OSPS

University of Oxford Staff Pension Scheme

UNIVERSITY OF OXFORD STAFF PENSION SCHEME

Annual Report & Financial Statements for the year to 31st March 2021

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

TRUSTEE'S ANNUAL REPORT

FOR THE YEAR TO 31st MARCH 2021

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 2021 and subsequently. The report includes the audited annual Financial Statements for the Scheme.

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

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

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

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

The registered address of the Scheme is:

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

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

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

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

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

The Scheme's Data Protection registration number is Z6919534.

TRUSTEE'S ANNUAL REPORT FOR THE YEAR TO 31st March 2021

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1. TRUSTEE AND ADVISERS AS AT 31st March 2021

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

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

Actuary
Mr J. Harvey, Aon Solutions UK Limited

Pensions Consultancy Services Provider
Aon Solutions UK Limited

Investment advice and related services
Aon Solutions UK Limited

Defined contribution provider
Legal and General Assurance Society Limited

Investment Managers
Acadian Asset Management LLC
Baillie Gifford & Co. Limited
Blackrock Advisors (UK) Ltd
Columbia Threadneedle Portfolio Services Limited
DIF Management BV
Generation Investment Management LLP
M&G Investment Management Limited
Macquarie Investment Management (UK)
Sands Capital Funds Plc
State Street Global Advisors Limited
Ares Capital Management LLC (appointed 18 December 2020)
Copenhagen Infrastructure Partners (appointed 16 December 2020)

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 2021.

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

The purpose of the report is to describe to members how the Scheme and its investments have been managed during the year and to highlight a number of key administrative matters. The report does not take into account the value of liabilities to pay pensions and other benefits in the future – this is reviewed when periodic actuarial valuations of the Scheme are carried out. The last actuarial valuation of the Scheme was completed as at 31st March 2019. The Actuary's Certification of the Technical Provisions is included on page 83 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 2021 are set out on pages 50 to 71.

This Report and the Financial Statements on pages 50 to 71 were approved by the Trustee on and signed on behalf of the Trustee by: 25/10/2021

Director: [illegible]

Director: J.N. Sykes

2. TRUSTEE'S REPORT TO THE MEMBERS

2B. THE SCHEME

2B.1. INTRODUCTION

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

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

2B.2. TRUST DEED AND RULES

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

2B.3. TRUSTEE

2B.3.1. Appointing and nominating trustees

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

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

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

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

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

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

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

2B.3.2. Trustee Directors

On 31st March 2021 the Board comprised:

[2]	Mr C. A. H. Alexander	Merton	Term extended to 30th September 2021
[4]	Mr J. L. Catney	Pensioner	
[2]	Professor G. L. Clark	Smiths School	
[2]	Miss L. J. Cole	Personnel Services	
[3]	Ms K. M. M. Kele	Estates Services	
[3]	Ms L. Savin	Merton	
[2]	Mr N. C. Standen	Independent	Term extended to 30th September 2021
[1]	Mr J. N. Sykes	Independent *(Chair)*	Re-appointed 1st April 2020
[3]	Mr K. Valentine	Chemistry	Re-appointed 1st April 2021
[2]	Mr J K Clark	Hertford	Appointed 1st April 2020
[3]	Vacant		

Mr J. L. Catney, Ms K. M. M. Kele, Mr K Valentine and Ms L. Savin were elected unopposed as MNDs.
Mr R. Langley did not stand for re-election, but no nominations were received to replace him. His term of office was extended until 31st December 2020 while a replacement was sought. The process to appoint a new MND to fill the vacancy is underway.

As at the date of this report the Board comprised:

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

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

Mr R. Langley resigned as a Trustee Director on 31st December 2020.

2B.4. Scheme Governance

2B.4.1. Compliance and Governance

The Trustee actively seeks to comply with all relevant legislation and to manage the Scheme in accordance with "best practice" as expressed in the codes of practice published by The Pensions Regulator. This includes compliance with regulations applicable to Master Trusts, further detail of which is set out below.

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

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

2B.4.2. Dispute Resolution Procedure

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

2B.4.3. Transfer Values

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

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

2B.5. Changes to Scheme Advisers

There were no changes in advisers during the year. The Scheme Secretary has changed from an in-house role in OSPS Pensions Team to an outsourced arrangement with Pegasus Pensions PLC.

2B.6. Administration

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

2B.7. Contingent Asset

The Trustee and the University have agreed to create and maintain a "contingent asset". This is an asset which can be assigned to the Trustee in the extreme event that the University is unable to continue to meet its contribution obligations. The asset represents additional resources available to the Trustee to ensure that all accrued benefits are secured in full should the Scheme have to wind up following this event. The contingent asset takes the form of a floating charge on certain of the University's assets specified in a reserve set up in the University's accounts. The reserve comprised a list of property and cash, the total value of which as at 31st July 2021 was certified by the University to be in excess of £100m.

2B.8. MASTER TRUST

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

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

2. TRUSTEE'S REPORT TO THE MEMBERS

2C. REVIEW OF THE YEAR

2C.1. TRUSTEE

2C.1.1. Meetings of the Trustee

During the year to 31st March 2021, the Board met formally four times. In addition to regular items it also:

- completed the 2019 triennial valuation and agreed a recovery plan;
- considered a report prepared by Ernst and Young, to understand the impact of Covid-19 on the strength of the employer covenant;
- Received a presentation from the University as to the impact of COVID-19 on both its covenant and business operations
- resolved a triggering event relating to an OSPS employer changing its legal structure to that of an incorporated charity; and
- Trustee has reached a resolution in respect of an OSPS employer ceasing to employ any active members of the OSPS.

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

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

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

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

2C.2. SCHEME

There were no Scheme changes during the year to 31st March 2021.

2C.3. MEMBERSHIP

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

2C.4. INCREASES TO PENSIONS IN PAYMENT

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

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

Year	2019	2020	2021
Pre 2018 %	2.85	2.05	0.80
Post 2018 %	2.40	1.70	0.50

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

2C.5. ACTUARIAL VALUATION

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

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

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

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

Since the 2019 valuation, there have been two funding updates provided by the Scheme Actuary in March 2020 and February 2021. The most recent funding update showed a significant improvement in the funding ratio to 99%, reducing the deficit to £6m. This was based upon the same assumptions used for the technical provisions basis used for the 2019 valuation.

2C.6. SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR TO 31ST MARCH 2021

The contributions payable to the Scheme during the year to 31st March 2021 by the employers and employees (members) under the Schedule of Contributions were as set out below.

	£000
Ordinary Contributions	
from members:	3,273
from employers:	
Ongoing Funding	18,023
Members' Salary Exchange	5,700
Deficit Funding	5,195
DC expenses and benefits	831
PPF Levy	700
Contributions payable under the Schedule of Contributions:	33,722
Other Contributions	
from members:	
AVCs	241
Total Contributions receivable as shown in the Financial Statements	33,963

During the year, there was one instance of late payment of contributions which was one day late, with a total value of £29,564, which represents 0.1% of contributions payable under the Schedule of Contributions. This amount constitutes employer-related investments for the period over which it was late. The total value of this late contribution was less than 5% of net assets.

2C.7. FINANCIAL REVIEW

The audited Financial Statements provide details of the financial development of the Scheme. A summary of the key points for the year to 31st March 2021 follows:

	£000	£000
Scheme value at 31st March 2020		737,387
Member related income	34,201	
Benefits and expenses	(24,987)	
Net member related income		9,214
Net investment income		6,947
Investment management expenses		(2,223)
Increase in market value of investments		177,724
Scheme value at 31st March 2021		929,049

2C.8. GMP EQUALISATION

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

It has been confirmed with the Actuary that the impact of GMP equalisation on the liabilities of the Scheme is not expected to be material. This is partly because the Scheme was only contracted out from 6 April 1995 and also due to the fact that a member's entire pension gets the same increases in deferment and payment meaning that for most members the amount of GMP has little or no impact on the benefits payable. The liabilities will be accounted for in the year they are determined. A further judgement, released in November 2020, provided clarity regarding the requirement for pension scheme trustees to reflect GMP equalisation within historic transfers. The additional liabilities arising from the latest judgement are not expected to be material and will be accounted for when determined.

2C.9. COVID-19

The Trustee does not have any concerns over the ability of the Scheme to continue despite the impact of COVID-19 on the Scheme employers. Scheme employers are experiencing a loss of income in the short term (mainly due to fewer overseas students and lost conference or other event income) although some level of recovery is expected with anticipated higher overall student numbers than in 2019/20. Scheme employers have established ways of operating within social distancing guidelines, including online teaching where necessary. Actions to contain expenditure have been introduced and a draw on reserves has been approved. The situation is being reviewed on a regular basis to determine the extent to which this may be necessary. No changes to the contribution schedule have been requested and the contributions continue to be received as expected. All costs of the Scheme continue to be met. The Scheme's Actuary does not consider a new valuation necessary, following the Trustee's discussions with the University in relation to the impact of COVID-19 on its business. Indeed, the latest funding update showed a significant improvement in the funding position. The covenant with the Employer remains strong as has been confirmed by Ernst and Young in their report provided in September 2020 which dealt specifically with the short-term impact of the pandemic.

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

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

2. TRUSTEE'S REPORT TO THE MEMBERS

2D. INVESTMENT REVIEW

2D.1. STATEMENT OF INVESTMENT PRINCIPLES

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

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

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

Both versions of the SIP have been updated as at 1st October 2020 to take into account the Trustee's policies in respect of environmental, social and corporate governance (ESG) considerations.

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

2D.2. INVESTMENT STRATEGY AND ACTIVITY

DB section

The asset allocation is considered regularly by the Trustee. The latest investment strategy review has been carried out over the last couple of years following the March 2019 actuarial valuation.

The agreed strategic ranges as at 31 March 2021 for each of the asset classes are set out below:

Asset Class	Strategic Range	Actual
Equity	30% - 50%	54.6%
Property	5% - 15%	7.0%
Illiquid Credit	5% - 15%	9.0%
Other Illiquids	0% - 10%	4.2%
Credit	15% - 25%	14.2%
Matching	10% - 15%	10.9%
Cash	0% - 5%	0.1%

Towards the start of the Scheme year, in May 2020, the Trustee redeemed in full its residual allocation to Diversified Growth Funds ("DGFs") managed by BlackRock. The proceeds (along with cash sourced from State Street World Developed Equities and State Street Liquidity Fund) were used to fund the investment into an illiquid credit fund managed by M&G which represents c.10% of Scheme assets. The introduction of a strategic allocation to illiquid credit was offset by a reduction in the strategic target to equities of 10%. The £75 million investment with M&G was completed on 5th May 2020.

The Scheme's equity allocation achieved significant nominal and relative returns which have led to an overweight position in equities. The overweight position was discussed by the Investment Committee and is being addressed as part of a broader exercise to remove and replace two of the equity portfolios. This work is expected to be completed in October 2021.During December 2020, the Trustee finalised a commitment of EUR 75 million to Copenhagen Infrastructure IV Fund and a £50 million commitment to Ares Capital Europe V Fund. The first capital calls from each Fund have been issued by each manager post Scheme year-end

Towards the end of the Scheme year-end, an equity portfolio review was undertaken. It was agreed to replace SSGA Passive Equity with the LGIM Future World Fund and the transfer is expected to take place before the end of 2021. In May 2021, the Trustee also fully redeemed its holdings in the Acadian Global Equity Fund, amounting to £57,311,010. The proceeds are currently held in cash to meet further capital calls from the Scheme’s illiquid investments over 2021. The Trustee has agreed to appoint two new investment managers, and will be removing State Street, by the end of 2021. Further details will be available in the 2021-22 Report & Accounts.

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

DC section

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

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

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

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

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

The fund range currently available is:

Investment fund	Investment approach	Asset class	Fee
L&G Target Date Fund 3	Active	Multi-asset	0.45% pa
L&G (PMC) Global Equity 3 (70:30) Index Fund *	Passive	Global Equities	0.40% pa
L&G (PMC) Stewart Investors Asia Pacific Leaders Fund 3 *	Active	Asia Pacific excluding Japan Equities	1.09% pa
L&G (PMC) Ethical Global Equity Index Fund 3	Passive	Global Equities	0.60% pa
L&G (PMC) HSBC Islamic Global Equity Index Fund 3	Passive	Global Equities	0.65% pa
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	Passive	UK Index-Linked Gilts	0.38% pa
L&G (PMC) Retirement Income Multi-Asset Fund 3	Active	Multi-asset	0.61% pa

* These funds will be removed during the Scheme year starting 1st April 2021.

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

In common with many other funded occupational pension schemes, a significant part of the Scheme's assets is invested in equities and other growth assets. Equities rebounded sharply over the second and third quarter of 2020, recovering the bulk of the losses sustained in the sell-off in the first quarter of 2020. Expanded fiscal and monetary stimulus as well as boosted optimism over the progress in COVID-19 vaccine trials and rollouts provided further support for markets. As such, the Scheme's assets rose over the year.

The value of the Scheme's net assets increased from £737.3 million to £929 million during the year to 31 March 2021. The increase in value, of £191.7 million, derives from £9 million of new money being invested during the year, plus £7 million investment income and other investment balances, less investment management expenses of £2.2 million, plus an increase in the overall market value of the investments held at 31 March 2020 or acquired during the year of £177.7 million.

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

Over the twelve months to 31 March 2021, the Scheme's invested assets achieved a return of 24.8% net of fees, which was 4.7% ahead of the benchmark return of 20.1% over the same period. This outperformance was mainly due to the Scheme's equity holdings. In particular, the Generation Asia (ex.Japan) Fund and Generation Global Equity Fund, the Baillie Gifford Long Term Global Growth Fund and the Sands Emerging Market Equities outperformed significantly against their respective benchmarks.

As a guide to the longer-term returns of the Scheme's invested Defined Benefit (DB) assets, the table below shows weighted average Scheme and benchmark returns over three years and five years to 31 March 2021. The Scheme has outperformed its benchmark over the longer-term periods.

DB Asset Performance

Period	Return on DB Scheme Assets	Benchmark	Relative Performance
Over 3 years	9.5% pa	8.1% pa	1.4% pa
Over 5 years	10.3% pa	8.8% pa	1.5% pa

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

DC Asset Performance

The table below shows the returns on the underlying funds and their benchmark for the 12-month period to 31 March 2021 for the funds available to members of the DC section. Performance is shown before charges.

Fund	Fund performance % p.a.	Benchmark return % p.a.	Relative Performance % p.a.
L&G (PMC) 2015 - 2020 Target Date Fund 3	9.8	4.0	5.8
L&G (PMC) 2020 - 2025 Target Date Fund 3	13.3	10.2	3.1
L&G (PMC) 2025 - 2030 Target Date Fund 3	18.5	21.4	-2.9
L&G (PMC) 2030 - 2035 Target Date Fund 3	20.7	25.4	-4.7
L&G (PMC) 2035 - 2040 Target Date Fund 3	20.7	25.4	-4.7
L&G (PMC) 2040 - 2045 Target Date Fund 3	21.3	26.0	-4.7
L&G (PMC) 2045 - 2050 Target Date Fund 3	24.2	29.0	-4.8
L&G (PMC) 2050 - 2055 Target Date Fund 3	25.6	30.3	-4.7
L&G (PMC) 2055 - 2060 Target Date Fund 3	25.8	30.5	-4.7
L&G (PMC) 2060 - 2065 Target Date Fund 3	25.8	30.5	-4.7
L&G (PMC) 2065 – 2070 Target Date Fund 3	25.8	30.5	-4.7
L&G (PMC) Ethical Global Equity Index Fund	36.8	37.0	-0.2
L&G (PMC) Global Equity 70:30 Index Fund	32.0	31.8	0.2
L&G (PMC) Stewart Investors Asia Pacific Leaders Fund 3	40.8	48.2	-7.6
L&G (PMC) HSBC Islamic Global Equity Index Fund 3	35.9	36.4	-0.5
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	-1.5	-1.5	0
L&G (PMC) Retirement Income Multi-Asset Fund 3	16.1	3.6	12.5

Market Background

When considering the twelve-month period to 31 March 2021, the MSCI AC World Index rose by 51.1% in local currency terms. After severe disruption in global markets in early 2020 from the Coronavirus pandemic, equity markets rebounded in mid-2020 as a slowdown in new cases and the relaxation of lockdown measures resulted in a sharp economic rebound. A second wave outbreak at the onset of winter, however, dampened economic optimism during the final stages of 2020. Equity markets continued to rally as huge fiscal and monetary stimulus and optimism over Covid-19 vaccine rollouts led to investor willingness to overlook the sharpest economic recession in generations. Heightened political uncertainty around November's US presidential election provided some drag on risk sentiment, but increased expectations of expanded fiscal spending following Democrat Joe Biden's victory boosted markets.

UK government bond yields fell to extreme lows in summer 2020 on the back of the pandemic, Brexit uncertainty and increased expectations of a Bank Of England rate cut to negative levels. However, yields started to edge up across maturities in in the later stages of 2020 as market sentiment improved. In early 2021, gilt yields rose sharply on the back of economic optimism in the light of several vaccine discoveries, further fuelled by the new US stimulus package. According to FTSE All-Stocks indices, UK fixed-interest gilts fell by 5.5%, whilst index-linked gilts returned 2.3% over the twelve months to 31 March 2021.

Credit markets benefited from risk-on investor sentiment over the year to 31 March 2021, with credit spreads continuing to contract to ever tighter levels. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, ended the period 111bps lower at 106bps.

UK commercial property returned 2.6% over the year to 31 March 2021 as the income return of 5.6% offset the 2.9% fall in capital values. Virus pressure on the already struggling retail sector meant it returned -5.8% over the period.

Sterling ended the twelve months to 31 March 2021 5.7% higher on a trade-weighted basis. Sterling depreciated in between April and June 2020 due to the deteriorating UK coronavirus situation, Brexit uncertainty and a poor economic outlook. However, this trend was reversed somewhat later in 2020, the weak US dollar leading to sterling gains against the dollar. Sterling continued to appreciate through the remainder of 2020 in anticipation that a Brexit deal would be reached. The relief rally in sterling continued in early 2021 in the wake of the Brexit deal and was also boosted by the launch of a successful UK vaccination program.

2D.4. PERFORMANCE MEASUREMENT

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

2D.5. SAFEGUARDING THE ASSETS

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

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

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

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

2D.6. INVESTMENT EXPENSES

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

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

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

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

Asset class	Value of assets (£m)	Value of assets (£m)	%
Equity		485.9	54.6
State Street – World Developed Equities	67.4		
State Street – Fundamental Equities	105.9		
Acadian – Global Equities	55.7		
Generation – Global Equities	78.9		
Generation – Asia ex Japan	31.3		
Sands Capital – Emerging Growth	41.7		
Baillie Gifford – Long Term Global Growth	105.0		
Property		62.3	7.0
Columbia Threadneedle – Property	62.3		
Schroders – Property	0.0		
Illiquid Credit		79.9	9.0
M&G – Illiquid Credit Opportunities	79.9		
Other Illiquids		36.8	4.2
Macquarie – Infrastructure	2.4		
DIF – Infrastructure	34.4		
Credit		126.5	14.2
BlackRock – Corporate bonds	42.1		
M&G – Inflation Opportunities	84.4		
Matching		96.5	10.9
State Street – Index-linked Gilts	96.5		
Cash		1.2	0.1
State Street – Sterling liquidity	1.2		
Total		889.1	100.0%

The Scheme holds Schroders CEF II (value at 31st March 2021 - £42,600), 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 2021.

Asset class	At 31st March 2021		At 31st March 2020	
	Value of assets (£m)	Allocation %	Value of assets (£m)	Allocation %
Equity	**485.87**	**53.1**	**342.89**	**47.1**
Pacific ex-Japan	31.33	3.4	20.28	2.8
Global	454.54	49.7	322.61	44.3
Diversified Growth Funds	**-**	**-**	**26.41**	**3.6**
Diversified Growth Funds	-	-	26.41	3.6
Property	**62.29**	**6.8**	**61.02**	**8.4**
Property	62.29	6.8	61.02	8.4
Illiquid Credit	**79.91**	**8.7**	**-**	**-**
Illiquid Credit	79.91	8.7	-	-
Other Illiquids	**36.81**	**4.1**	**34.70**	**4.8**
Infrastructure	36.81	4.1	34.70	4.8
Credit	**126.53**	**13.8**	**119.08**	**16.3**
Corporate Bonds	42.10	4.6	39.20	5.3
Inflation Opportunities	84.43	9.2	79.88	11.0
Matching	**96.54**	**10.6**	**91.09**	**12.9**
Index-linked Gilts	96.54	10.6	91.09	12.9
Cash	**1.15**	**0.1**	**36.14**	**5.0**
Sterling Liquidity	1.15	0.1	36.14	5.0
Other Investments	**2.50**	**0.3**	**2.41**	**0.3**
WPIA[1]	2.34	0.3	2.21	0.3
AVC[2]	0.17	0.0	0.20	0.0
Total Holdings	**891.61**	**97.5**	**716.74**	**98.4**
Cash[3]	19.82	2.2	11.05	1.5
Other Investment balances[4]	3.12	0.3	0.80	0.1
Total Investments	**914.55**	**100.0**	**728.59**	**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 2021 includes accrual of distributions to be re-invested.

The following table shows the distribution of the Scheme's DC investments as at 31st March 2021.

Fund	At 31st March 2021		At 31st March 2020	
	Investments (£'000)	**% allocation**	**Investments (£'000)**	**% allocation**
L&G Target Date Fund 3	**14,648**	**99.7**	**6,982**	**99.9**
L&G (PMC) Ethical Global Equity Index Fund 3	**36**	**0.2**	**7**	**0.1**
L&G (PMC) Global Equity 70:30 Index Fund 3	**12**	**0.1**	**2**	**0.0**
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	**2**	**0.0**	**-**	**-**

2D.9. EMPLOYER RELATED INVESTMENTS

During the year, there was one instance of late payment of contributions which was one day late, with a total value of £29,564, which represents 0.1% of contributions payable under the Schedule of Contributions. This amount constitutes employer-related investments for the period over which it was late. The total value of this late contribution was less than 5% of net assets.

ANNUAL STATEMENT REGARDING GOVERNANCE OF THE DEFINED CONTRIBUTION FUNDS IN OSPS

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

This statement covers the period from 1 April 2020 to 31 March 2021 and is signed on behalf of the Trustee by the Chair.

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

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

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

The Scheme has three arrangements providing DC benefits to members:

- The DC section which was opened for new Scheme entrants on 1 October 2017 (value at 31 March 2021, £14,698,141). The assets of the DC section are managed by Legal and General Assurance Society Limited ("L&G") who also administer the DC section (other administration services are provided by the Pensions Office of the University).

- Defined benefit members' additional voluntary contributions ("AVCs") which are invested with Prudential; and

- The Bonus account in relation to defined benefit members with pensionable service in the Scheme prior to 31 July 1998, held in a With-Profits Investment Account with Prudential.

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

3A. THE DEFAULT ARRANGEMENT

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

3A.1. DC SECTION

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

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

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

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in the ‘Statement of Investment Principles’ ("SIP"). The Scheme's SIP is on page 86 and the key aims of the default arrangement are set out below for ease of reference:

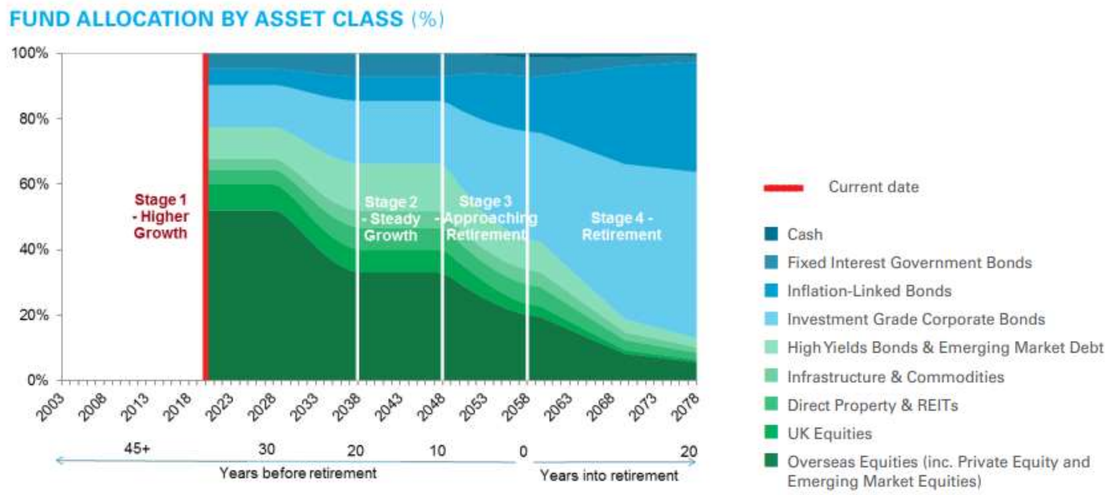
- to support DC members in building their real retirement income while managing possible downside risks; and

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

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

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

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



Source: L&G

Review of the investment strategy and performance of the default arrangement

The Trustee, with assistance from its investment advisers, undertook a formal review of the DC section investment strategy (including the default arrangement) during the period. The review concluded on 25 March 2021 and the decision was taken to:

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

- Make a number of changes to the self-select fund range. These changes are shown in the table below and are expected to be implemented in the Scheme year starting 1 April 2021. The rationale for the changes shown are:
    - Remove the L&G Global Equity (70:30) Index Fund 3 from the self-select range as it was concluded that the overweight allocation to UK equities represents concentration risk and limits diversification. The L&G PMC All-World Equity Index Fund 3 will be added to the self-select range as a replacement. This Fund is a global equity fund with no fixed geographic weighting.
    - Remove the L&G Stewart Investors Asia Pacific Leaders Fund 3 from the self-select fund range as this Fund is subject to relatively high charges and returns are likely to be volatile. No members have chosen to invest in this Fund to date.
    - Add the L&G PMC Future World Multi Asset Fund 3 to the fund range to give members the opportunity to invest in a fund with an Environmental, Social and Governance (ESG) focus.

DC self-select fund	Outcome of review
L&G Global Equity (70:30) Index Fund 3	Remove from self-select range
L&G Stewart Investors Asia Pacific Leaders Fund 3	Remove from self-select range
L&G Ethical Global Equity Index Fund 3	No change
HSBC Islamic Global Equity Index Fund 3	No change
L&G All Stocks Index Linked Gilts Index Fund 3	No change
L&G Retirement Income Multi-Asset Fund 3	No change
L&G PMC Future World Multi Asset Fund 3	Add to self-select range
L&G PMC All-World Equity Index Fund 3	Add to self-select range

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

The first formal review of the DC investment strategy took place October 2020 through to April 2021. The strategy was agreed as being appropriate and no changes were made in respect of the default investment strategy (which uses Legal & General 'Target Date' funds). A small number of changes were made to the self-select fund range.

The Trustee has delegated oversight of the investment elements of the DC section funds to its Investment Committee, which reviews the performance of the default arrangement against the benchmark(s) set by L&G on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations, and member activity.

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

3A.2. AVCs

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

3A.3. Bonus account

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

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

3B. PROCESSING OF CORE FINANCIAL TRANSACTIONS

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

3B.1. DC SECTION

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

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

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

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

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

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

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

Although L&G processed almost all core financial transactions within the SLA during the Scheme year, a number of transfer payments were paid outside of the SLA. L&G have confirmed that this was due to a significant increase in the volume of transfer payment requests and has recruited additional staff in order to minimise the risk of such delays happening again in the future. The Trustee has already seen an improvement in these areas since year end.

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

- The Trustee receives quarterly reports from L&G on compliance with agreed standards and timescales to help it monitor that the SLAs of the Pensions Office and L&G are being met;
- L&G attends Trustee board and committee meetings as required to discuss service and member experience, attending at least one Trustee board meeting a year, and maintains regular communication with the Scheme Secretary;
- Receipt of contributions by L&G reconciled to the funds remitted from the Scheme bank account by the University on behalf of the Trustee;
- Reconciliation of all refunds of contributions resulting from individuals opting out to the Scheme's bank records prior to returning funds to the relevant Participating Employer;
- Operation in line with the business continuity plan and confirmation that the administrator has prioritised core financial transactions during the period impacted by COVID-19;
- As part of master trust authorisation the Scheme's processes were independently reviewed and this will be an annual process going forward;
- L&G has also shared its own Audit and Assurance Faculty (AAF) report with the Trustee.

L&G's business continuity processes were triggered last year as a result of the COVID-19 pandemic. L&G has kept the Trustee informed of its response to the outbreak and any actions it has taken as a result.

The Trustee is satisfied that over the period:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

3B.2. AVCs and Bonus account

For the AVCs and the Bonus account, transactions are undertaken on the Trustee's behalf by the Pensions Office and Prudential. The Trustee has a service level agreement in place with the Pensions Office relating to transfers in and transfers out, payment processing, payment of benefits at retirement and contribution processing. The Trustee receives quarterly reports on performance of the Pensions Office, with any exceptions reported when matters have not been dealt with promptly and accurately. No material issues arose during the Scheme year to 31 March 2021.

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

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

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

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

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

Prudential have not been able to provide information on the core financial transactions that took place over the Scheme year to 31 March 2021 in time for this statement. The Trustee is therefore not able to assess whether the core financial transactions for defined benefit members' AVCs and the Bonus account have been processed promptly and accurately during the Scheme year. The Trustee will continue to try to obtain this information from Prudential.

3C. MEMBER BORNE CHARGES AND TRANSACTION COSTS

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

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

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

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

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

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

3C.1. DC SECTION

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

In addition, the Trustee pays L&G an initial fee of £108.41 per new member (increasing in line with the index of Average Weekly Earnings), payable in October each year. This charge is not passed on to members.

The table below shows the explicit costs (TER) and implicit costs (transaction costs) on funds available through the DC section as at 31 March 2021. These have been provided by L&G. Transaction costs calculated for L&G funds are for the 12-month period to 31 March 2021. There is no missing transaction cost data for the DC section.

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

DC section fund	TER (%)	Transaction costs (%)
L&G Target Date Funds 3 **(the default arrangement)**	0.45	0.00-0.10[1]
L&G Global Equity (70:30) Index Fund 3[2]	0.40	0.00
L&G Stewart Investors Asia Pacific Leaders Fund 3[2]	1.09	0.36
L&G Ethical Global Equity Index Fund 3	0.60	0.00
HSBC Islamic Global Equity Index Fund 3	0.65	0.03
L&G All Stocks Index Linked Gilts Index Fund 3	0.38	0.00
L&G Retirement Income Multi-Asset Fund 3	0.61	0.00

[1]Depending upon target date range
[2]These funds will be removed in the Scheme year starting 1 April 2021

3C.2. AVCs

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

The table below shows the explicit costs (TER) and implicit costs (transaction costs) borne by members on their AVCs as at 31 March 2021. These have been provided by Prudential. There is no missing transaction cost data, although transaction costs shown for the UK Property Fund are for the 12 months to 31 December 2020.As explained above, there is no default arrangement within the AVCs.

AVC fund	TER (%)	Transaction costs (%)
Prudential Cash Fund	0.55	0.00
Prudential Discretionary Fund	0.77	0.10
Prudential Fixed Interest Fund	0.76	0.06
Prudential Global Equity Fund	0.76	0.12
Prudential Index-Linked Fund	0.76	0.15
Prudential International Equity Fund	0.77	0.21
Prudential UK Property[1]	1.31	0.02
Prudential UK Equity Fund	0.76	0.00
Prudential With Profits Cash Accumulation Fund[2]	0.98 (estimated)	0.13

[1]Transaction costs shown are for the 12-month period to 31 December 2020, this fund closed on 22 June 2021
[2]Prudential currently estimates the charges on the With Profits Cash Accumulation Fund to be 0.8% p.a. assuming investment returns are 5% p.a. plus additional expenses of 0.18% p.a.

3C.3. Bonus account

The charges for the With-Profits Investment Account are not explicit. Prudential takes account of the costs of administering the With-Profits Investment Account when it declares the annual bonus rate on the Account. Prudential has however provided an estimate of the charges on the Fund. The table below shows the estimated charges and the transaction costs borne by Bonus account members as at 31 March 2021. These have been provided by Prudential. Prudential currently estimates the charges on the With Profits Investment Account to be 0.65% p.a. plus additional expenses of 0.18% p.a. There is no missing transaction cost data. As explained above, there is no default arrangement.

Bonus account	TER (%)	Transaction costs (%)
Prudential With Profits Investment Account	0.83 (estimated)	0.13

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

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

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

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

3D.1. DC SECTION

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

Representative Member	Current Age	Retirement Age	Income (£ per year)	Total contribution rate	Current Fund Value (£)
1 – Youngest Active	17	68	16,300	10%	1,300
2 – Youngest Deferred	17	68	N/A	N/A	400
3 – Median Active	34	68	18,900	10%	3,500
4 – Median Deferred	30	68	N/A	N/A	1,300

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

We have produced illustrations to demonstrate the cumulative effect of the above costs and charges for the default investment strategy (as represented by the L&G 2070 - 2075 Target Date Fund 3 for the youngest example active and deferred members, and the L&G 2055 - 2060 Target Date Fund 3 for the median active and deferred members), as 99.9% of DC section members invest in the default strategy.

We have also included illustrations to demonstrate the cumulative effect of costs and charges for the L&G Ethical Global Equity Index Fund 3 as this is the most popular self-select fund amongst members.

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

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

Age	L&G 2070 – 2075 Target Date Fund 3			L&G Ethical Global Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
17	£1,300	£1,300	£0	£1,300	£1,300	£0
20	£6,280	£6,230	£50	£6,370	£6,310	£60
25	£15,060	£14,740	£320	£15,580	£15,180	£400
30	£24,460	£23,620	£840	£25,820	£24,780	£1,040
35	£34,520	£32,910	£1,610	£37,200	£35,140	£2,060
40	£45,290	£42,600	£2,690	£49,860	£46,340	£3,520
45	£56,820	£52,740	£4,080	£63,940	£58,440	£5,500
50	£69,170	£63,320	£5,850	£79,600	£71,520	£8,080
55	£82,390	£74,380	£8,010	£97,010	£85,650	£11,360
60	£96,550	£85,930	£10,620	£116,370	£100,910	£15,460
65	£111,700	£98,000	£13,700	£137,890	£117,410	£20,480
68	£121,310	£105,500	£15,810	£151,950	£127,940	£24,010

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

Age	L&G 2070 – 2075 Target Date Fund 3			L&G Ethical Global Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
17	£400	£400	£0	£400	£400	£0
20	£420	£410	£10	£430	£420	£10
25	£450	£430	£20	£470	£450	£20
30	£480	£450	£30	£530	£490	£40
35	£510	£470	£40	£590	£530	£60
40	£550	£490	£60	£650	£570	£80
45	£590	£510	£80	£720	£620	£100
50	£630	£530	£100	£810	£670	£140
55	£670	£560	£110	£900	£720	£180
60	£720	£580	£140	£1,000	£780	£220
65	£770	£610	£160	£1,110	£840	£270
68	£800	£620	£180	£1,180	£880	£300

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

Age	L&G 2055 – 2060 Target Date Fund 3			L&G Ethical Global Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
34	£3,500	£3,500	£0	£3,500	£3,500	£0
35	£5,430	£5,410	£20	£5,460	£5,440	£20
40	£15,470	£15,190	£280	£15,920	£15,580	£340
45	£26,230	£25,410	£820	£27,550	£26,540	£1,010
50	£37,740	£36,080	£1,660	£40,490	£38,380	£2,110
55	£50,070	£47,240	£2,830	£54,870	£51,180	£3,690
60	£63,270	£58,890	£4,380	£70,860	£65,000	£5,860
65	£77,400	£71,060	£6,340	£88,650	£79,940	£8,710
68	£86,360	£78,620	£7,740	£100,260	£89,470	£10,790

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

Age	L&G 2055 – 2060 Target Date Fund 3			L&G Ethical Global Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
30	£1,300	£1,300	£0	£1,300	£1,300	£0
35	£1,390	£1,360	£30	£1,450	£1,400	£50
40	£1,490	£1,420	£70	£1,610	£1,520	£90
45	£1,600	£1,480	£120	£1,790	£1,640	£150
50	£1,710	£1,550	£160	£1,990	£1,770	£220
55	£1,830	£1,620	£210	£2,210	£1,910	£300
60	£1,960	£1,690	£270	£2,460	£2,070	£390
65	£2,100	£1,770	£330	£2,730	£2,240	£490
68	£2,180	£1,810	£370	£2,910	£2,340	£570

3D.2. AVCs

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

Representative Member	Current Age	Retirement Age	Contributions (£ per month)	Current fund value (£)
5 – Youngest member paying AVCs	51	65	900	£23,900
6 – Youngest member not paying AVCs	56	65	N/A	£2,400

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

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

Age	With Profits Fund			Cash Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
51	£23,900	£23,900	£0	£23,900	£23,900	£0
55	£70,840	£68,820	£2,020	£61,200	£60,300	£900
60	£132,430	£124,730	£7,700	£98,280	£95,410	£2,870
65	£198,460	£181,020	£17,440	£126,420	£121,010	£5,410

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

Age	With Profits Fund			Cash Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
56	£2,400	£2,400	£0	£2,400	£2,400	£0
60	£2,710	£2,600	£110	£2,200	£2,150	£50
65	£3,160	£2,880	£280	£1,970	£1,870	£100

3D.3. Bonus account

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

Representative Member	Current Age	Retirement Age	Current fund value (£)
7 – Youngest Bonus account member	39	65	£65
8 – Average Bonus account member	54	65	£1,600

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

Age	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
39	£65	£65	£0
40	£67	£66	£1
45	£78	£74	£4
50	£91	£83	£8
55	£106	£92	£14
60	£124	£103	£21
65	£144	£115	£29

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

Age	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
54	£1,600	£1,600	£0
55	£1,650	£1,640	£10
60	£1,920	£1,820	£100
65	£2,240	£2,040	£200

3D.4. ASSUMPTIONS AND DATA FOR ILLUSTRATIONS

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

- The transaction costs have been averaged over a number of years (3 years for the AVC arrangement and Bonus account, and up to 5 years for each of the DC Section funds) in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

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

Fund	Total assumed annual charge[1]	Growth rate
L&G PMC 2070 - 2075 Target Date Fund 3	0.51%	0.9% p.a. above inflation
L&G PMC 2055 – 2060 Target Date Fund 3	0.51%	0.9% p.a. above inflation
L&G Ethical Global Equity Index Fund 3	0.60%	1.6% p.a. above inflation
Prudential With Profits Investment Account (Bonus account)	0.93%	3.2% p.a. above inflation
Prudential With Profits Fund (AVCs)	1.08%	3.2% p.a. above inflation
Prudential Cash Fund (AVCs)	0.55%	2.25% p.a. below inflation

[1]This is the TER plus the transaction costs

3E. VALUE FOR MEMBERS ASSESSMENT

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

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

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

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

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

3E.1. GOVERNANCE

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

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

The Trustee has suitable governance processes in place for the DC section whereby core financial transactions and other key governance factors are monitored quarterly. Appropriate time is dedicated to the DC section relative to its size. During this reporting period, the Trustee also commissioned an independent review of Legal & General's AAF internal controls report.

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

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

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

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

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

3E.2. INVESTMENTS

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

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

The review of the investment strategy and default arrangement undertaken this year included member outcome modelling to help inform decisions about the suitability of the investment strategy.

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

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

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

3E.3. ADMINISTRATION

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

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

The Trustee has a service level agreement in place with L&G in relation to the DC section and L&G reports performance against this on a quarterly basis. This enables the Trustee to monitor standards of administration on a regular basis. L&G processed almost all core financial transactions within the SLA during the Scheme year. However, it was noted that a number of transfer payments were paid outside of the SLA. L&G have confirmed that this was due to a significant increase in the volume of transfer payment requests and have recruited additional staff in order to minimise the risk of such delays happening again in the future. The Trustee has already seen a good improvement in these areas since year end.

Though the Trustee does not have a formal service level agreement in place with Prudential for the AVCs and Bonus account, Prudential has processes in place to ensure core financial transactions are processed promptly and accurately. Prudential has target timescales for core financial transactions but has not been able to provide information to help us assess their performance against these targets in time for this statement. The Trustee will continue to try and obtain this information from Prudential.

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

3E.4. MEMBER COMMUNICATIONS

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

The Trustee, alongside their communications advisers held a communications and engagement workshop in March 2021 to gain a greater understanding of what the current challenges were and sought to prioritise the areas where engagement could be enhanced. Running member webinars is an option that will be investigated further during 2021, together with enhancing written communications to ensure they are more accessible.

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

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

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

3E.5. RETIREMENT SUPPORT

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

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

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

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

The Trustee's assessment for the year ended 31 March 2021 concluded that the charges and transaction costs borne by members of each of the DC section, AVCs and Bonus account were in line with other options available in the market and represent good value for members relative to the benefits of membership.

3F. TRUSTEE KNOWLEDGE AND UNDERSTANDING

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

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

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

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

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

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

1. Cyber Security; this led to the creation of a Cyber Security Policy and incident response plan, together with specific cyber related risks added to the risk register.

2. Member engagement and communications

3. Regulatory requirements for disclosures within Statement of Investment Principles

4. Responsible Investment reporting

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

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

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

1. Updating the SIP for Environmental, Social and Governance (ESG) requirements and refining the Responsible Investment Trustee Policy.

2. Signing off the Trustee Report and Accounts.

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

4. Considering the law relating to pensions and trusts when updating the risk register and including cyber-related risks as appropriate.

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

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

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

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

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

3G. ADDITIONAL REQUIREMENTS FOR RELEVANT MULTI-EMPLOYER SCHEMES

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

The Trustee board currently has five non-affiliated Trustee Directors (including the chair of the Trustee Board) and five affiliated Trustee Directors with one vacancy for a non-affiliated Trustee Director, the process for filling this vacancy is ongoing and the Pensions Regulator has been kept updated. Affiliation refers broadly to being employed by an entity providing services to the Scheme. The affiliated Trustee Directors are employees of the University but none are employed in the Pensions Office which provides services to the Trustee or have roles involving oversight or direction of the Pensions Office. The non-affiliated Trustee Directors are Mr C. A. H. Alexander, Ms L. Savin, Mr N. C. Standen, Mr J. N. Sykes (Chair), and Mr J. Clark (appointed at the Trustee meeting on 16 April 2020 with effect from 1 April 2020). The non-affiliated Trustee Directors do not work for the University (or any other Scheme service provider) or any of its subsidiaries (nor have they in the five years prior to their appointment as Trustee Directors) and have not received any payment or benefit from the University (or any other Scheme service provider) other than for their role on the Trustee Board. The term lengths of the non-affiliated Trustee Directors comply with Regulation 28 of the Occupational Pension Schemes (Scheme Administration) Regulations 26, being 3 years each. There have been equal numbers of affiliated and non-affiliated Trustee Directors between 1 January 2021 and the current date following the resignation of Mr R Langley on 31st December 2020. The Pensions Regulator has been notified and the process of appointing a replacement non-affiliated Trustee Director is progressing.

3H. FEEDBACK

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

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

J N Sykes   Date 25/10/2021

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2021

Employer and Post Code	Defined Benefit Section	
	Active members	Former Members and Pensioners
Balliol College, OX1 3BJ	80	168
Brasenose College, OX1 4AJ	47	103
Christ Church, OX1 1DP	115	251
Corpus Christi College, OX1 4JF	48	78
Exeter College, OX1 3DP	43	131
Green Templeton College, OX2 6HG	14	102
Green Templeton Services Limited, OX2 6HG	7	2
Hertford College, OX1 3BW	47	125
Jesus College, OX1 3DW	39	165
Keble College, OX1 3PG	38	123
Lady Margaret Hall, OX2 6QA	40	101
Linacre College, OX1 3JA	16	56
Lincoln College, OX1 3DR	70	108
Magdalen College, OX1 4AU	95	120
Mansfield College, OX1 3TF	20	53
Merton College, OX1 4JD	63	163
New College, OX1 3BN	66	151
North Oxford College Shared Services Limited, OX2 6JF	1	1
Nuffield College, OX1 1NF	28	74
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	3	38
Oxford Centre for Islamic Studies, OX1 2AR	2	11
Oxford Limited, OX1 4BW	1	19
Oxford Said Business School Ltd, OX1 1HP	32	92
Oxford University Innovation Limited, OX2 0JB	7	30
Oxford University Students Union, OX1 2BX	3	21
Pembroke College, OX1 1DW	73	93
The Queen's College, OX1 4AW	50	97
Regent's Park College, OX1 2LB	8	10
Rhodes House (The Rhodes Trust), OX1 3RG	2	13
Ruskin College, OX8 9BZ	4	80
St Anne's College, OX2 6HS	47	111
St Antony's College, OX2 6JF	22	140
St Catherine's College, OX1 3UJ	26	86
St Edmund Hall, OX1 4AR	44	98
St Hilda's College, OX4 1DY	43	91
St Hugh's College, OX2 6LE	54	97
St John's College, OX1 3JP	1	7
St Peter's College, OX1 2DL	26	92
St Stephen's House, OX4 1JX	7	14
Trinity College, OX1 3BH	54	94
University College, OX1 4BH	58	83
Wadham College, OX1 3PN	62	107
Wolfson College, OX2 6UD	31	152
Worcester College, OX1 2HB	61	115
Associated Participating Employers Total Membership	**1,598**	**3,866**

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2021 continued

Former Associated Participating Employers:	**Defined Benefits Former Members and Pensioners**
Associated Examining Board	5
Chapter House Shop	2
Local Examinations Syndicate	24
Oxford & Cambridge Examinations Board	10
Oxford Colleges Admissions Office	12
Oxford University Endowment Management	1
Oxford University Rugby Club	1
Somerville College	1
St Mary's Church	1
University of Cambridge Local Examinations Syndicate	58
Voltaire Foundation	1
William Osler House	2
Former Associated Participating Employers Total Membership:	**118**

Notes:

1. Statistics for Magdalen College includes employees of The Oxford Science Park Limited (formerly Magdalen Development Company Limited), a wholly-owned subsidiary of the College.
2. Statistics for New College includes employees of New College School, a department of the College.
3. Statistics in respect of former members include only those former members who have an entitlement to benefits under the Scheme.
4. The Principal Employer, the University of Oxford, had 1,674 active members and 6,980 former members and pensioners in the defined benefit section at 31st March 2021.

Employer and Post Code	Defined Contribution Section	
	Active members	Former Members
Balliol College, OX1 3BJ	48	13
Brasenose College, OX1 4AJ	24	7
Christ Church, OX1 1DP	74	44
Corpus Christi College, OX1 4JF	22	4
Exeter College, OX1 3DP	32	17
Green Templeton College, OX2 6HG	14	5
Green Templeton Services Limited, OX2 6HG	0	0
Hertford College, OX1 3BW	40	21
Jesus College, OX1 3DW	27	15
Keble College, OX1 3PG	34	32
Lady Margaret Hall, OX2 6QA	41	14
Linacre College, OX1 3JA	11	5
Lincoln College, OX1 3DR	35	19
Magdalen College, OX1 4AU	43	17
Mansfield College, OX1 3TF	36	16
Merton College, OX1 4JD	41	21
New College, OX1 3BN	43	15
North Oxford College Shared Services Limited, OX2 6JF	1	0
Nuffield College, OX1 1NF	15	8
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	0	0
Oxford Centre for Islamic Studies, OX1 2AR	0	0
Oxford Limited, OX1 4BW	1	23
Oxford Said Business School Ltd, OX1 1HP	26	23
Oxford University Innovation Limited, OX2 0JB	0	0
Oxford University Students Union, OX1 2BX	22	26
Pembroke College, OX1 1DW	35	14
The Queen’s College, OX1 4AW	31	5
Regent’s Park College, OX1 2LB	12	2
Rhodes House (The Rhodes Trust), OX1 3RG	3	0
Ruskin College, OX8 9BZ	19	10
St Anne’s College, OX2 6HS	29	9
St Antony’s College, OX2 6JF	24	14
St Catherine’s College, OX1 3UJ	46	24
St Edmund Hall, OX1 4AR	15	12
St Hilda’s College, OX4 1DY	17	6
St Hugh’s College, OX2 6LE	21	0
St John’s College, OX1 3JP	1	2
St Peter’s College, OX1 2DL	22	11
St Stephen’s House, OX4 1JX	5	2
Trinity College, OX1 3BH	27	6
University College, OX1 4BH	42	47
Wadham College, OX1 3PN	34	22
Wolfson College, OX2 6UD	28	18
Worcester College, OX1 2HB	17	11
Associated Participating Employers Total Membership	**1,058**	**560**

Notes:

1. Statistics for Magdalen College includes employees of The Oxford Science Park Limited (formerly Magdalen Development Company Limited), a wholly-owned subsidiary of the College.
2. Statistics for New College includes employees of New College School, a department of the College.
3. Statistics in respect of former members include only those former members who have an entitlement to benefits under the Scheme.
4. The Principal Employer, the University of Oxford, had 1,535 active members and 836 former members and pensioners in the defined contribution section at 31st March 2021.

5. SCHEME MEMBERSHIP STATISTICS

DB section

		At 31st March 2021	At 31st March 2020
Active Members:			
At Start of Year:		**3,570**	**4,113**
Plus:	New Entrants	3	5
Less:	Deaths in Service	(7)	(8)
	Leavers taking Refund or Transfer	-	(8)
	Leavers with Preserved Benefits	(185)	(421)
	Undecided Leavers	-	(28)
	Retirements	(109)	(83)
At End of Year:		**3,272**	**3,570**
Former Members with Preserved Benefits (including Undecided Leavers):			
At Start of Year:		**6,602**	**6,389**
Plus:	Leavers with Preserved Benefits	185	421
	Undecided Leavers	-	28
Less:	Transfers Out	(26)	(109)
	Deaths in Deferment	(12)	(6)
	Retirement	(95)	(96)
	Undecided leaver refunds	(3)	(25)
At End of Year:		**6,651**	**6,602**
Pensions in Payment:			
At Start of Year:		**4,203**	**4,073**
Plus:	Retirements from active membership	109	83
	Retirements from deferment	95	96
	New dependant's pensions	54	57
Less:	Commutations at retirement	(11)	(5)
	Deaths of pensioners	(135)	(96)
	Cessations of child's pensions	(2)	(5)
At End of Year:		**4,313**	**4,203**
Total at End of Year		**14,236**	**14,375**

Of the 4,313 pensioners at 31 March 2021, 571 are dependants of deceased members.

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

DC section

		At 31st March 2021	At 31st March 2020
Active Members:			
At Start of Year:		**2,526**	**1,644**
Plus:	New Entrants	571	1,444
Less:	Deaths in Service	(1)	-
	Leavers with Preserved Benefits	(502)	(557)
	Retirements	-	(2)
	Adjustments in respect of late opt-outs	(1)	(3)
At End of Year:		**2,593**	**2,526**
Former Members with Preserved Benefits:			
At Start of Year:		**949**	**418**
Plus:	Leavers with Preserved Benefits	502	557
Less:	Transfers Out	(32)	(13)
	Deaths in Deferment	-	(1)
	Retirement	(15)	(10)
	Adjustments in respect of duplicate records	(8)	(2)
At End of Year:		**1,396**	**949**
Total at End of Year		**3,989**	**3,475**

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

6. FINANCIAL STATEMENTS

6A. FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2021

	Notes	2020/21 DB section £000	2020/21 DC section £000	2020/21 Total £000	2019/20 £000
Contributions and Benefits					
Employee Contributions		2,674	840	**3,514**	3,501
Employer Contributions		24,620	5,829	**30,449**	30,072
Total Contributions	5	27,294	6,669	**33,963**	33,573
Transfers In	6	-	238	**238**	650
		27,294	6,907	**34,201**	34,223
Benefits Payable	7	(22,250)	(141)	**(22,391)**	(20,160)
Payments to and on Account of Leavers	8	(558)	(272)	**(830)**	(1,710)
Administrative Expenses	9	(1,541)	(225)	**(1,766)**	(1,686)
		(24,349)	(638)	**(24,987)**	(23,556)
Net Additions from dealings with members		2,945	6,269	**9,214**	10,667
Returns on Investments					
Investment Income	10	6,947	-	**6,947**	5,662
Investment Management Expenses	11	(2,091)	(132)	**(2,223)**	(274)
Change in Market Value of Investments	12	175,736	1,988	**177,724**	(19,509)
Net Return on Investments		180,592	1,856	**182,448**	(14,121)
Net increase/(decrease) in fund during the year		183,537	8,125	**191,662**	(3,454)
Net Assets of the Scheme					
At end of previous year		729,665	7,722	**737,387**	740,841
At end of year		913,202	15,847	**929,049**	737,387

The notes on pages 52 to 71 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6B. STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31ST MARCH 2021

		2020/21			
	Notes	DB section £000	DC section £000	Total £000	2019/20 £000
Investments					
Pooled Investment Vehicles	12	852,284	14,698	**866,982**	686,623
Private Equity	12	36,814	-	**36,814**	34,700
Money Purchase Investments	12	2,343	-	**2,343**	2,205
Cash Deposits	12	19,820	-	**19,820**	11,049
Other Investment Balances	12	3,115	502	**3,617**	1,265
		914,376	15,200	**929,576**	735,842
AVC Investment	12	169	-	**169**	202
Total Investment Assets		914,545	15,200	**929,745**	736,044
Current Assets	13	1,886	1,504	**3,390**	3,786
Current Liabilities	14	(3,229)	(857)	**(4,086)**	(2,443)
Net Assets of the Scheme		913,202	15,847	**929,049**	737,387

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 2021. The actuarial position of the Scheme, which does take account of such obligations, is dealt with by the Report on Actuarial Liabilities on pages 84 to 85 and these Financial Statements should be read in conjunction with this.

The Financial Statements were approved by the Trustee on 25/10/2021 and signed on behalf of the Trustee by:

Director: JCole

Director: J.N. Sykes

The notes on pages 52 to 71 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6C. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021

Note 1. Basis of preparation

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP) (Revised 2018).

Under the Pension Statement of Recommended Practice, a going concern basis is assumed unless a decision has been made to wind up the Scheme or an event triggering its wind up has occurred. As no such event has occurred or is currently anticipated, these financial statements have been prepared on a going concern basis. In line with best practice, the Trustee has considered the extent to which the current economic climate, including the impact of the COVID-19 pandemic and Brexit, might present a risk of the Scheme continuing as a going concern. The Trustee has reviewed the information made available to them from the Principal and Participating Employers and do not currently anticipate an event that would trigger the wind up of the Scheme in the next 12 months.

Note 2. Identification of the financial statements

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

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

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

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

Note 4. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

Note 5. Contributions

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

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

Members' and Employers' Ordinary Contributions were paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 28 April 2017 and 19 June 2020. During the period of this report, employers contributed at the rate of 19.0% of active members' pensionable salaries. For the period from 1 April to 18 June 2020 the Employers' contribution rates for active DB Section members included 1.7% for the deficit recovery, and for the DC Section included 11.15% for Tier 1 members, 9.15% for Tier 2 members and 7.15% for Tier 3 Members for the deficit recovery. From 19 June 2020, the Employers' contribution rates for the DC Section included 11.30% for Tier 1 members, 9.30% for Tier 2 members and 7.30% for Tier 3 Members for the deficit recovery. Active members in the DB Section contributed 6.6% of pensionable salary in the Lower Cost Plan, 8.0% of pensionable salary in the Standard Cost Plan and 9.6% of pensionable salary in Higher Cost Plan members.

For active members in the DC Section members contributed 4.0% of pensionable salary in Tier 1, Members 6.0% of pensionable salary in Tier 2 and Members 8.0% of pensionable salary in Tier 3. A new Schedule of Contributions was certified by the Scheme Actuary on 19 June 2020 and this is included in section 9B.

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

Note 6. Transfers In

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

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

Note 7. Benefits Payable

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

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

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

Note 8. Payments to and on Account of Leavers

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

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

Note 9. Administrative Expenses

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

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

Note 10. Investment Income

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

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

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

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

Note 11. Investment Management Expenses

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

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

The investment fee rebate of £425,165 (2019-20: £339,753) covers a reduction in standard investment charges deducted from a pooled fund investment.

Note 12. Investment Assets

(a) Asset Reconciliation

	Value At 01/04/20 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value At 31/03/21 £000
DB Section					
Pooled Investment Vehicles	679,632	80,328	(81,191)	173,515	**852,284**
Private Equity	34,700	2,197	(2,166)	2,083	**36,814**
Money Purchase Investments (Insurance policies)	2,205	-	(146)	284	**2,343**
AVC Investment	202	21	(63)	9	**169**
	716,739	82,546	(83,566)	175,891	**891,610**
Cash Deposits	11,049			(155)	**19,820**
Other Investment Balances	805			-	**3,115**
Total	728,593			175,736	**914,545**

	Value At 01/04/20 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value At 31/03/21 £000
DC Section					
Pooled Investment Vehicles	6,991	6,015	(296)	1,988	**14,698**
	6,991	6,015	(296)	1,988	**14,698**
Other Investment Balances	460			-	**502**
Total	7,451			1,988	**15,200**

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

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

	At 31/03/2021 £000	At 31/03/2020 £000
Members	**14,698**	6,991
Trustee	**-**	-
	14,698	6,991

(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 2021 (2020: nil) Indirect transaction costs are borne by the Scheme in relation to transactions within pooled investment vehicles. Such costs are not separately provided to the Scheme.

(c) Concentration of Investments

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

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

	At 31/03/2021		At 31/03/2020	
	£000	%	£000	%
SSgA Managed Pension Fund:				
Fundamental Index Global Equity Units	105,928	11.4	73,593	10.1
All World Developed Equity Index Units	67,395	7.3	65,810	9.0
UK Over 5 years Index Linked Gilts Units	96,537	10.4	94,091	12.9
Columbia Threadneedle Portfolio Services Ltd:				
Threadneedle Property Unit Trust Units	62,252	6.7	60,981	8.4
Generation Investment Management LLP:				
Generation IM Global Equity Fund	78,787	8.5	52,742	7.2
M&G Investment Management:				
M&G Inflation Opportunities Fund	84,425	9.1	79,881	10.9
M&G Illiquid Credit Opportunities Fund	79,908	8.6	-	-
Acadian Asset Management LLC:				
Global Managed Volatility Equity UCITS	55,664	6.0	49,039	6.7
Baillie Gifford & Co. Limited:				
LTGG Investment Fund	105,021	11.3	57,195	7.8

(d) Self Investment

The Scheme has no direct investments in the University or any of the Associated Participating Employers. Other than as a result of late payment of contributions, there was no other employer related investment at any time during the year or at the year end (2020: nil). During the year, there was one instance of late payment of contributions which was one day late, with a total value of £29,564, which represents 0.1% of contributions payable under the Schedule of Contributions.

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

(e) Money Purchase Assets

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

(f) AVC Investments

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

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

(g) Pooled Investment Vehicles

	At 31/03/2021 £000	At 31/03/2020 £000
DB Section		
Equities	**412,796**	298,378
Bonds	**223,062**	213,172
Property	**62,295**	61,023
Illiquid credit	**79,908**	-
Diversified growth funds	**-**	26,406
Emerging markets	**73,074**	44,513
Cash	**1,149**	36,140
	852,284	679,632
DC Section		
Pathway Funds	**14,698**	6,991

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 2021 and 31st March 2020 (approximately £3,066,700 as at 31st March 2021 and £3,185,700 at 31st March 2020). 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 2021, in which the value of the assets of the partnership are stated at cost less any permanent diminution in the value of specific assets. There may therefore be unrealised gains not included in the Financial Statements of the Scheme. These private equity funds are illiquid.

The total commitment of the Scheme to DIF Infrastructure V includes a total investment of €55,000,000 (approximately £46,851,800 as at 31 March 2021 and £48,670,300 as at 31 March 2020), of which €19,518,080 (€20,382,515 as at 31 March 2020) (approximately £16,626,500 as at 31 March 2021 and £18,015,600 as at 31 March 2020) remains to be drawn down against this commitment.

(i) Other Capital Commitments

During December 2020, the Trustee finalised a commitment of EUR 75,000,000 to Copenhagen Infrastructure IV Fund and a £50,000,000 commitment to Ares Capital Europe V Fund. The first capital calls from each Fund have been issued by each manager post Scheme year-end.

(j) Other Investments Balances

Other investment balances for the DB Section are €1,377,512 (£1,174,662) to be invested in DIF Infrastructure V on 1 April 2021, accrued distributions from investments of £1,941,364 (2020: £802,470) and March 2021 contributions, invested post year-end, of £1,916 (2020: £2,300). Other investment balances for the DC Section relates to March 2021 contributions of £502,103, which were invested after the year end.

(k) Other Investments Notes

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

(l) 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 2021 (£m)**	**Value at 31 March 2020 (£m)**
	Credit risk	Currency	Interest rate	Other price		
UK equities	○	○	○	●	15.2	12.9
Overseas equities	○	●	○	●	470.7	330.0
Index-linked gilts	○	○	●	○	96.6	94.1
Corporate bonds	●	○	●	◐	42.1	39.2
Inflation opportunities	●	○	●	●	84.4	79.9
Property	○	◐	○	●	62.3	61.0
Illiquid Credit	●	○	●	●	79.9	-
Private equity	○	●	◐	●	36.8	34.7
Diversified growth	◐	◐	◐	●	-	26.4
Cash	●	○	●	○	21.0	47.2

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) Fair Value Determination

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

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

For the purpose of this analysis:

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

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

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

On 24 March 2020 dealing was temporarily suspended in Threadneedle Property Unit Trust. This decision followed notification from the Fund’s independent valuer that they were unable to value the Fund’s assets with certainty in the current exceptional market environment. As a consequence, the Fund had been moved from Level 2 to Level 3 at 31 March 2020. This suspension was lifted on 1 September 2020 and the Fund has been moved back to Level 2 at 31 March 2021.

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

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

(m) Fair Value determination (continued)

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

Note 13. Current Assets

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

	2019/20 DB section £000	DC section £000	Total £000
Debtors and Prepayments:			
Contributions due in respect of Members	124	40	**164**
Contributions due from Employers	1,547	369	**1,916**
Benefits in advance	-	-	**-**
Other debtors	59	6	**65**
Total Debtors	1,730	415	**2,145**
Cash Balances:			
Bank account	1,251	390	**1,641**
Total Current Assets	2,981	805	**3,786**

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

Note 14. Current Liabilities

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

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

Note 15. Related Party Transactions

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

The Scheme makes use of the University's payroll and accounting systems to pay members' pensions and certain of the Scheme's operational expenses. At the year end, the Scheme owed the University £348,135 (2020: £63,798); this amount comprised contributions due in respect of March 2021 of £1,477,023 (2020: £1,550,237), less the pension payroll cost for March 2021 of £1,445,852 (2020: £1,371,236) and less expenses of £379,306 (2020: £242,799). At the year end, the Associated Participating Employers owed the scheme contributions in respect of March 2021 totalling £459,122 (2020: £530,589).

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

Mr J. N. Sykes received an annual fee of £15,574 (2020:£14,528) from the Scheme in respect of services as Chair. Mr N. C. Standen received a fee for his services as an independent Trustee Director of £4,000 (2019: £4,000).

Several of the Trustee Directors incurred expenses during the course of the year, primarily in respect of training courses and travel to meetings. These expenses were reimbursed from the Scheme. Total expenses reimbursed for the year amounted to £37 (2020: £511).

Note 16. Contingent Asset

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

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

The agreement formalising the contingent asset was executed on 22nd September 2009. The contingent asset takes the form of a floating charge on certain of the University’s assets specified in a reserve set up in the University’s accounts. The reserve comprised a list of property and cash, the total value of which as at 31st July 2016 was certified by the University, based an independent chartered surveyor valuation as at 31st July 2016, to be in excess of £100m. The Trustee considered the value to remain in excess of £100m as at 31st March 2021.

Note 17. GMP Equalisation

It has been confirmed with the Actuary that the impact of GMP equalisation on the liabilities of the Scheme is not expected to be material. This is partly because the Scheme was only contracted out from 6 April 1995 and also due to the fact that a member’s entire pension gets the same increases in deferment and payment meaning that for most members the amount of GMP has little or no impact on the benefits payable. The liabilities will be accounted for in the year they are determined. A further judgement, released in November 2020, provided clarity regarding the requirement for pension scheme trustees to reflect GMP equalisation within historic transfers. The additional liabilities arising from the latest judgement are not expected to be material and will be accounted for when determined.

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

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

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

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

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

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

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

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

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

8. INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the University of Oxford Staff Pension Scheme (the 'Scheme') for the year ended 31 March 2021, 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 2021, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Trustee for the financial statements

As explained more fully in the Statement of Trustee's responsibilities set out on page 72, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

- Our audit procedures involved journal entry testing, with a focus on large manual journals to unusual account codes including:
  - manual journals and transactions with unusual account combinations such as those between the Fund Account and the Statement of Net Assets; and
  - testing journals and transactions posted to suspense accounts.

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

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

Use of our report

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes

Date: 25/10/2021

9. COMPLIANCE

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

9A.1. SCHEDULE OF CONTRIBUTIONS

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

Introduction

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

Participating employers

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

Employer contributions payable in respect of Members of the DB Section

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

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

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

Employee contributions payable in respect of Members of the DB Section

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

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

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

Contributions payable in respect of Members of the DC Section

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

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

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

These amounts do not include members' Additional Voluntary Contributions.

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

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

The participating employers will ensure that the Trustee receives:

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

Salary sacrifice

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

Signed on behalf of the Directors of OSPS Trustee Limited

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

Signed on behalf of the University of Oxford

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

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

9. COMPLIANCE

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

9A.2. RECOVERY PLAN

The University of Oxford Staff Pension Scheme (the Scheme)

Recovery Plan

Introduction

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

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

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

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

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

Period in which the statutory funding objective should be met

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

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

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

Signed on behalf of the Directors of OSPS Trustee Limited

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

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

Signed on behalf of the University of Oxford

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

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

9. COMPLIANCE

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

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

The University of Oxford Staff Pension Scheme

Certification of Schedule of Contributions

Adequacy of rates of contributions

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

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

Adherence to statement of funding principles

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

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

Signature

J.M. Harvey.

Date

19 June 2020

Name

J M Harvey

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

1 Redcliff Street
Bristol
BS1 6NP

Name of employer

Aon

9. COMPLIANCE

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

9B.2. CERTIFICATION OF TECHNICAL PROVISIONS

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

University of Oxford Staff Pension Scheme

Calculation of technical provisions

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

J.M. Harvey.

J M Harvey
Fellow of the Institute and Faculty of Actuaries

19 June 2020
Aon

9. COMPLIANCE

9C. REPORT ON ACTUARIAL LIABILITIES

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

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

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

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

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

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

Significant actuarial assumptions include:

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

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

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

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

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

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

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

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

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

9D. Statement of Investment Principles

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

Introduction

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

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

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

Effective Date

This SIP is effective from June 2021

1. Strategy

Investment Objective

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

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

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

Investment Strategy

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

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

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

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

Default Investment Arrangement

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

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

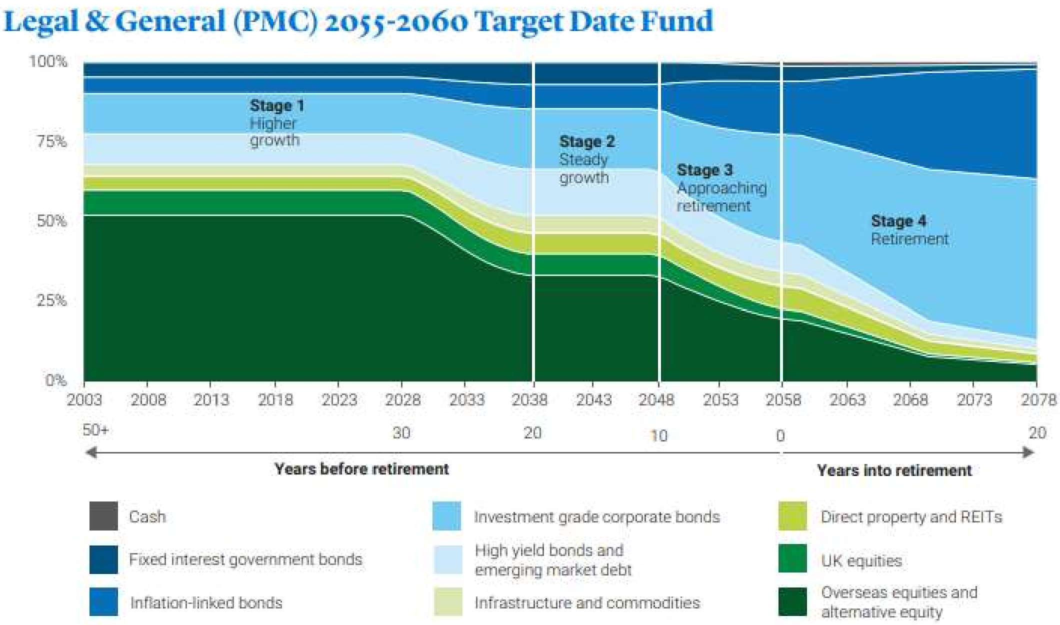
The Trustee's policies in relation to the default investment arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out elsewhere in this document.

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

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

The aim of the Target Date Funds 3 is to provide opportunity for growth in the early years of investment by investing predominantly in equities initially then adopting a multi-asset approach with a significant allocation to growth assets from c.30 years before retirement date. As retirement approaches, the majority of assets are switched to historically less volatile and lower risk investments with the aim of protecting the value of the accumulated fund.

The chart overleaf shows the structure of the Target Date Fund 3 2055-2060 vintage (note that this chart shows the asset allocation of the Target Date Fund 3 after retirement however members are unable to leave their DC funds invested in the Scheme after they start taking benefits). The asset allocation shown is dynamic and due to evolve over time. Other target date fund vintages may have a different asset allocation to the one shown below.



Source: Legal & General

2. Risks

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

The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

Risks
Risk of not meeting the reasonable expectations of members, bearing in mind members' contribution rates and fund choices.
Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and its investment advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
Risk of the default investment arrangement being unsuitable for some members.
Risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
Risk of the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

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

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

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

3. Governance

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

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

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

4. Implementation

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

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

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

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

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

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

5. General

Direct Investments

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

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

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

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

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

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

Arrangements with asset managers

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

This includes monitoring the extent to which asset managers:

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

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

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

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

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

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

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

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

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

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

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

Environmental, Social and Governance considerations

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

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

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

Stewardship – Voting and Engagement

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

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

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

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

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

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

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

Members' Views and Non-Financial Factors

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

Costs and Transparency

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

Explicit charges

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

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

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

Transaction costs

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

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

Realisation of Investments

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

Investment Adviser

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

Review of SIP

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

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

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

Appendix – Fund Options

Investment fund	■ Investment style	Benchmark	Fee[1]	Investment Characteristics
L&G PMC Target Date Funds 3		Composite	0.45% pa	This Fund provides exposure to a range of different asset classes and the mix of assets within the fund charges over time to reflect the needs of members as they approach their target retirement date.
L&G PMC All-World Equity Index Fund 3	Passive	Global Equities	0.42% pa	To track the performance of the FTSE All-World Index (less withholding tax where applicable) to within +/- 0.5% per annum for two years out of three.
L&G PMC Future World Multi-Asset Fund	Passive	Composite	0.46% pa	The fund will invest in a range of assets which may include equities, bonds, cash and listed infrastructure, private equity and global real estate companies. Exposure to each asset class will primarily be through investing in passively managed funds with the ESG exposure being provided through investments in a range of Future World equity and bond index funds. These funds are constructed and weighted by the index provider based on ESG scoring of eligible constituents. Where an ESG approach is not likely to be feasible or meaningful, the fund will use traditional index funds for asset allocation purposes.
L&G PMC Ethical Global Equity Index Fund	Passive	Global Equities	0.60% pa	To track the sterling total returns of the FTSE4Good Global Equity Index before charges (including re-invested income, less withholding tax) to within +/- 0.5% per annum for two years in three.
L&G PMC HSBC Islamic Global Equity Index Fund	Passive	Global Equities	0.65% pa	The Fund aims to create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors.
L&G PMC All Stocks Index Linked Gilts Index Fund	Passive	UK Index-linked Gilts	0.38% pa	To track the sterling total returns of the FTSE Index-Linked (All Stocks) Index before charges (including re-invested income) to within +/- 0.25% per annum for two years in three.

[1] Fees as at April 2021

Investment fund	■ Investment style	Benchmark	Fee[1]	Investment Characteristics
L&G PMC Retirement Income Multi-Asset Fund		Composite	0.61% pa	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. The Fund invests globally in a range of different asset classes. The Fund invests in both index tracking and actively managed funds.

9E. Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”). The Regulations require that the Trustee produces an annual implementation statement which outlines the following:

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

This document sets out the details, as outlined above and is based on information that has been gathered from the Scheme's investment managers. This Implementation Statement for the University of Oxford Staff Pension Scheme ("the Scheme") has been prepared by the Trustee of the Scheme ("the Trustee") and covers the Scheme year 1 April 2020 to 31 March 2021.

Summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that most of its applicable investment managers were able to disclose strong evidence of voting and engagement activity.

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

Meeting objectives and policies outlined in the SIP

Scheme activity over the year

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

Investment strategy

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

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

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

During the 2019- 2020 Scheme year, the Trustee considered various portfolios that offered a lower return target. During discussions throughout the 2020-2021 Scheme year, there was consensus the Trustee was happy with the current strategic portfolio that targets gilts + 5% p.a. and there was no desire to de-risk further at this stage.

Appointing new managers

The Trustee decided to commit £75m to the M&G illiquid Credit Opportunities Fund IV in February 2020 and the trade was completed in May 2020. Unlike many illiquid funds, the monies were immediately called down by M&G and invested in short-term investments ahead of deployment into the target illiquid portfolio. The monies for the investment were sourced via a full redemption from the BlackRock DGF mandate and a partial redemption from the Scheme's passive equities.

Over the 2020-21 Scheme year the Trustee also agreed to commit monies to a direct lending mandate managed by Ares (£50m) and a renewable infrastructure fund managed by Copenhagen (EUR 75m). The monies are to be gradually called down over time from April 2021 onwards. The Trustee has agreed to fund the initial commitments over 2021 with redemptions from equities. The funding of outstanding commitments thereafter is currently expected to be reviewed on an annual basis.

The main reason for proceeding with each of these investments was that it fits in with the Trustee's wider desire to access suitable illiquid managers.

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

- Utilisation of its investment adviser's manager research team to conduct necessary due diligence
- The return and overall risk of the investment
- The overall liquidity of the Scheme
- Environmental, Social and corporate Governance ("ESG") credentials of the asset classes and the managers

Manager meetings and trainings

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

Quarterly Monitoring Report ("QMR")

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

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

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

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

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

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

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

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

The Trustee undertook an investment strategy review during the scheme year, which considered the suitability of the investment options offered for the current membership (by modelling outcomes for representative members). The default arrangement was retained but the Trustee agreed to make some changes to the self-select fund range as a result of the review. Based on the conclusions reached from the investment strategy review, the Trustee is comfortable that it has met its objective of providing a range of investments suitable for meeting members' long and short-term investment objectives.

Updating the Stewardship Policy

Through training sessions and discussions with advisers throughout the year, the Trustee has been proactive to ensure that the Scheme's Stewardship policy has been appropriately updated in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as cost transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve compliance with the Trustee's Stewardship policy

This has been made available online where it can be accessed by the public.

TCFD

The Scheme is currently progressing towards meeting the requirements as set out as part of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD establishes a set of eleven clear, comparable, and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to improved information and understanding and therefore better-informed decision-making on climate-related financial risks. Aligning the Scheme to the TCFD can be a lengthy process and requires careful planning. The Scheme's investment advisers are currently working with the Trustee to agree an action plan to meet the required deadline, 1 October 2021.

RI policy

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

RI reporting

The Trustee received an RI report from its investment adviser which set out its understanding of the Trustee's key expectations for the Scheme's investment managers as set out in the Policy. Each section of the report aimed to address the various requirements for the managers outlined above as well as providing ESG and UNPRI scores for the managers. A set of actions, including how the Trustee should engage with the investment managers, was provided for the Trustee to consider. The report was initially focussed on the equity managers with the view to broadening the review to the Scheme's other managers over time.

Scheme Stewardship Policy Summary

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

- As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to: 1) Where appropriate, engage with investee companies with the aim of protecting and enhancing the value of assets; and 2) exercise the Trustee's voting rights in relation to the Scheme's assets.
- The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to a number of issues, including stewardship.
- If it is identified that a manager is falling short of required stewardship standards, the Trustee may engage with the manager for more information to ensure and encourage that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Voting and Engagement – Equity Funds and multi-asset funds including equity

Over the year, the Scheme invested in the following equity and multi-asset funds:

Manager	Fund Name
State Street Global Advisors ("SSGA")	World Developed Equity Fund
SSGA	Fundamental Equity Fund
Acadian	Global Equity Fund
Generation	Global Equity Fund
Generation	Asia (ex-Japan) Equity Fund
Baillie Gifford	Long Term Global Growth Fund
Sands Capital ("Sands")	Emerging Market Equity Fund
Legal & General ("LGIM")	Target Date Fund 3 component: World Multi-Asset Fund
LGIM	Target Date Fund 3 component: Retirement Income Multi-Asset Fund
LGIM	Target Date Fund 3 component : Diversified Multi-Factor Equity Fund
LGIM	Global Equity 70:30 Index 3
LGIM	Ethical Global Equity Index 3
The Prudential Assurance Co. Ltd ("Prudential")	Prudential With Profits Investment Accounts

The Scheme's Money Purchase arrangements comprise the DC section which is provided through a bundled arrangement with Legal & General and the Bonus Account and AVC arrangement provided by Prudential.

SSGA

Voting Approach

In order to facilitate SSGA's proxy voting process, SSGA retains Institutional Shareholder Services Inc. ("ISS"). SSGA utilizes ISS's services in three ways:

- As a proxy voting agent
- To apply SSGA's Proxy Voting Guidelines where appropriate
- For providing research and analysis related to general corporate governance issues and specific proxy items.

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

As an extra precaution, the Stewardship team will refer significant issues to SSGA's Proxy Review Committee ("PRC") for a determination of the proxy vote. In addition, other measures are put in place in terms of when and whether or not to refer a proxy vote to the PRC. For instance, the Stewardship team considers whether a material conflict of interest exists between a client of SSGA and those of SSGA or its affiliates.

SSGA votes at over 17,000 meetings on an annual basis and prioritises companies for review based on a number of factors including the size of the holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. This assessment will be used to allocate appropriate time and resources to shareholder meetings and assign specific ballot items of interest.

A list of SSGA's voting records over 2020 are publicly available here: VDS Dashboard (issgovernance.com) . SSGA has also indicated that it is able to provide reports based on significant vote criteria selected by the Trustee (for example their reports can potentially filter all votes on environmental proposals).

SSGA's full Stewardship Report for 2020, including a breakdown of their voting actions at a firm level (i.e. not necessarily specifically in relation to the fund invested in by the Trustee), can be found here:

https://www.ssga.com/library-content/pdfs/asset-stewardship/asset-stewardship-report-2020.pdf

Engagement Policy Summary

SSGA's Stewardship Team has developed an Issuer Engagement Protocol and a framework to increase the transparency of its engagement philosophy, approach and processes. This protocol is designed to communicate the objectives of SSGA's engagement activities and to facilitate a better understanding of preferred terms of engagement with investee companies.

SSGA monitors the percentage of engagements with companies previously identified as requiring proactive discussions and the percentage of unique engagements to ensure that SSGA's activity is aligned with the long-term, risk-based approach to stewardship that is fundamental to SSGA's program.

Engagement Example

In October 2020, at a firm level, SSGA conducted an ESG engagement with Amazon.com, Inc ("Amazon") in respect of the Twitch streaming platform owned by Amazon. For many years, SSGA has engaged with companies that run social media platforms to understand how the platforms manage the unique risks created by its products. During the conversation, SSGA asked how the company manages hateful and violent content on Twitch. The Amazon team committed to engaging with the appropriate teams internally to provide more information. In December 2020, Amazon contacted SSGA to share the update that Twitch implemented guidelines to limit hateful content and harassment on the site, a policy which attracted significant press coverage.

Acadian

Voting Approach

Acadian utilises the services of ISS, to help manage its proxy voting process and to research and vote proxies on behalf of Acadian's clients who have instructed Acadian to vote proxies on its behalf. Unless a client provides a client specific voting criterion to be followed when voting proxies, each vote is made according to predetermined guidelines agreed to between the proxy service firm and Acadian. Acadian believes that utilizing this proxy service firm helps Acadian vote in the best interest of clients and insulates Acadian's voting decisions from any potential conflicts of interest. When voting proxies on behalf of its clients, Acadian assumes a fiduciary responsibility to vote in the clients' best interests. Acadian has adopted and implemented these written policies and procedures to ensure that it votes proxies in the best interest of its clients.

Voting example

In January 2021 Acadian voted against management on a shareholder proposal regarding an independent Board Chair for Walgreens Boots Alliance (Pharmaceuticals). Acadian votes for proposals that would require the positions of chairman and CEO to be held by different persons, unless the company had all of the following: designated lead director, elected by and from the independent board members with clearly delineated duties; two-thirds independent board; the company publicly discloses a comparison of the duties of its independent lead director and its chairman; the company publicly discloses a sufficient explanation of why it chooses not to give the position of chairman to the independent lead director, and instead to combine the chairman and CEO positions; all independent key committees; established governance guidelines. Over 35% of shareholders voted in support of this proposal. Although the vote was not passed, Acadian guidelines functioned as intended and the rationale was sound.

Engagement Policy Summary

Acadian's engagement policy applies across all portfolios. Acadian prioritises engagements that improve competencies in portfolio management and active stewardship. Given Acadian's leadership in the incorporation of ESG issues and active stewardship, Acadian often participates in initiatives that address various ESG themes such as climate change and board diversity. Acadian engages via collaborative, Acadian-led, and third-party led dialogues with approximately 1,000-2,000 companies annually. Acadian engages where it has significant holdings and believes there is an opportunity to improve corporate behaviour on ESG issues. This process aligns with Acadian's commitment to national stewardship codes.

Engagement example

Since 2020 Acadian has engaged with Evolution Mining, Centerra Gold, Royal Gold and Materion. The objective of these engagements was to improve awareness, transparency and performance relating to labour-related risks. Acadian engaged with the gold miners on both issues of climate as well as safety. While existing disclosures were lacking, most companies were able to provide details of the required information and commented that efforts were being taken to build a sustainability team and/or more detailed sustainability reporting. Management commented that Acadian's requests for information were useful to help determine the company's future reporting frameworks.

Generation

Voting Approach

Generation has appointed ISS as its proxy voting agent to provide notice of all company meetings and to ensure Generation's voting instructions are effectively carried out. As part of this process, Generation provides regular portfolio holding updates to ISS and reconciles its records with those held by ISS to ensure the correct numbers of shares are identified for the ballots. Generation uses ISS as its independent voting service provider because of the depth of research it provides. However, Generation does not automatically adopt global proxy voting rules from any third-party service as a default setting.

Voting example – Global Equity Fund

A significant example is when Generation voted in an annual general meeting of Assa Abloy AB (an access solutions company) in April 2020. Generation voted for the resolution to approve a restricted stock plan, which asked to approve a performance share matching plan of a long-term incentive program (LTIP). This vote was with the management but against ISS recommendation. ISS's principal concern is with the lack of disclosure of formal targets which have only been disclosed subsequently. Nevertheless, Generation's assessment of the targets attached to this LTIP and prior plan led it to believe that Assa Abloy AB is sensible, and that management is appropriately incentivised with clear targets in place. Generation therefore has no reason to vote against the proposal.

Voting example – Asia (ex-Japan) Fund

In September 2020 Generation voted against the management of Avenue Supermarts Limited on a proposal to re-elect a director at an annual general meeting. ISS also recommended to vote against this proposal. The rationale behind this vote was that it is a good practice to have non-executive directors as members of key committees including the audit committee.

Engagement Policy Summary

As investors, Generation understands stewardship means using the opportunity it has to engage with companies in which Generation is invested, and voting on its proxy resolutions, to contribute to improving its long-term performance.

Generation prefers to approach engagement constructively. In addition to specific engagements with individual companies, it also engages with all companies on its ‘Focus List’ on topics such as diversity and the climate crisis that we view as material for all companies. In line with Generation’s integrated investment strategy, its investment analysts are responsible for the monitoring of, and engagement with, companies. Generation believes this is beneficial, as the analysts have a thorough understanding of each company and can incorporate insights gained from discussions into its appraisal of the companies

Engagement example (Global Equity Fund)

Generation has been in an ongoing engagement with Acuity Brands (building management company) on gender diversity theme since 2018. At a firm wide level, Generation would like companies to act with more urgency on gender diversity. Generation’s investment team have been engaging with Acuity Brands on gender diversity for over two years. The board used to have only one woman. Generation was pleased to see two women added to the board in 2020 so there are now three female directors and 30% female representation on the board. In addition, two women were appointed to the executive leadership team in 2020, so there are now three female executives in the leadership team and 33% female representation. This is a positive example of the engagement work Generation has conducted in relation to gender diversity.

Engagement example (Asia (ex-Japan) Fund)

Generation has an ongoing engagement with Taiwan Semiconductor Manufacturing Company (“TSMC”) on climate change. The main objective of this engagement was for the company to set Paris-aligned emission reduction targets through the Science Based Targets initiative (SBTi), report in line with the recommendations of the TCFD and set a net zero commitment. TSMC has been a pioneering force in Asia on disclosure and accountability around climate and local environmental impact. For example, it has been disclosing its carbon footprint since 2004.

However, TSMC is a large energy-intensive enterprise, and Generation estimate it consumes c. 5% of the electricity generated in Taiwan. While TSMC has significantly increased its sourcing of renewable energy over the years (to become the largest buyer in Taiwan), it is limited by the rate at which the local electric grid is improving its own renewable energy mix. This makes it difficult for TSMC to commit to the reduction in emissions envisaged by the Paris Agreement. Generation is supporting TSMC as the company considers how to reduce its emissions given the constraints of the Taiwanese grid. In particular, Generation is helping the company consider the possible role of investing in natural climate solutions to compensate for its emissions in a robust and impactful way while continuing to work to procure more local renewable power.

Since the engagement, TSMC has spoken publicly about the need to reach net zero emissions and is building its ESG resources.

Baillie Gifford

Voting Approach

Baillie Gifford's Governance and Sustainability team oversees its voting analysis and execution in conjunction with its investment managers. It utilises research from proxy advisers (ISS and Glass Lewis) for information purposes only and does not delegate or outsource any of its stewardship activities, nor does it follow or rely upon proxy advisers' recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market-specific information.

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

Voting Example

Baillie Gifford voted for a shareholder resolution at Tesla Inc's ("Tesla") annual general meeting in September 2020 to eliminate supermajority voting requirements from Tesla's bylaws and to adopt a simple majority voting standard. It voted in favour if this resolution as it believed it was in the shareholders' best interests. This resolution was deemed significant because it was submitted by shareholders and received greater than 20% support. The resolution was passed.

Engagement Policy Summary

According to its 2020 Governance and Sustainability Principles and Guidelines, Baillie Gifford focuses on stewardship through long-term value creation, board effectiveness, sustainable remuneration targets, fair treatment of stakeholders and longevity of business practices. Baillie Gifford states that the UN Sustainable Development Goals ("SDG") have been central to benchmarking its progress in pursuing ESG considerations.

Baillie Gifford integrates governance and sustainability into its investment process through researching individual companies on their long-term prospects and negative screening/positive selection processes.

As active managers, Baillie Gifford engages through regular meetings with management and board members to monitor performance, with many of these meetings being attended by its Governance and Sustainability team. Baillie Gifford then sets objectives when engaging with these companies and states that its strategy to steer change is through active encouragement and engagement rather than immediate disinvestment. This may take the form of Baillie Gifford approaching the company with its concerns, meetings with management, or voting against management. Baillie Gifford states that disinvestment or a reduction in holdings may occur if the company continues to fall short of ESG friendly practices and goals.

Engagement Example

Baillie Gifford attended Alphabet's quarterly ESG call in June 2020. It submitted several questions ahead of the meeting relating to how the company will respond to shareholder concerns raised at the annual general meeting, particularly on human rights. It also asked about how Google plans to incorporate explainable artificial intelligence across its business which would improve the transparency of its algorithms. The call was hosted by Investor Relations and Google's Head of Sustainability and mainly focused on the social and environmental concerns of shareholders and a commitment was made to having a human rights representative on the next call in September.

Topics addressed during Alphabet's September ESG call with shareholders included:

- Content moderation (positive results from increased artificial intelligence ['AI'} interventions; full details in its now quarterly Transparency Reports),
- Human rights (the company has changed its algorithms following a close review of its approach to hate speech in 2019, while human rights analysis is being embedded as a core part of product development),

- Modern slavery (Google has joined a group of companies led by the Responsible Business Alliance to examine claims of forced labour in its supply chains in China).

Baillie Gifford wishes to dig deeper into such topics and continues to seek closer engagement with management.

Sands

Voting Approach

Sands receives proxy voting research from Glass Lewis, Stakeholders Empowerment Services ("SES") and ISS but does not necessarily vote according to the guidelines provided by these services. Instead, the research is used as an efficient means to collect and organize the proxy issues. Sands monitors the occurrence of shareholders' meetings for the businesses owned in each strategy and obtains and evaluates the proxy-related research and materials relating to the securities being voted.

When a client has delegated proxy voting authority to Sands, the firm determines, prior to the voting deadline, how to vote each proxy proposal based on the firm's analysis of any relevant information and the firm's proxy voting policy. Sands uses ISS to electronically receive proxy ballots, to submit voting instructions, and to record client votes for reporting purposes.

Voting example

In April 2020, Sands voted against the management of Grupo Aeroportuario del Sureste SA, Inc. (Mexican airport operator) on a resolution to elect a director. Given that some of the independent directors are qualified as non-independent by ISS given their tenure, Sands opted to vote against one proposed board member that ISS qualifies as non-independent, and in this case opted to select the shortest tenured of the three board members, and one who appears to hold no other board seats or executive roles elsewhere. While replacing three long-tenured board members can be disruptive, Sands believes a more measured approach to gradually introduce new independent directors is preferable. The Manager also has had no major issues with this board, hence sees no need to vote against multiple members. This vote was passed.

Engagement Policy Summary

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

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

Engagement Example

In September 2020, Sands engaged with Illumina regarding its acquisition of Grail, a company it had spun out in 2016. Sands had several concerns around the deal (valuation, process, possibly insider ownership), and decided to engage the company on the matter to better understand the acquisition. Sands first engaged the CEOs of Illumina and Grail, who laid out their strategic thinking behind the proposed acquisition, and then followed up with two Illumina board members. The engagement allowed Sands to gain some comfort around the transaction given the long-term opportunity for Illumina. Following the closure of the deal, Sands advised the board that it would like the CEO's compensation to be directly tied to the performance of Grail given that it was his decision.

LGIM

Voting Approach

LGIM makes use of ISS's proxy voting platform to vote electronically and also augment its own research and proprietary ESG assessment tools but does not outsource any part of the strategic decisions. LGIM has put in place a custom voting policy with specific instructions that applies to all markets globally and seeks to uphold what LGIM considers to be the minimum best practice standards all companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Voting example

At an Extraordinary General Meeting ("EGM") on 18 September 2020, LGIM voted against the resolution to amend a directors' remuneration policy proposed by Pearson. This resolution sought shareholder approval to grant a co-investment share award (i.e. an incentive plan whereby participants commit significant personal capital and are eligible to receive a 'matching' award from the company that is typically linked to their original investment and the long term performance of the company), an unusual step for a UK company; if this resolution was not passed the proposed new CEO would not take up the role. Many shareholders were keen for the company to appoint a new CEO but were not happy with the plan being proposed. Shareholders were not able to vote separately on the two distinct items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the Chair of the Board earlier in 2020 on the Board's succession plans and progress for the new CEO. LGIM discussed the shortcomings of the company's remuneration policy. LGIM also spoke with the Chair directly before the EGM and relayed its concerns that the performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy

The outcome of the vote was that 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.

The vote was deemed significant on the basis that Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and LGIM's outstanding concerns, this vote was deemed to be significant.

Engagement Policy Summary

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

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

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

Engagement Example

In 2020, following steps by the Brazilian government to loosen environmental protections, LGIM joined a new investor coalition to lobby the Brazilian government to take steps to halt deforestation in the country. The investor coalition sent letters to several Brazilian embassies in Europe and subsequently, a video conference was scheduled with key members of the Brazilian government. At the video conference the investor coalition called on the Brazilian government to commit to achieving a significant reduction in deforestation and to ensure that existing environmental legislation is enforced.

In response to these engagements, the Brazilian government announced a moratorium on setting fires in the Amazon. However, data released in July 2020 shows that the rate of deforestation in the Amazon is increasing. LGIM will watch developments closely and will continue to engage with the food companies in its portfolio with exposure to soy and cattle farming in Brazil to encourage them to root out deforestation from its supply chain.

Going forward, the remit of the investor group will expand to focus lobbying efforts in Southeast Asia.

This engagement was completed at a firm level.

Prudential

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

M&G Voting Approach

M&G uses research provided by the ISS and the Investment Association; and it uses the ProxyEdge platform from the ISS voting platform for managing its proxy activity. M&G provided the following information in relation to determining what constitutes a significant vote: 'M&G has determined its own definition of significant votes following internal discussion and consideration of external guidance." Further details on M&G's voting policy can be found at https://global.mandg.com/~/media/Files/M/MandG-Plc/documents/responsible-investing/stewardship/mandg-voting-policy.pdf

Voting Example

On 7 May 2020, M&G voted in favour of a proposal for Facebook to report on political advertising on Facebook's social media platforms and assess impact on democratic processes. M&G voted against management as it felt shareholders would benefit from increased disclosures to better understand specific risks that Facebook may face as well as broader societal impact in terms of public discourse and democratic processes.

The rationale behind this vote was that while Facebook's view that a private company should not decide what political speech is one point of view, a more in-depth reporting of the broader societal and regulatory risks that a company's primary business may entail, would help shareholders better assess the business and management actions.

For this purpose, M&G defined significant votes as votes it believed may have a material impact on the financial performance of the investment.

Engagement Policy Summary

M&G has adopted the Sustainable Accounting Standards Board ("SASB") framework to structure its research and engagement activity, allowing it to incorporate ESG factors into the investment process for its holdings at all stages. M&G has a question databank of over 600 sector-specific ESG questions, which identify key material risks and themes as identified by both SASB and its own internal experience of the effects of ESG factors on credit and equity positions. This includes 250 climate related questions and incorporates the Transition Pathway Initiative and World Economic Forum Climate Governance guidelines to further build its capability to identify financially material risks on a sector-by-sector basis.

This helps steer M&G's analysts towards asking the right questions of investee companies dependent on their sector and ensures that when there is a potentially material risk, M&G is able to identify and act on it in an efficient way. Engagement cases can then be prioritised allowing its analysts across asset classes to monitor material ESG risks across the capital structure.

Previously, M&G only reported on engagement from an equities perspective, but the Corporate Finance and Stewardship team has more recently begun working closely with M&G's Fixed Income teams to understand their engagement activities, participate in ESG-related engagements and help to coordinate engagements across asset classes where appropriate.

Engagement – Fixed Income & Alternatives

The Scheme is also invested in a number of fixed income and alternative strategies.

While the Trustee acknowledges the ability to engage and influence companies may be less direct then in comparison to equity holdings; from the information received, it is encouraging that the managers are aware and active in their role as a steward of capital.

The following policies and examples demonstrate some of the engagement activity being carried out on behalf of the Scheme over the year.

BlackRock

The Scheme was directly invested the BlackRock UK All Stock Corporate Bond Fund over the year.

BlackRock states that it aims to enhance the long-term value of client assets through its proxy voting and engagement activities. BlackRock's Investment Stewardship team engages with companies in both active and indexed investment strategies, noting the importance of engagement within index-based strategies where divestment is not an option. BlackRock uses engagement as a tool to raise concerns regarding governance and sustainability issues that may affect the long-term performance of the company.

The BlackRock Investment Stewardship Team's ("BIS") stated key engagement priorities include:

- Board quality
- Environmental risks and opportunities
- Corporate strategy and capital allocation
- Compensation that promotes long-termism
- Human capital management.

BlackRock has increased its engagement activity year on year significantly on a variety of key issues, including having over 400 engagements with companies where it discussed the impact of COVID-19. More information can be found in the BlackRock Investment Stewardship Annual Report2020:

https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf

Engagement Example

An example of an engagement by the BlackRock BIS team was that with Exxon, a multi-national oil and gas company. In its discussion with the company, BlackRock discussed several engagement topics such as governance structure, corporate strategy, environmental risks and opportunities. These included questions from the BIS team including, the company's approach to the European regulatory environment, its views on electric vehicle penetration as a risk to its business, and its risk management in relation to physical climate change risks.

BlackRock has stated that its ongoing dialogue has been largely constructive and effective, however there have also been matters where the company wasn't adequately responsive to shareholder feedback. As a result, it voted against the re-election of the lead independent director for the company's lack of progress on climate-related disclosure and supported a shareholder proposal seeking a report on the extreme weather resilience of certain operations. This is consistent with the Manager's view to first engage with companies on its concerns and to subsequently hold directors accountable if those concerns are not sufficiently addressed.

BlackRock anticipates further dialogue with the board and management and remain optimistic that its recommendations to enhance governance and transparency will lead to additional positive future outcomes.

M&G Investments

The Scheme was directly invested in two M&G funds over the year: Inflation Opportunities Fund V and Illiquid Credit Opportunities Fund VII.

A summary of M&Gs engagement policy at a firm level is detailed above.

Engagement example (Inflation Opportunities Fund V)

M&G engaged with an issuer to improve the quality of investor reporting and disclosure which has historically been poor. The objective is to escalate the matter within the issuer to ensure it receives appropriate attention. M&G contacted the CEO to raise this as an important matter for investors. The CEO has been vocal about the business' level of communication with its staff and customers through COVID but accepted that it needed to reflect on investor engagement. M&G provided examples of best practice investor reporting in the airport sector, particularly in state owned airports. The previous CFO has since been replaced and in the light of that M&G engaged once more with the CEO in March 2021, with a request to meet the new CFO and press for an update on new investor reporting plans.

M&G has now established a direct line of communication with the CEO which provides for an escalation route if issues are not being addressed in the future. M&G has a meeting planned with the new CFO who the manager understands has already presented new investor reporting plans to the Finance board-subcommittee.

DIF Infrastructure Fund V

DIF has been a signatory to the PRI since 2011 and has A+ scores for strategy and governance, infrastructure PRI modules. DIF is solely active in private markets and therefore only invests in private/unlisted businesses. So, while public voting policy is not directly relevant, as shareholders DIF intends to take an active approach through high board meeting attendance, involvement in key strategic topics and further engagement opportunities.

As at the third quarter of 2020, DIF states that 16 out of 17 DIF V Investments were covered by ESG Path. The development of an ESG Path is based on a discussion of survey results leading to mutually agreed objectives and action plans for each individual asset. Each asset's ESG Path includes a framework for action with goals, actions, and timeframes; best practices to share with other assets; and a flexible and focused approach that varies based on the maturity of the asset and sector. More information can be found here:

https://www.erm.com/sustainability-report/impact-with-clients/esg-and-sustainable-finance/sustainable-path-forward-at-dif-capital-partners/

DIF also engaged the services of ERM (Environmental Resources Management, a global provider of environmental, health, safety, risk, and social consulting services) to develop the Climate Change Heat Map tool for DIF with the aim of performing a high-level screening of the main physical and transitional climate-related risks which DIF's assets are exposed to. In the context of the ESG enhancement path, the results of the Climate Change Heat Map are used to identify the priority assets for which a detailed risk assessment and mitigation measures needs to be included within its ESG Action Plan.

Threadneedle

The Scheme was directly invested in the Threadneedle AM Threadneedle Property Unit Trust over the year. The manager responded to an engagement questionnaire with firm level engagement information only. The investment adviser is developing an explicitly focussed property asset class engagement questionnaire to encourage managers to provide more detailed examples of stakeholder engagement within the asset class.

Threadneedle focuses its engagement efforts on the more material or contentious issues and the issuers in which it has larger holdings – based on either monetary value or the percentage of outstanding shares. Threadneedle has ongoing engagements with many companies, as well as a number that it speaks to on an ad hoc basis, as issues arise.

Threadneedle actively participates in several investor networks, which complement its approach to engagement. Along with other investors, Threadneedle raises market and issuer-specific environmental, social and governance issues, share insights and best practice.

Threadneedle continues to engage with companies to better understand company's management of financial and non-financial risks and how it generates sustainable long-term returns. Companies' response to and management of Covid-19 will be a core part of this analysis going forward.

Appendix – Voting Statistics

	% resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from
SSGA World Developed Equity Fund	99.8%	10.4%	0.5%
SSGA Fundamental Equity Fund	99.2%	9.8%	1.0%
Acadian Global Equities	91.4%	9.3%	0.3%
Generation Global Equity	100.0%	4.0%	2.8%
Generation Asia (ex-Japan) Equity	100.0%	3.7%	0.3%
Baillie Gifford Long Term Global Growth	100.0%	2.9%	0.0%
Sands Emerging Market Equities	93.7%	5.0%	2.8%
LGIM Retirement Income Multi Asset Fund	99.8%	17.7%	0.6%
LGIM Future World Multi Asset Fund	99.8%	19.0%	0.4%
LGIM Global Equity 70:30 Index Fund	99.9%	15.0%	0.7%
LGIM Ethical Global Equity Fund	99.9%	16.0%	0.3%
Prudential With Profits Investment Account*	*82.0%**	*7.2%**	*0.8%**

*The voting statistics provided by Prudential cover the period from 1 January 2020 to 31 December 2020.