OSPS

University of Oxford Staff Pension Scheme

UNIVERSITY OF OXFORD STAFF PENSION SCHEME

Annual Report & Financial Statements for the year to 31st March 2022

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

TRUSTEE'S ANNUAL REPORT

FOR THE YEAR TO 31st MARCH 2022

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 2022 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:

https://finance.web.ox.ac.uk/osps

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

The registered address of the Scheme is:

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 2022

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1. TRUSTEE AND ADVISERS AS AT 31st March 2022

Trustee
OSPS Trustee Limited, University Offices, Wellington Square, Oxford, OX1 2JD. Company registration number 08275610, registered in England and Wales.

Secretary to the Trustee
Pegasus Pensions PLC, 8th Floor, 100 Bishopsgate, London, EC2N 4AG.

Actuary
Mr J. Harvey, Aon Solutions UK Limited

Pensions Consultancy Services Provider
Aon Solutions UK Limited

Investment advice and related services
Aon Solutions UK Limited

Defined contribution provider
Legal and General Assurance Society Limited

Investment Managers
Ares Capital Management LLC
Baillie Gifford & Co. Limited
Blackrock Advisors (UK) Ltd
Columbia Threadneedle Portfolio Services Limited
Copenhagen Infrastructure Partners
DIF Management BV
Generation Investment Management LLP
M&G Investment Management Limited
Macquarie Investment Management (UK)
Sands Capital Funds Plc
State Street Global Advisors Limited

Custodian
State Street Bank and Trust Company

Money Purchase AVC Facility Manager
The Prudential Assurance Co. Ltd

Bank
Lloyds Bank plc

Solicitor and Legal Adviser
Burges Salmon LLP

Auditor
Grant Thornton UK LLP

2. TRUSTEE'S REPORT TO THE MEMBERS

2A. INTRODUCTION

The Trustee of the University of Oxford Staff Pension Scheme ("OSPS") presents the Annual Report and audited Financial Statements of the Scheme for the year to 31st March 2022.

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

The purpose of the report is to describe to members how the Scheme and its investments have been managed during the year and to highlight a number of key administrative matters. The report does not take into account the value of liabilities to pay pensions and other benefits in the future – this is reviewed when periodic actuarial valuations of the Scheme are carried out. The last actuarial valuation of the Scheme was completed as at 31st March 2019. The Actuary's Certification of the Technical Provisions is included on page 88 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 2022 are set out on pages 54 to 76.

This Report and the Financial Statements on pages 54 to 76 were approved by the Trustee on 31st October 2022 and signed on behalf of the Trustee by:

Director: J.N. Sykes

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 Civica Election Services to conduct the process on its behalf. After the period covered by this report, the Trustee has reviewed the current MND process and is engaged in updating it to reflect the changes made.

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 2022 the Board comprised:

[2]	Mr C. A. H. Alexander	Merton	Term extended to 31st December 2021 and re-appointed 1st January 2022
[4]	Mr J. L. Catney	Pensioner	(resigned 31st March 2022)
[2]	Professor G. L. Clark	Smith School	
[2]	Miss L. J. Cole	Personnel Services	(resigned 31st March 2022)
[3]	Ms K. M. M. Kele	Estates Services	
[3]	Ms L. Savin	Merton	
[2]	Mr N. C. Standen	Independent	Term extended to 31st March 2022(resigned 31st March 2022)
[1]	Mr J. N. Sykes	Independent *(Chair)*	
[3]	Mr K. Valentine	Chemistry	Re-appointed 1st April 2021
[2]	Mr J K Clark	Hertford	
[3]	Vacant		

Mr K Valentine was elected unopposed as an MND.

As at the date of this report the Board comprised:

[2]	Mr C. A. H. Alexander	Merton	
[4]	Vacant		
[2]	Professor G. L. Clark	Smith School	Re-appointed 1st April 2022
[2]	Mr J. K. Clark	Hertford	
[2]	Mr D Snape	Saïd Business School	Appointed 29th Sep 2022
[3]	Ms K. M. M. Kele	Estates Services	
[3]	Ms L. Savin	Merton	Term extended until MND process completed
[2]	Mr N Badman	Exeter	Appointed 1st Jul 2022
[1]	Mr J. N. Sykes	Independent *(Chair)*	
[3]	Mr K. Valentine	Chemistry	
[3]	Mrs M Hauser	Pensioner	Appointed 15th Aug 2022

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. This includes compliance with regulations applicable to Master Trusts, further detail of which is set out below.

In pursuit of this aim, Trustee Directors are encouraged to undertake trustee training both on an individual basis and as part of the scheduled Trustee training sessions which are arranged on a periodic basis as required.

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 2022 was certified by the University to be in excess of £100m.

2B.8. MASTER TRUST

As a Scheme that provides defined contribution benefits to employees of employers that are not connected to each other, 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 persons: 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.

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 2022, the Board met formally four times. In addition to regular items it also:

- considered the future strategy, governance and direction of the Scheme at a separate meeting
- considered a report prepared by Ernst and Young regarding the strength of the employer covenant
- received training from the Scheme Actuary ahead of the triennial valuation from 31st March 2022
- entered into a flexible apportionment arrangement with the University and Oxford Limited
- considered the Scheme's requirements resulting from the Taskforce for Climate-related Financial Disclosures (with the Scheme's first TCFD report published alongside this annual report).

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 eleven times during the year.

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

At the strategy meeting in February, the composition of the Board and its Committee structure were considered. From the April 2022 Trustee Board meeting, it was agreed that the following Committees would be established:

- DC Committee
- Governance & Operations Committee
- Funding and Investment Committee

The composition of each committee has been agreed, terms of reference have been drafted and the intention is for each committee to meet on a quarterly basis.

2C.2. Scheme

There were no Scheme changes during the year to 31st March 2022.

2C.3. Membership

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

2C.4. Increases to Pensions in Payment

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

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

Year	2020	2021	2022
Pre 2018 %	2.05	0.80	4.00
Post 2018 %	1.70	0.50	3.10

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

2C.5. Actuarial Valuation

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

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

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

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

Since the 2019 valuation, there have been two funding updates provided by the Scheme Actuary based on the funding positions at 31st March 2020 and 31st March 2021.

2C.6. SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR TO 31ST MARCH 2022

The contributions payable to the Scheme during the year to 31st March 2022 by the employers and employees (members) under the Schedule of Contributions were as set out below.

	£000
Contributions	
Ordinary contributions from members:	3,218
from employers:	
Ordinary Contributions	17,510
Members' Salary Exchange	5,728
Deficit Funding	5,287
DC expenses and benefits	918
PPF Levy	775
Augmentation	2
Contributions payable under the Schedule of Contributions:	33,438
Other Contributions	
from members:	
AVCs	278
Total Contributions receivable as shown in the Financial Statements	33,716

During the year, there were five instances of late payments of contributions, the latest of which was three days late, with a total value of £104,653, which represents 0.3% of contributions payable under the Schedule of Contributions. These amounts constitute employer-related investments for the period over which it was 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 2022 follows:

	£000	£000
Scheme value at 31st March 2021		929,049
Member related income	34,451	
Benefits and expenses	(26,104)	
Net member related income		8,347
Net investment income		7,384
Investment management expenses		(422)
Increase in market value of investments		43,641
Scheme value at 31st March 2022		987,999

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. A further judgement, released in November 2020, provided clarity regarding the requirement for pension scheme trustees to reflect GMP equalisation within historic transfers. The additional liabilities arising from the latest judgement are not expected to be material and will be accounted for when determined.

2C.9. MARKET MOVEMENTS

Subsequent to the year end, global financial markets have been affected by a series of macroeconomic factors which have in particular had an adverse impact on some Schemes with Liability Driven Investment (LDI) bond mandates. The Scheme does not have a LDI investment mandate within its portfolio and although the bond asset values within the Scheme's portfolio have decreased, the funding position overall has improved. At a meeting of the Trustee's Funding and Investment Committee (FIC) on 8th August 2022 it was noted that the Scheme was around 90% funded relative to the long-term funding target, and it was agreed to transfer £100 million (c11.1% of the Scheme's assets) from equities to index-linked gilts. At a further meeting of the FIC on 3rd October 2022 it was noted that the Scheme was over 100% funded relative to the long-term funding target, and it was agreed to sell all remaining equities invested with State Street and Sands and to disinvest the Generation Asia equities funds. All immediate proceeds were invested in index-linked gilts. The Trustee continues to monitor developments and consider its investment strategy accordingly.

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 2020 to take into account the Trustee's policies in respect of environmental, social and corporate governance (ESG) considerations.

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

2D.2. INVESTMENT STRATEGY AND ACTIVITY

DB section

The Scheme's asset allocation is considered regularly by the Trustee. The latest investment strategy review has been carried out over the last few years following the March 2019 actuarial valuation. Post Scheme year-end, an investment strategy review will be carried out to take account of the March 2022 actuarial valuation.

The agreed strategic ranges as at 31st March 2022 for each of the asset classes are set out below:

Asset Class	Strategic Range	Actual
Equity	30% - 50%	47.6%
Property	5% - 15%	8.2%
Illiquid Credit	5% - 15%	11.5%
Other Illiquids	0% - 10%	7.4%
Credit*	15% - 25%	14.2%
Matching	10% - 15%	11.0%
Cash	0% - 5%	0.1%

**The allocation to credit is currently underweight versus strategic range. This is being reviewed by the Trustee. The overall allocation to credit and illiquid credit remains within the broader strategic range.*

During December 2020, the Trustee finalised a commitment of EUR 75 million to Copenhagen Infrastructure IV Fund and a £50 million commitment to Ares Capital Europe V Fund. The monies are to be drawn down over time and the managers issued their first respective capital calls over the Scheme year. Since inception to 31st March 2022, EUR 16.8m has been drawn down by Copenhagen and £25.9m has been drawn down by Ares.

At the start of the Scheme year, an equity portfolio review was undertaken. Following this the Trustee agreed to redeem fully from the Acadian Global Equity mandate and also replace the SSgA passive equity mandates with the LGIM Future World Fund and Dodge & Cox Global Equity Fund.

Acadian was fully disinvested in May 2021, the proceeds (c.£57m) were held in cash to meet further capital calls from the Scheme's illiquid investments.

The investments with Dodge & Cox and LGIM are expected to be finalised in the second half of 2022 once the onboarding of the funds has been completed. Further details will be available in the 2022-23 Report & Accounts.

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

DC section

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

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

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

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

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

The fund range currently available is:

Investment fund	Investment approach	Asset class	Fee
L&G Target Date Fund 3	Active	Multi-asset	0.45% pa
L&G (PMC) All World Equity Index Fund *	Index-tracking	Global Equities	0.42% pa
L&G (PMC) Ethical Global Equity Index Fund 3	Index-tracking	Global Equities	0.60% pa
L&G (PMC) HSBC Islamic Global Equity Index Fund 3	Index-tracking	Global Equities	0.65% pa
L&G PMC Future World Multi-Asset Fund 3	Active	Multi-asset	0.46% pa
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	Index-tracking	UK Index-Linked Gilts	0.38% pa
L&G (PMC) Retirement Income Multi-Asset Fund 3	Active	Multi-asset	0.63% pa

* This Fund replaced the L&G (PMC) Global Equity (70:30) Index Fund in December 2021.

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. Equities generated positive returns over the year, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, markets reversed some gains in the first quarter of 2022 because of increased geopolitical risk arising from the Russia and Ukraine crisis. Overall, the Scheme's assets rose over the year.

The value of the Scheme's net assets increased from £929 million to £988 million during the year to 31st March 2022. The increase in value, of £59 million, derives from £8.4 million of new money being invested during the year, plus £7.4 million investment income and other investment balances, less investment management expenses of £0.4 million, plus an increase/decrease in the overall market value of the investments held at 31st March 2022 or acquired during the year of £43.6 million.

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

Over the twelve months to 31st March 2022, the Scheme's invested assets achieved a return of 3.4% net of fees, which was 5.3% behind the benchmark return of 8.7% over the same period. This underperformance was mainly due to the Scheme's equity holdings. In particular, the Generation Asia Equities, the Baillie Gifford Long Term Global Growth Fund and the Sands Emerging Market Equities underperformed significantly against their respective benchmarks. The longer-term performance of these holdings remains strong.

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 2022. The Scheme has marginally underperformed its benchmark over the longer-term periods.

DB Asset Performance

Period	Return on DB Scheme Assets	Benchmark	Relative Performance
Over 3 years	7.7% pa	8.3% pa	-0.6% pa
Over 5 years	7.0% pa	7.1% pa	-0.1% pa

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

DC Asset Performance

The table below shows the returns on the underlying funds and their benchmark for the 12-month period to 31st March 2022 for the funds available to members of the DC section. Performance is shown before charges.

Fund	Fund performance % p.a.	Benchmark return % p.a.	Relative Performance % p.a.
L&G (PMC) 2015 - 2020 Target Date Fund 3	0.73%	0.37%	0.36%
L&G (PMC) 2020 - 2025 Target Date Fund 3	1.7%	1.59%	0.11%
L&G (PMC) 2025 - 2030 Target Date Fund 3	3.15%	3.61%	-0.46%
L&G (PMC) 2030 - 2035 Target Date Fund 3	4.14%	4.74%	-0.6%
L&G (PMC) 2035 - 2040 Target Date Fund 3	4.14%	4.74%	-0.6%
L&G (PMC) 2040 - 2045 Target Date Fund 3	4.23%	4.81%	-0.58%
L&G (PMC) 2045 - 2050 Target Date Fund 3	5.30%	5.54%	-0.24%
L&G (PMC) 2050 - 2055 Target Date Fund 3	6.09%	6.07%	0.02%
L&G (PMC) 2055 - 2060 Target Date Fund 3	6.10%	6.08%	0.02%
L&G (PMC) 2060 - 2065 Target Date Fund 3	6.13%	6.09%	0.04%
L&G (PMC) 2065 – 2070 Target Date Fund 3	6.14%	6.10%	0.04%
L&G (PMC) Ethical Global Equity Index Fund	18.79%	18.83%	-0.04%
L&G (PMC) All World Equity Index 3 Fund	14.24%	14.25%	-0.01%
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	4.33%	4.38%	-0.05%
L&G (PMC) Retirement Income Multi-Asset Fund 3	4.14%	3.69%	0.45%
L&G (PMC) HSBC Islamic Global Equity Index Fund 3	21.85%	21.96%	-0.11%
L&G (PMC) Global Equity 70:30 Index 3	13.57%	13.50%	0.07%

Market Background

Global equities generated positive returns over the twelve months to 31st March 2022. Equities delivered solid returns in 2021, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, markets reversed some of their gains in the first quarter of 2022 as increased geopolitical risk and rising energy prices resulted from Russia invading Ukraine. Furthermore, major central banks continued to move forward with normalising monetary policy as inflation rates worldwide increased sharply.

Yields on bonds fell in the second quarter of 2021 as Covid variant virus risks and worries over a slower pace of global economic recovery arose. Nominal yields then picked up once more over the third quarter of 2021, driving the negative performance of UK fixed-interest government bonds. Yields rose on the back of increasing expectations of interest rate hikes against the background of rising inflation and central bank indications of policy rate increases. Short-dated yields began to factor in potential monetary policy changes and saw notable increases. In the first quarter of 2022, yields rose strongly across maturities on the back of expectations of future rate hikes. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts returned minus 5.1% whilst index-linked gilts returned plus 5.1% over the last twelve months. Index-linked gilts significantly outperformed nominal gilts because of expectations of more persistent inflation.

Credit markets declined over the twelve months to 31st March 2022. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, widened by 24bps to 130bps.

UK commercial property returned 23.9% over the period, supported by an income return of 5.1% and an 18.0% increase in capital values. The easing of lockdown restrictions helped the retail sector recover as it returned 20.8% over the year.

Sterling ended the twelve months to 31st March 2022 1.1% lower on a trade-weighted basis. In December 2021, the Bank of England (BoE) raised its benchmark interest rate by 0.15% - the first increase since 2018 Rising inflation expectations saw rates raised by another 0.5% in the first quarter of 2022 to 0.75%. Sterling having been fairly stable over much of 2021, the outbreak of war in Ukraine led to significant flows towards the US dollar and a weaker pound.

2D.4. PERFORMANCE MEASUREMENT

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

2D.5. SAFEGUARDING THE ASSETS

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

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

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

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

2D.6. INVESTMENT EXPENSES

The investment managers of defined benefit assets receive fees calculated by reference to the market value of assets under management with the exception of Macquarie Investment Management (UK) Limited (MIMUK), Management BV (DIF) and Copenhagen Infrastructure Partners (Copenhagen). 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, DIF and Copenhagen charge a fee based on the value of the commitment by the Scheme to the infrastructure funds.

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

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

Asset class	Value of assets (£m)	Value of assets (£m)	%
Equity		436.9	47.6
State Street – World Developed Equities	77.1		
State Street – Fundamental Equities	121.6		
Generation – Global Equities	85.5		
Generation – Asia ex Japan	28.9		
Sands Capital – Emerging Growth	33.5		
Baillie Gifford – Long Term Global Growth	90.3		
Property		75.6	8.2
Columbia Threadneedle – Property	75.6		
Schroders – Property	0.0		
Illiquid Credit		105.6	11.5
M&G – Illiquid Credit Opportunities	83.6		
Ares – Capital Europe	22.0		
Other Illiquids		67.6	7.4
Macquarie – Infrastructure	1.2		
DIF – Infrastructure	44.0		
Copenhagen – Infrastructure	22.4		
Credit		130.7	14.2
BlackRock – Corporate bonds	39.7		
M&G – Inflation Opportunities	91.0		
Matching		101.2	11.0
State Street – Index-linked Gilts	101.2		
Cash		1.2	0.1
State Street – Sterling liquidity	1.2		
Total		918.8	100.0%

The Scheme holds Schroders CEF II (value at 31st March 2022 - £43,086), 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 2022.

Asset class	At 31st March 2022 Value of assets (£m)	Allocation %	At 31st March 2021 Value of assets (£m)	Allocation %
Equity	**436.89**	**45.3**	**485.87**	**53.1**
Pacific ex-Japan	28.87	3.0	31.33	3.4
Global	408.02	42.3	454.54	49.7
Property	**75.65**	**7.8**	**62.29**	**6.8**
Property	75.65	7.8	62.29	6.8
Illiquid Credit	**105.63**	**11.0**	**79.91**	**8.7**
Illiquid Credit	105.63	11.0	79.91	8.7
Other Illiquids	**67.61**	**7.0**	**36.81**	**4.1**
Infrastructure	67.61	7.0	36.81	4.1
Credit	**130.70**	**13.6**	**126.53**	**13.8**
Corporate Bonds	39.72	4.1	42.1	4.6
Inflation Opportunities	90.98	9.5	84.43	9.2
Matching	**101.20**	**10.5**	**96.54**	**10.6**
Index-linked Gilts	101.20	10.6	96.54	10.6
Cash	**1.15**	**0.1**	**1.15**	**0.1**
Sterling Liquidity	1.15	0.1	1.15	0.1
Other Investments	**2.37**	**0.2**	**2.50**	**0.3**
WPIA[1]	2.17	0.2	2.34	0.3
AVC[2]	0.20	0.0	0.17	0.0
Total Holdings	**921.20**	**95.6**	**891.61**	**97.5**
Cash[3]	40.77	4.2	19.82	2.2
Other Investment balances[4]	1.88	0.2	3.12	0.3
Total Investments	**963.85**	**100.0**	**914.55**	**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" includes accrual of distributions to be re-invested.

The following table shows the distribution of the Scheme's DC investments as at 31st March 2022.

Fund	At 31st March 2022		At 31st March 2021	
	Investments (£'000)	**% allocation**	**Investments (£'000)**	**% allocation**
L&G Target Date Fund 3	**22,694**	**99.3**	**14,648**	**99.7**
L&G (PMC) Ethical Global Equity Index Fund 3	**106**	**0.5**	**36**	**0.2**
L&G (PMC) Global Equity 70:30 Index Fund 3	**-**	**0.0**	**12**	**0.1**
L&G PMC All World Equity Index 3 Fund	**35**	**0.2**	**-**	**0.0**
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	**11**	**0.0**	**2**	**0.0**

2D.9. Employer Related Investments

During the year, there were five instances of late payments of contributions, the latest of which was three days late, with a total value of £104,653, which represents 0.3% of contributions payable under the Schedule of Contributions. These amounts constitute employer-related investments for the period over which it was late. The total value of these late contributions was less than 5% of net assets.

ANNUAL STATEMENT REGARDING GOVERNANCE OF THE DEFINED CONTRIBUTION FUNDS IN OSPS ("the Scheme")

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

This statement covers the period from 1 April 2021 to 31 March 2022 ("the Scheme Year") and is signed on behalf of the Trustee by the Chair.

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

1. The default arrangement used to invest members' funds and other funds members can select;
2. The charges and transaction costs borne by members (and illustrations of the cumulative effect of these costs and charges);
3. Net investment returns;
4. Processing of core financial transactions;
5. A value for members assessment; and
6. Trustee knowledge and understanding.

After the end of this Scheme Year, the Trustee established a Defined Contribution Committee ("DCC") which will focus on the DC funds held in the Scheme. The Scheme has three arrangements providing DC benefits to members:

- The DC section which was opened for new Scheme entrants on 1 October 2017 (value at 31st March 2022, £22,845,887). The assets of the DC section are managed by Legal and General Assurance Society Limited ("L&G") who also administer the DC section (other administration services are provided by the Pensions Office of the University).

- Defined benefit members' additional voluntary contributions ("AVCs") which are invested with Prudential (value as at 31st March 2022, £141,030); and

- The Bonus account in relation to defined benefit members with pensionable service in the Scheme prior to 31 July 1998, held in a With-Profits Investment Account with Prudential (value as at 31st March 2022, £2,174,606).

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

3A. THE DEFAULT ARRANGEMENT

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

3A.1. DC SECTION

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

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

The Trustee is responsible for the DC section's investment governance, which includes setting and monitoring the investment strategy for the default arrangement. Throughout the Scheme Year, the Investment Committee was responsible for setting and monitoring the investment strategy. In future, the Investment Committee will remain responsible for setting the strategy, but the DCC will be responsible for monitoring the performance of the strategy.

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in the ‘Statement of Investment Principles’ ("SIP"). The Scheme's SIP is on page 91 and the key aims of the default arrangement are set out below for ease of reference:

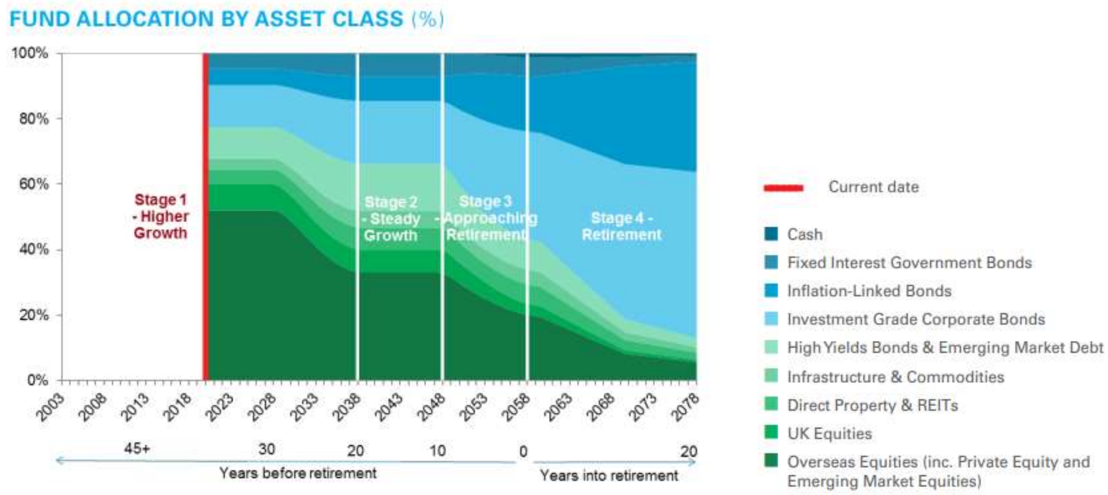
- to support DC members in building their real retirement income while managing possible downside risks; and

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

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

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

The chart below shows the structure of the Target Date Funds 3 2055-2060 ‘vintage’. The asset allocation shown is dynamic and is expected to evolve over time. Other target date fund ‘vintages’ may have a different asset allocation to the one shown below. The chart also shows the asset allocation for those that choose to work or defer taking their pension beyond their retirement age ('Stage 4 – Retirement' in the chart), but please note that the Scheme does not offer a drawdown facility so members will not be able to stay invested in the Scheme while taking their benefits.



Source: L&G

Review of the investment strategy and performance of the default arrangement

The default arrangement was not formally reviewed during the period covered by this statement.

The last review concluded on 25 March 2021. The review considered the Scheme's membership profile as well as modelling of retirement outcomes for representative members. This modelling showed that the existing default arrangement is expected to provide a broadly similar outcome at retirement but with greater downside protection in the approach to retirement than the alternative 'off the shelf' strategies considered. The Trustee therefore concluded that the existing default arrangement remains suitable.

The Trustee undertakes a formal review of the default arrangement and performance of the default arrangement at least every 3 years. The next formal review is due to take place by 25 March 2024, or immediately following any significant change in investment policy or the membership profile of the Scheme.

The Trustee has delegated oversight of the investment elements of the DC section funds to its DC Committee, which reviews the performance of the default arrangement against the benchmark(s) set by L&G on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations, and member activity. The Trustee performance reviews that took place over the year concluded that the default arrangement was performing broadly as expected and remains consistent with the aims and objectives set out in the SIP.

3A.2. AVCs

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

3A.3. Bonus account

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

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

3B. MEMBER BORNE CHARGES AND TRANSACTION COSTS

The Trustee must report the level of charges and costs borne by members through the investment funds during the Scheme Year. These comprise:

- Charges – which represent the costs associated with operating and managing a members' account or policy. Charges are explicit for unit-linked funds and are reflected in the unit price.

- Transaction costs, which are incurred when fund manager buys and sells assets within investment funds. These are implicit and are reflected in the unit price of funds, or the fund value quoted for With Profits funds.

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

The Trustee has taken account of the statutory guidance when compiling the information in the section, other than when determining the representative member for the Bonus Account, which uses the mean average (rather than median) age and fund value.

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. This includes the fee the Trustee pays to L&G for each new member (currently £113.81 per new member, increasing in line with the index of Average Weekly Earnings), payable in October each year.

3B.1. DC SECTION

Members of the DC section pay an administration charge (the annual management charge ("AMC") which covers the cost of running their policy) and a fund management charge ("FMC") which covers the cost of managing the fund in which they are invested, including any additional expenses disclosed by the fund manager. The Total Expense Ratio ("TER") is the term used to describe the total of all explicit charges members pay. This is made up of the AMC and FMC. Members also bear transaction costs. Charges and transaction costs are incurred on an ongoing basis.

The table below shows the explicit costs (TER) and implicit costs (transaction costs) on funds available through the DC section as at 31st March 2022. These have been provided by L&G. Transaction costs calculated for L&G funds are for the 12-month period to 31st March 2022. There is no missing transaction cost data for the DC section.

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

DC section fund	TER (% p.a.)	Transaction costs (% p.a.)	Total costs and charges (% p.a.)
L&G Target Date Funds 3 **(the default arrangement)**	0.45	0.01 - 0.14[1]	0.46 – 0.60[1]
L&G Global Equity (70:30) Index Fund 3[2]	0.40	0.02	0.42
L&G All World Equity Index Fund 3[3]	0.42	0.00	0.42
L&G Ethical Global Equity Index Fund 3	0.60	0.00	0.60
HSBC Islamic Global Equity Index Fund 3	0.65	0.13	0.78
L&G Stewart Investors Asia Pacific Leaders Fund 3[4]	1.10	0.14	1.24
L&G Future World Multi-Asset Fund 3[3]	0.46	0.01	0.47
L&G Retirement Income Multi-Asset Fund 3	0.63	0.04	0.67
L&G All Stocks Index Linked Gilts Index Fund 3	0.38	0.02	0.40

[1]Depending upon target date range
[2]This fund was removed from the fund range available to members on 20 December 2021.
[3]This fund was made available to members on 30 September 2021.
[4]This fund was removed from the fund range available to members on 1 July 2021.

3B.2. AVCs

Members with AVC funds pay an AMC 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 AMC plus the additional expenses. The charges on the With-Profits Cash Accumulation Fund are not explicit, they are taken into account when the annual bonus rate on the Fund is declared. Prudential has however provided an estimate of the charges on the Fund and this is shown in the table below.

The table below shows the costs and charges borne by members on their AVCs. These have been provided by Prudential, and are as at 31st March 2022.

Prudential has provided an explanation for why transaction costs for the Scheme Year are not available. This is because the majority of its funds are mirror funds or funds of funds, and it is therefore very much reliant on the underlying fund managers providing accurate data to its third party provider who then uses this data to calculate transaction costs at the Prudential pension fund level. Prudential also require some time to validate the data and check the end results. Prudential has confirmed it is continuously working with all stakeholders to make the entire process as efficient as possible.

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

AVC fund	TER (% p.a.)	Transaction costs (% p.a.)	Total costs (% p.a.)
Prudential Cash Fund	0.55	0.00	0.55
Prudential Discretionary Fund	0.77	0.06	0.83
Prudential Dynamic Growth 1 Fund[5]	0.74	0.00	0.74
Prudential Fixed Interest Fund	0.76	0.15	0.91
Prudential Global Equity Fund	0.76	0.06	0.82
Prudential Index-Linked Fund	0.76	0.00	0.76
Prudential International Equity Fund	0.78	0.01	0.79
Prudential UK Equity Fund	0.76	0.07	0.83
Prudential With Profits Cash Accumulation Fund[6]	1.04 (estimated)	0.10	1.14 (estimated)

[5]This Fund replaced the UK Property Fund when it closed on 22 June 2021.

[6]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.

3B.3. Bonus account

The table below shows the estimated charges and the transaction costs borne by Bonus account members. These have been provided by Prudential.

The charges for the With-Profits Investment Account are not explicit. Prudential takes account of the costs of administering the With-Profits Investment Account when it declares the annual bonus rate on the Account. Prudential has however provided an estimate of the charges on the Investment Account. Prudential currently estimates the charges on the With Profits Investment Account to be 0.65% p.a. plus additional expenses of 0.24% p.a. The estimated TER and transaction costs shown in the table below are as at 31st March 2022. As explained above, there is no default arrangement for Bonus account members.

Bonus account	TER (% p.a.)	Transaction costs (% p.a.)	Total costs and charges (% p.a.)
Prudential With Profits Investment Account	0.89 (estimated)	0.10	0.99 (estimated)

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

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

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

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

3C.1. DC SECTION

For the DC section, the Trustee has decided to illustrate four example members:

Example Member	Current Age	Retirement Age	Salary (£ per annum)	Total contribution rate	Current Fund Value (£)
1 – Youngest Active	16	68	17,100	14%	300
2 – Youngest Deferred	17	68	N/A	N/A	100
3 – Median Active	35	68	18,700	10%	3,700
4 – Median Deferred	31	68	N/A	N/A	1,900

These example members were chosen as they are representative of the Scheme's DC section membership.

The Trustee has produced illustrations to demonstrate the cumulative effect of the above costs and charges for the default investment strategy (as represented by the L&G 2070 - 2075 Target Date Fund 3 for the youngest example active and deferred members, and the L&G 2055 - 2060 Target Date Fund 3 for the median active and deferred members).

The Trustee has also included illustrations to demonstrate the cumulative effect of costs and charges for the L&G HSBC Islamic Global Equity Index Fund 3 which has the highest charges and the L&G All Stocks Index Linked Gilts Index 3 which has the lowest charges, in accordance with the current guidance.

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 Target Date Funds 3, the L&G HSBC Islamic Global Equity Index Fund 3 and the L&G All Stocks Index Linked Gilts Index Fund 3. The projected retirement fund is shown in today's terms and so it already takes account of the effect of inflation between now and retirement.

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

Age	L&G 2070 – 2075 Target Date Fund 3			L&G All Stocks Index Linked Gilts Index Fund 3			L&G HSBC Islamic 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	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
20	£10,180	£10,060	£120	£9,470	£9,390	£80	£10,240	£10,090	£150
25	£23,710	£23,090	£620	£20,190	£19,820	£370	£24,030	£23,270	£760
30	£38,680	£37,110	£1,570	£30,160	£29,310	£850	£39,510	£37,570	£1,940
35	£55,250	£52,190	£3,060	£39,410	£37,950	£1,460	£56,890	£53,080	£3,810
40	£73,590	£68,410	£5,180	£48,010	£45,810	£2,200	£76,410	£69,910	£6,500
45	£93,890	£85,870	£8,020	£55,990	£52,960	£3,030	£98,320	£88,180	£10,140
50	£116,350	£104,650	£11,700	£63,410	£59,460	£3,950	£122,910	£107,990	£14,920
55	£141,210	£124,850	£16,360	£70,300	£65,380	£4,920	£150,520	£129,500	£21,020
60	£168,730	£146,590	£22,140	£76,710	£70,760	£5,950	£181,530	£152,830	£28,700
65	£199,180	£169,970	£29,210	£82,650	£75,660	£6,990	£216,330	£178,140	£38,190
68	£218,990	£184,850	£34,140	£86,020	£78,380	£7,640	£239,230	£194,350	£44,880

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

Age	L&G 2070 – 2075 Target Date Fund 3			L&G All Stocks Index Linked Gilts Index Fund 3			L&G HSBC Islamic 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	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
20	£100	£100	£0	£100	£100	£0	£100	£100	£0
25	£106	£104	£2	£96	£94	£2	£107	£105	£2
30	£118	£112	£6	£89	£86	£3	£120	£114	£6
35	£130	£121	£9	£83	£78	£5	£135	£124	£11
40	£144	£130	£14	£77	£71	£6	£152	£134	£18
45	£159	£140	£19	£71	£65	£6	£170	£146	£24
50	£176	£151	£25	£66	£59	£7	£191	£158	£33
55	£195	£162	£33	£61	£54	£7	£215	£171	£44
60	£216	£174	£42	£57	£49	£8	£241	£186	£55
65	£239	£188	£51	£53	£44	£9	£271	£202	£69
68	£265	£202	£63	£49	£40	£9	£304	£219	£85

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

Age	L&G 2055 - 2060 Target Date Fund 3			L&G All Stocks Index Linked Gilts Index Fund 3			L&G HSBC Islamic 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	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
40	£13,810	£13,590	£220	£12,340	£12,180	£160	£13,940	£13,640	£300
45	£25,010	£24,250	£760	£20,370	£19,890	£480	£25,450	£24,420	£1,030
50	£37,400	£35,760	£1,640	£27,820	£26,910	£910	£38,360	£36,120	£2,240
55	£51,110	£48,170	£2,940	£34,750	£33,290	£1,460	£52,860	£48,810	£4,050
60	£66,280	£61,560	£4,720	£41,180	£39,100	£2,080	£69,130	£62,580	£6,550
65	£83,080	£76,000	£7,080	£47,160	£44,390	£2,770	£87,400	£77,530	£9,870
68	£94,000	£85,210	£8,790	£50,540	£47,330	£3,210	£99,420	£87,100	£12,320

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

Age	L&G 2055 - 2060 Target Date Fund 3			L&G All Stocks Index Linked Gilts Index Fund 3			L&G HSBC Islamic 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	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
35	£2,060	£2,020	£40	£1,790	£1,760	£30	£2,080	£2,030	£50
40	£2,280	£2,180	£100	£1,660	£1,600	£60	£2,340	£2,200	£140
45	£2,520	£2,350	£170	£1,550	£1,460	£90	£2,630	£2,390	£240
50	£2,790	£2,530	£260	£1,440	£1,330	£110	£2,950	£2,590	£360
55	£3,090	£2,730	£360	£1,330	£1,210	£120	£3,310	£2,810	£500
60	£3,420	£2,950	£470	£1,240	£1,100	£140	£3,720	£3,050	£670
65	£3,790	£3,180	£610	£1,150	£1,000	£150	£4,170	£3,310	£860
68	£4,020	£3,330	£690	£1,100	£940	£160	£4,470	£3,480	£990

3C.2. AVCs

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

Example Member	Current Age	Retirement Age	Contributions (£ per month)	Current fund value (£)
5 – Youngest member paying AVCs	52	65	600	28,200
6 – Youngest member not paying AVCs	57	65	N/A	2,300

In accordance with the guidance, 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 Funds with the highest and lowest charges respectively.

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

Age	With Profits Fund			Cash Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
55	£52,980	£51,630	£1,350	£47,620	£47,010	£610
60	£96,590	£90,830	£5,760	£75,270	£73,090	£2,180
65	£143,940	£130,680	£13,260	£97,730	£93,470	£4,260

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

Age	With Profits Fund			Cash Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
60	£2,540	£2,460	£80	£2,220	£2,180	£40
65	£2,990	£2,740	£250	£2,080	£2,000	£80

3C.3. Bonus account

For the Bonus account, we have decided to illustrate two example members being the youngest and average Bonus account members:

Example Member	Current Age	Retirement Age	Current fund value (£)
7 – Youngest Bonus account member	38	65	100
8 – Average Bonus account member	54	65	1,600

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

Age	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
40	£107	£105	£2
45	£126	£118	£8
50	£148	£132	£16
55	£174	£148	£26
60	£205	£167	£38
65	£241	£187	£54

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

Age	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
55	£1,650	£1,640	£10
60	£1,950	£1,840	£110
65	£2,290	£2,070	£220

3C.4. ASSUMPTIONS AND DATA FOR ILLUSTRATIONS

All fund values shown are estimates and are not guaranteed.

The effect of charges on fund values is rounded to the nearest £10 for all illustrations except those for members number 2 and 7, which are rounded to the nearest £1 due to the relatively small amounts involved.

Fund values shown are in real terms and do not need to be reduced to allow for the effect of inflation.

Inflation is assumed to be 2.5% p.a. consistent with the guidance.

Projected fund values for Prudential With Profits funds assume returns are the investment growth less charges however this is unlikely to be the same as the bonus rate declared on these funds.

For the example active members of the DC section, contributions are assumed to continue until retirement and to increase by assumed earnings inflation of 2.5% p.a.

For the example active AVC members, contributions are assumed not to increase each year.

The transaction costs have been averaged over a number of years (4 years for the AVC arrangement and Bonus account, and up to 5 years for each of the DC Section funds) in line with statutory guidance to reduce the level of volatility. A floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

The projected growth rates and costs and charges used for the illustrations are shown in the table below. These are the same as the growth rates used by the providers for annual benefit statements. We have used a single growth rate for the Target Date Funds, irrespective of the length of time members have to retirement, consistent with L&G's practice for annual benefit statements.

Fund	Total assumed annual charge[7]	Growth rate (gross of charges)
L&G PMC 2070 - 2075 Target Date Fund 3	0.59%	2.1% p.a. above inflation
L&G PMC 2055 – 2060 Target Date Fund 3	0.53%	2.1% p.a. above inflation
L&G All Stocks Index Linked Gilts Index 3	0.42%	1.5% p.a. below inflation
L&G HSBC Islamic Global Equity Index Fund 3	0.71%	2.4% p.a. above inflation
Prudential With Profits Fund (AVCs)	1.14%	3.4% p.a. above inflation
Prudential Cash Fund (AVCs)	0.55%	1.25% p.a. below inflation
Prudential With Profits Investment Account (Bonus account)	0.99%	3.4% p.a. above inflation

[7]This is the TER plus the averaged transaction costs

3D. NET INVESTMENT RETURNS

The Trustee is required to report the net investment returns for each default arrangement and for each non-default fund which members of the Scheme were invested in during the Scheme Year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance.

It is important to note that past performance is not a guarantee of future performance.

Performance has been shown over 1 and 5 year periods, although members have not been able to invest in all funds over the past 5 years. Some funds launched less than 5 years ago, therefore 5-year returns are not available.

3D.1. DC section - Default arrangement - Target Date Funds 3

Age of member on 1 April 2021	Net investment return to 31st March 2022	
	1 year (%)	5 years (% p.a.)
25 (L&G 2060 - 2065 Target Date Fund 3)	5.7	6.3
45 (L&G 2040 - 2045 Target Date Fund 3)	3.8	4.9
55 (L&G 2030 - 2035 Target Date Fund 3)	3.7	4.9

Source: L&G

3D.2 DC section - self select investment funds

Fund name	Net investment return to 31st March 2022	
	1 year (%)	5 years (% p.a.)
L&G 2070 - 2075 Target Date Fund 3	5.8	Not available
L&G 2065 - 2070 Target Date Fund 3	5.8	Not available
L&G 2060 - 2065 Target Date Fund 3	5.7	6.3
L&G 2055 - 2060 Target Date Fund 3	5.7	5.8
L&G 2050 - 2055 Target Date Fund 3	5.7	5.9
L&G 2045 - 2050 Target Date Fund 3	4.9	5.5
L&G 2040 - 2045 Target Date Fund 3	3.8	4.9
L&G 2035 - 2040 Target Date Fund 3	3.7	4.9
L&G 2030 - 2035 Target Date Fund 3	3.7	4.9
L&G 2025 - 2030 Target Date Fund 3	2.7	4.5
L&G 2020 - 2025 Target Date Fund 3	1.2	3.5
L&G 2015 - 2020 Target Date Fund 3	0.3	2.5
L&G Future World Multi-Asset Fund 3[10]	3.7	Not available
L&G Global Equity (70:30) Index Fund 3[8]	13.1	6.6
L&G Stewart Investors Asia Pacific Leaders Fund 3[9]	3.7	-0.1
L&G Ethical Global Equity Index Fund 3	18.1	11.9
HSBC Islamic Global Equity Index Fund 3	21.1	15.9
L&G All Stocks Index Linked Gilts Index Fund 3	4.0	2.7
L&G Retirement Income Multi-Asset Fund 3	3.5	4.3
L&G All World Equity Index 3[10]	13.7	Not available

Source: L&G

[8]This fund was removed from the fund range available to members on 20 December 2021.
[9]This fund was removed from the fund range available to members on 1 July 2021.
[10]This fund was made available to members from 30 September 2021.

3D.3 AVCs AND BONUS ACCOUNT

Fund	Net investment to 31st March 2022	
	1 year (%)	5 years (% p.a.)
AVCs		
Prudential Cash Fund	-0.5	-0.2
Prudential Discretionary Fund	5.4	5.0
Prudential Fixed Interest Fund	-4.8	0.3
Prudential Global Equity Fund	6.8	4.9
Prudential Index-Linked Fund	6.4	3.2
Prudential International Equity Fund	7.2	6.6
Prudential UK Equity Fund	6.4	3.8
Prudential With Profits Cash Accumulation Fund	1.0	1.2
Bonus Account		
Prudential With Profits Investment Account	1.5	1.6

Source: Prudential

For the Prudential With Profits Funds, the net investment returns shown above are the bonus rates declared on these funds over the relevant period. Whilst, in practice, we would expect a terminal bonus to increase returns to close to the returns achieved by the underlying assets of the With Profits Funds over the period held (after all costs of running the fund, including the costs of any guarantees), these amounts are unknown and are not guaranteed. A market value reduction, which can reduce the return delivered to investors, may be applied on exit from the With Profits Funds at any time other than at maturity date, or in the event of death before retirement.

3E. PROCESSING OF CORE FINANCIAL TRANSACTIONS

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

3E.1. DC SECTION

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

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

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

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

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

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

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

Although L&G processed almost all core financial transactions within the SLA during the Scheme year, it took longer than 5 working days to pay a number of transfer payments. L&G has confirmed that it received a high volume of member enquiries and Letter of Authority (LOA) requests during the fourth quarter of 2021 and the first quarter of 2022. These increased volumes continued in April and whilst L&G's 'Customer Updates & Enquiries' team was adjusted to these demands, service levels were affected. The additional resourcing helped L&G work through the oldest cases and move back within agreed service levels during early May. The industry-wide focus on 'pot consolidation' also had an impact on L&G's Transfers Out team. L&G has confirmed that processing of transfer payments returned to expected service levels during June. Looking ahead, L&G has adjusted its resource planning models and is continuing to focus on recruitment to ensure that each area has sufficient capacity and the member experience remains a positive one.

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

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

- L&G attends at least one Trustee board meeting a year, and maintains regular communication with the Scheme Secretary;

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

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

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

- As part of master trust authorisation the Scheme's processes were independently reviewed and this has been an annual process since then;

- The Trustee reviews L&G Audit and Assurance Faculty report on an annual basis, and further investigates any exceptions that are considered material.

The Trustee is therefore satisfied that over the period:

- L&G was operating appropriate procedures, checks and controls and operating within the agreed SLAs;

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

- The majority of core financial transactions have been processed promptly and accurately during the Scheme Year with appropriate steps being taken to return to full compliance where this expectation has not been met.

3E.2. AVCs and Bonus account

For the AVCs and the Bonus account, transactions are undertaken on the Trustee's behalf by the Pensions Office and Prudential. The Trustee has a SLA in place with the Pensions Office relating to transfers in and transfers out, payment processing, payment of benefits at retirement and contribution processing. The Trustee receives quarterly reports on performance of the Pensions Office, with any exceptions reported when matters have not been dealt with promptly and accurately. No material issues arose during the Scheme Year to 31st March 2022.

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

Task	Target timescales / Service Level Agreement	
	Prudential	Pensions Office
Allocation of contributions	5 working days[11]	Not applicable
Transfers in	5 working days	5 days
Transfers out	5 working days	5 days
Fund switches	5 working days	Not applicable
Payment of retirement and death benefits	5 working days	2 days

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

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

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

Prudential has not been able to provide information on the core financial transactions that took place over the Scheme Year to 31st March 2022 in time for this statement. This means that the Trustee has not been able to check that AVC contributions have been allocated promptly and accurately however Prudential's practice is to backdate allocation of contributions to the receipt date, even if the contribution is not allocated until a later date. Also, the Pensions Office is reliant on Prudential processing dis-investments so that it can pay benefits or transfers out, and the Pensions Office has confirmed it is not aware of any issues with Prudential processing these transactions during this reporting period.

The Trustee is therefore satisfied that over this period:

- The Pensions Office was operating appropriate procedures, checks and controls and operating within the agreed SLAs;

- There have been no material administration errors in relation to processing dis-investments; and

- Dis-investments have been processed promptly and accurately during the Scheme Year and Prudential's standard practice is to backdate contributions to the date money is received, if there is a delay to allocating those contributions.

3F. <u>VALUE FOR MEMBERS ASSESSMENT</u>

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

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

The costs and charges have been identified as the TER and transaction costs, as set out in section 2 of this statement. The Trustee's assessment concluded that the charges for the DC section are within the range reported by other similar schemes. Benchmarking data for transaction costs is not currently available but L&G typically uses cash flows to manage and minimise transaction costs. The majority of investments in the DC section are index-tracking funds and such funds have lower transaction costs than more actively managed funds, such as the Prudential funds held by AVC members. The Trustee has offered AVC members the opportunity to transfer funds and future contributions to the DC section to take advantage of the lower costs and charges (and other benefits) it provides.

The Trustee has considered the benefits of membership under the following five categories: governance, investments, administration and member experience, member communications and retirement support. Each of these categories have been given an equal weighting, when considering overall value for members. Benchmarking relative to other pension arrangements or industry best practice guidelines has also been undertaken.

For the AVCs and Bonus account, the Trustee has considered the benefits these arrangements provide to members in the wider context of membership of the Scheme rather than these arrangements alone.

A summary of the assessment for each category of benefit is set out below.

3F.1. GOVERNANCE

Having robust processes and structures in place to support effective management of risks and ensure members interests are protected should increase the likelihood of good outcomes for members.

The Scheme has achieved master trust authorisation and is supervised as a master trust, which includes consideration of its governance processes and structure. As well as the business plan, the Trustee has governance processes in place for the DC section whereby core financial transactions and other key governance factors are monitored quarterly. Appropriate time is dedicated to the DC section relative to its size. After the end of the Scheme Year, the DCC was established to oversee the DC section.

The Trustee takes a proportionate approach to governance of the AVCs and Bonus account arrangements, taking account of the number of members and assets under management and the relatively static nature of these arrangements (in terms of fund switches and other core financial transactions). Members who hold AVCs have been offered the opportunity to move these to the DC section to take advantage of the lower charges and additional governance oversight, and an exercise to make members aware of this was undertaken in the 2018/19 Scheme year. A review of the AVC arrangements is undertaken every three years and will be carried out during the third quarter 2022.

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

The Trustee benefits from five member-nominated trustee directors, who bring useful insights and perspectives to the Trustee Board as Scheme members carrying out a range of occupations within the University community. After the end of the Scheme Year one vacancy for this position arose, the arrangements for selection of a new trustee director are being updated to better reflect the current Scheme demographics and requirements.

The Scheme has operated largely as normal during the COVID-19 pandemic. There has been no material impact on governance, with the Trustee Board and its committees continuing to meet virtually and being able to carry out business as intended. Advisers' availability and service has not been affected.

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

3F.2. INVESTMENTS

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

For the DC section, the Trustee reviews investment performance (after all charges) in the context of their investment objectives on a quarterly basis and assesses the suitability of the default arrangement at least every 3 years.

The investment performance reviews carried out during the Scheme Year for the DC Section identified no major concerns relative to the relevant investment objectives. The changes to the self-select fund range agreed as a result of the 3-year review completed in the previous Scheme Year were made during the fourth quarter of 2021.

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

The Prudential With Profits Investment Account is the only option available through the Bonus account. All members of the Bonus account have benefits in the DB section and this account provides additional benefits. The Trustee is unable to change the investment strategy as doing so would result in the loss of investment guarantees provided by the With Profits Investment Account. Performance of the Bonus account has not been formally reviewed during the Scheme Year.

The Trustee has concluded that the processes it has in place to review and monitor investments are suitable.

3F.3. ADMINISTRATION

Good administration and record keeping play a crucial role in ensuring that the Scheme operates efficiently and members receive the retirement benefits due to them.

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

The Trustee has service level agreements in place with L&G and the Pensions Office and L&G and the Pensions Office report performance against these on a quarterly basis. This enables the Trustee to monitor standards of administration on a regular basis and investigate any issues that arise.

The Trustee does not have a formal service level agreement in place with Prudential for the AVCs and Bonus account, however Prudential has processes in place to ensure core financial transactions are processed promptly and accurately. When operating 'business as usual'

Prudential has target timescales for core financial transactions however it was still operating its service recovery plan throughout the Scheme Year, due to the issues caused by the administration system changes Prudential made in late 2020.

The Trustee has concluded that the processes it has in place to review and monitor administration are suitable.

3F.4. MEMBER COMMUNICATIONS

Effective member communications and delivery of the right support and tools help members understand and have the potential to improve their retirement outcomes.

Members of the DC section and members of the defined benefit section who have AVCs have online access to their accounts via the L&G and Prudential websites. These websites also include modelling tools and supporting information. Relevant sources of information are signposted to members. L&G also provides a helpline to members of the DC section.

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

The Trustee concluded that the Scheme's communications are broadly in line with those provided by similar schemes however member communication are a key objective and focus area for the DCC in 2022/23.

3F.5. RETIREMENT SUPPORT

Retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.

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

The Scheme allows defined benefit section members with AVCs to use their AVCs or Bonus account as the first source of tax free cash from the Scheme rather than having to commute DB pension. The Trustee believes this option is valued highly by members who have made AVCs or who have Bonus account benefits. Pre-retirement communications clearly set out the options available to members (i.e. standard benefit option, maximum cash option or no cash option).

The Trustee has concluded that the retirement options available to members are appropriate and in line with those offered by similar schemes, though as with member communications, retirement support is a key objective and focus area for the DCC in 2022/23.

The Trustee's assessment for the year ended 31st March 2022 concluded that the charges and transaction costs borne by members of the DC section, AVCs and Bonus account were in line with other options available in the market and represent good value for members, taking account of the benefits of Scheme membership.

3G. TRUSTEE KNOWLEDGE AND UNDERSTANDING

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

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

New Trustee Directors are required to complete a structured induction programme before taking up office, which may include a period of acting as an observer (as occurred in two cases during the Scheme Year). Completion of the Pensions Regulator's Trustee Toolkit forms part of that induction.

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

It is usual to hold training sessions at each quarterly Trustee meeting. Training sessions usually cover topics on the agenda and updates to law, regulation and practice such as new governance requirements, new legislative requirements, changes to Scheme documentation (e.g. Trust Deed and Rules, SIP, Scheme policy documents), funding and investment and new provider offerings that might benefit the Scheme.

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

1. Pension scams (Trustee board training – April 2021)

2. Pensions Act 2021 (Trustee board training – April 2021)

3. Cyber security (Trustee board training – June 2021)

4. TPR single code of practice (Trustee board training – September 2021)

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

The Trustee Directors also receive advice from professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. The scheme actuary and legal adviser and other advisers attend each Trustee meeting to provide advice and are available to committee meetings when appropriate. In particular, the scheme actuary attends funding and investment committee meetings when funding matters are on the agenda. The investment adviser attends each funding and investment committee meeting and is invited to Trustee meetings when appropriate. The DC consultant attends each DC committee meeting and is invited to Trustee meetings when appropriate. All advisers are available for advice and support when required.

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

1. Consideration of the Trust Deed & Rules when reviewing the structure of the Trustee's committees.

2. Consideration of the Trust Deed & Rules and Trustee company documentation when reviewing policy and procedure relating to member-nominated Trustee Directors.

3. Consideration of existing principles and policies when making decisions in preparation for the additional disclosures required in relation to climate change.

4. Signing off the Trustee Report and Accounts.

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

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

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

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.

3H. ADDITIONAL REQUIREMENTS FOR RELEVANT MULTI-EMPLOYER SCHEMES

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

The Trustee board currently has six non-affiliated Trustee Directors (including the chair of the Trustee Board) and four affiliated Trustee Directors with one vacancy. Affiliation refers broadly to being employed by an entity providing services to the Scheme. The affiliated Trustee Directors are employees (or recent employees) of the University but none are/were employed in the Pensions Office which provides services to the Trustee or have/had roles involving oversight or direction of the Pensions Office. The non-affiliated Trustee Directors are Mr C. A. H. Alexander, Ms L. Savin, Mr N. Badman, Mrs M. Hauser, Mr J. N. Sykes (Chair), and Mr J. Clark. The non-affiliated Trustee Directors do not work for the University (or any other Scheme service provider) or any of its subsidiaries (nor have they in the five years prior to their appointment as Trustee

Directors) and have not received any payment or benefit from the University (or any other Scheme service provider) other than for their role on the Trustee Board. The term lengths of the non-affiliated Trustee Directors comply with Regulation 28 of the Occupational Pension Schemes (Scheme Administration) Regulations 26, being 3 years each. The Trustee's articles permit term extensions to be decided by the Trustee Board where there is a vacancy, subject to statutory term limits.

During the period, non-affiliated director Mr C.A.H. Alexander was reappointed as a director with effect from 1st January 2022, following extensions to his previous 3 year term ending 31st March 2021 whilst the appointment process was conducted. In order to ensure an open and transparent appointment process, the vacancy was publicly advertised in the University Gazette before the University Council made its decision.

Also during the period, Mr N. Badman was selected as a non-affiliated director and became an observer from 1st January 2022 until the formal process of his induction and appointment was completed on 1st July 2022. In order to ensure an open and transparent appointment process, the vacancy was publicly advertised in the University Gazette before the University Council made its decision.

Also during the period, an MND process was re-run as no non-affiliated candidate was found after the vacancy originally arose from 1 April 2020. Mrs M. Hauser was selected as a director following a further MND process run in accordance with the requirements of section 242(2) of the Pensions Act 2004. She became an observer from 1st January 2022 until the formal process of her induction and appointment was completed on 15th August 2022. Due to the delay in finding a replacement MND, during the period covered by this report there were an even number of affiliated and non-affiliated directors rather than the required majority of non-affiliated directors. This was reported to The Pensions Regulator, who was kept updated with steps being taken to fill the non-affiliated MND vacancy. As described above, two further non-affiliated directors were identified and began to participate in Trustee board and committee meetings from 1st January 2022, with their formal appointments being confirmed after the end of the reporting period once they had completed all required training and formalities.

Also during the period, non-affiliated director Mr N. Standen had his 3 year term extended from 1st April 2021 until 31st March 2022 whilst an appointment process was conducted for his successor. His replacement is Mr N. Badman (appointed 1 July 2022).

Following the period, non-affiliated director Ms L. Savin's term as an MND was extended from 1st April 2022 until completion of the current MND process.

An omission in last year's report related to non-affiliated director appointments made during the period ending 31st March 2021, and is included here for completeness. During that period Mr J.N. Sykes was re-appointed and Mr J. Clark was appointed, both with effect from 1 April 2020. In order to ensure an open and transparent appointment process, the vacancies were publicly advertised in the University Gazette before the University Vice-Chancellor and University Council respectively made the decisions in each case. In addition, Mr R. Langley's term as MND was extended until 31st December 2020 whilst an MND replacement was sought. The initial process was unsuccessful and steps were taken in the following period to re-run the process, which ultimately proved successful with the appointment of Mrs M. Hauser as described above.

3I. <u>FEEDBACK</u>

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

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

J N Sykes   Date 31/10/2022

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2022

Employer and Post Code	Defined Benefit Section	
	Active members	Former Members and Pensioners
Balliol College, OX1 3BJ	71	177
Brasenose College, OX1 4AJ	39	109
Christ Church, OX1 1DP	101	264
Corpus Christi College, OX1 4JF	43	82
Exeter College, OX1 3DP	40	136
Green Templeton College, OX2 6HG	11	105
Green Templeton Services Limited, OX2 6HG	7	2
Hertford College, OX1 3BW	36	135
Jesus College, OX1 3DW	33	171
Keble College, OX1 3PG	28	129
Lady Margaret Hall, OX2 6QA	37	102
Linacre College, OX1 3JA	17	55
Lincoln College, OX1 3DR	67	110
Magdalen College, OX1 4AU	81	135
Mansfield College, OX1 3TF	19	54
Merton College, OX1 4JD	57	169
New College, OX1 3BN	60	154
North Oxford College Shared Services Limited, OX2 6JF	1	1
Nuffield College, OX1 1NF	26	74
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	3	38
Oxford Centre for Islamic Studies, OX1 2AR	2	11
Oxford Limited, OX1 4BW	0	20
Oxford Said Business School Ltd, OX1 1HP	28	95
Oxford University Innovation Limited, OX2 0JB	5	32
Oxford University Students Union, OX1 2BX	3	21
Pembroke College, OX1 1DW	64	99
The Queen’s College, OX1 4AW	46	101
Regent’s Park College, OX1 2LB	5	13
Rhodes House (The Rhodes Trust), OX1 3RG	2	13
Ruskin College, OX8 9BZ	0	82
St Anne’s College, OX2 6HS	37	121
St Antony’s College, OX2 6JF	19	140
St Catherine’s College, OX1 3UJ	24	88
St Edmund Hall, OX1 4AR	36	106
St Hilda’s College, OX4 1DY	35	99
St Hugh’s College, OX2 6LE	47	101
St John’s College, OX1 3JP	1	7
St Peter’s College, OX1 2DL	24	96
St Stephen’s House, OX4 1JX	6	15
Trinity College, OX1 3BH	47	101
University College, OX1 4BH	44	97
Wadham College, OX1 3PN	49	115
Wolfson College, OX2 6UD	26	154
Worcester College, OX1 2HB	49	125
Associated Participating Employers Total Membership	**1,376**	**4,054**

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2022 continued

Former Associated Participating Employers:	**Defined Benefits Former Members and Pensioners**
Associated Examining Board	5
Chapter House Shop	2
Local Examinations Syndicate	24
Oxford & Cambridge Examinations Board	10
Oxford Colleges Admissions Office	12
Oxford University Endowment Management	1
Oxford University Rugby Club	1
Somerville College	1
St Mary’s Church	1
University of Cambridge Local Examinations Syndicate	56
Voltaire Foundation	1
William Osler House	2
Former Associated Participating Employers Total Membership:	**116**

Notes:

1. Statistics for Magdalen College includes employees of The Oxford Science Park Limited (formerly Magdalen Development Company Limited), a wholly-owned subsidiary of the College.
2. Statistics for New College includes employees of New College School, a department of the College.
3. Statistics in respect of former members include only those former members who have an entitlement to benefits under the Scheme.
4. The Principal Employer, the University of Oxford, had 1,420 active members and 7,144 former members and pensioners in the defined benefit section at 31st March 2022.

Employer and Post Code	Defined Contribution Section	
	Active members	Former Members
Balliol College, OX1 3BJ	54	21
Brasenose College, OX1 4AJ	35	16
Christ Church, OX1 1DP	96	63
Corpus Christi College, OX1 4JF	29	10
Exeter College, OX1 3DP	49	27
Green Templeton College, OX2 6HG	16	7
Green Templeton Services Limited, OX2 6HG	0	0
Hertford College, OX1 3BW	37	27
Jesus College, OX1 3DW	28	26
Keble College, OX1 3PG	50	42
Lady Margaret Hall, OX2 6QA	44	21
Linacre College, OX1 3JA	19	9
Lincoln College, OX1 3DR	40	24
Magdalen College, OX1 4AU	49	21
Mansfield College, OX1 3TF	37	25
Merton College, OX1 4JD	59	29
New College, OX1 3BN	50	24
North Oxford College Shared Services Limited, OX2 6JF	2	0
Nuffield College, OX1 1NF	21	11
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	0	0
Oxford Centre for Islamic Studies, OX1 2AR	4	2
Oxford Limited, OX1 4BW	1	23
Oxford Said Business School Ltd, OX1 1HP	30	34
Oxford University Innovation Limited, OX2 0JB	0	0
Oxford University Students Union, OX1 2BX	17	37
Pembroke College, OX1 1DW	51	21
The Queen’s College, OX1 4AW	37	17
Regent’s Park College, OX1 2LB	17	2
Rhodes House (The Rhodes Trust), OX1 3RG	3	0
Ruskin College, OX8 9BZ	1	27
St Anne’s College, OX2 6HS	34	15
St Antony’s College, OX2 6JF	28	19
St Catherine’s College, OX1 3UJ	43	33
St Edmund Hall, OX1 4AR	27	15
St Hilda’s College, OX4 1DY	29	9
St Hugh’s College, OX2 6LE	29	1
St John’s College, OX1 3JP	1	1
St Peter’s College, OX1 2DL	31	13
St Stephen’s House, OX4 1JX	6	3
Trinity College, OX1 3BH	36	9
University College, OX1 4BH	46	67
Wadham College, OX1 3PN	41	27
Wolfson College, OX2 6UD	23	30
Worcester College, OX1 2HB	22	17
Associated Participating Employers Total Membership	**1,272**	**825**

Notes:

1. Statistics for Magdalen College includes employees of The Oxford Science Park Limited (formerly Magdalen Development Company Limited), a wholly-owned subsidiary of the College.
2. Statistics for New College includes employees of New College School, a department of the College.
3. Statistics in respect of former members include only those former members who have an entitlement to benefits under the Scheme.
4. The Principal Employer, the University of Oxford, had 1,814 active members and 1,251 former members and pensioners in the defined contribution section at 31st March 2022.

5. SCHEME MEMBERSHIP STATISTICS

DB section

		At 31st March 2022	At 31st March 2021
Active Members:			
At Start of Year:		**3,272**	**3,570**
Plus:	New Entrants	2	3
Less:	Deaths in Service	(5)	(7)
	Leavers taking Refund or Transfer	(1)	-
	Leavers with Preserved Benefits	(344)	(185)
	Retirements	(128)	(109)
At End of Year:		**2,796**	**3,272**
Former Members with Preserved Benefits (including Undecided Leavers):			
At Start of Year:		**6,651**	**6,602**
Plus:	Leavers with Preserved Benefits	344	185
Less:	Transfers Out	(15)	(26)
	Deaths in Deferment	(13)	(12)
	Retirement	(117)	(95)
	Undecided leaver refunds	(4)	(3)
At End of Year:		**6,846**	**6,651**
Pensions in Payment:			
At Start of Year:		**4,313**	**4,203**
Plus:	Retirements from active membership	128	109
	Retirements from deferment	117	95
	New dependant's pensions	55	54
Less:	Commutations at retirement	(8)	(11)
	Deaths of pensioners	(124)	(135)
	Cessations of child's pensions	(13)	(2)
At End of Year:		**4,468**	**4,313**
Total at End of Year		**14,110**	**14,236**

Of the 4,468 (2021:4,313) pensioners at 31st March 2022, 585 (2021: 571) are dependants of deceased members.

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

DC section

		At 31st March 2022	At 31st March 2021
Active Members:			
At Start of Year:		**2,593**	**2,526**
Plus:	New Entrants	1,225	571
	Re-activated from deferred	57	-
Less:	Deaths in Service	(2)	(1)
	Leavers with Preserved Benefits	(784)	(502)
	Retirements	(3)	-
	Adjustments in respect of late opt-outs	-	(1)
At End of Year:		**3,086**	**2,593**
Former Members with Preserved Benefits:			
At Start of Year:		**1,396**	**949**
Plus:	Leavers with Preserved Benefits	784	502
Less:	Transfers Out	(27)	(32)
	Retirement	(19)	(15)
	Consolidated with new active record	(57)	-
	Adjustments in respect of duplicate records	(1)	(8)
At End of Year:		**2,076**	**1,396**
Total at End of Year		**5,162**	**3,989**

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

6. FINANCIAL STATEMENTS

6A. FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2022

	Notes	2021/22 DB section £000	2021/22 DC section £000	2021/22 Total £000	2020/21 £000
Contributions and Benefits					
Employee Contributions		2,419	1,077	**3,496**	3,514
Employer Contributions		23,168	7,052	**30,220**	30,449
Total Contributions	5	25,587	8,129	**33,716**	33,963
Transfers In	6	-	735	**735**	238
		25,587	8,864	**34,451**	34,201
Benefits Payable	7	(23,258)	(466)	**(23,724)**	(22,391)
Payments to and on Account of Leavers	8	(352)	(122)	**(474)**	(830)
Administrative Expenses	9	(1,638)	(268)	**(1,906)**	(1,766)
		(25,248)	(856)	**(26,104)**	(24,987)
Net Additions from dealings with members		339	8,008	**8,347**	9,214
Returns on Investments					
Investment Income	10	7,384	-	**7,384**	6,947
Investment Management Expenses	11	(327)	(95)	**(422)**	(2,221)
Change in Market Value of Investments	12	42,930	711	**43,641**	177,722
Net Return on Investments		49,987	616	**50,603**	182,448
Net increase in fund during the year		50,326	8,624	**58,950**	191,662
Net Assets of the Scheme					
At end of previous year		913,202	15,847	**929,049**	737,387
At end of year		963,528	24,471	**987,999**	929,049

The notes on pages 56 to 76 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6B. STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31ST MARCH 2022

		2021/22			
	Notes	DB section £000	DC section £000	Total £000	2020/21 £000
Investments					
Pooled Investment Vehicles	12	829,246	22,846	**852,092**	866,982
Private Equity	12	89,579	-	**89,579**	36,814
Money Purchase Investments	12	2,175	-	**2,175**	2,343
Cash Deposits	12	40,769	-	**40,769**	19,820
Other Investment Balances	12	1,881	678	**2,559**	3,617
		963,650	23,524	**987,174**	929,576
AVC Investment	12	200	-	**200**	169
Total Investment Assets		963,850	23,524	**987,374**	929,745
Current Assets	13	1,875	1,901	**3,776**	3,390
Current Liabilities	14	(2,197)	(954)	**(3,151)**	(4,086)
Net Assets of the Scheme		963,528	24,471	**987,999**	929,049

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 2022. The actuarial position of the Scheme, which does take account of such obligations, is dealt with by the Report on Actuarial Liabilities on pages 89 to 90 and these Financial Statements should be read in conjunction with this.

The Financial Statements were approved by the Trustee on 31/10/2022 and signed on behalf of the Trustee by:

Director: J.N. Sykes

Director: Kevin Valentini

The notes on pages 56 to 76 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6C. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2022

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).

Under the Pension Statement of Recommended Practice, a going concern basis is assumed unless a decision has been made to wind up the Scheme or an event triggering its wind up has occurred. As no such event has occurred or is currently anticipated, these financial statements have been prepared on a going concern basis. In line with best practice, the Trustee has considered the extent to which the current economic climate might present a risk of the Scheme continuing as a going concern. The Trustee has reviewed the information made available to them from the Principal and Participating Employers and do not currently anticipate an event that would trigger the wind up of the Scheme in the next 12 months from the date of approval of 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

Fund Account	Notes	2020/21 DB section £000	DC section £000	Total £000
Contributions and Benefits				
Employee Contributions		2,674	840	**3,514**
Employer Contributions		24,620	5,829	**30,449**
Total Contributions	5	27,294	6,669	**33,963**
Transfers In	6	-	238	**238**
		27,294	6,907	**34,201**
Benefits Payable	7	(22,250)	(141)	**(22,391)**
Payments to and on Account of Leavers	8	(558)	(272)	**(830)**
Administrative Expenses	9	(1,541)	(225)	**(1,766)**
		(24,349)	(638)	**(24,987)**
Net Additions from dealings with members		2,945	6,269	**9,214**
Returns on Investments				
Investment Income	10	6,947	-	**6,947**
Investment Management Expenses	11	(2,091)	(132)	**(2,223)**
Change in Market Value of Investments	12	175,736	1,988	**177,724**
Net Return on Investments		180,592	1,856	**182,448**
Net increase in fund during the year		183,537	8,125	**191,662**
Net Assets of the Scheme				
At end of previous year		729,665	7,722	**737,387**
At end of year		913,202	15,847	**929,049**

Statement of Net Assets	Notes	2020/21 DB section £000	DC section £000	Total £000
Investments				
Pooled Investment Vehicles	12	852,284	14,698	**866,982**
Private Equity	12	36,814	-	**36,814**
Money Purchase Investments	12	2,343	-	**2,343**
Cash Deposits	12	19,820	-	**19,820**
Other Investment Balances	12	3,115	502	**3,617**
		914,376	15,200	**929,576**
AVC Investment	12	169	-	**169**
Total Investment Assets		914,545	15,200	**929,745**
Current Assets	13	1,886	1,504	**3,390**
Current Liabilities	14	(3,229)	(857)	**(4,086)**
Net Assets of the Scheme		913,202	15,847	**929,049**

Note 4. Accounting policies

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

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

(b) Investment: Investments denominated in foreign currencies are translated into Sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year. Investments are included at fair value. Pooled investment vehicles are valued at the year end at bid or single price. Property pooled funds are valued annually by CBRE (an independent firm of chartered surveyors) on an open market basis as defined by the Royal Institute of Chartered Surveyors. The valuation reported is as at 31 March each year. CBRE have recent experience in the locations and types of properties held by the Scheme. There is no provision for property depreciation or amortisation as this is already factored into the valuation. Assets held in limited partnerships are stated at the value given by the manager's nearest end of the Scheme year, at the currency rate at the year end; the valuation is based on the report and accounts provided by the manager of the underlying funds at cost less any permanent diminution in the value of specific assets. With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

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

(d) Contribution income: Ordinary contributions, including contributions when a member has been auto-enrolled by the employer, and deficit contributions are included on an accruals basis. Participating employers reimburse the Scheme in respect of their share of the Pension Protection Fund (PPF) and other statutory levies. Amounts reimbursed are included in contribution income and the PPF levy expense is included in administrative expenses. Employer Section 75 debt contributions are accounted for when a reasonable estimate of the amount can be determined, which is normally upon certification by the Actuary.

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

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

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

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

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

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

Note 5. Contributions

	2021/22 DB section £000	2021/22 DC section £000	2021/22 Total £000
From Employees (Members):			
Ordinary Contributions	2,305	913	**3,218**
Additional Voluntary Contributions	114	164	**278**
	2,419	1,077	**3,496**
From Employers:			
Ordinary Contributions	13,446	4,064	**17,510**
Deficit Funding	5,287	-	**5,287**
Augmentation	2	-	**2**
Members' Salary Exchange	3,658	2,070	**5,728**
PPF levies	775	-	**775**
Expenses	-	918	**918**
	23,168	7,052	**30,220**
Total Contributions	25,587	8,129	**33,716**

	2020/21 DB section £000	2020/21 DC section £000	2020/21 Total £000
From Employees (Members):			
Ordinary Contributions	2,526	747	**3,273**
Additional Voluntary Contributions	148	93	**241**
	2,674	840	**3,514**
From Employers:			
Ordinary Contributions	14,669	3,354	**18,023**
Deficit Funding	5,195	-	**5,195**
Members' Salary Exchange	4,056	1,644	**5,700**
PPF levies	700	-	**700**
Expenses	-	831	**831**
	24,620	5,829	**30,449**
Total Contributions	27,294	6,669	**33,963**

Members' and Employers' Ordinary Contributions were paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 19 June 2020. During the period of this report, employers contributed at the rate of 19.0% of active members' pensionable salaries. The Employers' contribution rates for the DC Section included 11.30% for Tier 1 members, 9.30% for Tier 2 members and 7.30% 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

	2021/22		
	DB section £000	DC section £000	Total £000
Non-Club Transfers In	-	735	**735**
Total Transfer Values Receivable	-	735	**735**

	2020/21		
	DB section £000	DC section £000	Total £000
Non-Club Transfers In	-	238	**238**
Total Transfer Values Receivable	-	238	**238**

Note 7. Benefits Payable

	2021/22		
	DB section £000	DC section £000	Total £000
Pensions	17,721	16	**17,737**
Lump Sum Retirement Benefits	5,050	195	**5,245**
Commutations	50	-	**50**
Lump Sum Death Benefits	437	255	**692**
Total Benefits Payable	23,258	466	**23,724**

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

	2020/21		
	DB section £000	**DC section £000**	**Total £000**
Pensions	17,052	-	**17,052**
Lump Sum Retirement Benefits	4,421	37	**4,458**
Commutations	53	-	**53**
Lump Sum Death Benefits	724	104	**828**
Total Benefits Payable	22,250	141	**22,391**

Note 8. Payments to and on Account of Leavers

	2021/22		
	DB section £000	**DC section £000**	**Total £000**
Refund of contributions in respect of:			
non-vested leavers	1	-	**1**
opt-outs	20	31	**51**
Individual Transfers to Other Schemes	331	91	**422**
Total Payments to and on Account of Leavers	352	122	**474**

	2020/21		
	DB section £000	**DC section £000**	**Total £000**
Refund of contributions in respect of:			
non-vested leavers	1	-	**1**
opt-outs	17	20	**37**
Individual Transfers to Other Schemes	540	252	**792**
Total Payments to and on Account of Leavers	558	272	**830**

Note 9. Administrative Expenses

	2021/22 DB section £000	2021/22 DC section £000	2021/22 Total £000
University's Administration Fee (see Note 15)	515	55	**570**
Trustee's Remuneration (see Note 15)	15	4	**19**
Actuarial Fees	115	-	**115**
Audit Fee	24	7	**31**
Legal Fees	108	30	**138**
Other professional fees	-	11	**11**
Legal & General DC fee	-	153	**153**
Pension Protection Fund	775	-	**775**
Miscellaneous Expenses	86	8	**94**
Total Administrative Expenses	1,638	268	**1,906**

	2020/21 DB section £000	2020/21 DC section £000	2020/21 Total £000
University's Administration Fee (see Note 15)	475	46	**521**
Trustee's Remuneration (see Note 15)	16	4	**20**
Actuarial Fees	143	1	**144**
Audit Fee	22	5	**27**
Legal Fees	152	52	**204**
Legal & General DC fee	-	111	**111**
Pension Protection Fund	700	-	**700**
Miscellaneous Expenses	33	6	**39**
Total Administrative Expenses	1,541	225	**1,766**

Note 10. Investment Income

	2021/22 DB section £000	2021/22 DC section £000	2021/22 Total £000
Income from Pooled Investment Vehicles	7,153	-	**7,153**
Interest from Investment Managers	231	-	**231**
Total Investment Income	7,384	-	**7,384**

	2020/21		
	DB section £000	DC section £000	Total £000
Income from Pooled Investment Vehicles	6,965	-	**6,965**
Interest from Investment Managers	(18)	-	**(18)**
Total Investment Income	6,947	-	**6,947**

Negative interest is charged on cash balances held in Euros.

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

	2021/22		
	DB section £000	DC section £000	Total £000
Investment Management - BlackRock	101	-	**101**
Investment Management - SSgA	108	-	**107**
Investment Management - Generation	141	-	**141**
Custody Fees – State Street Bank	50	-	**50**
Investment Advice Fees	263	95	**358**
Other investment Fees	1	-	**1**
Investment Fee Rebates	(337)	-	**(337)**
Total Investment Management Expenses	327	95	**422**

	2020/21		
	DB section £000	DC section £000	Total £000
Investment Management - BlackRock	102	-	**102**
Investment Management - SSgA	92	-	**92**
Investment Management - Generation	1,179	-	**1,179**
Investment Management - M&G	802	-	**802**
Custody Fees – State Street Bank	50	-	**50**
Investment Advice Fees	291	132	**423**
Investment Fee Rebates	(425)	-	**(425)**
Total Investment Management Expenses	2,091	132	**2,223**

The investment fee rebate of £337,304 (2020-21: £425,165) covers a reduction in standard investment charges deducted from a pooled fund investment.

Note 12. Investment Assets

(a) Asset Reconciliation

	Value At 01/04/21	Purchases at Cost	Sales Proceeds	Change in Market Value	Value At 31/03/22
	£000	£000	£000	£000	£000
DB Section					
Pooled Investment Vehicles	852,284	7,475	(58,491)	27,978	**829,246**
Private Equity	36,814	38,948	(1,117)	14,934	**89,579**
Money Purchase Investments (Insurance policies)	2,343	-	(170)	2	**2,175**
AVC Investment	169	21	(1)	11	**200**
	891,610	46,444	(59,779)	42,925	**921,200**
Cash Deposits	19,820			5	**40,769**
Other Investment Balances	3,115			-	**1,881**
Total	914,545			42,930	**963,850**

	Value At 01/04/21	Purchases at Cost	Sales Proceeds	Change in Market Value	Value At 31/03/22
	£000	£000	£000	£000	£000
DC Section					
Pooled Investment Vehicles	14,698	7,742	(305)	711	**22,846**
	14,698	7,742	(305)	711	**22,846**
Other Investment Balances	502			-	**678**
Total	15,200			711	**23,524**

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 31/03/2022 £000	At 31/03/2021 £000
Members	**22,846**	14,698
Trustee	**-**	-
	22,846	14,698

(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 2022 (2021: nil) Indirect transaction costs are borne by the Scheme in relation to transactions within pooled investment vehicles. Such costs are not separately provided to the Scheme.

(c) Concentration of Investments

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

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

	At 31/03/2022 £000	%	At 31/03/2021 £000	%
SSgA Managed Pension Fund:				
Fundamental Index Global Equity Units	121,572	12.3	105,928	11.4
All World Developed Equity Index Units	77,135	7.8	67,395	7.4
UK Over 5 years Index Linked Gilts Units	101,199	10.2	96,537	10.4
Columbia Threadneedle Portfolio Services Ltd:				
Threadneedle Property Unit Trust Units	75,600	7.7	62,252	6.7
Generation Investment Management LLP:				
Generation IM Global Equity Fund	85,495	8.7	78,787	8.5
M&G Investment Management:				
M&G Inflation Opportunities Fund	90,980	9.2	84,425	9.1
M&G Illiquid Credit Opportunities Fund	83,663	8.5	79,908	8.6
Acadian Asset Management LLC:				
Global Managed Volatility Equity UCITS	-	-	55,664	6.0
Baillie Gifford & Co. Limited:				
LTGG Investment Fund	90,293	9.1	105,021	11.3

(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 (2021: nil). During the year, there were five instances of late payments of contributions, the latest of which was three days late, with a total value of £104,653, which represents 0.3% of contributions payable under the

Schedule of Contributions. These amounts constitute employer-related investments for the period over which it was 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 31/03/2022 £000	At 31/03/2021 £000
DB Section		
Equities	**374,495**	412,796
Bonds	**231,896**	223,062
Property	**75,643**	62,295
Illiquid credit	**83,663**	79,908
Emerging markets	**62,398**	73,074
Cash	**1,151**	1,149
	829,246	852,284
DC Section		
Pathway Funds	**22,846**	14,698

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 2022 and 31st March 2021 (approximately £3,042,200 as at 31st March 2021 and £3,066,700 at 31st March 2021). 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, and investments with Ares Capital Management LLC and Copenhagen Infrastructure Partners. 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 2021, 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 £46,478,400 as at 31st March 2022 and £46,851,800 as at 31st March 2021), of which €15,565,475 (€19,518,090 as at 31st March 2021) (approximately £13,154,000 as at 31st March 2022 and £16,626,500 as at 31st March 2021) remains to be drawn down against this commitment.

The total commitment of the Scheme to Ares includes a total investment of £55,000,000, of which £29,029,947 remained to be drawn at 31st March 2022. The total commitment of the Scheme to Copenhagen includes a total investment of €75,000,000 (approximately £63,379,600 as at 31st March 2022 and £63,888,800 as at 31st March 2021), of which €58,183,004 (approximately £49,158,820) remained to be drawn at 31st March 2022.

(i) Other Investments Balances

Other investment balances for the DB Section are accrued distributions from investments of £1,879,084 (2021: £1,941,364) and March 2022 contributions, invested post year-end, of £1,649 (2021: £1,916). Other investment balances for the DC Section relates to March 2022 contributions of £678,335, 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 31st March 2022 (£m)**	**Value at 31st March 2021 (£m)**
	Credit risk	Currency	Interest rate	Other price		
UK equities	○	○	○	●	15.7	15.2
Overseas equities	○	●	○	●	421.2	470.7
Index-linked gilts	○	○	●	○	101.2	96.6
Corporate bonds	●	○	●	◐	39.7	42.1
Inflation opportunities	●	○	●	●	91.0	84.4
Property	○	◐	○	●	75.6	62.3
Illiquid Credit	●	○	●	●	105.6	79.9
Private equity	○	●	◐	●	67.6	36.8
Cash	●	○	●	○	42.7	21.0

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, DIF and Copenhagen infrastructure funds and Schroders property fund are denominated in Euros so the Scheme is directly exposed to currency risk in these portfolios. The Scheme's assets that are exposed to indirect currency risk are the overseas equity funds, diversified growth funds and emerging market multi-asset fund, which may invest in non-Sterling investments on an unhedged basis.

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

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

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

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

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

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

(I) Fair Value Determination

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

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

For the purpose of this analysis:

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

(I) Fair Value determination (continued)

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

	DB section at 31st March 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	1,151	744,389	83,706	829,246
Private equity	-	-	89,579	89,579
Money purchase investment	-	-	2,175	2,175
AVC investments	-	-	200	200
Cash	40,769	-	-	40,769
Other investment balances	1,881	-	-	1,881
	43,801	774,389	175,660	963,850

	DB section at 31st March 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	1,149	771,184	79,951	852,284
Private equity	-	-	36,814	36,814
Money purchase investment	-	-	2,343	2,343
AVC investments	-	-	169	160
Cash	19,820	-	-	19,820
Other investment balances	3,115	-	-	3,115
	24,084	771,184	119,277	914,545

	DC section at 31st March 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	-	22,846	-	22,846
Other investment balances	678	-	-	678
	678	22,846	-	23,524

	DC section at 31st March 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	-	14,698	-	14,698
Other investment balances	502	-	-	502
	502	14,698	-	15,200

Note 13. Current Assets

	2021/22		
	DB section £000	DC section £000	Total £000
Debtors and Prepayments:			
Contributions due in respect of Members	91	52	**143**
Contributions due from Employers	1,413	541	**1,954**
Other debtors	45	-	**45**
Total Debtors	1,549	593	**2,142**
Cash Balances:			
Bank account	326	1,308	**1,634**
Total Current Assets	1,875	1,901	**3,776**

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.

	2020/21		
	DB section £000	DC section £000	Total £000
Debtors and Prepayments:			
Contributions due in respect of Members	113	36	**149**
Contributions due from Employers	1,402	386	**1,788**
Benefits in advance	-	-	**-**
Other debtors	67	2	**69**
Total Debtors	1,582	424	**2,006**
Cash Balances:			
Bank account	304	1,080	**1,384**
Total Current Assets	1,886	1,504	**3,390**

Note 14. Current Liabilities

	2021/22		
	DB section £000	DC section £000	Total £000
Creditors:			
Accrued Expenses	509	175	**684**
Amounts due to University for Pensions paid	1,506	-	**1,506**
Contributions due to DC provider	-	678	**678**
Benefit and leaver payments due	152	101	**253**
AVC contributions due to Prudential	2	-	**2**
H M Revenue and Customs	28	-	**28**
Total Current Liabilities	2,197	954	**3,151**

	2020/21		
	DB section £000	DC section £000	Total £000
Creditors:			
Accrued Expenses	1,579	254	**1,833**
Amounts due to University for Pensions paid	1,446	-	**1,446**
Contributions due to DC provider	-	502	**502**
Benefit and leaver payments due	177	101	**278**
AVC contributions due to Prudential	-	-	**-**
H M Revenue and Customs	27	-	**27**
Total Current Liabilities	3,229	857	**4,086**

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 £367,809 (2021: £348,135); this amount comprised contributions due in respect of March 2022 of £1,512,316 (2021: £1,477,023), less the pension payroll cost for March 2022 of £1,507,041 (2021: £1,445,852) and less expenses of £373,085 (2021: £379,306). At the year end, the Associated Participating Employers owed the scheme contributions in respect of March 2022 totalling £585,223 (2021: £459,122).

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 £15,569 (2021:£15,574) 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 (2021: £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 £97 (2021: £37).

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 2022.

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. A further judgement, released in November 2020, provided clarity regarding the requirement for pension scheme trustees to reflect GMP equalisation within historic transfers. The additional liabilities arising from the latest judgement are not expected to be material and will be accounted for when determined.

Note 18. Market Movements

Subsequent to the year end, global financial markets have been affected by a series of macroeconomic factors which have in particular had an adverse impact on some Schemes with Liability Driven Investment (LDI) bond mandates. The Scheme does not have a LDI investment mandate within its portfolio and although the bond asset values within the Scheme's portfolio have decreased, the funding position overall has improved. At a meeting of the Trustee's Funding and Investment Committee (FIC) on 8th August 2022 it was noted that the Scheme was around 90% funded relative to the long-term funding target, and it was agreed to transfer £100 million (c11.1% of the Scheme's assets) from equities to index-linked gilts. At a further meeting of the FIC on 3rd October 2022 it was noted that the Scheme was over 100% funded relative to the long-term funding target, and it was agreed to sell all remaining equities invested with State Street and Sands and to disinvest the Generation Asia equities funds. All immediate proceeds were invested in index-linked gilts. The Trustee continues to monitor developments and consider its investment strategy accordingly.

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

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

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

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

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

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

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

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

The Trustee is responsible for the maintenance and integrity of the financial information of the Scheme included on the OSPS section of the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

8. INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the University of Oxford Staff Pension Scheme (the 'Scheme') for the year ended 31st March 2022, 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 31st March 2022, 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 are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Scheme's operating model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

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

The responsibilities of the Trustee with respect to going concern are described in the 'Responsibilities of the Trustee for the financial statements' section of this report.

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, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant are the Pensions Acts 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP")).

- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations, such as the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation), under which the Scheme operates.

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with management and the Trustee, and from inspection of Trustee's board minutes and legal and regulatory correspondence. We enquired about the policies and procedures regarding compliance with laws and regulations with the Trustee.

- We assessed the susceptibility of the Scheme's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to the risk of management override of controls through posting inappropriate journal entries to manipulate results for the year.

- Our audit procedures involved:
  - Evaluation of the design effectiveness of controls that the Trustees have in place to prevent and detect fraud;
  - Journal entry testing, with a focus on large journals, manual journals, those journal entries with unusual account combinations, and entries posted to suspense accounts; and
  - Obtaining independent confirmations of material investment valuations at the year end.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and financial statements with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of schemes of a similar size and complexity, appropriate to their role within the team. The engagement team is required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and of the sector the underlying applicable legislation and related guidance.

Use of our report

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

Date: 31/10/2022

9. COMPLIANCE

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

9A.1. SCHEDULE OF CONTRIBUTIONS

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

Introduction

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

Participating employers

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

Employer contributions payable in respect of Members of the DB Section

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

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

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

Employee contributions payable in respect of Members of the DB Section

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

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

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

Contributions payable in respect of Members of the DC Section

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

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

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

These amounts do not include members’ Additional Voluntary Contributions.

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

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

The participating employers will ensure that the Trustee receives:

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

Salary sacrifice

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

Signed on behalf of the Directors of OSPS Trustee Limited

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

Signed on behalf of the University of Oxford

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

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

9. COMPLIANCE

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

9A.2. RECOVERY PLAN

The University of Oxford Staff Pension Scheme (the Scheme)

Recovery Plan

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

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

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

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

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

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

- The proportion of members electing for different levels of accrual in the DB Section remains constant over the period.

Signed on behalf of the Directors of OSPS Trustee Limited

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

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

Signed on behalf of the University of Oxford

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

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

9. 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 2019 to be met by the end of the period specified in the recovery plan dated 19 June 2020.

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

Adherence to statement of funding principles

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

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

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

9. COMPLIANCE

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

9B.2. CERTIFICATION OF TECHNICAL PROVISIONS

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

University of Oxford Staff Pension Scheme

Calculation of technical provisions

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

J.M. Harvey.

J M Harvey 19 June 2020

Fellow of the Institute and Faculty of Actuaries Aon

9. COMPLIANCE

9C. REPORT ON ACTUARIAL LIABILITIES

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

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

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

The Trustee receives an annual update of the funding position and based on the same assumptions set out below, the assets as at 31 March 2021 were £909.9 million and the technical provisions were £925.6 million.

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

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

Significant actuarial assumptions include:

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

Post-retirement discount rate: Equal to the UK nominal gilt curve at the valuation date plus 0.5% p.a. at each term.

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

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

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

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

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

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

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

9D. Statement of Investment Principles

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

Introduction

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

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

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

Effective Date

This SIP is effective from June 2021

1. Strategy

Investment Objective

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

The Trustee is responsible for investing DC assets in line with members' preferences. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives.

The Trustee has taken into account members' circumstances; in particular the possible range of members' attitudes to risk and term to retirement.

Investment Strategy

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

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

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

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

Default Investment Arrangement

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

The Trustee, with its investment adviser, has assessed the suitability of the default investment arrangement in the light of the regulations governing the ways in which members can access their benefits at retirement. This assessment took into account the expected membership profile of the Scheme and expected fund values at retirement. The default investment arrangement was formally reviewed in 2020.

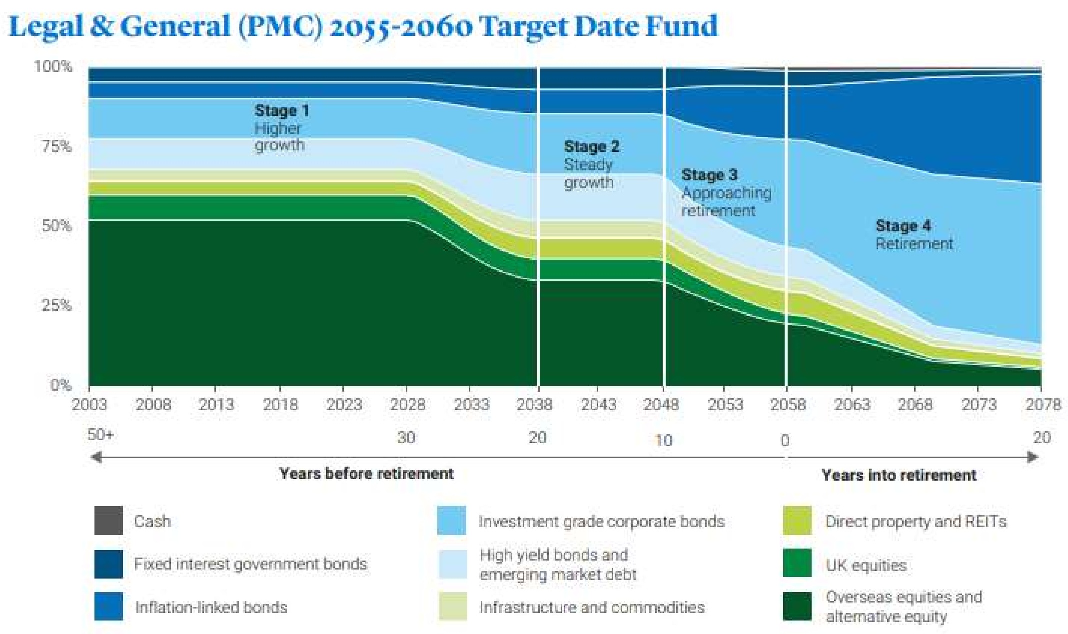
The Trustee's policies in relation to the default investment arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out elsewhere in this document.

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

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

The aim of the Target Date Funds 3 is to provide opportunity for growth in the early years of investment by investing predominantly in equities initially then adopting a multi-asset approach with a significant allocation to growth assets from c.30 years before retirement date. As retirement approaches, the majority of 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 Target Date Fund 3 2055-2060 vintage (note that this chart shows the asset allocation of the Target Date Fund 3 after retirement however members are unable to leave their DC funds invested in the Scheme after they start taking benefits). The asset allocation shown is dynamic and due to evolve over time. Other target date fund vintages may have a different asset allocation to the one shown below.



Source: Legal & General

2. Risks

The Trustee recognises that the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the DC Section.

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' contribution rates and fund choices.
Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and its investment advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
Risk of the default investment arrangement being unsuitable for some members.
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.
Risk of the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

Risks
The risk of the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy. This is considered by the Investment Sub-Committee, which monitors the performance of funds held in the DC Section.

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

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

3. Governance

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

Trustee
▪ Sets structures and processes for carrying out its role. ▪ Selects the investment adviser, bundled DC provider and overall investment strategy. ▪ Appoints the Investment Sub-Committee (ISC). ▪ Delegates monitoring of overall investment strategy to ISC. ▪ Considers and approves recommendations from the ISC.
Investment Sub-Committee (ISC)
▪ Makes recommendations to the Trustee on: – Selection of investment adviser. – Selection of overall investment strategy. – Selection of funds and fund managers. – Structure for implementing investment strategy. – Monitors investment advisers and bundled DC provider. – Monitors funds on a quarterly basis. – Makes ongoing decisions relevant to the operational principles of the Scheme's investment strategy. – Implements changes to the investment fund range approved by the Trustee.

Investment Adviser
▪ Advises on all aspects of the investment of the Scheme assets, including implementation. ▪ Advises on this statement. ▪ Provides required training.
Bundled DC Provider
▪ Operates within the terms of this statement and its written contracts. ▪ Provides unit prices and other reporting material on a regular basis. ▪ Provides quarterly performance reporting to the Investment Sub-Committee. ▪ Provides Scheme information to advisers and the Trustee.

4. Implementation

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

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

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

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

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

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

5. General

Direct Investments

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

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

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

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

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

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

Arrangements with asset managers

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

This includes monitoring the extent to which asset managers:

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

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

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

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

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

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

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

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

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

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

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

Environmental, Social and Governance considerations

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

The DC Section assets are invested in pooled funds. The Trustee cannot directly influence the managers' policies on ESG factors in these circumstances. However, the investment managers are in a position to exert significant influence on the companies in which they invest and the Trustee uses its influence as an asset owner and expects its managers to integrate social, environmental and governance considerations (including, but not limited to climate change) and opportunities within their investment process as applied to the funds available to members.

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

Stewardship – Voting and Engagement

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

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

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

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

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

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

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

Members' Views and Non-Financial Factors

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

Costs and Transparency

The Trustee is aware of the importance of monitoring the costs and charges borne by members and the impact these costs can have on member outcomes. The Trustee regularly monitors and reviews the costs and charges borne by members, as part of the work to prepare the Chair's Statement each year.

Explicit charges

The investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice.

Annual investment management charges (including annual management charges levied by the provider) are met by the members by deduction from the unit price.

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

Transaction costs

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

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

Realisation of Investments

The Scheme's assets are invested in daily priced pooled investment funds, and the vast majority of the underlying assets are invested in quoted markets. The platform provider can be required to realise investments as soon as it becomes appropriate to do so.

Investment Adviser

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

Review of SIP

In drawing up this document, the Scheme Trustee has sought advice from the Scheme's Investment Adviser, Aon Solutions UK Limited.

The Trustee will review this SIP at least every three years and without any delay after any significant change in investment policy or the demographic profile of relevant members.

The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Appendix – Fund Options

Investment fund	■ Investment style	Benchmark	Fee[1]	Investment Characteristics
L&G PMC Target Date Funds 3		Composite	0.45% pa	This Fund provides exposure to a range of different asset classes and the mix of assets within the fund charges over time to reflect the needs of members as they approach their target retirement date.
L&G PMC All-World Equity Index Fund 3	Passive	Global Equities	0.42% pa	To track the performance of the FTSE All-World Index (less withholding tax where applicable) to within +/- 0.5% per annum for two years out of three.
L&G PMC Future World Multi-Asset Fund	Passive	Composite	0.46% pa	The fund will invest in a range of assets which may include equities, bonds, cash and listed infrastructure, private equity and global real estate companies. Exposure to each asset class will primarily be through investing in passively managed funds with the ESG exposure being provided through investments in a range of Future World equity and bond index funds. These funds are constructed and weighted by the index provider based on ESG scoring of eligible constituents. Where an ESG approach is not likely to be feasible or meaningful, the fund will use traditional index funds for asset allocation purposes.
L&G PMC Ethical Global Equity Index Fund	Passive	Global Equities	0.60% pa	To track the sterling total returns of the FTSE4Good Global Equity Index before charges (including re-invested income, less withholding tax) to within +/- 0.5% per annum for two years in three.

[1] Fees as at April 2021

Investment fund	■ Investment style	Benchmark	Fee[1]	Investment Characteristics
L&G PMC HSBC Islamic Global Equity Index Fund	Passive	Global Equities	0.65% pa	The Fund aims to create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors.
L&G PMC All Stocks Index Linked Gilts Index Fund	Passive	UK Index-linked Gilts	0.38% pa	To track the sterling total returns of the FTSE Index-Linked (All Stocks) Index before charges (including re-invested income) to within +/- 0.25% per annum for two years in three.
L&G PMC Retirement Income Multi-Asset Fund		Composite	0.61% pa	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. The Fund invests globally in a range of different asset classes. The Fund invests in both index tracking and actively managed funds.

9E. Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement called an Implementation Statement ("IS") which outlines the following:

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the Scheme year;
- Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP over the Scheme year;
- The voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and any use of third-party providers of proxy voting services.

The IS has been prepared by the Trustee and covers the Scheme year 1st April 2021 to 31st March 2022.

Executive summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee believes that the stewardship policy has been implemented effectively. The Trustee notes that all of its investment managers were able to disclose adequate evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. The Trustee will therefore continue to use its influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Scheme, and with other third parties that the Trustee relies on such as its investment advisers. The Trustee will monitor, assess and ultimately hold the investment managers to account to make sure that the assets of the Scheme are appropriately invested.

1. Review and changes made to the SIP over the year

The Defined Benefit (DB) Section SIP is reviewed typically annually or immediately following a change of investment policy. There were no changes to the DB SIP over the Scheme year.

The Defined Contribution (DC) Section SIP is reviewed at least every three years, or immediately following any changes to the investment strategy. The DC SIP was updated in June 2021 to reflect the changes made to the self-select fund range following the investment strategy review.

2. Meeting the objectives and policies outlined in the SIP

Scheme activity over the year

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

Investment strategy

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

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

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

The Scheme’s current strategic portfolio has a central expectation of return of gilts + 5% p.a. over the long term.

At the time of writing, the Scheme is undergoing an Actuarial Valuation as at 31st March 2022 and the strategic portfolio and return target will be reviewed as part of this exercise.

Appointing new managers

An equity portfolio review was undertaken over 2021. It was agreed to appoint a new value equity manager and to invest in an Environmental, Social and corporate Governance (“ESG”) mandate. As part of the equity portfolio review, it was agreed to introduce strategic targets to the underlying holdings in the equity portfolio.

It was agreed to fully disinvest from the Acadian Global Equity Fund, from the SSgA All World Developed Fundamental holding and from the SSgA Fundamental Equites. The Acadian disinvestment was undertaken in May 2021. It was agreed the proceeds from the SSgA equity funds will be used to fund an investment in LGIM Future World Global Equity Fund and Dodge & Cox Global Equity Fund following the completion of the legal onboarding of the funds.

The main reason for proceeding with the investment in the LGIM Future World Fund was to introduce an ESG tilt to the Scheme’s equity allocation. The main reason for the investment in the Dodge & Cox Global Equity Fund was to reduce the underweight bias to “value” equities within the equity portfolio.

The Trustee took the following into consideration when making these decisions:

- Utilisation of its investment adviser's manager research team to conduct necessary due diligence
- The return and overall risk of the investments
- ESG credentials of the asset classes and the managers

The investment in the LGIM and Dodge & Cox equity funds is expected to take place over the 2022-23 Scheme year.

Manager meetings and trainings

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

Quarterly Monitoring Report ("QMR")

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

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

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

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

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

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

The vast majority of members invest in the default investment strategy and the Trustee reviews this at least every three years to ensure it remains suitable for the DC Section members. The Trustee also provides range of self-select funds for members who do not wish their pension savings to be invested in the default investment strategy. The Trustee made some changes to self-select fund range during the year, following the investment strategy review. These were to remove the L&G Stewart Investors Asia Pacific Leaders Fund (no members were invested in this Fund) and to replace the L&G Global Equity (70:30) Index Fund with the L&G All World Equity Index Fund. These changes were made in December 2021.

Updating the Stewardship Policy

There were no changes to the Stewardship Policy over the Scheme year.

TCFD

The Scheme is currently progressing towards meeting the requirements as set out as part of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD establishes a set of eleven clear, comparable, and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to improved information and understanding and therefore better-informed decision-making on climate-related financial risks. The Scheme's investment advisers are currently working with the Trustee to agree an action plan publish the Scheme's first TCFD report due by 31st October 2022.

RI Policy

The Trustee has agreed a Responsible Investment (RI) and ESG Policy for the Scheme which sets out the Trustee's approach on these matters. The Policy sets out requirements for the investment managers such as how they are expected to take into account various long-term ESG issues, disclosures of how ESG factors are considered, voting policies and how they give effect to their ESG policies. The policy can be found here: https://finance.admin.ox.ac.uk/osps

RI Reporting

The Trustee receives an annual RI report from its investment adviser which set out its understanding of the Trustee's key expectations for the Scheme's investment managers as set out in the Policy. Each section of the report aims to address the various requirements for the managers outlined above as well as providing ESG and UNPRI scores for the managers.

Monitoring of Fees

There were a number of new regulations introduced in 2020 in relation to the SIP that the Trustee is complying with. This included setting out the Trustee's policy on arrangements with asset managers, including incentives to make decisions based on medium and long-term performance and how evaluation and remuneration of asset management aligns with the Trustee's investment policies.
The Trustee received a report which provided a breakdown of the individual fees charged by the different investment managers held within the Scheme.

Scheme Stewardship Policy Summary

The bullet points below summarise the Scheme Stewardship Policy. The full SIP which contains the Policy can be found here: https://finance.admin.ox.ac.uk/osps

▪ As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to: 1) Where appropriate, engage with investee companies with the aim of protecting and enhancing the value of assets; and 2) exercise the Trustee's voting rights in relation to the Scheme's assets.

▪ The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to a number of issues, including stewardship.

▪ If it is identified that a manager is falling short of required stewardship standards, the Trustee may engage with the manager for more information to ensure and encourage that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

3. Voting and engagement activity undertaken over the year

Generation, Sands, State Street Global Advisors, LGIM and BlackRock provided engagement examples at a firm level rather than specifically in relation to the strategies they manage on behalf of the Trustee. However, a number of the stocks reported on at a firm level are held within the underlying strategies the Scheme is invested in.

Voting and Engagement activity – Equity and multi-asset funds

Over the year, the material equity and multi-asset investments held by the defined benefit section of the Scheme were:

Manager	**Fund name**
Baillie Gifford	Long Term Global Growth Fund
Generation	Global Equity Fund
Generation	Asia (ex-Japan) Equity Fund
Sands Capital Management ("Sands")	Emerging Markets Growth Fund
State Street Global Advisors ("SSGA")	All World Developed ESG Screened Index Equity Sub-fund
SSGA	MPF Fundamental Index Global Equity Sub-Fund

The Scheme's Money Purchase arrangements comprise:

- the defined contribution section which is provided through a bundled arrangement with Legal & General; and
- the Bonus Account and AVC arrangement which is provided by Prudential.

The material equity and multi-asset investments held by the defined contribution of the Scheme over the year were:

Underlying Manager	Fund name
Legal and General Investment Management Limited ("LGIM")	PMC 2015 - 2020 TARGET DATE FUND 3
	PMC 2020 - 2025 TARGET DATE FUND 3
	PMC 2025 - 2030 TARGET DATE FUND 3
	PMC 2030 - 2035 TARGET DATE FUND 3
	PMC 2035 - 2040 TARGET DATE FUND 3
	PMC 2040 - 2045 TARGET DATE FUND 3
	PMC 2045 - 2050 TARGET DATE FUND 3
	PMC 2050 - 2055 TARGET DATE FUND 3
	PMC 2055 - 2060 TARGET DATE FUND 3
	PMC 2060 - 2065 TARGET DATE FUND 3
	PMC 2065- 2070 TARGET DATE FUND 3
	PMC ETHICAL GLOBAL EQUITY INDEX FUND 3
	PMC ALL WORLD EQUITY INDEX FUND 3
M&G	Prudential With Profits Investment Account

All managers use the services of proxy voting organisations for various services that may include research, vote recommendations, administration and vote execution.

In this section there is a summary of voting information and examples of significant voting activity for each of the Scheme's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal;
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting;
- a vote that is connected to wider engagement with the company involved;
- a vote that demonstrates clear and considered rationale;
- a vote that the Trustee considers inappropriate or based on inappropriate rationale;
- a vote that has significant relevance to members of the Scheme.

The Trustee considers a significant vote as one which the voting manager deems to be significant.

Baillie Gifford

Voting policy

Baillie Gifford's Governance and Sustainability team oversees its voting analysis and execution in conjunction with its investment managers. It utilises research from proxy advisers (Institutional Shareholder Services ("ISS") and Glass Lewis) for information purposes only and does not delegate or outsource any of its stewardship activities, or follow or rely upon proxy advisers' recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market specific information.

Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines. It believes that voting should be investment led because it is part of the long-term investment process. Baillie Gifford endeavours to vote in relation to every one of its clients' holdings in all markets.

Voting example

In October 2021, Baillie Gifford voted against a shareholder resolution against the management of Tesla requesting to declassify the board, where all directors stand for re-election in the same year. It believes that full declassification of the board is not in the best interests of shareholders at this time. It supported management's alternative proposal for partial declassification following engagements with the company where it highlighted that the board needs to remain focused on its mission to accelerate the world's transition to sustainable energy. The shareholder resolution passed.

Engagement policy

According to its 2021 Governance and Sustainability Principles and Guidelines, Baillie Gifford focuses on stewardship through long-term value creation, board effectiveness, sustainable remuneration targets, fair treatment of stakeholders and longevity of business practices. It states that the UN Sustainable Development Goals have been central to benchmarking its progress in pursuing ESG considerations.

Baillie Gifford integrates governance and sustainability into its investment process through researching individual companies on their long-term prospects and negative screening/positive selection processes. Baillie Gifford engages through regular meetings with management and board members to monitor performance, with many of these meetings being attended by its Governance and Sustainability team. Baillie Gifford then sets objectives when engaging with these companies and states that its strategy to steer change is through active encouragement and engagement rather than immediate disinvestment. This may take the form of approaching the company with its concerns, meetings with management, or voting against management. It states that disinvestment or a reduction in holdings may occur if the company continues to fall short of ESG friendly practices and goals.

When Baillie Gifford has a continued issue with a company and the progress through its traditional engagement channels has stalled, it may decide to escalate its engagement through several ways including writing letters to the chair and joining collaborative initiatives with other asset managers and asset owners. In extreme circumstances, Baillie Gifford may make public statements or decide to sell out of its holding.

Engagement example

From 2019 to 2021, Baillie Gifford engaged with Netflix in relation to its board effectiveness and shareholder rights.

In these engagements, Baillie Gifford has focused on fact finding to better understand the company's corporate governance approach and more recently on supporting Netflix to maintain a structure which is supportive of growth. Netflix has one of the most actively engaged boards of all Baillie Gifford's portfolio companies, focusing the senior management on long term value creation, content creation and the importance of maintaining their innovative culture. Netflix recognises that, as the business matures, its governance practices must evolve to remain appropriate. However, the board believes existing practices, such as a classified board and supermajority voting requirements, protect the business from short-term market pressures. Specifically, Baillie Gifford believes it is fulfilling its fiduciary duties by rejecting pressure to conform to a prescriptive list of best practices that it does not consider supportive of growth. As a result of the knowledge gained during these meetings, Baillie Gifford voted against a resolution to eliminate supermajority voting both in 2020 and 2021, as it believed the company's existing provisions were appropriate.

Baillie Gifford's research and engagement indicate that Netflix's governance is pragmatic and supportive of the long-term strategy. It continues to hold Netflix and it will continue to engage with the company to ensure its governance practices remain appropriate.

Generation

Voting policy

Generation has appointed ISS as its proxy voting agent to provide notice of all company meetings and to ensure Generation's voting instructions are effectively carried out. Generation does not automatically adopt global proxy voting rules from any third-party service as a default setting. It is each analyst's responsibility to vote the proxies of the companies they cover based on their deep research and engagement with the company.

Voting example

In June 2021, Generation voted for a management proposal at Asian Paints Limited, an Indian paint company, to re-elect Abhay Vakil as Director. In general, Generation does not encourage long tenures for directors, in order to ensure the Board is appropriately independent. However, Generation believes the presence of other long-tenured directors should not have an impact on the re-election of directors who bring a relevant skillset to the table. Generation believes that Mr. Vakil brings significant relevant expertise in the paints industry given his involvement with the business for the last several decades. Also, as one of the members of the founding families, he is emotionally and financially aligned with minority shareholders.

Engagement policy

Generation mostly engages with companies on an individual basis, as it finds personal, direct conversations are often most effective and contribute to building long-term relationships with management teams. Company-specific engagement is conducted when Generation's research and monitoring identify topics that could, in its view, create material risks for a company or, in contrast, offer significant opportunities to enhance its performance. Analysts interact multiple times a year with all the holdings for which they are responsible. When Generation wishes to communicate their expectations to all Focus List or portfolio companies, or a significant subset, it will undertake an engagement programme. Generation currently has two engagement programmes on diversity, equity, and inclusion and on climate change.

Engagement example (firm level)

Climate change was the issue on which Generation engaged most intensively in 2021. It is seeking to play a leadership role within the investor community on encouraging corporate net zero commitments in Asia. Generation focuses its efforts particularly on Alibaba, HDFC Bank, Taiwan Semiconductor Manufacturing Company and Tencent, who are the iconic Asian firms that compare themselves not only to local peers but also global ones.

Generation agreed a new listed equity climate change engagement framework in H2 2020. Generation aims for companies to set Paris-aligned emission reduction targets through the Science Based Targets initiative ("SBTi"), report in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and set a net zero commitment.

As an outcome, Tencent was the first of the four companies to publicly commit to the goal of net zero emissions in January 2021. HDFC Bank followed in June with a pledge to be carbon neutral in its operations by 2031/32. In September, TSMC committed to net zero emissions from its operations by 2050, with an interim target to reduce emissions by 2030.

Sands

Voting policy

Sands receives proxy voting research from Glass Lewis, Stakeholders Empowerment Services and ISS but does not necessarily vote according to the guidelines provided.

Sands holds a policy that votes made in proxy should consider the short and long-term implications of each proposal. Sands states that it is neither an activist in corporate governance nor an automatic supporter of management. Sands will vote in accordance with the recommendation of management, unless, in Sands' opinion, such a recommendation is not conducive to long term value creation or otherwise in the best interest of its clients.

Voting example

In September 2021, Sands voted for a resolution to elect Director Joseph C. Tsai at Alibaba Group Holding Limited. While Sands is supportive of having a large portion of the board being independent, it is also pragmatic and does not look to apply the same approach for all situations regarding board constructions. Sands believes that as Mr Tsai is a founding member of the company, and has helped steer Alibaba very well over the past several years, it is beneficial for the company and shareholders to have him on the board. The resolution was passed. Sands deemed this vote to be significant as it is a shareholder proposal that it voted for.

Engagement policy

Sands engages on business-specific matters that may have a material impact on the investments under its custody. It will engage with companies for the following three objectives;

- To inform its business cases and build conviction in businesses
- To exchange perspective on matters relevant for long-term shareholders' interest
- To discuss ballot proposals and inform its proxy voting decision.

Engagement example (firm level)

Sands provided an engagement example relating to modern slavery risks across all of its strategies, in which its Modern Slavery Elimination project team over 2021 completed the following activities:

- The team created a modern slavery screening tool to flag companies most exposed to modern slavery risks based on its industry and geographic exposure, as well as certain key metrics.
- For the companies flagged in step 1, the team is developing additional qualitative assessments which are included in their proprietary company ESG Reports.
- In addition to this internal review, the team is in the process of researching and partnering with external organisations focused on modern slavery risk.
- When the team believes human rights risks are relevant to the business model or believes the investee company is not adequately managing supply chain standards, it will engage with the company to advocate for improved oversight and compliance with accepted standards.

Sands prefers for its businesses to conduct third-party auditing of the supply chain on a regular basis. Specifically, it held a recent engagement with the Irish automotive parts supplier Aptiv, in response to the alleged poor working conditions in its Serbian factories. The claims were falsified by the company by its robust safety policies.

SSGA

Voting policy

SSGA makes use of ISS's platform to:

- act as its proxy voting agent providing SSGA with vote execution and administration services;
- assist in applying its voting guidelines;
- provide research and analysis relating to general corporate governance issues and specific proxy items;
- provide proxy voting guidelines in limited circumstances.

SSGA's Stewardship Team reviews its Proxy Voting Guidelines with ISS on an annual basis or on a case-by-case basis as needed. Voting matters that are nuanced or that require additional analysis are referred to and reviewed by members of the Stewardship Team. Members of the Stewardship Team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with SSGA Proxy Voting Guidelines, which seek to maximise the value of its client accounts.

Voting example

In March 2022, SSGA voted against an advisory vote to ratify named executive officers' compensation at Analog Devices, a semiconductor manufacturing company. This item does not merit SSGA's support as it has concerns with the proposed remuneration structure for senior executives at the company. Where appropriate, it will contact the company to explain its voting rationale and conduct further engagement. The vote received 77.3% of support. The Trustee expects the manager to continue to engage with the Company on this matter.

This example relates to both All World Developed ESG Screened Index Equity Sub-Fund and MPF Fundamental Index Global Equity Sub-Fund.

Engagement policy

SSGA aims to invest responsibly to enable economic prosperity and social progress. Its asset stewardship program is built on the following principles:

1. SSGA's stewardship role in global capital markets extends beyond proxy voting and engagement with issuer companies;
2. SSGA's approach to stewardship is designed to have an impact through thought leadership, engagement, proxy voting and client disclosure;
3. Companies embracing ESG best practice have strong, effective independent boards and incorporate sustainability into their long-term strategy.

In 2019, SSGA created an engagement and voting screen, which measures the performance of a company's business operations and governance as it relates to financially material and industry specific ESG risk factors. SSGA began sharing companies' performance scores with them and guiding companies towards resources on how to improve their ESG practices, and ultimately, their score. SSGA aims that, over time, this will bring better ESG data into the market and help build more sustainable companies and capital markets.

Engagement example (firm level)

In 2021, SSGA withheld its support for a senior independent board member nominee at Domino's Pizza's Annual General Meeting. This was due to the company's failure to meet its expectations related to ESG disclosure relative to its industry peers. In December 2021, SSGA continued its engagement with the company to better understand the board's role in overseeing material ESG risk management, and its plans for enhancing the company's ESG disclosures.

In response to the engagements with the company, Domino's Pizza released its inaugural sustainability report in 2021, including metrics aligned with the Global Reporting Initiative ("GRI") and SASB frameworks, and debuted climate targets. The board also formalised its oversight across several material ESG areas, including Greenhouse Gas ("GHG") emissions, diversity, equity and inclusion, and delegated formal reporting responsibilities on these topics among the management team, to ensure continued accountability and dialogue.

As a result of these efforts, the company is now providing investors with more transparency on how the company is effectively managing material ESG-related risks and planning on achieving business-related targets across these areas.

M&G

Voting policy

The Scheme's Bonus Account is invested in the Prudential with Profits Investment Account. Voting is carried out by Prudential's fund manager, M&G, on behalf of the Trustee.

M&G uses research provided by proxy voting advisers ISS and the Institutional Voting Information Services ("IVIS"). M&G uses ISS's Proxy Exchange voting platform to manage its proxy voting activity. Whilst M&G does not solicit clients' views when making a voting decision, it takes them into account if they are known to M&G. By exercising its votes, M&G seeks to add value to its clients and to protect its interests as a shareholder.

At the time of writing, M&G had not provided voting statistics for the year end of 31st March 2022.

Voting example

In July 2021, M&G voted for a proposal at Hornbach Holding, a German retailer. The proposal relates to approving a creation of EUR 9.6m Pool of Capital without pre-emptive rights. M&G was initially concerned with the disapplication of pre-emption rights exceeding 10%. However, after discussing with the company, the company promised to restrict issuance to no more than 10%. Therefore, M&G supported the proposal. The proposal was passed. M&G deemed this vote significant because it relates to the company's governance and shareholder rights.

Engagement policy

M&G engages directly with companies and collaboratively through its membership of industry bodies. M&G engages with companies on company-specific issues and broader thematic engagements. Over 2021, M&G engaged on a number of environmental and social themes. These included its climate engagement programme and its diversity and inclusion programme, as well as thematic engagements on modern slavery in supply chains and thermal coal.

Engagement example

Over 2021, M&G engaged with insurance company, AIA Group Ltd ("AIA"), regarding greenhouse gas emissions targets. The objective of the engagement was to encourage AIA to set a net zero emissions target and sign up to the SBTi. M&G had calls with company management and the head of ESG and Investor Relations to discuss the topic.

As a result of the engagement, the company set a target to reduce greenhouse gas emissions by 25% by 2030. It has also engaged with the SBTi to consider setting a net zero emissions target. Subsequently, in December 2021, AIA announced its commitment to net zero emissions by 2050. AIA also completed divestment from coal mining and coal-fired power seven years ahead of target.

LGIM

Voting

LGIM uses proxy voting adviser ISS to execute votes electronically and for research. This augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information.

Voting example

In April 2021, LGIM voted against a management resolution to elect Johnson & Johnson's Chief Executive Officer ("CEO") to be a Director on the Board as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences.

The resolution passed with 93.4% of shareholders in favour of the resolution. LGIM considers this vote to be significant because it was an example of how it applied its voting policy on the topic of combined board chair and CEO role.

Engagement

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM monitors several ESG subjects and conducts engagement on various issues. It's top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

More information can be found on LGIM's engagement policy https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

At the time of writing, LGIM has not provided fund-specific engagement examples. The Trustee's investment advisor, Aon, has engaged at length with LGIM regarding its lack of fund level engagement reporting. LGIM confirmed it is working towards producing this in the first half of 2022. The example provided below is at a firm level, i.e. it is not specific to the funds members' DC funds are invested in.

Engagement example (firm level)

Over 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks. After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

Engagement activity – Fixed Income & Alternatives

The Trustee recognises that the ability of fixed income and alternatives fund managers to engage with and influence investee companies may be less compared to equity managers. However, it is encouraging to see that the managers are exhibiting active stewardship on behalf of the Trustee from the information they provided for this IS.

The following examples demonstrate some of the engagement activity carried out by the Scheme's fixed-income and alternative managers over the year.

BlackRock – Corporate bonds

Engagement policy

BlackRock's firm-wide engagement program benefits its fixed income investments. The BlackRock Investment Stewardship ("BIS") team exchanges its views with the equity and credit portfolio management teams. In addition, BlackRock's Global Fixed Income Responsible Investing team may partner with the BIS team to reflect on ESG related topics from fixed income investors as well to attend or host engagement meetings on certain highlighted ESG flagged holdings. An ESG flagged holding is one where BlackRock have significant exposure in fixed income portfolios, and the issuer is flagged as low rated/controversial by external ESG rating providers or is highlighted by their credit research.

Engagement example (firm level)

In September 2021, BlackRock engaged with science-focussed manufacturing and research company, Oxford Instruments, on the lack of diversity on its board ahead of the company's annual general meeting ("AGM"). The company had yet to reach the Hampton-Alexander target to have 33% representation of women and missed the target timeframe to reach this by 2020.

BlackRock deems diverse and experienced board directors to be critical to the success of a company and long-term value creation. Since the engagement, Oxford Instruments has appointed an additional female board member and stated that it intends to reach the target by its 2022 AGM. Oxford Instruments also expressed its intention to work with search firms who have signed the voluntary code of conduct for executive search firms to improve its recruitment of diverse executives and directors. BlackRock will continue to monitor the progress of the investee company.

M&G – Multi asset and illiquid credit

A summary of M&Gs engagement policy is detailed above.

Engagement example – Inflation Opportunities Fund

Over 2021, M&G worked on creating a new Sustainability Reporting standard for Social Housing that both Banks, Housing Associations and Investors could agree on. In recent years there has been an increased focus on ESG in the social housing sector, driven by multiple factors including poor energy efficiency in older houses, cladding and fire safety issues, as well as fuel poverty driven by rises in energy prices more broadly. The industry standard would enable the investment teams to measure ESG risk more accurately and also with a view to improving the governance and transparency of the Social Housing companies themselves.

M&G invested in the production of new ESG reporting, which, following various industry workshops, led initially to several iterations. M&G further engaged with Housing Associations and Investors to receive feedback on the new templates in order to refine a final version.

As a result of M&G's actions, numerous Banks, Investors and Housing Associations have now signed up to undertake the new reporting. This includes increased disclosures from Housing Associations on topics including cladding, fuel poverty and fire safety issues. Some associations have created specialist ESG reports. The improved data means that M&G can easily identify weaker areas and therefore provides a means of more focussed engagement, ultimately reducing the investment risk on these long-term assets.

Threadneedle – Property

Engagement policy

Threadneedle engages to gain deeper research insights, build relationships with companies and influence for change. The manager believes that engagement enhances research and investment through detecting inflection points and long-term trends, as well as influencing companies' standards of ESG risk management and sustainability.
When deciding whether or not to engage with a company, the manager considers various factors including:

- the material significance of an issue to the company;
- the risk to clients;
- the size of its holding;
- the opportunity to collaborate;
- the ability to effect change.

Threadneedle sets clear objectives ahead of each engagement meeting and tracks them on a regular basis.

DIF – Infrastructure

Engagement policy

One of DIF's objectives of its ESG strategy is to actively engage with its stakeholders as ESG advocacy. This translates into transparency on its approach to ESG, annual ESG reporting including at fund level and contributing to internal and external ESG events. It believes that as a global investor it can play a role in sharing good practices in its portfolio and contribute to delivering returns responsibly.

DIF has an ongoing commitment to being a responsible investor, being a signatory to the UN-supported Principles of Responsible Investment ("UNPRI"). DIF is also committed to support the objectives of the Paris Agreement. It is now taking steps to reduce its per capita footprint and will continue to offset any remaining footprint on an annual basis. It also commits to aligning its investment and asset management activities with the Paris Agreement.

Engagement example

In 2018, DIF first started engaging with American Roads, a transportation and infrastructure company, to establish an action plan for an ESG path. DIF had six targets for the company for 2021, which focused on the procurement sustainability, ESG initiatives, implementation of a formal system to collect feedbacks from customers, formalisation of a customer feedback process which addresses all reviews, carbon footprint reduction, and holding discussions with the insurance broker on climate change risks.

These targets were all achieved throughout 2021. In the assessment DIF provided, it stated that the company has strong ESG credentials.

Ares Management (“Ares”) – Illiquid credit

Engagement policy

While the fund does not have a specific engagement policy post-investment, any engagement with the company, its sponsors or other stakeholders, is done on a case-by-case basis, if and when deemed necessary or appropriate. The opportunity to raise issues and engage with relevant parties will depend on materiality considerations, degree of control/influence and/or access, information quality and other factors that vary based on deal dynamics.

Ares engages in regular meetings with portfolio company management teams. It tracks ESG developments on an ongoing basis, with any issues being raised to the Co-Heads of European Direct Lending. Some examples of the themes that Ares engages on include structural matters such as free cash flows and capital structure; governance practices and stakeholder matters; and labour-management relations.

Engagement example

An engagement example Ares shared relates to carbon intensity reduction. Ares engaged with the RSK Group (“RSK”), a construction engineering company, to implement a two-way margin ratchet based on RSK achieving set sustainability performance targets, surrounding the reduction of carbon, as well as the continual improvement to health and safety management and ethics within the company.

As an outcome, the two-way ratchet was implemented through Ares’ first sustainability linked loan. In August 2021, Ares announced that the funds managed by its European Direct Lending strategy are serving as the sole lenders of £1 billion of available debt facilities to RSK. This transaction marks the largest private credit-backed sustainability linked financing to date and will be used to refinance RSK’s existing credit facilities as well as support its continued organic and inorganic growth plans.

Copenhagen Infrastructure Partners (“CIP”) – Infrastructure

Engagement policy

CIP does not have a standalone engagement policy. However, if CIP has a cause to believe that an investee company cannot or is unwilling to respect sustainability-related topics, CIP will seek to specifically engage with that party on such matters. In general, CIP commences an engagement by determining if the party is able and willing to change behaviour. If necessary, it calls a ‘stop-work’ to pursue risk mitigation. It then attempts to agree on an action plan for remediation. If the party is deliberately and knowingly disregarding these principles, and shows unwillingness to engage or improve, CIP may terminate the investment relationship.

Engagement example

In 2021, CIP reached out to a particular supplier which operated in China to raise its concern of the supplier’s potential exposure to human and labour rights issues. CIP engaged via emails, meetings, and written documents, to express its intention to understand the supplier’s exposure to these issues, as well as its zero tolerance for these issues.

As an outcome, CIP received written confirmation from the supplier that its supply chain was free of such issues, and a confirmation that any future procurement would be on terms that specifically address the standards of conduct required. CIP deemed this outcome to have met its objective and resulted in a wider societal benefit (i.e. improve global industry supply chain). CIP will follow up on a periodic basis with the supplier, as well as focussing specific attention on this issue during procurement processes. It has also provided training to internal CIP teams on the issue.

Appendix

Voting Statistics for the year ending 31st March 2022 – Defined benefit assets

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
Baillie Gifford – Long Term Global Growth Fund	409	100.0%	2.4%	0.2%
Generation – Global Equity Fund	718	97.0%	5.0%	2.0%
Generation – Asia ex Japan Equity Fund	390	99.5%	2.0%	0.0%
Sands – Emerging Markets Growth	524	96.0%	4.8%	5.0%
SSGA – All World Developed ESG Screened Index Equity Sub-fund	29,131	99.7%	10.3%	0.4%
SSGA – MPF Fundamental Index Global Equity Sub-Fund	36,836	99.2%	9.4%	1.3%

Source: Managers.

Voting Statistics for the year ending 31st March 2022 – Defined contribution assets

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
PMC 2015 - 2020 TARGET DATE FUND 3	105,740	99.8%	19.3%	0.8%
PMC 2020 - 2025 TARGET DATE FUND 3	106,184	99.8%	19.3%	0.8%
PMC 2025 - 2030 TARGET DATE FUND 3	106,184	99.8%	19.3%	0.8%
PMC 2030 - 2035 TARGET DATE FUND 3	85,030	99.7%	20.4%	0.5%
PMC 2035 - 2040 TARGET DATE FUND 3	85,030	99.7%	20.4%	0.5%
PMC 2040 - 2045 TARGET DATE FUND 3	88,641	99.7%	20.3%	0.7%
PMC 2045 - 2050 TARGET DATE FUND 3	88,641	99.7%	20.3%	0.7%
PMC 2050 - 2055 TARGET DATE FUND 3	88,641	99.7%	20.3%	0.7%
PMC 2055 - 2060 TARGET DATE FUND 3	88,641	99.7%	20.3%	0.7%
PMC 2060 - 2065 TARGET DATE FUND 3	88,597	99.7%	20.3%	0.7%
PMC 2065-2070 TARGET DATE FUND 3	88,641	99.7%	20.3%	0.7%

PMC ETHICAL GLOBAL EQUITY INDEX FUND 3	15,785	99.9%	16.5%	0.3%
PMC ALL WORLD EQUITY INDEX FUND 3	64,607	99.8%	18.1%	1.3%
Prudential With Profits Investment Account	44,210	97.5%	7.0%	1.0%

Source: Managers.