



University of Aberdeen
Superannuation
&
Life Assurance Scheme

**Annual Report for the
Year ended 31 July 2016**

Scheme Registration Number 10052894

Annual Report

For the Year ended 31 July 2016

This Report relates to the operation of the University of Aberdeen Superannuation and Life Assurance Scheme ("the Scheme") during the year ended 31 July 2016.

The Report has been prepared in accordance with Regulations made under Section 41 of the Pensions Act 1995 and consists of the following Parts: -

1. Trustees' Report:

- a) Scheme Advisers
- b) Review of the Management and Development of the Scheme
- c) Investment Report
- d) Statement of Trustees' Responsibilities

2. Financial Statements

3. Independent Auditor's Report

4. Summary of Contributions Payable

5. Independent Auditor's Statement about Contributions

6. Actuarial Statements

7. Actuarial Liabilities

8. Compliance Statement

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Part 1: Trustees' Report

a) SCHEME ADVISERS

The Trustees retain a number of professional advisers in connection with the operation of the Scheme. The advisers currently appointed are as follows:

Actuary	Mr Jonathan Seed Xafinity Consulting Ltd Scotia House Castle Business Park Stirling FK9 4TZ
Scheme Consultants	Xafinity Consulting Ltd Scotia House Castle Business Park Stirling FK9 4TZ
Administrator	Equiniti Pension Solutions Prudential Scotia House Castle Business Park Stirling FK9 4TZ
Auditors	KPMG LLP 319 St Vincent Street Glasgow G2 5AS
AVC Providers	Prudential Scotia House Castle Business Park Stirling FK9 4UE

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Annuity Provider

Prudential
Scotia House
Castle Business Park
Stirling FK9 4UE

Investment Managers

Legal & General Investment Management
One Coleman Street
London EC2R 5AA

Life Assurer

Canada Life
3 Rivergate
Temple Quay
Bristol BS1 6ER

Lawyer

Pinsent Masons
131 Bothwell Street
Glasgow G2 7EQ

Banker

Bank of Scotland plc
39 Albyn Place
Aberdeen AB10 1YN

**Contact for further information & enquiries
about the scheme**

Pensions Office
Finance Section
King's College
Aberdeen AB24 3FX

e-mail: pensions@abdn.ac.uk

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b) REVIEW OF THE MANAGEMENT AND DEVELOPMENT OF THE SCHEME

1.1. Introduction

This report relates to the operation of the Scheme during the year ended 31 July 2016. Membership of the Scheme is open to all eligible employees of the University who are over age 18. The Scheme provides benefits on a member's retirement or death based on the member's earnings at that time, in accordance with the Scheme rules. This report is addressed primarily to the Scheme's members, but any eligible employees who are interested in joining the Scheme should contact the Pensions Office at the address given on page 4.

1.2. Management of the Scheme

During the year under review the Trustees of the Scheme have been as follows:

Ms Jacquelynn Crow	Independent Chairwoman
Mrs Caroline Inglis	University Secretary
Mr David Beattie	Director of Finance
Mr Mark Whittington	University Court nominated
Mrs Diane Massie	Member-nominated
Mr David Walton	Member-nominated

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The power to appoint and remove Trustees is vested in the University Court. Trustee appointments will cease if the Trustee ceases to be a member of the Scheme or resigns from the University.

The Trustee body includes two membership representative Trustees elected by the active members of the Scheme. The arrangements for appointing membership representatives comply with the Member Nominated Trustee requirements of the Pensions Act 2004.

Trustees are invited to attend Trustee meetings at which a minimum of two must be present for valid decisions to be taken. Decisions require the majority support of those Trustees present. Trustee meetings are normally held every three months, but can be called more frequently where necessary. During the year the Trustees met five times.

1.3. Sponsoring Employer

The Scheme is provided for support staff of the University of Aberdeen. The University provides administrative support to the Scheme.

1.4. Scheme Booklet

The Scheme Guide and factsheets are available on the Pensions website
www.abdn.ac.uk/staffnet/working-here

1.5. Contributions Receivable

During the year to 31 July 2016, employer contributions were payable at a rate of 17.50% of members' pensionable salaries. This comprised 11.7% in respect of future service and 5.8% in respect of the shortfall in funding. Employee contributions were paid at a rate of 7.05%. In addition, the employer is responsible for paying the cost of insuring death-in-service and for certain other contributions in specific circumstances.

Employees have the option of entering a Salary Sacrifice arrangement, whereby their pensionable salary is unchanged, but their gross salary is reduced by 7.05%. Consequently the employer, on behalf of the employee, pays contributions of 7.05% of the pensionable salary, in addition to the 17.50% already being paid.

1.6. Review of the Financial Development of the Scheme

The financial statements have been prepared and audited in accordance with regulations made under Section 41 (1) and (6) of the Pensions Act 1995. These show that the Scheme's assets increased in value from £122.7 million to £135.9 million over the Scheme year.

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1.7. Actuary's Report

The Report on Actuarial Liabilities which forms part of the Trustees Annual Report is included on page 29. The Trustees are bound by law to instruct the Scheme Actuary to carry out a financial health check of the Scheme. Every three years a formal actuarial valuation is conducted which involves a series of assumptions relating to inflation, investment returns, salaries, interest rates and longevity. The calculations are used to establish the anticipated cost of providing the benefits paid by the Scheme over the long term.

The Scheme's financial security

The last full actuarial valuation was performed by Jonathan Seed of Xafinity Consulting as at 31 July 2013. This showed that, based on the assumptions set out in the Trustees' Statement of Funding Principles:

The value of the technical provisions was:	£109.9 million
The Scheme's assets were valued at:	£107.3 million
This means that there was a shortfall of:	£2.6 million
The funding level was:	98%

Contributions to the Scheme

Following each actuarial valuation, the actuary advises the Trustees what contributions should be paid into the Scheme so that they can expect to be able to continue to pay members' pensions. The Trustees then agree a level of contribution for the Scheme having consulted the University and record this in a document called the Schedule of Contributions. The Trustees review and update this at least each time the Scheme has an actuarial valuation.

As part of the actuarial valuation as at 31 July 2013, the ongoing contribution rate required to meet the cost of each additional year's accrual of pension benefits was assessed. Members continue to contribute 7.05% per annum of their pensionable salary to the Scheme, and the University meets the rest of the cost by contributing 11.7% per annum of members' pensionable salaries.

Because of the shortfall shown in the table above, the Trustees and the University were required to agree on a Recovery Plan to address the shortfall. The Plan which was agreed resulted in the University continuing to make additional shortfall contributions of 5.8% of pensionable salaries each year. The Recovery Plan was anticipated to eliminate the shortfall over a three year period from August 2014 to July 2017.

Change in funding position since 2013 actuarial valuation

The position of the Scheme was also reviewed at 31 July 2014 when it was established that the Scheme was approximately 95% funded, and again at 31 July 2015 when the Scheme was approximately 92% funded. These assessments were not formal valuations, but measured the position of the Scheme in a manner consistent with that used for the 2013 valuation, taking into account the effect of changes in investment conditions and Scheme membership since 31 July 2013.

The deterioration in the funding position at the most recent funding update to 31 July 2015 is mainly as a result of changes in investment market conditions which led to an increase in the value of the amount needed to provide the benefits (the value of the Scheme's liabilities). The increase in this

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amount was partially offset by an increase in the value of the Scheme's assets due to contributions paid by the University (to reduce the funding shortfall) and higher than expected investment returns over the period.

Given the support provided by the University, the Trustees are comfortable that it remains appropriate to take a long term view of the Scheme's funding and investment strategy. The Trustees recognise that in the short term this will cause the Scheme's funding level to be vulnerable to market fluctuations.

The Scheme's finances and the contribution rates payable will be reviewed at future actuarial valuations. The next such valuation is being carried out at 31 July 2016.

If the Scheme were wound-up

At 31 July 2013 the Scheme's assets could not have paid for the full benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date (without additional contributions from the University of Aberdeen). This is common for most UK pension schemes. At that date, the Scheme's assets were estimated to be around 61% of the cost of the associated premium – the University would have been liable for the balance.

The Trustees are required by law to consider what the funding position would have been had the Scheme wound-up at the valuation date. However, neither the Trustees nor the University are thinking of winding-up the Scheme

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1.8. Scheme Membership

Active Members

At 31 July 2015	662
Add: New entrants	71
Less: Leavers to deferred	(56)
Retirements	(30)
Refunds	(35)
Deaths	(0)
At 31 July 2016	612

Pensioners

At 31 July 2015	981
Add: Active retirements	30
Deferred retirements	16
Dependants pensions becoming payable	6
Less: Deaths	(55)
Cessation of child's pension	(1)
At 31 July 2016	977

Deferred Members

At 31 July 2015	668
Add: Leavers with deferred pensions	56
Less: Pensions becoming payable	(16)
Transfers out	(18)
Deaths	(0)
At 31 July 2016	690

Of the above pensioners there are 122 whose benefits are partially secured by insurance policies held in the name of the Trustees. The majority of these were set up before 1 August 1984, when the Scheme switched from an insured to a managed fund, while the remainder relate to additional contributions paid by some members under a money-purchase arrangement.

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1.9. Ill Health Early Retirement

During the year no ill-health early retirements came into payment. There were none in the previous year.

1.10. Disputes

There were no disputes during the year.

1.11. Transfer Payments

All cash equivalents (transfer values) paid during the year have been calculated and verified in the manner required by the regulations under section 97 of the Pension Schemes Act 1993. None of the cash equivalents paid were less than the amount required by Regulations. No allowance is made for discretionary pension increases.

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c) INVESTMENT REPORT

The Trustees have prepared a Statement of Investment Principles (SIP) which sets out their policies on investment and their strategy for achieving them, a copy of which is available on request.

The SIP was updated and formally approved in June 2016.

Investment Target

The benchmark distribution of the Scheme's assets is to be maintained in the following proportions: 55% equities split between UK 15% and overseas 40%, index-linked bonds 25%, property 7.5% and diversified fund 12.5%.

Valuation and Distribution of Assets

The valuation and underlying distribution of assets in the investment portfolio at 31 July were as follows:

	2016 %	Benchmark %	Range %	2015 %	Benchmark %
UK Equities	14.3	15.0	+/-1.5	14.9	15.0
Overseas Equities	41.6	40.0	+/-2.0	40.2	40.0
Index Linked	24.9	25.0	+/-2.0	25.3	25.0
Property	6.8	7.5	n/a	7.6	7.5
Diversified Fund	12.4	12.5	+/-1.0	12.0	12.5
TOTAL	100.0	100.0		100.0	100.0

	2016	2015
Valuation	£134,307,108	£121,012,268
Insurance Policies- Annuities	£1,376,200	£1,392,000
AVCs	£303,060	£271,341
Investment value Per accounts	£135,986,368	£122,675,638

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Investment Returns

The time-weighted investment returns on the Scheme's assets were as follows:

TIME-WEIGHTED RETURNS TO 31 JULY 2016						
Investment Sector Fund	Last Twelve Months		3 Years		5 Years	
	Fund %	Index %	Fund % pa	Index % pa	Fund %pa	Index %pa
UK Equity Index	3.9	3.8	5.97	5.86	6.39	6.27
World (ex UK) Equity Index	19.1	19.0	11.97	11.89	10.67	10.59
Over 5y Index-Linked Gilts	15.1	15.1	12.27	12.22	11.20	11.15
Managed Property	(0.5)	n/a	11.03	11.93	8.20	7.44
Diversified Fund	14.7	8.0	8.56	10.45	-	-
Total Assets	13.7	13.5				

Market highlights 12 months to 31 July 2016

Economic overview

Data releases highlighted divergent trends in the major economies over the past twelve months. The US economy continued to grow steadily, despite fluctuations in quarterly GDP, with the Federal Reserve sanctioning the first hike in interest rates since 2006 in December. The UK economy also performed well, although growth remained unbalanced with business investment spending and exports failing to keep pace with a robust services sector. Inflationary pressures remained subdued as commodity prices weakened and the oil price plunged to its lowest level since 2004, collapsing to below \$30/barrel in February before rebounding strongly in recent months. With the euro zone experiencing very low levels of inflation, the European Central Bank (ECB) continued to sanction large-scale quantitative easing (asset purchases) to shore up business and consumer confidence. In Japan, economic growth remained weak while inflation was well below its 2% target although a stronger labour market did begin to lift wages. In January, the Bank of Japan became the latest central bank to adopt the unorthodox policy of negative interest rates, following the ECB, Swiss National Bank and the Swedish Riksbank. The Chinese economy slowed as it continued its transition from export and investment-driven growth towards consumption. This led the authorities to cut interest rates, loosen banks' reserve requirements and devalue the yuan. The Brazilian economy slipped into recession, while Russia was hard hit by the plunge in energy prices.

Equities

Equity markets became increasingly volatile, recording heavy losses during the third quarter of 2015 and in the opening weeks of 2016 before rebounding. UK equities rose on the back of gains for globally focused large cap stocks, although the vote to leave the EU in the June referendum was the cue for a turbulent finish to the period. Overseas equity markets fell back in local currency terms although the weakness of sterling translated into a gain for UK-based investors as the pound fell to a 31-year low against the US dollar in the aftermath of the June referendum. In the US, although the strengthening dollar remains a significant impediment for revenue growth, the latest quarterly earnings season has been broadly encouraging with results from a number of leading IT stocks exceeding forecasts. European markets declined on concerns over the economic outlook as the outcome of the UK referendum provided a severe jolt to investor sentiment. Japanese stocks also fell sharply on concerns that a resurgent yen would erode corporate profits and business confidence. Asian and emerging equity markets rallied towards the end of period as concern over the health of the Chinese economy abated, while the US Federal Reserve refrained from further interest rate hikes.

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Bonds

Over the past year, higher-rated government bonds such as US treasuries, UK gilts and German bunds were underpinned by demand from risk-averse investors, outperforming equities by a wide margin as financial market volatility increased. Bond markets were also driven by a sharp fall in the oil price and weak commodity markets in the first half of the period, which pushed down inflation in the major economies and convinced investors that the major central banks would leave interest rates lower for longer. Previously distressed 'peripheral' European sovereign bond markets rallied, as investors sought higher returns with European interest rates falling below zero. Sterling-denominated corporate bonds underperformed gilts as the uncertain global economic outlook preoccupied investors and equity markets became more volatile. Liquidity constraints, as tighter regulations forced banks to hold more capital thereby reducing the capacity of market makers, also weighed on the corporate bond market. The search for higher levels of income underpinned emerging bond markets, which attracted substantial inflows from international investors as the Federal Reserve refrained from further interest rate hikes over the first half of 2016.

Property

Commercial property continued to deliver positive returns until the UK referendum on EU membership, with rental income and capital growth contributing broadly equally to overall returns. However, emphasis in the sector continued to move away from generating returns through an improvement in capital values and towards delivering a recovery in leasing markets and enhancing rental income growth.

Following the result of the EU referendum, announced on 24 June, considerable investor uncertainty prevailed across various asset classes and markets saw significant pricing volatility. While yields on both primary and secondary commercial property remain elevated in comparison with bonds, the number of commercial property transactions slowed after the referendum result, and the confidence exhibited by valuers in their assessment of market clearing prices reduced, making it difficult to fairly value the underlying assets in commercial property portfolios.

Investment Report for the year ended 31 July 2016

The assets of the Scheme are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

The policy is designed for corporate and public sector Pension Schemes and takes full advantage of the tax exemptions available to an insurance policy of this type. It is a unitised policy and the value of the units fluctuates directly in relation to the value of the underlying assets. All units are redeemable at bid prices that are calculated from independent, external pricing sources. The assets underlying the units are held by independent corporate custodians which are regularly reviewed by external auditors.

Legal & General's investment brief is to apply cash flows in accordance with instructions received from the Trustees or their authorised Administrators.

Basis of Investment Manager's Fees

The fees for Legal & General Investment Management are charged on a quarterly basis on the average value of the funds during the quarter, on the following basis:-

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UK Equities
0.10% per annum on the first £10 million
0.075% per annum on the next £10 million
0.06% per annum on the next £30 million
0.05% per annum thereafter
Overseas Equities
0.22% per annum on the first £5 million
0.19% per annum on the next £10 million
0.16% per annum on the next £35 million
0.13% per annum thereafter
Gilts
0.10% per annum on the first £5 million
0.075% per annum on the next £5 million
0.05% per annum on the next £20 million
0.03% per annum thereafter
Property
0.70% per annum on the first £2.5 million
0.65% per annum on the next £2.5 million
0.60% per annum thereafter
Diversified Fund
0.30% per annum.

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d) STATEMENT OF TRUSTEES' RESPONSIBILITIES

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- 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 the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for making available each year, commonly in the form of a Trustees' annual report, information about the scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustees also have certain responsibilities in respect of contributions which are set out in the statement of Trustees' responsibilities accompanying the Trustees' summary of contributions.

The Trustees have 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 appropriate internal controls.

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Part 2: Financial Statements

FUND ACCOUNT

for the year ended 31 July 2016

	Notes	2016	2015
		£	£
Contributions and Benefits			
Contributions receivable	2	3,203,284	3,515,941
Transfers in	3	47,005	0
Other income	4	0	52,584
		3,250,289	3,568,525
Benefits payable	5	5,336,081	5,875,338
Leavers	6	519,987	953,251
Life assurance premiums	7	73,075	84,437
Administrative expenses	8	330,620	299,733
		6,259,763	7,212,759
Net withdrawals from dealing with members		(3,009,474)	(3,644,234)
Returns on Investments			
Investment income	9	138,947	148,914
Change in market value of investments	11	16,281,968	13,905,372
Investment management expenses	10	(226,747)	(182,563)
Net gains on investments		16,194,168	13,871,723
Net increase in fund during the year		13,184,694	10,227,489
Net assets of the Scheme at 1 August		122,707,071	112,479,582
Net assets of the Scheme at 31 July		135,891,765	122,707,071

The notes on pages 18 to 24 form part of these financial statements

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STATEMENT OF NET ASSETS (available for benefits)

	Notes	2016 £	2015 £
Investment assets:			
Pooled investment Vehicles	11	134,307,108	121,012,297
Insurance policies	11	1,376,200	1,392,000
AVCs	11	303,060	271,341
Current Assets	15	439,908	321,072
Current Liabilities	16	(534,511)	(289,639)
		<u>135,891,765</u>	<u>122,707,071</u>

The notes on pages 18 to 24 form part of these financial statements

The Financial Statements summarise the transactions and the net assets of the Scheme except that the value of partly insured annuities is not included in the Net Asset Statement. The Financial Statements do not take account of the liabilities to pay pensions and other benefits in the future. The actuarial position of the Scheme which does take account of such liabilities is dealt with in the Report on Actuarial Liabilities included on page 30 of the Annual Report which should be read in conjunction with the Financial Statements.

Signed for and on behalf of the Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme



Trustee 25th May 2017 Date



Trustee 26 May 2017 Date

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NOTES (forming part of the Financial Statements)

1. Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies which have been applied consistently, is set out below.

Basis of Preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2014). This is the first year FRS 102 and the Revised SORP have applied to the Scheme's financial statements. The Scheme Trustees have taken advantage of the option to adopt the revised Fair Value Hierarchy outlined in the amendment to FRS 102 (March 2016) for an accounting period earlier than that required in the Standard.

Transition to FRS102

	2014	2015
	£	£
Net assets of the Scheme as previously stated	111,050,582	121,315,071
Effect of transition-valuation of annuity policies	1,429,000	1,392,000
Net assets of the Scheme as restated	112,479,582	122,707,071
Net increase in fund as previously reported		10,264,489
Effect of transition – valuation of annuity policies		(37,000)
Net increase in fund as restated		10,227,489

Annuity policies were previously included in the Statement of Net Assets at nil value as permitted by the Audited Accounts Regulations and the previous SORP. Under FRS 102 annuity policies are reported at the value of the related obligation to pay future benefits funded by the annuity policy.

Investments

Investments are included at fair value.

Pooled Investment Vehicles are valued based on the bid price quoted by the investment manager at the year end.

Transaction costs on buying and selling are included in the purchase costs and deducted from the sales proceeds.

Annuities purchased in the name of the Trustees which provide pension benefits for certain members are included in these Financial Statements at the amount of the related obligation, determined using the prescribed S179 assumptions and methodology based on market conditions as at the relevant date. Annuity valuations are provided by the Scheme Actuary. Annuities are issued by Scottish Amicable.

Administrative expenses

Administration expenses are accounted for on an accruals basis.

Contributions receivable

- * Normal contributions, both from the members and from the employer, are accounted for as they fall due under the schedule of contributions.
- * Additional voluntary contributions from the members are accounted for in the month deducted from payroll.
- * Employer's deficit funding contributions are accounted for as they fall due under the schedule of contributions.

Transfer values

Transfer values have been included in the accounts when received and paid. They do not take account of members who have notified the scheme of their intention to transfer.

Income from investments

Income arising from the underlying investments of the pooled investment vehicle which is re-invested in the pooled investment vehicle is reflected in the unit price and reported within 'change in market value'.

Annuity income reflects pensions paid directly by annuity providers. The corresponding pensions are reflected in Benefits Payable.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Investment manager's fees

Investment management expenses are incurred by the Scheme based on the monthly market valuations of the portfolio and accounted for on an accruals basis.

Benefits Payable

Pensions and lump sums are accounted for on an accruals basis from the date the option is exercised.

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	2016	2015
	£	£
2. Contributions receivable		
Employer - normal	1,485,100	1,625,559
Employer - salary sacrifice, on behalf of the employee	845,583	899,974
Employer - contribution to deficit	728,900	792,288
Employer - additional contributions to fund early retirement	0	17,079
Employer - death-in-service contributions	73,075	84,437
Total employer	3,132,658	3,419,337
Employee - normal	40,559	61,920
Employee - additional voluntary contributions	30,067	34,684
Total employee	70,626	96,604
	3,203,284	3,515,941

The above AVC contributions are made to an insured money purchase policy with Prudential Assurance Company Ltd, the value of which is included in the Net Assets Statement.

Deficit funding contributions are payable at a rate of 5.8% of pensionable salaries until 31 July 2017 in line with the schedule of contributions/scheme funding recovery plan in place for the year.

	2016	2015
	£	£
3. Transfers in		
Transfer values received - individuals	47,005	0
	47,005	0
4. Other income		
Claim on Life Assurance policy	0	52,584
	0	52,584
5. Benefits payable		
Pensions payable	4,311,980	4,002,840
Lump sums on retiral	1,024,101	1,782,096
Lump sums on death -in- service	0	55,667
Lump sums on death -in- deferment	0	3,148
Lump sums on death -in- retiral	0	31,587
	5,336,081	5,875,338
Pension payments include £138,947 (2015: £148,914) of pensions paid directly by the annuity provider.		
	5,336,081	5,875,338
6. Leavers		
Transfer values payable - individual	507,923	924,318
Refunds to early leavers	8,337	3,624
State scheme premiums payable	1,684	20,716
Tax paid	2,043	4,593
	519,987	953,251
7. Life Assurance Premiums		
Current year premium	73,075	84,437
	73,075	84,437

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	2016 £	2015 £
8. Administrative expenses		
Administration charge	87,533	88,990
Consultants fees	106,593	83,344
Audit fee	9,110	8,780
PPF levy	77,214	83,102
Pension Regulator levy	8,700	7,504
Administration, legal and insurance costs	41,470	28,013
	330,620	299,733

	2016 £	2015 £
9. Investment Income		
Annuity income	138,947	148,914

	2016 £	2015 £
10. Investment management expenses		
Investment managers' charges	226,747	182,563

	Value at 1.8.15	Purchases	Sales	Change in market value	Value at 31.7.16
11. Investments					
Pooled Investment Vehicles (PIVs)	121,012,297	1,450,000	(4,429,547)	16,274,358	134,307,108
Insurance Policies - Annuities	1,392,000			(15,800)	1,376,200
Money Purchase AVCs	271,341	30,067	(21,758)	23,410	303,060
	122,675,638	1,480,067	(4,451,305)	16,281,968	135,986,368

The holdings of PIVs are analysed below:-

	2016	% holding	2015	% holding
LGIM UK Equity Index	19,224,349	14.3	18,031,521	14.9
LGIM World (ex UK) Equity Index	55,874,398	41.6	48,667,122	40.2
LGIM Over 5years Index-Linked Gilts	33,418,368	24.9	30,631,947	25.3
Managed Property	9,095,597	6.8	9,135,263	7.6
Diversified Growth fund	16,694,396	12.4	14,546,444	12.0
	134,307,108	100.0	121,012,297	100.0

All of the Pooled Investment Vehicles are held in unit linked insurance contracts

AVC Investments

The Trustees hold assets invested separately from the main fund to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year.

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12. Investment Fair Value Hierarchy

The fair value of financial instruments has been disclosed using the following hierarchy.

Level 1: the unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date.

Level 2: inputs other than quoted prices included in Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Scheme's investment assets and liabilities fall within the above hierarchy categories as follows:

Fair value breakdown at 31 July 2015

Category	1	2	3
Pooled investment vehicles	0	121,012,297	0
<i>LGIM UK Equity Index</i>	0	18,031,520	0
<i>LGIM World (ex UK) Equity Index</i>	0	48,667,122	0
<i>LGIM Over 5y Index-Linked Gilts</i>	0	30,631,947	0
<i>LGIM Managed Property</i>	0	9,135,263	0
<i>LGIM Diversified Fund</i>	0	14,546,445	0
Insurance Policies – Annuities	0	0	1,392,000
AVC Investments	0	0	271,341
Total	0	121,012,297	1,663,341

Fair value breakdown at 31 July 2016

Category	1	2	3
Pooled investment vehicles	0	134,307,108	0
<i>LGIM UK Equity Index</i>	0	19,224,349	0
<i>LGIM World (ex UK) Equity Index</i>	0	55,874,398	0
<i>LGIM Over 5y Index-Linked Gilts</i>	0	33,418,368	0
<i>LGIM Managed Property</i>	0	9,095,597	0
<i>LGIM Diversified Fund</i>	0	16,694,396	0
Insurance Policies – Annuities	0	0	1,376,200
AVC Investments	0	0	303,060
Total	0	134,307,108	1,679,260

13. Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that the counterparty of a financial instrument could default on its obligations, or delay payment of contractual income and the Scheme will incur a financial loss as a result.

Market risk: this comprises currency risk, interest rate risk and other price risk.

Currency risk is the risk that the value of assets will change due to movements in foreign exchange rates.

Interest rate risk is the risk that the value of fixed-rate instruments will change due to movements in market interest rate expectations.

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Price risk is the risk that the value of a financial instrument will change due to movements in market prices or indices.

Following advice from a professionally qualified investment adviser, the Trustees have agreed to an appropriate investment strategy for the Scheme. The investment strategy has been set taking in to account a number of factors including; the profile and value of the liabilities of the Scheme, the strength of employer covenant and the long-term funding objectives agreed with the Employer.

The Scheme has a broad allocation of 75% of investments being in return-seeking assets, designed to deliver a return above that expected of a risk-free of return. The remaining 25% is allocated to liability matching assets, designed to partially offset the movements in the Scheme's liabilities caused by movements in interest rates and inflation. This asset split reflects the Trustees' view of the most appropriate investments balancing risk/reward characteristics of the funds the Scheme is invested in.

The Scheme invests in pooled investment vehicles, operated by one investment manager; Legal & General Investment Management. The Trustees and their advisors carry out thorough due diligence before the appointment of new managers and before any new monies are allocated to a new fund. The Trustees are also required to take appropriate investment advice from a qualified professional. All decisions made by the Trustees in relation to the investment strategy are subject to and comply with Section 36 of the Pensions Act 1995.

The Trustees are required to regularly review, and if necessary, update the Scheme's Statement of Investment Principles. This is a statutory document which sets out, amongst other items: how the Scheme invests, the long-term investment strategy for the Scheme, the policy for rebalancing, the benchmarks and objectives of the managers, the Trustees' policy for monitoring performance and reviewing managers' role within the strategy. Details of the custodian arrangements can also be found in the document.

Information on the Trustees' approach to risk management is set out in the sections below. The Scheme's AVC investments have not been included in these risks as they are not considered material in relation to the overall investments of the Scheme.

As the Scheme invests in pooled investment vehicles and insured policies only, it is subject to direct credit risk on these investments and the investment risks described in the table below are viewed as being indirect. This is because it is the underlying holdings which are directly exposed to these risks, to which the Scheme is then indirectly exposed.

Risk exposures over the period	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk
LGIM UK Equity Index	×	×	×	✓
LGIM World (ex UK) Equity Index	×	✓	×	✓
LGIM Over 5y Index-Linked Gilts	✓	×	✓	✓
LGIM Managed Property	✓	×	×	✓
LGIM Diversified Fund	✓	✓	✓	✓

Investment risks - Credit risk

The Scheme invests in pooled investment vehicles. These are exposed to direct credit risk, with there being an extreme, albeit low, risk that the investment manager becomes defunct, acts fraudulently or that the manager no longer acts on the Scheme's behalf or in the Scheme's best interests. However, this is mitigated by the use of custodian relationships and by the ongoing monitoring undertaken by the advisors and Trustees of the Scheme.

The Scheme has had exposure to indirect counterparty risk via the World (ex UK) Equity Fund, the Managed Property Fund and the Diversified Fund, which may use derivatives for efficient portfolio management. The latter two funds also have the remit to invest in Money Market and Fixed Income instruments, which have credit risk based on the counterparty's credit rating. As at the 2016 Scheme year end, over 60% of assets were invested in these three funds.

The Trustees seek to mitigate credit risk by investing in a range of passively and actively managed pooled funds. Where there is exposure to indirect credit, this is a deliberate action taken by the Trustees and is partially mitigated by limiting the exposure to be investment grade credit only, and even then, the manager will have a maximum level of exposure to both the asset class and single-party exposure.

The Scheme is also exposed to a small element of indirect credit risk through the Index Linked Gilt Fund which has a direct link to the British Government credit rating, albeit the probability of default is anticipated to be much less than that associated with corporations.

Investment risks - Currency risk

During the year the Scheme had some exposure to currency risk through the World (ex UK) Equity Fund and the Diversified Fund, which have the remit to invest a portion of their holding in overseas equities and fixed income instruments that may be non-sterling denominated. The World (ex UK) equity fund is fully exposed to currency movements and returns are not hedged back to sterling. The Diversified Fund is actively managed and partially hedges foreign currency movements.

In instances where returns are not hedged, then this is a deliberate and calculated action taken by the manager as a means to generate additional returns through expected currency movements. The Trustees were comfortable with the amount of risk this introduces in the context of the overall investment strategy.

The value of Scheme's assets invested in funds that are exposed to currency risk as at the end of the accounting period was approximately £72.6million. This was through investment in the World (ex UK) Equity fund and the Diversified fund, the latter of which will not be fully exposed to currency risk.

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For the Year ended 31 July 2016

Of the foreign currency exposure that was not hedged, the vast majority was in relation to the US Dollar. Other exposures, albeit less significant, were to the Euro and Japanese Yen.

Investment risks - Interest rate risk

The liability matching fund managed by Legal and General is the principal source of indirect exposure to interest rate movements. Approximately 25% of the total assets is invested in the Over 5 Year Index-Linked Gilt fund.

This level of exposure was a deliberate position taken by the Trustees, in order to obtain exposure to interest rate movements and achieve partial matching of the Scheme's liabilities. The objective of this exposure is to mitigate the impact of adverse movements in the Scheme's liabilities, which are also based on interest rate changes. The allocation to this fund has been deemed appropriate by the Trustees, given the profile of the liabilities of the Scheme and after receiving investment advice.

The Trustees recognise that only 25% of the Scheme's assets have exposure to gilt movements and therefore are designed to only capture part of the interest rate movement. So even though the Trustees have taken steps to mitigate a proportion of interest rate risk, they have not fully mitigated the risk.

The Scheme also had indirect exposure to changes in interest rate movements via some of the instruments used by the Diversified fund, although this exposure will be part of a diverse portfolio. In addition, the Scheme's investment in the Property Fund is also exposed to indirect interest rate risk from its share of debt within its indirect investments.

The Scheme has approximately £59.2million invested in funds which are exposed to indirect interest rate risk. However, the exposure through the Diversified will typically have a very short duration or may be temporary holdings, as part of the managers' active approach to investing.

The primary source of exposure to interest rate movement was via the Over 5 Year Index-Linked Gilt which amounted to approximately £33.4million at the end of the accounting year.

Investment risks - Other risks, including price risk

The Scheme will have had indirect exposure to price risks and other risks over the year through its holdings in the property and the global equity funds as well as the multi-asset fund which can invest in a mix of equities, bonds, property and cash.

All of the Scheme's assets are indirectly exposed to price risk, due to the managers' exposure to underlying asset classes, their ability to use derivatives within the funds and the additional factors which determine an asset's price beside those described above, such as inflation and liquidity premium.

The Trustees are aware of these risks and manages this exposure to overall price movements by constructing a diverse portfolio of investments across various asset classes and markets.

14. Insurance Policies - Annuities

The legacy annuity policies relate to benefits for 122 individuals. The Trustees no longer purchase annuities to meet Scheme liabilities. The annuities were issued by Scottish Amicable and are valued by the Scheme Actuary.

	2016	2015
	£	£
15. Current assets		
Cash in bank	205,611	33,115
Contributions due from the employer	228,197	282,357
Prepaid expenses	6,100	5,600
	<u>439,908</u>	<u>321,072</u>
	£	£
16. Current liabilities		
Accrued expenses	(100,300)	(71,680)
Unpaid benefits	(418,892)	(194,306)
Other creditors	(15,319)	(23,653)
	<u>(534,511)</u>	<u>(289,639)</u>

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For the Year ended 31 July 2016

17. Related party transactions

The University of Aberdeen, which is the Employer, provides administrative support to the pension scheme and charged £8,400 for this service for the year. At 31 July 2016, the University of Aberdeen was due to pay £358,985 (2015 £282,357) to the Scheme for the July 2016 contributions. These were paid in August 2016 in accordance with the requirements of the Schedule of Contributions.

18. Employer related investments

The Scheme did not hold any employer related investments during the year or at the year end. (2015 none)

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For the Year ended 31 July 2016

Part 3: Independent Auditor's Report to the Trustees of the University of Aberdeen Superannuation & Life Assurance Scheme

We have audited the financial statements of the University of Aberdeen Superannuation & Life Assurance Scheme for the year ended 31 July 2016 set out on pages 16 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

This report is made solely to the scheme trustees, 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 scheme trustees 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 scheme trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out on page 15, the scheme trustees are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year ended 31 July 2016 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 scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

[Redacted signature]

[Redacted signature]

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

319 St Vincent Street
Glasgow
G2 5AS

12 June 2017

Annual Report

For the Year ended 31 July 2016

Part 4: Summary of Contributions Payable

Statement of Trustees' Responsibilities in respect of Contributions

The scheme's Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The scheme's Trustees are also responsible for keeping records of contributions received in respect of any active member of the scheme and for procuring that contributions are made to the scheme in accordance with the schedules.

Trustee Summary of Contributions Payable

During the year ended 31 July 2016, the contributions payable to the Scheme by the Employer were as follows:

	Employee £	Employer £
Contributions Payable under the Schedule of Contributions		
Normal contributions	40,559	1,485,100
Salary Sacrifice contributions (for employee)	-	845,583
Additional contributions:		
Deficit Funding contributions	-	728,900
Death-in-service contributions	-	73,075
Total required by schedule of contributions	40,559	3,132,658
Other contributions payable		
Member – additional voluntary	30,067	-
Total, as per Fund Account	70,626	3,132,658

Signed on behalf of the Trustees

Date:

25th May 2017

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For the Year ended 31 July 2016

Part 5: Independent Auditor's Statement about Contributions to the Trustees of the University of Aberdeen Superannuation & Life Assurance Scheme.

We have examined the summary of contributions payable under the schedules of contributions to the University of Aberdeen Superannuation & Life Assurance Scheme in respect of the scheme year ended 31 July 2016 which is set out on page 26.

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

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out on page 26, the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.



It is our responsibility to provide a statement about contributions paid under the schedule of contributions to the scheme and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedules of contributions.

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the scheme year ended 31 July 2016 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 2 July 2014.



for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

319 St Vincent Street
Glasgow
G2 5AS

17 June 2017

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For the Year ended 31 July 2016

Part 6: Actuarial Statements



Certification of Schedule of Contributions

Name of Scheme: University of Aberdeen Superannuation and Life Assurance Scheme ('the Scheme')

Adequacy of Rates of Contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 10 June 2014.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 10 June 2014.

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

Signature:		Date:	2 July 2014
Name:		Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Scotia House Castle Business Park Stirling FK9 4TZ	Employer:	Xafinity Consulting Limited

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For the Year ended 31 July 2016



Certification of Technical Provisions

University of Aberdeen Superannuation and Life Assurance Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 July 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated June 2014

Signature:		Date:	2 July 2014
Name:		Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Scotia House Castle Business Park Stirling FK9 4TZ	Employer:	Xafinity Consulting Limited

Annual Report

For the Year ended 31 July 2016

Part 7: Actuarial Liabilities

7.1. Report on Actuarial Liabilities (forming part of the Trustees' Report)

Under s222 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 Trustees and the Employer and set out in the Statement of Funding Principles, which is available to the scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 July 2013. This showed that on that date:

The value of the Technical Provisions was: £109,873,000

The value of the assets as at that date was: £107,270,000

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

7.2. Method

The Actuarial Method to be used in the calculations of the technical provisions is the Projected Unit Method.

7.3. Significant Actuarial Assumptions

Discount rate (before and after retirement)

5.75%	Yield on index-linked gilts plus a margin for asset outperformance relative to gilts
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Future RPI inflation

3.50%	Bank of England UK implied inflation for a maturity consistent with the duration of the Scheme's liabilities
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Future CPI inflation

3.00%	RPI minus 0.5%
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Deferred pension revaluation

3.00%	CPI
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For the Year ended 31 July 2016

7.4. Pension increases in payment

GMP accrued before 6 April 1988 (pre '88 GMP)	-	Non-increasing
GMP accrued from 6 April 1988 (post '88 GMP)	3.00%	CPI max 3%
Pension in excess of GMP	3.50%	RPI

7.5. Mortality before Retirement:

As per post retirement.

7.6. Morality after Retirement:

Mortality is assumed to follow the Self-Administered Pension Schemes (SAPS) "S1" tables with a 105% multiplier for males and a 100% multiplier for females. Future improvements follow the Continuous Mortality Investigation (CMI) projection model with a long term improvement trend rate of 1.25% per annum.

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For the Year ended 31 July 2016

Part 8: Compliance Statement

8.1. Constitution

The Scheme is governed by a Definitive Trust Deed and Rules dated 6th July 1965 and Supplementary Definitive Trust Deeds and Rules dated 26th April 1982 and 23rd March 1995. The Registration number in the Register of Occupational Pension Schemes is 10052894.

8.2. Taxation Status

The Scheme is exempt approved under Chapter 1, Part XIV of the Income and Corporation Taxes Act 1988. The Trustees know of no reason why this approval may be prejudiced or withdrawn.

8.3. Pension Increases

All pensions in payment were increased with effect from 1st April 2016. In respect of benefits attributable to service to 31 July 2011, the increase was the higher of 3% or RPI and in respect of benefits attributable to service from 1 August 2011, the increase was the lower of CPI or 5%. All the figures are guaranteed by the Scheme rules.

8.4. Calculation of Transfer Values

No allowance is made in the calculation of transfer values for discretionary pension increases.