken into account when making investment decisions.

6.5 The aim of such monitoring should be to identify problems at an early stage, and enable engagement with management to seek appropriate resolution of such problems. The trustee company uses voting rights as part of its engagement work to ensure that voting is undertaken in a prioritised, value-adding and informed manner. Where collaboration is likely to be the most effective mechanism for encouraging company management to address these issues appropriately, the trustee company expects its fund managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

6.6 The investment committee monitors this engagement on an on-going basis with the aim of maximising its impact and effectiveness. The trustee company's governance, social, ethical and environmental policies are also reviewed regularly by the board and updated as appropriate to ensure that they are in line with good practice.

7. Additional Voluntary Contribution assets

Additional voluntary contributions (AVCs) from members to purchase additional benefits on a money purchase basis are invested separately from the other assets of the fund and are managed and administered externally. They, do, however form part of the fund. The appointment of AVC providers is subject to review by the board and their investment performance is monitored by the investment committee.

8. Governance

8.1 The board, as the governing body of the trustee company, retains the overall power over investment of the fund's assets. It delegates some aspects of the fund's investment arrangements to the investment committee and the internal investment team, but retains direct responsibility for setting investment objectives, establishing risk and return targets and setting the fund's strategic benchmark and investment manager structure. It makes decisions on these matters after considering recommendations from the investment committee.

8.2 The trustee company established the investment committee under its articles of association, and under the rules of the scheme, to advise it on all questions relating to the investment of the assets of the fund. It consists of between three and nine people of whom at least one must be a member of the board and up to five may be persons other than directors whom the board may decide to appoint because of their knowledge of and expertise in investment matters. In making its recommendations to the board, the investment committee works with the internal investment team and receives advice from its external investment consultants whenever it considers it appropriate. The investment committee implements the board's decisions under delegated powers by retaining and monitoring investment managers, performance measurers, custodians and other service providers.

8.3 The investment managers (internal and external) are responsible for day-to-day management of the fund's assets in accordance with guidelines agreed with the trustee company. The investment managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. The chief investment officer monitors and reports on the performance and activities of the managers to the investment committee each quarter. The investment managers also report direct to the investment committee from time to time.

8.4 The internal fund managers make recommendations for the continuance or amendment of their fund's asset allocation policy for the approval of the investment committee. The investment committee also oversees the appropriate allocation of cash (new money) between the different managers on a quarterly basis.

8.5 The trustee company has appointed performance measurers independent of the investment managers to calculate and analyse the performance of each investment manager's portfolio and of the total fund.

8.6 The trustee company has appointed external custodians who are responsible for the safekeeping of the fund's assets and for performing the associated administrative duties such as trade settlements, dividend collection, corporate actions, tax reclamation and proxy voting. The custodians also act as agents for the fund's stock lending programme (although third party agents can also be appointed).

8.7 The scheme actuary performs a valuation of the fund at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy.

8.8 An asset liability modelling study was carried out in 2008 and will be carried out regularly to seek to ensure that the fund's asset distribution remains appropriate given the liability profile of the fund and the trustee company's risk tolerance.

8.9 The fund's governance arrangements are described in more detail in the IPID.

University Institutions

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
0100	Aberdeen	2,041	720	168
4100	Aston	777	418	131
4300	Bath	1,424	475	89
6600	Belfast	2,224	834	176
1000	Birmingham	3,179	1,174	287
4200	Bradford	900	590	114
1100	Bristol	2,891	991	177
4400	Brunel	1,025	366	83
7035	Buckingham	94	60	8
1200	Cambridge (University)	5,639	1,297	360
1202	Christ's	33	8	5
1204	Churchill	141	15	-
1206	Clare	25	5	1
1208	Clare Hall	9	1	1
1210	Corpus Christi	84	10	3
1212	Darwin	6	3	2
1214	Downing	99	11	4
1216	Emmanuel	67	5	-
1218	Fitzwilliam	76	16	2
1220	Girton	79	20	3
1222	Gonville & Caius	116	13	3
7143	Homerton College	39	5	-
1224	Hughes Hall	11	2	-
1226	Jesus	68	6	3
1228	King's	111	21	3
1230	Lucy Cavendish	41	7	2
1232	Magdalene	92	6	3
1234	New Hall	104	15	1
1236	Newnham	77	20	4
1238	Pembroke	102	13	-
1240	Peterhouse	47	5	1
1242	Queen's	62	4	1
1245	Robinson	21	10	-
1246	St Catharine's	67	8	2
1255	St Edmund's	18	2	1
1250	St John's	82	11	4
1252	Selwyn	51	2	2

University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
1254	Sidney Sussex	83	2	2
1258	Trinity	96	17	6
1260	Trinity Hall	57	9	4
1268	Wolfson	35	4	1
4700	City	1,358	527	118
7016	Cranfield	920	624	134
0700	Dundee	1,686	509	115
1300	Durham (University)	1,982	586	116
1301	St Chad's	15	-	-
1302	St John's	5	1	-
1303	Ushaw College	3	2	-
1500	East Anglia	1,758	573	73
0200	Edinburgh	4,657	1,275	294
1700	Essex	1,375	310	70
1600	Exeter	1,669	666	111
0300	Glasgow	2,929	1,120	212
0800	Heriot-Watt	872	369	77
1800	Hull	1,165	564	138
3100	Keele	1,189	355	75
1900	Kent	1,278	488	75
2100	Lancaster	1,241	465	96
2000	Leeds	3,823	1,418	288
2200	Leicester	1,814	529	108
2300	Liverpool	2,335	996	220
2497	London (University)	541	668	191
2408	Birkbeck	811	214	37
2401	Goldsmiths' College	710	212	18
2480	Heythrop	32	7	-
2409	Imperial College of Science, Technology & Medicine	3,164	1,273	327
2440	Institute of Cancer Research	787	36	6
2403	Institute of Education	690	288	53
2410	King's College London	3,189	1,134	249
2412	London School of Economics & Political Science	1,190	318	76
2434	London School of Hygiene & Tropical Medicine	711	128	37

University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
2413	Queen Mary & Westfield College	1,878	635	154
2447	Royal Holloway and Bedford New College	904	317	64
2436	Royal Veterinary College	344	68	28
2428	St George's Hospital Medical School	401	123	23
2415	School of Oriental & African Studies	542	223	58
2416	School of Pharmacy	124	41	11
2417	University College	5,466	1,408	278
2484	London Business School	304	72	12
4600	Loughborough	1,609	624	153
2500	Manchester	5,018	2,113	415
1400	Newcastle-Upon-Tyne	2,458	937	217
2600	Nottingham	3,639	885	192
8900	Open	6,519	2,412	265
2700	Oxford (University)	5,808	1,530	402
2701	All Souls	32	15	4
2702	Balliol	66	7	5
2703	Brasenose	59	6	3
2704	Christ Church	106	13	7
2705	Corpus Christi	39	7	2
2706	Exeter	54	10	5
7028	Green Templeton College	10	22	4
2735	Harris Manchester	13	3	-
2707	Hertford	51	11	2
2708	Jesus	57	13	1
2709	Keble	57	9	-
2710	Lady Margaret Hall	53	14	4
2734	Linacre	10	4	-
2711	Lincoln	38	7	2
2712	Magdalen	57	13	6
2732	Mansfield	32	7	2
2713	Merton	63	7	4
2714	New College	87	16	4
2715	Nuffield	56	9	2
2716	Oriel	71	14	-
2717	Pembroke	61	7	2
2718	Queen's	46	14	2

University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
2736	Regent's Park	7	-	-
2727	Somerville	62	14	1
2719	St Anne's	62	10	2
2720	St Antony's	50	16	2
2737	St Benet's Hall	5	-	-
2721	St Catherine's	69	12	2
2722	St Edmund Hall	47	6	1
2723	St Hilda's	76	21	1
2724	St Hugh's	50	10	1
2725	St John's	89	14	1
2726	St Peter's	51	7	3
2728	Trinity	47	6	1
2729	University	67	12	5
2730	Wadham	74	7	5
2733	Wolfson	12	4	5
2731	Worcester	52	13	1
2800	Reading	1,879	764	163
0400	St Andrews	1,083	348	69
4800	Salford	1,150	696	133
2900	Sheffield	2,882	1,066	193
3000	Southampton	3,131	955	161
0500	Stirling	845	356	63
0600	Strathclyde	2,157	767	189
4000	Surrey	1,495	678	116
3200	Sussex	1,144	526	126
6800	Ulster	1,977	610	114
3900	Wales (University)	64	32	3
3300	Aberystwyth	943	344	86
3400	Bangor	856	461	103
3500	Cardiff	3,079	979	237
3800	Lampeter	132	68	15
3600	Swansea	1,398	519	120
5000	Warwick	2,481	640	112
5200	York	1,814	427	76
UNIVERSITY INSTITUTIONS Total		**131,554**	**44,860**	**9,414**

New University Institutions

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
8160	Abertay	5	1	-
8280	Bedfordshire	24	-	-
8350	Birmingham City	34	1	-
8420	Bolton	13	-	-
8100	Bournemouth	10	4	-
8080	Brighton	66	3	-
8520	Buckinghamshire New University	1	-	-
8430	Canterbury Christ Church	23	-	-
8150	Central Lancashire	36	4	2
8470	Chichester	3	1	-
8110	Coventry	73	4	1
8060	De Montfort	24	5	-
8500	Edge Hill	6	-	-
8010	Glamorgan	18	3	-
8400	Glasgow Caledonian	47	-	-
8440	Gloucestershire	12	1	-
7205	Glyndwr University	21	1	-
8210	Greenwich	4	-	-
8040	Hertfordshire	1	1	-
8050	Huddersfield	50	2	-
8170	Kingston	36	1	-
8480	Leeds Metropolitan	16	1	-
8190	Lincoln	45	4	-
8300	Liverpool Hope	10	4	-
8270	Liverpool John Moores	24	-	-
8240	London Metropolitan	44	3	-
8140	Manchester Metropolitan	40	5	-
8460	Northampton	10	-	-
8510	Northumbria	36	-	-
8090	Nottingham Trent	46	9	-
8120	Oxford Brookes	72	2	-
8070	Plymouth	48	11	-
8290	Queen Margaret University	20	1	-
8370	Roehampton	54	-	-
8220	Sheffield Hallam	186	10	-
8020	South Bank	42	9	-

New University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
8320	Sunderland	13	-	-
8340	Swansea Institute of Higher Education	15	2	-
8330	Teeside	1	1	-
8030	Thames Valley	8	7	-
8490	Trinity College	5	-	-
8380	University College Falmouth	4	-	-
8180	University of Wales Institute, Cardiff	66	-	-
8410	West of England	67	1	-
8250	West of Scotland	4	1	-
8130	Westminster	59	1	-
8450	Winchester	23	2	-
8390	Wolverhampton	17	-	-
8360	Worcester	18	-	-
NEW UNIVERSITY INSTITUTIONS Total		**1,500**	**106**	**3**
All University Institutions Total		**133,054**	**44,966**	**9,417**

Non-University Institutions

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
7224	AGCAS	14	-	-
7221	Al-Maktoum Institute	2	1	-
7252	Amaethon Ltd	-	-	-
7010	Animal Health Trust	62	15	2
7309	APUC Ltd	17	-	-
7080	Arable Group	1	8	4
7040	Arthritis Research Campaign	-	6	-
7275	Arts and Humanities Research Council	2	-	-
7190	Ashridge (Bonar Law Memorial) Trust	317	13	1
7178	Assessment and Qualifications Alliance	18	45	8
7011	Association of Commonwealth Universities	37	33	9
7255	Aston Academy of Life Sciences	5	-	-
7067	Beatson Institute for Cancer Research	97	10	4
7273	Biochemical Society	1	-	-
7037	Brewing Research International	42	20	4
7206	Bristol Zoo Gardens	1	-	-
7012	British Glass Manufacturing Confederation	-	7	-
7033	British Institute for the Study of Iraq	1	-	-
7030	British Institute in Eastern Africa	5	1	-
7091	British Institute of Archaeology at Ankara	4	3	-
7112	British Institute of International & Comparative Law	1	1	-
7097	British Psychological Society	2	3	-
7087	British School at Athens	3	2	1
7092	British School at Rome	1	-	-
7050	British Universities & Colleges Sport	5	2	-
7122	Burden Neurological Institute	-	3	-
7116	Cambridge Crystallographic Data Centre	41	13	-
7296	Cambridge University Technical Services	29	1	-
7060	Cancer Research UK	8	11	2
7279	Care Coordination Network UK	-	-	-

Non-University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
7153	CASE (Europe)	4	1	-
7291	Centre for Advanced Software Technology Ltd	5	-	-
7197	Centre for Migration Studies	1	-	-
7286	Challenge Fund Trading Company Ltd	2	-	-
7015	College of Estate Management	35	34	6
7191	Connect - The Communications Disability Network	11	1	-
7110	Council for British Research in the Levant	3	-	-
7265	Council for Christian Colleges and Universities UK	5	-	-
7216	Courtauld Institute of Art	71	19	2
7188	Cranfield Aerospace Ltd	13	11	-
7219	Cranfield Innovative Manufacturing Ltd	5	1	1
7098	Culham Institute	2	-	-
7145	Dartington Hall Trust	1	2	-
7217	Duke Corporation Education Ltd	5	-	-
7253	East Malling Research	87	18	-
7241	Economic Research Institute of Northern Ireland Ltd	7	-	-
7164	Edinburgh Business School	27	7	-
7032	Edinburgh University Students' Association	48	47	3
7282	Educational Competences Consortium Ltd	5	-	-
7182	EDUSERV	75	4	-
7266	EDUSERV Technologies Ltd	3	-	1
7229	Energy Consortium (Education)	4	2	-
7139	Engineering Development Trust	21	13	1
7290	Equality Challenge Unit	13	-	-
7257	ESCP-EAP European School of Management	25	2	2
7212	EUSPEN Ltd	3	-	-
7089	Ewing Foundation	3	2	-
7239	Facial Surgery Research Foundation	4	-	-
7214	Forum for European Philosophy	-	-	-
7175	Freshwater Biological Association	14	3	-
7041	Geographical Association	9	5	-

Non-University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
7246	Graduate Prospects	3	-	-
7152	Gray Laboratory	8	4	1
7303	GU Heritage Retail Limited	1	-	-
7180	GuildHE Ltd	2	-	-
7304	Health and Europe Centre	1	1	-
7176	HEFCE	4	-	-
7230	Heriot-Watt University Students Association	2	1	-
7258	Higher Education Academy	102	6	-
7157	Higher Education Careers Service Unit	2	6	-
7186	Higher Education South East	1	1	-
7135	Higher Education Statistics Agency Ltd	27	3	2
7053	History of Parliament Trust	27	9	-
7170	Hull University Union	13	2	-
7236	Institute for Criminal Policy Research	9	-	1
7029	Institute for Employment Studies	2	16	2
7306	Institute for Research and Innovation in Social Services	11	1	-
7017	Institute of Development Studies	156	42	8
7056	Institute of Food Science & Technology	3	1	-
7231	Interactive University	-	2	-
7124	International Institute of Biotechnology	-	-	-
7132	International Society (Manchester)	2	1	-
7149	International Students House	4	2	-
7298	JBS Executive Education Ltd	13	-	-
7289	JISC Content Procurement Company	17	-	-
7147	JNT Association	114	11	2
7054	Joint Library of Hellenic & Roman Societies	-	-	-
7189	Kelvin Nanotechnology Ltd	4	-	-
7226	Kidscan Ltd	1	1	-
7317	Langford Veterinary Services Ltd	4	-	-
7240	Leadership Foundation for Higher Education	14	1	-
7177	Learning from Experience Trust	-	-	-
7208	LeNSE Ltd	2	-	-
7271	LHASA Limited	59	1	-

Non-University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
2482	Lister Institute of Preventive Medicine	-	3	4
7316	Liverpool School of Tropical Medicine	127	1	-
7277	Liverpool University Press 2004 Ltd	4	-	-
7315	London Higher	12	-	-
7168	London Mathematical Society	13	-	-
7179	London School of Jewish Studies	1	2	-
7235	London Universities Purchasing Consortium	4	1	-
7117	Ludwig Inst for Cancer Research - Middlesex Branch	2	8	-
7311	Macrobert Arts Centre Ltd	2	1	-
7215	Manchester Medical Society	2	-	-
7090	Marie Curie Cancer Care	22	6	4
7125	Marine Biological Association of the United Kingdom	42	1	-
7094	MIRA Ltd	346	72	11
7096	Modern Humanities Research Association	6	-	-
7260	Mulberry Bear Day Nursery & Pre-School	17	2	-
7268	Myscience.co Ltd	57	1	-
7018	National Institute of Economic & Social Research	24	13	4
7272	Ner Yisrael Educational Trust	2	-	-
7313	North West Wales Management Development Centre Ltd	5	-	-
7073	Northern College	34	17	3
7270	Northern Consortium	6	-	-
7269	Northern Consortium UK Ltd	10	-	-
7146	Northern Ireland Council for Postgraduate Medical & Dental Education	3	3	1
7292	Nuffield Trust for Research and Policy Studies in Health Services	2	-	-
7301	NUINTO Ltd	12	1	-
7048	Numerical Algorithms Group Ltd	65	18	2
7183	NYU in London	12	1	-
7242	Office for the Independent Adjudicator for Higher Education	21	2	-
7284	Open College Network Eastern Region	22	-	-

Non-University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
7261	Open University Students' Association	15	2	-
7058	Open University Worldwide	39	14	-
7023	Overseas Development Institute	75	17	-
7174	Oxford Cambridge & RSA Examinations	209	40	3
7031	Oxford Centre for Hebrew & Jewish Studies	16	3	2
7118	Oxford Centre for Islamic Studies	11	1	-
7297	Oxford Colleges Admission Office	7	1	-
7163	Oxford Policy Institute	-	-	1
7287	Oxford Said Business School	25	3	-
7305	Oxford University Asset Management Ltd	3	-	-
7104	Pain Relief Foundation	1	-	-
7243	Picker Institute Europe	-	-	-
7075	Policy Studies Institute	27	22	4
7162	Quality Assurance Agency	71	19	3
7264	Queen Victoria Blond Mc Indoe Research Foundation	2	1	-
7234	Rambert School of Ballet and Contemporary Dance	3	1	-
7203	Regional Studies Association	5	-	-
7156	Regulatory Policy Institute	1	-	-
7238	Rhodes Trust	7	-	-
7123	Richmond University	47	18	1
7185	Royal Academy of Dance	1	-	-
7160	Royal Academy of Music	5	1	-
7218	Royal Agricultural College	1	1	-
7181	Royal College of Music	94	3	-
7081	Royal College of Paediatrics and Child Health	2	4	-
7020	Royal College of Surgeons of England	158	38	11
7021	Royal Geographical Society	2	3	-
7077	Royal Institution	6	4	2
7158	Royal Northern College of Music	4	1	-
7064	Royal Society	2	-	-
7070	Royal Society of Edinburgh	2	2	-
7022	Ruskin College	46	32	7
7294	Sainsbury Centre for Mental Health	18	1	-

Non-University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
7288	Salford University Purchasing Services Ltd	4	-	-
7300	Sarah Lawrence at Oxford	3	-	-
7105	School Mathematics Project	2	6	-
7130	Scottish Association for Marine Science	108	4	2
7262	Shared Care Network	14	-	-
7196	Sheffield University Enterprises Ltd	2	1	-
7199	Smith Institute	10	-	-
7274	Society for Experimental Biology	4	-	-
7169	Society of Antiquaries of London	13	3	-
7131	Southern Universities Management Services	13	5	-
7220	Stockholm Environment Institute	10	-	-
7042	Strangeways Research Laboratory	7	14	1
7187	Technology Innovation Centre	-	-	-
7299	The English Association	2	-	-
7134	The Prince's Foundation	2	2	-
7312	The Russell Group of Universities	10	-	-
7138	Thrombosis Research Institute	11	5	-
7109	Trade Union Research Unit Ltd	-	2	-
7173	Trinity Laban	94	10	2
7263	UC (Suffolk) Ltd	258	17	-
7293	UCL Business Plc	17	1	-
7204	UHI Millenium Institute	9	2	-
7250	UK Biobank Ltd	21	-	-
7210	UK Council for International Student Affairs	18	2	1
7166	UMIST Ventures Ltd	1	-	-
7106	Universities and Colleges Admissions Service	18	17	6
7150	Universities and Colleges Employers Association	10	2	-
9999	Universities Superannuation Scheme Ltd	206	47	5
7121	Universities UK	46	16	2
7295	University and College Union	188	24	-
7184	University Council for the Education of Teachers	4	1	-

Non-University Institutions (continued)

No.	Name	Members	Pensioner Members	Spouses, Dependants and Dependent Children
7302	University of Essex Students' Union	20	1	-
7049	University of Leicester Students' Union	1	4	1
7256	University of Sheffield Union of Students	10	-	-
7171	University of the Arts London	21	4	-
7202	University of Wales, Newport	6	-	-
7227	Warren House Group at Dartington	10	-	-
7065	Wildfowl & Wetlands Trust	2	10	2
7142	WP Management Ltd	3	3	-
7027	York Archaeological Trust	3	2	-
7223	York Health Economics Consortium Ltd	6	1	-
7195	Yorkshire Universities	4	1	-
7280	Young Foundation	31	8	-
7076	Zoological Society of London	41	12	1
	Withdrawn institutions	-	208	24
NON-UNIVERSITY INSTITUTIONS Total		**4,878**	**1,302**	**177**
ALL INSTITUTIONS TOTAL		**137,932**	**46,268**	**9,594**

Summary of Movements

Details	University Institutions	Non-University Institutions	Totals
Total members at 1 April 2009	128,798	4,555	133,353
New Members	19,591	1,094	20,685
Retirements			
- Ill-health	98	1	99
- Other	2,547	112	2,659
Deaths	72	5	77
Leavers and withdrawals			
- Refunds	1,159	95	1,254
- Deferred/undecided	11,141	551	11,692
- Retrospective*	318	7	325
Total members at 31 March 2010	**133,054**	**4,878**	**137,932**

*Retrospective withdrawals are members who withdrew from USS within three months of the date of joining the scheme with retrospective effect to the date of commencing employment at a USS institution.

In addition USS Ltd was notified during the year of 3,606 employees who became eligible to join the scheme but elected not to do so.

Pensioner Members	University Institutions	Non-University Institutions	Totals
Total pensioners at 1 April 2009	41,762	1,173	42,935
Mergers	0	0	0
New Pensioners	4,208	385	4,593
Deaths	1,241	19	1,260
Correction of prior year allocations	237	-237	0
Total pensioners at 31 March 2010	**44,966**	**1,302**	**46,268**

In addition at 31 March 2010, there were 8,728 pensioners being paid to spouses and dependants and 866 annuities being paid to dependent children.

Deferred pensioners not yet receiving a pension totalled	**83,201**

Ex-spouse participants

At 31 March 2010, 455 ex-spouse participants have benefits within the scheme in their own right as a result of pension sharing, of whom 69 are now in receipt of their pension and are included in the pensioner member summary above.

Number of members with multiple appointments as at 31 March 2010	**2,301**

Fund Account

for the year ended 31 March 2010

	Note	2010 £m	2009 £m
Contributions and Benefits			
Contributions receivable	3	1,338.5	1,190.1
Premature retirement scheme receipts		24.3	15.8
Transfers in	4	156.1	150.6
		1,518.9	**1,356.5**
Benefits payable	5	1,209.3	1,061.2
Payments on account of leavers	6	67.7	42.0
Administration costs	7	16.9	16.3
		1,293.9	**1,119.5**
Net additions from dealings with members		**225.0**	**237.0**
Returns on Investments			
Investment income	8	767.8	866.1
Change in market value of investments	9	7,546.7	(8,479.5)
Investment management expenses	10	(35.0)	(28.3)
Net returns on investments		**8,279.5**	**(7,641.7)**
Net increase/(decrease) in the fund during the year		**8,504.5**	**(7,404.7)**
Fund at start of year		**21,693.4**	**29,098.1**
Fund at end of year		**30,197.9**	**21,693.4**

The notes on pages 55 to 68 form part of these financial statements.

Statement of Net Assets

as at 31 March 2010

	Note	2010 £m	2009 £m
Investment Assets			
Securities	12	22,429.3	16,864.3
Pooled investment vehicles securities	13	3,139.1	1,877.6
Pooled investment vehicles property	13	671.1	669.9
Derivatives	14	135.5	52.3
Property	16	1,319.4	674.2
Cash deposits		2,142.0	1,490.7
Money purchase AVC investments		324.2	286.1
Other investment balances	17	319.6	330.6
		30,480.2	**22,245.7**
Investment liabilities			
Derivatives	18	(149.0)	(529.9)
Other investment balances	19	(200.4)	(91.8)
		(349.4)	**(621.7)**
Net investment assets		**30,130.8**	**21,624.0**
Current assets	**20**	**147.1**	**121.1**
Current liabilities	**21**	**(80.0)**	**(51.7)**
Total net assets, representing the fund balance		**30,197.9**	**21,693.4**

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 summary funding statement and certificate of technical provisions on pages 75 to 78 and these financial statements should be read in conjunction with them.

The money purchase AVC investments included within net assets represent additional voluntary contributions invested with the Prudential. These assets are specifically allocated to secure extra benefits for those members that have made these additional voluntary contributions.

The notes on pages 55 to 68 form part of these financial statements.

The financial statements on pages 53 to 68 were approved by the trustee, Universities Superannuation Scheme Limited, on 22 July 2010 and were signed on its behalf by:

Martin Harris
Chairman

T H Merchant
Chief Executive

Notes to the Financial Statements

for the year ended 31 March 2010

1. 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 and with the guidelines set out in the Statement of Recommended Practice (SORP) "Financial Reports of Pension Schemes (revised May 2007)".

2. Accounting Policies

A summary of the significant accounting policies which have been applied consistently by the scheme is set out below.

Contributions & Benefits

Contributions represent the amounts returned by the participating institutions as being those due to the scheme in respect of the year of account. The responsibility for ensuring the accuracy of contributions rests with institutions which, under the terms of the trust deed regulating USS, are ultimately responsible for ensuring the solvency of the scheme. Receipts under the premature retirement scheme and benefits payable are accounted for in the period in which they fall due.

The principal scheme benefits are provided under the main section. The supplementary section, which is funded by a contribution of 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.

Investment income

Investment income is brought into account on the following bases:

(a) Dividends, tax and interest from securities, on the date that the scheme becomes entitled to the income;

(b) Interest on cash deposits, as it accrues;

(c) Property rental income, as it accrues;

(d) Interest on advances for property developments, which is treated as investment income in the fund account and forms part of the cost of the relevant development, as it accrues until the earlier of the development becoming a completed property or the contracted purchase price being reached.

Property

A completed property is one that has received an architect's certificate of practical completion and which is substantially let. If a property has a certificate of completion but is not substantially let, it is included as a completed property, provided it is outside the period of contractors' liability for defects and no further building works are expected. Developments in progress include any property which is not a completed property.

Foreign currencies

Foreign currency investments and related assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. 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.

Transfers

Transfers to and from the fund are accounted for on the basis of amounts received and paid during the year.

Investments

Investments are included in the statement of net assets at current value at the year end.

The current values are as follows:

(a) Quoted securities	• at closing prices; these prices may be last trade prices or bid market prices depending on the convention of the stock exchange on which they are quoted;
(b) Fixed interest securities	• stated at their 'clean' prices, with accrued income accounted for within investment income;
(c) Unquoted securities, including most investments in hedge funds, private equity and infrastructure (both direct and via pooled vehicles)	• at valuations based on published prices, the latest information available from management accounts or audited accounts, or at cost less any provision for impairment;
(d) Property	• on the basis of open market value as at the year end date determined in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (6th edition). The properties have been valued by independent external valuers, CB Richard Ellis Ltd and Drivers Jonas Deloitte;
(e) Pooled investment vehicles	• at unit prices or values based on the market valuation of the underlying assets;
(f) Money purchase AVC investments	• at net asset value provided by the AVC provider at the year end date.

Changes in current values are shown as movements in the fund account in the year in which they arise.

Derivatives

Derivative contracts are included in the net assets statement at fair value. Exchange traded derivatives with positive values are included in the net assets statement as assets at bid price, and those with negative values as liabilities at offer price.

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.

Futures

Open futures contracts are recognised in the net assets statement 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.

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.

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.

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.

Changes in the fair value of the forward contracts are reported within change in market value in the fund account.

Options

Traded options are valued at the fair value as determined by the exchange price for closing out the option as at the year end. Changes in the fair value of the option are reported within change in market value.

Collateral payments and receipts are reported within cash, and are not included within realised gains or losses reported within change in market value.

Swaps

The commodity swap is valued at fair value, based on the weighted change in the relevant S&P Goldman Sachs commodities indices as per the swap agreement and deducting the accrued liabilities for fees and interest. The equity swap is valued at fair value, based on the bid value of the underlying equity.

Net receipts or payments are reported within change in market value. Realised gains or 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.

3. Contributions

	2010 £m	2009 £m
Main section		
Employers' contributions	862.6	750.8
Employers' salary sacrifice contributions	210.8	103.5
Members' basic contributions	124.5	213.7
Members' additional voluntary contributions	51.8	47.7
	1,249.7	**1,115.7**
Supplementary section		
Supplementary section contributions	19.5	17.8
Money purchase AVCs		
Members' additional voluntary contributions	69.3	56.6
	1,338.5	**1,190.1**

Certain of the prior year figures have been reanalysed to reflect the salary sacrifice contributions appropriately.

The employers' contribution rate was increased from 14% to 16% of pensionable salaries with effect from 1 October 2009.

Main section additional voluntary contributions referred to above represent contributions made to purchase additional pensionable service under the rules of the scheme.

A money purchase additional voluntary contribution facility is administered by the Prudential Assurance Company Limited.

Individual members' contributions are deducted from their salaries and paid direct to the Prudential by the institutions. The contributions are invested through the Prudential on behalf of the individuals concerned to provide additional benefits within the overall limits laid down by HMRC.

4. Transfers in

	2010 £m	2009 £m
Individual transfers in	133.9	110.7
Group transfers in	22.2	39.9
	156.1	**150.6**

5. Benefits Payable

	2010 £m	2009 £m
Main section		
Pensions	890.7	810.3
Lump sums on or after retirement	295.4	235.3
Lump sums on death in service	7.7	2.0
	1,193.8	**1,047.6**
Supplementary section		
Pensions	11.2	10.0
Lump sums on or after retirement	0.5	0.4
Lump sums on death in service	2.2	1.6
	13.9	**12.0**
Money purchase AVCs		
Pensions	48.2	33.6
Lump sum death benefits	0.4	0.3
Transferred to USS	(47.0)	(32.3)
	1.6	**1.6**
	1,209.3	**1,061.2**

Money purchase AVCs transferred to USS represent amounts transferred from the Prudential to USS on members' retirement for inclusion within USS benefits.

6. Payments on account of leavers

	2010 £m	2009 £m
Individual transfers to other schemes	64.4	37.5
Payments for members joining state scheme	1.3	1.8
Refunds to members leaving service	2.0	2.7
	67.7	**42.0**

7. Administration costs

In accordance with the trust deed, the costs of managing and administering the scheme, incurred by the trustee company, are chargeable to USS. Details are given in the financial statements of the trustee company (Universities Superannuation Scheme Limited : Registered No. 1167127).

8. Investment income

	2010 £m	2009 £m
Dividends from UK equities	301.5	337.4
Net property income	72.7	49.8
Income from pooled investment vehicles	30.8	29.0
Dividends from overseas equities	255.1	297.9
Income from UK fixed interest securities	14.0	14.7
Income from overseas fixed interest securities	72.6	104.1
Interest on cash deposits	9.2	40.4
Interest from money purchase AVCs	0.2	1.0
Other income	26.3	13.0
	782.4	**887.3**
Irrecoverable withholding tax	(14.6)	(21.2)
	767.8	**866.1**

9. Change in market value of investments

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

	Market value 2009 £m	Purchases during the year at cost £m	Proceeds of sales during the year £m	Changes in value during the year £m	Market value 2010 £m
Securities	16,864.3	14,068.3	(15,112.8)	6,609.5	22,429.3
Pooled investment vehicles-securities	1,877.6	795.2	(352.9)	819.2	3,139.1
Pooled investment vehicles-property	669.9	116.4	(136.4)	21.2	671.1
Derivatives	(477.6)	144,319.3	(143,825.1)	(30.1)	(13.5)
Property	674.2	632.6	(110.8)	123.4	1,319.4
Money purchase AVC investments	286.1	70.0	(49.2)	17.3	324.2
Cash deposits	1,490.7	665.1	-	(13.8)	2,142.0
	21,385.2	**160,666.9**	**(159,587.2)**	**7,546.7**	**30,011.6**
Other investment balances	238.8				119.2
Total	**21,624.0**				**30,130.8**

Changes in the value of investments comprise both realised gains/(losses) on investments sold during the year and unrealised gains/(losses) on investments held at the year end. Included in the amount for derivatives are realised and unrealised losses of £69.8m from forward currency contracts, which are used to hedge the currency risk relating to overseas investments (see note 15). These are offset by gains in the values of the corresponding overseas assets. Turnover in derivatives primarily represents the rolling of these forward currency contracts.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £16.1m (2009: £17.0m). In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

10. Investment management expenses

Investment management expenses comprise all costs directly attributable to the scheme's investment activities, including the operating costs of the London Investment Office and the costs of management and agency services rendered by third parties. Details are given in the financial statements of the trustee company (Universities Superannuation Scheme Limited : Registered No. 1167127).

11. Taxation

UK tax

USS is a registered pension scheme for tax purposes 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.

Overseas tax

Investment income from overseas investments may be subject to deduction of local withholding taxes. Where no double taxation agreement exists between the UK and the country in which the income arises, the irrecoverable tax suffered is shown in note 8.

12. Securities

	2010 £m	2009 £m
Quoted		
UK equities	8,407.1	6,791.1
Overseas equities	11,205.5	7,939.5
UK fixed interest - public sector quoted	769.3	716.2
UK fixed interest - other	120.4	120.9
Overseas fixed interest - public sector quoted	1,819.3	1,046.1
Overseas fixed interest - other	107.7	250.5
	22,429.3	**16,864.3**

13. Pooled investment vehicles

	2010 £m	2009 £m
Securities		
Managed Funds and Limited Partnerships	3,053.7	1,870.6
Unit Trusts	85.4	7.0
	3,139.1	**1,877.6**
Property		
Unit Trusts	425.9	441.2
Property companies	3.5	2.6
Limited Partnerships	241.7	226.1
	671.1	**669.9**
	3,810.2	**2,547.5**

14. Derivative contracts (assets)

		2010 £m	2009 £m
Options	**15 (a)**	4.8	4.2
Futures contracts	**15 (b)**	16.8	15.1
Swaps	**15 (c)**	20.2	-
Forward foreign exchange contracts	**15 (d)**	93.7	33.0
		135.5	**52.3**

15. Derivative contracts outstanding

The information provided below in relation to derivatives has been presented in accordance with the SORP (revised May 2007). The valuations are based on the unrealised fair values of the various investments as at 31 March 2010. These valuations will not necessarily reflect the fair values that will be realised on maturity or sale of the various investments.

a) Options (exchange traded)

Type of Option	Notional amount of outstanding contracts £m	Asset £m	Liability £m
Purchased commodity options	113.3	4.3	-
Purchased currency and bond options	22.6	0.5	-
	135.9	**4.8**	**-**

The notional amount of outstanding contracts represents the value of underlying stock protected by the options. The contracts have expiry dates of up to three months after the year end. The contracts are held as part of an absolute return portfolio which is intended to produce positive returns even in falling markets.

b) Futures (exchange traded)

Underlying investment	Economic Exposure £m	Asset £m	Liability £m
AUS SPI 200	161.1	-	(0.5)
Eurostoxx 50	35.3	0.4	-
JAP Topix	232.5	14.5	-
US S&P 500	116.0	1.9	-
US S&P 500	143.5	-	(1.5)
US Russell 2000	0.6	-	-
	689.0	**16.8**	**(2.0)**

The economic exposure represents the notional value of stock purchased under the futures contract and is therefore subject to market movements. The contracts have expiry dates of up to three months after the year end. Futures 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 stocks; they are easier to trade than conventional stocks, particularly in larger amounts.

c) Swaps (OTC)

Contract	Notional principal £m	Asset £m	Liability £m
Commodity Swap	115.7	13.7	-
Equity Swap	6.6	6.5	-
	122.3	**20.2**	**-**

The notional principal of the commodity swap is the amount used to determine the value of swapped commodities and interest payments. The fund receives the return on an index based on a basket of commodities and pays interest based on the US T-Bill three month rate. The swap will expire in December 2010. The contract is part of the scheme's alternative investments portfolio and captures the returns from investment in commodities without the scheme having to hold and store those underlying commodities. Commodity markets have a low correlation with bond and equity markets and investment in commodity swaps is intended to reduce the volatility of the total return on the fund.

The equity swap was taken out to facilitate the settlement of a temporary short position that had arisen on one particular class of share and expired in April 2010.

d) Forward foreign exchange (OTC)

Forward contracts for sterling to:		Currency millions	GBP bought £m	GBP sold £m	Asset £m	Liability £m
Purchase Japanese Yen	JPY	2,500.0	-	17.1	0.5	-
Purchase US Dollars	USD	133.3	-	88.4	-	(0.5)
Sell Australian Dollars	AUD	(1,708.1)	1,037.5	-	6.3	-
Sell Canadian Dollars	CAD	(330.4)	215.9	-	1.1	-
Sell Swiss Francs	CHF	(790.9)	476.1	-	-	(19.5)
Sell Czech Koruna	CZK	(1,235.0)	43.5	-	0.2	-
Sell Euros	EUR	(2,719.2)	2,456.3	-	30.4	-
Sell Hong Kong Dollars	HKD	(2,414.7)	204.6	-	-	(0.6)
Sell Japanese Yen	JPY	(249,823.5)	1,814.6	-	50.7	-
Sell Mexican Dollars	MXN	(889.6)	47.5	-	-	-
Sell Norwegian Krona	NOK	(810.2)	90.6	-	0.7	-
Sell Swedish Krona	SEK	(718.4)	66.4	-	0.5	-
Sell Singapore Dollars	SGD	(176.4)	83.8	-	0.6	-
Sell US Dollars	USD	(8,056.4)	5,186.7	-	-	(126.0)
			11,723.5	**105.5**	**91.0**	**(146.6)**

	Currency bought millions		Currency sold millions		Asset £m	Liability £m
Forward contracts to:						
Sell US Dollars for Australian Dollars	AUD	6.4	USD	5.7	0.1	-
Sell US Dollars for Swiss Francs	CHF	5.5	USD	5.1	0.1	-
Sell Japanese Yen for Euros	EUR	26.2	JPY	3,156.2	1.1	-
Sell US Dollars for Japanese Yen	JPY	460.6	USD	5.1	-	(0.1)
Sell US Dollars for Norwegian Krona	NOK	33.4	USD	5.6	-	-
Sell US Dollars for New Zealand Dollars	NZD	8.1	USD	5.6	0.1	-
Sell Australian Dollars for US Dollars	USD	5.1	AUD	5.8	-	(0.1)
Sell Swiss Francs for US Dollars	USD	5.5	CHF	5.9	-	(0.1)
Sell Japanese Yen for US Dollars	USD	44.1	JPY	3,929.3	1.3	-
Sell Norwegian Krona for US Dollars	USD	5.1	NOK	30.5	-	-
Sell New Zealand Dollars for US Dollars	USD	5.2	NZD	7.5	-	(0.1)
					2.7	**(0.4)**
					93.7	**(147.0)**

The objective of the forward currency contracts is to hedge the currency risk relating to overseas investments. This is to achieve a better match between the fund's assets and its future liabilities. The contracts have settlement dates of up to six months after the year end.

16. Property

	2010 £m	2009 £m
UK completed properties	1,312.2	669.9
UK developments in progress	7.2	4.3
	1,319.4	**674.2**
Properties analysed by type:		
Freehold	1,089.7	605.6
Leasehold	229.7	68.6
	1,319.4	**674.2**

The completed properties and developments in progress have been valued on the basis of market value as at 31 March 2010 and 31 March 2009 for accounts purposes by CB Richard Ellis Ltd and Drivers Jonas Deloitte respectively acting as independent valuers. The valuations have been undertaken in accordance with the RICS Valuation Standards (6th edition).

17. Other investment balances (assets)

	2010 £m	2009 £m
Amount due from stockbrokers	145.5	137.0
Dividends and accrued interest	116.4	112.6
Margin balances	57.7	81.0
	319.6	**330.6**

18. Derivative contracts (liabilities)

		2010 £m	2009 £m
Options	**15 (a)**	-	(0.6)
Futures contracts	**15 (b)**	(2.0)	(2.1)
Swaps	**15 (c)**	-	(12.2)
Forward foreign exchange contracts	**15 (d)**	(147.0)	(515.0)
		(149.0)	**(529.9)**

19. Other investment balances (liabilities)

	2010 £m	2009 £m
Amount due to stockbrokers	(188.2)	(91.7)
Margin balances	(12.2)	(0.1)
	(200.4)	**(91.8)**

20. Current assets

	2010 £m	2009 £m
Contributions due from institutions:		
- employers' contributions	79.1	69.1
- members' basic contributions	28.7	28.2
- members' additional voluntary contributions	3.8	3.8
Other debtors	22.0	9.1
Cash at bank and in hand	13.5	10.9
	147.1	**121.1**

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

21. Current liabailities

	2010 £m	2009 £m
Rents & service charges received in advance	(22.4)	(10.2)
Amount due on property purchases	(2.6)	(1.9)
Benefits payable	(31.3)	(25.7)
Taxation creditor	(5.3)	(1.6)
Other creditors	(12.4)	(5.9)
Due to trustee company	(6.0)	(6.4)
	(80.0)	**(51.7)**

22. Securities on loan

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.

	2010 £m	2009 £m
Value of stock on loan at 31 March	**612.4**	**1,480.9**
Value of collateral held at 31 March	**652.1**	**1,585.0**

23. Financial commitments

	2010 £m	2009 £m
Property		
Contracts placed but not provided for	**87.7**	**107.8**

Pooled investment vehicles - securities		
Outstanding commitments to private equity partnerships	**2,806.5**	**3,152.9**

These represent amounts subscribed and committed to private equity partnerships that had not been drawndown at the year end.

Securities		
Forward commitments for unpaid calls on securities and underwriting contracts	**-**	**112.1**

24. Self investment

The scheme had no employer related investments during the year.

25. Related party transactions

The only related party transactions are between the scheme and its trustee company and certain employees and directors of the trustee company through their membership of the scheme. The trustee company provides administration services, the cost of which includes directors' emoluments as detailed in note 5 of the trustee company accounts, and investment management services to the scheme, charging £16.9 million and £35.0 million respectively, with a balance due from the scheme of £6.0 million as at 31 March 2010. Additionally, a number of the directors are members of the governing bodies of participating institutions, in addition to their membership of the board of the trustee company.

Statement of trustee's responsibilities

for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the trustee. Pension scheme regulations require the trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- 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 the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year, and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes (revised May 2007)".

The trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The trustee is also responsible for making available each year, commonly in the form of a trustee's annual report, information about the scheme prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The trustee also has certain responsibilities in respect of contributions which are set out in the statement of trustee's responsibilities accompanying the trustee's summary of contributions.

The trustee 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 appropriate internal controls.

Signed on behalf of the trustee on 22 July 2010

Martin Harris
Chairman

T H Merchant
Chief Executive

Statement of trustee's responsibilities

in respect of contributions

The trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions (other than voluntary contributions) payable towards the scheme by or on behalf of the employer 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 of contributions received in respect of any active member of the scheme, and for ensuring that contributions are made to the scheme in accordance with the schedule of contributions.

Trustee's summary of contributions payable under the schedule in respect of the scheme year ended 31 March 2010

This summary of contributions has been prepared by and is the responsibility of the trustee. It sets out the employer and member contributions payable to the scheme from 1 April 2009 to 30 September 2009 under the schedule of contributions certified by the actuary on 31 January 2006 and subsequently in accordance with the schedule of contributions certified by the actuary on 24 June 2009 in respect of the period 1 October 2009 to 31 March 2010. The scheme auditor reports on contributions payable under the schedule in their auditors' statement about contributions.

Contributions payable under the schedule in respect of the scheme year

	£m
Employer	
Normal contributions	834.6
Salary sacrifice contributions	210.8
Special contributions	0.6
Additional contributions	51.7
Member	
Normal contributions	142.5
Additional contributions	1.5
Contributions payable under the schedule (as reported on by the scheme auditor)	**1,241.7**

Reconciliation of contributions payable under the schedule to total contributions payable to the scheme in respect of the scheme year

	£m
Contributions payable under the schedule	1,241.7
Contributions payable in addition to those payable under the schedule (and not reported on by the scheme auditor): Member additional voluntary contributions (including those paid to the Prudential)	121.1
Total contributions (including premature retirement scheme receipts) reported in the financial statements	**1,362.8**

Signed on behalf of the trustee on 22 July 2010

Martin Harris
Chairman

T H Merchant
Chief Executive

Independent Auditors' Report

to the trustee of the Universities Superannuation Scheme

We have audited the financial statements of Universities Superannuation Scheme for the year ended 31 March 2010 which comprise the fund account, the net assets statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the scheme trustee 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 trustee those matters we are required to state to it in an auditors' 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 trustee for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustee and auditors

As described in the Statement of trustee's responsibilities on page 69, the scheme trustee is responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the trustee's report and other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the scheme's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- show a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial transactions of the scheme during the scheme year ended 31 March 2010 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 scheme year); and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

Jeremy Gledhill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
St James' Square
Manchester
M2 6DS
22 July 2010

Independent Auditors' Statement about Contributions

made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the trustee of the Universities Superannuation Scheme.

We have examined the summary of contributions payable under the schedule of contributions to the Universities Superannuation Scheme in respect of the scheme year ended 31 March 2010 which is set out on page 70.

This statement is made solely to the scheme's trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the scheme's trustee those matters we are required to state to it in an auditors' statement about contributions 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 for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of trustee and auditors

As described on page 70, the scheme's trustee is responsible, under the Pensions Act 2004, for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustee has a general responsibility for procuring that contributions are made to the scheme in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid to the scheme and to report our opinion to you.

We read the trustee's report and other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

Basis of statement about contributions

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments. Our statement about contributions is required to refer to those exceptions which come to our attention in the course of our work.

Statement about contributions payable under the schedule

In our opinion contributions for the scheme year ended 31 March 2010 as reported in the summary of contributions and payable under the schedule have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on 31 January 2006 and 24 June 2009.

Jeremy Gledhill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
St James' Square
Manchester
M2 6DS
22 July 2010

Five Year Summary - Fund Accounts

for years ended 31 March (restated)

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Contributions and benefits					
Contributions	1,339	1,190	1,070	960	855
PRS receipts	24	16	20	28	26
Transfers in	156	151	131	144	148
	1,519	**1,357**	**1,221**	**1,132**	**1,029**
Benefits payable					
Pensions	903	822	758	706	665
Lump sums	306	239	209	193	128
Transfers out	66	39	34	42	36
Refunds	2	3	3	3	2
	1,277	**1,103**	**1,004**	**944**	**831**
Investment income (net of investment management costs)	**733**	**838**	**926**	**789**	**666**
Administration costs of the trustee (excluding investment management costs)	**16.9**	**16.3**	**14.3**	**12.9**	**11.8**
Changes in value of investments	**7,547**	**(8,479)**	**(2,389)**	**897**	**5,730**
Investments of the fund (at current values) at 31 March					
Securities	22,429	16,864	25,080	27,020	25,163
Pooled investment vehicles	3,810	2,548	1,879	1,343	1,624
Derivatives	(13)	(478)	(337)	(31)	(2)
Property	1,320	674	878	1,163	1,043
Money purchase AVC investments	324	286	256	220	195
Cash deposits	2,142	1,491	1,120	291	302
Other investment balances	119	239	154	279	116
	30,131	**21,624**	**29,030**	**30,285**	**28,441**

Note: The prior year comparative figures for 2008 and earlier years have been restated to reflect both the reclassification of amounts transferred from the Prudential to USS on members' retirement for inclusion within USS benefits and to separately disclose derivative investments in accordance with the revised SORP.

Five Year Summary - Fund Accounts (continued)

for years ended 31 March (restated)

	2010	2009	2008	2007	2006
Membership numbers at 31 March					
Contributing members	137,900	133,400	126,400	121,200	115,600
Pensioners	55,900	52,000	49,900	47,200	44,700
Deferred pensioners	83,200	78,700	76,400	70,700	66,100
	277,000	**264,100**	**252,700**	**239,100**	**226,400**

Summary Funding Statement

How does USS work?

USS aims to deliver a defined set of benefits, based on service and salary, as set out in the scheme rules. The financing of these benefits is provided by the sponsoring institutions and the scheme members. Contributions are collected from active members (6.35% of salary) and participating employers (14% of salary increased to 16% from 1 October 2009). These contributions are paid into the USS fund, and these contributions, together with the investment returns achieved on the fund's assets, are used to finance the payment of scheme benefits.

How do we measure the financial position of the scheme?

There are always uncertainties inherent in the funding of a final salary scheme. In view of this the finances of the scheme are checked regularly to see how well the fund is shaping up. The key driver is how well the investments have performed relative to the growth of the liabilities (ie the benefits payable). The scheme actuary carries out a valuation every three years. He compares the value of the scheme's assets to its liabilities using several approaches, as required by regulations. The latest valuation, as at 31 March 2008, was the first completed on a new basis introduced by the Government in the Pensions Act 2004. The Act requires schemes to 'have sufficient and appropriate assets to cover its technical provisions'. The term "technical provisions" is another name for the scheme's liabilities (ie the promised benefits that have been earned by members in the scheme), calculated on a "scheme-specific" basis. It is for the board of the trustee company, in consultation with the participating employers, to decide how to calculate the technical provisions of USS.

What was the position of the scheme on the technical provisions basis after the latest valuation as at 31 March 2008?

Assets	£28.8 billion
Amount needed to pay benefits	£28.1 billion
Excess	£0.7 billion
Funding level	103%

The actuary also has to calculate the scheme's funding position as if the scheme had to be wound-up with all the liabilities secured by purchasing pensions from an insurance company. This is called the "buy-out" basis and is, as you might expect, a very expensive way to provide your pensions. The funding level on this basis was 79%. The fact that we have shown the position if the scheme were wound up does not mean that consideration is being given to winding up the scheme. It is just another piece of information that we hope will help you understand the financial security of your benefits.

There are various ways to approach the calculation of scheme liabilities, and historically the board has applied a further (somewhat tougher) standard for measuring the financial position of USS compared to the standard required under the technical provisions. In calculating the value of the scheme's liabilities, the scheme actuary must make a number of assumptions about the financial and demographic factors that have an effect on USS. These assumptions, which are explained in greater detail in the valuation report, are critical to the valuation process.

As you might imagine one of the most important factors is the estimate of future investment returns for the fund. In calculating the scheme's technical provisions the scheme actuary has assumed that the long-term investment returns, for the fund overall, will be 2% above the return that could be achieved on Government fixed income loans (commonly known as gilts).

If, instead of assuming a 2% return above gilts, we apply the tougher standard that we have historically used, and assume that we will achieve investment returns equivalent to the whole of the fund being invested in gilts, the funding level of USS was 71% as at 31 March 2008.

For the sake of completeness, the scheme actuary also calculated USS's funding position at 31 March 2008 using the accounting standard FRS17, which is typically used by companies to express their pension liabilities on the accounting balance sheet, and the funding level used by the Pension Protection Fund (PPF) in calculating the scheme's liabilities on its prescribed basis. The figures were 104% (FRS 17) and 107% (PPF).

What is the trustee board's funding plan?

Based on the valuation results the board is confident that its long-term funding plan remains appropriate and, following the valuation, did not require the participating employers to pay any extra contributions to meet the past service liabilities of the scheme. USS has a diversified portfolio of investments and has continued its move into alternative assets including private equity, absolute return and commodities. Also the fund continues to have a positive cash flow (because the fund receives more in contributions in a year than it pays out in benefits), which leaves it in a much stronger position relative to many other schemes in the UK.

However, the cost of providing pensions continues to rise, partly because members are living longer. Consequently the employers' contribution rate was increased from 14% to 16% effective from 1 October 2009, to provide for the increased cost of providing future benefits.

A Joint Review Group (JRG) was established in 2009 to look at whether USS continues to offer benefits that – whilst being attractive to members – are affordable. The JRG was made up of representatives of employers within the sector, and of scheme members (the latter represented by the University and College Union) and an independent chairman, Sir Andrew Cubie. Disappointingly the JRG reported in April 2010 that it could not reach any agreement on changes to USS.

The employers and UCU then submitted separate proposals to the Joint Negotiating Committee, which is similarly set-up with equal representation from employers and members and is also chaired by Sir Andrew, who has a casting vote. The trustee board continues to support the review and wishes to see a satisfactory outcome.

More information about the policies of the trustee board can be found in the Statement of Funding Principles and the Statement of Investment Principles, available from the USS website.

What has happened since the valuation results?

World stock markets fell dramatically shortly before the publication of last year's Summary Funding Statement reaching the lowest point in March 2009. The markets made a steady recovery up to 31 March 2010 and consequently the value of the scheme's assets at 31 March 2010, at £29.8 billion, is much higher than last year (£21.4) although the funding level is still lower than at the time of the valuation because the liabilities have increased, in part due to low interest rates. The comparable funding levels are set out in the following table:

Funding basis	31 March 2008	31 March 2009	31 March 2010
Scheme-specific basis	103%	75%	91%
Historic gilts basis	71%	52%	63%
FRS 17	104%	87%	80%
PPF	107%	70%	112%
Buy-out basis	79%	47%	57%

The volatility in the value of the scheme's assets is of course a matter of concern for the board but USS is a long-term investor and is able to look ahead 15 or 20 years, because of its strong employer covenant and positive cash flow. The board carried out a review of its investment strategy following the completion of the actuarial valuation and has decided to reduce the percentage of the fund held in return seeking assets such as company shares and increase its holding of risk reducing assets such as gilts. However, this change can only take place when market conditions allow, and can only be undertaken over a period of many years, given the size of USS and the implications for the funding of the scheme of such a shift. This is a long-term objective and is explained further in the Statement of Investment Principles.

What happens if the scheme is wound-up and there is not enough money to pay for all my benefits?

The Government has set up the Pension Protection Fund (PPF) to pay benefits to members in the event that employers are unable to meet their pension commitments and they become insolvent. USS is a last-man standing scheme for PPF purposes, which means that it would only become eligible for the PPF if all (or in practice, the vast majority) of employers within the higher education sector were to become insolvent. Clearly, this is a highly unlikely scenario.

However, if such circumstances were ever to occur, the pension you would receive from the PPF may be less than the full benefit you have earned in the scheme, depending on your age, when your benefits are earned and the size of your benefits.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk. Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

Where can I get more information?

If you have any other questions, or would like any more information, please contact the person at your employer who deals with USS matters. A list of documents, which provide further information, is below. If you would like a copy of any of these documents please refer to the USS website (www.uss.co.uk) or contact our Liverpool office. If you require advice about any aspect of USS you should consult a professional adviser.

Additional documents available on request

Statement of Investment Principles

This explains how we invest the money paid into the scheme.

Statement of Funding Principles

This sets out the policies of the trustee board for securing that the funding objectives are met and was first published as part of the Actuarial Valuation Report as at 31 March 2008.

Investment Policy Implementation Document

This is a working document that contains detailed operational information about the investment policy and can be provided on request.

Schedule of Contributions

This shows how much money is being paid into the scheme by the institutions and the contributing members, and includes a certificate from the actuary showing that it is sufficient.

Report and Accounts for year ended 31 March 2010

This shows the scheme's income and expenditure in 2009/10.

Actuarial Valuation Report as at 31 March 2008

This contains the details of the actuary's check of the scheme's financial position as at 31 March 2008.

Guide for USS members

This is the members' handbook for the scheme. You should have been given a copy when you joined the scheme, but you can get another copy from your employer.

Certificate of Technical Provisions

Certification

Certificate of technical provisions

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 2008 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.

Signature	Edwin Topper
Name	E S Topper
Date of signing	4th February 2009
Address	Mercer Limited Clarence House, Clarence Street Manchester M2 4DW
Qualification	Fellow of the Institute of Actuaries

Report of the Directors

for the year ended 31 March 2010

The directors submit their report and the accounts for the year ended 31 March 2010.

Principal activity

The company, which is limited by guarantee and does not have a share capital, was established to undertake and discharge the office of trustee of any superannuation scheme but in particular to act as the trustee of the Universities Superannuation Scheme (USS).

Business review

The operating costs for the year amounted to £51,974,000 this amount being recoverable from USS. This compares with £44,583,000 for the year ended 31 March 2009 and represents a 4% increase in administration costs and a 24% increase in investment costs. Membership of USS has continued to grow steadily and during the past twelve months has increased from 264,000 to 274,000, an increase of 4%.

Personnel costs increased by less than 2% in Liverpool but by 34% in London. The increase in London reflects the increase in staffing levels, with staff numbers increasing from 57 at the start of the year to 71 by 31 March 2010. Peter Moon retired as chief investment officer after 17 years in the post, with his replacement, Roger Gray, taking up the position in September 2009. The alternatives team, in particular, has been strengthened as the fund continued to build its allocation to alternative assets. With the increasing size of the office and complexity of the investment process, the compliance, risk and legal teams were also strengthened. The opportunity was also taken to strengthen the fund's expertise in emerging markets by bringing in a global emerging markets team. The London office continues to manage the bulk of the fund's assets. Neither office received an increase in basic pay during the year while good investment performance for the year saw increased bonus payments in London.

While the majority of other costs in Liverpool have remained fairly static or have reduced, there has again been an increase in the levies payable to the Pensions Protection Fund. Total payments increased by over 12%, adding almost £500,000 to administration costs for the year.

Much effort in the Liverpool office, from management as well as USS's professional advisers, has gone into assisting the Joint Review Group (JRG) in its deliberations and to making provisional plans to implement the range of changes to business systems and processes that might emerge from the group. The JRG was the sub-group of the USS Joint Negotiating Committee (JNC) which was established in late 2008 to consider a review of the scheme. Although the group was not able to achieve a satisfactory outcome in the timescale it had set itself, on 7 July 2010 the JNC accepted a package of proposals that had been put forward by the employers. These proposed changes to the scheme benefits, and to the way the scheme is funded by the employers and the members, will be considered by the board and may subsequently be subject to consultation by institutions with members and their representatives, with a view to implementation from 1 April 2011.

Liverpool office has also been heavily involved across all departments in progressing the *e*Pensions initiative. The new website went live on 1 June 2009, replacing the non-secure parts of the old website. The second phase of the initiative, *USSonline*, is the replacement for the secure section of the website used by institution administrators. This replaces the eManual containing all the forms used in the administration of USS and also Webaccess, which allows institutions to see data held by USS in respect of its members. *USSonline* will provide institution administrators with enhancements to these facilities and more. Administrators will be able produce retirement benefit and AVC quotations online accessing the USS database, which will improve the service to members and be more efficient and cost effective. They will also benefit from two prototypes that will be further developed in later releases – affecting the year-end return process and the leavers process – so that administrators will be able to input data to the USS database and manage queries online. *USSonline* will radically change the way that USS and its participating employers work together and we have acknowledged that it is more complex than we had originally envisaged and extremely important not to launch it until we are satisfied that the system and the users are ready. Implementation is now expected to begin in August 2010 and it will be rolled out to institutions gradually, one institution at a time, to ensure there is no detriment to in-house processing.

With the expansion of the investment team, the premises at 99 Bishopsgate were no longer adequate and the London Investment Office relocated to the 6th floor of 60 Threadneedle Street at the end of March 2010, on very advantageous terms. The new offices have been fitted out to accommodate an anticipated headcount in the region of 100 people, with this figure likely to be reached within three to four years, although the space has capacity for this headcount to be increased further. The option to surrender the lease on 99 Bishopsgate was exercised in March 2010 and the premises were cleared during June 2010.

London staff have also progressed with the implementation of the Bloomberg Portfolio Order Management System (POMS) during the year, completing phases 3 and 4 of the project to link in the custodian and investment accounting with the trading and settlement system. This fully integrated system will give fund managers greater visibility of the expected market impact of potential trades and the effect on their existing portfolios while giving significantly greater management information, improving efficiency and ensuring compliance.

The increase in securities research costs arose mainly as a result of the decision early in 2009 to unbundle research costs from brokers' commission costs in Asia, bringing Asia into line with the other investment desks. Prior to that, research costs in Asia were charged direct to the USS accounts.

The directors do not believe that there are any risks or uncertainties facing the company which are likely to affect the ongoing nature of its activity.

Fixed assets

The details of movements in fixed assets are set out in Note 15 to the accounts.

Directors

The directors of the company during the year were as follows:

Sir Martin Harris (chairman)

Professor John Bull (deputy chairman)

Professor Glynis Breakwell (from 1.9.09)

Michael G Butcher

Joseph Devlin

Professor David Eastwood

S Egan (from 1.10.09)

David Guppy

Virginia Holmes

Howard Jacobs

David McDonnell

Lady Merrison (to 30.9.09)

Sir Muir Russell (to 31.8.09)

JWD Trythall (from 1.10.09)

Baroness Warwick of Undercliffe (to 31.8.09)

All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law they have elected to prepare the accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, KPMG LLP, have indicated their willingness to continue in office and will be deemed to be re-appointed in accordance with section 487 (2) of the Companies Act 2006.

By order of the board

I M Sherlock
Company Secretary 22 July 2010

Statement of Operating Costs

for the year ended 31 March 2010

	Note	2010 £000	2009 £000
Personnel costs			
Employees' emoluments	4	15,130	12,665
Directors' emoluments and expenses	5	551	552
Recruitment, training and welfare		985	795
		16,666	**14,012**
Premises costs			
Rent, rates, service charges and utilities	6	2,581	1,752
Depreciation and maintenance		423	154
		3,004	**1,906**
Investment costs			
Securities research costs	7	8,416	6,418
Securities management	8	4,206	4,386
Property management	9	2,653	2,226
Custodial services		1,075	1,101
Legal costs - property management		606	599
- securities management		423	471
Investment performance measurement		167	132
Property valuation		150	97
		17,696	**15,430**

	Note	2010 £000	2009 £000
Other costs			
Computer and information services costs	10	4,573	3,612
Pension Protection Fund Levy		3,844	3,382
Professional fees	11	2,991	3,257
Travel and car costs		928	961
Office equipment		429	313
Institution liaison and member communication		332	256
Pensions Protection Fund - admin Levy		326	307
- general Levy		253	238
Telephones and postage		274	238
Sundry expenditure		214	224
Printing and stationery		196	193
Insurances		127	132
FSA fees		69	68
Auditors' remuneration	12	62	59
Profit on disposal of fixed assets		(10)	(5)
		14,608	**13,235**
Total operating costs	**14**	**51,974**	**44,583**

All operating costs of the company are recoverable from USS in accordance with the rules of the scheme.

A separate statement of total recognised gains and losses has not been presented as all gains and losses are included in the Statement of Operating Costs.

The notes on pages 86 to 97 form part of these financial statements.

Balance Sheet as at 31 March 2010

Company registration number: 1167127

	Note	2010 £000	2009 £000
Assets			
Fixed assets			
Tangible fixed assets	15	4,955	1,889
Current assets			
Debtors	16	7,598	9,010
Cash at bank and in hand		9	5
		7,607	**9,015**
Total assets		**12,562**	**10,904**
Liabilities			
Creditors - amounts falling due within one year	17	12,142	10,774
Creditors - bonuses due after more than one year	18	420	130
Total liabilities		**12,562**	**10,904**

The notes on pages 86 to 97 form part of these financial statement.

The financial statements on pages 82 to 97 were approved by the board of directors on 22 July 2010 and were signed on its behalf by:

Martin Harris
Chairman

John Bull
Deputy Chairman

Cash Flow Statement

for the year ended 31 March 2010

	Note	2010 £000	2009 £000
Operating activities			
Cash received from USS		52,396	48,202
Operating costs paid	19	(48,245)	(46,707)
Net cash inflow from operating activities		**4,151**	**1,495**
Capital Expenditure and Financial Investment			
Purchase of tangible fixed assets		(4,166)	(1,510)
Sale of tangible fixed assets		19	18
		(4,147)	**(1,492)**
Increase in cash		**4**	**3**

The notes on pages 86 to 97 form part of these financial statement.

Notes to the Accounts

for the year ended 31 March 2010

1. The company, which is limited by guarantee and does not have a share capital, has no beneficial interest in the investments and other assets held in its name but not included in its balance sheet, since it holds these as trustee of USS.

2. **Format of the accounts**

A Profit and Loss Account is not presented with these accounts as the directors believe that such a statement is inappropriate to the operations of the company and that the costs incurred and the method by which they are recovered are better set out in the Statement of Operating Costs.

A separate note of historical cost profits and losses is not required as the accounts are prepared under the historical cost convention.

3. **Accounting policies**

Accounting convention

The accounts are prepared under the historical cost convention and on the accruals basis and comply with applicable Accounting Standards in the United Kingdom which have been consistently applied.

Depreciation of fixed assets

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Office equipment	15
Alterations to rented premises	20
Computer equipment	33 1/3
Motor cars	25
Computer software	33 1/3

Operating leases

Rental costs under operating leases are charged on a straight line basis over the lease term in the Statement of Operating Costs.

Pensions

The company participates in the Universities Superannuation Scheme (USS), a multi-employer defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the company as trustee. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The company is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

4. Employees' emoluments

	2010	2009
The average weekly number of persons employed by the company during the year (excluding directors) was	228	216

	£000	£000
Staff costs for the above persons were:		
Wages and salaries	12,027	9,989
Pension costs (superannuation contributions)	1,909	1,604
Social security costs (national insurance contributions)	1,172	939
Restructuring costs	22	133
	15,130	**12,665**

Details of the increase in employee costs are included in the business review section of the report of the directors.

	2010 £000	2009 £000
Emoluments of the chief executive		
TH Merchant	250	251

The emoluments of the chief executive are shown on the same basis as for higher paid staff. The company's pension contributions for the chief executive amounted to £53,135 (2009: £50,646).

Remuneration of other higher paid staff, excluding employer's pension contributions but including benefits in kind:

			2010	2009
£70,001	-	£80,000	3	2
£80,001	-	£90,000	2	-
£90,001	-	£100,000	5	7
£100,001	-	£110,000	4	3
£110,001	-	£120,000	7	2
£120,001	-	£130,000	1	2
£130,001	-	£140,000	1	6
£140,001	-	£150,000	7	7
£150,001	-	£160,000	4	2
£160,001	-	£170,000	1	1
£170,001	-	£180,000	2	1
£180,001	-	£190,000	-	2
£190,001	-	£200,000	2	2
£200,001	-	£210,000	2	-
£210,001	-	£220,000	2	-
£220,001	-	£230,000	1	2
£240,001	-	£250,000	1	-
£250,001	-	£260,000	1	-
£320,001	-	£330,000	-	1
£480,001	-	£490,000	1	-

The salary figures above include bonus payments for the investment staff, totalling £2,893,872 (2009: £1,756,147). Both the bonus scheme and the annual outcome are reviewed by the remuneration committee.

5. Directors' emoluments and expenses

	2010 £000	2009 £000
Fees	454	452
Employer's costs - national insurance contributions	45	49
- VAT	5	3
Expenses	47	48
	551	**552**

Directors are remunerated based on a recommendation from an independent consultant. Their remuneration is approved by the Joint Negotiating Committee and is in accordance with the contribution which they make to the work of the company and their legal responsibilities.

No pension contributions are made on behalf of directors. As at 31 March 2010 six of the directors are members of USS either as pensioners or through their employment with the institutions.

Directors' fees charged to the accounts reflect small differences between the amounts accrued in the accounts at each year end and the amounts paid. Actual emoluments paid to each director in respect of each of the last two years were as follows:

	2010 £000	**2009 £000**
Sir Martin Harris (chairman)	67	67
Virginia Holmes	75	76
Howard Jacobs	62	62
Professor John Bull (deputy chairman)	57	58
Michael G Butcher	39	43
David McDonnell	24	23
David Guppy	22	24
Joseph Devlin	22	21
Lady Merrison	21	43
Professor David Eastwood	19	14
JWD Trythall	15	-
Baroness Warwick of Undercliffe	10	26
S Egan	10	-
Professor Glynis Breakwell	9	-
Sir Muir Russell	6	14
	458	**471**

6. Rents, rates, services and utlilities

There has been an increase in costs over the previous year due mainly to the relocation of the London investment office at the end of March 2010. The 20 year lease of 60 Threadneedle Street commenced during September 2009 with a two year rent free period, which has been apportioned over the life of the lease. An option to surrender the lease for 99 Bishopsgate has been exercised and the location will be vacated by the end of June. Expenditure incurred in the year to 31 March 2010 therefore includes costs for both locations.

7. Securities research costs

Securities research costs represent the costs paid by the internally managed fund to its brokers for research. Prior to 1 June 2006, the cost of research by brokers was included in the commissions paid to them and was included in the accounts of USS. Since that date the majority of commissions paid to brokers have been solely for execution.

8. Securities management

	2010 £000	2009 £000
External manager base fees	3,979	3,975
Professional fees	227	411
	4,206	**4,386**

9. Property management

	2010 £000	2009 £000
External manager fees	1,893	1,574
Rent review and letting fees	648	515
Other	112	137
	2,653	**2,226**

10. Computer and information service costs

	2010 £000	2009 £000
Investment information services	2,456	1,808
Computer running costs	947	891
Software depreciation	617	374
Investment accounting services	349	337
Hardware depreciation	176	161
Computer bureau fees	28	41
	4,573	**3,612**

11. Professional fees

	2010 £000	2009 £000
Actuarial	719	1,027
Legal	686	848
Advisory fees for the Joint Review Group	290	119
Taxation and other accountancy	264	127
Internal audit co-source fees	221	178
Committee members (other than directors)	174	159
Public relations	131	108
RI consultancy	93	46
IT consultancy	92	-
Investment advisory	76	218
Member medicals	49	62
HR support	44	33
Salary surveys and job evaluation	17	94
Club transfer factors	15	-
Secondment of internal auditor	-	78
Risk review	-	35
Strategic review of internal audit	-	23
Other	120	102
	2,991	**3,257**

The prior year costs have been revised to disclose advisory fees for the Joint Review Group and investment advisory fees as separate headings. These were included in actuarial and legal fees within the prior year's accounts.

12. Auditors' renumeration

	2010 £000	2009 £000
USS	57	54
Universities Superannuation Scheme Limited	5	5
	62	**59**

Remuneration of the company's auditors (KPMG LLP) for provision of services other than for the audit of USS and Universities Superannuation Scheme Ltd was £1,500 for filing claims for recovery of overseas withholding tax (2009: £40,000 for advice on recovery of overseas withholding tax, £23,300 for a review of internal audit and £5,500 for trustee training).

13. Value added tax

The company is registered for Value Added Tax activities and recovers a proportion of the input tax on administrative expenditure directly attributable to the scheme's investment activities.

14. Total operating costs - recoverable from USS

		2010 £000	2009 £000
Investment management costs	Investment costs	17,696	15,430
	Personnel costs	9,919	7,382
	Premises costs	2,087	1,076
	Other costs	5,328	4,369
		35,030	**28,257**
Other administration costs	Personnel costs	6,747	6,630
	Pensions Protection Fund levies	4,423	3,927
	Premises costs	917	830
	Other costs	4,857	4,939
		16,944	16, 326
		51,974	**44,583**

Investment management costs are those costs which are directly attributable to investment activities.

Included in operating costs is a charge for depreciation of £1,091,000 (2009: £757,000) as set out in note 15.

All of the operating costs are recoverable from USS, which at 31 March 2010 had total assets in excess of £30 billion.

15. Tangible fixed assets

	Alterations to rented premises £000	Computer equipment £000	Computer software £000	Office equipment £000	Motor vehicles £000	Total £000
Cost						
At 1 April 2009	2,128	2,250	3,869	1,766	394	10,407
Additions	2,198	408	626	861	73	4,166
Disposals	-	(955)	-	-	(44)	(999)
At 31 March 2010	**4,326**	**1,703**	**4,495**	**2,627**	**423**	**13,574**
Accumulated depreciation						
At 1 April 2009	2,114	1,979	2,736	1,536	153	8,518
Charge for year	113	176	617	88	97	1,091
Disposals	-	(955)	-	-	(35)	(990)
At 31 March 2010	**2,227**	**1,200**	**3,353**	**1,624**	**215**	**8,619**
Net book Value						
At 31 March 2010	**2,099**	**503**	**1,142**	**1,003**	**208**	**4,955**
Net book Value						
At 31 March 2009	**14**	**271**	**1,133**	**230**	**241**	**1,889**

16. Debtors

	2010 £000	2009 £000
Due from USS	5,993	6,415
Prepayments	1,546	2,550
Other debtors	59	45
	7,598	**9,010**

17. Creditors - amounts falling due within one year

	2010 £000	2009 £000
Accrued expenditure	5,445	2,995
Other creditors	5,142	6,628
Taxation and social security	1,555	1,151
	12,142	**10,774**

18. Creditors - bonuses due after more than one year

The bonus scheme provides that if the performance bonus earned by an employee exceeds a certain amount, part of it is deferred for a period of three years.

19. Reconciliation of operating costs paid

	2010 £000	2009 £000
Operating costs - recoverable from USS	51,974	44,583
(Increase)/Decrease in creditors	(1,658)	2,142
Profit on sale of tangible fixed assets	10	5
Depreciation	(1,091)	(757)
(Decrease)/Increase in debtors (excluding USS)	(990)	734
Operating costs paid	**48,245**	**46,707**

20. Operating lease commitments

The company in committed to making future annual payments under operating leases which expire as follows:

	2010 £000	2009 £000
Less than one year	773	-
Between two and five years	36	37
Over five years	1,840	1,255

The payments relate to ongoing rent, rate and equipment leasing commitments in respect of the company's offices in Liverpool and London.

21. Contingent liability

A long term incentive plan (LTIP) for investment staff was introduced from 1 January 2007 to ensure that a significant portion of the rewards available to key members of staff is tied to the long-term performance of the fund, with the objective of promoting a balance between long-term and short-term objectives. The LTIP operates as a series of individual five-year plans (although this period may be reduced for staff who retire).

Three further plans were introduced from 1 January 2008, 2009 & 2010 respectively. The targets for the first three plans, for the five years to 31 December 2011, 2012 and 2013 respectively, are for the internally managed fund to outperform its benchmark over each of those five year periods by 0.6% per annum before expenses. The target for the most recent plan for the five years to 31 December 2014 requires out-performance above 0.2% per annum (after expenses) before any payments are made. Payments would increase pro-rata with outperformance from £nil to £1,110,000 between 0.2% and 0.5% (after expenses).

For the three years to 31 December 2009, the internally managed fund outperformed by 2.34% in 2007, underperformed by 2.99% in 2008 and outperformed by 0.43% in 2009 (the figures for 2007 and 2008 have been restated). The first payments are not anticipated to arise before March 2012, and would depend on total performance over the five year period.

It is currently considered that the likelihood that payments will be made from these plans is low, because the target set for outperformance will be difficult to achieve. No provision has therefore been made in the accounts, although this will need to be reviewed annually in the light of actual performance.

The maximum amounts that could be paid are £630,000 in 2012, £825,000 in 2013, £450,000 in 2014 and £1,110,000 in 2015.

22. Pension costs

The company participates in the Universities Superannuation Scheme (USS), a multi-employer defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the company as trustee.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The company is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables - No age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide employer contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee, on the advice of the actuary, increased the employer contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the company's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and the company had 204 active members participating in the scheme.

The total pension cost for the company was £1,909,000 (2009: £1,604,000). The contribution rate payable by the company was 16% of salaries (within the meaning of the scheme rules).

23. Related party transactions

There are no related party transactions other than transactions between the company and the scheme. The company provides administration and investment management services to the scheme charging £16.9 million and £35.0 million respectively, with a balance due from the scheme of £6.0 million as at 31 March 2010.

24. Special purpose companies

The company owns the share capital of a number of special purpose companies to aid the efficient administration of fund investments. Their results have not been consolidated with the company's either because they are considered to be assets of the fund or because they are not material for the purpose of giving a true and fair view of these accounts. Details of these companies may be obtained by writing to the Company Secretary of Universities Superannuation Scheme Limited, Mr I M Sherlock, at Royal Liver Building, Liverpool L3 1PY.

Independent Auditors' Report

to the members of Universities Superannuation Scheme Limited

We have audited the accounts of Universities Superannuation Scheme Limited for the year ended 31 March 2010 set out on pages 82 to 97. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 79, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of accounts is provided on the APB's web-site at:
www.frc.org.uk/apb/scope/UKNP.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

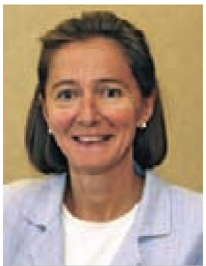
Jeremy Gledhill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

22 July 2010

Chairman & Principal Officers

Sir Martin Harris
Chairman

Chairmen of principal sub-committees



Virginia Holmes
Investment Committee

Professor John Bull
Finance & Policy Committee

Nominations Committee

Michael Butcher
Audit Committee

Howard Jacobs
Renumeration Committee

Rules Committee

Sir Andrew Cubie
Joint Negotiating Committee

Angela Roger
Advisory Committee

Principal Officers

Back row: Colin Busby, Communications Manager, Andrew Little, Chief Administrative Officer, Tom Merchant, Chief Executive, Colin Hunter, Chief Financial Officer.

Front row: Ian Sherlock, Company Secretary, Brendan Mulkern, Pensions Policy Manager, Bernadine Steventon, Pensions Operations Manager and Roger Gray, Chief Investment Officer.

USS

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UNIVERSITIES SUPERANNUATION SCHEME LIMITED