OSPS

University of Oxford Staff Pension Scheme

UNIVERSITY OF OXFORD STAFF PENSION SCHEME

Annual Report & Financial Statements for the year to 31st March 2020

Pension Schemes Registry Number: 10009029
HMRC Registration Number: 00333061RQ

TRUSTEE'S ANNUAL REPORT

FOR THE YEAR TO 31st MARCH 2020

PREFACE

The University of Oxford Staff Pension Scheme, commonly known as OSPS, is a multi-employer hybrid scheme set up under trust. New members joining the Scheme build up benefits on a defined contribution basis. Members who joined before 1st October 2017 build up benefits on a career average revalued earnings basis.

The Annual Report and Financial Statements describe the management of OSPS and its financial development during the year to 31st March 2020 and subsequently. The report includes the audited annual Financial Statements for the Scheme.

If you have any queries about this report or about any entitlement to benefits under OSPS, or if you would like to provide feedback or get further general information about OSPS, please contact either the Secretary to the Trustee or the Pensions Officer (OSPS) at the addresses shown below.

Also, information about the Scheme may be found on the University's website:

www.admin.ox.ac.uk/finance/epp/pensions/schemes/osps/

A copy of the Trust Deed and Rules governing OSPS is available on the website, or can be obtained from the Pensions Officer.

The registered address of the Scheme is:

The Secretary to the Trustee,
University of Oxford Staff Pension Scheme,
University Offices,
Wellington Square,
Oxford OX1 2JD

Enquiries and feedback about the Scheme generally, or member's pension benefits, should be addressed to:

The Pensions Officer (OSPS),
Finance Division,
University of Oxford,
6 Worcester Street,
Oxford OX1 2BX

Tel. No. (01865) 616020
E-mail. osps@admin.ox.ac.uk

The Scheme's HM Revenue and Customs reference is 00333061RQ.

The Scheme's Data Protection registration number is Z6919534.

TRUSTEE'S ANNUAL REPORT

FOR THE YEAR TO 31st March 2020

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1. TRUSTEE AND ADVISERS AS AT 31st March 2020

Trustee
OSPS Trustee Limited, University Offices, Wellington Square, Oxford, OX1 2JD. Company registration number 8275610, registered in England and Wales.

Secretary to the Trustee
Mr L Spithray (from 9 January 2020); Mr D Cook (from 1 July 2019 to 8 January 2020) and Mrs J Killick (to 30 June 2019), Finance Division, University of Oxford, 6 Worcester Street, Oxford OX1 2BX.

Actuary
Mr J. Harvey, Aon Solutions UK Limited

Pensions Consultancy Services Provider
Aon Solutions UK Limited

Investment advice and related services
Aon Solutions UK Limited

Defined contribution provider
Legal and General Assurance Society Limited

Investment Managers
Acadian Asset Management LLC
Baillie Gifford & Co. Limited (appointed 5 April 2019)
Blackrock Advisors (UK) Ltd
Columbia Threadneedle Portfolio Services Limited
DIF Management BV
Generation Investment Management LLP
M&G Investment Management Limited
Macquarie Investment Management (UK)
Sands Capital Funds Plc
State Street Global Advisors Limited

Custodian
State Street Bank and Trust Company

Money Purchase AVC Facility Manager
The Prudential Assurance Co. Ltd

Bank
Lloyds Bank plc

Solicitor and Legal Adviser
Burges Salmon LLP

Auditor
Grant Thornton UK LLP

2. TRUSTEE'S REPORT TO THE MEMBERS

2A. INTRODUCTION

The Trustee of the University of Oxford Staff Pension Scheme ("OSPS") presents the Annual Report and audited Financial Statements of the Scheme for the year to 31st March 2020.

The Financial Statements have been prepared in accordance with sections 41(1) and (6) of the Pensions Act 1995.

The purpose of the report is to describe to members how the Scheme and its investments have been managed during the year and to highlight a number of key administrative matters. The report does not take into account the value of liabilities to pay pensions and other benefits in the future – this is reviewed when periodic actuarial valuations of the Scheme are carried out. The last actuarial valuation of the Scheme was completed as at 31st March 2019. The Actuary's Certification of the Technical Provisions is included on page 79 of this report.

This Annual Report meets all the requirements of current legislation and related Regulations.

Additional Voluntary Contributions ("AVCs") are invested under the same Trust Deed and Rules as members' and employers' normal contributions to the Scheme. Members who have chosen to invest their AVCs receive an individual benefit statement from the provider each year outlining the value of their accumulated funds.

The Financial Statements for the year to 31st March 2020 are set out on pages 48 to 69.

This Report and the Financial Statements on pages 48 to 69 were approved by the Trustee on 29/10/2020 and signed on behalf of the Trustee by:

Director: J.N. Sykes

Director: Kevin Valentine

2. TRUSTEE'S REPORT TO THE MEMBERS

2B. THE SCHEME

2B.1. INTRODUCTION

The University of Oxford Staff Pension Scheme was set up in 1978, originally to provide pensions for the technical, clerical and ancillary staff of the University. The Principal Employer sponsoring the Scheme is the University, or to be more precise, the Chancellor, Masters and Scholars of the University of Oxford. Since that time, it has welcomed the participation of Colleges and other bodies affiliated to the University as Associated Participating Employers (details are given in Section 4).

For members who joined before 1st October 2017 the Scheme is a "defined benefit" scheme – it provides retirement and other benefits that are linked to a member's contributory service and salary. For member who joined from 1st October 2017 the benefits are provided on a defined contribution basis.

2B.2. TRUST DEED AND RULES

The Scheme is administered in accordance with the Trust Deed and Rules, the most recent definitive version of which was executed on 22nd September 2017.

2B.3. TRUSTEE

2B.3.1. Appointing and nominating trustees

OSPS Trustee Limited acts as corporate Trustee of the Scheme. The Board of Directors corresponds exactly with how the Board of Trustees would otherwise be composed and is referred to as "the Trustee" throughout this report. Eleven Trustee Directors manage the Scheme.

Five of the Trustee Directors are persons elected by the membership of the Scheme (known as Member Nominated Directors, or "MNDs"). Four (one of whom may be a pensioner) of these are members of the Scheme elected by the active members of the Scheme, one is a pensioner elected by the pensioners of the Scheme. The process for appointing and nominating MNDs provides that a ballot would only be held if there were more nominations than vacant posts. The Trustee employs Civica Election Services to conduct the process on its behalf.

The power to appoint and remove five Trustee Directors is vested in the Council of the University. The power to appoint and remove the eleventh Trustee, the Chair of the Trustee, is vested in the Vice-Chancellor of the University after consultation with the other Directors. Any vacancies for these posts are advertised in the University Gazette.

A Trustee Director's term of office is three years, after which time the Trustee Director is eligible for reappointment for a further term. There is no limit to the number of terms an individual may continue to be a Trustee Director. If a Trustee Director leaves part way through his or her term of office, the replacement will be appointed initially for the remainder of that term.

As a multi-employer pension scheme with money purchase benefits for certain members and as the administration services are provided by employees of the University, it is necessary to have a majority of "non-affiliated" Trustee Directors. The University has agreed to ensure that four of the six Trustee Directors appointed by the University and Vice-Chancellor will be non-affiliated. As a consequence at least two out of the five MNDs should be non-affiliated.

In seeking nominations, priority will be given to nominations from those employed at Colleges and other employers (not University subsidiaries and not members who have worked at the University or any of its subsidiaries at any time in the previous six years).

Where a non-affiliated MND vacancy exists, if only one such nomination is received the individual will be appointed as MND. If no nominee from this group is put forward a vacancy will remain. If there are more nominations than vacancies there will be an election.

2B.3.2. Trustee Directors

On 31st March 2020 the Board comprised:

[2]	Mr C. A. H. Alexander	Merton	
[4]	Mr J. L. Catney	Pensioner	Re-appointed 1st April 2019
[2]	Professor G. L. Clark	School of Geography	Re-appointed 1st April 2019
[2]	Miss L. J. Cole	Personnel Services	Appointed 1st January 2020
[3]	Ms K. M. M. Kele	Estates Services	Re-appointed 1st April 2020
[3]	Mr R. Langley	Magdalen	Term extended six months
[3]	Ms L. Savin	Merton	Re-appointed 1st April 2019
[2]	Mr N. C. Standen	Independent	
[1]	Mr J. N. Sykes	Independent *(Chair)*	Re-appointed 1st April 2020
[3]	Mr K. Valentine	Chemistry	
[2]	Vacant		

Mr J. L. Catney, Ms K. M. M. Kele and Ms L. Savin were elected unopposed as MNDs.
Mr R. Langley did not stand for re-election, but no nominations were received to replace him. His term of office was extended until 30th September 2020 while a replacement was sought.

As at the date of this report the Board comprised:

[2]	Mr C. A. H. Alexander	Merton
[4]	Mr J. L. Catney	Pensioner
[2]	Professor G. L. Clark	School of Geography
[2]	Mr J. K. Clark	Hertford
[2]	Miss L. J. Cole	Personnel Services
[3]	Ms K. M. M. Kele	Estates Services
[3]	Mr R. Langley	Magdalen
[3]	Ms L. Savin	Merton
[2]	Mr N. C. Standen	Independent
[1]	Mr J. N. Sykes	Independent *(Chair)*
[3]	Mr K. Valentine	Chemistry

The bodies making the appointments are:

[1] The Vice Chancellor of the University
[2] The Council of the University
[3] The active membership of the Scheme
[4] The pensioners of the Scheme

Ms N. F. McEntee resigned as a Trustee Director on 30th June 2019. Mr W. P. J. Jensen resigned as a Trustee Director on 31st July 2019.

2B.4. Scheme Governance

2B.4.1. Compliance and Governance

The Trustee actively seeks to comply with all relevant legislation and to manage the Scheme in accordance with "best practice" as expressed in the codes of practice published by The Pensions Regulator. In pursuit of this aim, Trustee Directors are encouraged to undertake trustee training.

The Trustee has undertaken an assessment of the risks of managing the Scheme and has in place a rolling review of the risks with the aim of putting in place appropriate controls or processes to mitigate those risks where possible. The Trustee board discusses the reports from its committees; sets investment strategy; considers the funding position; approves the Scheme's financial statements, the risk register, the annual budget and business plan and the appointment of Scheme advisers.

2B.4.2. Dispute Resolution Procedure

The Trustee has published a dispute resolution procedure to consider complaints from members or their representatives.

2B.4.3. Transfer Values

During the period of this report, transfer values have been calculated in accordance with the Pension Schemes Act 1993. No discretionary benefits have been included in the calculation of transfer values. None of the cash equivalent transfer values paid was less than the full value of the member's preserved benefits.

The Scheme ended membership of the Public Sector Transfer Club on 31st March 2017.

2B.5. Changes to Scheme Advisers

There were no changes in advisers during the year.

2B.6. Administration

OSPS Trustee Limited is the Scheme Administrator. The Trustee has entered into a formal administration agreement with the University. The agreement sets both service standards and standard charges for the routine administration of the Scheme, including administration of the defined benefits section. The Trustee has appointed Legal and General Assurance Society Limited as its provider for administration and investment services for the defined contribution section.

2B.7. Contingent Asset

The Trustee and the University have agreed to create and maintain a "contingent asset". This is an asset which can be assigned to the Trustee in the extreme event that the University is unable to continue to meet its contribution obligations. The asset represents additional resources available to the Trustee to ensure that all accrued benefits are secured in full should the Scheme have to wind up following this event. The contingent asset takes the form of a floating charge on certain of the University's assets specified in a reserve set up in the University's accounts. The reserve comprised a list of property and cash, the total value of which as at 31st July 2019 was certified by the University to be in excess of £100m. The Trustee's view is that the value continues to be in excess of £100m as at 31 March 2020.

2B.8. Master Trust

As a Scheme that provides defined contribution benefits to employees of employers that are not connected, the Scheme is a Master Trust. The Master Trust regime formed part of the Pensions Schemes Act 2017, and serves to strengthen the protections afforded to members by setting the high standards legally demanded of trustees, including:

Fit and proper: all the people who have a significant role in running the scheme can demonstrate that they meet a standard of honesty, integrity, knowledge and competence appropriate to their role.
Systems and processes: IT systems and governance arrangements enable the scheme to run properly and there are robust processes in place to administer the scheme.
Continuity strategy: there is a plan in place to protect members if something happens that may threaten the existence of the scheme, including how a master trust will be wound up.
Financial sustainability, including business plan: the scheme has the financial resources to cover running costs and also the cost of winding up the DC section, without impacting on members' benefits.

The Trustee applied to The Pensions Regulator for authorisation as a Master Trust which was confirmed on the Pension Regulator's website on 8th October 2019.

2. TRUSTEE'S REPORT TO THE MEMBERS

2C. REVIEW OF THE YEAR

2C.1. TRUSTEE

2C.1.1. Meetings of the Trustee

During the year to 31st March 2020, the Board met formally four times. In addition to regular items it also:

- considered a report on the University's covenant, prepared by Ernst and Young, to help inform the discussions and consultation with the University on the 2019 valuation;
- agreed a fully integrated approach to the 2019 valuation with funding, investment and covenant issues considered together, and a long-term funding and investment strategy;
- established a Valuation Sub-Committee to progress matters relating to the 2019 valuation;
- approved revised Statements of Investment Principles for the DB and DC Sections;
- completed the process of OSPS becoming an authorised master trust;
- resolved a triggering event relating to an OSPS employer changing its legal structure to that of an incorporated charity; and
- agreed to work towards resolve a further triggering event relating to an OSPS employer ceasing to employ any active members of OSPS.

2C.1.2. Committees of the Board of the Trustee

The Trustee has appointed two committees – an Investment Committee and a General Purposes Committee.

The Investment Committee ("IC") meets quarterly, or more frequently if required, to review the progress of the Scheme's investments, and to consider and recommend to the full Board changes in investment strategy, allocations and other investment-related matters. The IC met six times during the year.

The General Purposes Committee ("GPC") deals with matters such as applications for ill-health retirement, the disbursement of cash lump sums arising upon the deaths of members, the payment of adult and child dependant's pensions and such other delegated business as the Trustee has determined. The GPC is scheduled to meet monthly, but only meets if there is business for it to conduct. All matters dealt with by the GPC are reported to the next full Board meeting for ratification. The GPC met eleven times during the year.

2C.2. SCHEME

There were no Scheme changes during the year to 31st March 2020.

2C.3. MEMBERSHIP

An analysis of membership movements during the year is shown in Section 5.

2C.4. INCREASES TO PENSIONS IN PAYMENT

Up to 2016 the Scheme provided increases to preserved pensions and pensions in payment in line with price inflation as measured by the movement in the RPI over twelve months to September each year. For benefits built up after 31st December 2012, increases are limited to a maximum of 8% p.a. New preserved pensions and new pensions receive a proportionate increase. Increases are applied annually in April. The Trustee agreed to change the inflation index and applied the average of RPI and CPI on 1st April 2017 and subsequently, applied CPI capped at 5% to defined benefits built up from 1st April 2018.

Percentage increases paid by the Scheme in the past three years were:

Year	2018	2019	2020
Pre 2018 %	3.45	2.85	2.05
Post 2018 %	n/a	2.40	1.70

There were no discretionary increases applied (either to pensions in payment or deferred) during the last three years.

2C.5. ACTUARIAL VALUATION

The Actuary carried out the requisite triennial actuarial valuation of the Scheme as at 31st March 2019. The Statement of Funding Principles, the Schedule of Contributions, and the Recovery Plan were agreed on 19th June 2020. The formal Schedule and Recovery Plan are replicated in this report.

The valuation showed that the Scheme had an actuarial deficit as at 31st March 2019 of £112.8 million against liabilities of £848.1 million, giving a funding ratio of 87%. The report showed the ongoing funding of the Scheme could be met by an employer contribution rate of 19%. This contribution rate was designed to improve the Scheme's funding ratio to 100% by January 2028.

Copies of the full reports of the Actuary are available on the Scheme's website.

The Actuary will carry out the next triennial valuation as at 31st March 2022, the results of which are expected to be agreed and published in 2023.

2C.6. SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR TO 31ST MARCH 2020

The contributions payable to the Scheme during the year to 31st March 2020 by the employers and employees (members) under the Schedule of Contributions were as set out below.

	£000
Ordinary Contributions	
from members:	3,267
from employers:	
Ongoing Funding	17,466
Members' Salary Exchange	5,756
Deficit Funding	5,504
DC expenses and benefits	723
PPF Levy	623
Contributions payable under the Schedule of Contributions:	33,339
Other Contributions	
from members:	
AVCs	234
Total Contributions receivable as shown in the Financial Statements	33,573

During the year, there was one instance of late payment of contributions which was one day late, with a total value of £9,509, which represents 0.03% of contributions payable under the

Schedule of Contributions. This amount constitutes employer-related investments for the period over which it was late. The total value of this late contribution was less than 5% of net assets.

2C.7. FINANCIAL REVIEW

The audited Financial Statements provide details of the financial development of the Scheme. A summary of the key points for the year to 31st March 2020 follows:

	£000	£000
Scheme value at 31st March 2019		740,841
Member related income	34,223	
Benefits and expenses	(23,556)	
Net member related income		10,667
Net investment income		5,662
Investment management expenses		(274)
Decrease in market value of investments		(19,509)
Scheme value at 31st March 2020		737,387

2C.8. GMP EQUALISATION

Following the Lloyds Bank Pension Scheme court ruling in October 2019, pension schemes are required to equalise for male and female members any GMP liabilities built up between 17 May 1990 and 6 April 1997.

It has been confirmed with the Actuary that the impact of GMP equalisation on the liabilities of the Scheme is not expected to be material. This is partly because the Scheme was only contracted out from 6 April 1995 and also due to the fact that a member's entire pension gets the same increases in deferment and payment meaning that for most members the amount of GMP has little or no impact on the benefits payable. The liabilities will be accounted for in the year they are determined.

2C.9. COVID-19

The Trustee does not have any concerns over the ability of the Scheme to continue despite the impact of COVID-19 on the Scheme employers. Scheme employers are experiencing a loss of income in the short term (mainly due to fewer overseas students and lost conference or other event income) although some level of recovery is expected with anticipated higher overall student numbers than in 2019/20. Scheme employers have established ways of operating within social distancing guidelines, including online teaching where necessary. Actions to contain expenditure have been introduced and a draw on reserves has been approved. The situation is being reviewed on a regular basis to determine the extent to which this may be necessary. No changes to the contribution schedule have been requested and the contributions continue to be received as expected. All costs of the Scheme continue to be met. The Scheme's Actuary does not consider a new valuation necessary, following the Trustee's discussions with the University in relation to the impact of COVID-19 on its business. The covenant with the Employer remains strong.

The Scheme's administrators report to the Trustee on a regular basis. The Trustees meet regularly and have very open communication channels with the administrators and they have been assured that key controls have remained in operation. The University's Pensions Office administers the payments to the pensioners and the Trustee has gained assurance that they have been operating effectively throughout the COVID-19 outbreak and that pensions have been paid as normal.

The Scheme's investment advisors have advised avoiding changing the investment strategy in response to COVID-19 at this stage. Dealing on the property fund used by the Scheme was suspended, but this had no immediate impact on Scheme due to other liquid assets being available. The Scheme has sufficient cash in the bank account to meet expected payments, and significant liquidity within its investments. Accordingly, the Trustee does not consider there to be any material uncertainties and continue to adopt the going concern basis in preparing the financial statements as outlined in the Trustees' Responsibilities Statement.

2C.10. VALUATION OF PROPERTY POOLED INVESTMENT FUNDS

Note 4 to the financial statements describes the basis for valuing property pooled investment funds. The property pooled investment fund portfolio was valued by an expert appointed by the individual investment manager. The expert's valuation included a 'material valuation uncertainty' (as per VPS 3 and VPGA 10 of the RICS Red Book Global) due to the impact on property sales of the COVID-19 pandemic, which resulted in the fund suspending dealing. Consequently, less certainty and a higher degree of caution should be attached to the valuation of the fund than would normally be the case. This is emphasised in the Independent Auditor's Report, but the audit opinion is not modified in respect of this matter.

2. TRUSTEE'S REPORT TO THE MEMBERS

2D. INVESTMENT REVIEW

2D.1. STATEMENT OF INVESTMENT PRINCIPLES

In compliance with the provisions of the Pensions Act 1995, the Trustee has drawn up two Statements of Investment Principles (SIP), one covering the defined benefits section and one for the defined contribution section.

The defined benefit SIP records the Trustee's overall investment objective to invest the Scheme's assets in such a way that sufficient money is available to provide benefits to members as they fall due.

The defined contribution SIP records the Trustee's responsibility to invest Scheme assets in line with members' preferences and its key aim of providing a range of investments that are suitable for meeting members' long and short-term investment objectives.

Both versions of the SIP have been updated as at 1st October 2019 to take into account the Trustee's policies in respect of environmental, social and corporate governance (ESG) considerations.

Copies of the current SIPs can be obtained from the Secretary to the Trustee at the address shown on page 1 of this Report and have also been published on the Scheme website (https://finance.admin.ox.ac.uk/osps-documents). The DC section SIP is also included in this report at section 9D.

2D.2. INVESTMENT STRATEGY AND ACTIVITY

DB section

The asset allocation is considered regularly by the Trustee. The latest investment strategy review was carried out in June 2017 following the March 2016 actuarial valuation.

The agreed strategic ranges as at 31 March 2020 for each of the asset classes are set out below:

Asset Class	Strategic Range	Actual
Equity	40% - 60%	48.0%
Diversified Growth Funds	0% - 0%	3.7%
Property	8% - 15%	8.5%
Other Illiquids	0% - 10%	4.9%
Credit	15% - 25%	16.6%
Matching	10% - 15%	13.2%
Cash	0% - 5%	5.1%

At the time of writing, the Investment Committee is undertaking an investment strategy review which takes into account information from the March 2019 actuarial valuation.

Following the 31 March 2020 year end, in May 2020 the Trustee redeemed in full its residual allocation to Diversified Growth Funds ("DGFs") managed by BlackRock and reduced its equity allocation to around 40% of Scheme assets. It also introduced a c.10% allocation to Illiquid Credit with the proceeds.

The allocation above excludes AVC investments and the With-Profits Investment Account.

DC section

The Trustee provides members access to a number of individual funds via the DC Provider, Legal and General Assurance Society Limited ('L&G').

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee's investment advisers. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution Scheme.
- The need for appropriate diversification of asset classes.
- The current and expected future membership of this section of the Scheme.
- The fund charges, in order to assess value for money.

The Trustee expects the long-term total return on the traditional bond and cash asset classes to be lower than total returns from predominantly equity and other growth asset class options.

The Trustee is required to designate a default investment arrangement into which members who do not make their own choice of investment have their monies invested. The Trustee has designated ‘target-dated’ funds with L&G, the L&G Pathway Fund range, as the default investment arrangement for the Scheme.

The fund range currently available is:

Investment fund	Investment approach	Asset class	Fee
L&G Pathway Fund 3	Active	Multi-asset	0.45% pa*
L&G (PMC) Global Equity 3 (70:30) Index Fund	Passive	Global Equities	0.40% pa
L&G (PMC) Stewart Investors Asia Pacific Leaders Fund 3	Active	Asia Pacific excluding Japan Equities	1.13% pa**
L&G (PMC) Ethical Global Equity Index Fund 3	Passive	Global Equities	0.60% pa
L&G (PMC) HSBC Islamic Global Equity Index Fund 3	Passive	Global Equities	0.65% pa
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	Passive	UK Index-Linked Gilts	0.38% pa
L&G (PMC) Retirement Income Multi-Asset Fund 3	Active	Multi-asset	0.61% pa

* Reduced from 0.49% pa with effect from 7 January 2020
** Reduced from 1.14% pa on 27 November 2019

2D.3. PERFORMANCE OF THE SCHEME'S ASSETS

In common with many other funded occupational pension schemes, a significant part of the Scheme's assets is invested in equities and other growth assets. After global equities reached all-time highs in February 2020, markets sold off sharply and the MSCI AC World Index recorded its worst quarter since the 2008 Global Financial Crisis, dragging down longer term returns.

With negative returns across most asset classes over the first three months of 2020, the value of the Scheme's assets decreased from £740.8 million to £737.4 million during the year to 31 March 2020. The reduction in value, of £3.4 million, derives from £10.7 million of new money being invested during the year, plus £5.7 million investment income and other investment balances, less investment management expenses of £0.3 million, plus a decrease in the overall market value of the investments held at 31 March 2019 or acquired during the year of £19.5 million.

The Trustee continues to monitor the markets, mindful that it has invested the assets for the long term.

Over the twelve months to 31 March 2020, the Scheme's invested assets achieved a return of -3.3% net of fees, which was 0.6% behind the benchmark return of -2.7% over the same period. This underperformance was mainly due to the Scheme's growth assets. In particular, the Generation Asia (ex Japan) Equities Fund and the BlackRock Diversified Growth Fund underperformed against their respective benchmarks.

As a guide to the longer-term returns of the Scheme's invested Defined Benefit (DB) assets, the table below shows weighted average Scheme and benchmark returns over three years and five years to 31 March 2020. Despite the underperformance over the one year period to 31 March 2020, the Scheme has outperformed its benchmark over the longer periods.

DB Asset Performance

Period	Return on DB Scheme Assets	Benchmark	Relative Performance
Over 1 year	-3.3% pa	-2.7% pa	-0.6% pa
Over 3 years	2.8% pa	2.5% pa	0.3% pa
Over 5 years	5.8% pa	4.8% pa	1.0% pa

Performance is net of fees. "pa" stands for per annum.

DC Asset Performance

The table below shows the returns on the underlying funds and their benchmark for the 12-month period to 31 March 2020 for the funds available to members of the DC section. Performance is shown before charges.

Fund	Fund performance % p.a.	Benchmark return % p.a.	Relative Performance % p.a.
L&G (PMC) 2015 - 2020 Pathway Fund 3	-1.0	2.0	-3.0
L&G (PMC) 2020 - 2025 Pathway Fund 3	-1.8	-0.5	-1.3
L&G (PMC) 2025 - 2030 Pathway Fund 3	-3.8	-5.7	1.9
L&G (PMC) 2030 - 2035 Pathway Fund 3	-4.7	-7.4	2.7
L&G (PMC) 2035 - 2040 Pathway Fund 3	-4.7	-7.4	2.7
L&G (PMC) 2040 - 2045 Pathway Fund 3	-5.3	-7.6	2.3
L&G (PMC) 2045 - 2050 Pathway Fund 3	-5.9	-7.8	1.9
L&G (PMC) 2050 - 2055 Pathway Fund 3	-6.5	-7.9	1.4
L&G (PMC) 2055 - 2060 Pathway Fund 3	-7.4	-8.1	0.7
L&G (PMC) 2060 - 2065 Pathway Fund 3	-7.4	-8.1	0.7
L&G (PMC) 2065 – 2070 Pathway Fund 3	-7.4	-8.1	0.7
L&G (PMC) Ethical Global Equity Index Fund	-1.6	-1.6	0.0
L&G (PMC) Global Equity 70:30 Index Fund	-14.5	-14.6	0.1
L&G (PMC) Stewart Investors Asia Pacific Leaders Fund 3	-8.4	-10.7	2.3
L&G (PMC) HSBC Islamic Global Equity Index Fund 3	8.5	7.1	1.4
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	5.3	2.2	3.1
L&G (PMC) Retirement Income Multi-Asset Fund 3	-2.5	4.2	-6.7

Market Background

When considering the twelve-month period to 31 March 2020, the MSCI AC World Index fell by 9.5% in local currency terms. Global equities performed well in the first three quarters of the period, recording the best annual equity market gain in a decade in 2019 as trade war concerns faded with the eventual agreement of a 'phase one' US-China trade deal. However, COVID-19 brought an end to the decade-long bull market in the first three months of 2020, as the virus outbreak in China escalated into a global pandemic. Whilst unprecedented fiscal and monetary stimuli provided support to markets, the MSCI AC World index still recorded its worst quarter since the 2008 Global Financial Crisis with a -19.9% return in local currency terms in the first three months of 2020.

UK fixed interest gilt yields fell in tandem with global government bond yields as monetary easing measures by major central banks took interest rates to near zero. Meanwhile, increased demand for government bonds from investors seeking 'safe haven' assets amidst an equity market sell-off and from central banks implementing quantitative easing measures also drove prices up and yields down further. According to FTSE All-Stocks indices, UK fixed-interest gilts returned 9.9% whilst index-linked gilts returned 2.2%.

UK Investment grade credit spreads – the difference between corporate and government bond yields – based on the iBoxx Sterling Non-Gilt Index, ended the period 75bps (0.75%) higher at 217bps (2.17%), their highest level since 2012. Credit spreads widened by 94bps (0.94%) in the first three months of 2020 alone, a reflection of the risk asset sell-off which tormented equity markets over the quarter, as concerns over future corporate earnings and existing corporate leverage resurfaced.

UK commercial property returned 0.1%, supported by a steady income return which offset the fall in capital values. The coronavirus outbreak intensified pressure on the already struggling retail sector, delivering a total return of -9.7% over the period. It should be noted, however, that there is some uncertainty over the level of market values in a 'locked-down' economy.

Due to a combination of the market conditions and the stages of the portfolio's investment, the Scheme's infrastructure investment produced a return of -2.9% over the year.

Sterling ended a highly volatile twelve-month period 1.7% lower on a trade-weighted basis. Sterling was driven by Brexit developments for most of 2019. Sterling fell sharply in the first three months of 2020, briefly hitting a 30-year low of $1.15/£ against the US dollar benefiting from 'safe haven' dollar inflows and a deteriorating UK coronavirus situation.

2D.4. PERFORMANCE MEASUREMENT

The Trustee monitors the investment performance of the investment managers on a regular basis with data provided by its investment adviser.

2D.5. SAFEGUARDING THE ASSETS

The Trustee is responsible for safeguarding the assets of the Scheme. The Trustee appointed State Street Bank and Trust Company ("SSBT") as its global custodian on 18th December 2006 to ensure the safe custody of the Scheme's Defined Benefit assets.

The custodian's duty is to ensure that the Scheme's assets are properly identified and are held separately from the assets of the investment managers. Confirmation of the existence of the Scheme's investments is obtained from the custodian as part of the annual audit by the Scheme's appointed auditor.

The Trustee is committed to being a responsible investor. Responsible investment is commonly described as the integration of environmental, social and corporate governance ("ESG") considerations into investment management processes and ownership practices. The Trustee has considered how social, environmental and ethical factors should be taken into account in the selection, retention and realisation of investments. The Trustee considers that it is necessary in all circumstances to act in the best financial interests of the beneficiaries. Where this primary consideration is not prejudiced, the Trustee has asked the investment managers of the Defined Benefit assets specifically to take ESG issues into account. The Trustee's Defined Benefit assets are mainly invested in pooled funds. Investors cannot usually directly influence the managers' policies on social, environmental and ethical factors in such circumstances. The investments available for the investment of money purchase AVCs and in the Defined Contribution section include ethical investment funds. Legal & General is also making changes to the Pathway Fund 3 to increase the Fund's ESG credentials.

The Trustee believes that it has an interest in encouraging the companies in which the Scheme invests to adopt good practice on issues of corporate governance and corporate responsibility. The Trustee has examined how rights, including voting rights, attached to investments should be exercised. In doing so, the Trustee has considered The UK Stewardship Code (the "Code") issued by the Financial Reporting Council ("FRC"). The Trustee's Defined Benefits assets are mainly invested in pooled funds. Investors cannot usually directly influence the managers' policies on the exercise of investment rights in such circumstances. The Trustee understands that investment rights will be exercised by the investment managers in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the Code, and which are provided to the Trustee from time to time, taking into account the financial interests of the beneficiaries. The Trustee receives regular reports from the investment managers indicating the overall level of voting activity and detailing instances in which they have not voted in line with their stated policy. These are reviewed by the Investment Committee from time to time.

2D.6. INVESTMENT EXPENSES

The investment managers of defined benefit assets receive fees calculated by reference to the market value of assets under management with the exception of Macquarie Investment Management (UK) Limited (MIMUK) and DIF Management BV (DIF). Generation charges a performance fee on outperformance relative to its benchmark. For the majority of the pooled funds, investment management fees are deducted from the value of the fund and reflected in the unit price.

MIMUK and DIF charges a fee based on the value of the commitment by the Scheme to the infrastructure funds.

For Defined Contribution members, each fund carries a Fund Management Charge (FMC). This charge is accounted for in the price of the units and is reflected in the value of the members' funds.

2D.7. DISTRIBUTION OF INVESTMENTS – BY MANDATE AND MANAGER FOR DB ASSETS

Asset class	Value of assets (£m)	Value of assets (£m)	%
Equity		342.9	48.0
State Street – World Developed Equities	65.8		
State Street – Fundamental Equities	73.6		
Acadian – Global Equities	49.0		
Generation – Global Equities	52.8		
Generation – Asia ex Japan	20.3		
Sands Capital – Emerging Growth	24.2		
Baillie Gifford – Long Term Global Growth	57.2		
Diversified Growth Funds		26.4	3.7
BlackRock – DGF	26.4		
Property		61.0	8.5
Columbia Threadneedle – Property	61.0		
Schroders – Property	0.0		
Other Illiquids		34.7	4.9
Macquarie – Infrastructure	2.8		
DIF – Infrastructure	31.9		
Credit		119.1	16.6
BlackRock – Corporate bonds	39.2		
M&G – Inflation Opportunities	79.9		
Matching		94.1	13.2
State Street – Index-linked Gilts	94.1		
Cash		36.1	5.1
State Street – Sterling liquidity	36.1		
Total		714.3	100.0%

The Scheme holds Schroders CEF II, a closed-ended fund remaining from the Schroders "manager of managers" mandate, directly. It is not practical to sell this at this time.

2D.8. Distribution of the Scheme's Investments by Asset Class

The following table shows the distribution of the Scheme's DB investments as at 31st March 2020.

Asset class	At 31st March 2020 Value of assets (£m)	At 31st March 2020 Allocation %	At 31st March 2019 Value of assets (£m)	At 31st March 2019 Allocation %
Equity	**342.89**	**47.1**	**398.88**	**54.1**
Pacific ex-Japan	20.28	2.8	24.01	3.3
Global	322.61	44.3	374.87	50.8
Diversified Growth Funds	**26.41**	**3.6**	**27.13**	**3.7**
Diversified Growth Funds	26.41	3.6	27.13	3.7
Property	**61.02**	**8.4**	**61.38**	**8.3**
Property	61.02	8.4	61.38	8.3
Other Illiquids	**34.70**	**4.8**	**20.68**	**2.8**
Infrastructure	34.70	4.8	20.68	2.8
Credit	**119.08**	**16.3**	**115.76**	**15.7**
Corporate bonds	39.20	5.3	38.15	5.2
Inflation Opportunities	79.88	11.0	77.61	10.5
Matching	**94.09**	**12.9**	**91.94**	**12.5**
Index-linked Gilts	94.09	12.9	91.94	12.5
Cash	**36.14**	**5.0**	**0.01**	**0.0**
Sterling Liquidity	36.14	5.0	0.01	0.0
Other Investments	**2.41**	**0.3**	**2.45**	**0.3**
WPIA[1]	2.21	0.3	2.29	0.3
AVC[2]	0.20	0.0	0.16	0.0
Total Holdings	**716.74**	**98.4**	**718.22**	**97.4**
Cash[3]	11.05	1.5	18.48	2.5
Other Investment balances[4]	0.80	0.1	0.70	0.1
Total Investments	**728.59**	**100.0**	**737.41**	**100.0**

Notes:

1. "WPIA" is a With-Profits Investment Account with the Prudential Assurance Company, representing the members' share of the 1998 surplus distribution.
2. "AVC" is members' Additional Voluntary Contributions invested with the Prudential Assurance Company.
3. Cash is the sum of cash held by the Investment Managers.
4. "Other Investment Balances" at 31st March 2020 includes accrual of distributions to be re-invested.

The following table shows the distribution of the Scheme's DC investments as at 31st March 2020.

Fund	At 31st March 2020		At 31st March 2019	
	Investments (£'000)	**% allocation**	**Investments (£'000)**	**% allocation**
L&G Pathway Fund 3	**6,982**	**99.9**	**2,766**	**99.9**
L&G (PMC) Ethical Global Equity Index Fund 3	**7**	**0.1**	**3**	**0.1**
L&G (PMC) Global Equity 70:30 Index Fund 3	**2**	**0.0**	**0**	**0.0**

2D.9. EMPLOYER RELATED INVESTMENTS

During the year, there was one instance of late payment of contributions from a scheme employer which was one day late, with a total value of £9,509, which represents 0.03% of contributions payable under the Schedule of Contributions. This amount constitutes employer-related investments for the period over which it was late. The total value of this late contribution was less than 5% of net assets.

3. ANNUAL STATEMENT REGARDING GOVERNANCE OF THE DEFINED CONTRIBUTION FUNDS IN OSPS

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to prepare an annual statement regarding governance, which must be included in the annual Trustee report and accounts, and published online. The governance requirements apply to defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement covers the period from 1 April 2019 to 31 March 2020 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

- The default arrangement used to invest members' funds and other funds members can select;
- Processing of core financial transactions;
- The charges and transaction costs borne by members (and illustrations of the cumulative effect of these costs and charges);
- A value for members assessment; and
- Trustee knowledge and understanding.

The Trustee has also taken actions required to manage the Scheme in light of the COVID-19 pandemic and has incorporated additional commentary into this statement.

The Scheme has three arrangements providing DC benefits to members:

- The DC section which was opened for new Scheme entrants on 1 October 2017 (value at 31 March 2020, £6,991,152). The assets of the DC section are managed by Legal and General Assurance Society Limited ("L&G") who also administer the DC section (other administration services are provided by the Pensions Office of the University).

- Defined benefit members' additional voluntary contributions ("AVCs") which are invested with Prudential (value at 31 March 2020, excluding With Profits terminal bonus, £163,410); and

- The Bonus account in relation to defined benefit members with pensionable service in the Scheme prior to 31 July 1998, held in a With-Profits Investment Account with Prudential (value as at 31 March 2020, excluding With Profits terminal bonus, £1,371,490).

Following the introduction of the DC section, the Trustee agreed to offer defined benefit members access to the investment options in the DC section for the purposes of making AVCs. These funds are considered as part of the DC section in the remainder of this statement.

3A. THE DEFAULT ARRANGEMENT

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default investment strategy and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.

3A.1. DC SECTION

The DC section is used as a Qualifying Scheme for auto-enrolment purposes.

Members who join the Scheme and who do not choose an investment option are placed into the L&G Pathway Funds 3 (the “default arrangement”).

The Trustee is responsible for the DC section's investment governance, which includes setting and monitoring the investment strategy for the default arrangement.

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in the ‘Statement of Investment Principles’ (SIP). The Scheme's SIP is on page 82 and the key aims of the default arrangement are set out below for ease of reference:

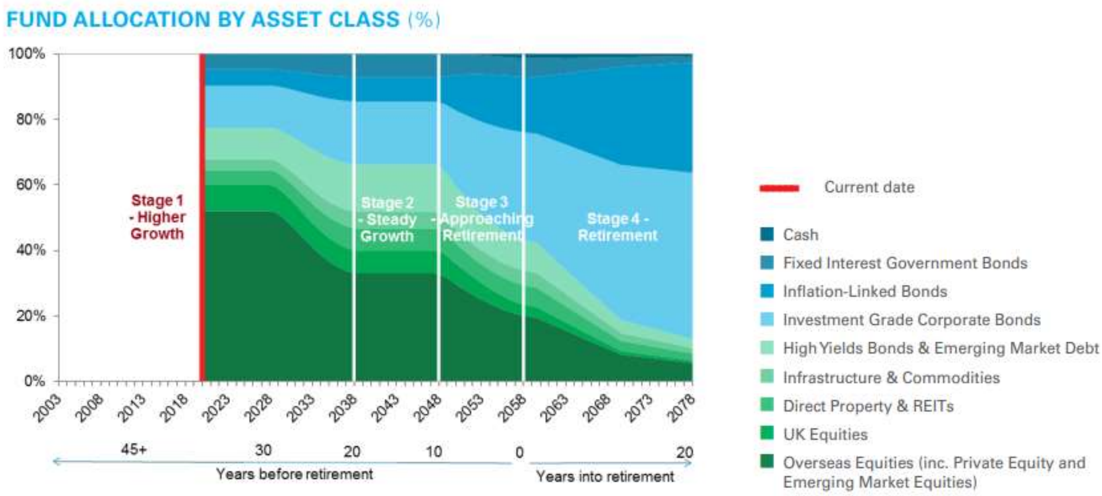
- to support DC members in building their real retirement income while managing possible downside risks; and

- to hold investments at retirement that do not target a particular benefit but are diversified across primarily ‘lower risk’ asset classes such as cash and investment grade bonds, whilst also allocating a lesser proportion to ‘higher’ risk assets such as equities, property and alternatives.

The Pathway Funds 3 are target-date funds which match the investment strategy to a ‘target-date range’. This target date range will normally be the year in which members are expected to retire. When members are automatically enrolled into the DC section, their retirement age is set as the members' State Pension Age. The Pathway Funds 3 adjust the way members’ pension savings are invested as they move closer to retirement, spreading risk by investing in a range of asset classes throughout, and reducing investment risk as members approach retirement age.

The aim of the Pathway Funds 3 is to provide opportunity for growth in the early years of investment by investing predominantly in equities. As retirement approaches, assets are switched to investments which have historically been less volatile and lower risk investments with the aim of protecting the value of the accumulated fund.

The chart below shows the structure of the Pathway Funds 3 2055-2060 ‘vintage’. The asset allocation shown is dynamic and is expected to evolve over time. Other target date fund ‘vintages’ may have a different asset allocation to the one shown below.



Source: L&G

Review of the investment strategy and performance of the default arrangement

When the DC section was established in October 2017, the Trustee considered the likely prospective membership of the DC section and how members were expected to access these benefits, industry data and wider trends when setting the investment strategy and selecting the default arrangement.

The Trustee will undertake a formal review of the default arrangement and performance of the default arrangement at least every 3 years. The DC section investment strategy and the performance of the default arrangement were not formally reviewed during the period covered by this statement, as they have been in place for less than 3 years. The initial strategy was agreed on 1 September 2017 ahead of the inception of the DC section on 1 October 2017.

The next formal review is due to take place by 1 October 2020, or immediately following any significant change in investment policy or the Scheme's member profile. The analysis of the DC section's membership is underway to support this review.

The Trustee has delegated oversight of the investment elements of the DC section funds to its Investment Sub-Committee, which reviews the performance of the default arrangement against the benchmark(s) set by L&G on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations, and member activity. These reviews took place on 25 June 2019, 29 August 2019, 28 November 2019 and 26 March 2020.

The Trustee performance reviews that took place over the year concluded that the default arrangement was performing broadly as expected and remains consistent with the aims and objectives set out in the SIP.

3A.2. AVCs

The AVC arrangements do not have a default arrangement as defined in the Occupational Pension Scheme (Investment) Regulations 2005 since they relate only to AVCs and members are required to choose which funds their AVCs are invested in, and no fund has contributions allocated to it of 80% or more of contributing members.

3A.3. Bonus account

The Bonus account is a special investment account which received a credit of 1% of members' pensionable salary for every year and part year of pensionable service as at 31 July 1998. This bonus was granted as a result of a surplus from the Scheme's 1998 actuarial valuation that was invested with Prudential in a With-Profits Investment Account. At retirement members use the value of their Bonus account, plus the investment growth it has accumulated, to buy extra pension or take cash.

Although the Prudential With-Profits Investment Account is the only investment available through the Bonus account, no new contributions have been invested in the Bonus account since the Charges and Governance Regulations came into effect. This arrangement does not therefore have a default arrangement, as defined in the Occupational Pension Scheme (Investment) Regulations 2005.

3B. PROCESSING OF CORE FINANCIAL TRANSACTIONS

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments from the Scheme to and in respect of members/beneficiaries.

3B.1. DC SECTION

The bulk of the core financial transactions are undertaken on behalf of the Trustee by L&G. The Scheme employers are responsible for ensuring that contributions are paid to the Scheme promptly. The Pensions Office is responsible for monitoring contributions and reconciling contributions under the service level agreement ("SLA") in place with the Trustee which provides for a data file to be provided within 5 working days of agreed monthly dates. The timing of such payments is monitored by the General Purpose Committee from quarterly administration reports provided by L&G.

The Trustee has a SLA in place with L&G. This details a number of key administration processes to be performed and the target timescale within which each of these processes need to be completed. The SLA covers the timeliness of all core financial transactions. Under the current SLA, L&G aims to complete investment of contributions within 24 hours, and all other core financial transactions within 5 working days.

L&G uses automated processes wherever possible, to avoid the need for manual intervention. However there will always be some manual tasks and L&G has processes in place to ensure these are completed promptly and accurately. These processes include:

- Use of a standard operating procedure manual (this is a guide which is used by the administration team to ensure that repeat tasks are carried out in the same way each time).

- Quality / in-line checking of tasks by another individual.

- Quality sampling, where a number of cases per process and/or per member of staff are sampled to be checked by more senior or experienced members of staff, who are in turn subject to checks by another team.

- Daily monitoring of bank accounts and daily processing of both contribution files and cash allocation.

L&G processed 100% of core financial transactions within the SLA during the Scheme year.

The Trustee also aims to have appropriate internal controls in place to minimise the risk of inaccurate or late payment of core financial transactions. Key processes include:

- The Trustee receives quarterly reports from L&G on compliance with agreed standards and timescales to help it monitor that the SLAs of the Pensions Office and L&G are being met;

- L&G attends Trustee board and committee meetings as required to discuss service and member experience, attending at least one Trustee board meeting a year, and maintains regular communication with the Scheme Secretary;

- Receipt of contributions by L&G reconciled to the funds remitted from the Scheme bank account by the University on behalf of the Trustee;

- Reconciliation of all refunds of contributions resulting from individuals opting out to the Scheme's bank records prior to returning funds to the relevant Participating Employer;

- Operation in line with the business continuity plan and confirmation that the administrator has prioritised core financial transactions during the period impacted by COVID-19;

- As part of master trust authorisation the Scheme's processes were independently reviewed and this will be an annual process going forward;

- L&G has also shared its own AAF report with the Trustee.

L&G's business continuity processes were triggered earlier this year as a result of the COVID-19 pandemic. L&G has kept the Trustee informed of its response to the outbreak and any actions it has taken as a result. L&G also attended the Trustee Meeting on 16 April 2020 at which business continuity was discussed.

The Trustee is satisfied that over the period:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;

- there have been no material administration errors in relation to processing core financial transactions; and

- all core financial transactions have been processed promptly and accurately during the Scheme year.

3B.2. AVCs and Bonus account

For the AVCs and the Bonus account, transactions are undertaken on the Trustee's behalf by the Pensions Office and Prudential. The Trustee has a service level agreement in place with the Pensions Office relating to transfers in and transfers out, payment processing, payment of benefits at retirement and contribution processing. The Trustee receives quarterly reports on performance of the Pensions Office, with any exceptions reported when matters have not been dealt with promptly and accurately. No material issues arose during the Scheme year to 31 March 2020.

The Trustee does not have a formal service level agreement in place with Prudential. However, Prudential has target timescales in operation for core financial transactions as set out in the table below.

Task	**Target timescales / Service Level Agreement**	
	Prudential	**Pensions Office**
Allocation of contributions	5 working days[1]	Not applicable
Transfers in	5 working days	5 days
Transfers out	5 working days	5 days
Fund switches	5 working days	Not applicable
Payment of retirement and death benefits	5 working days	2 days

[1]Prudential backdates the payment to the receipt date so even if the contribution is not allocated until day 5, it will be invested with an effective date of day 1.

Prudential monitors its performance against service targets closely and adopts a number of measures to help ensure core financial transactions are processed in a timely and accurate manner. These include:

- A dedicated contribution processing team;
- A central financial control team separate from the main administration team;
- Peer review and authorisation of payments;
- Daily monitoring of bank accounts;
- Daily checking and reconciliation of member unit holdings.

Other than the regular contributions paid, there was just one core financial transaction for the AVCs during the Scheme year, a transfer out. Although it took some time to arrange the necessary documentation to complete this transfer, the transaction was completed within the target service timescales. In order to minimise the risk of such delays happening in the future, the Pensions Office will endeavour to deal directly with the receiving scheme.

Core financial transactions for the Bonus account were limited to payment of benefits during the Scheme year. The Pensions Office keeps a record of all transactions on the Bonus account. This shows all claims were paid by Prudential within 5 working days during the Scheme year. Bonus account transactions are reported in the quarterly administration reports the Pensions Office produces for the Trustee.

The Trustee is therefore satisfied that the core financial transactions for defined benefit members' AVCs and the Bonus account have been processed promptly and accurately during the Scheme year.

3C. MEMBER BORNE CHARGES AND TRANSACTION COSTS

The Trustee must regularly report the level of charges borne by members through the investment funds. These charges comprise:

- Charges: these are explicit, and represent the costs associated with operating and managing a policy. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;

- Transaction costs: these are not explicit and are incurred when the fund manager buys and sells assets within investment funds.

The Trustee is also required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required following the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has taken account of the statutory guidance when compiling the information in the section.

Except as stated below, all costs and expenses relating to DC benefits (including advisory costs) are borne by the Trustee and are not passed onto members.

3C.1. DC SECTION

Members of the DC section pay an administration charge (the annual management charge ("AMC") which covers the cost of running their policy) and a fund management charge ("FMC") which covers the cost of managing the fund or funds in which they are invested, including any additional expenses disclosed by the fund manager. The Total Expense Ratio (TER) is the term used to describe the total of all explicit charges members pay. This is made up of the AMC and FMC. Members also bear transaction costs. These costs are implicit but they have an impact on the unit price of funds. They cover things such as the cost of buying and selling investments in the fund. Charges and transaction costs are incurred on an ongoing basis.

In addition, the Trustee pays L&G an initial fee of £106.37 per new member (increasing in line with the index of Average Weekly Earnings), payable in October each year. This charge is not passed on to members.

The table below shows the explicit costs (TER) and implicit costs (transaction costs) on funds available through the DC section as at 31 March 2020. These have been provided by L&G. Transaction costs calculated for L&G funds are for the 12-month period to 31 March 2020. There is no missing transaction cost data.

The TER on the default arrangement (the L&G Pathway Funds 3) is below the charge cap of 0.75%.

DC section fund	TER (%)	Transaction costs (%)
L&G Pathway Funds 3 **(the default arrangement)**	0.45[1]	0.05-0.06[2]
L&G Global Equity (70:30) Index Fund 3	0.40	0.01
L&G Stewart Investors Asia Pacific Leaders Fund 3	1.13[3]	0.15
L&G Ethical Global Equity Index Fund 3	0.60	0.00
HSBC Islamic Global Equity Index Fund 3	0.65	0.03
L&G All Stocks Index Linked Gilts Index Fund 3	0.38	0.11
L&G Retirement Income Multi-Asset Fund 3	0.61	0.04

[1]The TER was 0.49% until 7 January 2020.
[2]Depending upon target date range
[3]The TER was 1.14% until 27 November 2019

3C.2. AVCS

Members with AVC funds pay an annual management charge from their unit-linked funds. Some unit-linked funds are subject to additional expenses. For unit-linked funds, the TER is made up of the annual management charge plus the additional expenses. The charges on the With-Profits Cash Accumulation Fund are not explicit, they are taken into account when the annual bonus rate on the Fund is declared. Prudential has however provided an estimate of the charges on the Fund and this is shown in the table below.

The table below shows the explicit costs (TER) and implicit costs (transaction costs) borne by members on their AVCs as at 31 March 2020. These have been provided by Prudential. There is no missing transaction cost data.

As explained above, there is no default arrangement within the AVCs.

AVC fund	TER (%)	Transaction costs (%)
Prudential Cash Fund	0.55	0.00
Prudential Discretionary Fund	0.80	0.15
Prudential Fixed Interest Fund	0.75	0.00
Prudential Global Equity Fund	0.75	0.04
Prudential Index-Linked Fund	0.75	0.40
Prudential International Equity Fund	0.75	0.16
Prudential UK Property	1.31	0.00
Prudential UK Equity Fund	0.75	0.03
Prudential With Profits Cash Accumulation Fund[1]	0.98 (estimated)	0.11

[1]Prudential currently estimates the charges on the With Profits Cash Accumulation Fund to be 0.8% p.a. assuming investment returns are 5% p.a. plus additional expenses of 0.18% p.a..

3C.3. Bonus account

The charges for the With-Profits Investment Account are not explicit. Prudential takes account of the costs of administering the With-Profits Investment Account when it declares the annual bonus rate on the Account. Prudential has however provided an estimate of the charges on the Fund.

The table below shows the estimated charges and the transaction costs borne by Bonus account members as at 31 March 2020. These have been provided by Prudential. Prudential currently estimates the charges on the With Profits Investment Account to be 0.65% p.a. plus additional expenses of 0.18% p.a. There is no missing transaction cost data.

As explained above, there is no default arrangement.

Bonus account	TER (%)	Transaction costs (%)
Prudential With Profits Investment Account	0.83 (estimated)	0.11

3D. ILLUSTRATIONS OF THE CUMULATIVE EFFECT OF COSTS AND CHARGES

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided illustrations of their cumulative effect on the value of typical scheme members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out at the end of this section.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements. The Scheme does not offer members access to flexi-access drawdown therefore this option has not been taken into account in these illustrations.

3D.1. DC SECTION

For the DC section, we have decided to illustrate four example members:

- Example member 1: the youngest active member (age 17) with a retirement age of 68 and a starting fund value of £237 (as this is representative of the fund value of the youngest members of the DC section) and contributions starting at £147 per month (as this is representative of the monthly contribution for the youngest members in the DC section);

- Example member 2: the youngest deferred member (age 18) with a retirement age of 68 and a starting fund value of £921 as this is representative of the fund value of the youngest deferred members of the DC section;

- Example member 3: the median active member (age 33) with a retirement age of 68 and a starting fund value of £1,588 and contributions starting at £177 per month as this is the median fund value of active members of the DC section and the average monthly contribution for active members;

- Example member 4: the median deferred member (age 31) with a retirement age of 68 and a starting fund value of £834 as this is the median fund value of deferred members of the DC section.

We have produced illustrations to demonstrate the cumulative effect of the above costs and charges for the default investment strategy (as represented by the L&G 2070 - 2075 Pathway Funds 3 for the youngest example active and deferred members, and the L&G 2055 - 2060 Pathway Funds 3 for the median active and deferred members), as 99.9% of DC section members invest in the default strategy. We have included illustrations to demonstrate the cumulative effect of costs and charges for the L&G Ethical Global Equity Index Fund 3 as this is the most popular self-select fund amongst members.

The tables below illustrate the cumulative effect of the costs and charges at different ages on members' projected retirement pots for the example members invested in the relevant L&G Pathway Funds 3 and the L&G Ethical Global Equity Index Fund 3. The projected retirement fund is shown in today's terms and so it already takes account of the effect of inflation between now and retirement.

Example member 1 - For the youngest active member the estimated impact of charges on accumulated fund values is shown in the table below.

Age	L&G 2070 – 2075 Pathway Funds 3			L&G Ethical Global Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
17	£237	£237	£0	£237	£237	£0
20	£5,600	£5,560	£40	£5,650	£5,590	£60
25	£15,080	£14,790	£290	£15,390	£15,020	£370
30	£25,280	£24,490	£790	£26,110	£25,110	£1,000
35	£36,240	£34,680	£1,560	£37,930	£35,910	£2,020
40	£48,030	£45,380	£2,650	£50,950	£47,470	£3,480
45	£60,700	£56,630	£4,070	£65,280	£59,830	£5,450
50	£74,330	£68,440	£5,890	£81,080	£73,070	£8,010
55	£88,990	£80,840	£8,150	£98,470	£87,230	£11,240
60	£104,750	£93,880	£10,870	£117,630	£102,390	£15,240
65	£121,700	£107,570	£14,130	£138,730	£118,610	£20,120
68	£132,480	£116,120	£16,360	£152,400	£128,880	£23,520

Example member 2 - For the youngest deferred member the estimated impact of charges on accumulated fund values is shown in the table below.

Age	L&G 2070 – 2075 Pathway Funds 3			L&G Ethical Global Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
18	£921	£921	£0	£921	£921	£0
20	£950	£940	£10	£960	£950	£10
25	£1,020	£990	£30	£1,050	£1,010	£40
30	£1,100	£1,040	£60	£1,160	£1,080	£80
35	£1,180	£1,090	£90	£1,280	£1,160	£120
40	£1,270	£1,140	£130	£1,410	£1,240	£170
45	£1,360	£1,200	£160	£1,550	£1,330	£220
50	£1,470	£1,260	£210	£1,710	£1,420	£290
55	£1,580	£1,330	£250	£1,880	£1,520	£360
60	£1,700	£1,390	£310	£2,070	£1,630	£440
65	£1,820	£1,460	£360	£2,290	£1,740	£550
68	£1,910	£1,510	£400	£2,420	£1,820	£600

Example member 3 - For the median active member the estimated impact of charges on accumulated fund values is shown in the table below.

Age	L&G 2055 – 2060 Pathway Funds 3			L&G Ethical Global Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
33	£1,588	£1,588	£0	£1,588	£1,588	£0
35	£5,900	£5,870	£30	£5,940	£5,900	£40
40	£17,260	£16,950	£310	£17,590	£17,190	£400
45	£29,470	£28,580	£890	£30,410	£29,280	£1,130
50	£42,600	£40,810	£1,790	£44,540	£42,220	£2,320
55	£56,720	£53,650	£3,070	£60,100	£56,070	£4,030
60	£71,900	£67,150	£4,750	£77,240	£70,890	£6,350
65	£88,230	£81,320	£6,910	£96,120	£86,750	£9,370
68	£98,610	£90,160	£8,450	£108,360	£96,790	£11,570

Example member 4 - For the median deferred member, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	L&G 2055 – 2060 Pathway Funds 3			L&G Ethical Global Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
31	£834	£834	£0	£834	£834	£0
35	£880	£870	£10	£900	£880	£20
40	£950	£910	£40	£990	£940	£50
45	£1,020	£960	£60	£1,090	£1,010	£80
50	£1,100	£1,010	£90	£1,200	£1,080	£120
55	£1,180	£1,060	£120	£1,330	£1,150	£180
60	£1,270	£1,110	£160	£1,460	£1,240	£220
65	£1,370	£1,170	£200	£1,610	£1,320	£290
68	£1,430	£1,200	£230	£1,700	£1,380	£320

3D.2. AVCs

For the AVC arrangement, we have decided to illustrate two example members:

- Example member 5: the youngest member paying AVCs regularly (age 50) with a retirement age of 65 and a current fund value of £23,942 paying AVCs of £900 per month as this fund value and level of contributions is representative of members who regularly pay AVCs;

- Example member 6: the youngest member not paying AVCs regularly (age 55) with a retirement age of 65 and a current fund value of £2,415 as this is representative of the fund value held by members who do not regularly pay AVCs;

We have produced illustrations to demonstrate the cumulative effect of the above costs and charges for the With Profits Fund and the Cash Fund because these are the most popular AVC funds.

For example member 5, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	With Profits Fund			Cash Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
50	£23,942	£23,942	£0	£23,942	£23,942	£0
55	£83,450	£80,610	£2,840	£70,020	£68,780	£1,240
60	£147,080	£137,770	£9,310	£106,170	£102,770	£3,400
65	£216,320	£196,200	£20,120	£133,960	£127,840	£6,120

For example member 6, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	With Profits Fund			Cash Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
55	£2,415	£2,415	£0	£2,415	£2,415	£0
60	£2,840	£2,700	£140	£2,190	£2,130	£60
65	£3,350	£3,020	£330	£1,980	£1,880	£100

3D.3. Bonus account

For the Bonus account, we have decided to illustrate two example members:

- Example member 7: the youngest member (age 38) with a retirement age of 65 and a current fund value of £65 as this is representative of the fund value held by youngest members of the Bonus account;

- Example member 8: the average member (aged 54) with a retirement age of 65 and a current fund value of £1,624 as this is representative of the mean average age and fund value held by members of the Bonus account.

For example member 7, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
38	£65	£65	£0
40	£69	£68	£1
45	£80	£76	£4
50	£94	£84	£10
55	£109	£94	£15
60	£128	£105	£23
65	£149	£117	£32

For example member 8, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
54	£1,624	£1,624	£0
55	£1,670	£1,660	£10
60	£1,950	£1,850	£100
65	£2,280	£2,070	£210

3D.4. Assumptions and Data for Illustrations

- Fund values shown are estimates and are not guaranteed.
- The effect of charges on fund values is rounded to the nearest £10 for all illustrations except those for member number 7, which are rounded to the nearest £1 due to the relatively small amounts involved.
- Projected fund values for With Profits funds assume returns are investment growth less charges however this is unlikely to be the same as the bonus rate declared on these funds.
- Fund values shown are in real terms and do not need to be reduced to allow for the effect of inflation.
- Inflation is assumed to be 2.5% p.a.
- For the example active members of the DC section, contributions are assumed to continue throughout and to increase by assumed earnings inflation of 2.5% p.a.
- For the example active AVC members, contributions are assumed not to increase each year.

- The transaction costs have been averaged over a 2 year period, in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

- The projected growth rates and costs and charges used for the illustrations are shown in the table below. These are the same as the growth rates used by the providers for annual benefit statements. We have used a single growth rate for the Pathway Fund 3, irrespective of the length of time members have to retirement.

Fund	Total assumed annual charge[1]	Growth rate
L&G PMC 2070 - 2075 Pathway Fund 3	0.485%	1.5% p.a. above inflation
L&G PMC 2055 – 2060 Pathway Fund 3	0.485%	1.5% p.a. above inflation
L&G Ethical Global Equity Index Fund 3	0.60%	2.0% p.a. above inflation
Prudential With Profits Investment Account (Bonus account)	0.92%	3.2% p.a. above inflation
Prudential With Profits Fund (AVCs)	1.07%	3.4% p.a. above inflation
Prudential Cash Fund (AVCs)	0.55%	2.0% p.a. below inflation

[1]This is the TER plus the transaction costs

3E. VALUE FOR MEMBERS ASSESSMENT

The Administration Regulations require the Trustees to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with our advisers, Aon, the Trustee has developed a cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Scheme relative to the costs and charges they pay. Aon reported to the Trustee on this basis in a report dated 3 August 2020. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No. 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The costs and charges have been identified as the TER and transaction costs, as set out in section C of this statement. Our assessment shows the DC section charges are within the range reported by other schemes, but in the upper quartile of this range. Members benefit from the fact that the Trustee pays the implementation fee for each members' policy and the charges on the default arrangement were reduced from 0.49% to 0.45% during the Scheme year. L&G typically uses cash flows to manage and minimise transaction costs. Also, the majority of investment options offered through the DC section are index-tracking funds, as are many underlying funds used in the DC section default arrangement and such funds have lower transaction costs than more actively managed funds, such as the Prudential funds held by AVC members. The Trustee has offered AVC members the opportunity to transfer funds and future contributions to the DC section to take advantage of the lower costs and charges (and other benefits) it provides.

The Trustee has considered the benefits of membership under the following five categories: governance, investments, administration and member experience, member communications and retirement support. Each of these categories were given an equal weighting, when considering overall value for members. Benchmarking relative to other pension arrangements or industry best practice guidelines was also undertaken. For the AVCs and Bonus account, the Trustee has considered the benefits these arrangements provide to members in the context of membership of the Scheme rather than these arrangements alone.

The Trustee's beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

3E.1. Governance

The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.

The Scheme has achieved master trust authorisation and is supervised as a master trust, which includes consideration of its governance.

The Trustee has suitable governance processes in place for the DC section whereby core financial transactions and other key governance factors are monitored quarterly. Appropriate time is dedicated to the DC section relative to its size.

The Trustee takes a proportionate approach to governance of the AVCs and Bonus account arrangements, taking account of the number of members and assets under management and the relatively static nature of these arrangements (in terms of fund switches and other core financial transactions). Members who hold AVCs have been offered the opportunity to move these to the DC section to take advantage of the lower charges and additional governance oversight, and an exercise to make members aware of this was undertaken in the previous Scheme year.

DC issues are included in the Scheme's risk register, which is reviewed regularly, and the Trustee takes professional advice in respect of actuarial, legal and investment matters (the costs of which are not passed onto members).

The Trustee benefits from five member-nominated trustee directors, who bring useful insights and perspectives to the Trustee Board as Scheme members carrying out a range of occupations within the University community.

At the end of the Scheme year and since then the Scheme has been operating during the COVID-19 pandemic. There has been no material impact on governance, with the Trustee Board and its committees continuing to meet virtually and being able to carry out business as intended. Advisers' availability and service has not been affected.

The Trustee concluded it has suitable governance processes in place, DC issues are included in the Scheme's risk register, which is reviewed regularly, and the Trustee takes professional advice in respect of actuarial, legal and investment matters.

3E.2. Investments

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.

For the DC section, the Trustee reviews investment performance (after all charges) in the context of their investment objectives on a quarterly basis and assesses the suitability of the default arrangement at least every 3 years. No major concerns were identified over the Scheme year.

The review of the investment strategy and default arrangement planned for later this year will include member outcome modelling to help inform decisions about the suitability of the investment strategy.

The AVC arrangement offers members a range of funds that provide access to the main asset classes and a With Profits Fund, and are therefore considered to be capable of meeting members' needs. As noted above, members also have the option to move their AVCs to the DC section. Performance of the AVC funds has not been formally reviewed during the Scheme year.

The Prudential With Profits Investment Account is the only option available through the Bonus account. All members of the Bonus account have benefits in the DB section and this account provides additional benefits. The Trustee is unable to change the investment strategy as doing so would result in the loss of investment guarantees provided by the With Profits Investment Account.

The Trustee has concluded that the design of the default arrangement, the range of investment options offered to members, and the processes it has in place to monitor investments have the potential to provide good member outcomes and therefore provide value for members.

3E.3. Administration

The Trustee believes that good administration and record keeping play a crucial role in ensuring that scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.

The Scheme has achieved master trust authorisation and is supervised as a master trust, which includes consideration of its systems and processes.

The Trustee has a service level agreement in place with L&G in relation to the DC section and L&G reports performance against this on a quarterly basis. This enables the Trustee to monitor standards of administration on a regular basis. L&G achieved the timescales set out in the service level agreement for 100% of core financial transactions over the Scheme year. One member complaint was received during the Scheme year, but this represents a very small proportion of the DC section membership.

Though the Trustee does not have a formal service level agreement in place with Prudential for the AVCs and Bonus account, Prudential has processes in place to ensure core financial transactions are processed promptly and accurately. Prudential has target timescales for core financial transactions and had operated within these.

As stated under processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes.

3E.4. MEMBER COMMUNICATIONS

The Trustee believes that effective member communications and delivery of the right support and tools help members understand and improve their retirement outcomes.

Members of the DC section and members of the defined benefit section who have AVCs have online access to their accounts via the L&G and Prudential websites. These websites also include modelling tools and supporting information. Relevant sources of information are signposted to members. L&G also provides a helpline to members of the DC section, though this closed between 25 March 2020 and 9 April 2020 following the onset of the COVID-19 pandemic.

Whilst the Bonus account does not offer online access, members receive an annual benefit statement and this enables them to monitor their projected retirement outcomes, albeit the nature of the arrangement means there is no scope to improve that outcome within the Scheme.

The Trustee concluded that the Scheme's communications are broadly in line with those provided by similar schemes, however member communication is going to be a focus over the coming scheme year.

3E.5. RETIREMENT SUPPORT

The Trustee believes it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.

The DC section allows members to access their funds as an uncrystallised fund pension lump sum (i.e. cash) or to take their entitlement to tax-free cash and use the remainder to buy an annuity. Members have the opportunity to transfer their DC funds out of the Scheme to a suitable arrangement, if they wish to draw income directly from their fund and this is in line with the approach adopted by other occupational DC pension schemes. The L&G website provides members with access to relevant information to support retirement decision making.

The Scheme allows defined benefit section members with AVCs to use their AVCs or Bonus account towards their pension commencement lump sum (tax-free cash) rather than having to commute DB pension. The Trustees believe this option is valued highly by members who have made AVCs. Pre-retirement communications clearly set out the options available to members (i.e. standard benefit option, maximum cash option or no cash option).

The Trustee has concluded that the retirement options available to members are appropriate and in line with those offered by similar schemes.

The Trustee's assessment for the year ended 31 March 2020 concluded that the charges and transaction costs borne by members of each of the DC section, AVCs and Bonus account were in line with other options available in the market and represent good value for members relative to the benefits of membership.

3F. TRUSTEE KNOWLEDGE AND UNDERSTANDING

Sections 247 and 248 of the Pensions Act 2004 set out the requirements for Trustees to have appropriate knowledge and understanding. These requirements are considered in the Pension Regulator’s Code of Practice 7.

The comments in this section relate to the Scheme as a whole and not solely the DC Section.

New Trustee Directors are required to complete a structured induction programme before taking up office, which may include a period of acting as an observer, as one new Trustee director did for three months during the Scheme Year. Completion of the Pensions Regulator's Trustee Toolkit forms part of that induction.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and review their own training needs. The Scheme Secretary, with the help of the Trustee's advisers, regularly considers training requirements and arranges for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate. Training is recorded in the Trustee Director's training logs and the Business Plan is updated as required. Trustee Directors have personal copies of the Trust Deed and Rules and have access to all Scheme governance documents and policies through 'WebLearn'.

It is usual to hold training sessions at each quarterly Trustee meeting. Training sessions usually cover topics on the agenda and updates to law, regulation and practice such as new governance requirements, new legislative requirements, changes to Scheme documentation (e.g. Trust Deed and Rules, SIP, Scheme policy documents), funding and investment and new provider offerings that might benefit the Scheme. With the move to virtual meetings during COVID-19 after the end of the Scheme year, a new approach to training has been established with training sessions now separate from Trustee meetings.

During the period covered by this statement, the Trustee Directors received DC-relevant training from their DC advisers and their legal advisers. This training included the following matters:

1. DC Risks;

2. DC investment guidance;

3. Master Trust authorisation and supervision regime;

4. The future of trusteeship and governance;

5. Various topical matters such as the Pensions Dashboard, the Money Advice Service, the CMA investigation into investment consultants and fiduciary managers.

As part of the master trust application process during 2019, the Trustee Directors needed to demonstrate that they individually have appropriate trustee knowledge and understanding as part of the fit and proper person test. Trustee knowledge and understanding was assessed by asking each Trustee Director to complete a self-assessment. From this, a trustee board skills matrix was compiled. This approach has been included in the Trustee business plan to ensure the Board considers any gaps in its knowledge regularly and inform its training needs or the need for additional support and advice. New Trustee Directors also have to demonstrate they meet the fit and proper person test as part of the ongoing supervision of the Scheme as a master trust.

The Trustee Directors also receive advice from professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. The scheme actuary and legal adviser attend each Trustee meeting to provide advice and are available to committee meetings when appropriate. The investment adviser attends each investment committee meeting and is invited to Trustee meetings when appropriate. The DC consultant attends Trustee meetings at least annually and General Purpose Committee and investment committee meetings when appropriate. All advisers are available for advice and support when required.

The Trustee Directors are conversant with key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts, Statement of Investment Principles and Trustee policies and procedures. Some examples which demonstrate the Trustee Directors' knowledge and understanding and familiarity with Scheme documents include:

1. Updating the SIP for Environmental, Social and Governance (ESG) requirements.

2. Signing off the Trustee Report and Accounts.

3. Reviewing Trustee decision making process, discretions and delegations in light of COVID-19.

4. Considering the law relating to pensions and trusts when updating the risk register.

5. Reviewing quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience.

6. Reviewing quarterly investment reports to assess fund performance against benchmarks, and funds against overall Scheme aim and objectives, as set out in the SIP.

7. Regular review of policies by rotation under the scheme's activity plan.

The Trustee also considered the impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure that the board could continue to perform effectively during this time. Specifically, the Trustee has reviewed the format of its meetings, identified key person risks, Trustee decision-making protocols, and approvals processes and taken steps to mitigate these risks through appropriate identification of designated alternates on the Trustee board and all advisers and providers to ensure business continuity and appropriate Scheme governance during the pandemic.

Taking account of actions taken individually and as a Trustee Board, together with advice available from its professional advisers, the Trustee considers that its Board has the necessary knowledge and understanding to properly exercise its functions as Trustee of the Scheme.

3G. <u>ADDITIONAL REQUIREMENTS FOR RELEVANT MULTI-EMPLOYER SCHEMES</u>

The Trustee is required to comply with the additional requirements for relevant multi-employer schemes, set out in Regulation 26 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

The Trustee board currently has six non-affiliated Trustee Directors (including the chair of the Trustee Board) and five affiliated Trustee Directors and so complies with the requirement for majority of non-affiliated Trustee directors including the chair. Affiliation refers broadly to being employed by an entity providing services to the Scheme. The affiliated Trustee Directors are employees of the University but none are employed in the Pensions Office which provides services to the Trustee or have roles involving oversight or direction of the Pensions Office. The non-affiliated Trustee Directors are Mr C. A. H. Alexander, Ms L. Savin, Mr R. Langley, Mr N. C. Standen, Mr J. N. Sykes (chair), and Mr J. Clark (appointed at the Trustee meeting on 16 April 2020 with effect from 1 April 2020). The non-affiliated Trustee Directors do not work for the University (or any other Scheme service provider) or any of its subsidiaries (nor have they in the five years prior to their appointment as Trustee Directors) and have not received any payment or benefit from the University (or any other Scheme service provider) other than for their role on the Trustee Board. The term lengths of the non-affiliated Trustee Directors comply with Regulation 28 of the Occupational Pension Schemes (Scheme Administration) Regulations 26, being 3 years each. During the Scheme year, Mr W. Jensen was also a non-affiliated trustee (resigning with effect from 31 July 2019). During the period from his resignation until the appointment of an affiliated Trustee Director on 1 January 2020 (Ms L. Cole) there remained a majority of non-affiliated trustee Directors because an affiliated Trustee Director, Ms N. Young, had also resigned with effect from 30 June 2019. There were equal numbers of affiliated and non-affiliated Trustee Directors between 1 January 2020 and the appointment of Mr J. Clark (a period of 3 months). Mr J. Clark had been identified as a new Trustee Director around the time of Ms L. Cole's appointment but his appointment was delayed until the following Trustee meeting in April 2020 in order to allow him to complete the induction and training required to meet the master trust fit and proper person requirements.

The appointment process for Mr J. Clark was carried out in an open and transparent way. An advertisement for the vacancy was placed in the Oxford University Gazette (a publication available to anyone interested in matters relevant to the wider University) seeking to recruit suitable candidates. In seeking suitable candidates the Trustee and the University intended that as far as is possible a diverse and well-balanced trustee board should be achieved, taking into account factors such as social demographics, experience and skills. After discussions with members of the Trustee Board and the Scheme Secretary, Mr J. Clark put himself forward for the role and was considered to be suitable for it by the University and Trustee. No other candidates came forward.

The chair was consulted on the appointment of trustees during the Scheme year.

3H. <u>FEEDBACK</u>

Members and their representatives are encouraged to make their views on matters relating to the Scheme known to the Trustee. Because of the size, nature and demographic of the Scheme membership, a range of different channels is available to members should they wish to share their views with the Trustee. They may contact the Trustee via the contact details (telephone number, email and postal address) in the annual report and the annual members' newsletter and on the OSPS website page. Members may also give feedback when in contact with the Pensions Office and they are encouraged to give feedback in the annual members' newsletter. The Trustee keeps under review the level of engagement with members and the opportunities for feedback from members. The presence of a number of member-nominated Trustee Directors on the Trustee Board is also helpful in this regard. Feedback is also received on future provision from employer working groups and forums that also include union representatives.

Signed on behalf of the Trustee of the University of Oxford Staff Pension Scheme by the Chair of the Trustee

J.N. Sykes

J N Sykes Date 29/10/2020

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2020

Employer and Post Code	Defined Benefit Section	
	Active members	Former Members and Pensioners
Balliol College, OX1 3BJ	81	166
Brasenose College, OX1 4AJ	49	102
Christ Church, OX1 1DP	128	243
Corpus Christi College, OX1 4JF	53	77
Exeter College, OX1 3DP	46	127
Green Templeton College, OX2 6HG	12	104
Green Templeton Services Limited, OX2 6HG	7	2
Hertford College, OX1 3BW	51	124
Jesus College, OX1 3DW	40	164
Keble College, OX1 3PG	46	117
Lady Margaret Hall, OX2 6QA	45	98
Linacre College, OX1 3JA	18	54
Lincoln College, OX1 3DR	73	107
Magdalen College, OX1 4AU	96	117
Mansfield College, OX1 3TF	26	49
Merton College, OX1 4JD	65	163
New College, OX1 3BN	71	151
North Oxford College Shared Services Limited, OX2 6JF	2	0
Nuffield College, OX1 1NF	29	76
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	3	38
Oxford Centre for Islamic Studies, OX1 2AR	2	11
Oxford Limited, OX1 4BW	5	17
Oxford Said Business School Ltd, OX1 1HP	36	90
Oxford University Innovation Limited, OX2 0JB	8	29
Oxford University Students Union, OX1 2BX	4	20
Pembroke College, OX1 1DW	74	90
The Queen’s College, OX1 4AW	54	94
Regent’s Park College, OX1 2LB	8	10
Rhodes House (The Rhodes Trust), OX1 3RG	3	12
Ruskin College, OX8 9BZ	4	82
St Anne’s College, OX2 6HS	52	107
St Antony’s College, OX2 6JF	28	138
St Catherine’s College, OX1 3UJ	28	86
St Edmund Hall, OX1 4AR	44	96
St Hilda’s College, OX4 1DY	45	89
St Hugh’s College, OX2 6LE	55	95
St John’s College, OX1 3JP	1	8
St Peter’s College, OX1 2DL	34	87
St Stephen’s House, OX4 1JX	9	12
Trinity College, OX1 3BH	54	92
University College, OX1 4BH	58	85
Wadham College, OX1 3PN	69	103
Wolfson College, OX2 6UD	36	148
Worcester College, OX1 2HB	66	111
Associated Participating Employers Total Membership	**1,718**	**3,791**

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2020 continued

Former Associated Participating Employers:	Defined Benefits Former Members and Pensioners
Associated Examining Board	5
Chapter House Shop	2
Local Examinations Syndicate	24
Oxford & Cambridge Examinations Board	10
Oxford Colleges Admissions Office	12
Oxford University Endowment Management	1
Oxford University Rugby Club	2
Somerville College	1
St Mary's Church	1
University of Cambridge Local Examinations Syndicate	59
Voltaire Foundation	1
William Osler House	2
Former Associated Participating Employers Total Membership:	**120**

Notes:

1. Statistics for Magdalen College includes employees of The Oxford Science Park Limited (formerly Magdalen Development Company Limited), a wholly-owned subsidiary of the College.
2. Statistics for New College includes employees of New College School, a department of the College.
3. Statistics in respect of former members include only those former members who have an entitlement to benefits under the Scheme.
4. The Principal Employer, the University of Oxford, had 1,852 active members and 6,894 former members and pensioners in the defined benefit section at 31st March 2020.

Employer and Post Code	Defined Contribution Section	
	Active members	Former Members
Balliol College, OX1 3BJ	43	11
Brasenose College, OX1 4AJ	21	6
Christ Church, OX1 1DP	76	33
Corpus Christi College, OX1 4JF	17	4
Exeter College, OX1 3DP	33	11
Green Templeton College, OX2 6HG	14	5
Green Templeton Services Limited, OX2 6HG	0	0
Hertford College, OX1 3BW	39	17

Jesus College, OX1 3DW	23	14
Keble College, OX1 3PG	44	22
Lady Margaret Hall, OX2 6QA	41	11
Linacre College, OX1 3JA	11	2
Lincoln College, OX1 3DR	36	15
Magdalen College, OX1 4AU	39	14
Mansfield College, OX1 3TF	30	12
Merton College, OX1 4JD	41	8
New College, OX1 3BN	37	8
North Oxford College Shared Services Limited, OX2 6JF	1	0
Nuffield College, OX1 1NF	13	7
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	0	0
Oxford Centre for Islamic Studies, OX1 2AR	0	0
Oxford Limited, OX1 4BW	13	11
Oxford Said Business School Ltd, OX1 1HP	36	13
Oxford University Innovation Limited, OX2 0JB	0	0
Oxford University Students Union, OX1 2BX	19	15
Pembroke College, OX1 1DW	36	12
The Queen's College, OX1 4AW	21	2
Regent's Park College, OX1 2LB	8	1
Rhodes House (The Rhodes Trust), OX1 3RG	2	0
Ruskin College, OX8 9BZ	13	8
St Anne's College, OX2 6HS	27	5
St Antony's College, OX2 6JF	25	10
St Catherine's College, OX1 3UJ	42	22
St Edmund Hall, OX1 4AR	16	9
St Hilda's College, OX4 1DY	18	4
St Hugh's College, OX2 6LE	14	1
St John's College, OX1 3JP	1	1
St Peter's College, OX1 2DL	23	8
St Stephen's House, OX4 1JX	5	1
Trinity College, OX1 3BH	23	3
University College, OX1 4BH	46	34
Wadham College, OX1 3PN	32	16
Wolfson College, OX2 6UD	27	11
Worcester College, OX1 2HB	15	10
Associated Participating Employers Total Membership	**1,021**	**397**

Notes:

1. Statistics for Magdalen College includes employees of The Oxford Science Park Limited (formerly Magdalen Development Company Limited), a wholly-owned subsidiary of the College.
2. Statistics for New College includes employees of New College School, a department of the College.
3. Statistics in respect of former members include only those former members who have an entitlement to benefits under the Scheme.
4. The Principal Employer, the University of Oxford, had 1,505 active members and 552 former members and pensioners in the defined contribution section at 31st March 2020.

5. SCHEME MEMBERSHIP STATISTICS

DC section

At 31 March 2020 there were 3,475 members in the DC section: 2,526 active members* and 949 deferred members. (At 31 March 2019, 2,062: 1,644 active and 418 deferred).

*These figures exclude employees who elected to opt-out within one month of their automatic entry into the Scheme.

DB section

		At 31st March 2020	At 31st March 2019
Active Members:			
At Start of Year:		**4,113**	**4,979**
Plus:	New Entrants	5	9
Less:	Deaths in Service	(8)	(2)
	Leavers taking Refund or Transfer	(8)	(135)
	Leavers with Preserved Benefits	(421)	(451)
	Undecided Leavers	(28)	(145)
	Retirements	(83)	(142)
At End of Year:		**3,570**	**4,113**
Former Members with Preserved Benefits (including Undecided Leavers):			
At Start of Year:		**6,389**	**6,176**
Plus:	Leavers with Preserved Benefits	421	451
	Undecided Leavers	28	145
Less:	Transfers Out	(109)	(158)
	Deaths in Deferment	(6)	(8)
	Retirement	(96)	(126)
	Undecided leaver refunds	(25)	(91)
At End of Year:		**6,602**	**6,389**
Pensions in Payment:			
At Start of Year:		**4,073**	**3,887**
Plus:	Retirements from active membership	83	142
	Retirements from deferment	96	126
	New dependant's pensions	57	38
Less:	Commutations at retirement	(5)	(25)
	Deaths of pensioners	(96)	(92)
	Cessations of child's pensions	(5)	(3)
At End of Year:		**4,203**	**4,073**
Total at End of Year		**14,375**	**14,575**

Of the 4,203 pensioners at 31 March 2020, 546 are dependants of deceased members.

Undecided leavers in the DB section are members with between 3 months' and 2 years' service with an entitlement to either a refund or a transfer to another pension arrangement.

DC section		**At 31st March 2020**
Active Members:		
At Start of Year:		**1,644**
Plus:	New Entrants	1,444
Less:	Deaths in Service	-
	Leavers with Preserved Benefits	(557)
	Retirements	(2)
	Adjustments in respect of late opt-out notifications	(3)
At End of Year:		**2,526**
Former Members with Preserved Benefits:		
At Start of Year:		**418**
Plus:	Leavers with Preserved Benefits	557
Less:	Transfers Out	(13)
	Deaths in Deferment	(1)
	Retirement	(10)
	Adjustments in respect of duplicate records	(2)
At End of Year:		**949**
Total at End of Year		**3,475**

6. FINANCIAL STATEMENTS

6A. FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2020

		2019/20			
		DB section	DC section	Total	2018/19
	Notes	£000	£000	£000	£000
Contributions and Benefits					
Employee Contributions		2,859	642	**3,501**	3,452
Employer Contributions		25,406	4,666	**30,072**	28,468
Total Contributions	5	28,265	5,308	**33,573**	31,920
Transfers In	6	-	650	**650**	342
		28,265	5,958	**34,223**	32,262
Benefits Payable	7	(20,007)	(153)	**(20,160)**	(20,624)
Payments to and on Account of Leavers	8	(1,613)	(97)	**(1,710)**	(1,896)
Administrative Expenses	9	(1,459)	(227)	**(1,686)**	(1,847)
		(23,079)	(477)	**(23,556)**	(24,367)
Net Additions from dealings with members		5,186	5,481	**10,667**	7,895
Returns on Investments					
Investment Income	10	5,661	1	**5,662**	4,510
Investment Management Expenses	11	(198)	(76)	**(274)**	(2,020)
Change in Market Value of Investments	12	(18,774)	(735)	**(19,509)**	49,968
Net Return on Investments		(13,311)	(810)	**(14,121)**	52,458
Net (decrease)/increase in fund during the year		(8,125)	4,671	**(3,454)**	60,353
Net Assets of the Scheme					
At end of previous year		737,790	3,051	**740,841**	680,488
At end of year		729,665	7,722	**737,387**	740,841

The notes on pages 50 to 69 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6B. STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31ST MARCH 2020

	Notes	2019/20 DB section £000	2019/20 DC section £000	2019/20 Total £000	2018/19 £000
Investments					
Pooled Investment Vehicles	12	679,632	6,991	**686,623**	697,856
Private Equity	12	34,700	-	**34,700**	20,685
Money Purchase Investments	12	2,205	-	**2,205**	2,287
Cash Deposits	12	11,049	-	**11,049**	18,484
Other Investment Balances	12	805	460	**1,265**	992
		728,391	7,451	**735,842**	740,304
AVC Investment	12	202	-	**202**	165
Total Investment Assets		728,593	7,451	**736,044**	740,469
Current Assets	13	2,981	805	**3,786**	3,531
Current Liabilities	14	(1,909)	(534)	**(2,443)**	(3,159)
Net Assets of the Scheme		729,665	7,722	**737,387**	740,841

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits that fall due after 31st March 2020. The actuarial position of the Scheme, which does take account of such obligations, is dealt with by the Report on Actuarial Liabilities on pages 80 to 81 and these Financial Statements should be read in conjunction with this.

The Financial Statements were approved by the Trustee on 29/10/2020 and signed on behalf of the Trustee by:

Director: J.N. Sykes

Director: Kevin Valentini

The notes on pages 50 to 69 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6C. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

Note 1. Basis of preparation

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP) (Revised 2018). The adoption of the June 2018 SORP has had no material impact on these financial statements.

The COVID-19 outbreak was declared a pandemic by the World Health Organisation on 11 March 2020, which may affect the Principal Employer's business, future contributions and the value of the Scheme's investments. There is no expectation that the Scheme will not remain a going concern for the 12 months subsequent to the signing of these financial statements. Therefore, the financial statements have been prepared on a going concern basis.

Note 2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the scheme is included in the Trustee's Report.

Note 3. Comparative disclosures for the Fund Account and Statement of Net Assets

Fund Account	Notes	2018/19 DB section £000	DC section £000	Total £000
Contributions and Benefits				
Employee Contributions		3,106	346	**3,452**
Employer Contributions		26,051	2,417	**28,468**
Total Contributions	5	29,157	2,763	**31,920**
Transfers In	6	18	324	**342**
		29,175	3,087	**32,262**
Benefits Payable	7	(20,620)	(4)	**(20,624)**
Payments to and on Account of Leavers	8	(1,869)	(27)	**(1,896)**
Administrative Expenses	9	(1,492)	(355)	**(1,847)**
		(23,981)	(386)	**(24,367)**
Net Additions from dealings with members		5,194	2,701	**7,895**
Returns on Investments				
Investment Income	10	4,510	-	**4,510**
Investment Management Expenses	11	(2,004)	(16)	**(2,020)**
Change in Market Value of Investments	12	49,889	79	**49,968**
Net Return on Investments		52,395	63	**52,458**
Net increase in fund during the year		57,589	2,764	**60,353**
Net Assets of the Scheme				
At end of previous year		680,201	287	**680,488**
At end of year		737,790	3,051	**740,841**

Statement of Net Assets	**Notes**	**2018/19 DB section £000**	**DC section £000**	**Total £000**
Investments				
Pooled Investment Vehicles	12	695,087	2,789	**697,856**
Private Equity	12	20,685	-	**20,685**
Money Purchase Investments	12	2,287	-	**2,287**
Cash Deposits	12	18,484	-	**18,484**
Other Investment Balances	12	702	290	**992**
		737,245	3,059	**740,304**
AVC Investment	12	165	-	**165**
Total Investment Assets		737,410	3,059	**740,469**
Current Assets	13	2,898	633	**3,531**
Current Liabilities	14	(2,518)	(641)	**(3,159)**
Net Assets of the Scheme		737,790	3,051	**740,841**

Note 4. Accounting policies

A summary of the accounting policies, which have been applied consistently, is set out below:

(a) Currency: The Scheme's functional and presentational currency is pounds Sterling.

(b) Investment: Investments denominated in foreign currencies are translated into Sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year. Investments are included at fair value. Pooled investment vehicles are valued at the year end at bid or single price. Property pooled funds are valued annually by CBRE (an independent firm of chartered surveyors) on an open market basis as defined by the Royal Institute of Chartered Surveyors. The valuation reported is as at 31 March each year. CBRE have recent experience in the locations and types of properties held by the Scheme. There is no provision for property depreciation or amortisation as this is already factored into the valuation. The property valuation is reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case, given the unknown future impact that COVID-19 might have on the real estate market. Assets held in limited partnerships are stated at the value given by the manager's nearest end of the Scheme year, at the currency rate at the year end; the valuation is based on the report and accounts provided by the manager of the underlying funds at cost less any permanent diminution in the value of specific assets. With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

(c) Income from investments: Receipts and other income from investments are dealt with on an accruals basis.

(d) Contribution income: Ordinary contributions, including contributions when a member has been auto-enrolled by the employer, and deficit contributions are included on an accruals basis. Participating employers reimburse the Scheme in respect of their share of the Pension Protection Fund (PPF) and other statutory levies. Amounts reimbursed are included in contribution income and the PPF levy expense is included in administrative expenses.

Employer Section 75 debt contributions are accounted for when a reasonable estimate of the amount can be determined, which is normally upon certification by the Actuary.

(e) **Additional Voluntary Contributions (AVCs):** AVCs are accounted for on an accruals basis, in the same way as other contributions, and the resulting investments are included in the statement of net assets at fair value, being the latest available net assets value provided by the investment manager.

(f) **Transfers in from, and out to, other schemes:** Transfer values receivable from other schemes represent the amounts received during the year for members who have joined the Scheme and transferred their previous pension entitlements. Transfer values payable to other schemes represent the amounts paid during the year for members who left the Scheme and transferred their preserved pension entitlements. They are accounted for on a cash basis on the date the trustees of the receiving plan accept the liability. In the case of individual transfers, this is normally when the transfer value is received or paid.

(g) **Benefits payable:** Pensions in payment are accounted for in the period to which they relate. Benefits payable are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retiring or leaving. Opt outs are accounted for when the Scheme is notified of the opt out. Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, this is shown separately within benefits.

(h) **Change in market value:** The change in market value comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sales of investments during the year.

(i) **Investment management expenses:** Investment management expenses are included on an accruals basis. The charging basis of these expenses for each investment manager is detailed in the Investment Review section of the Trustee Report (section 2D.6.).

(j) **Administrative expenses:** Administrative expenses are included on an accrual basis.

Note 5. Contributions

	2019/20		
	DB section £000	DC section £000	Total £000
From Employees (Members):			
Ordinary Contributions	2,690	577	**3,267**
Additional Voluntary Contributions	169	65	**234**
	2,859	642	**3,501**
From Employers:			
Ordinary Contributions	14,815	2,651	**17,466**
Deficit Funding	5,504	-	**5,504**
Members' Salary Exchange	4,464	1,292	**5,756**
PPF levies	623	-	**623**
Expenses	-	723	**723**
	25,406	4,666	**30,072**
Total Contributions	28,265	5,308	**33,573**

	2018/19		
	DB section £000	DC section £000	Total £000
From Employees (Members):			
Ordinary Contributions	2,923	313	**3,236**
Additional Voluntary Contributions	183	33	**216**
	3,106	346	**3,452**
From Employers:			
Ordinary Contributions	16,600	1,380	**17,980**
Deficit Funding	3,795	-	**3,795**
Members' Salary Exchange	5,038	655	**5,693**
PPF levies	618	-	**618**
Section 75 debt	-	-	**-**
Expenses	-	382	**382**
	26,051	2,417	**28,468**
Total Contributions	29,157	2,763	**31,920**

Members' and Employers' Ordinary Contributions were paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 28 April 2017. During the period of this report, employers contributed at the rate of 19.0% of active members' pensionable salaries. The Employers' contribution rates for active DB Section members included 1.7% for the deficit recovery, and for the DC Section included 11.15% for Tier 1 members, 9.15% for Tier 2 members and 7.15% for Tier 3 Members for the deficit recovery. Active members in the DB Section contributed 6.6% of pensionable salary in the Lower Cost Plan, 8.0% of pensionable salary in the Standard Cost Plan and 9.6% of pensionable salary in Higher Cost Plan members. For active members in the DC Section members contributed 4.0% of pensionable salary in Tier 1, Members 6.0% of pensionable salary in Tier 2 and Members 8.0% of pensionable salary in Tier 3. A new Schedule of Contributions was certified by the Scheme Actuary on 19 June 2020 and this is included in section 9B.

The University operates a salary exchange arrangement whereby a member's salary is reduced by the amount of the member's ordinary contribution. The employer then pays both the member's contribution on the member's behalf and the employer's contribution. A member is automatically enrolled into this arrangement three months after joining the Scheme unless the member applies in writing to opt out from the arrangement. The advantage of this arrangement is that both the member and the employer make savings in NI contributions whilst maintaining the level of benefits and retaining tax relief on contributions. Eleven Associated Participating Employers are also operating similar arrangements.

Note 6. Transfers In

	2019/20		
	DB section £000	DC section £000	Total £000
Club Transfers In	-	-	**-**
Non-Club Transfers In	-	650	**650**
Total Transfer Values Receivable	-	650	**650**

	2018/19		
	DB section £000	DC section £000	Total £000
Club Transfers In	1	-	**1**
Non-Club Transfers In	17	324	**341**
Total Transfer Values Receivable	18	324	**342**

Note 7. Benefits Payable

	2019/20		
	DB section £000	DC section £000	Total £000
Pensions	16,313	7	**16,320**
Lump Sum Retirement Benefits	3,018	16	**3,034**
Commutations	35	-	**35**
Lump Sum Death Benefits	641	130	**771**
Total Benefits Payable	20,007	153	**20,160**

Dependants of members in the Investment Builder defined contribution section receive a short-term pension of three months salary if a member dies in service.

	2018/19		
	DB section	DC section	Total

	£000	£000	£000
Pensions	15,429	-	**15,429**
Lump Sum Retirement Benefits	4,887	4	**4,891**
Commutations	137	-	**137**
Lump Sum Death Benefits	167	-	**167**
Total Benefits Payable	20,620	4	**20,624**

Note 8. Payments to and on Account of Leavers

	2019/20		
	DB section £000	**DC section £000**	**Total £000**
Refund of contributions in respect of:			
non-vested leavers	13	-	**13**
opt-outs	52	55	**107**
Individual Transfers to Other Schemes	1,548	42	**1,590**
Total Payments to and on Account of Leavers	1,613	97	**1,710**

	2018/19		
	DB section £000	**DC section £000**	**Total £000**
Refund of contributions in respect of:			
non-vested leavers	96	-	**96**
opt-outs	45	26	**71**
Individual Transfers to Other Schemes	1,728	1	**1,729**
Total Payments to and on Account of Leavers	1,869	27	**1,896**

Note 9. Administrative Expenses

	2019/20		
	DB section £000	**DC section £000**	**Total £000**
University’s Administration Fee (see Note 15)	515	32	**547**
Trustee’s Remuneration (see Note 15)	16	2	**18**
Actuarial Fees	149	-	**149**
Audit Fee	25	3	**28**
Legal Fees	111	71	**182**
Legal & General DC fee	-	117	**117**
Pension Protection Fund	623	-	**623**
Miscellaneous Expenses	20	2	**22**
Total Administrative Expenses	1,459	227	**1,686**

	2018/19		
	DB section	**DC section**	**Total**

	£000	£000	£000
University's Administration Fee (see Note 16)	583	17	**600**
Trustee's Remuneration (see Note 16)	15	1	**16**
Actuarial Fees	97	-	**97**
Audit Fee	20	1	**21**
Legal Fees	143	145	**288**
Legal & General DC fee	-	143	**143**
Pension Protection Fund	618	41	**659**
Miscellaneous Expenses	16	7	**23**
Total Administrative Expenses	1,492	355	**1,847**

Note 10. Investment Income

	2019/20		
	DB section £000	DC section £000	Total £000
Income from Pooled Investment Vehicles	5,562	-	**5,562**
Income from Private Equity	113	-	**113**
Bank account interest	6	1	**7**
Interest from Investment Managers	(20)	-	**(20)**
Total Investment Income	5,661	1	**5,662**

Negative short-position interest is charged on cash balances held in Euros.

	2018/19		
	DB section £000	DC section £000	Total £000
Income from Pooled Investment Vehicles	4,386	-	**4,386**
Income from Private Equity	65	-	**65**
Bank account interest	6	-	**6**
Interest from Investment Managers	53	-	**53**
Total Investment Income	4,510	-	**4,510**

Some pooled investment vehicles are accumulation funds and any income from the underlying assets is re-invested in the fund and is reflected in the market values of the investments.

Note 11. Investment Management Expenses

	2019/20 DB section £000	DC section £000	Total £000
Investment Management - BlackRock	96	-	**96**
Investment Management - SSgA	121	-	**121**
Investment Management - Generation	165	-	**165**
Custody Fees – State Street Bank	50	-	**50**
Investment Advice Fees	106	76	**182**
Investment Fee Rebates	(340)	-	**(340)**
Total Investment Management Expenses	198	76	**274**

	2018/19 DB section £000	DC section £000	Total £000
Investment Management - BlackRock	89	-	**89**
Investment Management - SSgA	107	-	**107**
Investment Management - Generation	1,994	-	**1,994**
Custody Fees – State Street Bank	50	-	**50**
Investment Advice Fees	137	16	**153**
Investment Fee Rebates	(373)	-	**(373)**
Total Investment Management Expenses	2,004	16	**2,020**

The investment fee rebate of £339,753 (2019: £372,416) covers a reduction in standard investment charges deducted from a pooled fund investment.

Note 12. Investment Assets

(a) Asset Reconciliation

	Value At 01/04/19 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value At 31/03/20 £000
DB Section					
Pooled Investment Vehicles	695,087	91,697	(86,974)	(20,178)	**679,632**
Private Equity	20,685	18,288	(5,513)	1,240	**34,700**
Money Purchase Investments (Insurance policies)	2,287	-	(85)	3	**2,205**
AVC Investment	165	30	(4)	11	**202**
	718,224	110,015	(92,576)	(18,924)	**716,739**
Cash Deposits	18,484			150	**11,049**
Other Investment Balances	702			-	**805**
Total	737,410			(18,774)	**728,593**

Prior to year end, the Trustee had entered into a contract with M&G Investment Management Limited and committed to an investment of £75 million into the M&G Illiquid Credit Opportunities Fund VII. The funds were invested on 5 May 2020.

	Value At 01/04/19	**Purchases at Cost**	**Sales Proceeds**	**Change in Market Value**	**Value At 31/03/20**
	£000	**£000**	**£000**	**£000**	**£000**
DC Section					
Pooled Investment Vehicles	2,769	5,019	(62)	(735)	**6,991**
	2,769	5,019	(62)	(735)	**6,991**
Other Investment Balances	290			-	**460**
Total	3,059			(735)	**7,451**

For the DC section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions which have been retained by the Scheme relating to members leaving the Scheme prior to vesting.

Defined contribution assets are allocated to members and Trustee as follows:

	At 31/03/2020	**At 31/03/2019**
	£000	**£000**
Members	**6,991**	2,769
Trustee	**-**	-
	6,991	2,769

(b) Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, and stamp duty. There were no direct transaction costs charged in the year to 31st March 2020 (2019: nil) Indirect transaction costs are borne by the Scheme in relation to transactions within pooled investment vehicles. Such costs are not separately provided to the Scheme.

(c) Concentration of Investments

Although the Scheme's investment holdings in the unit trusts managed by the Investment Managers exceeded 5% of its net assets, the diversity of the investment holdings within those unit trusts means that effectively the Scheme has no single investment holding which accounted for more than 5% of its net assets at the year end.

The list below shows those unit trusts whose value exceeded 5% of the Scheme's net assets as at the year-end:

	At 31/03/2020		At 31/03/2019	
	£000	%	£000	%
BlackRock:				
Ascent All Stock Corporate Bond Units	39,200	5.4	38,151	5.2
SSgA Managed Pension Fund:				
Fundamental Index Global Equity Units	73,593	10.1	87,016	11.8
All World Developed Equity Index Units	65,810	9.0	152,353	20.6
UK Over 5 years Index Linked Gilts Units	94,091	12.9	91,938	12.4
Columbia Threadneedle Portfolio Services Ltd:				
Threadneedle Property Unit Trust Units	60,981	8.4	61,120	8.3
Generation Investment Management LLP:				
Generation IM Global Equity Fund	52,742	7.2	56,808	7.7
M&G Investment Management:				
M&G Inflation Opportunities Fund	79,881	10.9	77,606	10.5
Acadian Asset Management LLC:				
Global Managed Volatility Equity UCITS	49,038	6.7	52,206	7.1
Baillie Gifford & Co. Limited:				
LTGG Investment Fund	57,195	7.8	-	-

(d) Self Investment

The Scheme has no direct investments in the University or any of the Associated Participating Employers. Other than as a result of late payment of contributions, there was no other employer related investment at any time during the year or at the year end (2019: nil). During the year, there was one instance of late payment of contributions which was one day late, with a total value of £9,509, which represents 0.03% of contributions payable under the Schedule of Contributions. This amount constitutes employer-related investments for the period over which it was late. The total value of this late contribution was less than 5% of net assets.

(e) Money Purchase Assets

The Scheme holds money purchase assets in the form of units in a With-Profits Investment Account with the Prudential Assurance Company Limited. The assets are not designated to individual members, but form part of the investment pool that benefits for those eligible may be funded from, in proportion to the allocation determined by the Trustee.

(f) AVC Investments

The Trustee holds assets invested separately from the main fund in the form of insurance contracts and deposit contracts with The Prudential Assurance Company Limited for members electing to pay additional voluntary contributions in this format. The proceeds from these contracts secure additional benefits on a money purchase basis. Members participating in this arrangement each receive an annual statement made up to 5th April confirming the amounts held to their account and the movements in the year.

Members may also elect to make additional voluntary contributions that are invested in the mainstream Scheme investments. Members participating in this arrangement secure additional benefits by the virtue of the purchase of additional service.

(g) Pooled Investment Vehicles

	At 31/03/2020 £000	At 31/03/2019 £000
DB Section		
Equities	**298,378**	348,384
Bonds	**213,172**	207,696
Property	**61,023**	61,378
Diversified growth funds	**26,406**	27,127
Emerging markets	**44,513**	50,502
Cash	**36,140**	-
	679,632	695,087
DC Section		
Pathway Funds	**6,991**	2,769

Some pooled property investments were managed on behalf of the Trustee by Schroder Property Investment Management ("SPIM"). Included in this range of pooled property investments is the Schroder Real Estate Fund of Funds - Continental Europe Fund II, with a total investment of €3,600,000 as at 31st March 2020 and 31st March 2019 (approximately £3,185,700 as at 31st March 2020 and £3,102,200 at 31st March 2019). No further funds remain to be drawn down as the fund's strategy is to return capital to unitholders at the earliest opportunity.

The investments in private equity and property are generally illiquid investments. It may not be possible to liquidate some of these assets fully and some may require sufficient time to find buyer willing to pay full market value.

(h) Private Equity Funds

The assets held in private equity funds comprise capital and loans in the Macquarie European Infrastructure Fund II and DIF Infrastructure V. The total original commitment of the Scheme to the Macquarie European Infrastructure Fund II limited partnership of €18,000,000 has now been fully drawn. The value is based on the audited accounts of the limited partnership to 31st March 2020, in which the value of the assets of the partnership are stated at cost less any permanent diminution in the value of specific assets. There may therefore be unrealised gains not included in the Financial Statements of the Scheme. These private equity funds are illiquid.

The total commitment of the Scheme to DIF Infrastructure V includes a total investment of €55,000,000 (approximately £48,670,300 as at 31 March 2020 and £47,394,000 as at 31 March 2019), of which €20,358,515 (€38,528,290 as at 31 March 2019) (approximately £18,015,600 as at 31 March 2020 and £33,200,200 as at 31 March 2019) remains to be drawn down against this commitment.

(i) Other Investments Balances

Other investment balances for the DB Section are accrued distributions from investments of £802,470 (2019: £693,915) and March 2020 contributions, invested post year-end, of £2,300 (2019: £7,800). Other investment balances for the DC Section relates to March 2020 contributions of £459,690, which were invested after the year end.

(j) Other Investments Notes

The companies managing the pooled investment vehicles are registered in the United Kingdom.

(k) Investment Risk Disclosures

When deciding how to invest the Scheme's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:

- Currency risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

- Interest rate risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

- Other price risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines the investment strategy after taking advice from its investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out in Section 2D. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

The following table summarises the extent to which the various classes of investments are affected by financial risks:

		Market risk			Value at 31 March 2020 (£m)	Value at 31 March 2019 (£m)
	Credit risk	Currency	Interest rate	Other price		
UK equities	○	○	○	●	12.9	87.0
Overseas equities	○	●	○	●	330.0	311.9
Index-linked gilts	○	○	●	○	94.1	91.9
Corporate bonds	●	○	●	◐	39.2	38.2
Inflation opportunities	●	○	●	●	79.9	77.6
Property	○	◐	○	●	61.0	61.4
Private equity	○	●	◐	●	34.7	20.7
Diversified growth	◐	◐	◐	●	26.4	27.1
Cash	●	○	●	○	47.2	18.5

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/ not at all.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the AVC or money purchase investments as these are not considered significant in relation to the overall investments of the Scheme.

Credit risk
The Scheme invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the custodian of those funds.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Scheme's investments across a number of pooled funds. The Trustee, with the help of its advisers, carries out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing pooled funds.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The indirect exposure to credit risk arises primarily from the Scheme's investments in the corporate bond fund, inflation opportunities fund, diversified growth funds and the emerging market multi-asset fund.

The managers of these pooled funds manage indirect credit risk by having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

Currency risk
As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, or implement separate currency hedging arrangements.

The majority of the Scheme's pooled funds are accessed via a Sterling share class, therefore the Scheme is not subject to direct currency risk on these investments. The Macquarie infrastructure fund and Schroders property fund are denominated in Euros so the Scheme is directly exposed to currency risk in these portfolios. The Scheme's assets that are exposed to indirect currency risk are the overseas equity funds, diversified growth funds and emerging market multi-asset fund, which may invest in non-Sterling investments on an unhedged basis.

The exposure to foreign currencies within the actively managed funds will vary over time as the manager changes the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

Interest rate risk
Some of the Scheme's assets are subject to interest rate risk. However, the overall interest rate exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

The only assets the Scheme invests in with material exposure to changes in interest rates are the corporate bond fund, index-linked gilt fund and inflation opportunities fund. The diversified growth funds and emerging market multi-asset fund may also have some sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns.

Other price risk
The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as the equity pooled fund holdings being subject to movements in equity prices. All of the Scheme's assets are subject to other price risk, except for the index-linked gilts and cash.

The Trustee monitors this risk on a regular basis, looking at the performance of the Scheme as a whole as well as each individual portfolio. The Trustee believes that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

The exposure to other price risk within the diversified growth funds, emerging market multi-asset fund and actively managed equity pooled funds will vary over time depending on how the managers change the underlying asset allocation to reflect their market views.

(I) Fair Value Determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Scheme can access at the measurement date.
Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs are unobservable inputs for the asset or liability.

For the purpose of this analysis:

- directly held cash has been included in Level 1,
- unlisted open ended pooled funds in Level 2,
- funds investing mostly in property or other illiquid investments in Level 3 (i.e. the Macquarie infrastructure fund, the Schroders property fund, the Threadneedle property fund and the DIF infrastructure funds).

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:

	DB section at 31 March 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	36,140	582,469	61,023	679,632
Private equity	-	-	34,700	34,700
Money purchase investment	-	-	2,205	2,205
AVC investments	-	-	202	202
Cash	11,049	-	-	11,049
Other investment balances	805	-	-	805
	47,994	582,469	98,130	728,593

On 24 March 2020 dealing was temporarily suspended in Threadneedle Property Unit Trust. This decision followed notification from the Fund's independent valuer that they were unable to value the Fund's assets with certainty in the current exceptional market environment. As a consequence, the Fund has been moved from Level 2 to Level 3.

	DB section at 31 March 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	1	694,828	258	695,087
Private equity	-	-	20,685	20,685
Money purchase investment	-	-	2,287	2,287
AVC investments	-	-	165	165
Cash	18,484	-	-	18,484
Other investment balances	702	-	-	702
	19,187	694,828	23,395	737,410

	DC section at 31 March 2020			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	6,991	-	6,991
Other investment balances	460	-	-	460
	460	6,991	-	7,451

	DC section at 31 March 2019			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Pooled investment vehicles	-	2,769	-	2,769
Other investment balances	290	-	-	290
	290	2,769	-	3,059

Note 13. Current Assets

	2019/20		
	DB section £000	**DC section £000**	**Total £000**
Debtors and Prepayments:			
Contributions due in respect of Members	124	40	**164**
Contributions due from Employers	1,547	369	**1,918**
Benefits in advance	-	-	**-**
Other debtors	59	6	**65**
Total Debtors	1,730	415	**2,145**
Cash Balances:			
Bank account	1,251	390	**1,641**
Total Current Assets	2,981	805	**3,786**

	2018/19		
	DB section £000	**DC section £000**	**Total £000**
Debtors and Prepayments:			
Contributions due in respect of Members	136	28	**164**
Contributions due from Employers	1,625	236	**1,861**
Benefits in advance	15	-	**15**
Other debtors	1	1	**2**
Total Debtors	1,777	265	**2,042**
Cash Balances:			
Bank account	1,121	368	**1,489**
Total Current Assets	2,898	633	**3,531**

All material contributions due in respect of Members and due from the Employers were all received shortly after the year end in accordance with the Schedule of Contributions.

Note 14. Current Liabilities

	2019/20 DB section £000	2019/20 DC section £000	2019/20 Total £000
Creditors:			
Accrued Expenses	481	68	**549**
Amounts due to University for Pensions paid	1,372	-	**1,372**
Contributions due to DC provider	-	460	**460**
Benefit and leaver payments due	28	6	**34**
AVC contributions due to Prudential	-	-	**-**
H M Revenue and Customs	28	-	**28**
Total Current Liabilities	1,909	534	**2,443**

	2018/19 DB section £000	2018/19 DC section £000	2018/19 Total £000
Creditors:			
Accrued Expenses	1,159	347	**1,506**
Amounts due to University for Pensions paid	1,320	-	**1,320**
Contributions due to DC provider	-	290	**290**
Benefit and leaver payments due	24	4	**28**
AVC contributions due to Prudential	8	-	**8**
H M Revenue and Customs	7	-	**7**
Total Current Liabilities	2,518	641	**3,159**

Note 15. Related Party Transactions

The Trustee entered into an Administration Agreement with the University with effect from 1st August 2001. The Agreement was reviewed and renewed with effect from 21st October 2014. Under the Administration Agreement, the University charges the Trustee an Administration Fee that is based on actual work throughput and commercial fee rates. The total of the charges for the period is disclosed in Note 9.

The Scheme makes use of the University's payroll and accounting systems to pay members' pensions and certain of the Scheme's operational expenses. At the year end, the Scheme owed the University £63,798 (2019: £216,558); this amount comprised contributions due in respect of March 2020 of £1,550,237 (2019: £1,484,155), less the pension payroll cost for March 2020 of £1,371,236 (2019: £1,319,971) and less expenses of £242,799 (2019: £380,743). At the year end, the Associated Participating Employers owed the scheme contributions in respect of March 2020 totalling £530,589 (2019: £540,115).

Mr J. L. Catney, Member Nominated Director, received a pension from the Scheme in accordance with the Scheme's Trust Deed and Rules.

Mr J. N. Sykes received an annual fee of £14,528 (2019:£11,532) from the Scheme in respect of services as Chair. Mr N. C. Standen received a fee for his services as an independent Trustee Director of £4,000 (2019: £4,000).

Several of the Trustee Directors incurred expenses during the course of the year, primarily in respect of training courses and travel to meetings. These expenses were reimbursed from the Scheme. Total expenses reimbursed for the year amounted to £511 (2019: £389).

Note 16. Contingent Asset

The Trustee and the University have agreed to create and maintain a “contingent asset”. This is an asset which can be assigned to the Trustee in the extreme event that the University is unable to continue to meet its contribution obligations. The asset represents additional resources available to the Trustee to help ensure that all accrued benefits are secured in full should the Scheme have to wind up following this event.

The Pensions Regulator regards the existence of a contingent asset as a major step towards reducing the risk that a scheme would require the support of the Pensions Protection Fund in the future.

The agreement formalising the contingent asset was executed on 22nd September 2009. The contingent asset takes the form of a floating charge on certain of the University’s assets specified in a reserve set up in the University’s accounts. The reserve comprised a list of property and cash, the total value of which as at 31st July 2016 was certified by the University, based an independent chartered surveyor valuation as at 31st July 2016, to be in excess of £100m. The Trustee considered the value to remain in excess of £100m as at 31st March 2020.

Note 17. GMP Equalisation

It has been confirmed with the Actuary that the impact of GMP equalisation on the liabilities of the Scheme is not expected to be material. This is partly because the Scheme was only contracted out from 6 April 1995 and also due to the fact that a member’s entire pension gets the same increases in deferment and payment meaning that for most members the amount of GMP has little or no impact on the benefits payable. The liabilities will be accounted for in the year they are determined.

7. STATEMENT OF TRUSTEE'S RESPONSIBILITIES WITH REGARD TO THE FINANCIAL STATEMENTS

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising the Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employers and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employers in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee is responsible for the maintenance and integrity of the financial information of the Scheme included on the OSPS section of the website www.admin.ox.ac.uk/finance/epp/pensions/schemes/osps. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

8. INDEPENDENT AUDITOR'S REPORT

8A. INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE UNIVERSITY OF OXFORD STAFF PENSION SCHEME

Opinion

We have audited the financial statements of the University of Oxford Staff Pension Scheme (the 'Scheme') for the year ended 31 March 2020, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, 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 Financial Reporting Standard 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:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Trustee and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Scheme associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

In our evaluation of the Trustee's conclusions, we considered the risks associated with the Scheme's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Scheme will continue in operation.

Emphasis of matter – valuation of property pooled investment funds
We draw attention to Note 4b to the financial statements, which describes the basis for valuing property pooled investment funds at 31 March 2020 valued at £61,023,000. The property pooled investment fund portfolio was valued by an expert appointed by the individual investment manager. The expert’s valuation included a ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of the fund than would normally be the case. Our opinion is not modified in respect of this matter.

Other information
The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee for the financial statements
As explained more fully in the Statement of Trustee’s Responsibilities set out on page 70, the Trustee is responsible for the preparation of financial statements which show a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme’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 Trustee either intends to wind up the Scheme, or has 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to the Trustee 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 Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date: 29/10/2020

9. COMPLIANCE

9A. SCHEDULE OF CONTRIBUTIONS AND RECOVERY PLAN FOR THE UNIVERSITY OF OXFORD STAFF PENSION SCHEME

9A.1. SCHEDULE OF CONTRIBUTIONS

The University of Oxford Staff Pension Scheme (the Scheme)
Schedule of Contributions and Payment Schedule

Introduction

This schedule of contributions has been prepared by the Trustee to satisfy the requirements of Section 227 of the Pensions Act 2004 and Section 87 of the Pensions Act 1995, after obtaining the advice of Jay Harvey, the Scheme Actuary, and after obtaining the agreement of the University of Oxford, on behalf of all the participating employers.
It comes into effect on the date of its certification by the Scheme Actuary and covers the period to 31 January 2028. The Trustees are responsible for preparing a revised schedule no later than 30 June 2023.

Participating employers

This schedule covers contributions to the Scheme from all employers who participate in the Scheme from time to time.

Employer contributions payable in respect of Members of the DB Section

The participating employers will contribute to the Scheme at the following rates. All figures are expressed as a percentage of the relevant members' Pensionable Salaries for the period in question.

Period	Contributions in respect of future accrual of benefits and the expenses of administering the Section	Additional contributions to satisfy the recovery plan dated 19 June 2020	Total contributions
1 April 2019 to 31 January 2028	19.0%	Nil	19.0%

The participating employers will ensure that the Trustee receives these contributions by the 7th day of the calendar month following that to which the contributions relate.
In addition to the amounts shown above, each participating employer will reimburse the Scheme in respect of its share of Pension Protection Fund (PPF) and other statutory levies within one month of a demand for payment from the Trustee.

Employee contributions payable in respect of Members of the DB Section

Employees who are active members of the DB Section of the Scheme (with the exception of Pension Salary Sacrifice Members) will contribute to the Scheme at the following rates of Pensionable Salary:

Period	Lower Cost Plan Members	Standard Cost Plan Members	Higher Cost Plan Members
1 April 2019 to 31 January 2028	6.6%	8.0%	9.6%

The participating employers will ensure that the Trustee receives the contributions payable by their employees by the 7th day of the calendar month following that in which the contributions were deducted from the employees' salaries.
These amounts do not include members' Additional Voluntary Contributions.

Contributions payable in respect of Members of the DC Section

The participating employers and employees who are active members of the DC Section will pay contributions to member's Retirement Accounts at the following rates. All figures are expressed as a percentage of the relevant members' Pensionable Salaries.

	4% Cost Plan Members	6% Cost Plan Members	8% Cost Plan Members
Employee (except Pension Salary Sacrifice Members)	4%	6%	8%
Employer	6%	8%	10%

For the avoidance of doubt, no contributions are due in respect of a member who opts out in accordance with the Scheme's opt out arrangements.

These amounts do not include members' Additional Voluntary Contributions.

In addition, the participating employers will pay the following amounts to the DB Section of the Scheme (again expressed as a percentage of the relevant members' Pensionable Salaries):

- The following rates to satisfy the recovery plan dated 19 June 2020:
  - 11.3% for members of the 4% Cost Plan;
  - 9.3% for members of the 6% Cost Plan; and
  - 7.3% for members of the 8% Cost Plan.
- 1.0% in respect of the provision of ill-health and death-in-service benefits.
- 0.7% in respect of the expenses of administering the Section.

The participating employers will ensure that the Trustee receives:

- the contributions payable by the employers by the 7th day of the calendar month following that to which the contributions relate; and
- the contributions payable by their employees by the 7th day of the calendar month following that in which the contributions were deducted from the employees' salaries.

Salary sacrifice

In respect of any of its employees who are Pension Salary Sacrifice Members, each participating employer will pay additional employer contributions equal to the employee contributions that the employee would otherwise have paid were they not a Pension Salary Sacrifice Member (subject to the statutory requirements in respect of maternity, paternity, adoption and parental leave).

Signed on behalf of the Directors of OSPS Trustee Limited

Name: John Nicholas Sykes
Position: Chairman
Date: 19 June 2020

Signed on behalf of the University of Oxford

Name: Professor Anne Trefethen
Position: Pro-Vice Chancellor (People and GLAM)
Date: 19 June 2020

Note: The University has been nominated as the employers' representative for this purpose.

9. COMPLIANCE

9A. SCHEDULE OF CONTRIBUTIONS AND RECOVERY PLAN FOR THE UNIVERSITY OF OXFORD STAFF PENSION SCHEME

9A.2. RECOVERY PLAN

The University of Oxford Staff Pension Scheme (the Scheme)

Recovery Plan

Introduction

This recovery plan has been prepared by the Trustee to satisfy the requirements of Section 226 of the Pensions Act 2004, after obtaining the advice of Jay Harvey, the Scheme Actuary, and after obtaining the agreement of the University of Oxford, on behalf of all the participating employers.

It follows the actuarial valuation of the Scheme as at 31 March 2019, which revealed a funding shortfall (technical provisions minus value of assets) of £112.8M.

Steps to be taken to ensure that the Statutory Funding Objective is met

To eliminate the funding shortfall, the Trustee and the University have agreed that the employers will pay the following additional contributions (i.e. contributions over and above those payable in respect of expenses and benefits being earned in the future) to the Scheme. All figures are expressed as a percentage of the relevant members' Pensionable Salaries for the period in question.

Period	Payable in respect of members of the DB Section	Payable in respect of members of the DC Section
1 April 2019 to 31 January 2028	Nil	11.3% for members of the 4% Cost Plan 9.3% for members of the 6% Cost Plan 7.3% for members of the 8% Cost Plan

Period in which the statutory funding objective should be met

Under this recovery plan, if the assumptions made are borne out in practice, the funding shortfall will be eliminated by 31 January 2028, i.e. within a period of 8 years and 10 months from the effective date of the valuation. The assumptions are:

- Technical provisions continue to be calculated according to the method and assumptions set out in the Statement of Funding Principles dated 19 June 2020, with financial conditions unchanged from those at the effective date of the valuation;
- Scheme experience is in line with the assumptions underlying the technical provisions, except that the investment return during the period will be 2.5% per annum above gilt yields, on both existing assets and future contributions payable to the DB Section;
- Scheme expenses will be equal to 0.7% of Pensionable Salaries;
- The Scheme continues to remain open to new entrants, with new entrants replacing leavers on a 1:1 basis;
- All new entrants join the DC Section;
- 2/3^{rds} of new entrants until 30 September 2020 remain in the 4% Cost Plan with the remaining 1/3rd joining the 6% Cost Plan and the 8% Cost Plan in equal proportions (with subsequent withdrawals from service being in line with the assumptions underlying the technical provisions);
- From 1 October 2020, 2/3^{rds} of all existing DC members and new entrants join the 6% Cost Plan, with the remaining 1/3rd joining the other two Cost Plan in equal proportions; and
- The proportion of members electing for different levels of accrual in the DB Section remains constant over the period.

Signed on behalf of the Directors of OSPS Trustee Limited

Name: John Nicholas Sykes
Position: Chairman
Date: 19 June 2020

Note: This is the date the recovery plan was "prepared" for the purposes of Scheme Funding Regulation 8(6).

Signed on behalf of the University of Oxford

Name: Professor Anne Trefethen
Position: Pro-Vice Chancellor (People and GLAM)
Date: 19 June 2020

Note: The University has been nominated as the employers' representative for this purpose.

9. <u>COMPLIANCE</u>

9B. ACTUARIAL CERTIFICATES FOR THE UNIVERSITY OF OXFORD STAFF PENSION SCHEME

9B.1. ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

The University of Oxford Staff Pension Scheme

Certification of Schedule of Contributions

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2019 to be met by the end of the period specified in the recovery plan dated 19 June 2020.

I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 19 June 2020.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature	**Date**
J.M. Harvey.	19 June 2020
Name	**Qualification**
J M Harvey	Fellow of the Institute and Faculty of Actuaries
Address	**Name of employer**
1 Redcliff Street Bristol BS1 6NP	Aon

9. COMPLIANCE

9B. ACTUARIAL CERTIFICATES FOR THE UNIVERSITY OF OXFORD STAFF PENSION SCHEME

9B.2. CERTIFICATION OF TECHNICAL PROVISIONS

ACTUARIAL CERTIFICATE GIVEN FOR THE PURPOSES OF REGULATION 7(4)(A) OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME FUNDING) REGULATIONS 2005

University of Oxford Staff Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2019 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 19 June 2020.

J.M. Harvey.

J M Harvey	19 June 2020
Fellow of the Institute and Faculty of Actuaries	Aon

9. COMPLIANCE

9C. REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31st March 2019. This showed:

	31 March 2019
The value of the technical provisions was	£848.1 million
The value of the assets at that date was	£735.3 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method: The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method with a three-year Control Period (or the length of any Recovery Plan if longer).

Significant actuarial assumptions include:

Pre-retirement discount rate: Equal to the UK nominal gilt curve at the valuation date plus 2.25% p.a. at each term.

Post-retirement discount rate: Equal to the UK nominal gilt curve at the valuation date plus 0. 5% p.a. at each term.

RPI inflation: The assumption is derived from the geometric difference between the UK nominal gilt curve and the UK index-linked curve at the valuation date, less 0.3% p.a. at each term.

CPI inflation: The assumption is derived from the RPI inflation assumption, less the Scheme Actuary's best estimate of the long-term difference between RPI and CPI inflation as applies from time to time (1.0% p.a. as at 31 March 2019).

Pension increases: For pension increases linked to inflation, a pension increase curve is constructed based on either the RPI, CPI or the average of the RPI and CPI inflation curves described above, adjusted to allow for the different maximum and minimum annual increases that apply, and the Scheme Actuary's best estimate of inflation volatility as applies from time to time. The inflation curves used depend on the period over which the benefits were accrued.

Pay increases: Each member's Pensionable Salary is assumed to increase in line with the assumed rate of RPI inflation at all terms.

Mortality: Standard tables S3PMA medium and S3PFA medium adjusted by means of a scaling factor for each category of members determined using the Aon's Demographic Horizons™ tool based on the members' dates of birth, sex and socio-economic information inferred from their postcodes. In determining the scaling factors, allowance will be made for the Scheme's own mortality experience over a suitable recent period.

CARE revaluation: A revaluation curve is constructed based on either the RPI, CPI or the average of the RPI and CPI inflation curve described above, adjusted to allow for the maximum and minimum annual increases that apply, and the Scheme Actuary's best estimate of inflation volatility as applies from time to time. The inflation curves used depend on the period over which the benefits were accrued.

Guaranteed Minimum Pensions (GMP): No allowance was made in the 2019 valuation for the cost of adjusting benefits to remove any inequalities arising from GMPs on the basis this is not likely to be material to the Scheme.

9D. Statement of Investment Principles – University of Oxford Staff Pension Scheme (Defined Contribution)

Introduction

This Statement of Investment Principles (SIP) has been prepared by the Trustee of the University of Oxford Staff Pension Scheme (the Scheme) to comply with the requirements of the Pensions Acts 1995, as amended, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK.

This SIP applies to the Defined Contribution (DC) Section only. There is a separate SIP for the Defined Benefit Section.

The Scheme Trustee has consulted with the University (on behalf of the employers with active members in the Scheme) on the content of this document.

Effective Date

This SIP is effective from 1 October 2020.

1. Strategy

Investment Objective

The Trustee's objective for the DC Section is the following:

> The Trustee is responsible for investing DC assets in line with members' preferences. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. The Trustee has taken into account members' circumstances; in particular the possible range of members' attitudes to risk and term to retirement.

Investment Strategy

In order to meet the Scheme's Investment Objective, the Trustee provides members access to a number of individual funds via the provider's platform. Further details on each of the funds available to members are provided in the Appendix.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee's investment advisers.

In choosing the DC Section's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and extent of manager diversification.
- The suitability of each asset class for a DC Scheme.
- The need for appropriate diversification of asset classes.
- The current and expected future membership of the DC Section of the Scheme.
- The fund charges in order to assess value for money.

The Trustee does not explicitly take into account the views of members and beneficiaries in relation to ethical considerations or social and environmental impact, or present and future quality of life matters (defined as "non-financial factors[1]"), although it does offer an Environmental, Social & Governance (ESG) fund through the DC Section.

Default Investment Arrangement

The Trustee is required to designate a default investment arrangement, into which members who are automatically enrolled (which occurs by enrolment into the DC Section) have monies invested. The Trustee has designated the L&G Pathway Fund 3 as the default investment arrangement for the DC Section.

The Trustee, with its investment adviser, has assessed the suitability of the default investment arrangement in the light of the regulations governing the ways in which members can access their benefits at retirement. This assessment took into account the expected membership profile of the Scheme and expected fund values at retirement. The default investment arrangement was selected and implemented in 2017.

The Trustee's policies in relation to the default investment arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out elsewhere in this document.

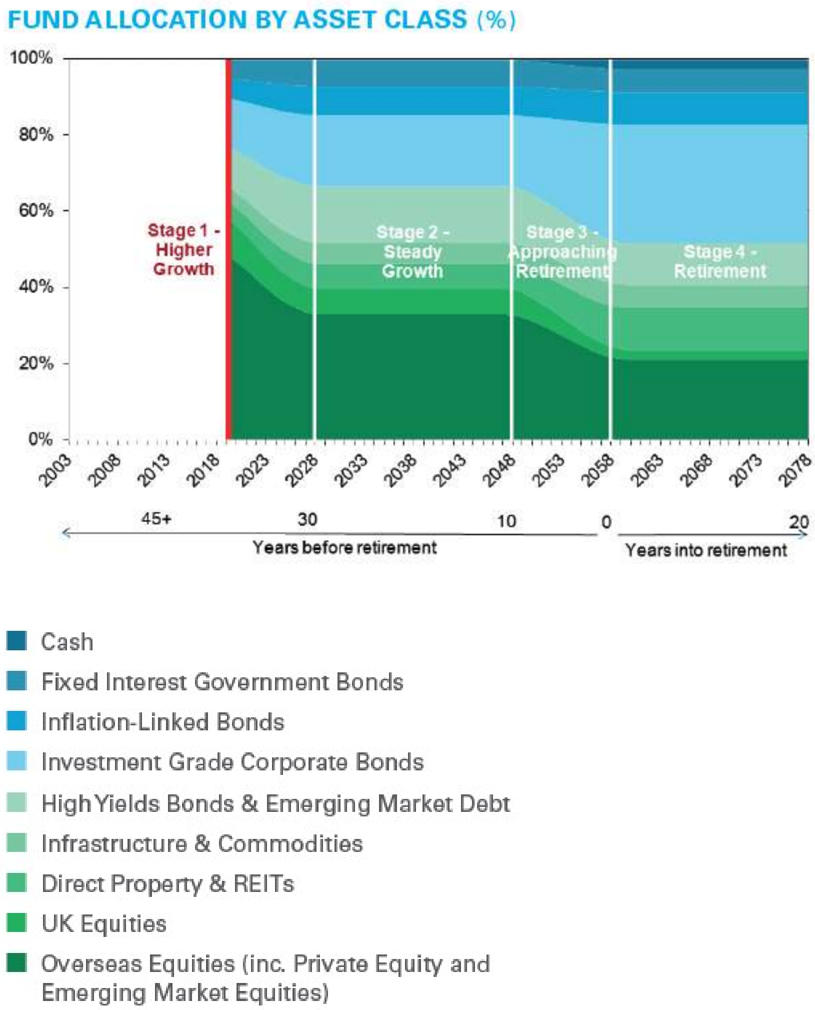
The default investment arrangement has been chosen by the Trustee so as to:

- provide long-term investment returns in excess of inflation,
- focus on mitigating downside risk for members as they approach retirement;
- reduce volatility as appropriate; and
- adopt an asset allocation at retirement that is broadly suitable no matter how members access their DC funds.

The aim of the Pathway Fund 3 is to provide opportunity for growth in the early years of investment by investing predominantly in equities. As retirement approaches, assets are switched to historically less volatile and lower risk investments with the aim of protecting the value of the accumulated fund.

The chart overleaf shows the structure of the Pathway 3 2055- 2060 vintage. The asset allocation shown is dynamic and due to evolve over time. Other target date fund vintages may have a different asset allocation to the one shown below.

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018



Source: Legal & General

2. Risks

Risks

The Trustee recognises that the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Scheme. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

Risks
Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and its investment advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
Risk of the default investment arrangement being unsuitable for the requirements of some members.
The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
The risk of the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations. The risk of the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy. This is considered by the Investment Sub-Committee, which monitors the performance of funds held in the DC Section.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner. The Trustee's policy is to review the range of funds offered annually.

These risks were considered when setting the initial strategy and will be considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks/objectives on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

3. Governance

Governance

The Trustee of the Scheme is responsible for the investment of the Scheme assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to make an informed decision. The Trustee has established the following decision-making structure:

Trustee

- Sets structures and processes for carrying out its role.
- Selects the investment adviser, bundled DC provider and overall investment strategy.
- Appoint Investment Sub-Committee (ISC).
- Delegate monitoring of overall investment strategy to ISC.
- Consider and approve recommendations from the ISC.

Investment Committee (ISC)

- Makes recommendations to the Trustee on:
  - Selection of investment adviser.
  - Selection of overall investment strategy.
  - Selection of funds and fund managers.
  - Structure for implementing investment strategy.
  - Monitors investment advisers and bundled DC provider.
  - Monitors funds on a quarterly basis.
  - Makes ongoing decisions relevant to the operational principles of the Scheme's investment strategy.
  - Implements changes to the investment fund range approved by the Trustee.

Investment Adviser

- Advises on all aspects of the investment of the Scheme assets, including implementation.
- Advises on this statement.
- Provides required training.

Bundled DC Provider

- Operates within the terms of this statement and its written contracts.
- Provides unit prices and other reporting material on a regular basis.
- Provides quarterly performance reporting to the Investment Sub-Committee.
- Provides Scheme information to advisers and the Trustee.

4. Implementation

Implementation

Aon Solutions UK Limited has been appointed as investment adviser to the Trustee and Investment Sub-Committee. They operate under an agreement to provide a full service designed to ensure that the Trustee and the Investment Sub-Committee are fully briefed both to take decisions themselves and to monitor those they delegate. They are paid on a basis that is agreed with the Trustee and which is currently a combination of a fixed fee for core services and time and materials basis for other services.

The fund manager structure and investment objectives for each fund manager ("mandates") are as set out in the Appendix.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through an insurance policy with the Bundled DC Provider. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practical.

All fund managers are remunerated on a fee basis related to the amount of assets under management. This structure has been chosen as the most cost-effective available to DC pension schemes. In addition, fund managers pay commissions to third parties on some of the many trades they undertake in the management of the assets and also incur other ad hoc costs.

5. General

Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy, or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Arrangements with asset managers

The Trustee monitors the DC investments to consider the extent to which the default investment arrangement and decisions of the asset managers are aligned with the Trustee's policies as set out in this SIP. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial performance and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment adviser.

The Trustee receives regular reports and verbal updates from the investment adviser on various items including the investment strategy, performance and longer-term positioning of the portfolio. The Trustee focuses on the longer-term performance when considering the ongoing suitability of the investment strategy in relation to the DC Section objectives and assesses the asset managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been adhered to throughout the year.

The Trustee shares the policies, as set out in its separate ESG policy, with the asset managers and requests that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, then the Trustee will express its expectations to the asset managers by other means (such as through a side letter, in writing or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation setting clear expectations of the asset managers' performance and investment strategy is, in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium and long-term financial and non-financial performance.

Where asset managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

The Trustee does not regularly monitor asset managers against non-financial criteria of the investments made on its behalf.

Investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including other annual charges levied by the investment manager) are met by the members by deduction from the unit price. The Trustee monitors and reviews the level of charges, as part of the work to prepare the Chair's Statement each year.

Environmental, Social and Governance considerations

In setting the range of funds available to members, the Trustee's primary concern is to seek the best return that is consistent with an appropriate level of risk. This includes the risk that ESG factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the DC Section's investment strategy.

The DC assets are held in pooled arrangements, managed by investment managers who are in a position to exert significant influence on the companies in which they invest on members' behalf. The Trustee therefore expects the investment managers to integrate social, environmental and governance considerations (including, but not limited to, climate change) and opportunities within their investment process as applied to the funds available to members.

The Trustee believes that the exercise of rights (including voting rights) attaching to investments should be exercised by each investment manager, to whom the day-to-day responsibilities have been delegated, in the interests of investors. The Trustee believes that this will ultimately be in the best interests of the members.

Stewardship – Voting and Engagement

As part of its delegated responsibilities, the Trustee expects the DC Section's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- Exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent asset manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the asset manager.

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for members and their beneficiaries.

The Trustee reviews the stewardship activities of its asset managers on a regular basis, covering both engagement and voting actions. The Trustee will review the alignment of the its policies to those of the asset managers and ensure its asset managers of other third parties use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability and positive change.

The Trustee expects transparency from its asset managers on their voting and engagement activity. Where voting is concerned, the Trustee expects asset managers to, where relevant, provide a summary of their voting actions on an annual basis. The transparency offered for engagement activity should include the objectives of the engagement action, the ultimate outcome and the processes for escalating unsuccessful engagements.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with issuers of debt and equity, an asset manager or another holder of debt or equity and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the DC Section's investment strategy, the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact or present and future quality of life matters (defined as 'non-financial factors'). The Trustee does make an ethical fund available to members through the self-select fund range and has taken in to consideration social, ethical and environmental factors in determining its investments.

The DC Section assets are invested in pooled funds. The Trustee cannot directly influence the managers' policies on social, environmental and ethical factors in these circumstances. However, the Trustee uses its influence as asset owners and expects its managers to:

- Exercise the voting rights in relation to the DC Section assets;
- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets.

Costs and Transparency

The Trustee is aware of the importance of monitoring the costs and charges borne by members and the impact these costs can have on member outcomes.

The Trustee regularly monitors and reviews the costs and charges borne by members, as part of the work to prepare the Chair's Statement each year.

The investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including annual management charges levied by the provider) are met by the members by deduction from the unit price.

The level of costs is reviewed against competitive market levels with input from the investment adviser, as part of the value assessment carried out in respect of the Chair's Statement each year.

Transaction costs

The Trustee monitors transaction costs (defined as the costs incurred as a result of the buying and selling of investments) through the Financial Conduct Authority compliant reporting received from managers. These costs are confirmed in the Chair's Statement each year.

The Trustee accepts that transaction costs need to be incurred to drive investment returns. The level of these costs varies across asset classes and by manager style within an asset class. For this reason, there are no overall targets for transaction costs and this is review on a case by case basis depending on market circumstances and manager strategy.

Realisation Of Investments	The Scheme's assets are invested in daily priced pooled investment funds, and the vast majority of the underlying assets are invested in quoted markets. The platform provider can be required to realise investments as soon as it becomes appropriate to do so.
Investment Adviser	Aon Solutions UK Limited has been appointed as Investment Adviser. It has the knowledge and experience required under the Pensions Act 1995.
Policy on Rights Attaching to Investments	The Trustee believes that it should encourage the companies it invests with to adopt good practice regarding corporate governance and corporate governance and corporate responsibility. The Trustee is in agreement with the principles of effective stewardship included in the Financial Reporting Council UK Stewardship Code, and has requested the Investment Managers to comply with these principles. The Trustee receives reports from its investment managers displaying the level of voting activity and engagement, highlighting occasions where they have not voted in agreement with their policy.
Review Of SIP	In drawing up this document, the Scheme Trustee has sought advice from the Scheme's Investment Adviser, Aon Solutions UK Limited. The Trustee will review this SIP at least every three years and without any delay after any significant change in investment policy or the demographic profile of relevant members. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Appendix – Fund Options

Investment fund	Investment style	Benchmark	Fee[2]	Investment Characteristics
L&G Pathway Fund 3		Composite	0.45% pa	This Fund provides exposure to a range of different asset classes and the mix of assets within the fund charges over time to reflect the needs of members as they approach their target retirement date.
L&G Global Equity (70:30) Index Fund	Passive	Global Equities	0.40% pa	To capture the returns of the UK and overseas stock markets as represented by the FTSE All-Share Index for the UK and the FTSE All-World ex UK Index for overseas stock markets. The Fund will be split approximately 70% to the FTSE All-Share Index and 30% to the FTSE All-World ex UK Index.
L&G Stewart Investors Asia Pacific Leaders Fund	Active	Asia Pacific excluding Japan Equities	1.13% pa	To grow the investment; the Fund invests in shares of companies based in or having significant operations in the Asia Pacific region including Australia and New Zealand excluding Japan. The Fund invests in shares of large and mid-sized companies in the region. These companies generally have a total stock market value of at least USD 1 billion. Consideration is given to investment in companies that are positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate. Derivatives may be used for efficient portfolio management.
L&G Ethical Global Equity Index Fund	Passive	Global Equities	0.60% pa	To track the sterling total returns of the FTSE4Good Global Equity Index before charges (including re-invested income, less withholding tax) to within +/- 0.5% per annum for two years in three.

[2] Fees as at September 2020

Investment fund	Investment style	Benchmark	Fee[2]	Investment Characteristics
HSBC Amanah Global Equity Index Fund	Passive	Global Equities	0.65% pa	The Fund aims to create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors.
L&G All Stocks Index Linked Gilts Index Fund	Passive	UK Index-linked Gilts	0.38% pa	To track the sterling total returns of the FTSE Index-Linked (All Stocks) Index before charges (including re-invested income) to within +/- 0.25% per annum for two years in three.
L&G Retirement Income Multi-Asset Fund		Composite	0.61% pa	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. The Fund invests globally in a range of different asset classes. The Fund invests in both index tracking and actively managed funds.

9. COMPLIANCE

9E. IMPLEMENTATION STATEMENT

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”). The Regulations amongst other things require that the Trustee outlines how it has ensured that the policies and objectives set out in its Statement of Investment Principles ("SIP") have been adhered to over the course of the year.

This is the first implementation statement the Trustee has prepared and covers the year ended 31 March 2020.

This statement sets out the actions undertaken by the Trustee, the service providers and investment managers, to implement the policies as set out in the SIP for both the DB and DC sections and includes voting and engagement information that has been gathered from the investment managers.

Changes to the SIP over the year to 31 March 2020

The latest versions of the SIPs were signed in September 2019 and were published online.

The SIPs were reviewed and updated at the meeting in September 2019 to take account of new regulations which came into effect from October 2019. The main changes set out:

- How the trustee takes account of 'financially material risks’, including (but not limited to) ESG factors such as climate change.
- Policies in relation to stewardship of investments.
- How they take account of non-financial matters.

The Trustee consulted with the University, on behalf of employers with active members in the Scheme, when making these changes and obtained written advice from its investment consultant.

The SIPs have been reviewed and revised over the course of 2020 to take account of further regulatory changes which are required to expand the SIPs for policies on cost transparency, and how asset managers are incentivised. In particular, the Trustee has outlined its policies regarding how it incentivises asset managers to achieve their long-term objectives, its policies on cost transparency and its policies on voting and stewardship.

The most recent SIPs including the changes outlined above, were signed by the Trustee by the 1 October 2020 deadline.

Scheme activity over the year

The Trustee outlines in its SIPs a number of key objectives and policies. The actions below provide an explanation of how these objectives have been met and policies adhered to over the course of the year. These activities may be carried out by the Trustee directly or by the Investment Committee on its delegated behalf. For ease of reference all sections below refer to the Trustee.

Investment strategy review

Following the March 2019 Actuarial Valuation, the Trustee agreed to assess its investment strategy for the DB section and consider potential changes. It was agreed to focus on agreeing a long-term funding and investment strategy for the Scheme. For these purposes a strawman Long Term Funding Target was agreed, based on the following:

- A discount rate of gilts + 0.5% pa (compared to the gilts + 1.2% pa underlying the technical provisions);
- The assumed cost of hedging inflation (i.e. no allowance for any “inflation risk premium”); and
- Best estimate assumptions in all other areas.

It was provisionally agreed to aim to reach the above Long Term Funding Target within a period of 15 – 25 years of the 2019 valuation date.

Given these parameters, during discussions at the September 2019 meeting it was agreed there is scope to de-risk the Scheme’s portfolio from its current target of approximately gilts + 5% p.a.

At the time of writing, the Trustee is considering various de-risked portfolios (targeting returns in a range of gilts + 4% to gilts + 4.5% p.a.) and more details will be covered in next year's statement.

Appointing new managers

The Trustee invested £50m in the Baillie Gifford Long Term Global Growth Fund following advice from its investment adviser in February 2019. The monies were sourced from the passive equity portfolio and the trade was completed in April 2019.

The main reason for proceeding with this investment was that it fits in with the Trustee's wider desire to access suitable actively managed equity funds.

The Trustee took the following into consideration when making the decision:

- Utilisation of its investment adviser's manager research team to conduct necessary due diligence
- The return and overall risk of the investment

Over the year, the Trustee has also received advice from its investment adviser to consider illiquid credit opportunities. The Trustee decided to commit £75m to the M&G illiquid Credit Opportunities Fund IV in February 2020. The trade was completed in May 2020 and therefore more details will be covered in next year's statement.

Manager meetings and trainings

Over the year, a number of the Scheme's investment managers attended the Trustee meetings. The Trustee engaged with them on a number of areas including performance, risk, outlook and ESG.

Quarterly Monitoring Report ("QMR")

For the DB section, the Trustee receives a QMR from its investment adviser outlining the valuation of all investments held, monitoring the performance of these investments and recording any material transactions encountered during the quarter. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments. The asset allocation is also monitored and compared to the strategic asset allocation set out in the SIP, in the QMR.

Within this report, the Trustee received an overview of each "buy" rated manager produced by Aon's manager research team giving a quarterly update on the rating of the manager. This includes an ESG rating for equity and fixed income managers where available.

The detailed investment manager fee information i.e. Total Expense Ratios (TERs) is also covered in the QMR and reviewed by the Trustee on a quarterly basis.

For the DC section, the Trustee receives a QMR directly from Legal & General ('L&G'). This reports the valuation of assets held and number of members as at the quarter-end, as well as performance against the administration service level agreement and membership changes over the quarter. A separate investment report is provided by L&G, showing the performance of the funds available to members and the underlying funds, relative to their benchmarks. Performance is monitored against the investment objectives set out in the SIP.

Total charges paid by members (TER) are comprised of the fund management charge and the annual management charge. The annual management charge does not change unless terms are re-negotiated and L&G publishes fund management charges online. Charges are reviewed by the Trustee on a quarterly basis and the Trustee collates costs and charges information on an annual basis, for inclusion in the Chair's Statement.

Offering a suitable range of funds to members (DC section only)

For the DC section a key aim of the Trustee is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives.

Over the scheme year, the Trustee has provided members with a range of investment choices. For members who do not self-select their own funds, the default arrangement (the L&G Pathway Funds 3) target date funds are in place. This gradually moves members' funds from higher risk growth seeking assets to lower risk capital preservation assets as they approach retirement. In addition, six self-select funds are available which members can choose from depending on their risk appetite and if they are comfortable making their own investment decisions.

Based on the fact that there is a range of investment options available to members which provides access to a range of risk and return characteristics, the Trustee is comfortable that it has met its objective of providing a range of investments suitable for meeting members' long and short-term investment objectives.

Stewardship Introduction

The Stewardship Policy as at Scheme year end states that: *As part of its delegated responsibilities, the Trustee expects the Scheme's investment managers to:*

- *Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and*
- *exercise the Trustee's voting rights in relation to the Scheme's assets.*

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Aon's manager research team provide ongoing monitoring of the investment managers including where applicable, monitoring on the quality of ESG integration and stewardship. Aon have confirmed that all Buy rated equity and fixed income managers that the Scheme invest in have been rated 2 or above on Aon's four-tier ESG ratings system[3] . This means that these appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

[3] More information on the Aon ESG Ratings process can be found here: https://www.aon.com/getmedia/0b52d7ec-db77-41bc-bb45-9386034db392/AonCanada-Publication-Investment-GuideESGRatings.aspx

The Defined Benefits Scheme invests in the following equity funds:

Manager	**Fund name**
State Street	MPF All World Developed Equity Index Sub-Fund
State Street	MPF Fundamental Index Global Equity Sub-Fund
Acadian	Acadian Global Managed Volatility Equity UCITS
Generation	Generation Global Equity Fund
Generation	Generation Asia ex Japan Equity Fund
Baillie Gifford	Long Term Global Growth
Sands	Emerging Market Equity

State Street – Voting and Engagement

State Street uses Institutional Shareholder Services (ISS) to vote on its behalf. State Street also uses ISS as a provider of research and analysis of general corporate governance issues and specific proxy items. Additionally State Street has access to research from various global and regional providers, including Glass Lewis and the Institutional Voting Information Service. State Street uses a combination of research from its third party providers along with their own analysis when making voting decisions. Final voting decisions are made using State Street Global in house policies.

Due to the volume of meetings State Street votes at annually, they prioritise meetings for further review based on factors including whether voting items cover areas identified as potential concern, and the size of holdings. Once significant votes have been identified State Street allocates time and resources to address these issues.

State Street votes on every climate related proposal, and has seen the number of proposals increase in recent years. Most climate related proposals are from stakeholders, and State Street actively engages with the proposals, as well as with the companies to discuss how relevant risks can be mitigated.

<u>State Street All World Developed Equity Index:</u>

Summary Voting Statistics:

	1 April 2019 – 31 March 2020
No. of resolutions eligible to vote	28,969
% resolutions voted	99%
% of resolutions voted against management	10%
% resolutions abstained	1%

State Street Fundamental Index (Global Equity):

Summary Voting Statistics:

	1 April 2019 – 31 March 2020
No. of resolutions eligible to vote	36,194
% resolutions voted	99%
% of resolutions voted against management	9%
% resolutions abstained	1%

Voting Examples

State Street have provided an extensive number of detailed examples of votes and voting rationale in relation to the companies that the Scheme invest in through these 2 index funds. An example of a significant vote given holding size and risks associated was a May 2019 Shareholder resolution requesting Chevron Corporation report on efforts to reduce its carbon footprint in line with a goal to limit global warming to no more than 2 degrees Celsius. State Street abstained from voting on the basis the Chevron Climate resilience report had been enhanced in two central areas including metrics and actions and governance. Furthermore, Chevron had engaged with the proponent and has had numerous engagements with Climate Action 100+[4] and As You Sow[5]. The outcome of the vote was in favour with management recommendation (as only 30.7% voted against management) to vote against the shareholder resolution. State Street continues to monitor disclosure activity at the company.

Another example of a significant vote was in February 2020, State Street abstained from a shareholder proposal that requested Apple Inc. report on its policies on freedom of information and access to information. Ahead of the company's AGM, State Street engaged with Apple Inc. multiple times to discuss the resolution, and encouraged Apple Inc. to publish a formal policy statement on human rights. Apple Inc. agreed to publish a formal statement on human rights, which would include freedom of expression, within a year. Following this, State Street abstained on the proposal, and will evaluate the company once the formal policy is published. The outcome of the vote was a support for the management recommendation to vote against the resolution (as only 38.4% voted against management).

[4] Climate Action 100+ is an investor initiative to systematically engage with the world's most important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement. http://www.climateaction100.org/

[5] As You Sow is a non profit organisation that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. https://www.asyousow.org/about-us

Engagement

State Street Global Advisors holds over 12,000 listed equities across its global portfolios. Therefore, the success of its engagement strategy is built upon our ability to prioritize and allocate resources to focus on companies and issues that have the greatest potential impact on shareholder returns. To support this process SSGA has developed proprietary in-house screening tools to help identify companies for active engagement based upon various financial and ESG (environmental, social, and governance) indicators. Factors considered in identifying target companies include:

- Size of absolute and relative holdings;
- Companies with poor long-term financial performance within their sector;
- Companies identified as lagging market and industry standards on ESG matters;
- Outstanding concerns from prior engagement; and
- Priority themes and sectors based on an assessment of emerging ESG risks.

The intensity and nature of our engagement with portfolio companies is determined by SSGA's holdings, engagement culture in a market, and an assessment of the materiality of ESG concerns. SSGA endeavours to build geographic diversity within its engagement activities to reflect our economic exposure to global markets.

In conducting its voting and engagement activities, SSGA evaluates the critical factors that play into the corporate governance framework of a country, which includes macroeconomic conditions, political environment, quality of regulatory oversight, enforcement of shareholder rights and the effectiveness of the judiciary. SSGA complements its company-specific dialogue with targeted engagements with regulators and government agencies to address systemic market-wide concerns.

Each year, the number of companies they engage with accounts for about 70% of its assets under management in equities.

Acadian – Voting and Engagement

Acadian appoint Glass Lewis to serve as its proxy administrator and is responsible for applying the custom Guidelines when executing proxy votes. In cases where the Guidelines specify case-by-case review by committee, or for any proposal not specifically addressed in the guidelines, our internal Proxy Analysts will review available information (including certain research provided by Glass Lewis) and provide a recommendation to the Proxy Voting committee.

Summary Voting Statistics:

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
No. of resolutions eligible to vote	548	522	428	4835
% resolutions voted	81%	96%	99%	90%
% of resolutions voted against management	8%	9%	8%	8%
% resolutions abstained	1%	1%	1%	1%

Acadian voted on only 81% of eligible votes in Q1 2020 and 90% over Q2 2019 which was by far the busiest quarter with 4,835 vote eligible resolutions.

Voting Example: Waste Connections, Inc: SHP Regarding Board Composition

In May 2019, Acadian voted in support of a shareholder proposal regarding a Diversity Policy. The voting decision was decided by the Proxy Voting Committee, and board diversity is seen as an important issue that should be addressed through in engagement. Acadian's policy is to vote on any proposals to increase gender or minority representation on its board on a case by case basis. However, if Glass Lewis recommends voting against the proposal, Acadian will follow their recommendation. 35.5% of votes were against the proposal.

Engagement

In October 2009, Acadian became the first quantitative manager to become a signatory of the Principles for Responsible Investing (PRI). It signed the Japan Stewardship Code in 2015 and expect it complies with the UK Stewardship Code and are also considering becoming a signatory.

It selects engagements from its holdings where a meaningful amount of material ESG data is incomplete in its database. Such themes cover E, S, and G issues, including carbon emissions reduction targets, health and safety incentives, and executive remuneration. Acadian engaged with 68 companies over the 12 months to March 30, 2020 that were held in the portfolio as at March 30, 2020.

Sands Capital Management (SCM) – Voting and Engagement

SCM uses ISS for vote execution, reporting and record keeping services. Also, Glass Lewis and Stakeholders Empowerment Services (SES) provide a variety of proxy related services to Sands.

SCM's Investment Research Team (the "Research Team") is responsible for reviewing proxy proposals for portfolio securities. Prior to a proxy voting deadline, the appropriate Research Team member will decide as how to vote each proxy proposal based on his or her analysis of the proposal and the Guidelines. In evaluating a proxy proposal, a Research Team member may consider information from a number of sources, including management of the company, shareholder groups and independent proxy research services.

Voting Example: Titan Company Limited on Board Structure

In August 2019, SCM voted against management recommendation with respect to the appointment of 2 directors at Titan Company Limited. As per Glass Lewis' assessment, the re-appointment / appointment of these two gentlemen would see the % of independent directors on the Audit committee fall to 60% from prior 80% given retirement of independent director Thirumala K Balaji. Glass Lewis points out that the Listing Obligations and Disclosure Requirements of the Securities and Exchange Board of India set the minimum threshold of independent directors on the Audit Committee at 66%. SCM have tried to engage the company to help clarify or better contextualize this decision but did not hear back, which unfortunately prompted SCM to vote against the two proposals given evidence presented by Glass Lewis. SCM are otherwise satisfied with Titan as a strong bearer of ESG Best Practices and look forward to future engagements with management on these topics.

Engagement

SCM engagements are business-specific. They do not establish an engagement template that is applied across their portfolio businesses. Instead, they make judgements about the issues that could have a material impact on our investments, which are informed by the deep domain and business-specific knowledge of their investment professionals. The lead analyst for a given business, often collaborating with relevant portfolio managers, has primary responsibility for engaging with the business.

SCM engage with businesses to advance the following primary objectives:

6. To inform their investment cases, enabling them to build conviction in great businesses and add value for our clients;
7. To exchange perspectives on matters that are relevant to the interests of long-term shareholders; and,
8. To discuss ballot proposals and inform their proxy voting decisions.

Generation – Voting and Engagement

Generation Voting Policy:

Generation uses Institutional Shareholder Services (ISS) as its independent voting service provider, to give notice of company meetings and carry out voting instructions. To ensure voting is carried out appropriately, Generation sends regular portfolio holdings updates to ISS and reconciles its records with those held by ISS to ensure the correct numbers of shares are identified for the ballots. Voting guidelines from third party providers are not automatically adopted, each analyst is responsible for voting the proxies of the companies they cover.

Generation have developed internal voting principles which serve as a guide to analysts. However, each analysts should review the issues on a case-by-case basis and exercise their best judgement given their knowledge of the company concerned.

Generation Global Equity Fund

Summary Voting Statistics:

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
No. of resolutions eligible to vote	182	61	9	549
% resolutions voted	100%	100%	100%	97%
% of resolutions voted against management	9%	3%	0%	5%
% resolutions abstained	0%	0%	0%	2%

Generation Asia Ex Japan Equity Fund:

Summary Voting Statistics:

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
No. of resolutions eligible to vote	9	17	82	229
% resolutions voted	100%	100%	67%	100%
% of resolutions voted against management	11%	6%	11%	5%
% resolutions abstained	0%	0%	2%	1%

Engagement

The Generation analyst team covers a small number of companies each (typically no more than 12). Because of the intense coverage of a company, each analyst is required to understand a company well, and to have good access to the management team. The analysts are expected to raise issues during the course of normal management meetings and on ad hoc occasions should the need arise.

Generation analysts engaged in approximately 570 conversations with the management teams of the Generation Focus List companies in 2019 (including those that were not in the portfolio during the year). In addition, analysts engaged with a wide range of stakeholders and representatives of the companies as a way to inform their research.

Climate action is an engagement priority across all the companies in the Global and Asia Equity Focus Lists. This includes progress on GHG emissions disclosure, adoption of science based targets and disclosure of (and strategic responses to) climate risk (and opportunity) in line with TCFD.

Baillie Gifford – Voting and Engagement

Baillie Gifford Voting Policy:

Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), but do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house and voted in line with their in-house policy rather than that of the proxy voting providers' policies.

Each proposal is evaluated on a case by case basis, and a decision is made based on the long-term interests of the client. Where this decision is against management, Baillie Gifford discusses the decision with the company before voting.

Baillie Gifford Long Term Global Growth Fund:

Summary Voting Statistics:

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
No. of resolutions eligible to vote	1	15	47	300
% resolutions voted	100%	100%	100%	100%
% of resolutions voted against management	0%	0%	0%	5%
% resolutions abstained	0%	0%	0%	1%

Voting Example: Amazon: Report on Gender Pay Gap (May 2019)

In May 2019 there was a proposal for Amazon to produce an enhanced disclosure of gender pay disparities across the business. Baillie Gifford viewed this as a significant vote as it was submitted by shareholders and received greater than 20% support. Baillie Gifford voted in favour of the proposal as they believed it was in the best long-term interests of the client, this was a voted against the management recommendation. The proposal received 25.8% support, and the outcome was in favour of management.

Engagement

Baillie Gifford consider all of their company engagements to be advanced due to the active growth approach and long-term investment horizon. Over the reporting period the Long Term Global Growth Investment Fund had engagements with 20 companies out of a portfolio of 34 as at 31 March 2020 - approximately 59%.

Blackrock – Voting and Engagement

The Scheme invests in the Blackrock Diversified Growth Fund (until April 2020) and the Blackrock UK All Stock Corporate Bond Fund. Within the Diversified Growth Fund, Blackrock may invest in equities.

BlackRock votes annually at over 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. BlackRock's analysis is informed by its internally developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors at a particular company.

Blackrock subscribes to research from Institutional Shareholder Services (ISS) and Glass Lewis, which is considered along with the company's policy and past engagements in voting and engagement analysis. Blackrock use the electronic voting platform provided by the ISS to execute voting instructions, manage client accounts and report on voting. In certain markets, Blackrock works with proxy voting providers to filter through proposals and flag any that may require additional research and engagement.

Blackrock periodically publishes detailed voting records with explanations of voting decisions in documents called 'vote bulletins'. These bulletins provide explanations of the most significant votes at shareholder meetings and is made public shortly after the meetings.

In relation to the Diversified Growth Fund, Blackrock voted on 96% of resolutions in the scheme year, 5% of which were against management. Blackrock abstained on 1% of votes.

Engagements are held by BlackRock's Investment Stewardship team - a group of 45+ team members located in seven offices globally. It often engages in conjunction with portfolios managers. Key points from any engagement are noted in Aladdin® Research, BlackRock’s end-to-end investment technology that provides teams across the firm and clients with a common language. It uses the information stored in Aladdin® Research for use in client reporting and future engagement and voting analysis.

Other asset classes

The Scheme invests in a number of other strategies including Property, Infrastructure and Credit Opportunities.

While the Trustee acknowledges the ability to engage and influence companies may be limited in comparison to equity holdings, the Trustee is encouraged from the information received that the managers are generally aware of ESG risks and opportunities and its role as a steward of capital and apply that responsibility in a manner consistent with their respective investment processes.

The Trustee includes some examples below to illustrate the engagement activity being carried out.

Columbia Threadneedle were awarded an A rating in 2019 by the PRI for its progress in responsible investment. Threadneedle have a five step process towards ensuring they manage their real estate portfolios responsibly. This includes:

- Carrying out due diligence when properties are being considered for acquisition
- Seeking to improve energy & water efficiency, waste management and other sustainable practices in the properties at communities
- Refurbishing with high sustainability standards
- Continuously manage properties with sustainability objectives in mind
- Ensuring portfolios undergo risk and governance controls

Within the private debt M&G Fund, M&G carry out a number of site visits to ascertain appropriate sustainability standards are met. For example, M&G provided debt to a company to build a facility that incinerates waste material and produces electricity to power homes in the UK. At M&G's request, the plant operator carried out a site visit and inspection of the recycling facility to understand whether the approach to waste management was sustainable. The results were positive and there are no outstanding issues although M&G analysts continue to monitor the investment as part of ongoing due diligence process throughout the life of the asset.

One of the Scheme's Infrastructure managers, DIF, recently obtained an A+ for both the strategy and governance module, and the infrastructure module of the Principles for Responsible Investment (PRI) assessment. More Stewardship and ESG related disclosures can be found at https://www.dif.eu/esg/

Money Purchase Benefits

The Scheme's Money Purchase arrangements comprise the DC section which is provided through a policy with Legal & General Assurance Society Limited ('L&G'), an AVC arrangement provided through a policy with Prudential Assurance Company Limited ('Prudential') and a Bonus Account which is held in a Prudential With-Profits Investment Account.

The DC section was established in October 2017 and is therefore relatively small at the moment, with membership of 3,475 and assets of a little under £7m as at 31 March 2020. The Prudential arrangements have been in place for a number of years but have very modest assets under management (£163,410 in the AVC arrangement and £1,371,490 in the Bonus Account as at 31 March 2020, excluding any With Profits terminal bonus).

The underlying fund manager of all funds invested in the DC section is Legal & General Investment Management ('LGIM').

LGIM relies on the services of their proxy advisor, ISS, but have implemented their own custom policies. In 2019, over 40% of votes against directors were cast against the recommendations of both ISS and company management.

In 2019, LGIM voted on 50,900 resolutions. They opposed the election of more than 4,000 company directors globally. LGIM engaged with 493 companies and to improve market standards around the world, LGIM participated in about 30 engagements with regulators and policy-makers.

The top 5 engagement topics with companies are:

8. Climate Change
9. Remuneration
10. Diversity
11. Board composition
12. Strategy

For more information on LGIM voting and engagement activities please download the pdf from https://update.lgim.com/activeownership2020

The underlying fund manager of all funds held in the AVC and Bonus Account arrangements is **M&G Treasury & Investment Office ('M&G').** M&G use the ISS voting platform to vote and they have built, with ISS, a custom voting service that reflects their public voting policy.

Where a resolution has been flagged by a service provider, the stewardship team and / or relevant M&G fund manager will discuss and decide on an ultimate decision. Where possible, M&G will inform the company in advance if they are voting against the company's recommendation.

M&G's engagement approach has been developed to provide a systematic process around engagements in which they have a specific objective and seek particular outcomes. Prior to commencing on engagement, that objective is clearly set out, with actions and outcomes recorded through the life of the engagement.

For more information on M&G's voting and engagement activities please see https://global.mandg.com/~/media/Files/M/MandG-Plc/documents/responsible-investing/MG-Corporate-Finance-and-Stewardship-Report-2019.pdf

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In Summary

Overall, the Trustee is comfortable that from the information observed that the investment managers are operating in accordance with expectations as set out in the Scheme's Stewardship Policy and are implementing stewardship suitably in line with its respective investment processes.
