



*For members, for the future.*

# Universities Superannuation Scheme Limited

Group Report and Accounts  
for the year ended  
31 March 2022

Company number: 01167127

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# Company information

<b>Company registration number</b>	01167127
<b>Registered office</b>	Royal Liver Building Liverpool L3 1PY
<b>Company secretary</b>	Ms N J K Mayo
<b>Directors</b>	Dame K M Barker (Chair) Mr A C Brown Dr K J Carter (Deputy Chair and Senior Independent Director) (resigned 31 August 2021) Professor Sir P J Curran Mrs M D'Auria (appointed 1 September 2021) Mr G Dixon Ms E Kelleher (appointed 1 November 2021) Dr A Kerneis (appointed 24 January 2022) Mr I R Maybury (resigned 15 December 2021) Professor Sir V A Muscatelli Mr R C Picot (Deputy Chair and Senior Director) Mr M R Poisson (resigned 31 October 2021) Ms H M Shay Mr S W Spinks Dr D C H Watts
<b>Bankers</b>	Barclays Bank PLC 48B & 50 Lord Street Liverpool L2 1TD  National Westminster Bank PLC 2-8 Church Street Liverpool L1 3BG
<b>Independent auditor</b>	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY
<b>Website</b>	uss.co.uk

COMPANY INFORMATION

STRATEGIC REPORT

DIRECTORS' REPORT

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

# Strategic report for the year ended 31 March 2022

The directors submit their strategic report, directors' report and the consolidated financial statements for the year ended 31 March 2022.

## Principal activity

Universities Superannuation Scheme Limited ('USSL' or the 'company') is a company incorporated in the United Kingdom on 18 April 1974, which is limited by guarantee and does not have share capital and is the corporate trustee (the 'trustee') of the Universities Superannuation Scheme ('USS' or the 'scheme'). The scheme is the principal pension scheme for academic and comparable staff in universities and other higher education institutions in the United Kingdom; it is a hybrid scheme providing both defined benefit ('DB') and defined contribution ('DC') pension benefits to its members.

USS Investment Management Limited ('USSIM') is a wholly-owned subsidiary of the company. Its principal activity is to provide investment management and advisory services to the company. Together these companies are referred to as 'the group'.

The group recovers its costs in accordance with the Scheme Rules generating neither profit nor loss. Accordingly, the group's business model focuses on maximising value for money for the scheme's members and the employers in the scheme.

## Review of the business

The board is responsible for ensuring the scheme is fit for purpose, that it offers members good support and service and delivers value for money and the pensions promises made.

USS continues to be among the few UK private schemes offering defined benefits still open to new members and future accrual. Our membership accounts for around a fifth of the people in the UK paying into a private DB pension.

The work of the board has been heavily focused on delivering the outcome of the 31 March 2020 valuation. The 2020 valuation, completed in September 2021, revealed higher costs of pensions and the Joint Negotiating Committee (JNC) recommended revised future service benefits for members in response.

The contribution rates resulting from the valuation were subsequently revised in March 2022 following employers' consultation with members and employees on the benefit changes. These changes, coupled with additional covenant support measures from the employers, aim to provide a more affordable and more sustainable outcome for the scheme.

While benefits earned to that date remain unchanged, changes to future benefits include reducing both the salary threshold up to which a guaranteed pension income can be accrued and the rate at which the pension promise builds up, while increasing the amounts paid into individual Investment Builder defined contribution (DC) accounts for members with salary over the new salary threshold.

Further details of the 2020 valuation and deficit recovery arrangements can be found in the section below entitled 'Deficit recovery agreement' and details of its impact on the group balance sheet as an employer within the scheme can be found in note 17.

As a multi-employer scheme offering DC benefits, USS is required to be an authorised Master Trust. USS is required to evidence that the authorisation criteria continues to be met and this is done through providing The Pensions Regulator (TPR) with copies of various documents such as the scheme report and accounts, which includes the Chair's defined contribution statement and supervisory return as well as notifying it of any significant or triggering events as and when they occur.

During the year, as COVID-19 vaccines' impacts were seen, lockdowns ended, economies re-opened and markets recovered from the pandemic. However, volatility put pressure on global supply chains, demand outpaced supply and inflation steadily started to rise. And then, in February this year, the invasion of Ukraine compounded the challenges, not least in terms of energy and food supplies, already faced following the pandemic.

Against this challenging backdrop USSIM has continued to deliver strong investment performance as laid out later in this report. In addition, and in consultation with participating employers, USSIM has worked with USSL to set an investment strategy that looks to strike the right balance between delivering growth and mitigating risk. The valuation changes have enabled USS to maintain relatively more return-seeking growth assets, such as equities, for longer than previously planned. This is expected to deliver the returns needed to pay members' promised pensions long into the future.

During the year, the group took the next step towards achieving the ambition to be Net Zero for carbon generated by the scheme's investments by 2050 (if not before). Interim targets which have been established include tasking our in-house investment team in USSIM to work with the companies in its investment portfolio to cut emissions related to the scheme's investments by 25% by 2025 and by 50% by 2030 (relative to the 2019 baseline).

The focus on the risks associated with climate change reflects the scheme's fundamental purpose: to work with Higher Education employers to build a secure financial future for our members and their families.

## Principal risks and uncertainties

The board's approach to risk management within the group is set out in its risk management framework which defines the board's risk appetite, the types of risks the group is exposed to and the related risk governance arrangements. Our risk framework includes a dedicated group risk team and risk governance arrangements, policies and processes. The framework aims to ensure that risks are effectively identified, managed, monitored and reported across the business. Further information about the wider context of the USS risk management framework can be found in the Annual Report and Accounts for the scheme published on the website ([uss.co.uk](https://uss.co.uk)).

Risks that could impact on the delivery of business objectives, and the internal control systems that support them, are documented and assessed against risk appetite. Where a risk is found to be at a level greater than the acceptable risk appetite, appropriate remedial actions are developed, implemented and tracked to resolution. This strategic report analyses those risks relevant to the group's performance as a trustee company with an investment management subsidiary that generate neither a profit nor a loss.

There are a number of potential risks and uncertainties that could impact the group's long-term performance. The board assesses these risks and uncertainties and takes appropriate mitigating action where necessary. As noted above, the trustee is regulated by The Pensions Regulator and is also authorised and supervised under the Master Trust regime by The Pensions Regulator. USSIM is regulated by the Financial Conduct Authority (FCA). The board, together with a dedicated team, regularly assesses regulatory developments and ensures compliance with those applicable.

The principal risks, potential impacts and mitigations in place for the group are described below. These risks broadly fall into two categories, firstly those which are direct risks of the group and secondly those which are risks of the scheme and are either managed by the group or could indirectly impact the group's strategy and ability to successfully deliver its obligations.

### Principal risks and uncertainties which are scheme related and directly impact the group

#### Service delivery risk

There is a risk that the pension service delivery fails to meet the requisite quality or timeliness standards which may lead to poor or incorrect outcomes for our members. There are robust operational controls and defined service standards and service level metrics in place together with a comprehensive workload forecasting tool, as well as quality control checking and regular training of all staff.

### Regulatory and legal risk

There is a risk that the group is adversely impacted by changes to policy, legislation or regulation or that the group fails to apply effective oversight of its compliance with such policy, legislation or regulation. This could lead to additional cost and organisational complexity or fines, compensation costs and censure, as well as damage to stakeholder relationships and the scheme's reputation.

The group engages dedicated compliance and legal professionals to assist the board in assessing existing and emerging regulatory initiatives, monitoring changes to, and compliance with, the law and regulations and providing ongoing compliance training. Investment in our risk and control framework reflects the level of focus expected from a pension scheme of our scale and complexity.

The key performance indicator for the year is the completion of the quarterly review process against the group's legal and regulatory obligations ensuring that no significant regulatory issues arise, as well as satisfactory completion of all education and awareness activity by relevant staff.

We have reported one compliance issue to The Pensions Regulator (TPR) within the financial year. This was as a result of the 2020 Valuation being reported later than the 30 June 2021 deadline. USSL continued to have ongoing dialogue with TPR in respect of the reasons for this delay and the challenges faced by the scheme to meet this deadline. The 2020 valuation was submitted to TPR on 28 September 2021.

The remediation programme for previously reported issues is at an advanced stage and we expect this to be completed by the end of 2022.

Notwithstanding the above the control environment has remained robust in the year and the business has continued to strengthen controls in an appropriate and diligent manner.

Under the Senior Managers and Certification Regime, the Compliance team continues to maintain the Management Responsibilities Map and the Business Control team facilitates the Reasonable Steps Framework. Compliance facilitates the annual certification and mandatory training of Certified Persons and Senior Managers and update the FCA Register with the relevant details.

### Resilience, technology and change risk

There is a risk that the group's ability to provide important services is compromised as a result of disruption to IT or facilities infrastructure, inadequacy of technology arrangements or changes to business capabilities and processes not being delivered reliably. The impact of this risk could lead to a deterioration of capacity and controls or deterioration of the value of the scheme's assets.

To mitigate this risk resilient business continuity management, including IT disaster recovery, and governance is in place. A team of experienced business change professionals is employed by the group, augmented by further external resources as necessary. Business change governance is closely monitored and controlled with oversight from the group executive committee.

The key performance indicator for the year is to ensure that greater than 80% of milestones for change projects are completed in line with deadlines laid out in agreed project plans. 93% (2021: 82%) of milestones were completed in line with deadlines laid out in agreed project plans during the year.

### People risk

There is a risk that the group fails to attract and retain sufficient people with the necessary skill sets in the right roles, or to develop an appropriate business culture in order that the organisation operates in a manner that aligns with its core values of Integrity, Collaboration and Excellence. This may lead to an inability to provide the necessary capacity and skills to achieve successful delivery of the scheme's strategic priorities, leading to poor investment performance, increased incidence of operational error and failure, and ultimately result in reputational damage with key stakeholders.

To mitigate the risk, the group has consistently sought to build and maintain an experienced and talented team. This is supported by clear objective setting linked to the strategic priorities, regular performance and remuneration reviews with reference to appropriate benchmarks, training and development programmes, and employee satisfaction reviews.

As a responsible employer, employee health and well-being is a priority. The group also has a Diversity and Inclusion (D&I) programme to address a range of challenges including improving diversity at senior levels.

The key performance indicator for the year is a measure of employee engagement and training satisfaction levels. The aim of the annual independent employee engagement survey is to measure the levels of alignment with our goals, commitment and motivation. The most recent employee engagement score for the group was 7.6 out of 10 (2021: 7.9 out of 10), which is at the industry benchmark.

### Information security and privacy risk

The group is exposed to data risk and the potential failure to protect the confidentiality, integrity or availability of critical data (including personal and commercially sensitive data) held by the group or its suppliers, or that data is accessed without appropriate authorisation.

The impact of this risk may lead to breaches of applicable data protection legislation, potential for regulatory censure or fine, damage to stakeholders and to stakeholder relationships, together with potential monetary loss and remediation costs.

To mitigate this risk the group has implemented certain strategies which include a dedicated information security team, the implementation of appropriate information security and data protection framework and processes, the implementation of appropriate cyber risk controls, the delivery of regular education and awareness training to employees and the ongoing maintenance of the international information security accreditation, ISO 27001.

### Proposition and stakeholder risk

There is a risk that institutions, members or their representative bodies no longer view USS as their preferred service provider for retirement benefits. This may lead to members choosing not to participate in USS, missing out on the scheme's benefits, or employers, or their representative bodies, no longer viewing USS as the right provider to build a secure financial future for their employees and their families.

To mitigate this risk the group holds regular meetings with employers, member representatives and employer representatives, including both Universities UK (UUK) and University and College Union (UCU). This engagement is ongoing but is likely to be more intensive during actuarial valuations.

The group works closely with the scheme's stakeholders, including the JNC, who are responsible for agreeing member benefits and meeting their needs as well as engaging on low-cost options and conditional indexation to ensure the continued suitability of USS benefits for the sector. The covenant has also been strengthened through the implementation of a minimum 20-year rolling moratorium on institutions leaving the scheme and *pari passu* rules on future institutional secured debt issuance.

In addition, the group performs quarterly member and employer surveys, publishes regular updates, articles, videos for members and institutions in relation to developments impacting them and the scheme on its website [uss.co.uk](http://uss.co.uk), and offers individual employer and member webinars. The new My USS digital offering provides better access for members to information about their pension benefits.

### Supplier performance failure risk

The group is exposed to the risk that a supplier fails to perform a business-critical contracted service and/or a failure to obtain value for money for the scheme.

To mitigate this risk the group has a dedicated procurement function with responsibility (together with the Group General Counsel) for controlling supplier onboarding and ongoing monitoring of key suppliers' performance.

The function provides support in taking appropriate remedial actions and ultimately replacement of non-performing suppliers and pursuit of USS entitlements should value for money not be received. Relationship management structures are in place with key suppliers, supported by service-level agreements, performance reporting and incident escalation and resolution protocols. The key performance indicator for the year is the completion of key supplier healthchecks on a timely basis. There were no significant issues identified during the year.

### Principal risks and uncertainties which are scheme related and indirectly impact the group

The group is responsible for investment management but neither USSIM nor USSL are the beneficial owner of the underlying assets, which USSL holds as trustee for the scheme. As such, the risks set out below would indirectly impact the group in respect of the quality of the service it provides, but do not impact the group's own financial statements directly.

### Funding risk

The risk that USS holds inadequate assets to cover accrued pension benefits. This may lead to the requirement to substantially increase contributions, amend investment strategy and/or reduce future benefits.

To mitigate this risk, the group has implemented a comprehensive Financial Management Plan (FMP) as part of each actuarial valuation, incorporating the acknowledged strength of the employers' covenant, the appropriate contribution rate and investment strategy, and has a dedicated funding strategy and actuarial team focused on funding of the Retirement Income Builder.

The group regularly monitors the funding level, employers' covenant strength, contribution adequacy and liability in the context of the FMP, and regularly analyses the sources of changes in both the liability and the deficit and of the impact of this on the required contribution rate.

Further details relating the funding of the scheme can be found in note 17, Deficit recovery liability.

### Investment performance risk

The investment portfolio managed by the group is exposed to investment performance risk, the risk that investment returns are below the required return over the medium to long term (5+ years), leading to the scheme funding ratio being below acceptable minimum levels for DB, or performance targets not being met for the DC portfolios.

To mitigate this risk the group has a documented, structured and effective investment process, run by experienced investment professionals, incorporating robust controls and diligent oversight. The DB investment portfolio is diversified across various investment types and risk factors. It is managed relative to a long-term benchmark designed to fulfil the goals of the FMP.

In addition, the risk will be further mitigated through the implementation of the new Scheme Investment Framework. This is a new approach to managing scheme investments to meet the broad range of objectives and risks faced by the trustee, in order to have the best chance of delivering good outcomes for the members and other stakeholders. An updated Balanced Scorecard for measuring USSIM performance and revised USSIM Investment Risk Appetite Statements and associated key risk indicators (KRI) will be adopted from 2022.

Over five years to end March 2022 the scheme significantly outperformed the Liability Proxy (by 4.70% per annum) and the Reference Portfolio (by 0.62% per annum) both net of costs.

Within the Investment Builder, the DC element of the scheme, investment options are diversified across investment types and we have an experienced dedicated team monitoring the performance of the DC portfolios and the related managers.

Further information with more detailed commentary on investment performance risks can be found in the Annual Report and Accounts for the scheme for the year ended 31 March 2022 and the Statement of Investment Principles that are both available on the website ([uss.co.uk](http://uss.co.uk)).

### Climate change risk

There is a risk of material financial impacts driven by climate change. The impact of this risk would be loss of value of assets from transition to a low-carbon economy or from actual or potential physical damage, especially where the scheme is a long-term holder of those assets.

To mitigate this risk USSIM has set targets to achieve Net Zero for carbon by 2050 with interim targets for 2025 and 2030, and climate risk has been integrated into Governance and Risk Management processes with oversight at the Trustee Board level. Climate risk has been integrated into the investment decision making process, and ongoing scenario analysis and modelling is performed to help identify and quantify the systemic impact of climate change on the economy and markets. USSIM has a dedicated in-house Responsible Investment (RI) team with specialist expertise to support investment teams and the trustee.

### Non-financial KPIs

A range of non-financial KPIs are measured throughout the year, including those in relation to member service, employer service and the metrics associated with staff employed in the business.

### Member service

Members' experiences of USS, of its systems and processes, and of its people are a crucial barometer of our success in managing the scheme. The group has continued to invest in its pensions administration and support function in response to the increasing complexity of the scheme and the regulatory environment.

Ensuring members feel financially more secure, supported and engaged is at the forefront of the delivery and development of our member services. We know that the difficult 2020 valuation process has created uncertainty for members and that its outcome and subsequent changes to future benefits have been unwelcome news, and this is understandably reflected in overall member satisfaction scores. 17% now report that their overall relationship with USS is 'good' or 'very good' (2021 31%). While we understand the challenging valuation backdrop, we take very seriously the trust and confidence of our members and will be working towards improving in this area.

Our Pension Operations team continued to deliver excellent performance relative to internal stretch targets, achieving 97% which is an increase of 3% from last year, and 100% within statutory timescales.

We've produced a range of tailored content to help our members get to grips with scheme change, including videos and webinars designed to give members an overview of all of the changes, and one to provide a back to basics look at the Investment Builder. The webinars were attended by just over 14,000 members and resulted in an 89% improvement in understanding based on post-webinar survey results.

More than half of our active members (57%) are now registered for My USS, over two-thirds of pensioner members (70%) and an increasing number of deferred members (31%). Member insights and industry best practice have informed our roadmap of digital enhancements, to ensure we address the high expectations members hold for these services.

### Employer service

The group works closely with employers to deliver an efficient, timely and high-quality service to our members. The group seeks feedback from employers through regular contact with scheme administrators, through the engagement and relationship management teams and through more formal channels, such as the Institutions' Advisory Panel (IAP).

We continue to work with employers in response to the ongoing challenges brought about by COVID-19. This has allowed us to assess impacts on working arrangements, understand employers' challenges, and adapt our support model in order to maintain service levels. We have also engaged with employers throughout a very challenging valuation process and are grateful for their support and efforts in bringing this to a conclusion.

In the 2022 survey, 92% of employers rated their overall relationship with USS as 'good' or 'very good' (2021 survey: 88%), and 91% of employers rated the overall quality of support provided as 'good' or 'very good' (2021 survey: 87%).

# Strategic report for the year ended 31 March 2022

Continued

We are committed to providing employers with easy access to the support they require, helping them to discharge their administrative obligations in an accurate and timely manner. As part of our formal training programme, 12 virtual courses were delivered to 169 delegates, with 99% agreeing that the courses met their intended goals and would be useful in their day-to-day work. In addition, during the year we introduced 23 new online training videos which received more than 5,300 views. Employer awareness of available support is high, with 85% of employers stating they are clear on the nature and content of the training offered by USS.

## Value for money and effective cost control

The group must demonstrate value for money including transparency and accountability when engaging with suppliers since its costs are ultimately recharged to the scheme.

This is achieved by working to ensure that expenditure and sourcing decisions are approved before suppliers are engaged, and that cost performance against budgets is monitored on a monthly basis, and against external benchmarks annually. The level of expenses incurred in the year is in accordance with the business plan and budget approved by the board at the start of the year and is deemed to be appropriate relative to the scale and complexity of the scheme.

This year we have published a document [uss.co.uk/-/media/Project/USSMainSite/Files/About us/Report and Accounts/Value for money.pdf](https://uss.co.uk/-/media/Project/USSMainSite/Files/About%20us/Report%20and%20Accounts/Value%20for%20money.pdf) specifically to help stakeholders gain a better insight into how we focus on delivering value for money.

The operating costs for the year amounted to £190.7m (2021:£144.3m). A summary of total operating costs for the year analysed by nature of expense is as follows:

	2021/22 Total £'000	2020/21 Total £'000
<b>People related expense</b>		
Employee incentives (inclusive of social security)	44,458	20,661
Wages and salaries (inclusive of social security, redundancy and pension costs)	53,264	48,456
Contractor costs	244	921
Pension deficit funding	31,556	3,682
Other personnel costs	3,749	3,189
<b>People related expense</b>	<b>133,271</b>	<b>76,909</b>
Premises costs	4,090	4,546
Investment costs	20,016	25,916
Other costs	33,344	36,938
<b>Total operating costs</b>	<b>190,721</b>	<b>144,309</b>

Total operating costs have increased by £46.4m (2021: decrease of £14.6m) or 32% year-on-year.

The most significant driver (£27.9m) of the increase was the £31.6m (2021: £3.7m) profit and loss impact of re-estimating the pension deficit recovery liability in accordance with the deficit recovery plan as agreed as part of the 2020 valuation (below).

The increase was also driven by charges relating to employee incentives (up by £23.8m). Stronger investment performance led to higher (£3.3m) cash payments in the year relating to vested long-term incentive plans.

However, the majority of the increased charge related to higher estimates for future pay-outs as a result of the incorporation of the current year outperformance in the provision calculation, as described below.

Increased headcount during the year (described below and detailed in notes 5 and 19) led to higher wages and salaries costs (£4.8m). These increases were offset by reduced investment costs (£5.9m) as a result of the group's in-sourcing strategy and cost efficiency initiative.

## Long-term incentive plans (LTIP)

For the 2021 compensation year investment performance was assessed using an investment balanced scorecard approach. In previous years, investment performance was assessed in terms of outperformance relative to the Reference Portfolio over a rolling five-year period.

The investment balanced scorecard was introduced to ensure the assessment of performance was better aligned to stakeholders' interests and therefore to our remuneration principles. For the investment performance year ended 31 December 2021 the investment performance was assessed as between Good and Very Good.

The group balance sheet contains a £20.7m provision (2021: £15.1m) which represents the present value of an estimate of future pay-outs and related costs of the LTIP. The increase in provision during the year reflects the assessment of the balanced scorecard. For the current year this includes 7 metrics, one of which is performance relative to the Reference Portfolio for the investment performance year ended 31 December 2021 which improved in the year (0.43% annualised over five years compared to 0.08% for the year ended 31 December 2020). This gave rise to the majority of the £16.9m charge in the current year compared to a credit to the profit and loss account of £2.1m in the prior year due to market impacts of the pandemic on the provision.

This provision represents a critical accounting judgement and a source of estimation uncertainty. Further details are shown in note 13 to the financial statements, and in the remuneration report in the Annual Report and Accounts.



## Strategic report for the year ended 31 March 2022

Continued

### Deficit recovery agreement

The group's balance sheet contains a £47.3m (2021: £16.0m) liability to reflect the discounted cash flow value of the group's share of the deficit recovery contributions as defined in the 31 March 2020 actuarial valuation and related deficit recovery agreement, which represents the contractual obligation in respect of the group's current and past employee members. The increase was driven by the deficit contribution rates and increased duration set out in the 2020 valuation and is also impacted by increased headcount projections. Further details are shown in note 17 to the financial statements.

### Employee numbers

The employees of the group are critical to the success of the scheme overall. To deliver value for members and institutions, the trustee board and its executive management must ensure that the group has the right mix of skills and experience. The group continued to invest in its people during the year which saw average headcount increase from 518 to 554 (2021: 488 to 518) largely as a result of continued development in the in-house investment management team and in-sourcing of the member service desk.

### Companies Act 2006, Section 172 statement

Section 172 of the Companies Act 2006 (CA2006) sets out the duty of the directors to promote the success of the company. Details of how directors discharge this duty are presented below. We have also adopted the 'Wates Principles' to provide a framework for disclosure of the group's corporate governance arrangements and more detail is provided in our Governance supplement on our website [uss.co.uk](http://uss.co.uk).

### Long-term decision making

The group has a long-term focus and purpose and is a responsible long-term investor. As part of its decision making the board considers the likely consequences of any decision in the long-term for all significant matters discussed. The board regularly discusses strategic issues and considers the long term impact on the group and the scheme it serves.

### Business relationships

The group recognises the important role it plays in supporting the continued success of the Higher Education (HE) sector in the United Kingdom and the critical relationships it has with its members and beneficiaries. The group works with more than 300 employers and has more than 500,000 (2021: 476,000) members and so has a significant impact on the wider community by working to help build a secure financial future for our members and their families and support them through their working life and into retirement.

The group works closely with employers to deliver an efficient, timely and high-quality service to our members.

The group is committed to continuously improving member experience, including delivering communications directly to its members rather than communicating through their employer and a shift to more online services. Members' needs are also represented by the University and College Union (UCU) with whom the group engages with regularly through the JNC (for more information on the activities of the JNC see the Governance Report provided on the USS website).

The directors provide regular information to employers and members with regards to the performance of the scheme investments, through various

communication channels as well as conducting annual employer and member engagement surveys.

In addition, employers' needs are represented by Universities UK (UUK) with whom we engage with regularly, particularly on matters relating to the actuarial valuations.

The group manages business relationships with suppliers through a robust supplier onboarding process followed by ongoing monitoring of critical and key suppliers through regular health-checks, supplier management activity and financial oversight.

### Other stakeholders

The group has also identified employees and regulators as key stakeholders and additionally recognises its responsibilities in relation to society more broadly in relation to its investments, including material environmental, ethical, social and corporate governance impacts. The trustee's commitment to responsible investment is captured in its Statement of Investment Principles, Investment Beliefs, Responsible Investment and Stewardship Code.

The group has had regular engagement with TPR in particular in relation to the 2020 valuation and also as part of its ongoing supervision of the scheme.

Further information on employee engagement is detailed in the Directors' report.

# Strategic report for the year ended 31 March 2022

Continued

## Streamlined energy and carbon report (SECR)

The SECR requirement disclosures below show the impact of the group's operations on the environment and the initiatives undertaken to improve that impact.

		Company 2022	Group 2022	Company 2021	Group 2021
<b>1. UK energy usage</b>					
Electricity <sup>1</sup>	MWh	547	828	515	799
<b>2. Greenhouse gas emissions</b>					
Electricity <sup>1</sup>	tCO2e	116	176	132	205
Fuel <sup>2</sup>	tCO2e	1	1	3	6
Mileage <sup>3</sup>	tCO2e	1	2	1	1
Total		118	179	136	212
<b>3. Emissions intensity ratio</b>					
	Average employees <sup>4</sup>	365	554	350	518
	tCO2e/FTE	0.3	0.3	0.4	0.4

1 The electricity data in megawatt hours (MWh) has been taken directly from invoices received from energy providers. The greenhouse gas emissions (GhG) of electricity have been calculated using a conversion factor of 0.21233 (2021: 0.2556) as published alongside the SECR guidance. The conversion factor is used to convert this to tonnes of carbon dioxide emissions (tCO2e)

2 The GhG of fuel has been calculated based on the total fuel spend incurred. The miles travelled are calculated using an average price of £1.53 per litre (2021: £1.25) and the miles travelled are calculated using an average of 25 miles per gallon. A conversion factor of 0.26549 (2021: 0.25775) as published alongside the SECR guidance is then used to calculate total GhG.

3 The GhG of mileage is calculated based on the total mileage claims reimbursed. An average reimbursement of 45p per mile is then used to calculate mileage travelled. A conversion factor of 0.26549 (2021: 0.26775) as published alongside the SECR guidance is then used to calculate total GhG.

4 This is the average monthly headcount during the year.

The implementation of a hybrid working framework has continued to impact energy usage during the current financial year and has also reduced our carbon footprint through reduced travel and reduced waste.

In recent changes to the offices a reuse, recycle and restore approach was taken to ensure any waste was kept to a minimum while meeting business improvement requirements.

Flexible working is contributing to lower reliance on, and consumption of paper for printing. As we continue to embed hybrid working, the company will review its energy usage and consider ways to reduce this further.

Further information on our approach to climate risks and their impact, in line with the Task Force on Climate-related Financial Disclosures (TCFD) regulations is available here: [uss.co.uk/-/media/Project/USSMainSite/files/How we invest/TCFD 2022.pdf](https://uss.co.uk/-/media/Project/USSMainSite/files/How we invest/TCFD 2022.pdf)

## Business conduct

The group takes seriously the need to maintain a reputation for high standards of business conduct and the need to act fairly between members. The rules, principles, practices and processes by which USS is governed are set out in the USS Governance Framework and the USS Group Code of Conduct provides statements of, and guidance for, behaviours and acceptable business conduct that apply to all USS staff. USS has been approved as a Master Trust, reflecting the high standards that are being met by the trustee in running the scheme on behalf of universities and in protecting members' benefits.

This report was approved by the board on 19 July 2022 and signed on its behalf.

By order of the board



**Nicola Mayo**  
Company Secretary

# Directors' report for the year ended 31 March 2022

## Directors

The directors who held office during the year or prior to the approval of these financial statements are set out on page 1.

During the year, the company made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

## Future developments

The actuarial valuation as at 31 March 2020 has now been finalised and benefit changes have been introduced from 1 April 2022 along with a new deficit recovery plan. Our hope is that conditions will improve over time, sufficient to allow more positive valuations in future. Our recent monitoring shows that for the first time in some years we could be on track to achieving a more sustainable outcome in line with what the JNC's changes sought to secure.

Following on from the valuation, we are working with UUK and UCU as they consider some important programmes of work over the next year. These include exploring lower cost options, considering different benefit structures (such as conditional indexation), and reviewing the scheme's governance arrangements with stakeholders. These are important initiatives to improve the resilience of the scheme and also support a wider range of the academic community we serve.

## Employees

The group is committed to the principles of equal opportunities and eliminating discrimination in every aspect of the work of the organisation.

Policies in place are such that, in respect of the employment of disabled persons, as defined by the Equalities Act 2010, the group strives to ensure that no individual or cohort is treated more or less favourably than others or will be disadvantaged by any conditions of employment or requirements that cannot be justified as necessary on operational grounds. That principle is enshrined in the group's recruitment and selection policies. The same principle is applied to the continued employment and training of persons who might become disabled while in the group's employment, and to the training, career development and promotion opportunities provided to disabled persons.

Arrangements are in place to provide employees with information on matters of concern to them which are likely to affect their interests. This is normally achieved by consultation with staff representatives and/or unions with the outcomes being communicated to all employees in the most appropriate manner.

The business plan and group objectives are an important part of the process of setting objectives for staff, so that a common awareness on the part of all employees of the financial and economic factors affecting the performance of the group can be achieved.

## Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting 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 financial statements
- prepare the financial statements on a 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 financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Going concern

The group's business activities, together with the principal risks and uncertainties are set out in the strategic report. As highlighted on page 2, the company is the trustee of the scheme and makes neither a profit nor a loss.

The group receives reimbursement for all of its expenditure from the scheme which has sufficient resources to continue supporting the activities of USSL and its subsidiary USSIM. There are no factors of which the directors are aware that would materially impact the ability of the group or company to continue as a going concern up to and including 19 July 2023 and accordingly the financial statements have been prepared on a going concern basis. Further details are provided in note 1c.

## Political donations

No political donations were made during the year (2021: none).

## Employee engagement

Attracting, retaining and rewarding the best talent helps us to deliver the quality of service, outstanding support, and value for money our stakeholders expect from us. The remuneration framework is designed to ensure the group has access to those with the right mix of skills and expertise to deliver its long-term priorities and value for money for members.

Against the backdrop of the changing landscape due to the COVID-19 pandemic, we continued to invest in our people, prioritising their health and safety while helping them navigate the changes to their working environment.

## Directors' report for the year ended 31 March 2022

Continued

The well-being and positive motivation of our employees is a top priority. We launched a hybrid working framework which looks to balance the delivery requirements of USS with the work/life balance needs of our employees. This initiative also feeds into our Diversity & Inclusion strategy by recognising that attraction and retention of employees requires an increasingly flexible employee value proposition.

As is discussed above in the Principal Risks, the group carries out an annual engagement survey to understand and act on the views of staff.

The annual engagement survey had a 69% (2021: 79%) participation rate producing an engagement score of 7.6 out of 10 (2021: 7.9 out of 10) which is at the industry benchmark.

### Provision of information to auditor

The directors confirm that:

- in so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members of the company or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 19 July 2022 and signed on its behalf.

By order of the board



**Nicola Mayo**  
Company Secretary

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# Independent auditor's report to the members of Universities Superannuation Scheme Limited

## Opinion

We have audited the financial statements of Universities Superannuation Scheme Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the group statement of income and retained earnings, the group and parent company balance sheet, the group and parent company cash flow statements and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 March 2022 and of the group's result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

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

## Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 12 months from approval of the financial statements, up to and including 19 July 2023, when the financial statements are authorised for issue.

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

## Other information

The other information comprises the information included in the group report and accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and accounts.

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 parent company financial statements 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.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Independent auditor's report to the members of Universities Superannuation Scheme Limited

## Continued

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In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and determined that the most significant are those relating to the reporting framework (FRS 102 and the Companies Act 2006).
- We understood how Universities Superannuation Scheme Limited is complying with those frameworks by making enquiries of management, including the Group General Counsel, Group Financial Controller, Chief Financial Officer, Head of Compliance, Head of Internal Audit and also the Non-Executive Directors including the Chair of the Audit Committee. We corroborated our understanding through our review of board minutes, papers provided to the Audit Committee and correspondence with regulatory bodies.
- We assessed the susceptibility of the parent company's financial statements to material misstatement, including how fraud might occur by meeting with directors and management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential influence on efforts made by directors and management. We considered the financial reporting risk arising from the potential for management override of controls to be a significant risk. Whilst we expect that this override risk is mitigated by the segregation of duties that exists within the parent company, we have performed specific procedures to gain assurance that the risk associated with recognition of revenue is adequately mitigated.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of senior management; and focused substantive testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ashley Coups*

**Ashley Coups**  
Senior Statutory Auditor  
for and on behalf of  
Ernst and Young LLP,  
Statutory Auditor,  
London  
19 July 2022

# Group statement of income and retained earnings for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	3	190,904	144,645
Operating expenses	19	(190,721)	(144,309)
<b>Operating profit</b>	<b>4</b>	<b>183</b>	<b>336</b>
Finance costs – unwinding of discount	13, 17	(183)	(336)
<b>Result on ordinary activities before and after taxation</b>		<b>–</b>	<b>–</b>

All activities relate to continuing operations in the current and previous financial year.

There are no items of other comprehensive income in the current or previous financial year.

The notes on pages 17 to 31 form part of these financial statements.

# Universities Superannuation Scheme Limited

## Balance sheets as at 31 March 2022

Company registration number: 01167127

	Note	Group		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
<b>Fixed assets</b>					
Intangible fixed assets	7	1,556	911	1,556	911
Tangible fixed assets	8	3,976	3,455	3,542	3,323
Investment in subsidiary undertakings	9	–	–	921	921
		<b>5,532</b>	<b>4,366</b>	<b>6,019</b>	<b>5,155</b>
<b>Current assets</b>					
Debtors due within one year	10	118,240	77,263	115,575	75,155
Cash at bank and in hand		669	251	1	4
		<b>118,909</b>	<b>77,514</b>	<b>115,576</b>	<b>75,159</b>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	11	(46,662)	(42,217)	(100,524)	(69,989)
<b>Net current assets</b>		<b>72,247</b>	<b>35,297</b>	<b>15,052</b>	<b>5,170</b>
<b>Total assets less current liabilities</b>		<b>77,779</b>	<b>39,663</b>	<b>21,071</b>	<b>10,325</b>
Creditors: amounts falling due after more than one year	12	(8,299)	(6,573)	(64)	(57)
Provision for liabilities	13	(22,121)	(17,135)	(3,338)	(3,501)
Deficit recovery liability	17	(47,359)	(15,955)	(17,669)	(6,767)
<b>Net assets and reserves</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The notes on pages 17 to 31 form part of these financial statements.

The company has taken advantage of the exemption allowed under s408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The company's result for the year was £nil (2020: £nil) as its costs are recharged in full to the scheme.

The financial statements were approved by the board of directors on 19 July 2022 and were signed on its behalf by:

**Dame Kate M Barker**  
Chair

**Mr Russell C Picot**  
Deputy Chair and Senior Director

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# Cash flow statements

## for the year ended 31 March 2022

	Note	Group		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
<b>Net cash (outflow)/ inflow from operating activities</b>	<b>14</b>	<b>3,300</b>	<b>(933)</b>	<b>2,464</b>	<b>2,895</b>
<b>Investing activities</b>					
Purchase of intangible fixed assets	7	(1,048)	(714)	(1,048)	(714)
Purchase of tangible fixed assets	8	(1,834)	(2,178)	(1,419)	(2,178)
<b>Net cash used in investing activities</b>		<b>(2,882)</b>	<b>(2,892)</b>	<b>(2,467)</b>	<b>(2,892)</b>
<b>Net (decrease) / increase in cash</b>		<b>418</b>	<b>(3,825)</b>	<b>(3)</b>	<b>3</b>
<b>Cash and cash equivalents at the start of the year</b>		<b>251</b>	<b>4,076</b>	<b>4</b>	<b>1</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>669</b>	<b>251</b>	<b>1</b>	<b>4</b>

The notes on pages 17 to 31 form part of these financial statements.

# Notes to the financial statements for the year ended 31 March 2022

## 1 Significant accounting policies and general information

### a) Basis of preparation

The company, which is incorporated in the United Kingdom and limited by guarantee and does not have 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 the scheme. The address of the registered office is given on page 2. The nature of the group's operations and principal activity are set out on page 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 ('FRS 102') issued by the Financial Reporting Council. The functional currency of the group is pounds sterling because that is the currency of the primary economic environment in which the group operates.

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and previous financial year.

### b) Basis of consolidation

The consolidated financial statements include the accounts of the company and its wholly owned subsidiary USS Investment Management Limited drawn up to 31 March. All intercompany balances and transactions have been eliminated on consolidation.

The company owns the share capital of a number of investment vehicles which aid the efficient administration of those scheme investments. Their results have not been consolidated into these financial statements because they are considered to be assets of the scheme. Details of these entities may be obtained by writing to the Company Secretary of Universities Superannuation Scheme Limited, Ms N Mayo, at Royal Liver Building, Liverpool, L3 1PY.

### c) Going concern

In performing their going concern assessment, the directors have reviewed the principal risks and uncertainties facing the group as set out on pages 3 to 6. The group's fundamental objective and purpose is to manage the day-to-day administration of the scheme and therefore the main risks from a going concern perspective relate to the ability of the company to continue to administer the scheme. These risks identified are not considered to be of a magnitude which casts significant doubt on the group's ability to continue as a going concern. The group receives reimbursement for all of its expenditure from the scheme which has sufficient resources to continue supporting the activities of USS and its subsidiary USSIM. The directors have reviewed the cash flow forecasts of the group, including the scheme, for a period of 12 months after the date of signing these financial statements, up to and including 19 July 2023. COVID-19 and recent events in Ukraine have brought about increased market uncertainty, however, the directors consider the group to be operationally resilient. There have been no material operational incidents or losses post year end. Consequently, the financial statements have been prepared on the going concern basis.

### d) Turnover

Turnover from the recharge of costs to the scheme is recognised when the corresponding expenditure has been incurred and therefore the services provided under the scheme rules which state that all costs and expenses of managing and administering the scheme incurred by the trustee company during the year are to be paid out by the scheme. Turnover is stated net of value added tax and is recognised when the significant risks and rewards are considered to have been transferred. Turnover is recorded at the fair value of the consideration received or receivable.

### e) Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the group is expected to benefit. This period is between three and seven years and reflects the expected useful economic lives of the assets concerned. Amortisation is charged to the profit and loss account and is included within operating expenses. Provision is made for any impairment.

### f) Intangible assets – software licences

Separately acquired licences are included at cost and amortised in equal annual instalments over the life of the asset, which is the shorter of their licence period or their estimated useful economic life. Provision is made for any impairment.

### g) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The expected useful economic life of an asset commences when the asset is ready to be used as required. The principal annual rates used for this purpose are:

Leasehold improvement	Over the life of the lease
Computer equipment	33⅓%
Office equipment	15%

## Notes to the financial statements for the year ended 31 March 2022

Continued

### h) Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

### i) Retirement benefits

The group participates in the Universities Superannuation Scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The group 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. As required by Section 28 of FRS 102 "Employee benefits", the group therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme.

Since the group has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the group recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the profit and loss account.

### j) Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured reflecting the directors' best estimate of the consideration required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the liability, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from the scheme, a receivable is recognised as an asset since it is virtually certain that reimbursement will be received and can be measured reliably. Amounts that the group has provided for are explained in more detail in note 13.

### k) Long-term incentive plans

The group issues cash settled long-term incentive plans to certain employees. The long-term incentive plans are measured at their present value using an appropriate discount rate. The present value is measured by estimating future scheme performance in comparison to the hurdle rates for each plan. Each plan is individually assessed, on an annual basis for the likelihood of future payments. This assessment is based on the assessment of the annualised investment balanced scorecard (a quantitative score derived from the assessment of performance across seven key metrics). Payment is also dependent on the continued employment of employees eligible for the awards and thus the estimate of future payments requires an estimation of the number of relevant employees that will leave employment before the end of the plan. The present value of the amount that is likely to be paid is charged to the income statement in equal instalments over the vesting period. Both the expected investment performance and the staff retention rates are reviewed annually, and the provision is reassessed.

### l) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

### m) Value Added Tax (VAT)

The group is registered for VAT activities and recovers a proportion of the input tax on administrative expenditure directly attributable to the scheme's investment management activities. The unrecovered VAT element is charged within operating expenses.

### n) Investment in subsidiary

Investment in subsidiary is stated at cost, less any provision for impairment.

## Notes to the financial statements for the year ended 31 March 2022

Continued

### 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in profit and loss in the period in which the estimate is revised.

#### a) Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### i) Deficit recovery liability

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving these financial statements.

##### ii) Capitalisation of development costs as intangible assets

Costs were incurred during the year ended 31 March 2022 to develop and build new technology. The enhanced capability results in economic benefit to the group by reducing external operating costs over the economic life, or by providing a new service to the scheme's participating employers. In light of the accounting policy to capitalise internal development costs, management was required to consider the appropriate treatment for these costs.

In making their judgement, the directors considered the detailed criteria for the capitalisation of development costs set out in FRS 102 Section 18 Intangible assets other than goodwill and, in particular, the point at which such projects were determined to have moved into the development phase, the measurement of directly attributable costs and the estimation of expected economic benefits. The directors are satisfied that the relevant criteria have been met, the costs are reliably measured and that capitalisation of the costs during the year ended 31 March is appropriate, in conjunction with recognition of an appropriate allowance for amortisation over the useful economic life.

##### iii) Provision for dilapidation costs

Provision is made for dilapidation costs where the lease requires the reinstatement of the property to its original condition upon finalisation of the lease contract. Provisions for dilapidation costs are recognised on a lease-by-lease basis.

In making its judgement, the directors considered the detailed criteria for the provision of dilapidation costs set out in FRS 102 Section 21 Provisions and Contingencies and, in particular, whether the group has an obligation at the reporting date as a result of a past event; it is probable (i.e. more likely than not) that the group will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably. The directors are satisfied that the criteria have been met, the dilapidation costs are reliably measured and that provision of the dilapidation costs for the year ended 31 March 2022 is appropriate, in conjunction with recognition of the unwind of the discount rate included within finance costs over the life of each lease.

#### b) Key source of estimation uncertainty

##### i) Deficit recovery liability assumptions

On 30 September 2021 an updated deficit recovery agreement was concluded between the scheme and its participating employers, which included the company and its direct subsidiary. Determining the liability for future contributions requires an estimation of the present value of future cash flows which depends on the percentage of contributions which will be attributed to deficit elimination along with future salary inflation and the identification of a suitable discount rate. In determining the appropriate liability, the directors have considered the assumptions used in the recovery plan and the last completed actuarial valuation as at 31 March 2020. Changes in the numbers of participating employees are reflected in the year in which they occur. The group deficit recovery liability recognised at 31 March 2022 is £47,359,000 (2021: £15,955,000). Further disclosures relating to the deficit recovery liability can be found in note 17.

## Notes to the financial statements for the year ended 31 March 2022

Continued

### 2 Critical accounting judgements and key sources of estimation uncertainty continued

#### ii) Provisioning for long-term incentive plans

Determining the liability for future payment of incentive arrangements requires an estimation of future scheme performance and private markets mandate in comparison to the hurdle rates, investment balanced scorecard ratings, scheme and mandate and the number of plans that will vest. The calculation requires the application of a suitable discount rate in order to calculate the present value. The estimated value of future payments was assessed for each plan by modelling the potential achievement of annualised investment balanced scorecard performance over the applicable multi-year periods and estimating expected staff retention rates. The group liability recognised at 31 March 2022 is £20,727,000 (2021: £15,075,000). Given the performance achieved to date, the performance hurdles set in the plans, and the fact that future performance cannot be guaranteed, it is considered that the provision reflects the best estimate of the present value of the amount to be paid out in relation to employees' services rendered up to 31 March 2022. Further disclosures relating to long term incentive plans can be found in note 13.

#### iii) Provision for dilapidation costs

Determining the provision for future dilapidation costs requires an estimation of the present value of future cash flows which involves estimating the price per square foot of the property at current prices adjusted for future price inflation and other reasonable factors along with the identification of a suitable discount rate. These provisions are estimates and the timing of future cash flows is dependent on future events. Changes in assumptions based on new information will be accounted for in the period when such determination is made. The carrying amount of the provision in the group and company at 31 March 2022 is £1,394,000 (2021: £2,060,000).

### 3 Turnover

All turnover in the current and previous financial year relates to amounts recharged to the scheme under the scheme rules.

### 4 Operating profit

Operating profit is stated after charging:

	Note	2022 £'000	2021 £'000
Amortisation of intangible assets	7	403	2,159
Depreciation of tangible fixed assets	8	1,132	543
Operating lease rentals		2,251	2,164

A detailed breakdown of operating expenses is included in note 19.

The analysis of auditor's remuneration is as follows:

	2022 £'000	2021 £'000
Fees payable to the company's auditors for the statutory audit of the company's annual accounts	29	34
Fees payable in respect of the statutory audit of the subsidiary	63	67
Fees payable to the scheme's auditors for the statutory audit of the scheme's annual accounts	390	404
<b>Total audit fees</b>	<b>482</b>	<b>505</b>

The analysis of total non-audit fees is as follows:

	2022 £'000	2021 £'000
Tax advisory services	–	–
Other assurance services	278	380
<b>Total non-audit fees</b>	<b>278</b>	<b>380</b>

All non-audit related services were provided to the company with no such services provided to the subsidiary company, USS Investment Management Limited, during the current or prior financial year.

## Notes to the financial statements for the year ended 31 March 2022

Continued

### 5 Staff costs

The average monthly number of employees was:

	Group		Company	
	2022	2021	2022	2021
Investment management and support	207	185	24	20
Pensions professionals and support	170	157	170	157
Project management	34	27	29	25
Group shared services	143	149	142	148
	<b>554</b>	<b>518</b>	<b>365</b>	<b>350</b>

Staff costs for the above persons were:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Wages and salaries	40,958	37,839	20,333	19,967
Employee incentives	38,578	17,975	4,585	3,347
Social security costs	10,706	7,033	2,992	2,697
Pension costs	6,818	5,761	3,282	2,986
Deficit recovery charge/(release)	31,556	3,682	10,988	381
Redundancy costs	662	509	221	493
	<b>129,278</b>	<b>72,799</b>	<b>42,401</b>	<b>29,871</b>

Group employee incentives are split between long-term incentive plans charge of £14,718,000 (2021: credit of £1,810,000) and bonuses charge of £23,860,000 (2021: charge of £19,785,000). Company employee incentives are split between long-term incentive plans charge of £1,058,000 (2021: £781,000) and bonuses charge of £3,526,000 (2021: £2,566,000).

Movements in the long-term incentive plan provision have resulted in a charge to group employee incentives of £14,718,000 (2021: credit of £1,810,000) and a charge to social security costs of £2,249,000 (2021: credit of £249,000), giving a total charge to the profit and loss account of £16,967,000 (2021: credit of £2,059,000).

Movements in the long-term incentive plan provision have resulted in a charge to company employee incentives of £1,058,000 (2021: £781,000) and to social security costs of £160,000 (2021: £108,000), giving a total charge to the profit and loss account of £1,218,000 (2021: £889,000). For further details of the provision see note 13.

As a result of the updated deficit recovery plan in place from 1 October 2022, the pension deficit liability has increased which has resulted in a charge of £31,556,000 (2021: £3,682,000) in the group in the year, and £10,988,000 (2021: £381,000) in the company.

## Notes to the financial statements for the year ended 31 March 2022

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### 6 Directors' emoluments and expenses

	2022 £'000	2021 £'000
<b>Total emoluments of the directors of the company:</b>		
Fees (non-executive directors)	715	683
	2022	2021
<b>The number of company directors who:</b>		
are members of the USS defined benefit scheme as at 31 March	6	6

Directors' membership of the scheme, whether deferred, pensioner or active is through their past or present employment with the other scheme member institutions.

Directors are remunerated on a basis which 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.

The emoluments for duties to the company of the highest paid director during the current financial year were £150,000 (2021: £101,000). No pension contributions have been made on behalf of directors in either the current or previous financial year.

There were two directors who also served as directors of the subsidiary company, USS Investment Management Limited during the year, who received £10,000 and £22,000 respectively (2021: one director received £52,000) in connection with their directorship of the subsidiary.

The group considers members of the Group Executive Committee to be key management personnel. Such individuals are not trustee company directors and their remuneration is not included within the directors' disclosures above. Additional information is set out below in respect of the Group Executive Committee.

	2022 £'000 Paid in year	2021 £'000 Paid in year
<b>Total emoluments of the Group Executive Committee during the year:</b>		
Salary and other emoluments excluding long-term incentives	3,831	3,667
Amounts receivable under long-term incentive schemes	234	1,029
	<b>4,065</b>	<b>4,696</b>
	2022	2021
<b>The number of Group Executive Committee members who:</b>		
At 31 March are members of the USS defined benefit scheme	5	4
Received payment under a long-term incentive scheme during the year	5	4

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# Notes to the financial statements for the year ended 31 March 2022

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## 7 Intangible fixed assets Group

	Patents and licences £'000	Development costs £'000	Total £'000
<b>Cost</b>			
At 1 April 2021	2,646	8,978	11,624
Additions	209	839	1,048
Disposals	(2,206)	–	(2,206)
<b>At 31 March 2022</b>	<b>649</b>	<b>9,817</b>	<b>10,466</b>

<b>Accumulated depreciation</b>			
At 1 April 2021	2,290	8,423	10,713
Disposals	(2,206)	–	(2,206)
Charge for year	88	315	403
<b>At 31 March 2022</b>	<b>172</b>	<b>8,738</b>	<b>8,910</b>

<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>477</b>	<b>1,079</b>	<b>1,556</b>

At 31 March 2021	356	555	911
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## Company

	Patents and licences £'000	Development costs £'000	Total £'000
<b>Cost</b>			
At 1 April 2021	2,646	8,696	11,342
Additions	209	839	1,048
Disposals	(2,206)	–	(2,206)
<b>At 31 March 2022</b>	<b>649</b>	<b>9,535</b>	<b>10,184</b>

<b>Accumulated depreciation</b>			
At 1 April 2021	2,290	8,141	10,431
Disposals	(2,206)	–	(2,206)
Charge for year	88	315	403
<b>At 31 March 2022</b>	<b>172</b>	<b>8,455</b>	<b>8,628</b>

<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>477</b>	<b>1,079</b>	<b>1,556</b>

At 31 March 2021	356	555	911
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## 8 Tangible fixed assets Group

	Leasehold improvements £'000	Computer equipment £'000	Office equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2021	3,214	5,776	2,074	11,064
Additions	715	293	826	1,834
Disposals	(309)	(2,875)	(1,101)	(4,285)
<b>At 31 March 2022</b>	<b>3,620</b>	<b>3,194</b>	<b>1,799</b>	<b>8,613</b>
<b>Accumulated depreciation</b>				
At 1 April 2021	1,833	3,856	1,920	7,609
Disposals	(137)	(2,876)	(1,092)	(4,105)
Charge for year	208	771	154	1,133
<b>At 31 March 2022</b>	<b>1,904</b>	<b>1,751</b>	<b>982</b>	<b>4,637</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>1,716</b>	<b>1,443</b>	<b>817</b>	<b>3,976</b>
At 31 March 2021	1,381	1,920	154	3,455

## Company

	Leasehold improvements £'000	Computer equipment £'000	Office equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2021	3,214	5,776	470	9,460
Additions	715	293	411	1,419
Disposals	(309)	(2,875)	(15)	(3,199)
<b>At 31 March 2022</b>	<b>3,620</b>	<b>3,194</b>	<b>866</b>	<b>7,680</b>
<b>Accumulated depreciation</b>				
At 1 April 2021	1,833	3,856	448	6,137
Disposals	(137)	(2,876)	(5)	(3,018)
Charge for year	208	771	40	1,019
<b>At 31 March 2022</b>	<b>1,904</b>	<b>1,751</b>	<b>483</b>	<b>4,138</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>1,716</b>	<b>1,443</b>	<b>383</b>	<b>3,542</b>
At 31 March 2021	1,381	1,920	22	3,323

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### 9 Investment in subsidiary undertakings

	Company £'000
At 1 April 2021 and 31 March 2022	921

On 1 October 2012, 920,643 ordinary shares of £1 were issued to the company by USS Investment Management Limited incorporated in England and Wales, which is 100% owned directly. The principal activity of USS Investment Management Limited is to provide investment management services to the company. The registered address of USS Investment Management Limited is Royal Liver Building, Liverpool, L3 1PY.

### 10 Debtors due within one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Amounts due from related party (scheme)	113,684	73,812	113,684	73,812
Prepayments	4,160	3,047	1,608	1,004
Other debtors	396	404	283	339
	<b>118,240</b>	<b>77,263</b>	<b>115,575</b>	<b>75,155</b>

### 11 Creditors: amounts falling due within one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Amounts due to subsidiary undertaking	–	–	83,271	51,924
Accrued expenditure	15,105	16,715	12,230	14,200
Other creditors	10,396	9,477	2,082	1,655
Social security and other taxation	21,161	16,025	2,941	2,210
	<b>46,662</b>	<b>42,217</b>	<b>100,524</b>	<b>69,989</b>

### 12 Creditors: amounts falling due after more than one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Other creditors	7,213	5,776	55	50
Social security and other taxation	1,086	797	9	7
	<b>8,299</b>	<b>6,573</b>	<b>64</b>	<b>57</b>

An accrual of £7,213,000 (2021: £5,776,000) has been made for the long-term element of deferred remuneration obligations. Where the variable element of an individual's remuneration package exceeds a certain threshold, a percentage is not paid to the employee for a further three years and is subject to continued employment conditions. The thresholds and percentages are deferral of 30% of the bonus earned if the total bonus is over £50,000; 40% over £200,000 and 50% over £400,000. The deferred remuneration is also adjusted in line with scheme performance over the deferral period.

## Notes to the financial statements for the year ended 31 March 2022

Continued

### 13 Provision for liabilities and charges

The table below sets out the movement in the provision for liabilities and charges since 31 March 2021:

#### Reconciliation of group provision

	Dilapidation £'000	LTIP £'000	Total £'000
As at 1 April 2021	2,060	15,075	17,135
Charged / (credited) to profit and loss account	(568)	16,967	16,399
Utilisation of provision	(114)	(11,314)	(11,429)
Unwind of the discount (included in finance costs)	16	–	16
<b>As at 31 March 2022</b>	<b>1,394</b>	<b>20,727</b>	<b>22,121</b>

#### Reconciliation of company provision

	Dilapidation £'000	LTIP £'000	Total £'000
As at 1 April 2021	2,060	1,441	3,501
Charged / (credited) to profit and loss account	(568)	1,218	650
Utilisation of provision	(114)	(714)	(828)
Unwind of the discount (included in finance costs)	16	–	16
<b>As at 31 March 2022</b>	<b>1,394</b>	<b>1,945</b>	<b>3,339</b>

#### Long-term incentive plans

The objective of the plans, which are awarded annually, is to ensure that a significant portion of the remuneration payable to key employees is aligned with the long-term performance of the scheme.

The key assumptions are shown below:

	2022	2021
Vesting period	4 or 5 years	4 or 5 years
Liability due within one year – £'000	£7,809	£5,596
Assumed leaver rate over vesting period	16% or 20%	16% or 20%
Discount rate	2.58%	0.81%

The leaver rate assumption reflects observed leaver rates, and the provision calculation approach applies an annual expected attrition rate rather than a single rate across the life of the plan.

The discount rate is based on the effective yield of A-rated corporate bonds.

Awards are forfeited if the employee leaves during the vesting period, unless deemed to be a good leaver under the provisions of each plan. The provision for the future estimated obligations for good leavers during the year ended 31 March 2022, inclusive of national insurance, is £2,396,000 (2021: £2,981,000).

#### Dilapidations

The carrying amount of the provision at 31 March 2022 is £1,394,000 (2021: £2,060,000). The provision is expected to be utilised on the finalisation of each lease between the next one to eight years.

The key assumptions are shown below:

	2022	2021
Risk adjusted discount rate	2.58%	0.81%
Inflation	3%-4%	1.5%
Length of lease	4 and 8 years	1,4 or 8 years
Range of price per square foot (on a lease-by-lease basis)	£15.00-£25.68	£15.00-£33.85

## Notes to the financial statements for the year ended 31 March 2022

Continued

### 14 Notes to the cash flow statement

Reconciliation of net cash flows from operating activities

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Operating profit	183	336	87	180
Increase/(decrease) in creditors	37,409	4,688	41,373	(1,642)
(Decrease)/increase in provisions	4,970	(10,030)	(178)	246
Decrease/(increase) in debtors	(40,977)	1,240	(40,420)	1,366
Amortisation of intangible assets	403	2,159	403	2,159
Depreciation of tangible assets	1,132	543	1,019	455
Loss on disposal	180	131	180	131
<b>Net cash flows from operating activities</b>	<b>3,300</b>	<b>(933)</b>	<b>2,464</b>	<b>2,895</b>

### 15 Operating lease arrangements

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group and company			
	Land and buildings		Other	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Less than one year	2,181	1,960	25	3
Between two and five years	8,082	8,417	–	–
Over five years	4,150	5,890	–	–
<b>Total</b>	<b>14,413</b>	<b>16,267</b>	<b>25</b>	<b>3</b>

### 16 Contingent liabilities and assets

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

# Notes to the financial statements for the year ended 31 March 2022

Continued

## 17 Deficit recovery liability

The table below sets out the movement in the liability since 31 March 2021:

	Group £'000	Company £'000
As at 1 April 2021	15,955	6,767
Charged to profit and loss account (in staff costs)	31,556	10,988
Utilisation of liability	(319)	(157)
Unwinding of discount (in finance costs)	167	71
<b>As at 31 March 2022</b>	<b>47,359</b>	<b>17,669</b>

Deficit recovery contributions due within one year for the group are £2,392,000 (2021: £1,305,000).

Deficit recovery contributions due within one year for the company are £1,055,000 (2021: £630,000).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 (the valuation date), which was carried out using the projected unit method.

Since the group cannot identify its share of Retirement Income Builder (DB) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles ([uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles](https://uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles)).

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less:  1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long term difference of 0.1% p.a. from 2040
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus:  Pre-retirement: 2.75% p.a. Post-retirement: 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2020 Valuation
Mortality base table	101% of S2PMA "light" for males and 95% of S3PFA for females
Future improvements to mortality	CMI 2019 with a smoothing parameter of 7.5 an initial addition of 0.5% p.a. and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

## Notes to the financial statements for the year ended 31 March 2022

### Continued

#### 17 Deficit recovery liability continued

The current life expectancies on retirement at age 65 are:

	2022	2021
Males currently aged 65 (years)	23.9	24.7
Females currently aged 65 (years)	25.5	26.1
Males currently aged 45 (years)	25.9	26.7
Females currently aged 45 (years)	27.3	27.9

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024, at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2022	2021
Discount rate	2.65%	1.05%
Pensionable salary growth (average for the group over the recovery plan period)	2.53%	7.45%

#### 18 Related party transactions

There are no related party transactions other than transactions between the company and the scheme; transactions with group entities; and amounts paid to directors and key management personnel disclosed in note 6.

The company acts as the trustee of the scheme and, as such, holds investments and other assets in its own name, but these are not included in the company's balance sheet, as the company holds the assets as the trustee of the scheme.

The group provides administration and investment management services to the scheme charging £190,905,000 (2021: £144,645,000), with a balance due from the scheme, as disclosed in note 10, of £113,684,000 as at 31 March 2022 (2021: £73,812,000).

The group has taken advantage of the exemptions under Financial Reporting Standard 102, section 33.1A: Related Party Disclosures, and has not disclosed transactions with group undertakings where the company is a wholly owned subsidiary as consolidated financial statements are prepared.

# Notes to the financial statements for the year ended 31 March 2022

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## 19 Operating costs breakdown

	Note	2022 Total £'000	2021 Total £'000
<b>Personnel</b>			
Employee related costs	5	129,278	72,799
Contractor costs		244	921
Directors' fees and expenses		736	678
Recruitment, training and welfare		3,013	2,511
		<b>133,271</b>	<b>76,909</b>
<b>Premises</b>			
Rents, rates, service charges and utilities		3,995	3,864
Depreciation and maintenance		654	476
Dilapidation costs		(559)	206
		<b>4,090</b>	<b>4,546</b>
<b>Investment Management</b>			
Securities research		2,413	2,233
Securities management fees		9,332	12,684
Property management fees		2,745	6,052
Custodial services		2,279	2,066
Legal costs – property management		–	5
Legal costs – other		727	435
Property valuation fees		250	239
Investment accounting services		2,138	2,118
Investment performance measurement		132	84
		<b>20,016</b>	<b>25,916</b>
<b>Other costs</b>			
Computer and information services costs	19(a)	10,650	11,498
Pension Protection Fund levy		4,266	4,113
Professional fees	19(b)	12,726	14,409
Travel and car costs		355	102
Office equipment (including depreciation of £133,000 (2020: £162,000))		445	499
Institution liaison and member communication		381	263
Telephones and postage		174	196
Printing and stationery		265	251
Insurance		439	353
Auditors' remuneration		467	565
Regulatory fees		118	137
Subscriptions		733	637
Sundry income		234	(64)
Unrecovered VAT expense		2,092	3,979
		<b>33,344</b>	<b>36,938</b>
<b>Total operating costs</b>		<b>190,721</b>	<b>144,309</b>

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## 19 Operating costs breakdown continued

### 19a) Computer and information services costs

	2022 £'000	2021 £'000
Investment information services	7,368	6,868
Computer running costs	2,109	2,232
Software amortisation	88	45
Development costs amortisation associated with scheme changes	315	2,114
Hardware depreciation	770	239
	<b>10,650</b>	<b>11,498</b>

### 19b) Professional fees

	2022 £'000	2021 £'000
Legal	2,600	2,307
Consultancy	7,408	8,918
Actuarial	1,520	1,966
Committee members	574	508
Public relations	330	397
Other	225	252
Member matters	69	61
	<b>12,726</b>	<b>14,409</b>

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