OSPS

University of Oxford Staff Pension Scheme

UNIVERSITY OF OXFORD STAFF PENSION SCHEME

Annual Report & Financial Statements for the year to 31st March 2023

Pension Scheme's Registry Number: 10009029
HMRC Registration Number: 00333061RQ

TRUSTEE'S ANNUAL REPORT

FOR THE YEAR TO 31st MARCH 2023

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 2023 and subsequently. The report includes the audited annual Financial Statements for the Scheme.

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

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

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

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

The registered address of the Scheme is:

University of Oxford Staff Pension Scheme,
University Offices,
Wellington Square,
Oxford OX1 2JD

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

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

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

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

The Scheme's Data Protection registration number is Z6919534.

TRUSTEE'S ANNUAL REPORT FOR THE YEAR TO 31st March 2023

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1. TRUSTEE AND ADVISERS AS AT 31st March 2023

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

Secretary to the Trustee
Pegasus Pensions PLC, 8th Floor, 100 Bishopsgate, London, EC2N 4AG. Note that with effect from 10 October 2023 Pegasus Pensions PLC were replaced by Quantum Actuarial LLP, Cypress House, Pascal Close, St Mellons, Cardiff, CF3 0LW as Secretary to the Trustee.

Actuary
Mr J. Harvey, Aon Solutions UK Limited

Pensions Consultancy Services Provider
Aon Solutions UK Limited

Investment advice and related services
Aon Solutions UK Limited

Defined contribution provider
Legal and General Assurance Society Limited

Investment Managers
Ares Capital Management LLC
Baillie Gifford & Co. Limited
Blackrock Advisors (UK) Ltd
Columbia Threadneedle Portfolio Services Limited
Copenhagen Infrastructure Partners
DIF Management BV
Generation Investment Management LLP
M&G Investment Management Limited
Macquarie Investment Management (UK)
Robeco Institutional Investment Management (appointed October 2023)
Sands Capital Funds Plc (until October 2022)
State Street Global Advisors Limited

Custodian
State Street Bank and Trust Company

Money Purchase AVC Facility Manager
The Prudential Assurance Co. Ltd

Bank
Lloyds Bank plc

Solicitor and Legal Adviser
Burges Salmon LLP

Independent 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 2023.

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 2022. The Actuary's Certification of the Technical Provisions is included on page 102 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 2023 are set out on pages 71 to 92.

This Report and the Financial Statements on pages 71 to 92 were approved by the Trustee on 31st October 2023 and signed on behalf of the Trustee by:

Director: J.N. Sykes

Director: Kevin Valentini

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 members 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 usually manage the Scheme and there is currently one vacancy.

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

After the period covered by this report, the Trustee has reviewed the current MND process and has agreed to appoint future MNDs through the use of a selection panel, rather than by an election. The panel will normally be comprised of the Chair of the Trustee and two serving MNDs whose position is not subject to the selection being conducted.

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 Trustee 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 an exception, a Trustee

Director who is appointed as Chair of the Trustee may serve a term not exceeding four years (if agreed between the Trustee and the University).

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 Trustee Directors independent of the University ('non-affiliated' directors). The University has agreed to ensure that four of the six Trustee Directors appointed by the University and Vice-Chancellor, including the Chair, will be non-affiliated. As a consequence at least two out of the five MNDs should be non-affiliated.

In seeking nominations, consideration is given to the requirement for a majority of trustee directors to be unaffiliated with the University and its subsidiaries.

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 a selection.

2B.3.2. Trustee Directors

On 31st March 2023 the Board comprised:

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

As at the date of this report the Board comprised:

[2]	Mr C. A. H. Alexander	Merton	
[3]	Vacant		
[2]	Professor G. L. Clark	Smith School	(Term extended until END process completed)
[2]	Mr J. K. Clark	Hertford	(Term extended by the Board until non-affiliated END process completed)
[2]	Mr D. Snape	Saïd Business School	
[3]	Ms K. M. M. Kele	Estates Services	(Term extended by the Board until MND process completed)
[3]	Ms L. Savin	Merton	(Term extended by the Board until MND process completed)
[2]	Mr N. Badman	Exeter	

[1]	Mr J. N. Sykes	Independent *(Chair)*	(Term extended to 4 years by agreement between University and Trustee)
[3]	Mr K. Valentine	Chemistry	
[3]	Mrs M. Hauser	Pensioner	(Term extended by the Board until MND process completed)

Under the Trustee's articles of association, the Trustee makes the appointments. In accordance with the Scheme Rules, it does so in accordance with appointments determined by the following bodies:

[1] The Vice-Chancellor of the University
[2] The Council of the University
[3] The MND Selection Panel

2B.4. SCHEME GOVERNANCE

2B.4.1. Compliance and Governance

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

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

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

2B.4.2. Dispute Resolution Procedure

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

2B.4.3. Transfer Values

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

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

2B.5. CHANGES TO SCHEME ADVISERS

There were no changes in advisers during the year.

2B.6. ADMINISTRATION

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

2B.7. CONTINGENT ASSET

Following the completion of the actuarial valuation as at 31st March 2022, which revealed that the Scheme was in surplus relative to its technical provisions, the contingent asset ceased to have effect on 27 June 2023 (the date that the valuation was completed).

2B.8. MASTER TRUST

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

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

2. TRUSTEE'S REPORT TO THE MEMBERS

2C. REVIEW OF THE YEAR

2C.1. TRUSTEE

2C.1.1. Meetings of the Trustee

During the year to 31st March 2023, the Board met formally four times. In addition to regular items it also:

- considered a report prepared by Ernst and Young regarding the strength of the employer covenant
- received training on mortality/longevity and Covid-19, TCFD requirements, DC retirement support and the DB funding regime
- reviewed the Scheme's MND policy and agreed to move from an election process to appointing MNDs by a selection panel
- reviewed the Scheme's ongoing secretarial support
- considered the Employer's response to the valuation as at 31st March 2022.

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

The Trustee has appointed three committees – a Funding and Investment Committee, a DC Committee and a Governance and Operations Committee. These three Committees were implemented following a review of committee structure in February 2022.

The Funding and Investment Committee ("FIC") 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 FIC met six times during the year.

The Governance and Operations Committee ("GOC") 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 GOC is scheduled to meet quarterly. All matters dealt with by the GOC are reported to the next full Board meeting for ratification. The GOC met four times during the year.

The DC Committee ("DCC") deals with the management of the investment of the Scheme's DC assets and DC administration and is scheduled to meet quarterly with any decisions recommended to and ratified at the next full Board meeting. The DCC met four times during the year.

2C.2. SCHEME CHANGES

There were no Scheme changes during the year to 31st March 2023.

2C.3. MEMBERSHIP

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

2C.4. INCREASES TO PENSIONS IN PAYMENT

For benefits built up after 31st December 2012, increases are limited to a maximum of 8% p.a. (5% p.a. for benefits built up after 31st March 2018). New preserved pensions and new pensions in payment receive a proportionate increase.

Percentage increases agreed by the Scheme in the past three years were as below and the increases shown are applied on 1st April each year:

Year	2021	2022	2023
Pre 2012 %	0.80	4.00	11.35
Pre 2018 %	0.80	4.00	8.00
Post 2018 %	0.50	3.10	8.00

The Post-2018 rate for 2023 of 8% includes a discretionary increase as agreed as part of the valuation process. The Trustee and University also intend to amend the Scheme Rules to raise the cap applicable in future to 8.00% for defined benefits built up from 1st April 2018.

2C.5. ACTUARIAL VALUATION

The Actuary carried out the requisite triennial actuarial valuation of the Scheme as at 31st March 2022. The Statement of Funding Principles, the Schedule of Contributions, and the Recovery Plan were agreed on 27th June 2023. The formal Schedule and Recovery Plan are replicated in this report.

The valuation showed that the Scheme had an actuarial surplus as at 31st March 2022 of £46.9 million against liabilities of £914.3 million, giving a funding ratio of 105%. The report showed the ongoing funding of the Scheme could be met by employer contribution rates as follows:

- In respect of DB members, 16.5% of Pensionable Salaries for the future accrual of benefits; and

- In respect of DC members, 10%/12%/14% of Pensionable Salaries into members' Retirement Accounts in relation to 4%/6%/8% Cost Plan Members respectively.

It has also been agreed that (with effect from 1 October 2023) the Scheme will meet its own running costs from the Scheme's assets, including expenses relating to both the DB and DC Sections and the cost of Pension Protection Fund and other statutory levies. The cost of providing ill-health and death-in-service benefits for DC members will also be met from the Scheme's assets. As part of the valuation discussions, it was also agreed that the contribution rates paid by members of the DB Section would be reduced with effect from 1 April 2024, and the 5% pa cap on indexation for benefits accrued from 1 April 2018 increased to 8% pa.

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 2025, the results of which are expected to be agreed and published in 2026.

2C.6. SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR TO 31ST MARCH 2023

The contributions payable to the Scheme during the year to 31st March 2023 by the employers and employees (members) under the Schedule of Contributions were as set out below.

	£000
Contributions	
Ordinary contributions from members:	3,408
from employers:	
Ordinary Contributions	17,498
Members' Salary Exchange	5,999
Deficit Funding	6,520
DC expenses and benefits	1,173
PPF Levy	726
Augmentation	234
Contributions payable under the Schedule of Contributions:	35,558
Other Contributions	
from members:	
Additional Voluntary Contributions	242
Total Contributions receivable as shown in the Financial Statements	35,800

During the year, there were five instances of late payments of contributions, the latest of which was three days late, with a total value of £69,951, which represents 0.2% of contributions payable under the Schedule of Contributions. These amounts constitute employer-related investments for the period over which it was late. The total value of these late contributions was less than 5% of net assets.

2C.7. FINANCIAL REVIEW

The audited Financial Statements provide details of the financial development of the Scheme. A summary of the key points for the year to 31st March 2023 follows:

	£000	£000
Scheme value at 31st March 2022		987,999
Member related income	36,333	
Benefits and expenses	(28,487)	
Net member related income		7,846
Net investment income		11,027
Investment management expenses		(520)
Decrease in market value of investments		(77,800)
Scheme value at 31st March 2023		928,552

2C.8. GMP EQUALISATION

Following the Lloyds Bank Pension Scheme court ruling in October 2018, pension schemes are required to equalise for male and female members any GMP liabilities built up between 17 May 1990 and 6 April 1997.

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

2C.9. MARKET MOVEMENTS

Over the year to 31st March 2023, global financial markets were affected by continued elevated geopolitical tension due to Russia's ongoing invasion of Ukraine and by central banks sharply tightening monetary policy in response to elevated inflationary pressures. Significant volatility in the gilt market following UK's 'mini-budget' in September 2022 impacted pension scheme investment portfolios in general but more specifically relating to the Scheme, the funding position improved substantially due to significant increases in long-term gilt yields, which reduced the value of the Scheme's liabilities proportionately more than assets. As at 31st March 2023, the Scheme's funding level has grown to 105% on the Long Term Funding Target ("LTFT") basis compared to 75.5% as at 31st March 2022. Over the course of the Scheme year, the Trustee took steps to protect the Scheme's funding position against adverse movements in markets by reducing exposure to the riskier growth assets in favour of matching assets, specifically index-linked gilts (which are expected to better match the interest rate and inflation sensitivities of the Scheme's liabilities).

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 ("DB") section and one for the Defined Contribution ("DC") section.

The DB 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 DC 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. The DC SIP was updated in June 2021 to reflect the changes made to the range of self-select funds as part of the triennial investment strategy review.

Copies of the current SIPs can be obtained from the Secretary to the Trustee at the address shown on page 2 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.

Post Scheme year-end, the DB SIP was updated to reflect the change in investment strategy that was agreed in May 2023.

2D.2. INVESTMENT STRATEGY AND ACTIVITY

DB section

The Scheme's asset allocation is considered regularly by the Trustee.

The strategic ranges as at 31st March 2023 for each of the asset classes are set out below, as stated in the October 2020 DB SIP in force at that time.

Asset Class	Strategic Range	Actual
Equity	30% - 50%	21.1%
Property	5% - 15%	7.4%
Illiquid Credit	5% - 15%	14.2%
Other Illiquids	0% - 10%	9.4%
Credit	15% - 25%	11.7%
Matching	10% - 15%	31.4%
Cash	0% - 5%	4.7%

Due to substantial improvements to the Scheme's long term funding level over 2022, the Trustee de-risked the portfolio by making a tactical decision to reduce the allocation to equities from 40% to 25%, via a full redemption from the Sands and State Street (SSgA) equity mandates in October

2022. The proceeds were invested into the matching portfolio. An investment strategy review was commenced in November 2022 and discussed with the University. Following the consultation with the University a revised strategy was agreed in May 2023, which involves an immediate decrease in the allocation to growth assets and increase in the allocation to matching assets, and then further gradual moves in this direction thereafter. The aim is to reduce the level of investment risk in the Scheme and so far as possible protect the current favourable funding position.

Over the second half of 2022, the FIC reviewed the credit allocation within the portfolio and decided to switch the corporate bond allocation, from BlackRock to Robeco. The onboarding of Robeco is now complete. The total of £110 million was invested with Robeco in October 2023.

Post Scheme year-end, the Statement of Investment Principles is being updated to reflect the change in investment strategy. As at 31st March 2023, the equity, credit and matching asset allocations are outside their strategic ranges with respect to the DB SIP in force as at 31st March for the reasons mentioned above.

The allocation above excludes AVC investments and the money purchase assets.

DC section

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

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

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

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

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

Members may also choose from a range of self-select funds. The fund range currently available is:

Investment fund	Investment approach	Asset class	Total expense ratio*
L&G Target Date Fund 3	Active	Multi-asset	0.45% pa
L&G (PMC) All World Equity Index Fund	Passive	Global Equities	0.42% 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 Future World Multi-Asset Fund 3	Active	Multi-asset	0.46% 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

*This is the total explicit annual charge paid by members.

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

The Scheme's growth assets generated negative returns over the Scheme year, reflecting major market volatility, particularly towards the beginning of the year as geopolitical risk took centre stage with Russia invading Ukraine, exacerbating elevated inflation and higher interest rate forecasts. Matching assets were the main driver of the overall -8.6% return over the 1-year period, due to the significant volatility in gilt markets following UK's 'mini-budget' announcement in September 2022 and the various changes to UK's political structure. Over 2022, the Bank of England ("BoE") tightened monetary policy amidst above-target inflation. In Q3 2022, the BoE raised its benchmark interest rate by 100bps to 2.25%, its highest level since 2008 (this has now increased significantly further). This, alongside the rapid and unprecedented bond yield rises in September and October 2022 led to a fall in the value of matching assets. This was offset by a fall in the value of Scheme liabilities, which decreased significantly more than assets, and led to a substantial improvement in the funding level over the year.

The negative returns in the Scheme year were a drag on performance over longer-term periods with the portfolio underperforming relative to the benchmark over the 3 year period.

The value of the Scheme's net assets decreased from £988 million to £929 million during the year to 31st March 2023. The decrease in value, of £59 million, derives from £8.3 million of new money being invested during the year, plus £11 million investment income and other investment balances, less investment management expenses of £0.5 million, plus a decrease in the overall market value of the investments held at 31st March 2023 or acquired during the year of £77.8million.

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

Over the twelve months to 31st March 2023, the Scheme's invested assets achieved a return of -8.6% net of fees, which was 6.3% behind the benchmark return of -2.3% over the same period. This underperformance was mainly due to the Scheme's equity and credit holdings. In particular, the Generation Asia Equities, the M&G Inflation Opportunities and M&G Illiquid Credit Opportunities VII underperformed 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 31st March 2023. The Scheme has marginally underperformed its benchmark over the longer-term periods.

DB Asset Performance

Period	Return on DB Scheme Assets	Benchmark	Relative Performance
Over 3 years	5.7% pa	8.4% pa	-2.7% pa
Over 5 years	4.4% pa	6.0% pa	-1.6% pa

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

DC section Performance

The table below shows the returns on the underlying funds and their benchmark for the 12-month period to 31st March 2023 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	-5.6%	-1.1%	-4.5%
L&G (PMC) 2020 - 2025 Target Date Fund 3	-3.8%	0.4%	-4.3%
L&G (PMC) 2025 - 2030 Target Date Fund 3	-5.7%	-3.6%	-2.1%
L&G (PMC) 2030 - 2035 Target Date Fund 3	-5.4%	-4.4%	-1.0%
L&G (PMC) 2035 - 2040 Target Date Fund 3	-5.1%	-4.6%	-0.6%
L&G (PMC) 2040 - 2045 Target Date Fund 3	-5.1%	-4.5%	-0.6%
L&G (PMC) 2045 - 2050 Target Date Fund 3	-4.1%	-3.6%	-0.5%
L&G (PMC) 2050 - 2055 Target Date Fund 3	-4.1%	-3.6%	-0.6%
L&G (PMC) 2055 - 2060 Target Date Fund 3	-3.5%	-3.2%	-0.3%
L&G (PMC) 2060 - 2065 Target Date Fund 3	-3.5%	-3.3%	-0.2%
L&G (PMC) 2065 – 2070 Target Date Fund 3	-3.5%	-3.3%	-0.2%
L&G (PMC) 2070 – 2075 Target Date Fund 3	-3.5%	-3.3%	-0.2%
L&G (PMC) Ethical Global Equity Index Fund 3	-1.9%	1.0%	-2.9%
L&G (PMC) All World Equity Index 3 Fund 3	-3.4%	-3.3%	-0.1%
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	-25.8%	-26.7%	0.9%
L&G (PMC) Retirement Income Multi-Asset Fund 3	-3.3%	5.8%	-9.1%
L&G (PMC) HSBC Islamic Global Equity Index Fund 3	-5.9%	-2.5%	-3.4%
L&G (PMC) Future World Multi-Asset Fund 3	-5.4%	-4.5%	-1.0%

Market Background

Global equities generated negative returns over the last twelve months, suffering a sharp sell-off over the first six months, as geopolitical risk continued to take centre stage with Russia's ongoing invasion of Ukraine and central banks sharply tightening monetary policy in response to elevated inflationary pressures. However, equity markets recouped more than half of the losses over the last six months of the year as markets felt confident that a deep recession would be avoided, and investor concerns on tighter monetary policy abated.

Significant volatility in the gilt market occurred following the UK's 'mini-budget' in September, affecting many UK schemes using leveraged liability-driven investments (LDI). The resulting collateral calls were met by forced selling of gilts, swaps, and credit. The Bank of England (BoE) subsequently intervened to restore normal market function.

UK prime minister Liz Truss resigned after her forty-nine-day premiership and became the shortest-serving prime minister in Britain's history. Before resigning, Truss sacked chancellor Kwasi Kwarteng. Former chancellor Rishi Sunak was sworn in as the new UK prime minister.

In the US, Silicon Valley Bank (SVB) entered receivership with the Federal Deposit Insurance Corporation (FDIC) on 10 March 2023, with the regulator citing inadequate liquidity and solvency protection. SVB was the 16th largest bank in the US and represents the largest failure of a bank since the Global Financial Crisis. US Treasury Secretary Yellen approved actions that will enable the FDIC to resolve SVB in a way that fully protects all depositors. Shareholders and certain unsecured debt holders were not protected. The Fed also launched a new programme called the "Bank Term Funding Program" which will provide $25 billion of liquidity should banks require it.

Shortly after SVB's demise, investor concerns regarding Credit Suisse accelerated amidst reports that its top shareholder had ruled out further funding. UBS later agreed to buy Credit Suisse for $3.25bn at CHF0.76 per share on 19 March 2023, representing a significant discount to its pre-crisis share price, after Swiss regulators urgently stepped in to broker a deal. The Swiss National Bank has offered a CHF100bn liquidity line as part of the deal and the government will provide a loss guarantee of up to CHF9bn after UBS takes on the first CHF5bn of losses on certain assets. Under the deal's terms, CHF16bn of Credit Suisse's additional tier 1 capital bonds are being written off to zero.

UK prime minister Rishi Sunak and the European Commission President Ursula von der Leyen announced a new post-Brexit deal on Northern Ireland under the "Windsor Framework" on 27 February 2023. The agreement aims to ease trade barriers between Northern Ireland and the rest of the UK. The UK Parliament passed a vote on the deal on 22 March 2023 after Sunak gathered the support of some Democratic Unionist Party and Eurosceptic Tory members of parliament. The UK announced a deal to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership on 31st March 2023, becoming the first nation to join the group since its establishment in 2018. Current members of the group include Australia, Canada, Japan, and Mexico, amongst seven other countries. The UK government estimates that the agreement will increase UK GDP by only around 0.08% in the next 10 years.

Geopolitical tension remained elevated. In June 2022, the European Union (EU) agreed to implement the sixth package of sanctions on Russia. The package includes removing Sberbank, Russia's largest bank, from the SWIFT cross-border payment system and a ban on sea-borne oil purchases from Russia, which is almost two-thirds of Europe's imports from Russia. In September 2022, the Russia-Ukraine conflict escalated after Moscow announced the annexation of four regions in south-eastern Ukraine - Donetsk, Luhansk, Kherson, and Zaporizhzhia. President Vladimir Putin vowed to use "all the means" to defend the annexed territories. The European Union (EU) decided to implement a price cap on seaborne Russian oil while the US imposed sanctions on the governor of Russia's central bank. The US unveiled its plans to impose fresh sanctions on more than 200 entities throughout Europe, Asia, and the Middle East "that are supporting Russia's war effort" in February 2023. Russian President Vladimir Putin announced on 21 February 2023 that Russia would suspend its nuclear weapons treaty with the US and also unveiled its plans to deploy tactical nuclear weapons in Belarus by July in March 2023. Russia cut oil production by 500,000 barrels a day in response to a price cap imposed by Western nations. Elsewhere, the US imposed a ban on five Chinese entities from acquiring US technology and put 28 Chinese groups allegedly in breach of US sanctions on a trade blacklist. In a series of coordinated actions following a G7 meeting in February 2023, the UK also announced sanctions on selected Chinese entities, whilst the EU and Japan finalised similar trade bans. US-China trade tensions saw further escalation as Japan and the

Netherlands entered into a trilateral agreement with the US that restricts exports of chip manufacturing tools to China. The agreement is designed to hinder the Chinese military's ability to develop advanced weapons.

Over the last year, the BoE raised its benchmark interest rate cumulatively by 350bps to 4.25%. The BoE noted that the need for further monetary policy tightening would depend on future evidence concerning the persistence of price pressures. Meanwhile, the BoE became the first major central bank to actively start to unwind quantitative easing as it sold £750mn of government bonds in November 2022. The US Federal Reserve (Fed) increased its benchmark interest rate by 450bps to a range of 4.75%-5%, the highest level since 2007. In Q1 2023, the Federal Open Market Committee (FOMC) dropped its previous warning that "ongoing increases" would be needed to bring soaring inflation under control, instead noting that "some additional policy firming may be appropriate". The European Central Bank (ECB) raised its deposit rates by 350bps to 3.0% over the year, its highest level in 14 years. The ECB announced plans to start shrinking the €5tn of bonds it purchased over the last eight years from March 2023.

US equities were the worst performer over the year, falling 8.5% in local currency terms. Equities sold off sharply in 2022 as elevated inflation and expectations for higher interest rates weighed on the region, leading to the underperformance of sectors such as Information Technology and Consumer Discretionary. Following SVB's collapse in March 2023, investors shrugged off short-lived concerns over the banking sector and priced in a quicker end to the sharpest tightening cycle in recent memory. For a major part of last year, the US dollar exhibited strength due to its status as a safe haven, improving returns in sterling terms.

UK equities were the best-performing equity market over the year, rising 5.6%. Performance was supported the heavy-weighted energy sector as fears over the supply of energy grew as a result of the conflict in Ukraine. The energy sector was the best performer with a return of 22.5%. Economically sensitive sectors outperformed, with the industrials and consumer discretionary sectors returning 9.8% and 9.0% respectively.

Emerging markets (EM) were the second worst-performing market in local currency terms over the last twelve months, falling 6.2%. Increases in interest rates by major central banks and a strong dollar resulted in EM returns lagging other markets. Brazilian (-12.8%) and South Korean (-7.6%) equities underperformed while Chinese (-3.1%) and Indian (-4.2%) equities were among the best performers. Brazil experienced anti-government riots amidst softening economic data whilst Indian markets is the midst of allegations of share price manipulation and fraud at a major conglomerate in the country.

The UK gilt curve rose across all maturities over the year as inflationary concerns drove yields higher. In September 2022, the BoE temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt market after an unexpected expansionary fiscal package was announced. The package increased investor concern over the sustainability of public finances, resulting in a considerable spike in yields. The sharpness of the sell-off was exacerbated by the forced unwinding of LDI positions, as UK pension schemes worked to provide collateral to LDI managers following sharp yield increases. However, in the fourth quarter, yields fell back across the curve following a government U-turn on fiscal policy and Liz Truss' resignation as prime minister. Later, in Q1 2023, the UK nominal gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future but a lower terminal rate thereafter. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 16.3% and index-linked gilts fell by 26.7% over the last twelve months.

Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, widened by 37bps to 167bps. The index declined 10.2% as rising gilt yields and widening spreads outweighed the income yield.
Sterling ended the twelve months 2.6% lower on a trade-weighted basis.

The MSCI UK property index returned -14.7% over the year as capital values depreciated, following sharply higher capitalisation rates over the last year. The income return was 5.0% but the 18.8% decrease in capital values weighed over. The retail, office, and industrials sectors fell 7.8%, 13.2%, and 21.2% respectively.

2D.4. PERFORMANCE MEASUREMENT

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

2D.5. SAFEGUARDING THE ASSETS

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

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

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

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

2D.6. INVESTMENT EXPENSES

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

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

For Defined Contribution members, each fund carries a Fund Management Charge (FMC). This charge is accounted for in the price of the units and is reflected in the value of the members' funds. Members also pay an annual management charge, which is met by cancellation of units.

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

Asset class	Value of assets (£m)	Value of assets (£m)	%
Equity		188.4	22.3
Generation – Global Equities	79.9		
Generation – Asia ex Japan	29.6		
Baillie Gifford – Long Term Global Growth	78.9		
Property		64.8	7.6
Columbia Threadneedle – Property	64.8		
Schroders - Property	0.0		
Illiquid Credit		126.5	14.9
M&G – Illiquid Credit Opportunities	84.1		
Ares – Capital Europe	42.4		
Other Illiquids		85.2	10.0
Macquarie – Infrastructure	1.0		
DIF – Infrastructure	49.4		
Copenhagen – Infrastructure	34.8		
Credit		103.8	12.2
BlackRock – Corporate bonds	35.6		
M&G – Inflation Opportunities	68.2		
Matching		279.8	32.9
State Street – Index-linked Gilts	279.8		
Cash		1.2	0.1
State Street – Sterling liquidity	1.2		
Total		849.7	100.0%

The Scheme holds Schroders CEF II (value at 31st March 2023 - £13,267), 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 2023.

Asset class	At 31st March 2023 Value of assets (£m)	At 31st March 2023 Allocation %	At 31st March 2022 Value of assets (£m)	At 31st March 2022 Allocation %
Equity	**188.35**	**21.1**	**436.89**	**45.3**
Pacific ex-Japan	29.63	3.3	28.87	3.0
Global	158.72	17.8	408.02	42.3
Property	**64.81**	**7.2**	**75.65**	**7.8**
Property	64.81	7.2	75.65	7.8
Illiquid Credit	**126.46**	**14.1**	**105.63**	**11.0**
Illiquid Credit	126.46	14.1	105.63	11.0
Other Illiquids	**85.18**	**9.5**	**67.61**	**7.0**
Infrastructure	85.18	9.5	67.61	7.0
Credit	**103.85**	**11.6**	**130.70**	**13.6**
Corporate Bonds	35.64	4.0	39.72	4.1
Inflation Opportunities	68.21	7.6	90.98	9.5
Matching	**279.84**	**31.2**	**101.20**	**10.5**
Index-linked Gilts	279.84	31.2	101.20	10.5
Cash	**1.18**	**0.1**	**1.15**	**0.1**
Sterling Liquidity	1.18	0.1	1.15	0.1
Other Investments	**2.43**	**0.3**	**2.37**	**0.2**
WPIA[1]	2.28	0.3	2.17	0.2
AVC[2]	0.15	0.0	0.20	0.0
Total Holdings	**852.10**	**95.1**	**921.20**	**95.6**
Cash[3]	40.93	4.6	40.77	4.2
Other Investment balances[4]	2.68	0.3	1.88	0.2
Total Investments	**895.70**	**100.0**	**963.85**	**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. (the bonus account).
2. "AVC" is members' Additional Voluntary Contributions invested with the Prudential Assurance Company.
3. Cash is the sum of cash held by the Investment Managers.
4. "Other Investment Balances" includes accrual of distributions to be re-invested.

The following table shows the distribution of the DC section investments as at 31st March 2023.

Fund	At 31st March 2023		At 31st March 2022	
	Investments (£'000)	**% allocation**	**Investments (£'000)**	**% allocation**
L&G Target Date Fund 3	**31,033**	**99.3**	**22,694**	**99.3**
L&G (PMC) Ethical Global Equity Index Fund 3	**120**	**0.5**	**106**	**0.5**
L&G (PMC) All World Equity Index 3 Fund	**61**	**0.2**	**35**	**0.2**
L&G (PMC) All Stocks Index Linked Gilts Index Fund 3	**11**	**0.0**	**11**	**0.0**
L&G (PMC) Retirement Income Multi-Asset 3	**8**	**0.0**	**-**	**-**
L&G (PMC) HSBC Islamic Global Equity Index Fund 3	**5**	**0.0**	**-**	**-**
L&G (PMC) Future World Multi-Asset Fund 3	**0.5**	**0.0**	**-**	**-**

2D.9. Employer Related Investments

During the year, there were four instances of late payments of contributions, the latest of which was three days late, with a total value of £69,951, which represents 0.2% of contributions payable under the Schedule of Contributions. These amounts constitute employer-related investments for the period over which it was late. The total value of these late contributions was less than 5% of net assets.

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

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

This statement covers the period from 1 April 2022 to 31st March 2023 ("the Scheme Year") and is signed on behalf of the Trustee by the Chair.

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

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

The Trustee established a Defined Contribution Committee ("DCC") to focus on the DC funds held in the Scheme on 9 June 2022. The Scheme has three arrangements providing DC benefits to members:

- The DC section which was opened for new Scheme entrants on 1 October 2017 (value at 31st March 2023, £31,238,074). The assets of the DC section are managed by Legal and General Assurance Society Limited ("L&G") who also administer the DC section (other administration services are provided by the Pensions Office of the University).
- Defined benefit members' additional voluntary contributions ("AVCs") which are invested with Prudential (value as at 31st March 2023, £115,616); and
- The Bonus account in relation to defined benefit members with pensionable service in the Scheme prior to 31 July 1998, held in a With-Profits Investment Account with Prudential (value as at 31st March 2023, £2,279,333).

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

1. 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.

1.1. DC SECTION

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

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

The Trustee is responsible for the DC section's investment governance, which includes setting and monitoring the investment strategy for the default arrangement. Throughout the Scheme Year, the Investment Committee was responsible for setting and monitoring the investment strategy subject to consultation requirements and the approval of the Trustee Board. In future, the Investment Committee will remain responsible for setting the strategy, but the DCC will be responsible for monitoring the performance of the strategy. The DCC has been monitoring the performance of the DC section since it was established in June 2022.

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 included in the Appendix at the end of this statement. 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

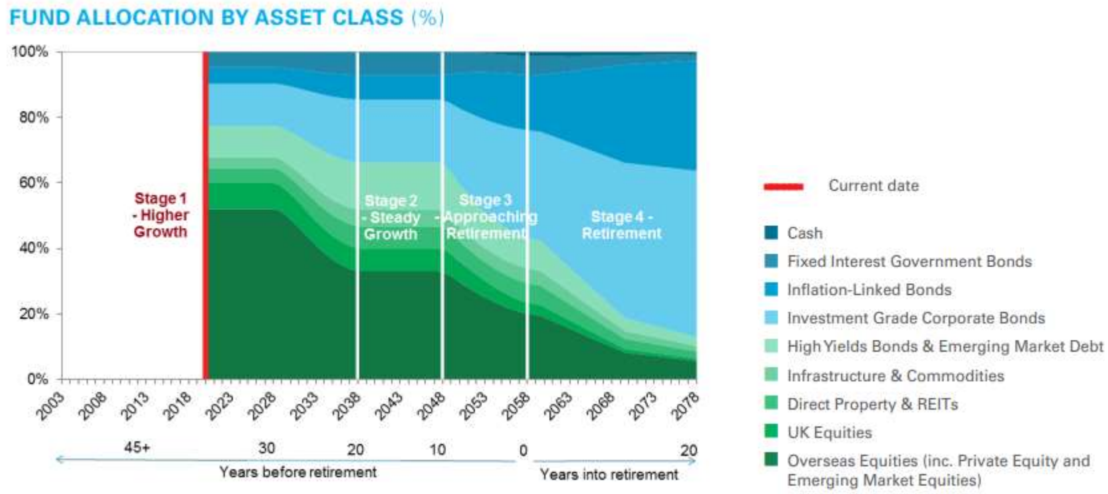
- to hold investments at retirement that do not target a particular benefit but are diversified across primarily ‘lower risk’ asset classes such as cash and investment-grade bonds, whilst also allocating a lesser proportion to ‘higher’ risk assets such as equities, property and alternatives.

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 leave funds invested in the Scheme while taking benefits from those funds.



Source: L&G

Review of the investment strategy and performance of the default arrangement

The Trustee undertakes a formal review of the default arrangement and performance of the default arrangement at least every 3 years. The default arrangement was not formally reviewed during the period covered by this statement.

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

The next formal review is due to take place by 25 March 2024, or immediately following any significant change in investment policy or the membership profile of the Scheme.

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

1.2. AVCs

The AVC arrangements do not have a default arrangement, as defined in the Occupational Pension Scheme (Investment) Regulations 2005 since they relate only to AVCs. Members are required to choose which funds their AVCs are invested in.

1.3. BONUS ACCOUNT

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

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

2. NET INVESTMENT RETURNS

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

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

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

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

2.1. DC section - Default arrangement - Target Date Funds 3

Age of member at the start of the investment reporting period	**Net investment return to 31st March 2023**	
	1 year (%)	**5 years (% p.a.)**
25 (L&G 2060 - 2065 Target Date Fund 3)	-3.5	4.8
45 (L&G 2040 - 2045 Target Date Fund 3)	-5.1	3.8
55 (L&G 2030 - 2035 Target Date Fund 3)	-5.4	3.7

Source: L&G

2.2 DC section - self select investment funds

Fund name	Net investment return to 31st March 2023	
	1 year (%)	5 years (% p.a.)
L&G 2070 - 2075 Target Date Fund 3	-3.5	Not available
L&G 2065 - 2070 Target Date Fund 3	-3.5	4.8
L&G 2060 - 2065 Target Date Fund 3	-3.5	4.8
L&G 2055 - 2060 Target Date Fund 3	-3.5	4.8
L&G 2050 - 2055 Target Date Fund 3	-3.5	5.0
L&G 2045 - 2050 Target Date Fund 3	-4.1	4.6
L&G 2040 - 2045 Target Date Fund 3	-5.1	3.8
L&G 2035 - 2040 Target Date Fund 3	-5.1	3.8
L&G 2030 - 2035 Target Date Fund 3	-5.4	3.7
L&G 2025 - 2030 Target Date Fund 3	-5.7	3.3
L&G 2020 - 2025 Target Date Fund 3	-3.8	2.6
L&G 2015 - 2020 Target Date Fund 3	-5.6	1.3
L&G Future World Multi-Asset Fund 3	-5.4	Not available
L&G Global Equity (70:30) Index Fund 3[1]	0.9	6.6
L&G Ethical Global Equity Index Fund 3	-1.9	11.8
HSBC Islamic Global Equity Index Fund 3	-5.9	14.8
L&G All Stocks Index Linked Gilts Index Fund 3	-25.8	-3.1
L&G Retirement Income Multi-Asset Fund 3	-3.3	3.5
L&G All World Equity Index 3	-3.4	Not available

Source: L&G

[1] This Fund was removed from the fund range available to members on 20 December 2021, however one member remained invested until 23 January 2023

2.3 AVCs AND BONUS ACCOUNT

Fund	Net investment return to 31st March 2023	
	1 years (%)	5 years (% p.a.)
AVCs		
Prudential Cash Fund	1.4	0.1
Prudential Discretionary Fund	-4.2	3.6
Prudential Fixed Interest Fund	-16.2	-3.3
Prudential Global Equity Fund	0.3	4.6
Prudential Index-Linked Fund	-29.9	-4.0
Prudential International Equity Fund	1.7	6.3
Prudential UK Equity Fund	-1.0	3.3
Prudential With Profits Cash Accumulation Fund	1.5	1.2
Bonus Account		
Prudential With Profits Investment Account	2.0	1.7

Source: Prudential

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

3. MEMBER-BORNE CHARGES AND TRANSACTION COSTS

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

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

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

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

The Trustee has taken account of the statutory guidance when compiling the information in this section, other than when determining the representative member for the Bonus account, which uses the mean average (rather than the median) age and fund value. Current fund values have been rounded to the nearest £10.

Except as stated below, all costs and expenses relating to DC benefits (including advisory costs) are borne by the Trustee and are not passed onto members. This includes the fee the Trustee pays to L&G for each new member (currently £120.43 per new member) (increasing in line with the index of Average Weekly Earnings, payable in October each year.

3A.1. DC SECTION

Members of the DC section pay the following charges:

- an administration charge (the annual management charge ("AMC"). This covers the cost of running the members' policy) and is met by cancelling units as shown on members' annual benefit statements or transaction history;

- a fund management charge ("FMC") which covers the cost of managing the fund in which they are invested, including any additional expenses disclosed by the fund manager. This is met by adjusting the unit price of the funds members invest in (so it's not shown separately on the annual benefit statement or transaction history).

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, as described in section 3 above.

Charges and transaction costs are incurred on an ongoing basis.

The table below shows the explicit costs (TER) and implicit costs (transaction costs) on funds available through the DC section as at 31st March 2023. These have been provided by L&G. Transaction costs calculated for L&G funds are for the 12-month period to 31st March 2023. 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	AMC (% p.a.)	FMC (% p.a.)	Transaction costs (% p.a.)	Total costs and charges (% p.a.)
L&G Target Date Funds 3 **(the default arrangement)**	0.3	0.15	0.07-0.14[2]	0.52-0.59[2]
L&G All World Equity Index Fund 3	0.3	0.12	0.07	0.49
L&G Global Equity (70:30) Index Fund 3[3]	0.3	0.10	0.04	0.44
L&G Ethical Global Equity Index Fund 3	0.3	0.30	0.00	0.60
HSBC Islamic Global Equity Index Fund 3	0.3	0.35	0.00	0.65
L&G Future World Multi-Asset Fund 3	0.3	0.16	0.07	0.53
L&G Retirement Income Multi-Asset Fund 3	0.3	0.31	0.15	0.76
L&G All Stocks Index Linked Gilts Index Fund 3	0.3	0.08	0.18	0.56

[2]Depending upon target date range
[3] This Fund was removed from the fund range available to members on 20 December 2021, however one member remained invested until 23 January 2023

To give an example in monetary terms, a member invested in one of the L&G Target Date Funds with a fund value of £1,000 will pay an AMC of £3 a year (paid by cancelling units) plus a FMC of £1.50 a year, paid by adjusting the unit price. The costs of buying and selling assets in the L&G Target Date Funds were between 70p and £1.40 over the year to 31st March 2023. The unit price of the L&G Target Date Funds took account of these transaction costs.

3A.2. AVCs

Members with AVC funds pay an AMC from their unit-linked funds. Some unit-linked funds are subject to additional expenses. For unit-linked funds, the TER is made up of the AMC plus the additional expenses.

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

The table below shows the costs and charges borne by members on their AVCs, which have been provided by Prudential. The TER is as at 31st March 2023. The transaction costs are the most recent available but they cover the twelve month period ending 30 September 2022.

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

As explained above, there is no default arrangement for AVC members.

AVC fund	TER (% p.a.)	Transaction costs (% p.a.)	Total costs (% p.a.)
Prudential Cash Fund	0.55	0.00	0.55
Prudential Discretionary Fund	0.80	0.06	0.86
Prudential Dynamic Growth 1 Fund	0.73	0.00	0.73
Prudential Fixed Interest Fund	0.76	0.15	0.91
Prudential Global Equity Fund	0.77	0.06	0.83
Prudential Index-Linked Fund	0.76	0.00	0.76
Prudential International Equity Fund	0.79	0.01	0.80
Prudential UK Equity Fund	0.76	0.07	0.83
Prudential With Profits Cash Accumulation Fund[4]	1.04 (estimated)	0.20	1.24 (estimated)

[4]Prudential currently estimates the charges on the With Profits Cash Accumulation Fund to be 0.8% p.a. assuming investment returns are 5% p.a. plus additional expenses of 0.24% p.a.

3A.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 With-Profits Investment Account.

The table below shows the estimated charges and the transaction costs borne by Bonus account members. These have been provided by Prudential. The TER is as at 31st March 2023. The transaction costs are the most recent available, but they cover the twelve-month period ending 30 September 2022. Please see section 3A.2 for an explanation of why more recent transaction costs are not available.

As explained above, there is no default arrangement for Bonus account members.

Bonus account	TER (% p.a.)	Transaction costs (% p.a.)	Total costs and charges (% p.a.)
Prudential With Profits Investment Account	0.89[5] (estimated)	0.2	0.99 (estimated)

[5]Prudential currently estimates the charges on the With Profits Investment Account to be 0.65% p.a. plus additional expenses of 0.24% p.a.

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

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

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

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

3B.1. DC SECTION

For the DC section, the Trustee has decided to illustrate four example members, taking account of the recent increase in employer contribution rates as follows:

Example Member	Current Age	Retirement Age	Salary (£ per annum)	Total contribution rate	Current Fund Value (£)
1 – Youngest Active	16	68	19,600	18%	500
2 – Youngest Deferred	16	68	N/A	N/A	100
3 – Median Active	37	68	23,100	18%	3,700
4 – Median Deferred	31	68	N/A	N/A	2,100

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

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

The Trustee has also included illustrations to demonstrate the cumulative effect of costs and charges for the L&G Retirement Income Multi-Asset Fund 3 which has the highest charges and the L&G All World Equity Index Fund 3 which is the fund in the current fund range with the lowest charges, in accordance with the current guidance.

The tables below illustrate the cumulative effect of the costs and charges at different ages on members' projected retirement pots for the example members invested in the relevant L&G Target Date Funds 3, the L&G Retirement Income Multi-Asset Fund 3 and the L&G All World 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 Retirement Income Multi-Asset Fund 3			L&G All World Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
16	£500	£500	£0	£500	£500	£0	£500	£500	£0
20	£15,770	£15,599	£171	£15,551	£15,328	£223	£15,895	£15,752	£143
25	£38,846	£37,896	£950	£37,631	£36,416	£1,215	£39,559	£38,749	£810
30	£67,319	£64,714	£2,605	£63,994	£60,747	£3,247	£69,307	£67,050	£2,257
35	£102,451	£96,968	£5,483	£95,471	£88,821	£6,650	£106,705	£101,881	£4,824
40	£145,799	£135,761	£10,038	£133,055	£121,211	£11,844	£153,718	£144,748	£8,970
45	£199,285	£182,419	£16,866	£177,930	£158,584	£19,346	£212,819	£197,503	£15,316
50	£265,280	£238,536	£26,744	£231,511	£201,704	£29,807	£287,117	£262,429	£24,688
55	£346,710	£306,030	£40,680	£295,486	£251,455	£44,031	£380,520	£342,334	£38,186
60	£447,183	£387,208	£59,975	£371,872	£308,858	£63,014	£497,938	£440,672	£57,266
65	£571,153	£484,843	£86,310	£463,076	£375,089	£87,987	£645,548	£561,697	£83,851
68	£659,050	£552,685	£106,365	£526,086	£419,622	£106,464	£751,758	£647,331	£104,427

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 Retirement Income Multi-Asset Fund 3			L&G All World Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
16	£100	£100	£0	£100	£100	£0	£100	£100	£0
20	£118	£116	£2	£115	£112	£3	£120	£118	£2
25	£146	£139	£7	£138	£129	£9	£151	£145	£6
30	£180	£168	£12	£164	£149	£15	£190	£179	£11
35	£222	£202	£20	£196	£172	£24	£239	£220	£19
40	£274	£243	£31	£234	£199	£35	£300	£271	£29
45	£338	£292	£46	£280	£229	£51	£377	£333	£44
50	£417	£351	£66	£334	£265	£69	£474	£410	£64
55	£515	£422	£93	£399	£305	£94	£596	£505	£91
60	£636	£508	£128	£476	£352	£124	£749	£621	£128
65	£784	£610	£174	£568	£406	£162	£942	£765	£177
68	£890	£682	£208	£632	£443	£189	£1,080	£866	£214

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 Retirement Income Multi-Asset Fund 3			L&G All World Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
37	£3,700	£3,700	£0	£3,700	£3,700	£0	£3,700	£3,700	£0
40	£17,328	£17,162	£166	£17,115	£16,896	£219	£17,450	£17,311	£139
45	£44,231	£43,192	£1,039	£42,902	£41,570	£1,332	£45,009	£44,125	£884
50	£77,425	£74,500	£2,925	£73,691	£70,039	£3,652	£79,655	£77,124	£2,531
55	£118,383	£112,155	£6,228	£110,454	£102,886	£7,568	£123,209	£117,736	£5,473
60	£168,919	£157,444	£11,475	£154,349	£140,785	£13,564	£177,961	£167,718	£10,243
65	£231,275	£211,915	£19,360	£206,758	£184,513	£22,245	£246,793	£229,230	£17,563
68	£275,486	£249,764	£25,722	£242,966	£213,914	£29,052	£296,318	£272,755	£23,563

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 Retirement Income Multi-Asset Fund 3			L&G All World Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
31	£2,100	£2,100	£0	£2,100	£2,100	£0	£2,100	£2,100	£0
35	£2,484	£2,434	£50	£2,420	£2,355	£65	£2,522	£2,479	£43
40	£3,066	£2,928	£138	£2,890	£2,717	£173	£3,170	£3,051	£119
45	£3,782	£3,521	£261	£3,450	£3,135	£315	£3,985	£3,755	£230
50	£4,667	£4,235	£432	£4,119	£3,617	£502	£5,010	£4,622	£388
55	£5,759	£5,094	£665	£4,919	£4,173	£746	£6,299	£5,688	£611
60	£7,105	£6,126	£979	£5,873	£4,815	£1,058	£7,918	£7,000	£918
65	£8,767	£7,368	£1,399	£7,012	£5,555	£1,457	£9,954	£8,615	£1,339
68	£9,945	£8,232	£1,713	£7,799	£6,053	£1,746	£11,419	£9,758	£1,661

3B.2. AVCs

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

Example Member	Current Age	Retirement Age	Contributions (£ per month)	Current fund value (£)
5 – Youngest member paying AVCs	53	65	600	38,000
6 – Youngest member not paying AVCs	58	65	N/A	6,000

In accordance with the guidance, we have produced illustrations to demonstrate the cumulative effect of the above costs and charges for the With Profits Cash Accumulation Fund and the Cash Fund because these are the Funds with the highest and lowest charges respectively.

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

Age	With Profits Cash Accumulation 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
53	£38,000	£38,000	£0	£38,000	£38,000	£0
55	£56,360	£55,320	£1,040	£53,150	£52,670	£480
60	£107,150	£101,210	£5,940	£89,730	£87,290	£2,440
65	£166,780	£151,800	£14,980	£124,720	£119,300	£5,420

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
57	£6,000	£6,000	£0	£6,000	£6,000	£0
60	£6,580	£6,440	£140	£6,150	£6,080	£70
65	£8,270	£7,670	£600	£6,530	£6,290	£240

3B.3. Bonus account

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

Example Member	Current Age	Retirement Age	Current fund value (£)
7 – Youngest Bonus account member	41	65	100
8 – Average Bonus account member	55	65	1,600

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

Age	With Profits Investment Account		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
41	£100	£100	£0
45	£120	£120	£0
50	£150	£140	£10
55	£190	£170	£20
60	£240	£200	£40
65	£300	£240	£60

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

Age	With Profits Investment Account		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
55	£1,600	£1,600	£0
60	£2,010	£1,920	£90
65	£2,530	£2,300	£230

3B.4. ASSUMPTIONS AND DATA FOR ILLUSTRATIONS

All fund values shown are estimates and are not guaranteed.

The effect of charges on fund values is rounded to the nearest £10 for all illustrations.

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

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

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

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

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

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

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

Fund	Total assumed annual charge[6]	Growth rate (gross of charges)
L&G PMC 2070 – 2075 Target Date Fund 3	0.54%	4.4% p.a. above inflation
L&G PMC 2055 – 2060 Target Date Fund 3	0.54%	4.4% p.a. above inflation
L&G All World Equity Index Fund 3	0.46%	4.8% p.a. below inflation
L&G Retirement Income Multi-Asset Fund 3	0.71%	3.7% p.a. above inflation
Prudential With Profits Cash Accumulation Fund (AVCs)	1.14%	7.3% p.a. above inflation
Prudential Cash Fund (AVCs)	0.55%	1.25% p.a. above inflation
Prudential With Profits Investment Account (Bonus account)	0.99%	7.3% p.a. above inflation

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

4. 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.

4.1. 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 Pensions Office reports SLA performance to the Governance and Operations Committee (previously the General Purposes Committee). The Governance and Operations Committee monitored the allocation of contributions based upon the quarterly administration reports provided by L&G until the DCC was established, but the DCC is now responsible for this monitoring.

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 accuracy and timeliness of all core financial transactions. Under the current SLA, L&G aims to complete investment of contributions within 24 hours, and all other core financial transactions within 5 working days.

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

- Use of a standard operating procedure manual (this is a guide which is used by the administration team to ensure that repeat tasks are carried out in the same way each time).
- Quality / in-line checking of tasks by another individual.
- Quality sampling, where a number of cases per process and/or per member of staff are sampled to be checked by more senior or experienced members of staff, who are in turn subject to checks by another team.
- Daily monitoring of bank accounts and daily processing of both contribution files and cash allocation.

L&G processed the majority of core financial transactions within the SLA during the Scheme year. However, it took longer than 5 working days to pay a number of transfer out payments (which brought the average SLA performance for this task down to 92%). L&G has confirmed that the industry-wide focus on pot consolidation had an impact on its Transfers Out team and the number of cases it had to process, which impacted service levels. L&G has also confirmed that transfer out payment tasks returned to expected service levels in June 2023.

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

- As well as processes described above, the Trustee receives quarterly reports from L&G on compliance with agreed standards and timescales to help it monitor that the SLAs of the Pensions Office and L&G are being met;
- L&G attends at least one DCC meeting a year, and maintains regular communication with the Scheme Secretary;

- Receipt of contributions by L&G is reconciled to the funds remitted from the Scheme bank account by the University on behalf of the Trustee;
- All refunds of contributions resulting from individuals opting out are reconciled to the Scheme's bank records prior to returning funds to the relevant Participating Employer;
- As part of master trust authorisation, the Scheme's processes were independently reviewed and this review has been an annual process since then;
- The Trustee reviews L&G's Audit and Assurance Faculty report on an annual basis, and further investigates any exceptions that are considered material.
- The Trustee was presented with proposals from Cyber Resilience experts on how to review and bolster the Scheme's cyber resilience. These proposals were reviewed in September and the Trustee is currently working with the University's internal expert resource on a cyber resilience project.

The Trustee is therefore satisfied that over the period:

- L&G was operating appropriate procedures, checks and controls.
- there have been no material administration errors in relation to processing core financial transactions; and
- L&G was operating within the agreed SLAs the majority of the time; and the majority of core financial transactions have been processed promptly and accurately during the Scheme Year, with appropriate steps being taken to return to improve where this expectation has not been met.

4.2. AVCs and Bonus account

For the AVCs and the Bonus account, transactions are undertaken on the Trustee's behalf by the Pensions Office and Prudential. The Trustee has a SLA in place with the Pensions Office relating to transfers in and transfers out, payment processing, payment of benefits at retirement and contribution processing. These are set out in the table below.

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[7]	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

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

The Trustee receives quarterly reports on performance of the Pensions Office, with any exceptions reported when matters have not been dealt with promptly and accurately. No material issues arose during the Scheme Year to 31st March 2023.

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.

As expected for the size of the AVC arrangement, there were relatively few core financial transactions over this period. These comprised of twelve monthly contribution payments and payment of benefits to one member. The Pensions Office has confirmed these were all processed in a timely manner.

The Trustee is therefore satisfied that over this period:

- The Pensions Office was operating appropriate procedures, checks and controls and operating within the agreed SLAs;
- there have been no material administration errors in relation to processing dis-investments; and
- dis-investments and contribution payments have been processed promptly and accurately during the Scheme Year.

5. VALUE FOR MEMBERS ASSESSMENT

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

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

The costs and charges have been identified as the TER and transaction costs, as set out in section 3 of this statement. The Trustee's assessment concluded that the charges for the DC section are within the range reported by other similar schemes. Benchmarking data for transaction costs is not currently available but L&G typically uses cash flows to manage and minimise transaction costs. The majority of investments in the DC section are index-tracking funds and such funds have lower transaction costs than more actively managed funds, such as the Prudential funds held by AVC members. The Trustee has offered AVC members the opportunity to transfer funds and future contributions to the DC section to take advantage of the lower costs and charges (and other benefits) it provides.

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

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

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

5.1. Governance

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

The Scheme has achieved master trust authorisation and is supervised as a master trust, which includes consideration of its governance processes and structure. As well as the business plan, the Trustee has governance processes in place for the DC section whereby core financial transactions and other key governance factors are monitored quarterly. The establishment of the DC Committee has increased the time spent on DC matters.

The Trustee takes a proportionate approach to governance of the AVCs and Bonus account arrangements, taking account of the number of members and assets under management and the relatively static nature of these arrangements (in terms of fund switches and other core financial transactions). Members who hold AVCs have been offered the opportunity to move these to the DC section to take advantage of the lower charges and additional governance oversight, and an exercise to make members aware of this was undertaken in the 2018/19 Scheme year. A review of the AVC arrangements is undertaken every three years. The last review was completed on 15 November 2022.

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

The Trustee 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.

5.2. 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 each funds' investment objectives on a quarterly basis and assesses the suitability of the default arrangement at least every 3 years.

The investment performance reviews carried out during the Scheme Year for the DC Section identified no major concerns relative to the relevant investment objectives.

The AVC arrangement offers members a range of funds that provide access to the main asset classes and a With Profits Fund and is therefore considered to be capable of meeting members' needs. The review of these arrangements completed on 15 November 2022 raised no concerns over fund performance.

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. Performance of the Bonus account has not been formally reviewed during the Scheme Year. 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 processes it has in place to review and monitor investments are suitable.

5.3. ADMINISTRATION

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

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

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

The Trustee does not have a formal service level agreement in place with Prudential for the AVCs and Bonus account, however Prudential has processes in place to ensure core financial transactions are processed promptly and accurately. When operating 'business as usual' Prudential has target timescales for core financial transactions however it was still operating its service recovery plan throughout much of the Scheme Year, due to the issues caused by the administration system changes Prudential made in late 2020. Following the end of the Scheme Year, Prudential has returned to business as usual service levels.

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

5.4. MEMBER COMMUNICATIONS

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

Member communications remain a key focus area for the DCC.

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.

5.5. RETIREMENT SUPPORT

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

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

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

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

The Trustee's assessment for the year ended 31st March 2023 concluded that the charges and transaction costs borne by members of the DC section, AVCs and Bonus account were in line with other options available in the market and represent good value for members, taking account of the benefits of Scheme membership.

6. 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.

Three new Trustee Directors were appointed during this reporting period. Feedback has been received from the incoming Trustee Directors and this will be taken into account in future induction process.

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

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

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

1. Pensions Act 2021 (Trustee board training – April 2022)
2. Cyber security (Trustee board training – July 2022)
3. DC Retirement Support (Trustee board training – September 2022)

As part of the master trust application process, 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 informs its training needs or the need for additional support and advice. New Trustee Directors must also demonstrate they meet the fit and proper person test as part of the ongoing supervision of the Scheme as a master trust.

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

The Trustee Directors are conversant with key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts, Statement of Investment Principles and Trustee policies and procedures.

Some examples during the Scheme Year which demonstrate the Trustee Directors' knowledge and understanding and familiarity with Scheme documents include:

1. Consideration of the Trust Deed & Rules when reviewing the structure of the Trustee's committees.
2. Consideration of the Trust Deed & Rules and Trustee company documentation when reviewing the policy and procedure relating to member-nominated Trustee Directors.
3. Consideration of existing principles and policies when making decisions in preparation for the additional disclosures required in relation to climate change.
4. Signing off the Trustee Report and Accounts.
5. Reviewing quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience.
6. Reviewing quarterly investment reports to assess fund performance against benchmarks, and funds against overall Scheme aim and objectives, as set out in the SIP.
7. Regular review of policies by rotation under the Scheme's activity plan.
8. During this period, the Trustees undertook a gap analysis to review the entire suite of governance documents to measure compliance with the Pensions Regulator's draft General Code of Practice. Noting that they currently have 100 governance documents and policies, part of this work was looking to simplify the governance documents and then set out a more manageable review cycle. This work is currently ongoing.
9. Consideration of the Trust Deed & Rules and trust law when considering member applications and the application of death benefits

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.

7A. ADDITIONAL REQUIREMENTS FOR RELEVANT MULTI-EMPLOYER SCHEMES

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

The Trustee board currently has six non-affiliated Trustee Directors (including the chair of the Trustee Board) and four affiliated Trustee Directors with one vacancy. Affiliation refers broadly to being employed by an entity providing services to the Scheme. The affiliated Trustee Directors are employees (or recent employees) of the University but none are/were employed in the Pensions Office which provides services to the Trustee or have/had roles involving oversight or direction of the Pensions Office. The non-affiliated Trustee Directors are Mr C. A. H. Alexander, Ms L. Savin, Mr N. Badman, Mrs M. Hauser, Mr J. N. Sykes (Chair), and Mr J. Clark. The non-affiliated Trustee Directors do not work for the University (or any other Scheme service provider) or any of its subsidiaries (nor have they in the five years prior to their appointment as Trustee Directors) and have not received any payment or benefit from the University (or any other Scheme service provider) other than for their role on the Trustee Board. The term lengths of the non-affiliated Trustee Directors comply with Regulation 28 of the Occupational Pension Schemes (Scheme Administration) Regulations 26, being 3 years each (extended to 4 years for the Chair on an exceptional basis by agreement between the Trustee and University). The Trustee's articles permit term extensions to be decided by the Trustee Board where there is a vacancy, subject to statutory term limits.

After the reporting period, non-affiliated director Mr J Clark's term was extended while the formalities of the appointment process for the post are progressed by the University. In order to ensure an open and transparent appointment process, the vacancy is being publicly advertised in the University Gazette.

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

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

During the period, non-affiliated director Ms L. Savin's term as an MND was extended from 1 April 2022 until completion of the current MND process. The MND process was delayed whilst the process was reviewed and updated to move to selection rather than election and to make other changes. Consequent changes were made to the Trustee company articles, Scheme Trust Deed and Rules, and the University's governance documentation. This updating process was completed in June 2023, allowing the MND process to move forward after the end of this reporting period.

It was agreed by the Trustee and the University during the period, in accordance with a power in the Trustee Company's articles of association, that the Chair's term should be extended by one year to four years, until 31st March 2024. This was primarily to allow the triennial scheme funding valuation process to be concluded under the current chairmanship.

One other non-affiliated director was appointed during the period.

7B. 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 31/10/2023

J N Sykes Date

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

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 22 July 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.

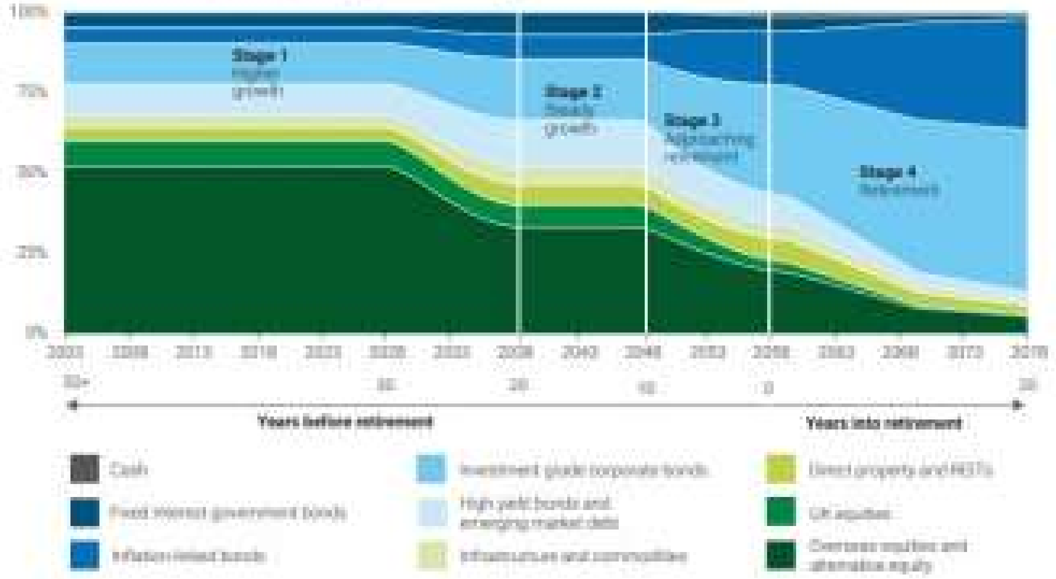
The default investment arrangement has been chosen by the Trustee so as to:

- 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.

Legal & General (PMC) 2055-2060 Target Date Fund



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. 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.

[1] Fees as at April 2021

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Investment fund	Investment style	Benchmark	Fee[1]	Investment Characteristics
L&G PMC All Stocks Index Linked Gilts Index Fund	Passive	UK Index-linked Gilts	0.38% pa	To track the sterling total returns of the FTSE Index-Linked (All Stocks) Index before charges (including re-invested income) to within +/- 0.25% per annum for two years in three.
L&G PMC Retirement Income Multi-Asset Fund		Composite	0.61% pa	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. The Fund invests globally in a range of different asset classes. The Fund invests in both index tracking and actively managed funds.

Review of SIP

In drawing up this document, the Scheme Trustee has sought advice from the Scheme's Investment Adviser, Aon Solutions UK Limited, and the Scheme Actuary. The advice takes into consideration the suitability of investments for the Scheme.

This SIP will be reviewed typically annually or immediately following a change of investment policy. Written advice on any changes will be taken from the Investment Adviser and the University, on behalf of the employers with active members, in the Scheme, will also be consulted. The investment managers are required to invest in accordance with the principles outlined in this SIP.

Policy on Rights Attaching to Investments

The Trustee believes that it should encourage the companies it invests with to adopt good practice regarding corporate governance and corporate responsibility.

The Scheme Trustee is in agreement with the principles of effective stewardship included in the Financial Reporting Council UK Stewardship Code, and has requested the Investment Managers to comply with these principles.

The Trustee receives reports from its investment managers displaying the level of voting activity and engagement, highlighting occasions where they have not voted in agreement with their policy.

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2023

Employer and Post Code	Defined Benefit Section	
	Active members	Former Members and Pensioners
Balliol College, OX1 3BJ	60	187
Brasenose College, OX1 4AJ	31	115
Christ Church, OX1 1DP	93	271
Corpus Christi College, OX1 4JF	40	84
Exeter College, OX1 3DP	37	137
Green Templeton College, OX2 6HG	11	101
Green Templeton Services Limited, OX2 6HG	6	3
Hertford College, OX1 3BW	30	142
Jesus College, OX1 3DW	28	175
Keble College, OX1 3PG	25	130
Lady Margaret Hall, OX2 6QA	34	106
Linacre College, OX1 3JA	13	58
Lincoln College, OX1 3DR	60	117
Magdalen College, OX1 4AU	72	141
Mansfield College, OX1 3TF	18	55
Merton College, OX1 4JD	48	178
New College, OX1 3BN	53	158
North Oxford College Shared Services Limited, OX2 6JF	1	1
Nuffield College, OX1 1NF	27	74
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	3	37
Oxford Centre for Islamic Studies, OX1 2AR	2	11
Oxford Said Business School Ltd, OX1 1HP	25	96
Oxford University Innovation Limited, OX2 0JB	4	32
Oxford University Student Union, OX1 2BX	2	22
Pembroke College, OX1 1DW	61	100
The Queen’s College, OX1 4AW	38	110
Regent’s Park College, OX1 2LB	5	13
Rhodes House (The Rhodes Trust), OX1 3RG	1	13
Ruskin College, OX8 9BZ	0	78
St Anne’s College, OX2 6HS	31	124
St Antony’s College, OX2 6JF	18	144
St Catherine’s College, OX1 3UJ	23	89
St Edmund Hall, OX1 4AR	31	110
St Hilda’s College, OX4 1DY	34	100
St Hugh’s College, OX2 6LE	46	96
St John’s College, OX1 3JP	2	7
St Peter’s College, OX1 2DL	21	99
St Stephen’s House, OX4 1JX	5	16
Trinity College, OX1 3BH	44	101
University College, OX1 4BH	39	98
Wadham College, OX1 3PN	42	124
Wolfson College, OX2 6UD	21	159
Worcester College, OX1 2HB	42	131
Associated Participating Employers Total Membership	**1,227**	**4,143**

4. ASSOCIATED PARTICIPATING EMPLOYERS AS AT 31st March 2023 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 Limited	19
Oxford University Endowment Management	1
Oxford University Rugby Club	1
Somerville College	1
St Mary's Church	1
University of Cambridge Local Examinations Syndicate	55
Voltaire Foundation	1
William Osler House	2
Former Associated Participating Employers Total Membership:	**134**

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 1,182 active members and 7,290 former members and pensioners in the defined benefit section at 31st March 2023.

Employer and Post Code	Defined Contribution Section	
	Active members	Former Members
Balliol College, OX1 3BJ	75	35
Brasenose College, OX1 4AJ	45	28
Christ Church, OX1 1DP	133	81
Corpus Christi College, OX1 4JF	35	12
Exeter College, OX1 3DP	56	37
Green Templeton College, OX2 6HG	18	12
Green Templeton Services Limited, OX2 6HG	0	0
Hertford College, OX1 3BW	52	33
Jesus College, OX1 3DW	35	36
Keble College, OX1 3PG	66	56
Lady Margaret Hall, OX2 6QA	69	34
Linacre College, OX1 3JA	25	12
Lincoln College, OX1 3DR	45	29
Magdalen College, OX1 4AU	63	36
Mansfield College, OX1 3TF	45	35
Merton College, OX1 4JD	71	44
New College, OX1 3BN	65	34
North Oxford College Shared Services Limited, OX2 6JF	2	0
Nuffield College, OX1 1NF	24	13
Oxford Centre for Hebrew and Jewish Studies, OX1 2HG	1	0
Oxford Centre for Islamic Studies, OX1 2AR	25	9
Oxford Said Business School Ltd, OX1 1HP	40	46
Oxford University Innovation Limited, OX2 0JB	1	0
Oxford University Students Union, OX1 2BX	23	45
Pembroke College, OX1 1DW	68	32
The Queen’s College, OX1 4AW	42	21
Regent’s Park College, OX1 2LB	17	7
Rhodes House (The Rhodes Trust), OX1 3RG	2	0
Ruskin College, OX8 9BZ	2	25
St Anne’s College, OX2 6HS	54	19
St Antony’s College, OX2 6JF	32	23
St Catherine’s College, OX1 3UJ	44	37
St Edmund Hall, OX1 4AR	35	19
St Hilda’s College, OX4 1DY	40	16
St Hugh’s College, OX2 6LE	35	5
St John’s College, OX1 3JP	1	1
St Peter’s College, OX1 2DL	39	21
St Stephen’s House, OX4 1JX	7	3
Trinity College, OX1 3BH	45	16
University College, OX1 4BH	51	76
Wadham College, OX1 3PN	53	44
Wolfson College, OX2 6UD	38	37
Worcester College, OX1 2HB	39	20
Associated Participating Employers Total Membership	**1,658**	**1,089**

Former Associated Participating Employers:	Defined Benefits Former Members and Pensioners
Oxford Limited	23
Former Associated Participating Employers Total Membership:	**23**

Notes:

1. Statistics for Magdalen College includes employees of The Oxford Science Park Limited (formerly Magdalen Development Company Limited), a wholly-owned subsidiary of the College.
2. Statistics for New College includes employees of New College School, a department of the College.
3. Statistics in respect of former members include only those former members who have an entitlement to benefits under the Scheme.
4. The Principal Employer, the University of Oxford, had 2,147 active members and 1,773 former members and pensioners in the defined contribution section at 31st March 2023.

5. SCHEME MEMBERSHIP STATISTICS

DB section

		At 31st March 2023	At 31st March 2022
Active Members:			
At Start of Year:		**2,796**	**3,272**
Plus:	New Entrants	2	2
Less:	Deaths in Service	(4)	(5)
	Leavers taking Refund or Transfer	(1)	(1)
	Leavers with Preserved Benefits	(263)	(344)
	Retirements	(121)	(128)
At End of Year:		**2,409**	**2,796**
Former Members with Preserved Benefits (including Undecided Leavers):			
At Start of Year:		**6,846**	**6,651**
Plus:	Leavers with Preserved Benefits	263	344
Less:	Transfers Out	(11)	(15)
	Deaths in Deferment	(7)	(13)
	Retirement	(123)	(117)
	Undecided leaver refunds	(17)	(4)
At End of Year:		**6,951**	**6,846**
Pensions in Payment:			
At Start of Year:		**4,468**	**4,313**
Plus:	Retirements from active membership	121	128
	Retirements from deferment	123	117
	New dependant's pensions	60	55
Less:	Commutations at retirement	(4)	(8)
	Deaths of pensioners	(152)	(124)
	Cessations of child's pensions	(3)	(13)
At End of Year:		**4,613**	**4,468**
Total at End of Year		**13,973**	**14,110**

Of the 4,613 (2022:4,468) pensioners at 31st March 2023, 605 (2022: 585) 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 2023	At 31st March 2022
Active Members:			
At Start of Year:		**3,086**	**2,593**
Plus:	New Entrants	1,645	1,225
	Re-activated from deferred	97	57
Less:	Deaths in Service	(1)	(2)
	Leavers with Preserved Benefits	(1,015)	(784)
	Retirements	(6)	-
	Adjustments in respect of late opt-outs	(2)	-
At End of Year:		**3,804**	**3,086**
Former Members with Preserved Benefits:			
At Start of Year:		**2,076**	**1,396**
Plus:	Leavers with Preserved Benefits	1,015	784
Less:	Transfers Out	(82)	(27)
	Retirement	(24)	(19)
	Deaths	(4)	-
	Consolidated with new active record	(97)	(57)
	Adjustments in respect of duplicate records	-	(1)
At End of Year:		**2,884**	**2,076**
Total at End of Year		**6,688**	**5,162**

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 2023

	Notes	2022/23 DB section £000	2022/23 DC section £000	2022/23 Total £000	2021/22 £000
Contributions and Benefits					
Employee Contributions		2,171	1,479	**3,650**	3,496
Employer Contributions		22,599	9,551	**32,150**	30,220
Total Contributions	5	24,770	11,030	**35,800**	33,716
Transfers In	6	-	518	**518**	735
Other Income	7	-	15	**15**	-
		24.770	11,563	**36,333**	34,451
Benefits Payable	8	(24,782)	(542)	**(25,324)**	(23,724)
Payments to and on Account of Leavers	9	(257)	(563)	**(820)**	(474)
Administrative Expenses	10	(1,931)	(412)	**(2,343)**	(1,906)
		(26,970)	(1,517)	**(28,487)**	(26,104)
Net (withdrawals)/additions from dealings with members		(2,200)	10,046	**7,846**	8,347
Returns on Investments					
Investment Income	11	11,020	7	**11,027**	7,384
Investment Management Expenses	12	(359)	(161)	**(520)**	(422)
Change in Market Value of Investments	13	(76,933)	(867)	**(77,800)**	43,641
Net Return on Investments		(66,272)	(1,021)	**(67,293)**	50,603
Net increase in fund during the year		(68,472)	9,025	**(59,447)**	58,950
Net Assets of the Scheme					
At end of previous year		963,528	24,471	**987,999**	929,049
At end of year		895,056	33,496	**928,552**	987,999

The notes on pages 73 to 92 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6B. STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AT 31ST MARCH 2023

		2022/23			
	Notes	DB section £000	DC section £000	Total £000	2021/22 £000
Investments					
Pooled Investment Vehicles	13	722,128	31,238	**753,366**	852,092
Private Equity	13	127,536	-	**127,536**	89,579
Money Purchase Investments	13	2,279	-	**2,279**	2,175
Cash Deposits	13	40,926	-	**40,926**	40,769
Other Investment Balances	13	2,679	916	**3,595**	2,599
		895,548	32,154	**927,702**	987,174
AVC Investment	13	152	-	**152**	200
Total Investment Assets		895,700	32,154	**927,854**	987,374
Current Assets	14	1,564	2,561	**4,125**	3,776
Current Liabilities	15	(2,208)	(1,219)	**(3,427)**	(3,151)
Net Assets of the Scheme		895,056	33,496	**928,552**	987,999

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 2023. The actuarial position of the DB Section, which does take account of such obligations, is dealt with by the Report on Actuarial Liabilities on pages 104 to 105 and these Financial Statements should be read in conjunction with this.

The Financial Statements were approved by the Trustee on 31/10/2023 and signed on behalf of the Trustee by:

Director: J.N. Sykes

Director: Kevin Valentine

The notes on pages 73 to 92 form part of these Financial Statements

6. FINANCIAL STATEMENTS

6C. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2023

Note 1. Basis of preparation

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

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

Note 2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the scheme is:

The Pensions Officer
Finance Division
University of Oxford
6 Worcester Street
Oxford OX1 2BX

Email: osps@admin.ox.ac.uk

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

Fund Account	Notes	2021/22 DB section £000	DC section £000	Total £000
Contributions and Benefits				
Employee Contributions		2,419	1,077	**3,496**
Employer Contributions		23,168	7,052	**30,220**
Total Contributions	5	25,587	8,129	**33,716**
Transfers In	6	-	735	**735**
		25,587	8,864	**34,451**
Benefits Payable	8	(23,258)	(466)	**(23,724)**
Payments to and on Account of Leavers	9	(352)	(122)	**(474)**
Administrative Expenses	10	(1,638)	(268)	**(1,906)**
		(25,248)	(856)	**(26,104)**
Net Additions from dealings with members		339	8,008	**8,347**
Returns on Investments				
Investment Income	11	7,384	-	**7,384**
Investment Management Expenses	12	(327)	(95)	**(422)**
Change in Market Value of Investments	13	42,930	711	**43,641**
Net Return on Investments		49,987	616	**50,603**
Net increase in fund during the year		50,326	8,624	**58,950**
Net Assets of the Scheme				
At end of previous year		913,202	15,847	**929,049**
At end of year		963,528	24,471	**987,999**

Statement of Net Assets	Notes	2021/22 DB section £000	2021/22 DC section £000	2021/22 Total £000
Investments				
Pooled Investment Vehicles	13	892,246	22,846	**852,092**
Private Equity	13	89,579	-	**89,579**
Money Purchase Investments	13	2,175	-	**2,175**
Cash Deposits	13	40,769	-	**40,769**
Other Investment Balances	13	1,881	678	**2,559**
		963,650	23,524	**987,174**
AVC Investment	13	200	-	**200**
Total Investment Assets		963,850	23,524	**987,374**
Current Assets	14	1,875	1,901	**3,776**
Current Liabilities	15	(2,197)	(954)	**(3,151)**
Net Assets of the Scheme		963,528	24,471	**987,999**

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 31st 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) **Augmentation contributions:** Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable**.**

(g) **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 an accruals basis on the date which liability is accepted by the receiving scheme, which is typically when cash is paid/received. In the case of individual transfers, this is normally when the transfer value is received or paid.

(h) **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.

(i) **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.

(j) **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's Report (section 2D.6.).

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

Note 5. Contributions

	2022/23		
	DB section £000	DC section £000	Total £000
From Employees (Members):			
Ordinary Contributions	2,103	1,305	**3,408**
Additional Voluntary Contributions	68	174	**242**
	2,171	1,479	**3,650**
From Employers:			
Ordinary Contributions	12,083	5,415	**17,498**
Deficit Funding	6,520	-	**6,520**
Augmentation	1	233	**234**
Members' Salary Exchange	3,269	2,730	**5,999**
PPF levies	726	-	**726**
Expenses	-	1,173	**1,173**
	22,599	9,551	**32,150**
Total Contributions	24,770	11,030	**35,800**

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

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

For active members in the DC Section members contributed 4.0% of pensionable salary in Tier 1, Members 6.0% of pensionable salary in Tier 2 and Members 8.0% of pensionable salary in Tier 3.

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

During 2022/23, the University made two exceptional non-consolidated payments to all its staff: £1,000 in July 2023 and the higher of 2% or £800 in December 2022. Staff had the option of having these sums paid as a DC pension augmentation. Where a member chose this option and did not already have an Investment Builder account with Legal & General, the cost of the Legal & General joiner fee was paid by the University.

As the Scheme was in surplus based on the latest triennial valuation as at 31st March 2022 no deficit contributions are due under the revised Schedule of Contributions certified by the Scheme Actuary on 27 June 2023.

Note 6. Transfers In

	2022/23		
	DB section £000	**DC section £000**	**Total £000**
Individual Transfers In	-	518	**518**
Total Transfer Values Receivable	-	518	**518**

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

Note 7. Other income

	2022/23		
	DB section £000	**DC section £000**	**Total £000**
Non-Club Transfers In	-	15	**15**
Total Other Income	-	15	**15**

Note 8. Benefits Payable

	2022/23 DB section £000	2022/23 DC section £000	2022/23 Total £000
Pensions	18,950	6	**18,956**
Lump Sum Retirement Benefits	5,212	270	**5,482**
Commutations	103	-	**103**
Lump Sum Death Benefits	517	266	**783**
Total Benefits Payable	24,782	542	**25,324**

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.

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

Note 9. Payments to and on Account of Leavers

	2022/23 DB section £000	2022/23 DC section £000	2022/23 Total £000
Refund of contributions in respect of:			
non-vested leavers	3	-	**3**
opt-outs	40	64	**104**
Individual Transfers to Other Schemes	214	499	**713**
Total Payments to and on Account of Leavers	257	563	**820**

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

Note 10. Administrative Expenses

	2022/23		
	DB section £000	DC section £000	Total £000
University's Administration Fee (see Note 16)	509	72	**581**
Trustee's Remuneration (see Note 16)	15	5	**20**
Actuarial Fees	244	-	**244**
Audit Fee	26	9	**35**
Legal Fees	117	44	**161**
Other professional fees	194	92	**287**
Legal & General DC fee	-	180	**180**
Pension Protection Fund	726	-	**726**
Miscellaneous Expenses	100	9	**109**
Total Administrative Expenses	1,931	412	**2,343**

	2021/22		
	DB section £000	DC section £000	Total £000
University's Administration Fee (see Note 16)	515	55	**570**
Trustee's Remuneration (see Note 16)	15	4	**19**
Actuarial Fees	115	-	**115**
Audit Fee	24	7	**31**
Legal Fees	108	30	**138**
Other professional fees	-	11	**11**
Legal & General DC fee	-	153	**153**
Pension Protection Fund	775	-	**775**
Miscellaneous Expenses	86	8	**94**
Total Administrative Expenses	1,638	268	**1,906**

Note 11. Investment Income

	2022/23		
	DB section £000	DC section £000	Total £000
Income from Pooled Investment Vehicles	9,284	-	**9,284**
Income from Private Market Funds	1,659	-	**1,659**
Interest from Investment Managers	76	-	**76**
Bank Account Interest	1	7	**8**
Total Investment Income	11,020	7	**11,027**

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

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

Note 12. Investment Management Expenses

	2022/23		
	DB section £000	DC section £000	Total £000
Investment Management - BlackRock	84	-	**84**
Investment Management - SSgA	85	-	**85**
Investment Management - Generation	81	-	**81**
Custody Fees – State Street Bank	50	-	**50**
Investment Advice Fees	300	161	**461**
Other investment Fees	1	-	**1**
Investment Fee Rebates	(242)	-	**(242)**
Total Investment Management Expenses	359	161	**520**

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

The investment fee rebate of £178,504 (2021-22: £337,304) covers a reduction in standard investment charges deducted from a pooled fund investment.

Note 13. Investment Assets

(a) Asset Reconciliation

	Value At 01/04/22 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value At 31/03/23 £000
DB Section					
Pooled Investment Vehicles	829,246	205,228	(226,232)	(86,114)	**722,128**
Private Equity	89,579	34,132	(5,073)	8,898	**127,536**
Money Purchase Investments (Insurance policies)	2,175	-	(208)	312	**2,279**
AVC Investment	200	9	(57)	-	**152**
	921,200	239,369	(231,570)	(76,904)	**852,095**
Cash Deposits	40,769			(29)	**40,926**
Other Investment Balances	1,881			-	**2,679**
Total	963,850			(76,933)	**895,700**

	Value At 01/04/22 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value At 31/03/23 £000
DC Section					
Pooled Investment Vehicles	22,846	10,084	(825)	(867)	**31,238**
	22,846	10,084	(825)	(867)	**31,238**
Other Investment Balances	678				**916**
Total	23,524			(867)	**32,154**

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 31/03/2023 £000	At 31/03/2022 £000
Members	**31,238**	22,846
Trustee	**-**	-
	31,238	22,846

(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 2023 (2022: 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 31/03/2023 £000	%	At 31/03/2022 £000	%
SSgA Managed Pension Fund:				
Fundamental Index Global Equity Units	-	-	121,572	12.3
All World Developed Equity Index Units	-	-	77,135	7.8
UK Over 5 years Index Linked Gilts Units	279,837	31.3	101,199	10.2
Columbia Threadneedle Portfolio Services Ltd:				
Threadneedle Property Unit Trust Units	64,797	7.2	75,600	7.7
Generation Investment Management LLP:				
Generation IM Global Equity Fund	79,909	8.9	85,495	8.7
M&G Investment Management:				
M&G Inflation Opportunities Fund	68,213	7.6	90,980	9.2
M&G Illiquid Credit Opportunities Fund	84,096	9.4	83,663	8.5
Baillie Gifford & Co. Limited:				
LTGG Investment Fund	78,815	8.8	90,293	9.1
DIF Management BV:				
DIF Infrastructure V	49,375	5.5	N/A	N/A

(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 (2022: nil). During the year, there were four instances of late payments of contributions, the latest of which was three days late, with a total value of £69,951, which represents 0.2% of contributions payable under the

Schedule of Contributions. These amounts constitute employer-related investments for the period over which it was late. The total value of these late contributions was less than 5% of net assets.

(e) Money Purchase Assets

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

(f) AVC Investments

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

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

(g) Pooled Investment Vehicles

	At 31/03/2023 £000	At 31/03/2022 £000
DB Section		
Equities	**158,724**	374,495
Bonds	**383,688**	231,896
Property	**64,810**	75,643
Illiquid credit	**84,097**	83,663
Emerging markets	**29,632**	62,398
Cash	**1,177**	1,151
	722,128	829,246
DC Section		
Pathway Funds	**31,238**	22,846

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 2023 and 31st March 2022 (approximately £3,163,300 as at 31st March 2023 and £3,042,200 at 31st March 2022). No further funds remain to be drawn down as the fund's strategy is to return capital to unitholders at the earliest opportunity.

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

(h) Private Equity Funds

The assets held in private equity funds comprise capital and loans in the Macquarie European Infrastructure Fund II and DIF Infrastructure V, and investments with Ares Capital Management LLC and Copenhagen Infrastructure Partners. The total original commitment of the Scheme to the Macquarie European Infrastructure Fund II limited partnership of €18,000,000 has now been fully drawn. The value is based on the audited accounts of the limited partnership to 31st March 2021, in which the value of the assets of the partnership are stated at cost less any permanent diminution in the value of specific assets. There may therefore be unrealised gains not included in the Financial Statements of the Scheme. These private equity funds are illiquid.

The total commitment of the Scheme to DIF Infrastructure V includes a total investment of €55,000,000 (approximately £48,327,700 as at 31st March 2023 and £46,478,400 as at 31st March 2022), of which €12,891,045 (€15,565,745 as at 31st March 2022) (approximately £11,327,200 as at 31st March 2022 and £13,154,000 as at 31st March 2022) remains to be drawn down against this commitment.

The total commitment of the Scheme to Ares includes a total investment of £55,000,000, of which £9,844,659 remained to be drawn at 31st March 2023 (£29,029,947 as at 31st March 2022). The total commitment of the Scheme to Copenhagen includes a total investment of €75,000,000 (approximately £65,901,400 as at 31st March 2023 and £63,379,600 as at 31st March 2022), of which €47,469,384 (€58,183,004 as at 31st March 2022) (approximately £41,710,600 as at 31st March 2023 and £49,158,820 as at 31st March 2022) remains to be drawn down against this commitment.

(i) Other Investments Balances

Other investment balances for the DB Section are accrued distributions from investments of £2,678,972 (2022: £1,879,084). Other investment balances for the DC Section relates to March 2023 contributions of £916,433 (2022: £678,335), which were invested after the year end.

(j) Other Investments Notes

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

(k) Investment Risk Disclosures

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

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

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

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

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

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

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

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

		Market risk			**Value at 31st March 2023 (£m)**	**Value at 31st March 2022 (£m)**
	Credit risk	Currency	Interest rate	Other price		
UK equities	○	○	○	●	3.0	15.7
Overseas equities	○	●	○	●	185.4	421.2
Index-linked gilts	○	○	●	○	279.8	101.2
Corporate bonds	●	○	●	◐	35.6	39.7
Inflation opportunities	●	○	●	●	68.2	91.0
Property	○	◐	○	●	64.8	75.6
Illiquid Credit	●	○	●	●	126.5	105.6
Private equity	○	●	◐	●	85.2	67.6
Cash	●	○	●	○	42.1	42.7

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

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

Credit risk

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

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

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

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

Currency risk

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

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

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

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

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

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

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

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

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

(I) Fair Value Determination

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

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

For the purpose of this analysis:

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

(I) Fair Value determination (continued)

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

	DB section at 31st March 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	1,177	636,841	84,110	722,128
Private equity	-	-	127,536	127,536
Money purchase investment (insurance policies)	-	-	2,279	2,279
AVC investments	-	-	152	152
Cash	40,926	-	-	40,926
Other investment balances	2,679	-	-	2,679
	44,782	636,841	214,077	895,700

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

	DC section at 31st March 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	-	31,238	-	31,238
Other investment balances	916	-	-	916
	916	31,238	-	32,154

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

Note 14. Current Assets

	2022/23		
	DB section £000	**DC section £000**	**Total £000**
Debtors and Prepayments:			
Contributions due in respect of Members	69	64	**133**
Contributions due from Employers	1,239	647	**1,887**
Other debtors	63	12	**75**
Total Debtors	1,371	723	**2,094**
Cash Balances:			
Bank account	193	1,838	**2,031**
Total Current Assets	1,564	2,561	**4,125**

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.

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

Note 15. Current Liabilities

	2022/23		
	DB section £000	DC section £000	Total £000
Creditors:			
Accrued Expenses	451	225	**676**
Amounts due to University for Pensions paid	1,607	-	**1,607**
Contributions due to DC provider	-	916	**916**
Benefit and leaver payments due	116	73	**189**
Refunds due to Employers	6	5	**11**
H M Revenue and Customs	28	-	**28**
Total Current Liabilities	2,208	1,219	**3,427**

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

Note 16. 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 and again on 20 November 2017. 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 10. By a supplemental agreement dated 7 September 2022 and with effect from 1 August 2022 the Trustee agreed to directly meet the costs of the secretarial services provided by Pegasus PLC under sub-contract to the University and to cease paying the University for secretarial services under the Administration Agreement.

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 £531,928 (2022: £367,809); this amount comprised contributions due in respect of March 2023 of £1,561,492 (2022: £1,512,316), less the pension payroll cost for March 2023 of £1,606,619 (2022: £1,507,041) and less expenses of £486,801 (2022: £373,085). At the year end, the Associated Participating Employers owed the scheme contributions in respect of March 2023 totalling £457,093 (2022: £585,223).

Mrs M. Hauser, 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 £19,994 (2022:£15,569) from the Scheme in respect of services as Chair.

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 £341 (2022: £97).

Note 17. Contingent Asset

Following the completion of the actuarial valuation as at 31st March 2022, which revealed that the Scheme was in surplus relative to its technical provisions, the contingent asset ceased to have effect on 27 June 2023 (the date that the valuation was completed).

Note 18. 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 judgment, 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 judgment 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. 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 TO THE TRUSTEE OF THE UNIVERSITY OF OXFORD STAFF PENSION SCHEME

Opinion

We have audited the financial statements of the University of Oxford Staff Pension Scheme (the 'Scheme') for the year ended 31st March 2023, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31st March 2023 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 including effects arising from macro-economic uncertainties such as the impact of the economic policies announced by the UK Government in September 2022, the cost of living crisis 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.

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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. 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.

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 themselves. 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 Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 93, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 net assets;
- Our audit procedures involved:
    - Journal entry testing, with a focus on large journals, manual journals, those journals with unusual account combinations or entries posted to suspense accounts;
    - Obtaining independent confirmations of material investment valuations and cash balances at the year end.

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

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

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

Use of our report

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

Cardiff

Date: 31/10/2023

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 five-year period from that date. The Trustee is responsible for preparing a revised schedule no later than 30 June 2026.

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
1 April 2022 to 30 September 2023	19.0%*
1 October 2023 to the end of the period covered by this Schedule	16.5%

** including allowance for the expenses of administering the Section*

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, in respect of any levies invoiced prior to this Schedule coming into effect, 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 2022 to 31 March 2024	6.6%	8.0%	9.6%
1 April 2024 to the end of the period covered by this Schedule	5.6%	6.6%	7.8%

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 – from 1 April 2022 to 30 September 2023	6%	8%	10%
Employer – from 1 October 2023	10%	12%	14%

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 Scheme (again expressed as a percentage of the relevant members' Pensionable Salaries) up to 30 September 2023, with all amounts reducing to nil thereafter:

- 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.

For the avoidance of doubt, with effect from 1 October 2023, the cost of providing ill-health and death-in-service benefits will be met from the Scheme's assets.

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.

For the avoidance of doubt, each employer should ensure that the associated contribution schedule and starter details spreadsheet are provided at the same time as the above contributions. The contributions will not be treated as having been received by the Scheme until such time as these have been provided.

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).

Expenses

With effect from 1 October 2023, so far as is permitted by law, the following expenses will be met from the Scheme's assets:

- The expenses associated with administering the DB Section
- The expenses associated with administering the DC Section
- Pension Protection Fund (PPF) and other statutory levies

For the avoidance of doubt, the employers remain liable for expenses but for the time being it has been agreed to treat the surplus against the technical provisions as including advance contribution to such expenses (both DB and DC). Therefore, so far as permitted by law, expenses are to be paid from Scheme assets by agreement of the Trustees and the University under Clause 27.2 of the Scheme's Trust Deed and Rules. Either party is entitled to withdraw its continued agreement in whole or in part at any time, after which the default position of the employers being liable for expenses would revive.

Signed on behalf of the Directors of OSPS Trustee Limited

Signature: DocuSigned by: J N Sykes

Name: John Nicholas Sykes

Position: Chair of the Trustee

Date: 27 June 2023

Signed on behalf of the University of Oxford

Signature: DocuSigned by: Simon Boddie

Name: Simon Boddie

Position: Chief Financial Officer

Date: 27 June 2023

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

As the Scheme is surplus based on the latest triennial valuation as at 31st March 2022, there is no recovery plan required

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 2022 to continue to be met for the period for which the schedule is to be in force.

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 27 June 2023.

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

DocuSigned by:

Jay Harvey

Date

27 June 2023

Name

J M Harvey

Qualification

Fellow of the Institute and Faculty of Actuaries

Address

1 Redcliff Street
Bristol
BS1 6NP

Name of employer

Aon Solutions UK Limited

9. COMPLIANCE

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

9B.2. CERTIFICATION OF TECHNICAL PROVISIONS

Certificate 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 2022 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 27 June 2023.

DocuSigned by:
Jay Harvey

Signature

27 June 2023

Date

Name	J M Harvey
Employer	Aon Solutions UK Limited
Qualification	Fellow of the Institute and Faculty of Actuaries
Address	Aon 1 Redcliff Street Bristol BS1 6NP

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 2022. This showed:

	31st March 2022
The value of the technical provisions was	£914.3 million
The value of the assets at that date was	£961.2 million
Funding level (assets divided by technical provisions)	105%

The Trustee receives an annual update of the funding position and based on the same assumptions set out below. At 31st March 2023, the estimated funding level had grown to around 116%. The technical provisions were estimated to be £722.8 million at 31st March 2023, which compares to the assets of £893.5 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.

Significant actuarial assumptions include:

Pre-retirement discount rate: Equal to the UK nominal gilt curve at the valuation date plus the following amounts at each term**:**

- 2.25% p.a. for calculations with effective dates up to and including 30 March 2023; and
- 1.75% p.a. for calculations with effective dates on or after 31st March 2023**.**

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. For calculations with effective dates up to and including 30 March 2023 only, the resulting figure will be reduced by the following amounts**:**

- **0.5% p.a. up to February 2030; and**
- **1.0% p.a. thereafter**.

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. up to February 2030 and 0.1% p.a. thereafter as at 31st March 2022).

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 of 105% for all members (determined using the Aon's Demographic Horizons™ tool based on the members' dates of birth, sex and socio-economic information inferred from their postcodes). In determining the scaling factors, allowance will be made for the Scheme's own mortality experience over a suitable recent period. Future improvements from 2013 are assumed to be in line with the CMI 2021 projections (with parameters Sk=7.0, A=0.5% and an assumed long-term rate of improvement of 1.5% p.a.).

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.

Family details:

- A male member is assumed to be three years older than his wife and a female member is assumed to be one year younger than her husband.
- 80% of male non-pensioners and 75% of female non-pensioners are assumed to be married at retirement or earlier death.
- 85% of male pensioners and 70% of female pensioners are assumed to be married at retirement.

These assumptions include allowance for pensions payable to other dependants (including civil partners)

Guaranteed Minimum Pensions (GMP): No allowance was made in the 2022 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. Implementation Statement

Implementation Statement ("IS")

University of Oxford Staff Pension Scheme (the "Scheme")

Scheme Year End – 31st March 2023

The purpose of the Implementation Statement is for us, the Trustee of the University of Oxford Staff Pension Scheme, to explain what we have done during the year ending 31st March 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme's material investment managers were able to disclose good evidence of voting and/or engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

However, some managers did not provide information on their reporting of engagement data, and/or were not able to provide voting data for all the relevant funds. As set out in the Engagement Action Plan, we will engage with these managers to encourage them to provide detailed and meaningful disclosures about their engagement activities and better understand their engagement practices.

Changes to the SIP during the year

No changes were made to the SIP during the Scheme year.

The Scheme's latest SIP can be found here: https://finance.admin.ox.ac.uk/osps-documents

How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP. Policies in the SIP are quoted in quotation marks, however the policies listed are not exhaustive, please refer to the full SIP.

Defined Benefit ("DB")

Strategy

Investment objectives

"The Scheme's assets are invested in such a way that sufficient money is available to meet the liability to provide benefits to the members of the Scheme as they fall due."

Allocation of assets

"Asset allocation is considered regularly by the Trustee and reviewed in detail following each actuarial valuation."

Strategic allocation

"Any investment undertaken will have considered:

- *Whether the asset class proposed is appropriate given market expectations for that asset class;*
- *Whether the investment manager has the skill and ability to run a mandate which is expected to achieve the return targets;*
- *Whether the specific asset class and manager are appropriate for the overall risk, return and diversification of the total portfolio."*

The investment strategy outlined in the SIP is monitored frequently to ensure the strategy remains appropriate. As part of meeting the Scheme's investment objectives, the Trustee monitored the funding level on a quarterly basis. This allowed the Trustee to consider the funding level progression within the context of the long-term funding target.

The Trustee actively manages the portfolio, making changes to the asset classes, fund managers and allocation as they see fit to ensure it remains well diversified and on track to meet the Scheme's objective. This includes ensuring the Scheme has the "*necessary liquidity to pay benefits as they become due*". The Trustees reviewed the liquidity of the portfolio in March 2022, and will continue doing so on an annual basis. A review of the liquidity profile of the Scheme was conducted in March 2023 and a more detailed review is scheduled to take place at the August 2023 FIC meeting.

Due to improvements in the funding level of the Scheme, the Trustee took action to protect the Scheme's favourable position before the formal investment strategy review. Following the 31st March 2022 Actuarial Valuation, an investment strategy review was carried out at the November 2022 meeting whereby the risk and return profile and asset allocation was considered, and a new investment strategy was formally agreed upon post Scheme year end in May 2023.

Risks

The SIP outlines risks which have the potential to cause deterioration in the Scheme's funding level. The Trustee reports on several of the risks associated with the Scheme's investments annually in the investment risk disclosure report which accompanies the Reports and Accounts. In this report, the Trustee monitors the risks associated with both the DB and Additional Voluntary Contributions ("AVCs") portions of the Scheme, concentrating on market risks, credit risk, interest rate risk, inflation risk and others.

The Trustee decreased the growth portfolio allocation in favour of the matching portfolio consisting of index-linked gilts to reduce the risk caused by interest and inflation rate fluctuations during the Scheme year, to protect the favourable funding position. As part of the investment strategy review, the investment adviser proposed three modelled portfolios, each with a reduction of allocation to growth assets in favour of matching assets to reduce the overall risk (expressed as a Value at Risk measure) whilst maintaining a prudent return.

Implementation

Choosing investments

"The Investment Committee (now known as the Funding and Investment Committee (FIC)) considered the suitability of a range of asset classes, the need for diversification, the risk and rewards of different asset allocations, and the sponsoring employers' views (including the strength of the sponsoring employers' covenant)."

Over 2021, an equity portfolio review was undertaken and it was agreed to fully redeem from State Street World Developed and Fundamental Equities, and Sands Emerging Market Equities. Implementation took place during the Scheme year.

The Trustee reviewed the corporate bonds allocation during the Scheme year and agreed to replace the BlackRock corporate bonds mandate with Robeco partly due to the Environmental, Social and Governance ("ESG") integration of the mandate. Onboarding of Robeco is expected to finalise over 2023.

The following was taken into consideration when making these decisions:

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

General

Direct investments

"Assets directly held by the Trustee, including policies of assurance such as AVCs, will be regularly reviewed to ensure that they continue to be appropriate."

The Defined Contribution Committee formally reviewed the AVC arrangements at the committee meeting on 15 November 2022. The review concluded that the investments remained appropriate, considering the membership profile of the arrangements and the fact that members had the option of investing their AVCs in the DC Section of the Scheme.

The arrangements with asset managers

"The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with Trustee's policies."

The Trustee received a Quarterly Monitoring Report ("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 targets 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 also, 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 Trustee received an annual implementation statement, in respect of the Scheme year to 31st March 2022, reporting on the monitoring and engagement activities carried out by its investment managers.

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

Due to investment strategy reviews and changes during the Scheme year, the review of the ESG/RI policy was postponed to Q4 2023. Following the review, the Trustee will share the policy with the Scheme's asset managers to assess alignment. .

"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."

In the fourth quarter of 2022, it was agreed to appoint Robeco to replace BlackRock as the Scheme's corporate bonds manager. Robeco presented to the Trustee their business structure and investment strategy. Post Scheme year end, the Trustee received a formal s36 document from the Scheme's investment adviser confirming suitability of the new fund as part of the portfolio.

On an ad hoc basis, the Scheme invites asset managers to present at Trustee meetings and engage on matters of interest such as performance and ESG. BlackRock presented at the March 2022 meeting and Threadneedle presented at the March 2023 meeting.

Environmental, social and governance considerations

"In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

The risk that environmental, social and governance 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 their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance."

The Trustee considered the ESG integration as well as the performance of the Robeco corporate bonds fund when selecting a new manager to replace Blackrock.

Since 1 October 2022, the Trustee has been required to produce and publish an annual report in line with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD). Over 2022, the Trustee has carried out several activities, with the support of Aon, to formally align with the recommendations of the TCFD and more fully understand the potential impact that climate-related risks and opportunities could have on the DB and DC sections of the Scheme. These activities supplement the wider ESG-related monitoring exercises already carried out by the Trustee.
This includes:

- Developing a robust governance structure, to ensure that it is able to make informed decisions on climate-related financial risks and opportunities;
- Surveying all of its appointed investment managers on how they view their exposures to climate-related risks and opportunities, both at an individual fund level and a firm level. The Trustee and its advisers then

assessed these responses to identify key areas of investment risk for the Scheme and implications for the Scheme's investment strategy;
- Carrying out quantitative climate change scenario analysis on the DB Section, and a qualitative climate change scenario analysis on the DC Section of the Scheme to understand the potential impact of climate change on each section over the next 30 years;
- Creating a Climate Risk Management Plan to integrate climate-related risks into its various documents and processes. This enables the Trustee to identify, assess and monitor climate-related risks and opportunities on a continuous basis;
- Gathering climate-related data on the Scheme's investments to aid understanding of the Scheme's current exposure to climate-related risks; and
- Setting climate-related targets to support future monitoring and management of climate-related risks.

Climate-related risks and TCFD reporting have been discussed at all FIC meetings over the year to 31st March 2023, and the FIC has kept the Trustee Board appraised of any material climate-related developments through regular updates, as and when required. The Trustee published its first TCFD report in October 2022, and will carry out this exercise on an annual basis in line with the regulatory requirements.

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. This is due to be reviewed in Q4 2023.

Whilst the Trustee's SIP does not explicitly cover stewardship priorities, the Trustee has considered the 'Key objectives' set out in its RI and ESG Policy to be stewardship priorities for the purposes of its IS.

The stewardship priorities of the Trustee are voting and engagement opportunities that align with the following key objectives:

- UK government legislation and regulations (for example, on modern slavery, environmental quality, climate change and other relevant issues).
- UK government commitment to international conventions and treaties (for example, UN conventions on climate change, cluster bombs, antipersonnel mines that are designed to harm or kill civilians and related issues).
- Direct and indirect investment in companies and related financial instruments that are associated with activities that are harmful to human health and welfare (for example, alcohol, gambling, tobacco and cigarette manufacturing and other similar issues).
- Direct and indirect investment in companies that violate international norms and/or UK moral principles (for example, human trafficking, indenture, and exploitation and other similar issues).

The Trustee has aligned its voting examples with these priorities wherever this was possible based on the significant votes provided to the Trustee by its investment managers.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Cost and transparency

"The Trustee intends to collect annual cost transparency reports covering all of its investments in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class."

"The Trustee assesses the performance of its investment managers quarterly and the remuneration of its investment managers at least annually."

"The Trustee monitors portfolio turnover…"

The Trustee received and reviewed the cost transparency report provided by ClearGlass. ClearGlass collects costs (including portfolio turnover costs) incurred by the Scheme from the Scheme's investment managers in line with the CTI template for each asset class. The Trustee received a Quarterly Monitoring Report ("QMR") from the investment adviser which details the performance of its investment managers. 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.

The Trustee raises areas for concern as discussion points at meetings with its investment adviser where relevant.

Review of SIP

"This SIP will be reviewed typically annually or immediately following a change of investment policy."

An investment strategy review was undertaken during the Scheme year. At the time of writing, the SIP has been drafted and was being reviewed by the associated parties to reflect the changes.

Policy on rights attaching to investments

"The Trustee believes that it should encourage the companies it invests with to adopt good practice regarding corporate governance and corporate responsibility.

The Scheme Trustee is in agreement with the principles of effective stewardship included in the Financial Reporting Council UK Stewardship Code, and has requested the Investment Managers to comply with these principles.

The Trustee receives reports from its investment managers displaying the level of voting activity and engagement, highlighting occasions where they have not voted in agreement with their policy."

The Trustee receives this Implementation Statement, annually, showing the levels of voting activity and engagement from the asset managers. All fund managers are compliant with the Code. The Trustee plans to resume the detailed reporting of the ESG credentials of the Scheme's investments in Q4 2023. To aid in its continuing understanding and awareness of the ESG risks and opportunities to which the Scheme is exposed, the Trustee is provided with guidance from its adviser in the form the an ESG dashboard (which has been rebranded as Responsible Investment -360 insights, or RI-360i) on an annual basis. The Trustee is due to review an updated version of this dashboard in the fourth quarter of 2023, which has been improved to give a more wholistic view of the ESG profile of the Scheme.

Defined Contribution ("DC")

Strategy

Investment objectives

"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."

Allocation of assets

"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. For the default investment strategy, the key aims are 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 Trustee undertakes a formal review of the DC Section default investment strategy at least every 3 years. The Trustee did not carry out an investment strategy review during this reporting period, the last review was concluded on 25 March 2021.

The investment strategy for the DC Section is monitored frequently. During this reporting period, the Trustee delegated responsibility for monitoring the investment strategy to the Defined Contribution Committee (it was previously delegated to the Investment Committee). The Defined Contribution Committee carried out a more detailed analysis of the underlying asset allocation and performance of the DC Section default investment strategy at the meeting on 16 March 2023. The conclusion of this review was that the Funds had performed in line with expectations.

Risks

As well as the risks set out in the DB Section above, for the DC Section the Trustee also considers the risk of not meeting members' expectations and the default investment strategy not being suitable for members.

As stated above, the Trustee reports on several of the risks associated with the Scheme's investments annually in the investment risk disclosure report which accompanies the Reports and Accounts. The risks associated with the DC Section of the Scheme are also considered as part of the investment strategy reviews carried out every three years (which consider the DC Section membership profile, and how members are expected to access these funds) and the frequent monitoring of investment and administration performance, including any member complaints or feedback reported by Legal & General.

Implementation

Choosing investments

"In choosing the DC Section's investment options, it is the Trustee's policy to consider (i) a full range of asset classes. (ii) the suitability of the possible styles of investment management and extent of manager diversification. (iii) the suitability of each asset class for a DC Scheme. (iv) the need for appropriate diversification of asset classes (v) the current and expected future membership of the DC Section of the Scheme and (vi) the fund charges, in order to assess value for money"

Features (i) to (v) are considered as part as part of the investment strategy reviews carried out every three years. The fund charges and value for money are assessed annually through the Trustee's formal value for members assessment carried out to support the Chair's Statement. The value for members assessment for the period ending 31st March 2022 was considered by the Defined Contribution Committee on 24 August 2022.

General

The arrangements with asset managers

"The Trustee regularly monitors the DC Section's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with Trustee's policies."

The Trustee receives quarterly monitoring reports from Legal & General including the valuation of all investments held, monitoring the performance of these investments, and membership changes during the quarter. Investment returns are compared to the performance comparators set by Legal & General.

The Defined Contribution Committee considered its investment advisers' ESG ratings for the DC Section funds at the meeting on 25 November 2022. As part of its more detailed analysis of the default investment strategy, the Defined Contribution Committee also asked Legal & General to provide a full breakdown of ESG metrics and to provide tangible examples of how ESG made a difference to stock selections.

The annual implementation statement reports on the monitoring of the voting and engagement activities carried out by the Trustee of the Scheme's investment managers, including the DC Section funds.

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

The Trustee shared its ESG policy with Legal & General on 25 January 2023. Legal & General presented at the 16 March 2023 Defined Contribution Committee meeting on its alignment with the Trustee's policy. The Trustee were satisfied the manager was aligned with the Scheme's ESG policy.

Environmental, social and governance considerations

"In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- *The risk that environmental, social and governance 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 their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance."*

Please refer to commentary in the DB Section of this statement, which applies equally to the DC Section.

Cost 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."

During this reporting period, the Trustee collated the costs and charges borne by members (including implicit transaction costs) for the 12-month period ending 31st March 2022 as part of the value for members assessment and the work to prepare the Chair's Statement.

Review of SIP

"The SIP will be reviewed typically annually or immediately following a change of investment policy."

An investment strategy review was not undertaken during the Scheme year, therefore the DC Section SIP was not updated during this reporting period.

Policy on rights attaching to investments

"The Trustee believes that it should encourage the companies it invests with to adopt good practice regarding corporate governance and corporate responsibility.

The Scheme Trustee is in agreement with the principles of effective stewardship included in the Financial Reporting Council UK Stewardship Code, and has requested the Investment Managers to comply with these principles.

The Trustee receives reports from its investment managers displaying the level of voting activity and engagement, highlighting occasions where they have not voted in agreement with their policy."

Please refer to commentary in the DB Section of this statement, which applies equally to the DC Section

Our Engagement Action Plan

Based on the work we have done for the IS, we have decided to take the following steps over the next 12 months:

1. For the illiquid investments held by the Scheme: M&G did not provide any fund level engagement information; Copenhagen provided limited engagement information; and Ares and DIF were not able to provide any engagement information. Whilst the opportunities for engagement with illiquid investments, such as infrastructure funds, are not as extensive as they are for other investments, such as equity and corporate bonds, we would still expect our investment managers of these funds to demonstrate and report on some level of engagement; for example, by engaging to exert influence on underlying companies or asset management through governance and how identified ESG risks are managed, as per the guidance issued by the Pension and Lifetime Saving Association ("PLSA").

2. BlackRock stated that it doesn't produce an engagement report for non-equity funds. Given that the Scheme has divested from BlackRock, we do not deem it to be in the best interests of the Scheme to engage with BlackRock further.

3. LGIM provided comprehensive engagement information for the majority of the funds we are invested in, however, this information was not provided in line with the Investment Consulting Sustainability Working Group ("ICSWG") engagement guide, which we deem to be best practice, and the manager also did not provide any engagement information in relation to the Future World Multi-Asset Fund. We will continue to engage with LGIM, through our investment adviser, to better understand its engagement practices.

4. Generation did not provide firm-level engagement data and didn't provide significant voting examples as per the PLSA template. We will meet with the manager to better understand its engagement and voting practices and discuss the areas which are behind those of its peers.

5. Threadneedle did not provide any information on fund-level, however it did provide a firm-level response. The manager said this is because its way of tracking engagement is inconsistent with the ICSWG template. We will discuss this with Threadneedle to better understand its engagement practices.

6. Prudential did not provide complete voting information for all funds, nor any firm level engagement information. We will engage with this manager to get a better understanding of its voting and engagement practices, and how these help us fulfil our Responsible Investment policies.

7. We will undertake regular, detailed ESG monitoring of our managers.

We will undertake an annual review of our investment managers' Responsible Investment policies to ensure they are in line with our own.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds held in Defined Benefit ("DB") section with voting rights for the year to 31st March 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Baillie Gifford - Long Term Global Growth Fund	483	100.0%	3.5%	0.6%
Generation - Global Equity Fund	718	100.0%	4.0%	1.0%
Generation - Asia (ex-Japan) Equity Fund	357	100.0%	8.0%	3.0%
Sands - Emerging Markets Growth Fund*	343	100.0%	5.0%	1.7%
SSGA - All World Developed ESG Screened Index Equity Sub-Fund**	29,759	99.6%	10.1%	0.5%
SSGA - MPF Fundamental Index Global Equity Sub-Fund**	38,153	98.4%	9.6%	1.3%

Source: Managers
The voting statistics provided by Generation and SSGA suggests that abstained votes are being counted as votes against management resulting in double counting within the voting statistics.
**Data provided is for the period 1 April 2022 to 19 October 2022.*
***Data provided is for period 1 October 2021 to 30 September 2022.*

The table below shows the voting statistics for each of the Scheme's material funds held in Defined Contribution ("DC")/Additional Voluntary Contribution ("AVC") section with voting rights for the year to 31st March 2023.

Section	•	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
DC	L&G PMC Future World Multi-Asset Fund	93,318	99.8%	21.7%	0.7%
	L&G PMC 2015 - 2020 Target Date Fund	104,732	99.8%	21.4%	0.7%
	L&G PMC 2020 - 2025 Target Date Fund L&G PMC 2025 - 2030 Target Date Fund	105,307	99.8%	21.4%	0.7%
	L&G PMC 2030 - 2035 Target Date Fund	97,323	99.8%	21.5%	0.7%
	L&G PMC 2035 - 2040 Target Date Fund	93,547	99.8%	21.8%	0.7%
	L&G PMC 2040 - 2045 Target Date Fund L&G PMC 2045 - 2050 Target Date Fund L&G PMC 2050 - 2055 Target Date Fund L&G PMC 2055 - 2060 Target Date Fund L&G PMC 2060 - 2065 Target Date Fund L&G PMC 2065 - 2070 Target Date Fund L&G PMC 2070 - 2075 Target Date Fund	94,598	99.8%	21.8%	0.7%
	L&G PMC All World Equity Index Fund	68,306	99.9%	19.7%	1.2%
	L&G PMC Ethical Global Equity Index Fund	16,618	99.8%	17.9%	0.2%
	Prudential - With Profits Investment Account	*Not provided*			
AVC	Prudential - Global Equity[1]	24,068	97.5%	5.6%	0.6%
	Prudential - With Profits Cash Accumulation[1]	72,503	97.9%	7.1%	1.5%
	Prudential - Discretionary[1]	24,596	97.5%	5.6%	0.6%

Source: Managers

[1]Prudential Fund Management has been delegated to a number of fund managers, including M&G Investment Management. The voting is carried out by the underlying fund managers.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

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Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

	Description of use of proxy voting advisers
Baillie Gifford & Co. (“Baillie Gifford”)	Whilst we are cognisant of proxy advisers’ voting recommendations (Institutional Shareholders Services (“ISS”) and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients’ shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers’ policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.
Generation Investment Management (“Generation”)	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 our 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. It is each analyst’s responsibility to vote the proxies of the companies they cover based on their deep research and engagement with the company.
Sands Capital Management (“Sands”)	We vote our proxies ourselves, but we consider the recommendations of proxy advisors such as ISS and Glass Lewis in our voting decisions. Please refer to our Proxy Voting Policy **https://www.sandscapital.com/stewardship/**
State Street Global Advisors (“SSGA”)	We enhance the services provided by our in-house resources through third-party service providers. The most notable of these are third-party data providers such as Institutional Shareholder Services (ISS) who are utilised to assist us with managing the voting process at shareholder meetings. In the voting process, we use ISS to help us monitor our voting rights across the asset classes in which we invest. We employ ISS to: • Act as our proxy voting agent (providing us with vote execution and administration services). • Assist in applying our voting guidelines. • Provide research and analysis relating to general corporate governance issues and specific proxy items. • Provide proxy voting guidelines in limited circumstances. All voting decisions and engagement activities are undertaken in accordance with our in-house policies and views, ensuring that the interests of our clients remain the sole consideration when discharging our stewardship responsibilities. The only exception to this policy is the use of an independent third party to vote on State Street stock, to mitigate a conflict of interest of voting on our parent company. In addition, we also have access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement our in-house analysis of companies and individual ballot items.
M&G Investment Management (“M&G”)	We use research provided by ISS and the Investment Association; and we use the ProxyExchange platform from ISS for managing our proxy voting activity. Voting decisions are taken in the best interests of clients and decision-making takes into account a wide range of factors. Whilst we do not solicit clients’ views would take them into account should they be known to us.

Legal & General Investment Management Limited ("LGIM")	We use proxy voting adviser ISS to execute votes electronically and for research. This augments our own research and proprietary ESG assessment tools. We do not outsource any part of the voting decisions to ISS. We have a custom voting policy in place with ISS. This seeks to uphold what we consider to be best practice standards companies should observe. We can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information.

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the DB section of the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme.

Section	**Funds**	**Number of engagements**		**Themes engaged on at a fund-level**
		Fund specific	**Firm level**	
DB	Baillie Gifford – Long Term Global Growth Fund	52	1,255	Environment – Climate change Social – Human capital management (e.g. inclusion & diversity, employee terms, safety), Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying) Governance – Remuneration, Board effectiveness – Other Strategy, Financial and Reporting – Strategy/purpose
	BlackRock – UK All Stock Corporate Bond Fund	*Not provided*	3,886	Environment – Climate and natural capital Social – Company impacts on people Governance – Board quality and effectiveness Strategy, Financial and Reporting – Strategy, purpose, and financial resilience
	Generation – Global Equity Fund	643[1]	*Not provided*	Environment – Climate change Social – Human capital management Governance – Board effectiveness – Diversity, Independence or Oversight, Leadership – Chair/CEO Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting)
	Generation – Asia (ex-Japan) Equity Fund	123[1]		Environment – Climate change Social – Human capital management Governance – Board effectiveness – Diversity, Independence or Oversight, Leadership – Chair/CEO Strategy, Financial and Reporting – Reporting
	M&G – Inflation Opportunities Fund / Illiquid Credit Opportunities Fund	*Not provided*	157	Environment – Climate change Social – Human and labour rights (e.g. supply chain rights, community relations), Human capital management

Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
				Governance – Board effectiveness – Independence or Oversight, Remuneration Strategy, Financial and Reporting – Strategy/purpose
	Sands – Emerging Markets Growth Fund*	104	291	Environment – Climate change, Natural resource use/impact (e.g. water, biodiversity) Social – Human capital management, Conduct, culture and ethics Governance – Board effectiveness – Other Strategy, Financial and Reporting – Capital allocation, Reporting
	SSGA – All World Developed ESG Screened Index Equity Sub-Fund**	719	*Not provided*	Environmental – Deforestation, Climate-related Reporting, Climate Transition Plan Social – Human Capital, Racial Equity, Gender Diversity, Corporate Culture Governance – Overall compensation matters, Board Refreshment, Board Accountability, Board Leadership, Board Structure, Shareholder Rights
	SSGA – MPF Fundamental Index Global Equity Sub-Fund**	810		Environmental – Deforestation and Land Use, Climate-related Reporting, Climate Transition Plan Social – Human Capital, Racial Equity, Gender Diversity, Corporate Culture Governance – Overall compensation matters, Board Refreshment, Board Leadership, Board Accountability, Board Structure, Shareholder Rights
	Threadneedle AM – Property Unit Trust (TPUT)	*Not provided*	177	*Not provided*
	Copenhagen – Infrastructure IV	*Not provided*	*Not provided*	Environment – Climate Social – Human rights, labour rights, anti-corruption, health and safety and environmental performance, operating efficiency, process management, design modifications
	Ares – Capital Europe V	*Not provided*		
	DIF – Infrastructure V	*Not provided*		
DC / AVC	L&G PMC Future World Multi-Asset Fund	*Not provided*	1,224	Environment – Climate change, Deforestation Governance – Remuneration, Shareholder rights Strategy, Financial and Reporting – Company disclosure and transparency
	L&G PMC 2040 - 2045 Target Date Fund L&G PMC 2045 - 2050 Target Date Fund L&G PMC 2050 - 2055 Target Date Fund L&G PMC 2055 - 2060 Target Date Fund L&G PMC 2060 - 2065 Target Date Fund	933		Environment – Climate change, Natural resource use/impact Social – Human capital management, Public health Governance – Board effectiveness – Diversity, Board effectiveness – Other, Leadership – Chair/CEO, Remuneration Strategy, Financial & Reporting – Reporting, Strategy/purpose

Section	Funds	Number of engagements: Fund specific	Number of engagements: Firm level	Themes engaged on at a fund-level
	L&G PMC 2065 - 2070 Target Date Fund L&G PMC 2070 - 2075 Target Date Fund			
	L&G PMC 2020 - 2025 Target Date Fund L&G PMC 2025 - 2030 Target Date Fund L&G PMC 2030 - 2035 Target Date Fund	986		Environment – Climate change, Natural resource use/impact Social – Human capital management, Public health Governance – Board effectiveness – Diversity, Board effectiveness – Other, Leadership – Chair/CEO, Remuneration Strategy, Financial & Reporting – Reporting, Strategy/purpose
	L&G PMC 2015 - 2020 Target Date Fund	975		Environment – Climate change, Natural resource use/impact Social – Human capital management, Public health Governance – Board effectiveness – Diversity, Board effectiveness – Other, Leadership – Chair/CEO, Remuneration Strategy, Financial & Reporting – Reporting, Strategy/purpose
	L&G PMC Ethical Global Equity Index Fund	397		Environment – Climate change, Natural resource use/impact Social – Human capital management, Public health Governance – Board effectiveness – Diversity, Board effectiveness – Other, Leadership – Chair/CEO, Remuneration Strategy, Financial & Reporting – Reporting, Strategy/purpose
	L&G PMC All World Equity Index Fund	818		Environment – Climate change, Natural resource use/impact (e.g. water, biodiversity Social – Human and labour rights, Human capital management, Public health Governance – Board effectiveness – Diversity, Remuneration, Strategy, Financial & Reporting – Reporting, Strategy/purpose Other – ESG Scores
	Prudential – With Profits Investment Account	*Not provided*	*Not provided*	*Not provided*
	Prudential – With Profits Cash Accumulation	140		Environment – Climate change (including Strategy, Broader Sector Opportunities and Thermal Coal), Natural resource use/impact (e.g. water, biodiversity) Social – Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations) Governance – Board effectiveness (e.g. diversity, independence, oversight), Leadership – Chair/CEO, Remuneration Strategy, Financial and Reporting – Capital allocation, Financial performance, Firm strategy/purpose
	Prudential – Discretionary	103		Environment – Natural resource use/impact, Net Zero, Water use/Scarcity/Pollution Social – Conduct, culture and ethics, Human capital management (e.g. inclusion and diversity, employee terms, safety), Governance – Leadership – Chair/CEO, Remuneration, Shareholder rights Strategy, Financial and Reporting – Capital allocation, Financial performance

Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
	Prudential – Global Equity	92		Environment – Natural resource use/impact, Net Zero, Water use/Scarcity/Pollution Social – Conduct, culture and ethics, Human and labour rights, Governance – Board effectiveness, Leadership – Chair/CEO Strategy, Financial and Reporting – Capital allocation, Financial performance

Source: Managers
BlackRock, Generation, M&G, Copenhagen and LGIM (PMC Future World Multi-Asset Fund) did not provide fund level themes; themes provided are at a firm-level.
[1]Indicates number of meetings, not necessarily the number of engagements.
**Data provided is for the period 1 April 2022 to 19 October 2022.*
***Data provided is for period 1 January 2022 to 30 September 2022.*

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Ares and DIF did not provide any engagement information requested.
- Prudential did not provide firm-level engagement information and did not provide complete voting information for all funds.
- Threadneedle did not provide any information at a fund-level, however it did provide a firm-level response and noted its engagement tracking is not categorised in a way consistent with the ICSWG template.
- BlackRock and M&G did not provide any fund-level engagement information.
- Generation and SSGA did not provide firm-level engagement information.
- Copenhagen did not provide any engagement stats.
- LGIM did not provide fund-level engagement information for one of the DC funds.

This report does not include commentary on the Scheme's investments in gilts and cash because of the limited materiality of stewardship to these asset classes.

Appendix – Significant Voting Examples (DB section)

In the table below are some significant vote examples provided by the Scheme's managers. We consider a significant vote to be one which the manager considers significant, or a vote that aligns with our stewardship priorities. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below, in the managers' own words, where they align with our stewardship priorities (where possible):

Baillie Gifford – Long Term Global Growth Fund	**Company name**	NETFLIX, INC.
	Date of vote	02-Jun-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	2.1%
	Summary of the resolution	Shareholder Resolution – Social
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	We supported a shareholder resolution for a report on lobbying payments and policy as we believe enhanced disclosure on these subjects is in shareholders' best interests.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	We supported the resolution and it received 60% support for other shareholders. Given the majority support, we would expect the company to take account of shareholder concerns and potentially take action on the issue. We will continue to monitor progress and the company's actions in this area ahead of any further engagement on the issue.
	On which criteria have you assessed this vote to be "most significant"?	This resolution is significant because it was submitted by shareholders and received greater than 20% support.
Generation – Global Equity Fund	**Company name**	Amazon.com, Inc.
	Date of vote	25-May-2022
	Approximate size of fund's/mandate's holding as at	*Not provided*

	the date of the vote (as % of portfolio)	
	Summary of the resolution	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	*Not provided*
	Rationale for the voting decision	Notwithstanding Amazon's existing efforts to ensure that their technology is used in an appropriate manner, we believe this proposal supports a more comprehensive diligence process.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	*Not provided*
	On which criteria have you assessed this vote to be "most significant"?	SH – Social
Generation – Asia (ex-Japan) Equity Fund	**Company name**	Texas Instruments Incorporated
	Date of vote	28-Apr-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	N/A
	Summary of the resolution	Reduce Ownership Threshold for Shareholders to Call Special Meeting
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	*Not provided*
	Rationale for the voting decision	Appropriate enhancement of shareholder rights. Given the market cap of the company, it will still require several shareholders with a significant investment to call such a special meeting.

	Outcome of the vote	*Not provided*
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	*Not provided*
	On which criteria have you assessed this vote to be "most significant"?	SH – Governance
Sands – Emerging Markets Growth Fund	**Company name**	Tencent Holdings Limited
	Date of vote	18-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	5.9%
	Summary of the resolution	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights and Authorize Reissuance of Repurchased Shares.
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	N/A
	Rationale for the voting decision	Similar to last year, we believe Tencent is increasingly unlikely to need the flexibility to issue this many shares given regulation, Tencent's large market cap, and a maturing of investments. We don't think voting against (in line with best practices) will compromise Tencent's capital strategy.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	Will most likely continue to vote this way in the future
	On which criteria have you assessed this vote to be "most significant"?	The criteria we selected to assess the "significance" of the vote were the dissent level, shareholder proposals we voted FOR, times we voted AGAINST management or ISS, historical votes on similar proposals, and overall relevance to the strategy.
SSGA – All World Developed ESG	**Company name**	Alphabet Inc.

Screened Index Equity Sub-Fund	**Date of vote**	01-Jun-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.4%
	Summary of the resolution	Community – Environment Impact
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	We do not publicly communicate our vote in advance.
	Rationale for the voting decision	This proposal merits support as the company's environmental disclosure and/or practices can be improved.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.
	On which criteria have you assessed this vote to be "most significant"?	SH – Environmental Proposal
SSGA – MPF Fundamental Index Global Equity Sub-Fund	**Company name**	The Coca-Cola Company
	Date of vote	26-Apr-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.3%
	Summary of the resolution	Product Toxicity and Safety
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	We do not publicly communicate our vote in advance.
	Rationale for the voting decision	This proposal does not merit support as the company's disclosure and/or practices pertaining to the item are reasonable.
	Outcome of the vote	Fail

	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.
	On which criteria have you assessed this vote to be "most significant"?	SH – E&S Proposal

Source: Managers

Appendix – Significant Voting Examples (DC/AVC Section)

In the table below are some significant vote examples provided by the Scheme's managers. We consider a significant vote to be one which the manager considers significant, or a vote that aligns with our stewardship priorities. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below, in the managers' own words, where they align with our stewardship priorities (where possible):

L&G PMC 2015 - 2020 Target Date Fund; **L&G PMC 2020 - 2025 Target Date Fund;** **L&G PMC 2030 - 2035 Target Date Fund;** **L&G PMC 2035 - 2040 Target Date Fund;** **L&G PMC 2040 - 2045 Target Date Fund;** **L&G PMC Future World Multi-Asset Fund;**	**Company name**	BP Plc
	Date of vote	12-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.05 - 0.1%
	Summary of the resolution	Approve Net Zero - From Ambition to Action Report
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Voted in line with management
	Rationale for the voting decision	Climate change: A vote FOR is applied, though not without reservations. While we note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is our view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, we remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.
	Company name	Rio Tinto Plc

L&G PMC 2025 - 2030 Target Date Fund; L&G PMC 2045 - 2050 Target Date Fund; L&G PMC 2050 – 2055 Target Date Fund; L&G PMC 2055 – 2060 Target Date Fund; L&G PMC 2065 – 2070 Target Date Fund; L&G PMC 2070 - 2075 Target Date Fund	**Date of vote**	08-Apr-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.3 - 0.4%
	Summary of the resolution	Approve Climate Action Plan
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.
L&G PMC Ethical Global Equity Index Fund; L&G PMC All World Equity Index	**Company name**	Alphabet Inc.
	Date of vote	01-Jun-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	2.0% (L&G PMC Ethical Global Equity Index Fund) 1.1% (L&G PMC All World Equity Index)
	Summary of the resolution	Report on Physical Risks of Climate Change
	How you voted	For

	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress
	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote
Prudential – With Profits Cash Accumulation	**Company name**	Apple Inc.
	Date of vote	10-Mar-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.3%
	Summary of the resolution	Adopt a Policy Establishing an Engagement Process with Proponents to Shareholder Proposals
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	N/A
	Rationale for the voting decision	In our view, the board should make themselves available for discussions with proponents of successful shareholder proposal campaigns.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	*Not provided*

	On which criteria have you assessed this vote to be "most significant"?	Shareholder rights and governance
Prudential – Discretionary; **Prudential – Global Equity**	**Company name**	Telefonaktiebolaget LM Ericsson
	Date of vote	29-Mar-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.1%
	Summary of the resolution	Approve Discharge of Board Chairman Ronnie Leten
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	Concern over corporate governance in light of guilt plea to Foreign Corrupt practices Act charges
	Outcome of the vote	*Not provided*
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	*Not provided*
	On which criteria have you assessed this vote to be "most significant"?	Shareholder rights and governance

Source: Managers