



*For members, for the future.*

**Universities  
Superannuation  
Scheme**

**Governance  
Supplement 2023**

# Introduction

---

The governance arrangements of Universities Superannuation Scheme (USS or the scheme) are summarised in the Governance section of the scheme's Annual Report and Accounts for the year ended 31 March 2023 (the Report and Accounts) which can be viewed online at [uss.co.uk/about-us/report-and-accounts](https://uss.co.uk/about-us/report-and-accounts).

This supplement provides additional information about how the Trustee Board of Universities Superannuation Scheme Limited (USSL or the trustee), the corporate trustee of the scheme, delivers effective leadership, strategy and oversight of USS. It also provides information about USS's wider governance. It should be read in conjunction with USS's Report and Accounts and USSL for the year ended 31 March 2023 [uss.co.uk/about-us/report-and-accounts](https://uss.co.uk/about-us/report-and-accounts).

In respect of the financial year 2022/23, this supplement contains:

- A summary of the trustee's compliance with the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles)
- Reports from each of the Trustee Board's standing committees about the activities they have undertaken during the year
- An overview of the Joint Negotiating Committee (JNC) and a report from the Advisory Committee. The JNC and Advisory Committee are stakeholder committees constituted under the scheme rules. They are distinct from, and separate to, the trustee, and play an important part in the governance of the scheme. For more information, please see the overview of the JNC and the Advisory Committee report on pages 14 and 15 of this supplement
- Reports from each of the meetings of the JNC held during the year can be accessed at [uss.co.uk/about-us/how-were-governed/joint-negotiating-committee](https://uss.co.uk/about-us/how-were-governed/joint-negotiating-committee)
- Signposting to help readers locate additional information in relation to USS's corporate governance in the Report and Accounts and on [uss.co.uk](https://uss.co.uk)

# Corporate governance statement

for the financial year 1 April 2022 to 31 March 2023

USS's governance arrangements are designed to comply with applicable law and regulation, codes of practice and guidance issued by The Pensions Regulator (TPR) and by corporate governance bodies (in so far as applicable to a pension trustee), the scheme rules and other constitutional documents.

High quality governance and decision making are critical to success. USS's governance framework, which sets out the key responsibilities of the Trustee Board and the board's powers of delegation, supports the trustee's decision making and accountability as it discharges its duties as trustee of the scheme and the fostering of effective relationships with stakeholders.

As trustee of the scheme, USSL is responsible for ensuring that the pension scheme is run properly. This includes ensuring that the scheme's assets are invested, that contributions are collected, and that members' benefits are secure and paid in accordance with applicable law and regulation and the scheme rules. Having high standards of corporate governance is central to the trustee fulfilling this critical responsibility, and ensures that the Trustee Board engages with, and considers the interests of, its stakeholders as part of the board's decision-making process. Although the trustee is not required to comply with the reporting requirements set out by the Wates Principles, the trustee has adopted the Wates Principles to provide a framework for disclosure of its corporate governance arrangements where practicable, taking into consideration its status as a trustee of a pension scheme and a not-for-profit entity.

The Wates Principles offer companies an opportunity to demonstrate good practice and provide a tool to help large private companies analyse their purpose and how they deliver on that purpose. They also provide a framework against which to report how they have implemented the principles, promoted transparency and supported the building of trust and confidence among stakeholders.

Below is a summary of the six Wates Principles and an explanation of how the Wates Principles apply to, and have been implemented by, the trustee. Given USSL's role as the trustee of a pension scheme, and the importance of the scheme's stakeholders to its core purpose, Principle Six (Stakeholder Relationships and Engagement), is of particular importance to the trustee.

In recognition of this, the below summary of the Wates Principles and explanation of how they have been implemented by the trustee starts with **Principle Six** before turning to explain how the trustee has implemented the other Wates Principles. Further information about how the Wates Principles have been applied during the financial year can be found in the Report and Accounts.

The Wates Principles also serve as the framework to demonstrate how the trustee's directors have had regard for the matters set out in section 172(1)(a) to (f) of the Companies Act (which sets out the duty of the directors to promote the success of the company) when performing their duties. This includes how the Trustee Board has engaged with and considered the interests of stakeholders including USS members, higher education employers, Universities UK (UUK), the University and College Union (UCU), the Group's employees, regulators and those in a principal business relationship with the trustee.

Further details in relation to how the directors have discharged their duties under section 172 of the Companies Act 2006 are set out in USSL's Report and Accounts which can be accessed at [uss.co.uk/about-us/report-and-accounts](https://uss.co.uk/about-us/report-and-accounts).

Additional information about how USS is governed, and run can also be accessed at [uss.co.uk/about-us/how-were-governed](https://uss.co.uk/about-us/how-were-governed).

**Principle Six – Stakeholder Relationships and Engagement**  
***“Directors should foster effective stakeholder relationships aligned to the Company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.”***

The trustee seeks to foster effective relationships with all its stakeholders.

During the financial year, the trustee supported the Joint Negotiating Committee (JNC) in its decision making by overseeing detailed analysis of UCU and UUK benefit reform proposals, including contribution requirements and impact on the scheme covenant.

An important component of this was the creation of the Valuation Technical Forum (VTF). The forum is comprised of three UCU and three UUK representatives, and members of the USS executive. It has provided the opportunity for informal discussion between the USS trustee, UCU and UUK in relation to some of the technical aspects of the scheme triennial actuarial valuation as at 31 March 2023 (the 2023 valuation). The VTF explored key issues that impacted the funding position as at 31 March 2023, and developed a shared understanding of different inputs, assumptions, evidence, and perspectives, and how these feed into the decisions of the trustee. Further detail on the scope of the VTF discussions can be found under the 'Briefings, reports, and valuation documents' section of the [2023 valuation webpage](#).

The Trustee Board worked alongside stakeholders to develop thinking on benefit design, specifically via Conditional Indexation and Low Cost workstreams including the publication of a document '[An introduction to Conditional Indexation](#)' for USS employers.

## Corporate governance statement for the financial year 1 April 2022 to 31 March 2023

Continued

USS has provided members and employers with ongoing 2023 valuation updates on the scheme's funding position, the JNC negotiations and the outcome of the Statement of Investment Principles consultation. A summary is available via the [2023 valuation page](#) on the USS website.

The Trustee Board arranged for the JNC to visit the USS Liverpool office to learn more about the work of the teams there, and similar office visits were arranged for TPR and the Department for Work & Pensions. The Trustee Board has visited two university campuses (Glasgow, Durham) to meet with university executive and council members, and to hold open Q&A sessions with USS members.

The establishment of an employer Investment Discussion Forum has allowed Finance Directors and Chief Finance Officers from USS employers to engage directly with the USS Investment Management Limited (USSIM) executive. In tandem to this, USSIM has briefed UCU on investment matters, and Environmental, Social and Governance (ESG) issues.

During the year, USS also engaged directly with employers as part of the assessment of scheme covenant.

Employer Pension Managers continue to be supported on operational matters via the USS Institutions Advisory Panel.

The annual USS Institutions Meeting took place in November 2022. A [full recording of the meeting](#) is available on the USS website. In addition to direct engagement with employers, the Trustee Board also engages with a range of Higher Education sector bodies and this year has met with representatives from UUK's Employers Pension Forum (EPF), the British Universities Finance Directors Group (BUFDG), the Russell Group and University Alliance. USS colleagues also presented at the annual Universities and Colleges Employers Association (UCEA) Pension Conference in September 2022.

USS gathers feedback from USS members via regular surveys and 'Member Voice,' an online member panel. During the financial year, USSIM has also met with member campaign group 'Divest USS' to provide informal briefings on ESG strategy.

The importance of stakeholder engagement has led to the creation of a new team at USS which is responsible for leading the scheme's triennial valuation process, managing USS's relationships with the scheme's key stakeholders including UUK and UCU, exploring options for future scheme design, overseeing USS's investment strategy and insight, and leading on external affairs and reputation management.

**Principle One – Purpose and leadership**  
***“An effective board develops and promotes the purpose of the Company, and ensures that its values, strategy and culture align with that purpose.”***

In 2019, the Trustee Board adopted the following corporate purpose statement *“Working with Higher Education employers to build a secure financial future for our members and their families”*. This purpose highlights the importance of the scheme's beneficiaries and puts them front and centre of what the trustee does.

The trustee's overall strategy is aligned with this purpose and is supported by three strategic priorities which are to ensure that:

- USS members feel financially more secure;
- USS is a sustainable scheme, for the long term; and
- USS is recognised as a competent scheme manager.

Further information about the strategic priorities is provided on pages 10 and 11 of the Report and Accounts.

Alongside the corporate purpose statement, the Trustee Board approved three core corporate values: Integrity, Collaboration and Excellence. These values support the overall corporate purpose, shape USS culture and reflect what is important about how the USS operates. The Trustee Board also aims to ensure that there is ongoing dialogue with stakeholders to understand their needs when it is considering USS's values and strategic priorities.

To enable the Trustee Board to monitor USS's culture, it receives bi-annual reporting from the Chief HR Officer covering a range of employee related themes, including culture, employees'

engagement with USS's corporate purpose and how employees are demonstrating USS's values. This information is compiled from proactive engagement with employees and managers and responses to regular employee engagement surveys. During the financial year, the Trustee Board approved proposals by the Group Executive and senior leaders to enhance USS's Culture Framework, and considered planned actions being taken to close any gaps following a review of data drawn from culture related scorecards and metrics.

**Principle Two – Board Composition**  
***“Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the Company.”***

To achieve effective leadership and discharge its duties successfully, the Trustee Board seeks to ensure that it has, and maintains, an appropriate balance of knowledge, skills and experience. The Trustee Board, which is led by an independent Chair<sup>1</sup>, comprises skilled and competent directors from a broad range of backgrounds. The Trustee Board is currently comprised of 12 non-executive directors:

- 4 nominated by UUK
- 3 nominated by UCU
- 5 (including the Chair) nominated by the Trustee Board (who are referred to as “independent directors”)

Collectively the members of the Trustee Board have significant experience and understanding of the Higher Education sector, in addition to the many other skills and competencies required to lead and oversee the largest private pension fund in the UK (by reference to assets under management). The Trustee Board has developed a competency matrix which is maintained and regularly reviewed by the Governance and Nomination Committee (GNC) to inform succession planning, identify any skills gaps/training needs and inform and shape recruitment priorities. The competency matrix also provides assurance about the collective competency of the Trustee Board.

### Note

<sup>1</sup> Independent in the sense that the Chair is not nominated by UUK or UCU.

## Corporate governance statement for the financial year 1 April 2022 to 31 March 2023

Continued

Please see further pages 46 to 47 of the Report and Accounts for a biography of each director and a summary of the directors' collective competencies.

During the financial year, the Trustee Board approved the reappointment of two trustee directors.

On behalf of the Trustee Board, the GNC led the recruitment exercise for the Group Chief Executive Officer (GCEO) role.

On an annual basis, each trustee director completes the Trustee Board Skills Matrix, participates in an appraisal process and receives ongoing training. This provides assurance as to their individual competency and capacity.

In addition, an internally facilitated effectiveness review of the Trustee Board is carried out periodically. Similar reviews are conducted every two years in respect of the board's standing sub-committees. These internal reviews are supplemented every two to three years by an externally facilitated review. During the financial year, the Trustee Board undertook an internally facilitated board effectiveness review and approved proposals to review the effectiveness of USS's Board and committees as a whole in the financial year 2023-24. Further details of the trustee's approach to ensuring the effectiveness of the Trustee Board are provided on pages 102 to 104 of the Report and Accounts.

A key role of the Chair of the Trustee Board is to develop working relationships with the GCEO and the executive team, whilst looking to provide an appropriate level of challenge, support and advice. The Chair facilitates the Trustee Board in making effective decisions and ensures that the Trustee Board (as a whole) offers appropriate challenge to executive proposals and considers the nature and extent of material risks faced by the organisation.

The Trustee Board continues to work to create a more diverse board of directors and recognises this as a continuing challenge. Over the financial year, the Trustee Board has continued to review its Equity Diversity and Inclusion (EDI) strategy and overall succession planning with a focus on improving board diversity. More information about the balance and diversity of the current Trustee Board and its EDI targets can be found on page 45 of the Report and Accounts.

Further details of how the balance of responsibilities and accountability and decision making is maintained are provided on page 45 of the Report and Accounts.

**Principle Three – Director Responsibilities**  
***“The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision-making and independent challenge.”***

As part of their appointment to the Trustee Board, each trustee director is required to complete TPR's Trustee Toolkit to ensure that they have a good base level of understanding of the accountabilities and responsibilities that apply to pension trustees in general.

This knowledge is supplemented by a thorough induction programme and ongoing training in order to ensure that the Trustee Board as a whole, and each individual director, has a comprehensive understanding of the specific responsibilities and accountabilities of the Trustee Board and its directors. These responsibilities and accountabilities flow from a range of sources including pensions, financial regulatory, company, employment and data protection law, TPR's codes of practice and guidance and the scheme's constitutional documents. In addition, the Trustee Board also has access to specialist legal advice (from the in-house legal team and/or external advisers as required). Additional training sessions are made available as required to help trustee directors understand their responsibilities within the specific context of the scheme.

The trustee has also adopted a Corporate Governance Framework Policy (which includes terms of reference for the board, its standing committees and the Group Executive Team) which is reviewed annually to ensure that it remains fit for purpose and up to date. This policy specifies how each significant decision is made by the board or one of its committees and provides clarity on whether the board, or one of its committees, has authority to take a particular decision. The Corporate Governance Framework Policy can be accessed at [uss.co.uk/about-us/how-were-governed](https://uss.co.uk/about-us/how-were-governed).

In addition, the Trustee Board has adopted a code of conduct which sets out the standards expected of those who serve on the board.

The trustee maintains a Whistleblowing Policy to encourage USS employees to raise genuine concerns in a safe and supportive environment. During the financial year, the Trustee Board approved enhancements to its Whistleblowing Framework by establishing a Whistleblowing Monitoring Report and appointing a whistle-blowers' champion to have responsibility for ensuring and overseeing the integrity, independence and effectiveness of the firm's policies and procedures on whistleblowing.

Whilst the Trustee Board retains overall responsibility for strategic oversight of the scheme, it delegates certain roles and responsibilities to its specialist standing committees. Each of these committees currently comprises directors nominated by UUK and UCU in addition to independent directors who provide constructive challenge and ensure that decisions are made in the best interests of the scheme. The GCEO is a member of the GNC to ensure that there is appropriate integration of executive and non-executive succession planning. The GCEO and Chief Pensions Officer (CPO) are both members of the Pensions Committee, bringing additional expertise to this committee.

All committees that act on delegated authority from the Trustee Board provide a report to the Trustee Board following each committee meeting. These reports cover: (i) key matters discussed and approved; (ii) decisions taken; and (iii) items recommended for approval by the Trustee Board. The Trustee Board also receives quarterly reports on financial and operational performance, key risks and opportunities, strategic and operational matters, market conditions, stakeholder engagement and legal, compliance, and regulatory issues.

The work of the Group Executive Team complements, enhances and supports the work of the Trustee Board. The Group Executive Team operates under the direction and authority of the GCEO. The Trustee Board delegates to the GCEO the execution of the Group's strategy and day-to-day management and operation of the Group's business in accordance with its approved business plan and budget.

## Corporate governance statement for the financial year 1 April 2022 to 31 March 2023

Continued

The significant depth of experience and broad range of backgrounds, skills and competencies on the Trustee Board and each of its committees promotes independent challenge and supports effective decision making.

Details of key activities undertaken by the Trustee Board and its committees in the financial year are set out on pages 48 to 49 of the Report and Accounts and in the committee reports on pages 6 to 15 of this supplement.

**Principle Four – Opportunity and Risk**  
***“The board should promote the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establish oversight for identification and mitigation of risks.”***

The trustee’s corporate purpose, and its strategy, reflect its role as the trustee of a pension scheme, and as a not-for-profit entity. Central to USSL’s role as trustee is USS’ focus on delivering and demonstrating value for money for members.

Each year the Trustee Board reviews USS’ strategy and approves the strategic objectives and business plan and budget for the coming year. The Trustee Board also approves the key performance indicators that will be reported against. USS’ strategic objectives are constructed in line with the trustee’s agreed risk appetite statements.

There is a focus on the risks and opportunities inherent within the business plan and on related costs and value for money for the scheme to ensure that USS delivers the trustee’s long-term priorities and value for money for members.

For example, the trustee’s investment approach of using mainly internal resource at USSIM to manage scheme assets is informed by the Group’s ability to deliver better value for money for members compared to a more outsourced approach.

The Trustee Board is the sponsor of the USS risk management framework. The Chief Risk Officer (CRO) and the Group Executive risk committee are responsible for the implementation of the risk management framework which directs the development of the rules, frameworks and processes the Group needs to implement effective risk governance over its activities. For more details of USS’s approach to risk management see page 36 of the Report and Accounts.

The Trustee Board sets the Group strategy and delegates the execution of this to executive management who must ensure that the strategy is achieved within the trustee’s risk appetite. All directors are expected to familiarise themselves with key challenges and areas of risk facing the UK Higher Education sector and changes in the pensions landscape. The role of the Group Risk team, as a second line of defence function, is to provide review, oversight and challenge of the business in order to help ensure that the scheme’s strategic risks are managed within the Trustee’s stated risk appetite.

During the financial year, the executive undertook a review of the scheme’s Risk Governance Policy and of the trustee’s risk appetite statements, which were approved by the Trustee Board, setting out the trustee’s expectations for risk management. Full details of high rated events (in relation to errors, breaches, near-misses, and operational losses) and the risk appetite key risk indicators versus targets are provided to the Trustee Board as part of the standard quarterly risk reports prepared by the executive.

In addition to the matters referred to throughout this supplement on risk management, please also refer to pages 37 to 41 of the Report and Accounts which include a list of all principal risks, including mitigations, relevant to the Group.

**Principle Five – Remuneration**  
***“A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the Company.”***

The trustee’s remuneration framework is designed to ensure that the scheme has access to the right mix of skills and expertise to deliver the scheme’s long-term priorities and value for money for members. Paying for performance is key to the trustee’s remuneration and incentive policy. The trustee seeks to reward contribution that is aligned to the needs of employers and members in a cost-effective manner. The trustee’s Remuneration Committee is responsible for ensuring that USS’s remuneration framework supports USS’s EDI programme and that pay is fair and supports a diverse and inclusive workplace. The trustee also publishes annually its Gender Pay Reporting information.

Following the introduction of a revised approach to monitoring USSIM’s investment performance, the trustee has reviewed its approach to compensation of USSIM’s investment management professionals to ensure alignment with the scheme’s interests and compliance with USS’s remuneration principles. More information about the scheme’s ‘investment balanced scorecard’ and its link to remuneration, and USS’s remuneration principles is included on pages 52 and 53 of the Report and Accounts.

Given the importance of attracting and retaining high-calibre employees in a competitive talent pool, USS seeks to pay staff at market rates commensurate with the skills and experience they bring to the scheme. Further details about the scheme’s approach to remuneration can be found on pages 51 to 54 of the Report and Accounts.

Annual benchmarking is carried out on salaries and total compensation levels to ensure that the trustee’s compensation arrangements remain competitive, taking account of USS’ status as a pension scheme. Two external benchmarking agencies are used: Aon for investment management and central Group functions and Willis Towers Watson for pensions services roles and their support functions.

The Remuneration Committee is responsible for reviewing the approach to – and all elements of – remuneration for the Group. It works in conjunction with the USSIM Board (and its own remuneration committee) in relation to the remuneration of USSIM employees. More information about the Remuneration Committee’s activities during the financial year is contained within this supplement.



# Group Audit and Risk Committee report

## Introduction

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

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

The committee comprises four members all of whom are non-executive directors. Three of the members are non-executive directors of the Trustee Board and one is a non-executive director of the trustee's in-house investment manager USSIM.

Mr Gary Dixon, a UUK nominated trustee director, has chaired the committee since 1 February 2021. Mr Dixon is a qualified Chartered Accountant and a Fellow of the ICAEW with over 35 years' financial experience.

## Role

The committee plays a key role in ensuring that there is appropriate challenge of the USS group's internal control and risk management framework and provides assurance to the Trustee Board on the robustness of these systems. The committee receives a quarterly update and report at the end of each financial year from the GCEO on the effectiveness of the internal control environment at the USS group. The quarterly statement is based on the output of the executive risk committees and the operating committees of the pensions business and of USSIM. The end of year report is supported by assurance statements from each of the heads of the teams that form the three lines of defence of the organisation's control framework. Regular reports are also received from the USSIM Audit, Risk and Compliance Committee and the Fair Value Committee. The committee chair, and committee as necessary, are kept updated outside of the formal meeting schedule of high materiality risk events and breaches that may require notification to TPR or other regulators.

Ernst & Young LLP (EY) was appointed as external auditor for USS and its companies in late 2017, following a competitive tendering process. The appointment was made for an initial five-year term subject to satisfactory completion of the annual performance review process. Each year the committee reviews the performance and effectiveness of the external auditor and the appropriateness of the external audit partner. During the year, the committee concluded that EY had performed effectively since the last annual performance review and that the quality of audit service continued to improve.

The committee considers all the control observations that EY notes in the course of its audit work and discusses them with the auditor and management. Where appropriate, it then oversees executive management's design and implementation of remedial action plans. In line with best practice, at least once a year, and as required, the committee holds a meeting with the external auditor without the executive present to discuss the auditor's remit, the quality of audit information it receives and any issues arising from the audit. EY had no material issues to raise with the committee.

The committee approves the external audit plan annually and oversees the integrity of the financial reporting process and production of the scheme's annual report and accounts and those of USSL before submission to the Trustee Board for approval. It provides assurance to the Trustee Board that the financial statements and accompanying information are fair, balanced and understandable and have been prepared in accordance with the applicable accounting framework. The committee also oversees the integrity of the financial reporting process and production of the USSIM annual report and accounts, through assurance provided by the USSIM Board. The committee receives regular updates from EY on the progress of the audits of USS's special purpose vehicle (SPV) companies to ensure they are delivered in the required timeframe and the resulting accounts filed on time.

The committee monitors the performance and effectiveness of the Group's internal audit function. Discussions with the Head of Internal Audit are held without the executive present at least once a year, and as required, to discuss the effectiveness of the function.

The committee also oversees the effectiveness of the Compliance and Risk functions and spends time with the Executive responsible for each function to provide feedback on performance and perspective on where improvements could be made.

## Key activity in 2022/23

During the year, the committee has kept under review the assessments made by the executive about the continued robustness of the group's processes and controls, particularly in light of the introduction of USS's hybrid working policy. The committee was reassured that no material issues were identified and that the control environment and culture around risk reporting had remained robust.

The committee has overseen the implementation of the CRO's strategic plan for the approach to risk, and the risk function at USS and proposed amendments to the group's risk appetite statements, key risk indicators (KRIs), and KRI thresholds for strategic and operational risks, which were reapproved by the Trustee Board in December 2022.

As part of its oversight of key risks within the pensions business, the committee oversaw an assurance programme to identify and document key controls to ensure the compliance of the scheme's operational processes with the scheme rules and applicable legislation. The committee provided input to the executive on various workstreams arising from this programme, including any remedial actions highlighted, and reviewed proposed amendments to bring the scheme rules into line with, or clarify that they are in line, with legislation.

## Group Audit and Risk Committee report

Continued

The committee receives a regular update on cyber risk. During the year it considered known and emerging cyber trends and the security controls in place at USS to mitigate cyber threats including how they are reviewed and monitored on an ongoing basis to ensure their effectiveness. The committee explored with the executive how it keeps pace with changes in cyber risk and maintains staff alertness to the changing nature of cyber risk. The committee became aware of a data breach at Capita plc, which provides systems and administrative services in relation to the scheme's pension administration functions which occurred at the end of the financial year. It is working with the executive and the Pensions Committee to oversee the trustee's response and any implications for the work of the committee through 2023/24. The committee is satisfied that although not immune from a cyber-attack, it has appropriate protective controls in place.

Each year the committee considers the Financial Crime Risk Assessment (FCRA) covering USSL, USSIM and the scheme's SPVs, and the USSIM Money Laundering Reporting Officer's Annual Report. The committee was comfortable that based on the FCRA, the residual and inherent financial crime risk for USS Group was low.

The committee also considered the internal Whistleblowing policy in detail and made a number of recommendations for updates to the policy prior to the updated policy being shared with USS staff through training courses.

### Other activity in 2022/23

The committee has continued to be kept up to date by the executive on the robustness of Capita's control environment more generally, as it relates to the provision of pension administration services to USS, and the appropriateness and timeliness with which Capita has addressed any areas of concern. The committee is satisfied that the relationship with Capita is being actively managed by the executive.

The committee reviewed and approved (where changes were made) the USS Group Anti-Money Laundering, Conflicts of Interest, Counter Terrorism, Financing and Financial Sanctions, Tax, Risk Governance, Anti-Bribery, Corruption and Personal Account Dealing, Group Gifts and Hospitality, Group Code of Conduct, Anti-Fraud Policies and the USS Compliance Manual.

The committee has overseen progress on the steps being taken to improve the efficiency of the approach to internal asset valuations in response to the significant growth in illiquid assets requiring valuation.

The committee has contributed to the consideration of tender activity for key professional services to USS. It was satisfied with the executive's recommendation that no imminent activity be planned for the external audit given EY's remaining tenure.

### Membership

#### Appointed by the Trustee Board

Mr Gary Dixon (Chair), Mr Tony Owens, Mr Russell Picot and Ms Helen Shay.



# Governance and Nominations Committee report

## Introduction

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

- Provide assurance on matters relating to the governance of the trustee company (and its subsidiary companies) and the performance of their corporate and trustee duties; and
- Ensure the effective design and operation of the trustee's governance arrangements in compliance with applicable legal and regulatory requirements.

The committee comprises five members, four non-executive directors of the Trustee Board and Bill Galvin, GCEO. Ellen Kelleher, an independent non-executive director, succeeded Dame Kate Barker as chair of the committee from 1 October 2022. The USSIM chair is also a regular attendee at the committee, to ensure that there is good communication and connection between the governance practices of both USS boards.

## Role

The committee oversees the effectiveness of the USS's corporate governance framework. It is responsible for approving the succession plan for both the Trustee Board and the USSIM Board and their principal committees and working with UUK and UCU as part of overseeing recruitment of Trustee Board and committee members. The committee also participates in recruitment of key members of the executive. During the year, the committee has been actively involved in board and executive succession planning, contributing to the ongoing development of a robust succession plan which has been tested and updated throughout the year.

The committee has a range of responsibilities in relation to the recruitment of directors to both the Trustee Board and the USSIM Board. In 2022/23, it supported the process for the reappointment of two UUK nominated non-executive directors to the Trustee Board (further information about the reappointment process can be found on page 104 of the main Report & Accounts).

The trustee remains committed to its board diversity targets and will continue to keep EDI high on the agenda for both the Trustee Board and executive (further information about the board diversity target can be found on page 45 of the Report & Accounts). The committee has also closely monitored the composition of the committees of both boards, ensuring new committee appointments have the necessary skills and knowledge to ensure their smooth running and continued effectiveness. This included the appointment of Ellen Kelleher as Chair of the GNC with effect from 1 October 2022. The committee is currently focusing on succession planning for those positions where the incumbent directors' terms of office come to an end in 2023/24.

The committee also oversees succession planning for the group executive and senior management team, which is led by the GCEO, and is involved in the recruitment processes for the most senior executives. During the year, a key task for the committee was the recruitment process for a new GCEO following the announcement in September 2022 that Bill Galvin would be stepping down from the role in 2023. Following a robust and thorough recruitment process involving an external search firm, the GNC recommended, and the Board approved, the appointment of Carol Young as GCEO and a USSIM director from September 2023.

## Other key activity in 2022/23

As part of its ongoing oversight of the effectiveness of the operation of the trustee's governance framework, the committee is responsible for overseeing the regular effectiveness reviews of the Trustee Board and USSIM Board, and their respective committees. During the year, the committee oversaw effectiveness reviews of both the Trustee and USSIM Boards (facilitated by the USS Governance team) and the implementation of agreed actions and recommendations from those reviews.

The committee is also responsible for overseeing completion of individual director appraisals. Having considered

the outcomes of the most recent round of director appraisals, and reviewed the external interests of Board members, the committee remains satisfied that USSL and USSIM directors continue to be fit and proper, commit sufficient time to their roles and that their external interests are unlikely to conflict with their USSL/ USSIM roles. As part of this exercise, the committee oversaw a review of the time commitments required to perform USSL/ USSIM director roles. This was to ensure that the trustee could provide a realistic view of the time involved in undertaking these roles when advertising them, as well as providing a comprehensive picture when reviewing directors' external appointments. In addition, the committee provided assurance to the Trustee Board around its composition and that it meets the legislative requirements applicable to the scheme.

The committee is focused on ensuring the effectiveness of the trustee's governance framework having regard to applicable corporate governance and regulatory requirements. The committee received updates on developments in corporate governance best practice and undertook a review of both the USSL and USSIM Articles of Association. The review highlighted some minor changes which principally related to clarification of procedural matters (for example, the use of electronic communications) and ensuring gender neutrality.

Each year, the committee approves the training programme for the Trustee Board and USSIM Board and their respective committees. During the year, as part of its ongoing oversight of the implementation of the training programmes, the committee made various suggestions for training topics. Climate change and ESG will be a focus for the coming year as well as additional briefings on Valuation-related matters.

## Membership

### Appointed by the Trustee Board

Ms Ellen Kelleher (Chair), Dame Kate Barker, Professor Sir Paul Curran, Mr Bill Galvin (GCEO) and Dr David Watts.

# Investment Committee report

## Introduction

The Investment Committee is established under the articles of association of the trustee company to advise the trustee company on all questions relating to the investment of the assets of the scheme. As at the scheme year-end 31 March 2023, the committee consisted of five members who are serving non-executive UUK-nominated, UCU-nominated or independent directors of the Trustee Board (as listed below in the 'membership' section of this report). The committee is chaired by Russell Picot. During the year, Mark Fawcett stepped down as a co-opted member of the committee on 30 April 2022.

## Role

The committee considers and provides recommendations to the Trustee Board for the investment strategy for the scheme, as well as overseeing the investment of the scheme's assets. The discretionary day to day management of the scheme's assets has been delegated to USSIM, and the Investment Committee oversees USSIM's investment management performance.

The committee regularly reviews investment performance and risk reports from USSIM. It receives regular investment manager presentations in order to provide assurance to the Trustee Board that USSIM's management of scheme assets is in line with the strategy set by the trustee and agreed targets. On behalf of the Trustee Board, the committee undertakes regular reviews of key investment documents including the Statement of Investment Principles (SIP). It also reviews the Investment Management and Advisory Agreement (the IMAA), (which is the contract between the trustee and USSIM) and associated instruction letters which accompany the IMAA. The committee also considers various investment strategy proposals and valuation related investment matters as required.

## Key activity in 2022/23

A significant project for the committee over the year was its oversight of the development by USSIM of a new investment framework (the Framework) for both the Defined Benefit (DB) Retirement Income Builder and the Defined Contribution (DC) Investment Builder parts of the scheme. As part of the process, having commissioned and received advice from USSIM, Mercer, Lane Clark & Peacock

(LCP) and Willis Towers Watson on various parts of the proposals, the committee recommended to the Trustee Board the implementation of the new Framework from 1 July 2022 for DB and from 1 January 2023 for DC investments. At its meetings in February 2023, the committee reviewed and assessed the performance of USSIM in managing the scheme's investments under the new Framework (and under the interim arrangements put in place whilst the Framework were being developed) using the investment balanced scorecards developed for this purpose. Further details of the Framework and the committee's scoring of USSIM's performance can be found on pages 24 to 25 of the Report and Accounts.

Following the completion of the 2020 valuation and initial engagement with stakeholders over the new Valuation Investment Strategy framework and approach to the trustee's investment strategy, in March 2022 the committee reviewed and recommended that updates be made to the trustee's SIP and associated investment beliefs and commenced a formal SIP consultation process with employers. This consultation commenced on 30 March 2022 and, following consideration of the feedback received, resulted in the finalisation of the trustee's main SIP (and any consequential changes required to the Trustee's DC default SIP) in May 2022.

At each of the committee's meetings, the committee reviewed and challenged reporting from USSIM, including: investment performance and risk reporting; asset allocation and strategy reporting; and reporting from the USSIM chief executive officer on key matters within the USSIM business relevant to delivering USSIM's investment management and advisory services to the trustee (including the development of investment teams and mandates within USSIM). In addition to this regular reporting, the committee also received updates and specific reporting on market events. In particular, the committee received timely reporting and oversaw how USSIM was managing the scheme's investments through the unprecedented changes in the value of index-linked UK government bonds over September and October 2022 following the "mini-budget", which saw many pension schemes experiencing liquidity issues linked to Liability-Driven Investment (LDI) strategies.

Further details on the scheme's investment strategy and performance over the year can be found on pages 18 to 23 of the scheme Annual Report and Accounts.

The trustee's approach to ESG factors and climate change in its investment portfolio remained an important area of focus for the committee over the year. The committee reviewed and recommended changes to the trustee's responsible investment and voting policies as well as overseeing USSIM's implementation of these policies. The committee received updated reporting from USSIM on the carbon footprint of the trustee's investment portfolio and the work (both completed and planned) to ensure that USSIM, the companies in which it invests, and the trustee's other investment managers recognise climate change risk in their investment management processes such that the trustee might achieve its Net Zero ambition. Improving carbon footprint data and reporting as well as consideration of climate change risk and the trustee's engagement with companies and other investment managers and peers on these issues were also key themes at the committee's annual away day meeting during the financial year.

Annual activities completed by the committee included: reviewing and recommending to the Trustee Board the investment business plan and budget; reviewing the quality of advisory services provided by USSIM, Mercer (for DB) and LCP (for DC); developing and recommending the SIP Implementation Statement to the trustee; and reviewing investment related policies and their operation by USSIM. The committee has also considered reporting on how the scheme's DC Investment Builder product offering, and the investment costs of the scheme, compare with peers to ensure that these remain appropriate, and the scheme continues to deliver value for money to members.

In addition to its regular meetings, the committee also held workshops and training sessions to discuss topics in detail with USSIM, external advisers and industry specialists.

## Membership

### Appointed by the Trustee Board

Mr Russell Picot (Chair), Dame Kate Barker, Mr Andrew Brown, Mr Mark Fawcett (until 30 April 2022), Mr Alain Kerneis and Professor Sir Anton Muscatelli.

# Pensions Committee report

## Introduction

The Pensions Committee is a committee of the Trustee Board providing oversight of the administration and management of the scheme's pensions business.

The committee comprises six members (as listed below in the 'membership' section of this report): four non-executive directors of the Trustee Board and two members of the executive. Ms Marian D'Auria, an independent non-executive director, is chair of the committee.

## Role

The Pensions Committee oversees the administration of the scheme's pensions business, receiving regular reports from the executive on the operation and administration of the pensions business to allow it to provide assurance to the Trustee Board about USS's performance against the objectives and strategy approved by the Trustee Board. It also provides recommendations to the Trustee Board on material issues impacting the scheme's pensions offering and operations, and amendments to the scheme rules. The committee also oversees the executive's development of the strategic priorities and business plan for the pensions business over both a one- and three-year-time horizon.

The Pensions Committee considers recommendations in respect of decisions of the Advisory Committee, where these involve a significant issue of principle or policy. The Advisory Committee has responsibility for exercising the member dispute resolution and complaints function on behalf of the Trustee Board and considering difficulties in the interpretation or application of the scheme rules.

## Key activity in 2022/23

During the year, the committee continued to play a key role within the trustee's governance framework by overseeing the development of several strategic deliverables within the pensions business.

One such strategic initiative was the executive's segmentation strategy designed to enhance the communication of USS's services and support to help members make informed decisions about their USS benefits at key moments in their careers and journeys towards retirement. The strategy was developed following completion of the trustee's Direct to

Member communications campaign which aimed to support the trustee's channel shift strategy by enabling the scheme to move all bulk statutory communications to digital formats, including all annual member benefit statements for the first time during 2022. Part of the committee's oversight of the segmentation strategy involved a 'deep dive' session with the executive to consider the actions required to deliver tailored communications to different groups of active members of the scheme according to their time until retirement. The committee also oversaw enhancements to USS's communications strategy and sign-off framework, to ensure that these could be proactive and helpful to members (further information about our communication strategy and segmented approach to member communications can be found on pages 13 to 14 of the main Annual Report & Accounts).

During the year, the committee has continued to consider and support the Trustee Board on key issues relating to employer participation. More details can be found under the **Employer Participation** section of this report.

The committee completed its annual review of the suitability of the Investment Builder's Default Investment Option and broader product range in conjunction with the Investment Committee. Both committees will keep these products under review as the 2023 valuation progresses. More information about the committee's annual review of the Investment Builder can be found under the **DC section of this report**.

## Key Risks

As part of the committee's oversight of the key risks within the pensions business, the committee continued its oversight of the trustee's assurance programme to identify and document key controls to ensure that administration practice is aligned with the intention of the scheme rules and relevant legislation, and where necessary, to oversee the implementation of any actions identified to rectify any errors or to enhance processes. This workstream has included assurance work by the internal audit function, as well as assurance analysis and testing by Deloitte (further information about the historic scheme rules review can be found on page 15 of the main Annual Report & Accounts).

More broadly, following the development of several key risk metrics over the course of the year, the committee provided input into and made recommendations to the Trustee Board in relation to the risk appetite statements and key risk indicators relevant to the Pensions Business as part of an annual review of the trustee's overall risk profile of the scheme's risk framework.

During the year, the committee received regular updates on key legal and regulatory developments, and the measures that the executive was putting in place to respond to these. In this regard the committee oversaw the executive's project to prepare the scheme, its data and administration interfaces for the Government's Pensions Dashboard Programme, as well as the implementation of additional due diligence checks on pension transfers for certain risk indicators. The committee also received regular updates on the management of the scheme's relationship with key service providers to ensure system performance and delivery of externally provided services to agreed service levels.

## Pensions Operations

As part of its ongoing responsibilities delegated by the Trustee Board, and following advice from the Scheme Actuary, the committee approved the scheme's actuarial factors (used to calculate certain DB-related pension benefits from the scheme) following the completion of the 2020 valuation. In addition, the committee reviewed and approved the method to be applied in the statutory revaluation for certain member benefits following a period of high inflation.

The committee reviewed proposed amendments to the scheme rules, including: (i) to correct an anomaly within the rules in order to bring the transfer options of ex-spouse members into line with the similar options available to other categories of members in the scheme (embodied in the Eighteenth Deed of Amendment), and (ii) to address some historic payments made to members and beneficiaries prior to 1 November 2002, including introducing a discretionary power for the trustee to facilitate a more efficient and fair approach to the remediation of certain benefit types (embodied in the Nineteenth Deed of Amendment).

## Pensions Committee report

Continued

### Employer participation

During the year, the committee reviewed the trustee's decision-making processes in relation to employer participation matters, including the relevant powers and duties of the trustee alongside the types of factors that the trustee may find relevant to its consideration of certain employer participation requests. This detailed piece of work was undertaken to give further assurance that the current measures in place allowed for sufficient protection of the covenant provided to the scheme over the long term. In addition to these strategic discussions, and to enhance the trustee's support to the scheme's participating employers, the committee approved the arrangements to allow the committee to consider urgent debt monitoring and/or *pari passu* cases, where appropriate.

During the year, the committee recommended to the Trustee Board the appointment of the scheme's covenant adviser and strategic advisors for the Higher Education sector for the purposes of Valuation 2023 following a detailed 'request for proposal' process managed by the executive.

With regards to employers, the committee also:

- Received the results from the annual attestation exercise coordinated by the executive, designed to ensure that each participating employer had adhered to its key actions and responsibilities as a participating employer in USS.
- Considered a number of specific employer debt cases and participation requests received during the year.
- Oversaw the transition of covenant monitoring into business-as-usual activity following the completion of the 2020 valuation, including the establishment of key policies and processes, appropriate databases and the implementation of the trustee's Debt Monitoring Framework.
- Oversaw the continuing development of the trustee's employer participation policies and delegations.

### DC Investment Builder

On behalf of the Trustee Board, the committee reviewed the ongoing suitability of the Investment Builder product range following implementation of the benefit changes agreed as part of the 2020 valuation. The committee's review also considered analysis of member requirements, incorporating views collated through member surveys undertaken during the year, and member behaviour and demographics in relation to the Default Investment Option. Following this review, the committee recommended some slight amendments to the existing Investment Builder policy beliefs to the Trustee Board. In addition, within DC, the committee:

- Submitted its conclusions to the Investment Committee and Trustee Board as part of the trustee's annual suitability review of the Investment Builder ethical products.
- Recommended to the Trustee Board, the scheme's updated DC business plan, and the scheme's supervisory return (which documents how the Trustee Board has oversight of, and monitors governance activities and administration, including relevant systems, processes and policies surrounding the DC element of the scheme).
- Examined the trustee's external DC Value for Member assessment, which compares the scheme's DC product to several master trust peer schemes across several categories, before being submitted to the Trustee Board for approval.

The committee also considered recommendations for the future development of the scheme's guidance, advice and annuity bureau services to support members in making decisions around how to flexibly take their DC benefits from the scheme, following the year-end review of these services.

In addition to its regular meetings, the committee held its annual strategy meeting which allowed the committee to provide input into the key strategic aims of the Pensions Business, using member insight and relevant data sets to form outcomes that could feed into the executive's proposals for future service and member proposition developments. The strategy session also focused on key themes such as, how the trustee could improve member engagement and experience through the scheme's communications approach and how it could help ensure that the scheme administration platform requirements continued to enable the trustee to discharge its responsibilities, through the service levels that are considered appropriate for members and employers. In addition, the committee members attended a Liverpool 'Open House' event which focused on how USS, as an employer, was adapting to the changing economic and employment environment for the benefit of employees and members.

### Membership

#### Appointed by the Trustee Board

Ms Marian D'Auria (Chair), Mr Bill Galvin (Group CEO), Ms Ellen Kelleher, Ms Helen McEwan (CPO), Mr Will Spinks and Dr David Watts.



# Remuneration Committee report

## Introduction

The Remuneration Committee ensures that remuneration arrangements for USS (USSL, and its subsidiary, USSIM) promote the recruitment, motivation and retention of high calibre employees, within a competitive market, to support the delivery of the trustee's long-term strategic objectives for the scheme and support the purpose, values and culture of USS.

On behalf of the Trustee Board, the committee considers and approves both aggregate and individual senior employee remuneration including long-term incentive plans for USS staff. It is also responsible for reviewing and making recommendations to the Trustee Board on non-executive director remuneration within an overall cap set by the JNC, as well as recommendations for the remuneration of USSIM directors and other committee roles in USS governance framework.

The committee comprises four members who are serving non-executive UUK nominated, UCU nominated or independent directors of the Trustee Board. Will Spinks, a UUK-nominated director, is chair of the committee. Aon is the appointed independent remuneration consultant for the committee and provides compensation benchmarking for USSIM<sup>1</sup>. Willis Towers Watson provide compensation benchmarking for pension roles and support functions. In addition, the chair of the USSIM Board attends each meeting to provide a direct link from the remuneration discussions and proposals from the USSIM Board (and its own remuneration committee) for approval by the committee. Similarly, the chair of the Remuneration Committee attends USSIM remuneration committee meetings to maintain communication between the committees.

## Role

The committee provides review of and robust challenge to remuneration arrangements for staff (including senior management), in order to provide assurance to the Trustee Board that compensation complies with agreed remuneration principles, industry standards and good practice.

The committee uses external advice, comparing employee roles to peer organisations to satisfy itself that total remuneration costs, including long-term incentive plans (applicable to a limited employee population), and aggregate bonus awards are aligned to industry trends and balance stakeholder and member interests. The principles that underpin our approach to remuneration are as follows:

- The foundation of our remuneration approach is to promote alignment to our scheme's interests.
- We focus on long term success, applying appropriate metrics and overlaying judgement.
- Remuneration outcomes for individuals reflect the importance we attach to adherence to our values, behavioural standards and organisational risk management culture.
- Using external advice, we compare our employee roles to peer organisations with the aim of ensuring our approach is fair, for individuals and in aggregate.
- We differentiate pay outcomes based on team and individual performance.
- We endeavour to ensure a fair and transparent approach to remuneration.

Incentives for all employees are based on performance and vary depending on which part of the organisation an employee works in. Whilst any incentive awards are discretionary, where awarded, some aspects of USSIM compensation are directly linked to long term investment performance, whilst other aspects are based on a more qualitative assessment of an individual's performance (as they are for USS employees).

The committee challenges the executive and the proposals made by the Board of its investment management subsidiary USSIM, to: (i) demonstrate a clear and robust link between reward and performance, seeking assurance that a rigorous process of performance appraisal is in place, with appropriate controls to manage behaviour and manager discretion; (ii) comply with the requirements of regulatory and governance bodies; and (iii) satisfy the expectations of stakeholders and remain consistent with the

expectations of the employee population. The USSIM Remuneration Committee has the same approach to governance and oversight as the committee.

## Key activity in 2022/23

A significant part of the committee's work during the 2022/23 year was its oversight and challenge of the USSIM Board's proposed changes to the design of performance related remuneration for USSIM employees (including bonus deferral and Long-Term Incentive Plans (LTIPs)) together, referred to as the USSIM Remuneration Framework. This included several formal and informal meetings and taking external advice to review the steps undertaken as part of the review process including, the initial planning and design phase, development of the underlying objectives for the review, and reviewing USSIM's market compensation benchmarking position strategy.

Following initial development of the revised arrangements, the committee, in conjunction with the USSIM Remuneration Committee and Aon, held a joint scoping session to discuss the aims for the USSIM Remuneration Framework. A key part of the project was consideration of how the Investment Committee's annual assessment of USSIM's investment performance (using the Investment Balance Scorecard – See pages 24 to 25 of the Report and Accounts for full details of this framework – would feed into remuneration outturns for USSIM staff and enhance the alignment of investment staff incentivisation with the trustee's and member long-term objectives. As the USSIM Board developed the USSIM Remuneration Framework the committee provided its challenge on specific aspects of the review so that each aspect of the proposals had been appropriately considered from different viewpoints, including: (i) value for members; (ii) adherence with key regulatory requirements; (iii) alignment with relevant market practice; and (iv) associated risks from an operational and financial perspective. Following analysis and consideration of the advice from Aon on the proposals the committee approved the USSIM Remuneration Framework on the basis that the changes aligned with

## Note

<sup>1</sup> The executive undertook a formal tender process for the trustee's Remuneration Advisory Services which concluded in July 2023. Aon was retained as remuneration adviser at the current time and at least for the next year.

## Remuneration Committee report

Continued

the trustee's remuneration principles by appropriately balancing the promotion of the long-term success of USSIM with the best interests of the members of the scheme.

Following consideration of the USSIM Remuneration Framework, the committee reviewed and approved changes to the structure of USS LTIPs (renamed the Group Deferred Bonus) for senior USS staff to align these benefits (such as the length of deferral) to the approach taken in the USSIM Remuneration Framework where relevant.

The scheme's remuneration report provides an overview of the revised USSIM Remuneration Framework and changes to the Group compensation approach and can be found on pages 51 to 54 of the Report and Accounts.

The committee reviewed (as it does each year) the recommendations made by the USSIM Board and the USS executive in relation to remuneration proposals (salaries and incentive awards) for staff across the London and Liverpool offices. In reviewing the remuneration proposals for 2022/23 under the revised framework for USSIM employees as noted above, the committee challenged the executive to ensure that the proposals were appropriately balanced whilst taking into account the agreed set of remuneration principles. Considering these factors in the executive's recommendations, how risk and compliance matters have been taken into account, and the advice and benchmarking information provided by the committee's external adviser, Aon, the committee approved the remuneration proposals for 2022/23.

Outside of its key activity to review and approve remuneration proposals under the revised remuneration framework, in response to the cost-of-living crisis in the UK the committee oversaw a review by the executive of early career base salaries and the implementation of targeted remuneration interventions to lower paid employees as a result. In addition, a non-consolidated one-off payment was made to lower paid employees. The committee also undertook a review to ensure that all salary levels meet the real living wage and oversaw the executive's approach to embed the Real Living Wage Foundation's principles within the USS supply chain.

The committee reviewed USSIM director, committee members and USSL non-executive director remuneration within the fee cap approved by the JNC taking into consideration: (i) the prevailing rate of high inflation experienced in September 2022; (ii) the time commitments required of the various roles as assessed by the Governance and Nomination Committee; and (iii) available benchmarking data. The committee made recommendations to the Trustee Board in accordance with the remuneration framework and overall director fees cap agreed with the JNC. The Committee also recommended that the Trustee Board approve the JNC's request that the fees for undertaking the JNC role be increased for the year, pending a further review by the JNC of the fee structure in 2023.

The committee also oversaw the executive's response to several key regulatory developments and good market practice, including: (i) the implementation of clawback provisions; (ii) a review of the scheme's remuneration practices against the good practice guidelines issued by the Financial Conduct Authority; and (iii) approval of a revised application of leaver provisions with respect to "retirement" within the scheme's LTIP and Bonus plans.

During the financial year, the committee completed an effectiveness review, facilitated by the USS Governance team, and including advice from Aon on good practice. As a result of the review, the committee made a number of changes to its terms of reference to align them with latest good practice, as well as identifying a number of areas that the committee wished to focus on in the coming year. Amongst other things, this included a request to the executive to enhance the data and analysis of USS staff remuneration according to different EDI characteristics. This feedback was reflected in the data provided to the committee when it came to consider staff remuneration proposals at its meeting in March 2023 and will continue to be a focus going forward.

### Membership

#### Appointed by the Trustee Board:

Mr Will Spinks (Chair), Mr Andrew Brown, Mr Gary Dixon, and Dr Alain Kerneis.



# Advisory Committee report

## Introduction

The Advisory Committee is established under the Scheme Rules, and it exercises the dispute resolution function on behalf of the trustee under section 50 of the Pensions Act 1995. Its role also extends to advising the trustee company on matters on which it requires advice, including those relating to:

- The exercise by the trustee company of its powers and discretions (other than those relating to investment matters);
- Difficulties in the interpretation or application of the Scheme Rules; and
- Complaints received from members/ former members or participating employers.

The committee met four times during the year.

## Key activity in 2022/23

During the period 1 April 2022 to 31 March 2023, the committee considered eight complaints received under stage 2 of the internal dispute resolution (IDR) procedure from scheme members (or their representatives) or their beneficiaries. The complaints covered various topics including retirement quotation errors, ill health full commutation, backdating of pension benefits, pension contributions during a period of absence and eligible dependant's pension. Distress and inconvenience payments were awarded in three of the cases considered, although the committee did not find grounds to uphold any of the cases.

The committee also oversees cases referred to The Pensions Ombudsman (TPO) and received regular updates on the progress and outcome of all applicable cases during the year. There has been one TPO case upheld, one case provisionally upheld and three cases provisionally not upheld. In addition, the committee received regular updates on non-USS TPO cases and industry developments.

One of the functions of the committee is to oversee the implementation of USS's dispute resolution policies and procedures. The committee received a report from the trustee's executive team providing an overview of the complaints received and determined by the trustee in the period 1 April 2021 to 31 March 2022. This included complaints received informally, as well as those received under stage 1 and stage 2 of the IDR procedure, and complaints referred to TPO. The number of formal and informal complaints received during the year increased from the level in the previous year with 164 informal complaints (2020/21: 96) and 62 formal complaints (2020/21: 43), having dealt with a total of 182,923 (2020/21: 166,315) member cases during this period.

The committee reviewed the revised USS Augmentation Policy prior to approval of the revised policy by the trustee. Under this policy, the committee provides the trustee company with any advice it may require in relation to the use of its augmentation power under the scheme rules, as well as a recommendation in respect of any proposed uses of the augmentation power. During the year, the committee considered a proposal to use the augmentation power and its recommendation to the trustee company was that the proposal was consistent with the USS Augmentation Policy and should therefore be granted.

The committee also oversaw 29 applications for full commutation during the year.

During the year, the committee received training on the new obligations on trustees to direct members and beneficiaries to obtain appropriate pensions guidance when accessing or transferring DC benefits.

## Membership

### UUK appointees:

Mr Cliff Vidgeon (Chair with effect from 1 October 2022), Dr Tony Bruce and Mr Denis Linfoot.

### UCU appointees during the year:

Dr Chris Grocott (Chair until 30 September 2022), Mr Sunil Banga and Professor Dennis Leech (appointed to the committee in place of Dr Renee Prendergast, with effect from 15 June 2022).

Mr Will Spinks (a UUK appointed director) and Mr Andrew Brown (a UCU appointed director) acted as the UUK and UCU trustee director representatives attending Advisory Committee meetings during the year. Their presence is required when the committee is considering cases raised under the IDR procedure.

# Joint Negotiating Committee

## Introduction

The Joint Negotiating Committee (JNC) was established under the Rules of the Scheme. Its constitution, powers and responsibilities are set out in the Scheme Rules. The JNC's main purpose is to initiate amendments to the Scheme Rules and to approve rule changes proposed by the trustee or the Advisory Committee. The JNC also plays a key role in the context of scheme funding. If, following an actuarial valuation of the Scheme, the trustee determines that the cost sharing provisions under the Scheme Rules are triggered, the JNC also has the power to decide how the cost of the contribution increases or decreases should be shared between employers and members and/or whether there should be a change to future Scheme benefits. There are also certain other decisions under the Scheme Rules that require the JNC's approval such as increases in fees for directors and certain other committee members, and whether payment of investment management costs from the fund and the cap on such costs remains appropriate.

The JNC comprises five representatives of UUK and five representatives of the UCU, together with an independent committee member who acts as Chair. In recognition of the time commitment involved in discharging their duties as members of the JNC, eligible UCU and UUK members are able to claim a fee which is payable to them or their employer institutions.

Mr Akbar Khan was appointed as the permanent Chair of the JNC with effect from 1 January 2023. He took over from Ms Judith Fish of Dalriada Trustees Limited who had been the interim Chair of the JNC since 1 July 2020.

The JNC formally met nine times during the year, it also met informally on a number of occasions to monitor progress on the valuation timeline.

## Key activity in 2022/23

During the financial year, the JNC:

- Prepared for the 2023 valuation to enable it to be in the best position to take decisions quickly and implement benefit and/or contribution changes from April 2024 should the funding position allow. This included establishing a subgroup which has been looking at the specifics of the proposed benefit design and required implementation steps (including the member consultation process).
- Established a subgroup to look at the long-term stability of the scheme and reduce the need for short term changes to benefits and/or contributions from valuation to valuation.
- Had representatives from the JNC join the Valuation Technical Forum. This enabled early and informal discussion between the USS Trustee, UCU and UUK in relation to some of the technical aspects of the 2023 valuation. In particular:
  - The development of the scheme's funding position;
  - The key assumptions that may have an impact on the scheme's funding position and how changes in individual assumptions can impact both the overall funding position and the pricing of benefits; and
  - How the range of risks considered support both the scheme in general and the valuation methodology.
- Reviewed and consented to two deeds of amendment to the scheme rules. These covered:
  - Eighteenth Deed – this corrected an anomaly where ex-spouse members had not able to transfer their benefits in the year before normal retirement date whilst other categories of members were able to.
  - Nineteenth Deed – made amendments to the current and historic Scheme Rules to regularise some historic overpayments that have been made to members/beneficiaries where a pension amount had been paid in full in the month of death or termination of pension.

- Progressed the review of Low-Cost Benefit Options as an alternative to the main Scheme, primarily for eligible members who found the main scheme contribution rate prohibitive to joining. The working group has not reached any conclusions at this stage.
- Worked with USS to issue two joint letters from USS, UUK and UCU in relation to proposed changes on the Pension Regulator's funding code for DB Pension Schemes.
- Received regular updates regarding the funding status of the Scheme.
- Received regular regulatory updates.

In addition, during the year the JNC received briefings from the executive and the Scheme Actuary, Aaron Punwani of LCP, the trustee's actuarial adviser on the post valuation experience and the 31 March 2022 position.

Each JNC meeting was attended by representatives from the Trustee Board. The Trustee Directors attended as observers as part of the drive to become more visible to the JNC and in line with the recommendation from the Joint Expert Panel.

Further details on the JNC along with summary reports from each of its meetings can be found online.

[uss.co.uk/about-us/how-were-governed/joint-negotiating-committee](https://uss.co.uk/about-us/how-were-governed/joint-negotiating-committee)

## Membership during the year

### Independent committee member:

Mr Akbar Khan (from 1 January 2023),  
Ms Judith Fish (until 31 December 2022).

### UUK appointees:

Dr Carol Costello, Mr Stuart McLean, Mrs Margaret Monckton, Mr Anthony Odgers, Mr Mike Shore-Nye.

### UCU appointees:

Mr Paul Bridge (until 8 December 2022),  
Dr Deepa Govindarajan Driver, Dr Jackie Grant (from 10 June 2022), Dr Marion Hersh (until 9 June 2022), Ms Jenny Lennox (from 9 December 2022), Dr Sam Marsh (until 9 June 2022), Dr Justine Mercer, and Mr Mark Taylor-Batty (from 10 June 2022).