OSPS

University of Oxford Staff Pension Scheme

UNIVERSITY OF OXFORD
STAFF PENSION SCHEME

Annual Report & Financial Statements
for the year to 31st March 2019

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

TRUSTEE'S ANNUAL REPORT

FOR THE YEAR TO 31st MARCH 2019

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 2019 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 can also 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 2019

TABLE OF CONTENTS

1. TRUSTEE AND ADVISERS AS AT 31st March 2019

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 D Cook (from 1 July 2019) and Mrs J Killick (to 30 June 2019), Finance Division, University of Oxford, 6 Worcester Street, Oxford OX1 2BX.

Actuary
Mr J. Harvey, Aon Hewitt Limited

Pensions Consultancy Services Provider
Aon Hewitt Limited

Investment advice and related services
Aon Hewitt Limited

Defined contribution provider
Legal and General Assurance Society Limited

Investment Managers
Acadian Asset Management LLC
Blackrock Advisors (UK) Ltd
Capital International Limited (until 16 April 2018)
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 (appointed 17 April 2018)
State Street Global Advisors Limited
Baillie Gifford & Co. Limited (appointed 5 April 2019)

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 2019.

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 2016. The Actuary's Certification of the Technical Provisions is included on page 62 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 2019 are set out on pages 35 to 54.

This Report and the Financial Statements on pages 35 to 54 were approved by the Trustee on 2019 and signed on behalf of the Trustee by:

Director:

Director:

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 Electoral Reform 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 2019 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]	Mr W. P. J. Jensen	Exeter College	Resigned 31st July 2019
[3]	Ms K. M. M. Kele	Estates Services	
[3]	Mr R. Langley	Magdalen	
[2]	Ms N. F. McEntee	Zoology	Re-appointed 1st April 2019, Resigned 30th June 2019
[3]	Ms L. Savin	Merton	Re-appointed 1st April 2019
[2]	Mr N. C. Standen	Independent	
[1]	Mr J. N. Sykes	Independent *(Chair)*	
[3]	Mr K. Valentine	Chemistry	Appointed 1st April 2018

Mr J. C. Catney and Ms L. Savin were elected unopposed as MNDs.

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]	Vacant	
[3]	Ms K. M. M. Kele	Estates Services
[3]	Mr R. Langley	Magdalen
[2]	Vacant	
[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

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 2018 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 2019.

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 2019, the Board met formally four times. In addition to regular items it also:

- agreed for Quayseco Limited to act as the corporate company secretary to the Trustee, OSPS Trustee Limited;
- considered integrated risk management as part of its preparation for the 2019 triennial valuation;
- considered further the requirements of the General Data Protection Regulation and Master Trust regulations;
- considered a complaint under the second stage of the internal dispute resolution procedure;
- completed an assessment of the skills, knowledge and experience of the Board as a whole;
- agreed a small number of changes to the Scheme's administration processes until the full impact of the High Court judgement on trustees' duty to equalise benefits for men and women for the effect of unequal Guaranteed Minimum Pensions (GMPs) became clearer;
- appointed two members to the OSPS Master Trust Strategist – a group established to develop a business plan, ensure the Scheme's viability and make business decisions relating to the activities of the Scheme; and
- agreed participation in the Scheme by the Society of St Stephen's House, a company limited by guarantee, replacing The Society of St Stephen's House, an unincorporated charitable trust.

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 ten 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 nine times during the year.

2C.2. SCHEME

Between January and March 2017 the employers consulted with active members and eligible non-members about changes to the benefits. Having considered the consultation responses, the University, on behalf of the employers, and the Trustee agreed changes to benefits.

Members who joined the Scheme before October 2017 continue to build up benefits on a career average revalued earning basis. From 1st April 2018 the final salary link ended. Also from 1st April 2018 defined benefit members' contributions increased and a different index applied for revaluing benefits built up from 1st April 2018 before retirement and increasing pensions in payment (the Consumer Prices Index ("CPI") capped at 5%).

For new entrants after 30th September 2017 benefits in the Scheme are provided on a defined contribution basis through an arrangement provided by Legal and General Assurance Society Limited.

The Trustee agreed to change the index used for the indexation of pensions. From 1st April 2017 indexation under the Scheme is based on the average of the Retail Prices Index ("RPI") and the CPI, with the exception of revaluation of CARE benefits accrued between 1st January 2013 and 31st March 2018 for members who joined the Scheme before 1st February 2013 which continues to be based on RPI.

The Trustee agreed to no longer accept transfers in from other schemes into the CARE section, with any future transfers in used to provide additional benefits in the Defined Contribution (DC) section. In addition it was agreed that members could no longer use Additional Voluntary Contributions (AVCs) to buy additional blocks of CARE pension. However, members are still permitted to pay AVCs on a DC basis. Currently members are permitted to use any such accumulated AVC funds to purchase additional pension within OSPS at retirement.

There were no other Scheme changes during the year.

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. As detailed in Section 2C.2. the Trustee agreed to change the inflation index and applied the average of RPI and CPI on 1st April 2017 and subsequently.

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

Year	2017	2018	2019
Increase %	1.50	3.45	2.85*

*The 2019 rate for post 2018 CARE accrual rate is 2.4%.

2C.5. ACTUARIAL VALUATION

The Actuary carried out the requisite triennial actuarial valuation of the Scheme as at 31st March 2016. The Statement of Funding Principles, the Schedule of Contributions, and the Recovery Plan were agreed on 28th April 2017. 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 2016 of £132.9 million against liabilities of £660.7 million, giving a funding ratio of 80%. The report showed the ongoing funding of the Scheme could be met by an employer contribution rate of 22.5% to 31 July 2016, 23.0% from 1st August 2016 to 31st July 2017 followed by 19% thereafter, allowing for the agreed benefit changes. This contribution rate was designed to improve the Scheme's funding ratio to 100% by June 2027.

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 2019, the results of which are expected to be agreed and published in 2020.

2C.6. Summary of Contributions Paid in the Year To 31st March 2019

The contributions payable to the Scheme during the year to 31st March 2019 by the employers and employees (members) under the Schedule of Contributions were as set out below.

	£000
Ordinary Contributions	
from members:	3,236
from employers:	
Ongoing Funding	17,980
Members' Salary Exchange	5,693
Deficit Funding	3,795
DC expenses and benefits	382
PPF Levy	618
Contributions payable under the Schedule of Contributions:	31,704
Other Contributions	
from members:	
AVCs	216
Total Contributions receivable as shown in the Financial Statements	31,920

During the year, there were 4 instances of late payment of contributions which were between 1 and 11 days late, with a total value of £63,929.38, which represents 0.2% of contributions payable under the Schedule of Contributions. The largest individual amount was £53,622.87 which was paid one day after the due date. These amounts constitute employer-related investments for the period over which they were late. The total value of these late contributions 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 2019 follows:

	£000	£000
Scheme value at 31st March 2018		680,488
Member related income	32,262	
Benefits and expenses	(24,367)	
Net member related income		7,895
Net investment income		4,510
Investment management expenses		(2,020)
Increase in market value of investments		49,968
Scheme value at 31st March 2019		740,841

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.

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 ESG.

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).

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 for each of the asset classes are set out below:

Asset Class	Strategic Range
Equity	40% - 60% (including a private equity allocation of 0% - 10%)
Property	8% - 15%
Other Illiquids	0% - 10%
Credit	15% - 25%
Matching	10% - 15%

The Scheme continues in a transitional period while the asset allocation is moved into line with the new strategic targets. The Investment Committee agreed to dispose of its diversified growth fund holdings when appropriate and reallocate the proceeds to equities and 'other illiquid' opportunities. In April 2018 it sold its holding in the Capital Emerging Markets Multi-asset fund and invested with Sands Capital in its Emerging Markets Growth Fund.

Subsequent to the year end in April 2019 the Scheme sold £50 million from the State Street All World Developed Equity Fund and invested with Bailie Gifford in its Long Term Global Growth Fund.

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 return on the traditional bond and cash asset classes to be lower than returns from predominantly equity and other 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 'targeted-dated' funds with L&G, the L&G Pathway Fund 3 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	0.49% 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	1.14% pa
L&G (PMC) Ethical Global Equity Index Fund 3	Passive	Global Equities	0.60% pa
HSBC (PMC) 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

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. Having fallen at the start of 2018 and largely recovered by the middle of the year, global equities were again weak at the end of 2018. Rising concerns of slowing global growth and corporate earnings, alongside trade war fears, led to a 12.5% fall in global equities over Quarter 4 2018, the steepest quarterly decline since 2011. Concerns eased in the New Year, helping markets rise by 12.3% over Quarter 1 2019. As such, the Scheme's assets grew over the year with continued positive returns across most asset classes during the year.

The value of the Scheme's net assets increased from £680.5 million to £740.8 million during the year to 31st March 2019. The increase in value, £60.3 million, derives from £7.8 million of new money being invested during the year, plus £4.5 million investment income and other investment balances, less investment management expenses of £2.0 million, plus an increase in the overall market value of the investments held at 31st March 2018 or acquired during the year of £50.0 million.

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

Over the twelve months to 31st March 2019, the Scheme's invested assets achieved a return of 8.8%, which was 0.8% ahead of the benchmark return of 8.0% over the period. This outperformance was mainly due to the Scheme's equity investment with the Generation Global Equity Fund strongly outperforming its benchmark. The bonds portfolio also contributed to the outperformance, primarily with the M&G Inflation Opportunities Fund outperforming its benchmark.

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 31st March 2019:

DB Asset Performance

Period	Return on DB Scheme Assets	Benchmark	Relative Performance
Over 3 years	10.7% pa	9.2% pa	1.6% pa
Over 5 years	9.1% pa	7.9% pa	1.2% pa

Performance is net of fees.

The Defined Contribution (DC) assets have a shorter track record than the Defined Benefit assets. However, as a guide to the returns of the Scheme's invested assets, the table below shows from inception the Scheme's fund and benchmark returns from inception (1st October 2017) to 31st March 2019 for the Defined Contribution funds in which Scheme members had invested:

DC Asset Performance

Period - 12 months to 31 March 2019	Fund performance % p.a.	Benchmark return % p.a.	Relative Performance % p.a.
L&G (PMC) 2015 - 2020 PATHWAY FUND 3	3.6	3.1	0.5
L&G (PMC) 2020 - 2025 PATHWAY FUND 3	5.3	4.0	1.3
L&G (PMC) 2025 - 2030 PATHWAY FUND 3	6.6	4.1	2.5
L&G (PMC) 2030 - 2035 PATHWAY FUND 3	6.6	4.0	2.6
L&G (PMC) 2035 - 2040 PATHWAY FUND 3	6.6	4.0	2.6
L&G (PMC) 2040 - 2045 PATHWAY FUND 3	6.6	4.0	2.6
L&G (PMC) 2045 - 2050 PATHWAY FUND 3	6.6	4.0	2.6
L&G (PMC) 2050 - 2055 PATHWAY FUND 3	6.6	4.2	2.4
L&G (PMC) 2055 - 2060 PATHWAY FUND 3	6.4	4.7	1.8
L&G (PMC) 2060 - 2065 PATHWAY FUND 3	6.4	4.7	1.7
L&G (PMC) 2065 – 2070 PATHWAY FUND 3	6.4	4.7	1.7
L&G (PMC) ETHICAL GLOBAL EQUITY INDEX FUND	12.8	12.8	0

Market Background

When considering the twelve month period to 31st March 2019, the MSCI AC World Index rose 5.6% in local currency terms over the last year. In contrast to the strong and relatively stable equity market uptrend seen through much of 2016 and 2017, 2018 and 2019 have seen lower returns and higher volatility. Having fallen at the start of 2018 and largely recovered by the middle of the year, global equities were again weak at the end of 2018.

UK equities posted a return of 6.4% over the year. They rose in Quarter 2 2018 as sterling depreciation and higher energy prices boosted UK equities. After stalling in Quarter 3 2018, they fell by 10.2% in Quarter 4 2018 with the sizeable Energy sector hit hard by falling oil prices and the Industrial sector hit by slowing global growth and trade tensions. Brexit uncertainty has also been a sizeable drag on more domestically-focused sectors.

UK fixed interest gilt yields had a volatile year, tending to rise and fall in tandem with global yields and Brexit developments. Yields fell sharply over the second half of the period amidst lowered monetary tightening expectations and downgraded growth and inflation outlooks. Yields fell across the curve but particularly at longer maturities. Index-linked gilts outperformed fixed interest gilts as they returned 5.5% versus 3.7%, boosted by higher breakeven inflation.

UK investment grade corporate bond credit spreads – the difference between corporate and government bond yields – widened by 16bps to end the twelve-month period at 142bps. Spreads widened steadily through the first half of the year before widening more rapidly in Quarter 4 2018 against a backdrop of heightened volatility of risky assets. Spreads narrowed, however, in Q Quarter 1 2019 as risk sentiment improved.

The bonds portfolio also contributed to the outperformance, primarily with the M&G Inflation Opportunities Fund comfortably outperforming its benchmark

UK commercial property returned 5.6%, supported by a steady income return. Capital value appreciation slowed through the year with capital values falling in the second half of the year. The retail sector underperformed over the year as fears over the health of the high street took hold and UK economic performance remained lacklustre.

Sterling ended the twelve-month period 0.3% higher on a trade-weighted basis. Sterling remained subdued over the year despite increasing Brexit uncertainty. Some sterling weakness against the US dollar improved the return on global equity markets to unhedged UK investors as the MSCI AC World Index rose 10.5% in sterling terms.

The Scheme's infrastructure investment produced a strong return absolute return of 7.4% over the year.

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 manager. 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 these 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.

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 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		398.9	55.7
State Street – World Developed Equities	152.4		
State Street – Fundamental Equities	87.0		
Acadian – Global Equities	52.2		
Generation – Global Equities	56.8		
Generation – Asia ex Japan	24.0		
Sands Capital – Emerging Growth	26.5		
Diversified Growth Funds		27.1	3.8
BlackRock – DGF	27.1		
Property		61.4	8.6
Columbia Threadneedle – Property	61.1		
Schroders – Property	0.3		
Other Illiquids		20.7	2.9
Macquarie – Infrastructure	6.4		
DIF – Infrastructure	14.3		
Credit		115.8	16.2
BlackRock – Corporate bonds	38.2		
M&G – Inflation Opportunities	77.6		
Matching		91.9	12.8
State Street – Index-linked Gilts	91.9		
Total		715.8	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 2019.

Asset class	At 31st March 2019 Value of assets (£m)	Allocation %	At 31st March 2018 Value of assets (£m)	Allocation %
Equity	**398.89**	**54.0**	**365.92**	**53.9**
Pacific ex-Japan	24.01	3.3	24.44	3.6
Global	374.88	50.8	341.48	50.3
Diversified Growth Funds	**27.13**	**3.7**	**48.74**	**7.2**
Diversified Growth Funds	27.13	3.7	26.31	3.9
Emerging Markets Multi-asset	-	-	22.43	3.3
Property	**61.38**	**8.3**	**58.76**	**8.8**
Property	61.38	8.3	58.76	8.8
Other Illiquids	**20.68**	**2.8**	**28.35**	**4.2**
Infrastructure	20.68	2.8	28.35	4.2
Credit	**115.76**	**15.7**	**109.37**	**16.1**
Corporate bonds	38.15	5.2	36.66	5.4
Inflation Opportunities	77.61	10.5	72.71	10.7
Matching	**91.94**	**12.4**	**61.72**	**9.1**
Index-linked Gilts	91.94	12.4	61.72	9.1
Other Investments	**2.45**	**0.3**	**2.34**	**0.3**
WPIA[1]	2.29	0.3	2.20	0.3
AVC[2]	0.16	0.0	0.14	0.0
Total Holdings	**718.22**	**97.2**	**675.20**	**99.6**
Cash[3]	18.49	2.5	1.68	0.2
Other Investment balances[4]	1.89	0.3	1.63	0.2
Total Investments	**738.60**	**100.0**	**678.51**	**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 2019 includes accrual of distributions to be re-invested.

The following table shows the distribution of the Scheme's DC investments as at 31st March 2019.

Fund	At 31st March 2019		At 31st March 2018	
	Investments (£'000)	**% allocation**	**Investments (£'000)**	**% allocation**
L&G Pathway Fund 3	**2,769**	**99.9**	**218**	**100**
L&G (PMC) Ethical Global Equity Index Fund 3	**3**	**0.1**	**0**	**0**

2D.9. Employer Related Investments

During the year, there were 4 instances of late payment of contributions which were between 1 and 6 days late, with a total value of £63,929, which represents 0.2% of contributions payable under the Schedule of Contributions. The largest individual amount was £53,623 which was paid one day after the due date. These amounts constitute employer-related investments for the period over which they were late. The total value of these late contributions was less than 5% of net assets.

3. CHAIR OF THE TRUSTEE BOARD'S STATEMENT ON DC GOVERNANCE FOR THE YEAR ENDING 31 MARCH 2019

The Trustee is required to prepare an annual statement regarding governance of the DC assets. The statement covers governance and charge disclosures in relation to the following:

- The default investment arrangement;
- Member-borne charges and transaction costs;
- Processing of core financial transactions;
- Value for money for members; and
- Trustee knowledge and understanding.

The Scheme has three arrangements providing DC benefits to members:

- The DC section which was opened for new Scheme entrants in October 2017 (value at the year end £2,769,266);
- Defined benefit members' additional voluntary contributions ("AVCs") which are invested with Prudential (value at the year end £164,759); and
- The Bonus account in relation to defined benefit members with pensionable service in the Scheme prior to 31st July 1998, held in a With-Profits Investment Account with Prudential (value at the year end £2,287,210).

Following the introduction of the DC section the Trustee has agreed to offer DB members access to the investment options in the DC section for the purposes of making AVCs. Such arrangements are considered as part of the DC section in the remainder of this statement. By offering access to the DC section investment options there are a number of the advantages to members (i.e. lower charges, up-to-date investment options and a greater level of statutory governance oversight). The Trustee has undertaken an exercise to inform members of the options available within the DC section. It is not considered appropriate to transfer existing AVCs to the DC section without member consent as the majority of members paying AVCs are invested in the Prudential With-Profits Fund and there is no suitable destination fund in the DC section.

The default investment arrangements

DC section

The DC section was opened for new Scheme entrants in October 2017. The assets of the DC section are managed by Legal and General Assurance Society Limited ("L&G") who also act as the Scheme Administrator for the DC section. (other administration services are provided by the pensions office of the University). Members' and employers' contributions are invested in the default arrangement unless a member chooses to invest in any of the other funds available in the DC section.

The default arrangement for the DC section is the L&G Pathway Funds 3. The Pathway Funds 3 are target-date funds which match the investment strategy to a 'target-date range'. This will normally be the date at 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. Each of the Pathway Funds 3 adjusts the way members' savings are invested as they move closer to retirement, investing in a range of asset classes throughout thereby spreading risk and giving members the flexibility to decide when and how they want to use their pension pot.

The Trustee has delegated oversight of the investment elements of the DC section funds to its Investment Committee, which reviews the funds' performance on a quarterly basis. Investments have performed broadly in line with their benchmarks since the DC section was established.

The Trustee considered the funds that should be available to members, including the default arrangement and took investment advice on this, as part of the process of establishing the DC section in October 2017, and this constituted the last review. The Trustee will carry out a detailed review of the default strategy and performance of the default arrangement at least every three years. As the DC section was only established in October 2017, no detailed review was undertaken during this Scheme year. The next detailed review will be undertaken in 2020.

The Trustee set out its aims and objectives for the DC section in the Statement of Investment Principles ("SIP"). This includes the policy on strategy, risks, governance, realisation of investments, socially responsible investment and other related matters. The SIP is included at section 9D.

AVCs

The AVC arrangements do not have a default arrangement as defined in the Occupational Pension Schemes (Investment) Regulations 2005 since they relate only to additional voluntary contributions and members are required to choose which funds their AVCs are invested in.

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 interest it has accumulated, to buy extra pension or take cash. At the year-end the Bonus account applied to 257 active members and 596 deferred members, with an average value of £2,681 per member.

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 Schemes (Investment) Regulations 2005.

Charges and transaction costs

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

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 the FMC. The TER borne by members are set out in the table below and in the members' detailed guide "Your Investment Guide". The TER on the default arrangement (the L&G Pathway Funds 3) is below the charge cap of 0.75% p.a. of assets under management for all members.

Members also bear transaction costs. These costs are **implicit** but they have an impact on the unit price of funds. They cover elements such as the cost of buying and selling investments in the fund. Transaction costs are incurred on an ongoing basis.

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 and the Deposit Fund are not explicit, they are taken into account when the annual bonus rate or rate of interest on the Funds are declared. 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 0.24% p.a... Prudential does not provide an estimate of the charges on the Deposit Fund.

Bonus account

The management 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 currently expects this charge to be approximately 0.65% p.a.

The table below shows the **explicit** costs (TER) and **implicit** costs (transaction costs), where available, on members funds. Transaction costs calculated for L&G funds are for the 12-month period to 31 March 2019. The transaction costs shown for Prudential funds are the latest available and are to 31 December 2018.

Fund	TER (%)	Transaction costs (%)
Bonus account		
Prudential With Profits Investment Account	0.65 (estimated)	0.07
AVCs		
Prudential Deposit Fund	Not applicable	0.00
Prudential Discretionary Fund	0.80	-0.07
Prudential Fixed Interest Fund	0.75	-0.01
Prudential Global Equity Fund	0.75	-0.09
Prudential Index-Linked Fund	0.75	-0.01
Prudential International Equity Fund	0.75	-0.04
Prudential UK Property	1.31	0.78
Prudential UK Equity Fund	0.75	-0.07
Prudential With Profits Cash Accumulation Fund	1.04 (estimated)	0.07
DC section		
L&G Pathway Funds 3	0.49	Between -0.02% and 0.03%*
L&G Global Equity (70:30) Index Fund 3	0.40	-0.01

L&G Stewart Investors Asia Pacific Leaders Fund 3	1.14	N/A**
L&G Ethical Global Equity Index Fund 3	0.60	-0.01
HSBC Islamic Global Equity Index Fund 3	0.65	N/A**
L&G All Stocks Index Linked Gilts Index Fund 3	0.38	0.03
L&G Retirement Income Multi-Asset Fund 3	0.61	0.29

*Depending upon target date range

**L&G has not received the necessary information from the external fund managers to calculate the transaction costs for these funds. In view of the statutory requirement for fund managers to provide this information, the Trustee fully expects L&G to be able to obtain the information required to calculate the transaction costs for these funds in due course and the Trustee will therefore continue to request this information from L&G.

The way in which fund managers are required to calculate transaction costs means that the result may be negative i.e. a gain to the fund. This has been the case for many of the L&G Pathway Funds 3, the L&G Global Equity (70:30) Index Fund 3 and the L&G Ethical Global Equity Index Fund 3 over the period covered by this Statement.

The requirement to provide details of transaction costs calculated in a standard way is a relatively recent one. It is therefore difficult to carry out a market comparison to provide comfort around the reasonableness of the costs disclosed by our DC and AVC fund managers although the majority of the transaction costs reported above appear to be relatively low. We would expect actively managed funds to have higher transaction costs than index-tracking funds, and the transaction costs reported above are consistent with this.

Illustrations to show the cumulative effect of costs and charges

The Trustee is required to illustrate the effect of the costs and charges typically paid by a member on the value of their DC fund at retirement (as a “pounds and pence figure”).

The Regulations allow the Trustee to exercise its discretion with regards to the illustrative examples provided to show the effect of costs and charges over time, as long as they are realistic and representative of the Scheme’s membership.

Members should not make any investment decisions based upon these illustrations as they do not take account of the risks of each fund.

DC section

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

- Example member 1: the youngest active member (age 16) with a retirement age of 68 a starting fund value of £0 and contributions starting at £100 per month;

- Example member 2: the average active member (aged 35) with a retirement age of 68, a starting fund value of £2,000 and contributions starting at £175 per month;

- Example member 3: a deferred member (age 45) with a retirement age of 67 and a starting fund value of £1,000.

We have produced illustrations to demonstrate the cumulative effect of the above costs and charges for the default strategy (as represented by the L&G 2065 - 2070 Pathway Fund 3 for the youngest example member, the L&G 2050 - 2055 Pathway Fund 3 for the average active member and the L&G 2040 – 2045 Pathway Fund 3 for the example deferred member), as 99.7% 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.

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 Fund 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.

Number of years from retirement	L&G 2065 - 2070 Pathway Fund 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
45	£8,880	£8,730	£150	£9,510	£9,320	£190
40	£16,010	£15,530	£480	£18,050	£17,420	£630
35	£23,850	£22,840	£1,010	£28,390	£26,960	£1,430
30	£32,500	£30,690	£1,810	£40,910	£38,190	£2,720
25	£41,090	£38,270	£2,820	£56,070	£51,410	£4,660
20	£50,330	£46,230	£4,100	£74,440	£66,990	£7,450
15	£60,270	£54,580	£5,690	£96,670	£85,340	£11,330
10	£70,960	£63,330	£7,630	£123,590	£106,950	£16,640
5	£78,710	£69,260	£9,450	£156,200	£132,410	£23,790
0	£86,640	£75,190	£11,450	£195,680	£162,380	£33,300

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

Number of years from retirement	L&G 2050 - 2055 Pathway Fund 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
30	£8,530	£8,450	£80	£8,840	£8,740	£100
25	£19,930	£19,490	£440	£22,130	£21,570	£560
20	£32,180	£31,070	£1,110	£38,230	£36,670	£1,560

15	£45,370	£43,230	£2,140	£57,720	£54,450	£3,270
10	£59,540	£55,980	£3,560	£81,330	£75,400	£5,930
5	£71,510	£66,350	£5,160	£109,920	£100,080	£9,840
0	£83,760	£76,720	£7,040	£144,530	£129,140	£15,390

Example member 3 - For a deferred member aged 45, the estimated impact of charges on accumulated fund values is shown in the table below.

Number of years from retirement	L&G 2040 - 2045 Pathway Fund 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
20	£1,030	£1,020	£10	£1,080	£1,070	£10
15	£1,110	£1,070	£40	£1,310	£1,260	£50
10	£1,190	£1,120	£70	£1,580	£1,480	£100
5	£1,220	£1,120	£100	£1,920	£1,740	£180
0	£1,250	£1,120	£130	£2,320	£2,050	£270

Bonus account

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

- Example member 4: the youngest member (age 38) with a retirement age of 65 and a current fund value of £100;
- Example member 5: the average member (aged 53) with a retirement age of 65 and a current fund value of £1,000.

For example member 4, the estimated impact of charges on accumulated fund values is shown in the table below.

Number of years from retirement	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
25	£108	£107	£1
20	£131	£127	£4
15	£158	£152	£6
10	£192	£180	£12
5	£232	£214	£18
0	£281	£255	£26

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

Number of years from retirement	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
10	£1,080	£1,072	£8
5	£1,307	£1,270	£37
0	£1,583	£1,510	£73

AVCs

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

- Example member 6: the youngest active member (age 49) with a retirement age of 65 and a current fund value of £7,045 paying AVCs of £300 per month;

- Example member 7: the youngest deferred member (age 54) with a retirement age of 65 and a current fund value of £7,045;

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

Number of years from retirement	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
15	£7,480	£7,400	£80	£7,240	£7,200	£40
10	£9,690	£9,140	£550	£8,090	£7,860	£230
5	£11,950	£10,790	£1,160	£8,730	£8,300	£430
0	£14,290	£12,360	£1,930	£9,190	£8,560	£630

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

Number of years from retirement	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
10	£7,180	£7,110	£70	£6,950	£ 6,910	£ 40
5	£7,910	£7,420	£490	£6,490	£6,280	£210
0	£8,710	£7,750	£960	£6,060	£5,700	£360

Notes

- Fund values shown are estimates and are not guaranteed;
- Inflation is assumed to be 2.5% p.a.
- For the 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 example member 6, contributions are assumed not to increase each year.
- The projected growth rates and costs and charges used for the illustrations are shown in the table below.

Fund	Total assumed annual charge[1]	Growth rate
L&G PMC 2065 - 2070 Pathway Fund 3	0.50% - 0.51%[2]	0.5% - 2.0% p.a. above inflation[2]
L&G PMC 2050 – 2055 Pathway Fund 3	0.50% - 0.51%[2]	0.5% - 2.0% p.a. above inflation[2]
L&G PMC 2040 – 2045 Pathway Fund 3	0.50% - 0.51%[2]	0.5% - 2.0% p.a. above inflation[2]
L&G Ethical Global Equity Index Fund 3	0.59%	4.0% p.a. above inflation
Prudential With Profits Investment Account (Bonus account)	0.72%	2.0% p.a. above inflation
Prudential With Profits Fund (AVCs)	1.11%	2.0% p.a. above inflation
Prudential Cash Fund (AVCs)	0.55%	1.4% p.a. below inflation

[1] **This is the TER plus the transaction costs**

[2]Depending upon term to retirement

Core financial transactions

The Trustee has a duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) are processed promptly and accurately.

DC section

The Scheme has a service level agreement (SLA) in place with the Scheme Administrator which covers the accuracy and timeliness of all core financial transactions for the DC section. The agreed service levels with the Scheme Administrator include contribution file processing, cash allocation, transfers between investments and payment of benefits.

The Trustee receives regular reports from the Scheme Administrator to help it monitor that the SLA is being met. The receipt of contributions by the Scheme administrator is reconciled to the funds remitted from the Scheme bank account. All refunds of contributions resulting from individuals opting out are also reconciled to the Scheme's bank records prior to returning funds to the relevant Participating Employer.

The processes adopted by the Scheme Administrator to help meet the SLA include daily monitoring of bank accounts, daily processing of both contribution files and cash allocation. The Scheme Administrator reports quarterly on compliance with agreed standards. The reports are reviewed and monitored by the Trustee's General Purposes Committee and the Committee reports any issues to the Trustee board as part of its regular reports to the Trustee. During the Scheme year, the Trustee identified that the Scheme Administrator had made an error and had allocated members' funds to the wrong L&G Pathway 3 Funds. L&G rectified this error and made sure members were not disadvantaged by the error. Other than this issue, the Trustee is satisfied that the core financial transactions for the DC section have been processed promptly and accurately during the Scheme year. Controls and checks by both the Scheme Administrator and the Scheme have been strengthened to prevent a similar error recurring in the future. In particular L&G:

- asked the Trustee to ensure that the fund allocation tool be used for every new joiner, even when members are loaded individually
- are running quarterly internal reports that identify new joiner fund allocations, so these can be monitored more regularly
- reviewed their system tool and found the tool was, and is, working correctly.
- logged this issue internally so that it can be monitored on an ongoing basis by the L&G Operations team.

AVCs and Bonus account

For the AVCs and the Bonus account, transactions are undertaken on the Trustee's behalf by the Scheme and Prudential. The Trustee has agreed service levels and reporting of performance against those service levels with the Scheme and receives regular quarterly reports on the administration, with any exceptions reported when matters have not been dealt with promptly and accurately. The agreed service levels with the Scheme relate to transfers in and transfers out, payment processing, payment of benefits at retirement and contribution processing. No material issues arose during the Scheme year to 31st March 2019.

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

Value assessment

The Trustee took advice and received support, including consideration of value for money for members during the selection process for the Scheme's DC provider in 2017. Charges to members were an important criterion in the selection process when appointing L&G as a bundled service provider (i.e. offering investment and administration services). Although L&G was not the lowest cost provider in terms of member administration costs, the Trustee concluded that L&G represented the most suitable provider overall. The Trustee considered a range of factors in assessing L&G's overall offering including financial strength of the company, its commitment to the UK pension market, experience of similar arrangements, service delivery, communication and overall member experience. The Trustee took steps to ensure that the charges were the most competitive that L&G was prepared to offer the Scheme. In addition, the Trustee incurs administration costs with L&G in the form of the initial fee which the Trustee pays from Scheme funds, rather than seeking to pass on to members. The Trustee believes that, taking into account the start-up nature of the DC section, the agreement with L&G represents value for money for members enabling them to access a high-quality investment and administration service at a reasonable cost.

The Trustee also assesses and monitors Prudential's charges and transaction costs in relation to AVCs and the Bonus account.

Overall the Trustee believes that the Scheme is offering value to members.

Trustee Knowledge and Understanding

New Trustee Directors are required to complete an induction programme within six months of taking up office. The induction programme has been reviewed as part of the preparation for the application for approval as a master trust in 2019, and future new Trustee Directors will need to meet the requirements before their appointment, which may include a period of acting as an observer. As part of the master trust application process during 2019, the Trustee

Directors have needed to demonstrate that they have appropriate trustee knowledge and understanding as part of the fit and proper person test.

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 arranges for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate. It is usual to hold training sessions at each quarterly Trustee meeting. Training sessions cover topics 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. Training is recorded in the Trustee Director's training logs and the Business Plan is updated as required. In addition, the Trustee Directors 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. During the year both the members of the General Purposes Committee and the Trustee board as a whole had training sessions covering a range of aspects relating specifically to DC as the Trustee board had assessed that there were gaps in its knowledge in this area. A formal assessment of the knowledge of the individual Trustee Directors will be undertaken by the use of a self-evaluation questionnaire.

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. A comprehensive evaluation of the Trustee board was undertaken as part of the master trust authorisation application and that is being used to fill the current vacancies. This approach is to be included in the Trustee business plan to be updated in January 2020. This will enable the Board to consider any gaps in its knowledge regularly and inform its training needs or the need for additional support and advice.

Composition of the Trustee Board

The Trustee complies with the additional requirements for relevant multi-employer schemes, set out in Regulation 26 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, due to the Bonus accounts as well as the introduction of the DC section in October 2017.

The Trustee board currently has five non-affiliated Trustee Directors (including the chair of the Trustee Board) and four affiliated Trustee Directors. The affiliated Trustee Directors are employees of the University. 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 non-affiliated Trustee Directors are Mr C. A. H. Alexander, Ms L. Savin, Mr R. Langley, Mr N. C. Standen, and Mr J. N. Sykes.

Since the last Scheme year-end both an affiliated and a non-affiliated director vacancy have occurred following resignations. An advertisement for the vacancies has been placed in the Oxford University Gazette seeking to recruit suitable candidates. In seeking suitable candidates the Trustee and the University intend that as far as is possible, a diverse and well-balanced trustee board should be achieved, taking into account factors such as diversity, experience and skills. The Trustee and University intend to fill these vacancies in the near future.

Feedback

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, on the OSPS website page and at member roadshows which are held on request from employers and as agreed by the Trustee. 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 trustees 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 by the Chair of the Trustee Board

J.N. Sykes

J N Sykes Date 24 October 2019

4. ASSOCIATED PARTICIPATIN G EMPLOYERS AS AT 31st March 2019

Employer and Post Code	Defined Benefit Section	
	Active members	Former Members and Pensioners
Balliol College, OX1 3BJ	87	160
Brasenose College, OX1 4AJ	57	92
Chapter House Shop, OX1 1DP	1	2
Christ Church, OX1 1DP	142	228
Corpus Christi College, OX1 4JF	59	71
Exeter College, OX1 3DP	52	127
Green Templeton College, OX2 6HG	13	102
Green Templeton Services Limited, OX2 6HG	8	1
Hertford College, OX1 3BW	63	114
Jesus College, OX1 3DW	45	158
Keble College, OX1 3PG	49	112
Lady Margaret Hall, OX2 6QA	51	94
Linacre College, OX1 3JA	21	51
Lincoln College, OX1 3DR	78	98
Magdalen College, OX1 4AU	103	113
Mansfield College, OX1 3TF	31	44
Merton College, OX1 4JD	79	147
New College, OX1 3BN	76	149
Nuffield College, OX1 1NF	29	76
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	3	36
Oxford Centre for Islamic Studies, OX1 2AR	2	11
Oxford Limited, OX1 4BW	5	17
Oxford Said Business School Ltd, OX1 1HP	45	86
Oxford University Innovation Limited, OX2 0JB	9	28
Oxford University Students Union, OX1 2BX	9	16
Pembroke College, OX1 1DW	83	81
The Queen's College, OX1 4AW	62	87
Regent's Park College, OX1 2LB	8	10
Rhodes House (The Rhodes Trust), OX1 3RG	3	13
Ruskin College, OX8 9BZ	6	81
St Anne's College, OX2 6HS	56	102
St Antony's College, OX2 6JF	33	132
St Catherine's College, OX1 3UJ	35	80
St Edmund Hall, OX1 4AR	48	91
St Hilda's College, OX4 1DY	50	78
St Hugh's College, OX2 6LE	60	92
St John's College, OX1 3JP	4	6
St Peter's College, OX1 2DL	31	85
St Stephen's House, OX4 1JX	10	12
Trinity College, OX1 3BH	60	91
University College, OX1 4BH	62	81
Wadham College, OX1 3PN	74	98
Wolfson College, OX2 6UD	45	143
Worcester College, OX1 2HB	70	109
North Oxford College Shared Services Limited, OX2 6JF	2	0
Associated Participating Employers Total Membership	**1,919**	**3,605**

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2019 continued

Former Associated Participating Employers:	Defined Benefits Former Members and Pensioners
Associated Examining Board	4
Local Examinations Syndicate	24
Oxford & Cambridge Examinations Board	10
Oxford Colleges Admissions Office	12
Oxford University Endowment Management	1
Oxford University Rugby Club	3
Somerville College	1
St Mary's Church	1
University of Cambridge Local Examinations Syndicate	59
Voltaire Foundation	1
William Osler House	1
Former Associated Participating Employers Total Membership:	**117**

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 2,194 active members and 6,740 former members and pensioners in the defined benefit section at 31st March 2019.
5. The Society of St Stephen's House, a company limited by guarantee, was admitted as an associated participating employer on 28th June 2018, replacing The Society of St Stephen's House, an unincorporated charitable trust.

5. SCHEME MEMBERSHIP STATISTICS

DC section

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

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

DB section

		At 31st March 2019	At 31st March 2018
Active Members:			
At Start of Year:		**4,979**	**5,472**
Plus:	New Entrants	9	788
Less:	Deaths in Service	(2)	(7)
	Retrospective Opt-outs*	0	(207)
	Leavers taking Refund or Transfer	(135)	(112)
	Leavers with Preserved Benefits	(451)	(579)
	Undecided Leavers	(145)	(259)
	Retirements	(142)	(117)
At End of Year:		**4,113**	**4,979**

* Retrospective opt-outs are eligible employees who elect to opt out from membership shortly after their automatic entry into the Scheme. The opt-out is with effect from the date of joining the Scheme.

		At 31st March 2019	At 31st March 2018
Former Members with Preserved Benefits (including Undecided Leavers):			
At Start of Year:		**6,176**	**5,547**
Plus:	Leavers with preserved benefits	451	579
	Undecided Leavers	145	259
Less:	Transfers Out	(158)	(47)
	Deaths in Deferment	(8)	(3)
	Retirement	(126)	(119)
	Undecided leaver refunds	(91)	(40)
At End of Year:		**6,389**	**6,176**
Pensions in Payment:			
At Start of Year:		**3,887**	**3,738**
Plus:	Retirements from active membership	142	117
	Retirements from deferment	126	119
	New dependant's pensions	38	61
Less:	Commutations at retirement	(25)	(12)
	Cessations, including deaths and commutations	(95)	(136)
At End of Year:		**4,073**	**3,887**
Total at End of Year		**14,575**	**15,042**

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.

6. FINANCIAL STATEMENTS

6A. FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2018/19 DB section £000	2018/19 DC section £000	2018/19 Total £000	2017/18 £000
Contributions and Benefits					
Employee Contributions		3,106	346	**3,452**	3,029
Employer Contributions		26,051	2,417	**28,468**	27,701
Total Contributions	5	29,157	2,763	**31,920**	30,730
Transfers In	6	18	324	**342**	555
		29,175	3,087	**32,262**	31,285
Benefits Payable	7	(20,620)	(4)	**(20,624)**	(19,030)
Payments to and on Account of Leavers	8	(1,869)	(27)	**(1,896)**	(1,142)
Administrative Expenses	9	(1,492)	(355)	**(1,847)**	(1,438)
		(23,981)	(386)	**(24,367)**	(21,610)
Net Additions from dealings with members		5,194	2,701	**7,895**	9,675
Returns on Investments					
Investment Income	10	4,510	-	**4,510**	5,681
Investment Management Expenses	11	(2,004)	(16)	**(2,020)**	(470)
Change in Market Value of Investments	12	49,889	79	**49,968**	16,455
Net Return on Investments		52,395	63	**52,458**	21,666
Net increase in fund during the year		57,589	2,764	**60,353**	31,341
Net Assets of the Scheme					
At end of previous year		680,201	287	**680,488**	649,147
At end of year		737,790	3,051	**740,841**	680,488

The notes on pages 37 to 54 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6B. STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31ST MARCH 2019

		2018/19			
		DB section	DC section	Total	2017/18
	Notes	£000	£000	£000	£000
Investments					
Pooled Investment Vehicles	12	695,087	2,769	**697,856**	644,726
Private Equity	12	20,685	-	**20,685**	28,348
Money Purchase Investments	12	2,287	-	**2,287**	2,200
Cash Deposits	12	18,484	-	**18,484**	1,651
Other Investment Balances	12	702	290	**992**	1,751
		737,245	3,059	**740,304**	678,676
AVC Investment	12	165	-	**165**	141
Total Investment Assets		737,410	3,059	**740,469**	678,817
Current Assets	13	2,898	633	**3,531**	3,545
Current Liabilities	14	(2,518)	(641)	**(3,159)**	(1,874)
Net Assets of the Scheme		737,790	3,051	**740,841**	680,488

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 2019. The actuarial position of the Scheme, which does take account of such obligations, is dealt with by the Report on Actuarial Liabilities on page 64 and these Financial Statements should be read in conjunction with this.

The Financial Statements were approved by the Trustee on 2019 and signed on behalf of the Trustee by:

Director:

Director: Kevin Valentine

The notes on pages 37 to 54 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6C. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

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 Trustee has taken advantage of the option to adopt the amendments to FRS102 Triennial Review 2017 incremental Improvements and Clarification issued in December 2017, and the SORP (revised 2018), early for these financial statements.

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

		2017/18		
Fund Account	**Notes**	**DB section £000**	**DC section £000**	**Total £000**
Contributions and Benefits				
Employee Contributions		2,987	42	**3,029**
Employer Contributions		27,374	327	**27,701**
Total Contributions	5	30,361	369	**30,730**
Transfers In	6	551	4	**555**
		30,912	373	**31,285**
Benefits Payable	7	(19,030)	-	**(19,030)**
Payments to and on Account of Leavers	8	(1,131)	(11)	**(1,142)**
Administrative Expenses	9	(1,368)	(70)	**(1,438)**
		(21,529)	(81)	**(21,610)**
Net Additions from dealings with members		9,383	292	**9,675**
Returns on Investments				
Investment Income	10	5,681	-	**5,681**
Investment Management Expenses	11	(470)	-	**(470)**
Change in Market Value of Investments	12	16,460	(5)	**16,455**
Net Return on Investments		21,671	(5)	**21,666**

Net increase in fund during the year	31,054	287	**31,341**
Net Assets of the Scheme			
At end of previous year	649,147	-	**649,147**
At end of year	680,201	287	**680,488**

Statement of Net Assets		2017/18		
	Notes	**DB section £000**	**DC section £000**	**Total £000**
Investments				
Pooled Investment Vehicles	12	644,508	218	**644,726**
Private Equity	12	28,348	-	**28,348**
Money Purchase Investments	12	2,200	-	**2,200**
Cash Deposits	12	1,651	-	**1,651**
Other Investment Balances	12	1,664	87	**1,751**
		678,371	305	**678,676**
AVC Investment	12	141	-	**141**
Total Investment Assets		678,512	305	**678,817**
Current Assets	13	3,405	140	**3,545**
Current Liabilities	14	(1,716)	(158)	**(1,874)**
Net Assets of the Scheme		680,201	287	**680,488**

Note 4. Accounting policies

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

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

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

(c) **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.

(d) **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.

(e) **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.

(f) **Benefits payable:** Benefits payable are accounted for as they fall due. They include all valid claims notified to the Trustee during the year. Opt outs are accounted for when the Scheme is notified of the opt out.

(g) **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.

(h) **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.).

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

Note 5. Contributions

	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**

	2017/18		
	DB section	DC section	Total
	£000	£000	£000
From Employees (Members):			
Ordinary Contributions	2,780	42	**2,822**
Additional Voluntary Contributions	207	-	**207**
	2,987	42	**3,029**
From Employers:			
Ordinary Contributions	21,684	186	**21,870**
Deficit Funding	638	-	**638**
Members' Salary Exchange	4,607	87	**4,694**
PPF levies	445	-	**445**
Section 75 debt	-	-	**-**
Expenses	-	54	**54**
	27,374	327	**27,701**
Total Contributions	30,361	369	**30,730**

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.

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

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

	2017/18		
	DB section £000	DC section £000	Total £000
Club Transfers In	217	-	**217**
Non-Club Transfers In	334	4	**338**
Total Transfer Values Receivable	551	4	**555**

With effect from 1st April 2017 the Scheme stopped participating in the Public Sector Transfer Club (PSTC) which allows members to receive a pensionable service credit in the Scheme that is equivalent in value to the previous final salary-related pensionable service accrued with another Club member. No new PSTC transfer in applications were accepted after 1st April 2017, although requests that had been initiated prior to this date were accepted.

Note 7. Benefits Payable

	2018/19		
	DB section £000	DC section £000	Total £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**

	2017/18		
	DB section £000	DC section £000	Total £000
Pensions	14,442	-	**14,442**
Lump Sum Retirement Benefits	3,948	-	**3,948**
Commutations	78	-	**78**
Lump Sum Death Benefits	562	-	**562**
Total Benefits Payable	19,030	-	**19,030**

Note 8. Payments to and on Account of Leavers

	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**

	2017/18		
	DB section £000	DC section £000	Total £000
Refund of contributions in respect of:			
non-vested leavers	58	-	**58**
opt-outs	86	11	**97**
Individual Transfers to Other Schemes	987	-	**987**
Total Payments to and on Account of Leavers	1,131	11	**1,142**

Note 9. Administrative Expenses

	2018/19		
	DB section £000	DC section £000	Total £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**

	2017/18		
	DB section £000	DC section £000	Total £000
University's Administration Fee (see Note 16)	600	4	**604**
Trustee's Remuneration (see Note 16)	18	-	**18**
Actuarial Fees	109	-	**109**
Audit Fee	16	3	**19**
Legal Fees	159	-	**159**
Legal & General DC fee	-	63	**63**
Pension Protection Fund	445	-	**445**
Miscellaneous Expenses	21	-	**21**
Total Administrative Expenses	1,368	70	**1,438**

Note 10. Investment Income

	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**

	2017/18		
	DB section £000	DC section £000	Total £000
Income from Pooled Investment Vehicles	5,262	-	**5,262**
Income from Private Equity	417	-	**417**
Bank account interest	1	-	**1**
Interest from Investment Managers	1	-	**1**
Total Investment Income	5,681	-	**5,681**

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

	2018/19 DB section £000	2018/19 DC section £000	2018/19 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**

	2017/18 DB section £000	2017/18 DC section £000	2017/18 Total £000
Investment Management - BlackRock	88	-	**88**
Investment Management - SSgA	103	-	**103**
Investment Management - DIF	168	-	**168**
Custody Fees – State Street Bank	50	-	**50**
Investment Advice Fees	210	-	**210**
Investment Fee Rebate	(149)	-	**(149)**
Total Investment Management Expenses	470	-	**470**

The investment fee rebate of £372,416 (2018: £148,981) covers a reduction in standard investment charges deducted from a pooled fund investment.

Note 12. Investment assets

(a) Asset Reconciliation

	Value At 01/04/18 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value At 31/03/19 £000
DB Section					
Pooled Investment Vehicles	644,508	55,509	(53,350)	48,420	**695,087**
Private Equity	28,348	5,413	(14,517)	1,441	**20,685**
Money Purchase Investments (Insurance policies)	2,200	-	(119)	206	**2,287**
AVC Investment	141	35	(13)	2	**165**
	675,197	60,957	(67,999)	50,069	**718,224**
Cash Deposits	1,651			(180)	**18,484**
Other Investment Balances	1,664			-	**702**
Total	678,512			49,889	**737,410**

DC Section

Pooled Investment Vehicles	218	2,478	(6)	79	**2,769**
	218	2,478	(6)	79	**2,769**
Other Investment Balances	87			-	**290**
Total	305			79	**3,059**

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 31/03/2019	**At 31/03/2018**
	£000	£000
Members	**2,769**	218
Trustee	**-**	-
	2,769	218

(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 2019 (2018: 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 31st March 2019:

	At 31/03/2019		**At 31/03/2018**	
	£000	**%**	**£000**	**%**
BlackRock:				
Ascent All Stock Corporate Bond Units	38,151	5.2	36,663	5.4
SSgA Managed Pension Fund:				
Fundamental Index Global Equity Units	87,016	11.8	81,482	12.0
All World Developed Equity Index Units	152,353	20.6	164,414	24.2
UK Over 5 years Index Linked Gilts Units	91,938	12.4	61,718	9.1
Columbia Threadneedle Portfolio Services Ltd:				
Threadneedle Property Unit Trust Units	61,120	8.3	58,317	8.6
Generation Investment Management LLP:				

Generation IM Global Equity Fund	56,808	7.7	47,971	7.1
M&G Investment Management:				
M&G Inflation Opportunities Fund	77,606	10.5	72,709	10.7
Acadian Asset Management LLC:				
Global Managed Volatility Equity UCITS	52,206	7.1	47,614	7.0

(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 (2018: nil). During the year, there were 4 instances of late payment of contributions which were between 1 and 6 days late, with a total value of £63,929, which represents 0.2% of contributions payable under the Schedule of Contributions. The largest individual amount was £53,623 which was paid one day after the due date. These amounts constitute employer-related investments for the period over which they were late. The total value of these late contributions 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 31/03/2019 £000	At 31/03/2018 £000
DB Section		
Equities	**348,384**	341,481
Bonds	**207,696**	171,090
Property	**61,378**	58,753
Diversified growth funds	**27,127**	26,313
Emerging markets	**50,502**	46,871
	695,087	644,508
DC Section		
Pathway Funds	**2,769**	218

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 2019 and 31st March 2018 (approximately £3,102,200 as at 31st March 2019 and £3,156,000 at 31st March 2018). 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 2019, 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 £47,394,000 as at 31 March 2019 and £48,220,200 as at March 2018), of which €38,528,290 (€41,661,793 as at 31 March 2018) (approximately £33,200,200 as at 31 March 2019 and £35,526,208 as at 31 March 2018) 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 £693,915 (2018: £1,648,057) and March 2019 contributions, invested post year-end, of £7,800 (2018: £15,505). Other investment balances for the DC Section relates to March 2019 contributions of £290,152, 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 2019 (£m)**	**Value at 31 March 2018 (£m)**
	Credit risk	Currency	Interest rate	Other price		
UK equities	○	○	○	●	87.0	81.5
Overseas equities	○	●	○	●	311.9	284.5
Index-linked gilts	○	○	●	○	91.9	61.7
Corporate bonds	●	○	●	◐	38.2	36.7
Inflation opportunities	●	○	●	●	77.6	72.7
Property	○	◐	○	●	61.4	58.8
Private equity	○	●	◐	●	20.7	28.3
Emerging market multi-asset	◐	◐	◐	●	-	22.4
Diversified growth	◐	◐	◐	●	27.1	26.3
Cash	●	○	●	○	18.5	1.7

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.

(l) 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 and the Schroders property fund).

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

	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

	DB section at 31 March 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	1	644,071	436	644,508
Private equity	-	-	28,348	28,348
Money purchase investment	-	-	2,200	2,200
AVC investments	-	-	141	141
Cash	1,651	-	-	1,651
Other investment balances	1,664	-	-	1,664
	3,316	644,071	31,125	678,512

	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

	DC section at 31 March 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	-	218	-	218
Other investment balances	87	-	-	87
	87	218	-	305

Note 13. Current Assets

	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**

	2017/18		
	DB section £000	DC section £000	Total £000
Debtors and Prepayments:			
Contributions due in respect of Members	115	4	**119**
Contributions due from Employers	1,527	70	**1,597**
Benefits in advance	558	-	**558**
Other debtors	24	1	**25**
Total Debtors	2,224	75	**2,299**
Cash Balances:			
Bank account	1,181	65	**1,246**
Total Current Assets	3,405	140	**3,545**

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

	2018/19		
	DB section £000	**DC section £000**	**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**

	2017/18		
	DB section £000	**DC section £000**	**Total £000**
Creditors:			
Accrued Expenses	394	68	**462**
Amounts due to University for Pensions paid	1,257	-	**1,257**
Contributions due to DC provider	-	87	**87**
Benefit and leaver payments due	38	3	**41**
AVC contributions due to Prudential	15	-	**15**
H M Revenue and Customs	12	-	**12**
Total Current Liabilities	1,716	158	**1,874**

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 £216,558 (2018: £157,312); this amount comprised contributions due in respect of March 2019 of £1,484,155 (2018: £1,391,978), less the pension payroll cost for March 2019 of £1,319,971 (2018: £1,257,478) and less expenses of £380,743 (2018: £291,812). At the year end, the Associated Participating Employers owed the scheme contributions in respect of March 2019 totalling £540,115 (2018: £324,442).

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 £11,532 (2018:£13,589) 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 (2018: £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 £389 (2018: £75).

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 2019.

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. <u>STATEMENT OF TRUSTEE'S RESPONSIBILITIES WITH REGARD TO THE FINANCIAL STATEMENTS</u>

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 University of Oxford Staff Pension Scheme (the 'Scheme') for the year ended 31 March 2019, 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 2019, 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

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 55, 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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, 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee, 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: 24 October 2019

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 30 June 2027. The Trustees are responsible for preparing a revised schedule no later than 30 June 2020.

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 28 April 2017	Total contributions
1 April 2016 to 31 July 2016	22.1%	0.4%	22.5%
1 August 2016 to 31 July 2017	22.1%	0.9%	23.0%
1 August 2017 to 31 March 2018	19.0%	Nil	19.0%
1 April 2018 to 30 June 2027	17.3%	1.7%	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 2016 to 31 March 2018	5.6%	6.6%	7.8%
1 April 2018 to 30 June 2027	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%

These amounts have been determined in accordance with the Memorandum of Understanding between the Trustee and the University dated 30 March 2017 and 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 28 April 2017:
  - 11.15% for members of the 4% Cost Plan;
  - 9.15% for members of the 6% Cost Plan; and
  - 7.15% for members of the 8% Cost Plan.
- 1.00% in respect of the provision of ill-health and death-in-service benefits.
- 0.85% 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: 28 April 2017

Signed on behalf of the University of Oxford

Name: Giles Kerr
Position: Director of Finance
Date: 28 April 2017

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 2016, which revealed a funding shortfall (technical provisions minus value of assets) of £132.9M.

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 2016 to 31 July 2016	0.4%	N/A
1 August 2016 to 31 July 2017	0.9%	N/A
1 August 2017 to 30 September 2017	Nil	N/A
1 October 2017 to 31 March 2018	Nil	11.15% for members of the 4% Cost Plan 9.15% for members of the 6% Cost Plan 7.15% for members of the 8% Cost Plan
1 April 2018 to 30 June 2027	1.7%	11.15% for members of the 4% Cost Plan 9.15% for members of the 6% Cost Plan 7.15% 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 30 June 2027, i.e. within a period of 11 years and 3 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 28 April 2017, 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;
- The Scheme continues to remain open to new entrants, with new entrants replacing leavers on a 1:1 basis;

- New entrants from 1 October 2017 join the DC Section, with 2/3rds remaining in the 4% Cost Plan and 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); 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: 28 April 2017

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: Giles Kerr
Position: Director of Finance
Date: 28 April 2017

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

9. COMPLIANCE

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 2016 to be met by the end of the period specified in the recovery plan dated 28 April 2017.

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 28 April 2017.

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

J.M. Harvey.

Date

28 April 2017

Name

J M Harvey

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

25 Marsh Street
Bristol
BS1
4AQ

Name of employer

Aon Hewitt Limited

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 2016 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 28 April 2017.

J.M. Harvey.

J M Harvey
Fellow of the Institute and Faculty of Actuaries

28 April 2017
Aon Hewitt Limited

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 2016, with an annual update as at 31 March 2018. These showed:

	31 March 2016	**31 March 2018**
The value of the technical provisions was	£660.7 million	£869.7 million
The value of the assets at that date was	£527.8 million	£677.9 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 two-year Control Period.

Significant actuarial assumptions include:

Discount rate: Equal to the UK nominal gilt curve at the valuation date plus 1.2% 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 0.15% p.a., at each term.

CPI inflation: The assumption is derived from the RPI inflation assumption, less 1.0% p.a. at each term.

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 plus 1.0% p.a. at all terms.

Mortality: Standard tables S2PMA and S2PFA adjusted by means of a scaling factor for each category of members determined using the Aon Hewitt Longevity Model 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.

OSPS

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 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 from1 October 2017.

1. Strategy

Investment Objective

The Trustee's objective for the Defined Contribution Scheme is the following:

> The Trustee is responsible for investing Scheme 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. They have 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 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 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 return on the traditional bond and cash asset classes to be lower than returns from predominantly equity and other asset class options.

Default Investment Strategy

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

The default investment arrangement has been chosen by the Trustee with the aim of:

- maximise expected long term investment returns,
- focus on minimising downside for members;
- reduce volatility wherever appropriate; and
- secure cash lump sums as members near retirement.

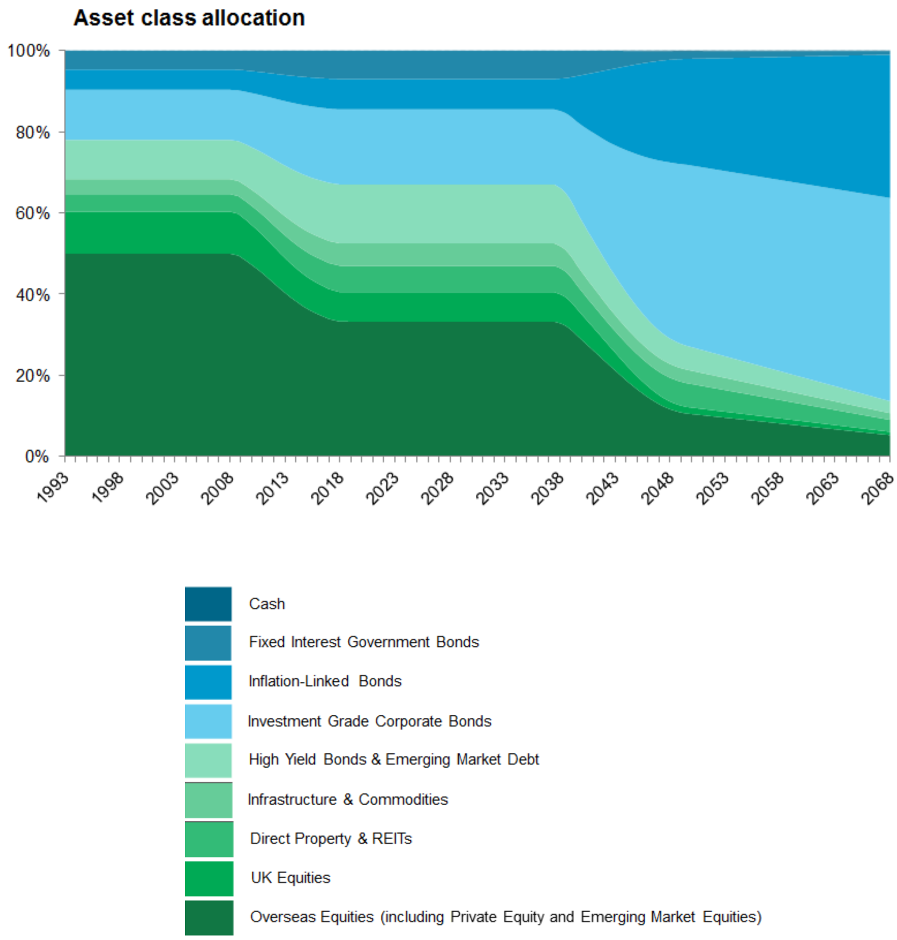
The default arrangement is considered appropriate for members who are expected to draw benefits over the next few years, bearing in mind the average fund values and membership profile of the Scheme.

The Trustee, with its adviser, has assessed the suitability of the default investment arrangement in the light of the new 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 strategy was selected and implemented in 2017.

The Trustee's policies in relation to the Default 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 aim of the Pathway Fund 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 default fund (2045 - 2050 vintage shown).



Source: LGIM. This chart shows the glidepath of the 2045-2050 vintage only. 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 above.

2. Risks

Risks

The Trustee recognises the key risk 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 their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
Risk of the default fund 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.

Because of 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 themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken into account whether they have the appropriate training and expert advice in order to make an informed decision. The Trustee has established the following decision making structure:

Trustee

- Set structures and processes for carrying out its role.
- Appoint Investment Committee (IC).
- Delegate selection and monitoring of overall investment strategy to IC.
- Consider and approve recommendations from the IC.

Investment Committee (IC)

- 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 quarterly performance reporting to the Investment Committee.
- Provides required training.

Bundled DC Provider

- Operates within the terms of this statement and its written contract.
- Ensures that individual fund managers provide unit prices and other reporting material on a regular basis.
- Provides Scheme information to Advisers and the Trustee.

OSPS

4. Implementation

Implementation

Aon Hewitt has been selected as investment adviser to the Trustee and Investment Committee. They operate under an agreement to provide a full service designed to ensure that the Trustee and Investment 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 Provider. When choosing investments, the Trustee and the fund managers (to the extent delegated) is 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 Defined Contribution pension schemes. In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs.

5. General

Exercise Of Rights

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.

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, eg 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 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.

Socially Responsible Investment

The Trustee's primary consideration in formulating the investment options is to act in the best financial interests of the members of the Scheme, and to seek the best return that is consistent with taking a prudent/appropriate level of risk. However, it is recognised that social, environmental and ethical considerations can have an impact on financial performance.

Day to day management of the Scheme's investments is delegated to the investment manager, who take account of social, environmental and ethical considerations in so far as they have an impact on performance, in selecting and retaining investments and in the exercise of voting and other rights. This will involve each manager considering companies' policies on these issues alongside other issues that may affect long-term performance.

As the assets of the Scheme are managed in pooled arrangements, the Trustee accepts that the assets are subject to the investment manager's own policies on social, environmental and ethical investment. The Trustee is satisfied that this corresponds with its responsibilities to the beneficiaries.

The Trustee has provided the L&G Ethical Global Equity Index Fund as an option for members.

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 Hewitt Limited has been appointed as Investment Adviser. It has the knowledge and experience required under the Pensions Act 1995.

Review Of SIP

In drawing up this document, the Scheme Trustee has sought advice from the Scheme's Investment Adviser, Aon Hewitt 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	Performance target	Benchmark	Fee	Investment Characteristics
L&G Pathway Fund			0.49% pa	This fund will de-risk over time, reflecting the fact that shorter time horizons lead to reduced incentives to hold 'long-term risky assets' such as equities. The investment strategy will reflect the increasing likelihood of buying an annuity-type product with age and the fund will de-risk a higher proportion of the portfolio towards an annuity-aware strategy later in life.
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. In order to accurately track these indices the fund will invest in a representative sample of holdings.
L&G Stewart Investors Asia Pacific Leaders Fund	Active	Asia Pacific excluding Japan Equities	1.22% 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 (including re-invested income, less withholding tax) to within +/- 0.5% per annum for two years in three.
HSBC Amanah Global Equity Index Fund	Passive	Global Equities	0.85% 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.

Investment fund	Performance target	Benchmark	Fee	Investment Characteristics
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 (including re-invested income) to within +/- 0.25% per annum for two years in three.
L&G Retirement Income Multi-Asset Fund			0.60% 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.