OSPS

University of Oxford Staff Pension Scheme

UNIVERSITY OF OXFORD
STAFF PENSION SCHEME

Annual Report & Financial Statements
for the year to 31st March 2018

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

TRUSTEE'S ANNUAL REPORT

FOR THE YEAR TO 31st MARCH 2018

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 2018 and subsequently. The report includes the audited annual Financial Statements for the Scheme.

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

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

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

A copy of the Trust Deed and Rules governing OSPS can also be obtained from the Pensions Officer.

The registered address of the Scheme is:

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

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

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

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

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

The Scheme's Data Protection registration number is Z6919534.

TRUSTEE'S ANNUAL REPORT

FOR THE YEAR TO 31st March 2018

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1. TRUSTEE AND ADVISERS AS AT 31st March 2018

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

Secretary to the Trustee
Ms J. Killick, Finance Division, University of Oxford, 6 Worcester Street, Oxford OX1 2BX.

Actuary
Mr J. Harvey, Aon Hewitt Limited

Pensions Consultancy Services Provider
Aon Hewitt Limited

Investment advice and related services
Aon Hewitt Limited

Defined contribution provider
Legal and General Assurance Society Limited (Appointed 28 September 2017)

Investment Managers
Acadian Asset Management LLC
Blackrock Advisors (UK) Ltd
Capital International Limited
Columbia Threadneedle Portfolio Services Limited
DIF Management BV (Appointed 26 January 2018)
Generation Investment Management LLP
M&G Investment Management Limited
Macquarie Investment Management (UK)
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 2018.

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

The purpose of the report is to describe to members how the Scheme and its investments have been managed during the year and to highlight a number of key administrative matters. The report does not take into account the value of liabilities to pay pensions and other benefits in the future – this is reviewed when periodic actuarial valuations of the Scheme are carried out. The last actuarial valuation of the Scheme was completed as at 31st March 2016. The Actuary's Certification of the Technical Provisions is included on page 55 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 2018 are set out on pages 32 to 46.

This Report and the Financial Statements on pages 32 to 46 were approved by the Trustee on 27 September 2018 and signed on behalf of the Trustee by:

Director: J.N. Sykes

Director: C.A.N. Allward

2. TRUSTEE'S REPORT TO THE MEMBERS

2B. THE SCHEME

2B.1. INTRODUCTION

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

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

2B.2. TRUST DEED AND RULES

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

2B.3. TRUSTEE

2B.3.1. Appointing and nominating trustees

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

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

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

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

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

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

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

2B.3.2. Trustee Directors

On 31st March 2018 the Board comprised:

[2]	Mr C. A. H. Alexander	Merton	
[3]	Dr D. D. Bamford	Continuing Education	Resigned 31st March 2018
[4]	Mr J. L. Catney	Pensioner	
[2]	Professor G. L. Clark	School of Geography	
[2]	Mr W. P. J. Jensen	Exeter College	Re-appointed 1st April 2017
[3]	Ms K. M. M. Kele	Estates Services	Re-appointed 1st April 2017
[3]	Mr R. Langley	Magdalen	Appointed 4th January 2018
[2]	Ms N. F. McEntee	Zoology	
[3]	Ms L. Savin	Merton	
[2]	Mr N. C. Standen	Independent	
[1]	Mr J. N. Sykes	Independent *(Chair)*	Re-appointed 1st April 2017

As at the date of this report the Board comprised:

[2]	Mr C. A. H. Alexander	Merton	Re-appointed 1st April 2018
[4]	Mr J. L. Catney	Pensioner	
[2]	Professor G. L. Clark	School of Geography	
[2]	Mr W. P. J. Jensen	Exeter College	
[3]	Ms K. M. M. Kele	Estates Services	
[3]	Mr R. Langley	Magdalen	
[2]	Ms N. F. McEntee	Zoology	
[3]	Ms L. Savin	Merton	
[2]	Mr N. C. Standen	Independent	Re-appointed 1st April 2018
[1]	Mr J. N. Sykes	Independent *(Chair)*	
[3]	Mr K. Valentine	Chemistry	Appointed 1st April 2018

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

Following a ballot of members Ms K M M Kele was re-elected to serve as a MND. Mr R Langley and Mr K Valentine were elected unopposed as MNDs.

2B.4. SCHEME GOVERNANCE

2B.4.1. Compliance and Governance

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

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

2B.4.2. Dispute Resolution Procedure

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

2B.4.3. Transfer Values

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

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

2B.5. CHANGES TO SCHEME ADVISERS

Legal and General Assurance Society Limited was appointed as the defined contribution provider.

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.

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 2017 was certified by the University to be in excess of £100m. The Trustee's view is that the value continues to be in excess of £100m as at 31 March 2018.

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 2018, the Board met formally four times. In addition to regular items it also:

- received updates on the University and Colleges' financial position;
- agreed the valuation for 31 March 2016;
- established a defined contribution section from 1 October 2017;
- implemented the changes to benefits for the defined benefits members;
- considered the requirements of the General Data Protection Regulation and Master Trust regulations; and
- agreed separate Statements of Investment Principles for the defined benefit and defined contribution sections.

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

The Trustee has appointed two committees – an Investment Committee and a General Purposes Committee. In addition it established two ad-hoc groups:

- The OSPS funding and defined benefits committee to facilitate implementing of defined benefit changes and to consider related funding and other matters; and
- A joint working group with the University to facilitate the establishment and implementation of the defined contribution section.

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 seven 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 eight times during the year.

2C.2. SCHEME

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

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

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

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

The Trustee agreed not to accept transfers in from other schemes into the CARE section and members could no longer use AVCs to buy additional CARE benefits.

The cost plan rates for CARE members increased in April 2018.

There were no other Scheme changes during the year. The consolidated Trust Deed and Rules dated 22 September 2017 incorporate these changes.

2C.3. MEMBERSHIP

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

2C.4. INCREASES TO PENSIONS IN PAYMENT

Up to 2016 the Scheme provided increases to preserved pensions and pensions in payment in line with price inflation as measured by the movement in the RPI over twelve months to September each year. For benefits built up after 31st December 2012, increases are limited to a maximum of 8% p.a. New preserved pensions and new pensions receive a proportionate increase. Increases are applied annually in April. As detailed in Section 2C.2. the Trustee agreed to change the inflation index and applied the average of RPI and CPI on 1st April 2017 and subsequently.

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

Year	2016	2017	2018
Increase %	0.80	1.50	3.45

2C.5. ACTUARIAL VALUATION

The Actuary carried out the requisite triennial actuarial valuation of the Scheme as at 31st March 2016. The Statement of Funding Principles, the Schedule of Contributions, and the Recovery Plan were agreed on 28th April 2017. The formal Schedule and Recovery Plan are replicated in this report.

The valuation showed that the Scheme had an actuarial deficit as at 31st March 2016 of £132.9 million against liabilities of £660.7 million, giving a funding ratio of 80%. The report showed the ongoing funding of the Scheme could be met by an employer contribution rate of 22.5% to 31 July 2016, 23.0% from 1st August 2016 to 31st July 2017 followed by 19% thereafter, allowing for the agreed benefit changes. This contribution rate was designed to improve the Scheme's funding ratio to 100% by June 2027.

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

The Actuary will carry out the next triennial valuation as at 31st March 2019, the results of which are expected to be agreed and published in 2020.

2C.6. SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR TO 31ST MARCH 2018

The contributions payable to the Scheme during the year to 31st March 2018 by the employers and employees (members) under the Schedule of Contributions were as set out below.

	£000
Ordinary Contributions	
from members:	2,822
from employers:	
Ongoing Funding	21,870
Members' Salary Exchange	4,694
Deficit Funding	638
DC expenses and benefits	54
PPF Levy	445
Contributions payable under the Schedule of Contributions:	30,523
Other Contributions	
from members:	
AVCs	207
Total Contributions Receivable as shown in the Financial Statements	30,730

During the year, there were 8 instances of late payment of contributions which were between 1 and 11 days late, with a total value of £99,262, which represents 0.3% of contributions payable under the Schedule of Contributions. The largest individual amount was £28,413 which was paid four days after the due date. These amounts constitute employer-related investments for the period over which they were late. The total value of these late contributions was less than 5% of net assets.

2C.7. FINANCIAL REVIEW

The audited Financial Statements provides details of the financial development of the Scheme. A summary of the key points for the year to 31st March 2018 follows:

	£000	£000
Scheme value at 31st March 2017		649,147
Member related income	31,285	
Benefits and expenses	(21,609)	
Net member related income		9,676
Net investment income		5,682
Investment management expenses		(470)
Increase in market value of investments		16,453
Scheme value at 31st March 2018		680,488

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.

A copy of the current SIPs can be obtained from the Secretary to the Trustee at the address shown on page 1 of this Report.

2D.2. INVESTMENT STRATEGY AND ACTIVITY

DB section

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

The agreed strategic ranges for each of the asset classes are set out below:

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

The Scheme is in a transitional period while the asset allocation is moved into line with the new strategic targets. The Investment Committee agreed to dispose of the existing diversified growth fund holdings and reallocate the proceeds to equities and other illiquid opportunities. During the year the move involved the sale the Diversified Growth Fund managed by Standard Life and appointing a new infrastructure manager, DIF Management BV, and investing in an Asia excluding Japan fund with Generation Investment Management LLP. It also agreed to reduce the weighting in UK equity holdings and reallocate the investment to overseas equity.

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.

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

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

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

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

The fund range currently available is:

Investment fund	Investment approach	Asset class	Fee
L&G Pathway Fund	Active	Multi-asset	0.49% pa
L&G Global Equity (70:30) Index Fund	Passive	Global Equities	0.40% pa
L&G Stewart Investors Asia Pacific Leaders Fund	Active	Asia Pacific excluding Japan Equities	1.22% pa
L&G Ethical Global Equity Index Fund	Passive	Global Equities	0.60% pa
HSBC Amanah Global Equity Index Fund	Passive	Global Equities	0.85% pa
L&G All Stocks Index Linked Gilts Index Fund	Passive	UK Index-Linked Gilts	0.38% pa
L&G Retirement Income Multi-Asset Fund	Active	Multi-asset	0.60% pa

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

In common with many other funded occupational pension schemes, a significant part of the Scheme's assets is invested in equities and other growth assets. Global equities continued on an upward trend over most of the 12 months to 31st March 2018 although momentum was abruptly halted in the first quarter of 2018. As such, the Scheme's assets grew over the year with continued positive returns across most asset classes during the year resulting from the pro-business and tax reform agenda of the new US president, along with a lowered threat of populism in Europe and a commodity rally.

The value of the Scheme's assets increased from £649.1 million to £680.5 million during the year to 31st March 2018. The increase in value, £31.4 million, derives from £9.7 million of new money being invested during the year, plus £5.7 million investment income and other investment balances, less investment management expenses of £0.5m, plus an increase in the overall market value of the investments held at 31st March 2017 or acquired during the year of £16.5 million.

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

Over the twelve months to 31st March 2018, the Scheme's invested assets achieved a return of 3.4%, which was 0.8% ahead of the benchmark return of 2.6% over the period. This outperformance was mainly due to the Scheme's Alternative investments with the BlackRock Diversified Growth Fund and the Macquarie infrastructure portfolio strongly outperforming their benchmarks The bonds portfolio also contributed to the outperformance, with the M&G Inflation Opportunities Fund and BlackRock Corporate Bonds Fund both outperforming their respective benchmarks.

As a guide to the longer-term returns of the Scheme's invested Defined Benefit (DB) assets, the table below shows weighted average Scheme and benchmark returns over three years and five years to 31st March 2018:

DB Asset Performance

Period	Return on DB Scheme Assets	Benchmark	Relative Performance
Over 3 years	8.0% pa	6.4% pa	1.6% pa
Over 5 years	8.0% pa	7.0% pa	1.0% pa

The Defined Contribution (DC) assets have a shorter track record than the Defined Benefit assets. However, as a guide to the returns of the Scheme's invested assets, the table below shows since inception the Scheme's fund and benchmark returns to 31st March 2018 for the Defined Contribution funds in which Scheme members had invested:

DC Asset Performance

Period - six months to 31 March 2018	Fund performance % p.a.	Benchmark return % p.a.	Relative Performance % p.a.
L&G (PMC) 2020 - 2025 PATHWAY FUND 3	-0.42	0.19	-0.61
L&G (PMC) 2025 - 2030 PATHWAY FUND 3	-0.94	-0.85	-0.09
L&G (PMC) 2030 - 2035 PATHWAY FUND 3	-0.97	-0.91	-0.06
L&G (PMC) 2035 - 2040 PATHWAY FUND 3	-0.97	-0.91	-0.06
L&G (PMC) 2040 - 2045 PATHWAY FUND 3	-0.97	-0.91	-0.06
L&G (PMC) 2045 - 2050 PATHWAY FUND 3	-0.95	-0.91	-0.04
L&G (PMC) 2050 - 2055 PATHWAY FUND 3	-0.70	-0.67	-0.03
L&G (PMC) 2055 - 2060 PATHWAY FUND 3	-0.43	-0.38	-0.05
L&G (PMC) 2060 - 2065 PATHWAY FUND 3	-0.44	-0.38	-0.06
L&G (PMC) 2065 – 2070 PATHWAY FUND 3	n/a -Fund start 31 October 2017		

Market Background

When considering the twelve month period to 31st March 2018, the US equity market rally held firm throughout 2017 but fell back over the first quarter of 2018. The equity market fall was triggered by expectations of a pick-up in US inflation, off the back of higher than forecast wage inflation data. Yet despite this, and the increasing trade tensions between the US and China towards the end of the year, the US market fared relatively well. Solid sets of corporate earnings reports, robust economic data and expectations for tax reform helped to support the market. US equities posted a return of 14.2% in local currency terms but sterling appreciation led to a much lower return of 1.8% in sterling terms. The Fed continued raising interest rates throughout the year with three rate increases over the course of the 12 months.

UK equities posted a return of 1.2% over the year, lagging the wider global equity market. In particular, the UK's difficult political situation and lowered official forecasts for economic growth dragged down investor sentiment towards the UK market. This meant that the UK suffered significantly during the heightened market volatility seen in the first quarter of 2018. Sterling appreciation also detracted from returns because of the UK stock exchange's large exposure to companies that earn overseas revenue.

Emerging markets performed strongly over the year as improving macroeconomic fundamentals alongside capital inflows bolstered returns. Despite increased fears of protectionism and global trade wars towards the end of the period, the region fared well, returning 22.4% in local currency terms. Sterling strength eroded returns to 11.8% for unhedged UK investors. A rise in commodity prices provided key support to the region which was the best performing in both local and sterling terms over the year.

UK fixed interest gilt yields rebounded at the shorter end of the curve on the back of higher policy rates and increased inflation expectations. However, ongoing Brexit-related uncertainty and a weak UK government after the inconclusive General Election result have anchored longer gilt yields. Consequently, the UK gilt yield curve has flattened over the year to 31 March 2018.

UK investment grade corporate bond spreads marginally narrowed to end the twelve month period at 1.26% (126bps). Spreads were on a downward trend for most of the period until the market volatility in the first quarter of 2018 when spreads widened.

The M&G Inflation Opportunities Fund outperformed its benchmark over the year, generating a return of 6.4%. This was driven by the holdings in income strips and long-lease property which maintained stable positive returns over the year to 31 March 2018.

UK commercial property posted double-digit returns as the recovery in capital values continued after the shockwave caused by the EU referendum in 2016 and as the economy proved resilient.

Sterling also proved to be resilient despite a weakened UK government and Brexit related uncertainty. The failure by the Conservative party to secure a majority in the June general elections caused mid-year sterling weakness. However, an increase in the bank base rate in November boosted the pound. Toward the end of the period, the conditional agreement for a Brexit transition period provided some further impetus for sterling with substantially more time for both parties to settle on a new relationship. Sterling ended the 12 month period up 2.9% on a trade-weighted basis, with euro strength partially offsetting US dollar weakness.

The Scheme's infrastructure investment, managed by Macquarie, produced a strong return of 22.2% over the year.

2D.4. PERFORMANCE MEASUREMENT

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

2D.5. SAFEGUARDING THE ASSETS

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

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

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

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

2D.6. INVESTMENT EXPENSES

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

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

For Defined Contribution members, each fund carries a Fund Management Charge (FMC). This charge is accounted for in the price of the units and is reflected the valued 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		388.4	57.7
State Street – World Developed Equities	164.4		
State Street – Fundamental Equities	81.5		
Acadian – Global Equities	47.6		
Generation – Global Equities	48.0		
Generation – Asia ex Japan	24.5		
Capital – EMMAF	22.4		
Diversified Growth Funds		26.3	3.9
BlackRock – DGF	26.3		
Property		58.7	8.7
Columbia Threadneedle – Property	58.3		
Schroders – Property	0.4		
Other Illiquid		28.3	4.2
Macquarie – Infrastructure	16.6		
DIF – Infrastructure	11.7		
Credit		109.4	16.3
BlackRock – Corporate bonds	36.7		
M&G – Inflation Opportunities	72.7		
Matching		61.7	9.2
State Street – Index-linked Gilts	61.7		
Total		672.8	100.0%

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

2D.8. DISTRIBUTION OF THE SCHEME'S INVESTMENTS BY ASSET CLASS

The following table shows the distribution of the Scheme's DB investments as at 31st March 2018.

Market Sector	At 31st March 2018		At 31st March 2017	
	Investments (£m)	% allocation	Investments (£m)	% allocation
Equities:				
UK	-	-	93.63	14.5
North America	-	-	26.27	4.0
Europe	-	-	19.47	3.0
Japan	-	-	9.56	1.5
Pacific ex-Japan	24.44	3.6	10.18	1.6
Global	341.48	50.3	157.93	24.4
Total Equities	**365.92**	**53.9**	**317.04**	**49.0**
Bonds:				
Index-Linked Gilts	61.72	9.1	61.26	9.5
Corporate	36.66	5.4	35.68	5.5
Inflation Opportunities	72.71	10.7	68.37	10.5
Total Bonds	**171.09**	**25.2**	**165.31**	**25.5**
Other Investments:				
Property	58.76	8.8	54.12	8.4
Infrastructure	28.35	4.2	22.85	3.5
Diversified Growth Funds	26.31	3.9	49.61	7.7
Emerging Markets Multi-asset	22.43	3.3	22.14	3.4
WPIA[1]	2.20	0.3	2.13	0.3
AVC[2]	0.14	0.0	0.11	0.0
Total Other Investments	**138.19**	**20.5**	**150.96**	**23.3**
Total Holdings	**675.20**	**99.6**	**633.31**	**97.8**
Cash[3]	1.68	0.2	13.10	2.0
Other Investment balances[4]	1.63	0.2	1.07	0.2
Total Investments	**678.51**	**100.0**	**647.48**	**100.0**

Notes:

1. "WPIA" is a With-Profits Investment Account with the Prudential Assurance Company, representing the members' share of the 1998 surplus distribution.
2. "AVC" is members' Additional Voluntary Contributions invested with the Prudential Assurance Company.
3. Cash is the sum of cash held by the Investment Managers.
4. "Other Investment Balances" at 31st March 2018 includes accrual of distributions to be re-invested.

The following table shows the distribution of the Scheme's DC investments as at 31st March 2018.

Fund	At 31st March 2018		At 31st March 2017	
	Investments (£'000	**% allocation**	**Investments (£'000)**	**% allocation**
L&G Pathway Fund	**218**	**100**	0	0

2D.9. EMPLOYER RELATED INVESTMENTS

During the year, there were 8 instances of late payment of contributions which were between 1 and 11 days late, with a total value of £99,262, which represents 0.3% of contributions payable under the Schedule of Contributions. The largest individual amount was £28,413 which was paid four days after the due date. These amounts constitute employer-related investments for the period over which they were late. The total value of these late contributions was less than 5% of net assets.

3. CHAIR OF THE TRUSTEE BOARD'S STATEMENT ON DC GOVERNANCE FOR THE YEAR ENDING 31 MARCH 2018

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

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

The Scheme has three arrangements providing defined contribution benefits to members:

- the Defined Contribution section which was opened for new Scheme entrants in October 2017 (value at the year end £218,000);
- defined benefit members' additional voluntary contributions ("AVCs") which are invested with the Prudential (value at the year end £141,000); and
- the Bonus account, held in a With-Profits Investment Account with the Prudential (value at the year end £2,202,000), in relation to defined benefit members with pensionable service in the Scheme prior to 31st July 1998.

DB Section defined contribution arrangements

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 the Scheme's 1998 actuarial valuation. At retirement members use the value of their Bonus account, plus the interest it has accumulated, to buy extra pension or take cash. No new monies are invested in the account therefore this arrangement does not have a default arrangement (as defined by the Regulations). At the year-end the Bonus account applied to 271 active members and 623 deferred members, with an average value of £2,461 per member. The Trustee is mindful of the need to consider the risks to members in the context of the significance of the value of the Bonus account relative to members' overall benefits in the Scheme, and it applies a proportionate approach to meeting the relevant standards in the DC code.

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

Charges and transaction costs

Members are required to select the funds into which their AVCs are invested, therefore the AVC arrangement does not have a default fund. At the year end four members were making AVC contributions. In February 2018 members' AVCs were invested in funds based on each member's choice, namely: Prudential's With-Profits, Deposit Fund, Index-Linked Fund, International Equity Fund, Discretionary Fund, Fixed Interest Fund, Global Equity Fund and UK Equity Fund, with over 80% of the value of the AVCs invested in the With-Profits

Investment Account. The With-Profits Investment Account's management charge is not explicit, Prudential deducts an annual charge through the bonus mechanism. Prudential currently expects this charge to be approximately 0.65% p.a. In addition there is an explicit scheme charge of £250 p.a.. There is no direct transaction cost. The Trustee's review of its AVC arrangements in 2014 demonstrated that the returns generated by the With-Profits Investment Account over 5 and 10 years compared favorably with other providers. The charges for the other funds were deemed competitive given the size of the Scheme and the amounts being invested. The annual management charge borne by members is 0.75% for each of the funds, except the Prudential Discretionary fund which has annual management charge of 0.77%. As a result the Trustee believes that the Scheme is offering value for members.

Core financial transactions

The Trustee has a duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC investments with Prudential are processed promptly and accurately. These transactions are undertaken on the Trustee's behalf by the Scheme Administrator and Prudential. The Trustee has agreed service levels and reporting of performance against those service levels with the Scheme Administrator and receives regular quarterly reports on the administration, with any exceptions reported when matters have not been dealt with promptly and accurately. The agreed service levels with the Scheme Administrator relate to transfers in and transfers out payment processing, payment of benefits at retirement and contribution processing. No material issues arose during the Scheme year to 31st March 2018.

The Trustee is satisfied that the core financial transactions for the DB section defined contribution arrangements have been processed promptly and accurately during the Scheme year.

Defined Contribution arrangements

The Defined Contribution section was opened for new Scheme entrants in October 2017. The DC offering is provided by Legal and General Assurance Society Limited (L&G). Members' and employers' contributions are invested in the default option unless a member chooses to invest in any of the other funds available in the Scheme.

DC Statement of Investment Principles (SIP)

The Trustee considered the funds, including the default fund, as part of the process ahead of establishing the DC section in October 2017. The Trustee set out in the new Statement of Investment Principles for the DC section its aims and objectives. It includes the policy on strategy, risks, governance, realisation of investments, socially responsible investment and other related matters. The default fund for new members is the L&G Pathway Fund. The Pathway Funds are target-date funds which allow members to match their investment strategy to a 'target-date range'. This will normally be the date at which members currently plan to retire. Each Pathway Fund adjusts the way members' savings are invested as they move closer to and then into retirement, giving members the flexibility to decide when and how they want to use their pension pot.

The section of the DC SIP covering the default fund is attached at Appendix 1 to this statement and the full DC SIP is attached at page 57.

The Trustee has delegated oversight of the investment elements of the DC funds to its Investment Committee, which reviews the fund performance on a quarterly basis. A detailed review of both the performance and this strategy will be carried out at least every three years. As the DC section was only established in October 2017, no review of the default arrangement was due to be undertaken during the scheme year. The next review of the default arrangement will be undertaking in 2020.

The Trustee has no reason to believe that over the long term the funds should not meet the overall return objective but members' funds had only been invested for a maximum six month period at the year end so making a meaningful assessment not possible.

Core financial transactions

The Scheme has a service level agreement (SLA) in place with the Administrator and L&G which covers the accuracy and timeliness of all core financial transactions. The agreed service levels with L&G and the Administrator relate to contribution file processing, cash allocation, and payment of benefits.

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

Processes adopted by L&G to help meet the SLA include daily monitoring of bank accounts, daily processing of contribution files and cash allocation. L&G reports quarterly on compliance with agreed standards and the reports are reviewed and monitored by the Trustee's General Purposes Committee and the Committee reports any issues to the Trustee board as part of it regular reports to the Trustee. No material issues arose during the Scheme year to 31st March 2018.

The Trustee is satisfied that the core financial transactions for the DC section have been processed promptly and accurately during the Scheme year.

Charges and transaction costs requirement

Members pay both an annual management charge (AMC), covering the cost of running their policy, and a fund management charge (FMC), covering the cost of managing the fund or funds in which members are invested.

The annual management charge and fund management charges borne by members are set out in the members' detailed guide ("Your Investment Guide") which is in part replicated in Appendix 2. The total explicit charges on the default arrangement (the L&G Pathway Fund) is below the charge cap of 0.75% p.a. of assets under management for all members.

Members also bear transaction costs. These costs are implicit within the performance of the fund and cover things such as the cost of buying and selling securities in the fund. Transaction costs are incurred on an ongoing basis. The Financial Conduct Authority transaction cost disclosure requirements came into effect for investment managers on 3 January 2018. L&G has published transaction costs on a number of funds for the year to 31 December 2017, but transaction costs for the period covered by this statement are not yet available.

By the time the next Chair's Statement is published, covering the year to 31 March 2019, it is expected that the standard procedure for reporting Transaction Costs in the prescribed way will be established and the Trustee will therefore be able to include this information in the next statement.

Investment fund	Total annual fee
L&G Pathway Fund	0.49%
L&G Global Equity (70:30) Index Fund	0.40%
L&G Stewart Investors Asia Pacific Leaders Fund	1.22%
L&G Ethical Global Equity Index Fund	0.60%
HSBC Amanah Global Equity Index Fund	0.85%
L&G All Stocks Index Linked Gilts Index Fund	0.38%
L&G Retirement Income Multi-Asset Fund	0.60%

In addition the Trustee pays L&G an initial fee of £100 per new member (increasing in line with the index of Average Weekly Earnings), payable in October each year. This charge is not passed on to members.

Value assessment

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

Trustee Knowledge and Understanding

New Trustee Directors have to complete an induction programme within six months of taking up office. The induction programme is being reviewed in preparation for the application for approval as a master trust in 2019.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and review their own training needs. The Scheme Secretary arranges for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate. It is usual to hold training sessions at each Trustee meeting. Training sessions cover topics such as new governance requirements, new legislative requirements, changes to Scheme documentation (e.g. Trust Deed and Rules, SIP, Scheme policy documents), funding and investment and new provider offerings that might benefit the Scheme. Training is recorded in the Trustee Director's training logs and the Business Plan is updated as required. In addition, the Trustee Directors receive advice from professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. During the year both members of the General Purposes Committee and the Trustee board as a whole had training sessions covering a range of aspects relating specifically to DC as the Trustee board had assessed that there were gaps in their knowledge in this area. A formal assessment of the knowledge of the individual Trustee Directors will be undertaken by the use of a self-evaluation questionnaire.

Taking account of actions taken individually and as a Trustee Board, together with advice available from its professional advisers, the Trustee considers that its Board has the necessary knowledge and understanding to properly exercise its functions as a trustee body in relation to DC investments. The Board considers and gaps in its knowledge regularly and so informs its training needs or the need for additional support and advice.

Composition of the Trustee Board

The Trustee had been advised that it should comply with the additional requirements for relevant multi-employer schemes, set out in Regulation 26 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 due to the Bonus accounts as well as the introduction of the DC section in October 2017. The Scheme did not meet all the additional requirements for relevant multi-employer schemes during the period from 6 April 2016 to 4 January 2018 since there was not a majority of non-affiliated Trustee Directors. This was due to a combination of factors, including the governance structure of the Scheme, the use of in-house administration, and the difficulty in attracting nominations for member-nominated trusteeship for members employed by non-affiliated employers. However, the Trustee has taken advice on this issue and the Trustee has worked with the University to amend the relevant provisions of the Scheme and the Trustee's corporate governance documentation to ensure that these requirements are met. The University undertook to ensure that four out of the six employer-nominated directors were non-affiliated so that two of the five member-nominated positions would need to be filled by non-affiliated members. The Trustee notified The Pensions Regulator of its non-compliance and the steps it was taking to ensure compliance. By January 2018 the Scheme was compliant with the regulations when the non-affiliated member nominated director vacancy was filled.

The Trustee board has six non-affiliated Trustee Directors (including the chair of the Trustee Board) and five affiliated Trustee Directors. The affiliated Trustee Directors are employees of the University. The non-affiliated Trustee Directors do not work for the University (or any other Scheme service provider) or any of its subsidiaries (nor have they in the five years prior to their appointment as Trustee Directors) and have not received any payment or benefit from the University (or any other Scheme service provider). The non-affiliated Trustee Directors are Mr C. A. H. Alexander, Mr W. P. J. Jensen, Mr R. Langley, Mr N. C. Standen, and Mr J. N. Sykes.

During the year the non-affiliated member nominated director vacancy was filled after seeking nominations from active members who were employed by Participating Employers only. No nomination notice was sent to active members working at the University or any of its participating subsidiaries. With the terms of office for two non-affiliated employer nominated directors ending on 31 March 2018 an advertisement for the vacancies was placed in the Oxford University Gazette seeking to recruit suitable candidates. In seeking suitable candidates the Trustee and the University wished that as far as is possible, a diverse and well-balanced trustee board could be achieved, taking into account factors such as societal demographics, experience and skills.

Feedback

Members and their representatives are encouraged to make their views on matters relating to the Scheme known to the Trustee. Due to the size, nature and demographic of the Scheme membership, a range of different channels are available to member should they wish to share their views with the Trustee. They may contact the Trustee via the contact details (telephone number, email and postal address) in the annual report and the annual members' newsletter, on the OSPS website page and at member roadshows which are held on request from employers and as agreed by the Trustee. Members may also give feedback when in contact with the Pensions Office and they are encouraged to give feedback in the annual members' newsletter.

Signed by the chair of the Trustee Board

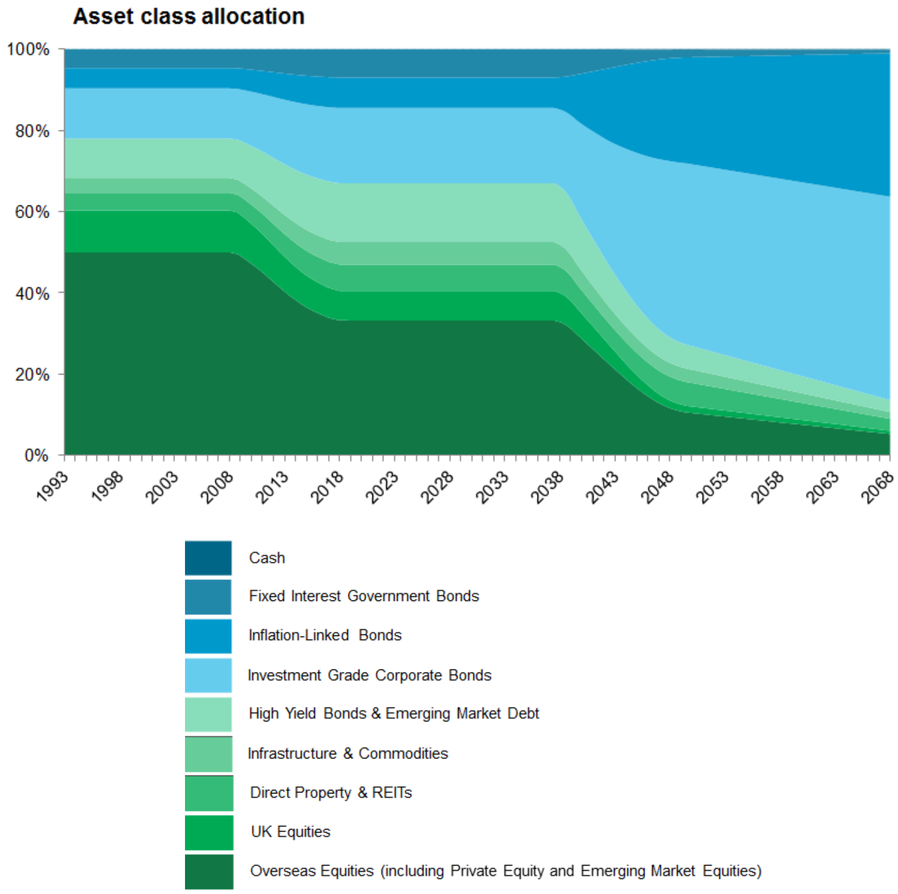
J.N. Sykes

J N Sykes Date 27 September. 2018

Appendix 1

OSPS DC section default fund Statement of Investment Principles

Default Investment Strategy	The Trustee is required to designate a default investment arrangement, into which members who are automatically enrolled (which occurs by enrolment into the Defined Contribution Section) have monies invested. The Trustee has designated the L&G Pathway Fund as the default investment arrangement for the Scheme. The default investment arrangement has been chosen by the Trustee with the aim of: • maximise expected long term investment returns, • focus on minimising downside for members; • reduce volatility wherever appropriate; and • secure cash lump sums as members near retirement. The default arrangement is considered appropriate for members who are expected to draw benefits over the next few years, bearing in mind the average fund values and membership profile of the Scheme. The Trustee, with its adviser, has assessed the suitability of the default investment arrangement in the light of the new regulations governing the ways in which members can access their benefits at retirement. This assessment took into account the expected membership profile of the Scheme and expected fund values at retirement. The default strategy was selected and implemented in 2017. The Trustee's policies in relation to the Default arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended are those set out elsewhere in this document. The aim of the Pathway Fund is to provide opportunity for growth in the early years of investment by investing predominantly in equities. As retirement approaches, assets are switched to historically less volatile and lower risk investments with the aim of protecting the value of the accumulated fund. The chart overleaf shows the structure of the default fund (2045 - 2050 vintage shown).



Source: LGIM. This chart shows the glidepath of the 2045-2050 vintage only. The asset allocation shown is dynamic and due to evolve over time. Other target date fund vintages may have a different asset allocation to the one shown above.

Appendix 2

DC fund charges

FUND NAME	IMC	AE	FMC
L&G (PMC) Pathway Funds 3	0.18%	0.01%	0.19%
L&G Stewart Investors Asia Pacific Leaders Fund 3	0.87%	0.05%	0.92%
L&G HSBC Amanah Global Equity Index Fund 3	0.55%	0.00%	0.55%
L&G (PMC) Ethical Global Equity Index Fund 3	0.30%	0.00%	0.30%
L&G (PMC) Global Equity (70:30) Index Fund 3	0.10%	0.00%	0.10%
L&G (PMC) Retirement Income Multi-Asset Fund 3	0.28%	0.02%	0.30%
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	0.08%	0.00%	0.08%

Each of the funds carries a Fund Management Charge (FMC). This charge is accounted for in the price of the unit and is reflected in the value of each fund.

The Fund Management Charge (FMC) consists of the Investment Management Charge (IMC) plus Additional Expenses (AE). It includes investment management fees, fund administration fees, custody/custodian fees, auditing and accounting fees, and regulatory charges.

In addition to the above DC members pay 0.3% annual management charge covering some of the administration costs of the arrangement.

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2018

Employer and Post Code	Defined Benefit Section	
	Active members	Former Members and Pensioners
Balliol College, OX1 3BJ	98	154
Brasenose College, OX1 4AJ	69	87
Chapter House Shop, OX1 1DP	1	2
Christ Church, OX1 1DP	167	215
Corpus Christi College, OX1 4JF	63	67
Exeter College, OX1 3DP	62	120
Green Templeton College, OX2 6HG	23	102
Green Templeton Services Limited, OX2 6HG	1	1
Hertford College, OX1 3BW	71	110
Jesus College, OX1 3DW	60	159
Keble College, OX1 3PG	53	113
Lady Margaret Hall, OX2 6QA	52	92
Linacre College, OX1 3JA	25	49
Lincoln College, OX1 3DR	89	100
Magdalen College, OX1 4AU	119	101
Mansfield College, OX1 3TF	36	43
Merton College, OX1 4JD	95	137
New College, OX1 3BN	86	140
Nuffield College, OX1 1NF	31	74
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	3	38
Oxford Centre for Islamic Studies, OX1 2AR	2	10
Oxford Limited, OX1 4BW	7	16
Oxford Said Business School Ltd, OX1 1HP	60	83
Oxford University Innovation Limited, OX2 0JB	11	26
Oxford University Students Union, OX1 2BX	10	17
Pembroke College, OX1 1DW	101	74
The Queen’s College, OX1 4AW	71	81
Regent’s Park College, OX1 2LB	10	8
Rhodes House (The Rhodes Trust), OX1 3RG	3	13
Ruskin College, OX8 9BZ	12	80
St Anne’s College, OX2 6HS	65	101
St Antony’s College, OX2 6JF	45	123
St Catherine’s College, OX1 3UJ	48	72
St Edmund Hall, OX1 4AR	57	86
St Hilda’s College, OX4 1DY	57	79
St Hugh’s College, OX2 6LE	67	92
St John’s College, OX1 3JP	3	6
St Peter’s College, OX1 2DL	38	84
St Stephen’s House, OX4 1JX	12	10
Trinity College, OX1 3BH	62	87
University College, OX1 4BH	73	74
Wadham College, OX1 3PN	82	92
Wolfson College, OX2 6UD	59	133
Worcester College, OX1 2HB	76	107
North Oxford College Shared Services Limited, OX2 6JF	3	0
Associated Participating Employers Total Membership	**2,238**	**3,458**

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2018 continued

Former Associated Participating Employers:	**Defined Benefits Former Members and Pensioners**
Associated Examining Board	5
Local Examinations Syndicate	25
Oxford & Cambridge Examinations Board	11
Oxford Colleges Admissions Office	12
Oxford University Endowment Management	1
Oxford University Rugby Club	3
Somerville College	1
St Mary's Church	1
University of Cambridge Local Examinations Syndicate	61
Voltaire Foundation	1
William Osler House	2
Former Associated Participating Employers Total Membership:	**123**

Notes:

1. Statistics for Magdalen College includes employees of The Oxford Science Park Limited (formerly Magdalen Development Company Limited), a wholly-owned subsidiary of the College.
2. Statistics for New College includes employees of New College School, a department of the College.
3. Statistics in respect of former members include only those former members who have an entitlement to benefits under the Scheme.
4. The Principal Employer, the University of Oxford, had 2,741 active members and 6,482 former members and pensioners in the defined benefit section at 31st March 2018.
5. North Oxford College Services Limited was admitted as a Participating Employer on 1st October 2017.

5. SCHEME MEMBERSHIP STATISTICS

DC section

At 31 March 2018 there were 648 members in the DC section (589 active members and 59 deferred members).

DB section

		At 31st March 2018	At 31st March 2017
Active Members:			
At Start of Year:		**5,472**	**5,425**
Plus:	New Entrants	788	1,441
Less:	Deaths in Service	(7)	(8)
	Retrospective Opt-outs*	(207)	(231)
	Leavers taking Refund or Transfer	(112)	(73)
	Leavers with Preserved Benefits	(579)	(497)
	Undecided Leavers	(259)	(458)
	Retirements	(117)	(127)
At End of Year:		**4,979**	**5,472**

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

		At 31st March 2018	At 31st March 2017
Former Members with Preserved Benefits (including Undecided Leavers):			
At Start of Year:		**5,547**	**4,975**
Plus:	Leavers with preserved benefits	579	497
	Undecided Leavers	259	458
Less:	Transfers Out	(47)	(143)
	Deaths in Deferment	(3)	(7)
	Retirement	(119)	(88)
	Undecided leaver refunds	(40)	(145)
At End of Year:		**6,176**	**5,547**
Pensions in Payment:			
At Start of Year:		**3,738**	**3,605**
Plus:	Retirements from active membership	117	127
	Retirements from deferment	119	88
	New dependant's pensions	61	37
Less:	Commutations at retirement	(12)	(8)
	Cessations, including deaths and commutations	(136)	(111)
At End of Year:		**3,887**	**3,738**
Total at End of Year		**15,042**	**14,757**

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

6. FINANCIAL STATEMENTS

6A. FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2018

	Notes	2017/18 DB section £000	2017/18 DC section £000	2017/18 Total £000	2016/17 £000
Contributions and Benefits					
Employee Contributions		2,987	42	**3,029**	3,248
Employer Contributions		27,374	327	**27,701**	29,630
Total Contributions	3	30,361	369	**30,730**	32,878
Transfers In	4	551	4	**555**	1,082
		30,912	373	**31,285**	33,960
Benefits Payable	5	(19,030)	-	**(19,030)**	(18,912)
Payments to and on Account of Leavers	6	(1,131)	(11)	**(1,142)**	(3,897)
Administrative Expenses	7	(1,368)	(70)	**(1,438)**	(1,423)
		(21,529)	(81)	**(21,610)**	24,232
Net Additions from dealings with members		9,383	292	**9,675**	9,728
Returns on Investments					
Income	8	5,681	-	**5,681**	3,989
Investment Management Expenses	9	(470)	-	**(470)**	(323)
Change in Market Value of Investments	10	16,460	(5)	**16,455**	105,580
Net Return on Investments		21,671	(5)	**21,666**	109,246
Net increase in fund during the year		31,054	287	**31,341**	118,974
Net Assets of the Scheme					
At end of previous year		649,147	-	**649,147**	530,173
At end of year		680,201	287	**680,488**	649,147

The notes on pages 34 to 46 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6B. STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31ST MARCH 2018

		2017/18			
		DB section	DC section	Total	2016/17
	Notes	£000	£000	£000	£000
Investments					
Pooled Investment Vehicles	10	644,508	218	**644,726**	608,210
Private Equity	10	28,348	-	**28,348**	22,851
Money Purchase Investments	10	2,200	-	**2,200**	2,134
Cash Deposits	10	1,651	-	**1,651**	13,101
Other Investment Balances	10	1,664	87	**1,751**	1,067
		678,371	305	**678,676**	647,363
AVC Investment	10	141	-	**141**	113
Total Investment assets		678,512	305	**678,817**	647,476
Current Assets	11	3,405	140	**3,545**	3,451
Current Liabilities	12	(1,716)	(158)	**(1,874)**	(1,780)
Net Assets of the Scheme		680,201	287	**680,488**	649,147

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 2018. The actuarial position of the Scheme, which does take account of such obligations, is dealt with by the Report on Actuarial Liabilities on page 56 and these Financial Statements should be read in conjunction with this.

The Financial Statements were approved by the Trustee on 27 September 2018 and signed on behalf of the Trustee by:

Director: J.N. Sykes

Director: C.A.N. Nicholl

The notes on pages 34 to 46 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6C. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018

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 November 2014).

Note 2. Accounting policies

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

(a) Investment: The Scheme's functional and presentational currency is pounds Sterling. Investments denominated in foreign currencies are translated into Sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year. Investments are included at fair value. Pooled investment vehicles are valued at the year end at bid or single price. Assets held in limited partnerships are stated at the value given by the manager's nearest end of the Scheme year, at the currency rate at the year end; the valuation is based on the report and accounts provided by the manager of the underlying funds at cost less any permanent diminution in the value of specific assets. With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

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

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

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

(e) Transfers in from, and out to, other schemes: Transfer values receivable from other schemes represent the amounts received during the year for members who have joined the Scheme and transferred their previous pension entitlements. Transfer values payable to other schemes represent the amounts paid during the year for members who left the Scheme and transferred their preserved pension entitlements.

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

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

(h) **Investment management expenses:** Investment management expenses are included on an accruals basis. The charging basis of these expenses for each investment manager is detailed in the Investment Review section of the Trustee Report (section 2D.8.).

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

Note 3. Contributions

	2017/18			
	DB section	DC section	Total	2016/17
	£000	£000	£000	£000
From Employees (Members):				
Ordinary Contributions	2,780	42	**2,822**	3,030
Additional Voluntary Contributions	207	-	**207**	218
	2,987	42	**3,029**	3,248
From Employers:				
Ordinary Contributions	21,684	186	**21,870**	19,641
Deficit Funding	638	-	**638**	5,185
Members' Salary Exchange	4,607	87	**4,694**	4,418
PPF levies	445	-	**445**	386
Section 75 debt	-	-	**-**	-
Expenses	-	54	**54**	-
	27,374	327	**27,701**	29,630
Total Contributions	30,361	369	**30,730**	32,878

Members' and Employers' Ordinary Contributions were paid in accordance with the Schedule of Contributions certified by the Scheme Actuary. During the period of this report, employers contributed at the rate of 23.0% of members' pensionable salaries from 1st April 2017 to 31st July 2017 and at a rate of 19.0% from 1st August 2017 to 31st March 2018. The employers' contribution rate included 0.9% for deficit recovery from 1st April 2017 to 31st July 2017. For active members in the Defined Benefit Section Lower Cost Plan Members contributed 5.6% of pensionable salary, Standard Cost Plan Members 6.6% of pensionable salary and Higher Cost Plan Members 7.8% of pensionable salary. For active members in the Defined Contribution Section Tier 1 Members contributed 4.0% of pensionable salary, Tier 2 Members 6.0% of pensionable salary and Tier 3 Members 8.0% of pensionable salary.

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 4. Transfers In

	2017/18 DB section £000	2017/18 DC section £000	2017/18 Total £000	2016/17 £000
Club Transfers In	217	-	**217**	166
Non-Club Transfers In	334	4	**338**	916
Total Transfer Values Receivable	551	4	**555**	1,082

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

Note 5. Benefits Payable

	2017/18 DB section £000	2017/18 DC section £000	2017/18 Total £000	2016/17 £000
Pensions	14,442	-	**14,442**	13,626
Lump Sum Retirement Benefits	3,948	-	**3,948**	4,361
Commutations	78	-	**78**	316
Lump Sum Death Benefits	562	-	**562**	609
Total Benefits Payable	19,030	-	**19,030**	18,912

Note 6. Payments to and on Account of Leavers

	2017/18 DB section £000	2017/18 DC section £000	2017/18 Total £000	2016/17 £000
Refund of contributions in respect of:				
non-vested leavers	58	-	**58**	89
opt-outs	86	11	**97**	165
Individual Transfers to Other Schemes	987	-	**987**	3,643
Total Payments to and on Account of Leavers	1,131	11	**1,142**	3,897

Note 7. Administrative Expenses

	2017/18 DB section £000	2017/18 DC section £000	2017/18 Total £000	2016/17 £000
University's Administration Fee (see Note 13)	600	4	**604**	612
Trustee's Remuneration (see Note 13)	18	-	**18**	17
Actuarial Fees	109	-	**109**	204
Audit Fee	16	3	**19**	14
Legal Fees	159	-	**159**	170
Legal & General DC fee	-	63	**63**	-
Pension Protection Fund	445	-	**445**	386
Miscellaneous Expenses	21	-	**21**	20
Total Administrative Expenses	1,368	70	**1,438**	1,423

Note 8. Investment Income

	2017/18 DB section £000	2017/18 DC section £000	2017/18 Total £000	2016/17 £000
Income from Pooled Investment Vehicles	5,262	-	**5,262**	3,970
Income from Private Equity	417	-	**417**	13
Bank account interest	1	-	**1**	5
Interest from Investment Managers	1	-	**1**	1
Total Investment Income	5,681	-	**5,681**	3,989

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 9. Investment Management Expenses

	2017/18 DB section £000	2017/18 DC section £000	2017/18 Total £000	2016/17 £000
Investment Management - BlackRock	88	-	**88**	85
Investment Management - SSgA	103	-	**103**	89
Investment Management - DIF	168	-	**168**	-
Custody Fees – State Street Bank	50	-	**50**	50
Investment Advice Fees	210	-	**210**	120
Investment fee rebate	(149)	-	**(149)**	(21)
Total Investment Management Expenses	470	-	**470**	323

The investment fee rebate of £148,981 (2017: £20,665) covers a reduction in standard investment charges deducted from a pooled fund investment.

Note 10. Investments

(a) Asset Reconciliation

	Value At 01/04/17 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value At 31/03/18 £000
DB Section					
Pooled Investment Vehicles	608,210	224,596	(202,035)	13,737	**644,508**
Private Equity	22,851	11,859	(8,683)	2,321	**28,348**
Money Purchase Investments (Insurance policies)	2,134	-	(161)	227	**2,200**
AVC Investment	113	18	-	10	**141**
	633,308	236,473	(210,879)	16,295	**675,197**
Cash Deposits	13,101			165	**1,651**
Other Investment Balances	1,067			-	**1,664**
Total	647,476			16,460	**678,512**
DC Section					
Pooled Investment Vehicles	-	223	-	(5)	**218**
		223	-	(5)	**218**
Other Investment Balances	-			-	**87**
Total	-			(5)	**305**

(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 2018 (2017: nil) Indirect transaction costs are borne by the Scheme in relation to transactions within pooled investment vehicles. Such costs are not separately provided to the Scheme.

(c) Concentration of Investments

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

The list below shows those unit trusts whose value exceeded 5% of the Scheme's net assets as at 31st March 2018:

	At 31/03/2018		**At 31/03/2017**	
	£000	**%**	**£000**	**%**
BlackRock:				
Ascent All Stock Corporate Bond Units	36,663	5.4	35,679	5.5
SSgA Managed Pension Fund:				
UK Equity Index Units	-	-	93,625	14.5
Fundamental Index Global Equity Units	81,482	12.0	75,412	11.7
All World Developed Equity Index Units	164,414	24.2	-	-
UK Over 5 years Index Linked Gilts Units	61,718	9.1	61,262	9.5
Columbia Threadneedle Portfolio Services Ltd:				
Threadneedle Property Unit Trust Units	58,317	8.6	53,337	8.3
Generation Investment Management LLP:				
Generation IM Global Equity Fund	47,971	7.1	43,918	6.8
M&G Investment Management:				
M&G Inflation Opportunities Fund	72,709	10.7	68,368	10.6
Acadian Asset Management LLC:				
Global Managed Volatility Equity UCITS	47,614	7.0	38,604	6.0

(d) Self Investment

The Scheme has no direct investments in the University or any of the Associated Participating Employers. Other than as a result of late payment of contributions, there was no other employer related investment at any time during the year or at the year end (2017: nil). During the year, there were 8 instances of late payment of contributions which were between 1 and 11 days late, with a total value of £99,262, which represents 0.3% of contributions payable under the Schedule of Contributions. The largest individual amount was £28,413 which was paid four days after the due date. These amounts constitute employer-related investments for the period over which they were late. The total value of these late contributions was less than 5% of net assets.

(e) Money Purchase Assets

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

(f) AVC Investments

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

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

(g) Pooled Investment Vehicles

	At 31/03/2018 £000	At 31/03/2017 £000
DB Section		
Equities	**341,481**	317,035
Bonds	**171,090**	165,310
Property	**58,753**	54,119
Diversified growth funds	**26,313**	49,605
Emerging markets	**46,871**	22,141
	644,508	608,210
DC Section		
Pathway Funds	**218**	-

Some pooled property investments were managed on behalf of the Trustee by Schroder Property Investment Management ("SPIM"). Included in this range of pooled property investments is the Schroder Real Estate Fund of Funds - Continental Europe Fund II, with a total investment of €3,600,000 as at 31st March 2018 and 31st March 2017 (approximately £3,156,000 as at 31st March 2018). No further funds remain to be drawn down as the fund's strategy is to return capital to unitholders at the earliest opportunity.

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

(h) Private Equity Funds

The assets held in private equity funds comprise capital and loans in the Macquarie European Infrastructure Fund II and DIF Infrastructure V. The total original commitment of the Scheme to the Macquarie European Infrastructure Fund II limited partnership of €18,000,000 has now been fully drawn. The value is based on the audited accounts of the limited partnership to 31st March 2018, in which the value of the assets of the partnership are stated at cost less any permanent diminution in the value of specific assets. There may therefore be unrealised gains not included in the Financial Statements of the Scheme. These private equity funds are illiquid.

The total commitment of the Scheme to DIF Infrastructure V includes a total investment of €55,000,000 (approximately £48,220,200 as at 31 March 2018), of which €41,661,793 (approximately £35,526,208 as at 31 March 2018) remains to be drawn down against this commitment.

(i) Other Investments Balances

Other investment balances for the DB Section are accrued distributions from investments of £1,648,057 (2017: £1,067,000) and March 2018 contributions, invested post year-end, of £15,505 (2017: £nil). Other investment balances for the DC Section relates to March 2018 contributions of £87,052, which were invested after the year end.

(j) Other Investments Notes

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

(k) Investment risk disclosures

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

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

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

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

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

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

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

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

		Market risk			**Value at 31 March 2018 (£m)**	**Value at 31 March 2017 (£m)**
	Credit risk	Currency	Interest rate	Other price		
UK equities	○	○	○	●	81.5	75.4
Overseas equities	○	●	○	●	260.0	241.6
Index-linked gilts	○	○	●	○	61.7	61.3
Corporate bonds	●	○	●	◐	36.7	35.7
Inflation opportunities	●	○	●	●	72.7	68.4
Property	○	◐	○	●	58.8	54.1
Private equity	○	●	◐	●	28.3	22.9
Emerging market multi-asset	◐	◐	◐	●	46.9	22.1
Diversified growth	◐	◐	◐	●	26.3	49.6
Cash	●	○	●	○	1.7	1.3

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

Currency risk

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

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

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

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

Interest rate risk

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

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

Other price risk

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

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

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

(l) Fair value determination

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

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

For the purpose of this analysis:

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

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

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

	DB section at 31 March 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	1	607,428	781	608,210
Private equity	-	-	22,851	22,851
Money purchase investment	-	-	2,134	2,134
AVC investments	-	-	113	113
Cash	13,101	-	-	13,101
Other investment balances	1,067	-	-	1,067
	14,169	607,428	25,879	647,476

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

Note 11. Current Assets

	2017/18			
	DB section £000	DC section £000	Total £000	2016/17 £000
Debtors and Prepayments:				
Contributions due in respect of Members	115	4	**119**	140
Contributions due from Employers	1,527	70	**1,597**	1,880
Benefits in advance	558	-	**558**	224
Other debtors	24	1	**25**	-
Total Debtors	2,224	75	**2,299**	2,244
Cash Balances:				
Bank account	1,181	65	**1,246**	1,207
Total Current Assets	3,405	140	**3,545**	3,451

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

Note 12. Current Liabilities

	2017/18			
	DB section £000	DC section £000	Total £000	2016/17 £000
Creditors:				
Accrued Expenses	394	68	**462**	386
Amounts due to University for Pensions paid	1,257	-	**1,257**	1,174
Contributions due to DC provider	-	87	**87**	-
Benefit and leaver payments due	38	3	**41**	210
AVC contributions due to Prudential	15	-	**15**	-
H M Revenue and Customs	12	-	**12**	10
Total Current Liabilities	1,716	158	**1,874**	1,780

Note 13. 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 7.

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 University owed the Scheme £157,312 (2017: £98,303); this amount comprised contributions due in respect of March 2018 of £1,391,978 (2017: £1,578,597), less the pension payroll cost for March 2018 of £1,257,478 (2017: £1,174,071) and less expenses of £291,812 (2017: £306,223). At the year end, the Associated Participating Employers owed the scheme contributions in respect of March 2018 totalling £324,442 (2017: £440,907).

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 £13,589 (2017:£13,456) 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 (2017: £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 £75 (2017: £295).

Note 14. 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 2018.

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

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

8. INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of University of Oxford Staff Pension Scheme (the 'Scheme') for the year ended 31 March 2018, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2018, 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.

Who we are reporting to

This report is made solely to the Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Trustee for the financial statements

As explained more fully in the Statement of Trustee's responsibilities set out on page 47, the Trustee is responsible for the preparation of financial statements which show a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date: 4 October 2018

9. COMPLIANCE

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

9A.1. SCHEDULE OF CONTRIBUTIONS

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

Introduction

This schedule of contributions has been prepared by the Trustee to satisfy the requirements of Section 227 of the Pensions Act 2004 and Section 87 of the Pensions Act 1995, after obtaining the advice of Jay Harvey, the Scheme Actuary, and after obtaining the agreement of the University of Oxford, on behalf of all the participating employers.
It comes into effect on the date of its certification by the Scheme Actuary and covers the period to 30 June 2027. The Trustees are responsible for preparing a revised schedule no later than 30 June 2020.

Participating employers

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

Employer contributions payable in respect of Members of the DB Section

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

Period	Contributions in respect of future accrual of benefits and the expenses of administering the Section	Additional contributions to satisfy the recovery plan dated 28 April 2017	Total contributions
1 April 2016 to 31 July 2016	22.1%	0.4%	22.5%
1 August 2016 to 31 July 2017	22.1%	0.9%	23.0%
1 August 2017 to 31 March 2018	19.0%	Nil	19.0%
1 April 2018 to 30 June 2027	17.3%	1.7%	19.0%

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

Employee contributions payable in respect of Members of the DB Section

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

Period	Lower Cost Plan Members	Standard Cost Plan Members	Higher Cost Plan Members
1 April 2016 to 31 March 2018	5.6%	6.6%	7.8%
1 April 2018 to 30 June 2027	6.6%	8.0%	9.6%

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

Contributions payable in respect of Members of the DC Section

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

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

These amounts have been determined in accordance with the Memorandum of Understanding between the Trustee and the University dated 30 March 2017 and do not include members' Additional Voluntary Contributions.

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

- The following rates to satisfy the recovery plan dated 28 April 2017:
  - 11.15% for members of the 4% Cost Plan;
  - 9.15% for members of the 6% Cost Plan; and
  - 7.15% for members of the 8% Cost Plan.
- 1.00% in respect of the provision of ill-health and death-in-service benefits.
- 0.85% in respect of the expenses of administering the Section.

The participating employers will ensure that the Trustee receives:

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

Salary sacrifice

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

Signed on behalf of the Directors of OSPS Trustee Limited

Name: John Nicholas Sykes
Position: Chairman
Date: 28 April 2017

Signed on behalf of the University of Oxford

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

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

9. COMPLIANCE

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

9A.2. RECOVERY PLAN

The University of Oxford Staff Pension Scheme (the Scheme)

Recovery Plan

Introduction

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

It follows the actuarial valuation of the Scheme as at 31 March 2016, which revealed a funding shortfall (technical provisions minus value of assets) of £132.9M.

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

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

Period	Payable in respect of members of the DB Section	Payable in respect of members of the DC Section
1 April 2016 to 31 July 2016	0.4%	N/A
1 August 2016 to 31 July 2017	0.9%	N/A
1 August 2017 to 30 September 2017	Nil	N/A
1 October 2017 to 31 March 2018	Nil	11.15% for members of the 4% Cost Plan 9.15% for members of the 6% Cost Plan 7.15% for members of the 8% Cost Plan
1 April 2018 to 30 June 2027	1.7%	11.15% for members of the 4% Cost Plan 9.15% for members of the 6% Cost Plan 7.15% for members of the 8% Cost Plan

Period in which the statutory funding objective should be met

Under this recovery plan, if the assumptions made are borne out in practice, the funding shortfall will be eliminated by 30 June 2027, i.e. within a period of 11 years and 3 months from the effective date of the valuation. The assumptions are:

- Technical provisions continue to be calculated according to the method and assumptions set out in the Statement of Funding Principles dated 28 April 2017, with financial conditions unchanged from those at the effective date of the valuation;
- Scheme experience is in line with the assumptions underlying the technical provisions, except that the investment return during the period will be 2.5% per annum above gilt yields, on both existing assets and future contributions payable to the DB Section;
- The Scheme continues to remain open to new entrants, with new entrants replacing leavers on a 1:1 basis;

- New entrants from 1 October 2017 join the DC Section, with 2/3rds remaining in the 4% Cost Plan and the remaining 1/3rd joining the 6% Cost Plan and the 8% Cost Plan in equal proportions (with subsequent withdrawals from service being in line with the assumptions underlying the technical provisions); and

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

Signed on behalf of the Directors of OSPS Trustee Limited

Name: John Nicholas Sykes
Position: Chairman
Date: 28 April 2017

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

Signed on behalf of the University of Oxford

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

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

9. COMPLIANCE

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

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

The University of Oxford Staff Pension Scheme

Certification of Schedule of Contributions

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2016 to be met by the end of the period specified in the recovery plan dated 28 April 2017.

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

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 28 April 2017.

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

Signature

J.M. Harvey.

Date

28 April 2017

Name

J M Harvey

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

25 Marsh Street
Bristol
BS1
4AQ

Name of employer

Aon Hewitt Limited

9. COMPLIANCE

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

9B.2. Certification Of Technical Provisions

Actuarial Certificate Given For The Purposes Of Regulation 7(4)(a) Of The Occupational Pension Schemes (Scheme Funding) Regulations 2005

University of Oxford Staff

Pension Scheme Calculation of

technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2016 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 28 April 2017.

J.M. Harvey.

J M Harvey
Fellow of the Institute and Faculty of Actuaries

28 April 2017
Aon Hewitt Limited

9. COMPLIANCE

9C. REPORT ON ACTUARIAL LIABILITIES

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

The most recent full actuarial valuation of the Scheme was carried out as at 31st March 2016, with an annual update as at 31 March 2017. This showed:

	31 March 2016	**31 March 2017**
The value of the technical provisions was	£660.7 million	£816.8 million
The value of the assets at that date was	£527.8 million	£646.9 million

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

Method: The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method with a two-year Control Period.

Significant actuarial assumptions include:

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

RPI inflation: The assumption is derived from the geometric difference between the UK nominal gilt curve and the UK index-linked curve at the valuation date, less 0.15% p.a., at each term.

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

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

Pay increases: Each member's Pensionable Salary is assumed to increase in line with the assumed rate of RPI inflation plus 1.0% p.a. at all terms.

Mortality: Standard tables S2PMA and S2PFA adjusted by means of a scaling factor for each category of members determined using the Aon Hewitt Longevity Model based on the members' dates of birth, sex and socio-economic information inferred from their postcodes. In determining the scaling factors, allowance will be made for the Scheme's own mortality experience over a suitable recent period.

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

OSPS

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

Introduction

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

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

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

Effective Date

This SIP is effective from1 October 2017.

1. Strategy

Investment Objective

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

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

Investment Strategy

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

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

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

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

OSPS

Default Investment Strategy

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

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

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

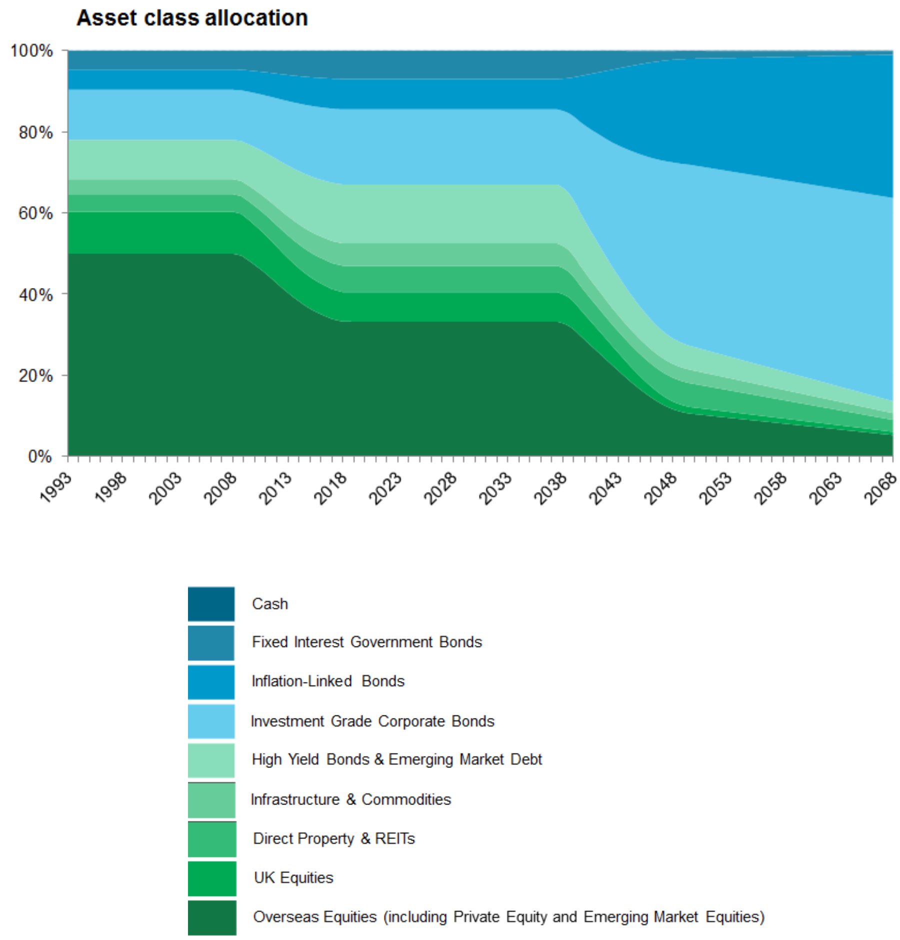
The default arrangement is considered appropriate for members who are expected to draw benefits over the next few years, bearing in mind the average fund values and membership profile of the Scheme.

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

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

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

The chart overleaf shows the structure of the default fund (2045 - 2050 vintage shown).



Source: LGIM. This chart shows the glidepath of the 2045-2050 vintage only. The asset allocation shown is dynamic and due to evolve over time. Other target date fund vintages may have a different asset allocation to the one shown above.

2. Risks

Risks

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

Risks
Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.
Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
Risk of the default fund being unsuitable for the requirements of some members.
The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

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

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

3. Governance

Governance

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

Trustee

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

Investment Committee (IC)

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

Investment Adviser

- Advises on all aspects of the investment of the Scheme assets, including implementation.
- Advises on this statement.
- Provides quarterly performance reporting to the Investment Committee.
- Provides required training.

Bundled DC Provider

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

4. Implementation

Implementation

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

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

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

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

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

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

5. General

Exercise Of Rights

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

Direct Investments

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

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

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

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

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

Socially Responsible Investment

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

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

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

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

Realisation Of Investments

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

Investment Adviser

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

Review Of SIP

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

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

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

Appendix – Fund Options

Investment fund	Performance target	Benchmark	Fee	Investment Characteristics
L&G Pathway Fund			0.49% pa	This fund will de-risk over time, reflecting the fact that shorter time horizons lead to reduced incentives to hold ‘long-term risky assets’ such as equities. The investment strategy will reflect the increasing likelihood of buying an annuity-type product with age and the fund will de-risk a higher proportion of the portfolio towards an annuity-aware strategy later in life.
L&G Global Equity (70:30) Index Fund	Passive	Global Equities	0.40% pa	To capture the returns of the UK and overseas stock markets as represented by the FTSE All-Share Index for the UK and the FTSE All-World ex UK Index for overseas stock markets. The fund will be split approximately 70% to the FTSE All-Share Index and 30% to the FTSE All-World ex UK Index. In order to accurately track these indices the fund will invest in a representative sample of holdings.
L&G Stewart Investors Asia Pacific Leaders Fund	Active	Asia Pacific excluding Japan Equities	1.22% pa	To grow the investment; the fund invests in shares of companies based in or having significant operations in the Asia Pacific region including Australia and New Zealand excluding Japan. The fund invests in shares of large and mid-sized companies in the region. These companies generally have a total stock market value of at least USD 1 billion. Consideration is given to investment in companies that are positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate. Derivatives may be used for efficient portfolio management.
L&G Ethical Global Equity Index Fund	Passive	Global Equities	0.60% pa	To track the sterling total returns of the FTSE4Good Global Equity Index (including re-invested income, less withholding tax) to within +/- 0.5% per annum for two years in three.
HSBC Amanah Global Equity Index Fund	Passive	Global Equities	0.85% pa	The Fund aims to create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors.

Investment fund	Performance target	Benchmark	Fee	Investment Characteristics
L&G All Stocks Index Linked Gilts Index Fund	Passive	UK Index-linked Gilts	0.38% pa	To track the sterling total returns of the FTSE Index-Linked (All Stocks) Index (including re-invested income) to within +/- 0.25% per annum for two years in three.
L&G Retirement Income Multi-Asset Fund			0.60% pa	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. The Fund invests globally in a range of different asset classes. The Fund invests in both index tracking and actively managed funds.