University of Aberdeen

Superannuation

&

Life Assurance Scheme

Annual Report for the Year ended 31 July 2020

Scheme Registration Number 10052894

Annual Report
For the Year ended 31 July 2020

This Report relates to the operation of the University of Aberdeen Superannuation and Life Assurance Scheme ("the Scheme") during the year ended 31 July 2020.

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

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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 XPS Pensions Group Scotia House Castle Business Park Stirling FK9 4TZ
Scheme Consultants	XPS Pensions Group Scotia House Castle Business Parks Stirling FK9 4TZ
Administrator	Equiniti Pension Solutions Prudential Scotia House Castle Business Park Stirling FK9 4TZ
Auditor	KPMG LLP 319 St Vincent Street Glasgow G2 5AS
AVC Providers	Prudential Scotia House Castle Business Park Stirling FK9 4UE
Annuity Provider	Prudential Scotia House Castle Business Park Stirling FK9 4UE

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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

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 2020. 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 and subsequently the Trustees of the Scheme have been as follows:

Ms Jacquelynn Craw	Independent Chairwoman
Mr Mark Whittington	University Court nominated
Mrs Diane Massie	Member-nominated
Mr Owen Cox	Member-nominated
Professor Alex Kemp	University Court nominated
Professor Richard Wells	University Court nominated

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 four 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. The principal employer is the University of Aberdeen, and the participating employers are the Rocking Horse Nursery and A.U.S.A.

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 2020, employer contributions were payable at a rate of 12.5%, in respect of future service and £725,000 per annum in respect of the shortfall in funding. Employee contributions were paid at a rate of 8.0%.
Employees have the option of entering a Salary Sacrifice arrangement, whereby their pensionable salary is unchanged, but their gross salary is reduced by the employee contribution of 8%. Consequently the employer, on behalf of the employee, paid contributions of 8.0% of the pensionable salary, in addition to the contributions of 12.5% 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 £164.1 million to £169.8 million over the Scheme year.

1.7. Actuary's Report

The Report on Actuarial Liabilities which forms part of the Trustees Annual Report is included on page 49.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 XPS Pensions Group as at 31 July 2019. This showed that, based on the assumptions set out in the Trustees' Statement of Funding Principles:

The value of the technical provisions was:	£173.6 million
The Scheme's assets were valued at:	£164.0 million
This means that there was a shortfall of:	£9.6 million
The funding level was:	94%

The position of the Scheme was reviewed at 31 July 2020 when the shortfall had increased to £19.2million. The next full actuarial valuation is due at 31 July 2022.
A report on actuarial liabilities is included in section 7 of this report.

Contributions to the Scheme

To eliminate the funding shortfall at 31 July 2019 the Trustees and the University agreed on a Recovery Plan, where the employer contributed £725,000 per annum until 31 January 2029, payable in equal monthly amounts.
Due to the Covid-19 pandemic, the Trustees have agreed to defer payment of 50% of the deficit funding contributions due for the years to 31 July 2021 and 31 July 2022.The deferred amount will be paid in full in equal monthly amounts over the following three years.

The ongoing contribution rate required to meet the cost of each additional year's accrual of pension benefits was also assessed. It was agreed that members would continue to contribute 8.00% of their pensionable salary while the employer would meet the balance of the cost by continuing to contribute 12.5% of pensionable salaries.
The employer's rate was increased to 13.4% from 27 October 2020 under the new schedule of contributions certified by the actuary on 25 November 2020.

If the Scheme were wound-up

At 31 July 2019 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.

1.8. Scheme Membership

Active Members

At 31 July 2019		640
Add:	New entrants	116
Less:	Leavers to deferred	(38)
	Retirements	(16)
	Refunds	(24)
	Deaths	(2)
	At 31 July 2020	**676**

Pensioners

At 31 July 2019		873
Add:	Active retirements	16
	Deferred retirements	15
	Dependants pensions becoming payable	8
Less:	Deaths	(35)
	Commutation of pension for cash lump sum	(2)
	At 31 July 2020	**875**

Deferred Members

At 31 July 2019		674
Add:	Leavers with deferred pensions	38
Less:	Pensions becoming payable	(15)
	Transfers out	(5)
	Deaths	(1)
	At 31 July 2020	**691**

Of the above pensioners there are 87 (2019: 94) 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.

1.9. Ill Health Early Retirement

During the year no ill-health early retirements came into payment. There was one in the previous year.

1.10. Disputes

There was one dispute 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.

1.12. Changes to the Scheme

Following the 2016 Valuation the University granted security to the Scheme over certain University properties, to the value of £9.1 million, and in May 2019 this was replaced by a Pension Bond. In October 2020 the value of the Bond was increased to £9.6 million.

1.13. GMP Equalisation.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps.

Furthermore, in November 2020, the High Court handed down a second judgement involving the Lloyds Banking Group’s defined pension benefit pension schemes. This latest judgement confirms the Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgement arise in relation to many other defined benefit pension schemes. The trustees will consider next steps as the scheme has experienced significant historical transfers out which will be subject to adjustment as a result of this second ruling. Any adjustments necessary will be recognised in the financial statements for the year in which they are calculated. It is not possible to estimate the value of any such adjustments at this time.

There is still uncertainty surrounding the calculations but based on an initial assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in the financial statements. They will be accounted for in the year in which they are determined.

1.14. COVID-19

COVID-19 has caused significant disruption to economic activity which has been reflected in global stock market fluctuations and, in turn, in the valuation of pension scheme assets. This matter has been further detailed in Note 20 to the financial statements.

The Trustees continue to monitor this ever evolving situation and are liaising with their advisers and Principal Employer to limit the impact of COVID-19.

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 September 2020 (previous update September 2019).

Investment Target

The benchmark distribution of the Scheme's assets is to be maintained in the following proportions: 7.5% equities split between overseas 3.75% and overseas hedged 3.75%, index-linked bonds 5%, property 5.0%, diversified fund 25.0%, dynamic diversified fund 25.0%, matching core funds 25% and sterling liquidity fund 7.5%.

Valuation and Distribution of Assets

The valuation and underlying distribution of assets in the investment portfolio (excluding insurance policies and AVCs) at 31 July were as follows:

	2020 %	Benchmark %	Range %	2019 %	Benchmark %
UK Equities	0.0	0.0	+/-1.5	4.0	6.0
Overseas Equities	4.4	3.75	+/-2.0	7.6	7.25
Overseas Equities - Hedged	4.1	3.75		7.1	7.25
Matching Core Funds	24.6	25.0	-	-	-
Index Linked	5.6	5.0	+/-2.0	25.4	25.0
Property	4.5	5.0	n/a	4.9	4.0
Sterling Liquidity Fund	7.9	7.5	-	-	-
Diversified Fund	24.5	25.0	+/-1.0	25.6	25.0
Dynamic Diversified Fund	24.4	25.0	+/-1.0	25.4	25.0
TOTAL	100.0	100.0		100.0	100.0

	2020	2019
Pooled investment vehicles	£168,896,680	£164,022,431
Insurance Policies- Annuities	£952,824	£1,058,925
AVCs	£54,608	£147,606
Investment value per accounts	**£169,904,112**	**£165,228,962**

Investment Returns

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

TIME-WEIGHTED RETURNS TO 31 JULY 2020						
	Last Twelve Months		3 Years		5 Years	
	Fund	Index	Fund	Index	Fund	Index
Investment Sector Fund	%	%	% pa	% pa	%pa	%pa
UK Equity Index	(10.50)	1.27	(0.32)	(0.38)	3.60	3.47
World (ex UK) Equity Index	1.27	11.46	8.36	8.30	12.41	12.35
World (ex UK) Equ Ind GBP Hedged	5.30	3.59	6.86	6.83	n/a	n/a
Over 5y Index-Linked Gilts	8.55	12.8	8.4	8.38	8.84	8.81
Managed Property Fund	(2.55)	n/a	n/a	n/a	n/a	n/a
Diversified Fund	(1.24)	7.06	4.05	7.31	7.38	9.37
Dynamic Diversified Fund	0.80	5.25	n/a	n/a	n/a	n/a
Total Assets	**6.22**	**n/a**	**7.07**	**n/a**	**9.57**	**n/a**

Market highlights 12 months to 31 July 2020

Economic overview

Prior to February, global economic indicators had highlighted industrial activity worldwide had begun to regain some momentum from earlier setbacks arising from the US-China trade dispute. However, subsequent economic indicators have highlighted the progressively more damaging impact from containment measures implemented to check the spread of the COVID-19 virus. Within the space of a few months, the closely watched global manufacturing PMI composite index suffered a precipitate collapse, declining close to levels last seen during the nadir of the 2008/9 global downturn in April although activity has begun to recover as economies have reopened in recent months. Worldwide, inflationary pressures have remained subdued by historical standards. Most notably, the oil price slumped to an 18-year low in March, hit by a sharp drop in demand as lockdowns cut consumption, which was exacerbated by the failure of OPEC and Russia to agree production cuts until recently.

In the US, over 2019 the economy grew at 2.3% - the least since 2016 and missing the Trump administration's 3% target for the second year. The Federal Reserve (Fed) had lowered US interest rates to 1.75% by the end of 2019, but the impact of the coronavirus prompted the Fed to unleash its full firepower to support the US economy. In March, the Fed lowered interest rates to zero for only the second time in its history and announced a further $700 billion of quantitative easing (QE). President Trump signed into law a historic $2.2 trillion fiscal stimulus package designed to support the US economy, after over three million Americans had filed a claim for unemployment benefits, a record high. However, the US economy suffered its sharpest post war contraction during the second quarter, shrinking at an annualised rate of 33%. The coronavirus pandemic forced many businesses to close, pushing the economy into recession.

Prior to the COVID-19 outbreak, there had already been a sharp loss of momentum in the Eurozone. Manufacturing activity in Germany declined to its lowest level since mid-2009 last autumn, as the country's export-led economy has continued to suffer from global trade tensions and weakening growth. In response, the European Central Bank (ECB) recommenced QE in November and subsequently launched a new €750 billion asset purchase programme in March, which it recently extended by a further €600bn to counter the serious economic threats posed by the coronavirus outbreak. Second quarter data revealed the damaging economic impact of the coronavirus pandemic with France, Spain and Italy reporting double-digit quarterly contractions in output as the Eurozone plunged into recession following a contraction over the first quarter.

In the UK, the government finally agreed a revised withdrawal agreement with the EU in October, paving the way for a general election in December and an end to the political gridlock as the election of majority Conservative government secured the passage of the withdrawal agreement through parliament. As the country moved into lockdown to contain the spread of COVID-19 in March, the Bank of England cut interest rates to 0.1% and relaunched its QE programme. Meanwhile, the government announced at least £80 billion of extra public spending to protect businesses, employees and the self-employed against an economic slump. Nevertheless, the UK economy recorded its steepest pace of contraction since 1979 during the first quarter, before suffering its worst contraction on record during the second quarter.

Looking at the Asian economies, Japan entered a recession for the first time since 2015 as the COVID-19 crisis took a heavy toll on activity and demand, compounding the impact of a hike in sales taxes last autumn. Meanwhile, the export-dependent economies of Taiwan and South Korea reported a sharp decline in manufacturing activity. The Chinese economy recorded its first quarterly contraction on record in the three months to March, with the Caixin General Composite PMI highlighted the steepest contraction in private sector activity on record during February. Subsequently economic indicators in China has rebounded strongly as lockdown measures were eased and economic activity resumed. Amongst other major emerging nations, Brazil, India and Russia cut interest rates to counter slowing economic growth.

Equities
Global equity indices were broadly unchanged over the review period, recovering from a turbulent opening quarter of 2020 when COVID-19 spread worldwide and countries implemented lockdown measures closing industries and businesses, while imposing tight restrictions on citizens' movements. Markets plunged in late February and early March as fears grew of a severe global economic recession, although equities subsequently rebounded during the second quarter after central banks and governments worldwide announced an extensive range of monetary and fiscal stimulus packages to underpin the global economy.

Nevertheless, returns from UK equities have been particularly disappointing over the period. Throughout the second half of 2019, uncertainty over Brexit negotiations had overshadowed the market before a resounding victory for the Conservatives in the December general election heralded a rally over Q4, particularly amongst more domestically focused smaller companies which had previously underperformed the broader FTSE All Share Index. However, the UK market posted its worst quarterly performance since 1987 during the first quarter, with smaller companies particularly hard hit by the sell-off. The impact of COVID-19 was severe on sectors such as retailers, financials, industrials and real estate, as a broad range of companies moved to suspend dividend payments and opted to preserve cash.

US equities outperformed global indices in sterling terms, with the dollar benefitting from its status as a reserve currency during periods of market stress and turbulence. As investors have scaled back earnings expectations significantly in response to the impact of COVID-19, the market was led by the strength of large cap technology stocks, underpinned by optimism over the sustainability of earnings growth and demand for IT products and services. Healthcare and communication services also outperformed, as the earnings profile of these sectors is less sensitive to a downturn in the economy. In contrast, energy stocks fell most heavily over the period, as the weakness of the oil price prompted US producers to cut the number of operating drilling rigs and lower capital expenditure plans.

European equities struggled to make headway as political concerns resurfaced, most notably in Italy, where the ruling coalition fragmented and subsequently a new administration was formed. Markets fell heavily during the first quarter, with Italy and Spain worst affected by COVID-19. As investors became increasingly preoccupied with the impact of the coronavirus on corporate earnings, and the risk of a severe economic downturn, cyclical sectors notably financials and industrials sold off sharply. Amongst the former, banks were particularly weak as the ECB stipulated that lenders should shelve dividend payments and share buybacks to preserve capital. Investors took refuge in consumer staples and healthcare providers, which weathered the sell-off relatively well.

Asia-Pacific equities ended the period lower, underperforming relative to global equities. The region performed relatively strongly over much of the second half of 2019 as investors looked beyond rising global trade tensions and priced in the provisional US-China trade deal. After slumping in late the first quarter as COVID-19's rapid spread rattled investors, global equities' recovery was led by Far East markets as countries such as China and South Korea emerged from the pandemic relatively early. However, Japan underperformed on worries that COVID-19's resilience had scuppered hopes of a 'V-shaped' global economic rebound. Australia underperformed as bushfires, softer commodity prices and extended local COVID-19 lockdowns hit sentiment.

Emerging market (EM) equities ended the period marginally lower, underperforming slightly compared to global markets. Having suffered during the third quarter of 2019 from worries over rising global trade tensions, EM stocks recovered into year-end in anticipation of a provisional US-China trade agreement. After plunging alongside their global counterparts in February as COVID-19's spread spooked investors, Far East markets, particularly China, led the recovery as the region emerged from the crisis ahead of Western economies. However, Eastern European and Latin American equities suffered heavy losses, with resource-rich Russia and Brazil hit by slumping energy prices, while the latter battled an extended coronavirus outbreak.

IT stocks significantly outperformed relative to the largely flat returns from global equities. Having outperformed around the turn of the calendar year amid hopes that easing trade tensions would bolster world economic activity, IT stocks slid alongside their peers as COVID-19 impacted on major Western economies. However, IT equities roared back from March's lows, driven by impressive updates from leading companies and confidence that demand would remain strong as COVID-19 alters longer-term working patterns. Chipmakers AMD and Nvidia soared on robust trading updates, while Apple, Microsoft and Citrix climbed amid buoyant sales of products and services to facilitate agile working.

Health-related equities produced strong returns, outperforming relative to global stocks. Having marginally outperformed their wider peers in the second half of 2019 as optimism over new drug pipelines offset concerns over US political scrutiny of healthcare pricing, health-related equities recovered from the late first quarter coronavirus-related slump across global markets. Optimism that leading healthcare companies were progressing on improved care, and ultimately a vaccine, in the fight against coronavirus, and encouraging quarterly trading updates supported the sector. Regeneron and AstraZeneca were among the leading gainers amid optimism over their drug development pipelines, while supportive quarterly updates and M&A activity lifted peers Eli Lilly and AbbVie.

Bonds
Bond markets outperformed equities as financial markets became more volatile, most notably during February and March when widespread risk aversion amongst investors fuelled demand for ‘safe-haven’ assets. Yields on government bonds fell as investors anticipated further policy action from the major central banks to cushion the global economy against the impact of the coronavirus. Sterling-denominated corporate bonds gained ground but underperformed gilts, with credit spreads widening as equities sold off in the first quarter. Index-linked securities were bolstered by their relatively long maturity profile in a rising market, and concerns that the extraordinary central bank measures and the government’s spending programme to protect against the economic fallout from COVID-19 could potentially fuel medium-to-long term inflation.

Emerging bond markets underperformed major government debt markets. Although lower interest rates and a decline in bond yields in the major markets boosted demand for higher yielding sovereign debt, markets experienced a sharp sell-off during the first quarter, exacerbated by the weakness of local currencies against the US dollar. Nevertheless, issuance levels have been high as both sovereign and corporate borrowers have looked to attract international investors. However, several emerging economies with relatively high debt levels and current account deficits came under increased scrutiny, notably Turkey and Argentina, while a rating downgrade for South Africa highlighted residual credit risk.

Property
Lockdown measures have had a significant impact on the UK commercial property market in recent months, particularly in the retail sector where both capital values and rental values have fallen. The office and industrial sectors have been more resilient, with industrials the best performing sector over the review period. Overall, London continues to attract a substantial proportion of total investment in UK commercial property, although activity has eased off over the last 12 months in response to economic and political uncertainty

Investment Report for the year ended 31 July 2020

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: -

UK Equities
0.10% per annum on the first £10 million
0.075% per annum on the next £10 million
World (ex UK) 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
World (ex UK) Equities – GBP Hedged
0.243% per annum on the first £5 million
0.213% per annum on the next £10 million
0.183% per annum on the next £35 million
Gilts
0.10% per annum on the first £5 million
0.075% per annum on the next £5 million
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 on the first £25 million.
0.25% per annum thereafter
Dynamic Diversified Fund
0.38% per annum on the investment.
Matching Core Fix Short Ser 1
0.24% per annum on 66% of value
0.17% per annum on 34% of value

Matching Core Fix Long Ser 1
0.24% per annum on 66% of value
0.17% per annum on 34% of value
Matching Core Real Short Ser 1
0.24% per annum on 66% of value
0.17% per annum on 34% of value
Matching Core Real Long Ser 1
0.24% per annum on 66% of value
0.17% per annum on 34% of value
Sterling Liquidity Fund
0.125% per annum on the first £5,000,000
0.100% per annum on the next £5,000.000
0.075% per annum thereafter

d) IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 JULY 2020

Purpose

This statement provides information on how, and the extent to which, the Trustees' policies in relation to the exercising of rights (including voting rights), attached to the Scheme's investments, and engagement activities have been followed during the year ended 31 July 2020 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

In June 2019, the Trustees received training on Environmental, Social and Governance ("ESG") issues from their Investment Adviser, XPS Investment ("XPS") and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues. The Trustees' new policy was documented in the updated Statement of Investment Principles dated September 2019.

The Trustees' updated policy

The Trustees have determined their approach to financially material considerations over the Scheme's long term funding horizon – including environmental, social and corporate governance ("ESG") factors – by acknowledging that there can be risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, along with assistance for the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Further, the Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement.

During the reporting year, the Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Scheme. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

The report was discussed at the 4th March 2020 Trustee meeting. One of the areas considered by the report was stewardship, which relates to influencing a company in which the Scheme is ultimately invested via the funds held within the Scheme's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The report rated each investment manager organisation in this area and on ESG matters overall. ESG issues will be kept under review as part of the quarterly monitoring process and the Trustees will communicate their concerns with the relevant investment manager organisations when, for example, they present at meetings. It was agreed that the Trustees should look at the various asset classes and decide what the priorities are and what is achievable. There may be areas, such as the diversified funds, where other managers can offer better ESG credentials than LGIM.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has a specific allocation to equities from the LGIM World (ex UK) Equity Index (unhedged and GBP hedged) fund, and investments in equities will also form part of the strategy for the LGIM Diversified and Dynamic Diversified funds. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is as follows:

Legal and General Investment Management World (ex UK) Equity Index Fund

Voting Information
Legal and General Investment Management World (ex UK) Equity Index Fund
The fund manager has not provided stewardship code data at present
The manager voted on 99.8% of resolutions of which they were eligible out of 27125 eligible votes.
Investment Manager Client Consultation Policy on Voting
LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.
Investment Manager Process to determine how to Vote
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If you have any additional questions on specific votes, please note that we publicly disclose our votes for the major markets on our website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements.

Does the manager utilise a Proxy Voting System? If so, please detail

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To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager vote?	Result
AMAZON	Shareholder resolutions 5 to 16	Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-	Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders.

<table>
<tr><td></td><td></td><td>making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).</td><td>Resolutions 6 and 10 received respectively 16.7 and 15.3% support.

Resolution 11 received 6.1% support.

Resolution 12 received 1.5 % support.

Resolution 13 received 12.2% support.

(Source: ISS data)</td></tr>
<tr><td colspan="4">Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. Our engagement with the company continues as we push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.</td></tr>
<tr><td>EXXONMOBIL</td><td>Resolution 1.10 - Elect Director Darren W. Woods</td><td>Against</td><td>93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods.

Approximately 30% of shareholders supported the proposals for independence and lobbying.

(Source: ISS data)</td></tr>
<tr><td colspan="4">We believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company.

Our voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.</td></tr>
</table>

Legal and General Investment Management Diversified Fund

Voting Information
Legal and General Investment Management Diversified Fund
The fund manager has not provided stewardship code data at present
The manager voted on 99.2% of resolutions of which they were eligible out of 82870 eligible votes.
Investment Manager Client Consultation Policy on Voting
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In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

• High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;

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We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Top 5 Significant Votes during the Period			
Company	**Voting Subject**	**How did the Investment Manager vote?**	**Result**
BARCLAYS	Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve ShareAction Requisitioned Resolution	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.	Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)
The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.			
AMAZON	As per World Equity Fund	as per World Equity Fund	As Per World Equity Fund
EXXONMOBIL	As per World Equity Fund	As per World Equity Fund	As per World Equity Fund
LAGARDÈRE	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).	Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)
LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term, as well as to keep the structure of SB under review.			

Legal and General Investment Management Dynamic Diversified Fund

Voting Information
Legal and General Investment Management Dynamic Diversified Fund
The fund manager has not provided stewardship code data at present
The manager voted on 99.6% of resolutions of which they were eligible out of 54072 eligible votes.
Investment Manager Client Consultation Policy on Voting
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Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager vote?	Result
BARCLAYS	As per Diversified Fund	As per Diversified Fund	As per Diversified Fund
AMAZON	As per Diversified Fund	As per Diversified Fund	As per Diversified Fund
EXXONMOBIL	As per Diversified Fund	As per Diversified Fund	As per Diversified Fund

e) STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *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:

(i) 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

(ii) 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:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

f) COMPLIANCE

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.

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.

Pension Increases

All pensions in payment were increased with effect from 1st April 2020 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.

Calculation of Transfer Values

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

Approval of the Trustees' Report

The Trustees' Report, which includes the Investment Report, the Implementation Statement, the Report on Actuarial Liabilities and the Statements of Trustees' Responsibilities, was approved by the Trustees on 26 February 2021.

Signed for and on behalf of the Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme on 26 February 2021.

[redacted] [redacted]

[redacted] [redacted]

Annual Report
For the Year ended 31 July 2020

Part 2: Financial Statements

FUND ACCOUNT
for the year ended 31 July 2020

	Notes	2020 £	2020 £	2019 £
Contributions and Benefits				
Contributions receivable - employer	2	3,471,452		3,596,467
Contributions receivable – employee	2	84,017		65,348
Transfers in	3	5,114		12,356
Other income	4	145,369		3,666
			3,705,952	3.677,837
Benefits payable	5	6,162,430		7,768,502
Payments to and on account of leavers	6	596,774		124,593
Life assurance premiums	7	74,922		66,155
Administrative expenses	8	633,470		557,036
			7,467,596	8,516,286
Net withdrawals from dealing with members			(3,761,644)	(4,838,449)
Returns on Investments				
Investment income	9	125,000		138,000
Change in market value of investments	11	9,744,064		13,073,964
Investment management expenses	10	(441,189)		(388,817)
Net returns on investments			9,427,875	12,823,147
Net increase in fund during the year			5,666,231	7,984,698
Net assets of the Scheme at 1 August			164,147,136	156,162,438
Net assets of the Scheme at 31 July			169,813,367	164,147,136

The notes on pages 32 to 42 form part of these financial statements

Annual Report
For the Year ended 31 July 2020

STATEMENT OF NET ASSETS (available for benefits)

	Notes	2020 £	2019 £
Investment assets:			
Pooled Investment Vehicles	11	168,896,680	164,022,431
Insurance Policies	11	952,824	1,058,925
AVCs	11	54,608	147,606
Current Assets	15	634,673	443,857
Current Liabilities	16	(725,418)	(1,525,683)
		169,813,367	164,147,136

The notes on pages 32 to 42 form part of these financial statements

The Financial Statements summarise the transactions and the net assets of the Scheme. 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 49 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 on 26 February 2021.

[redacted] [redacted]

[redacted]

NOTES (forming part of the Financial Statements)

1.1 Identification of Financial Statements

The Scheme is established as a trust under English Law. The address of the Scheme's principal office is Pensions Office, Finance Section, King's College, Aberdeen AB24 3FX

The address for enquiries to the Scheme is included on page 4 of the Trustee's Report.

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

1.2 Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Scheme (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommend Practice (Revised 2018).

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these statements. The adoption of the revised SORP has had no material impact on the financial statements.

The financial statements are prepared on a going concern basis, which the Trustees believe to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustees considered the impact of the COVID-19 outbreak and have taken into account plausible downside assumptions of the sponsoring employer and its regulatory capital position to gain comfort that it will continue to make contributions as they fall due. The latest actuarial valuation was prepared as at 31 July 2019 and completed in October 2020 and a new Schedule of Contributions certified by the Actuary on 29 October 2020. As a result of the COVID-19 pandemic the Trustees and sponsoring employer took into account the sponsoring employer's cashflow considerations and when the Schedule was prepared have agreed to defer payment of 50% of the deficit funding payments due for the years 31 July 2021 and 31 July 2022. The deferred amount will be paid in full over the following 3 years as detailed in note 2 below. This assessment, together with income and capital growth from its assets, gives the Trustee confidence to prepare the financial statements on a going concern basis.

1.3 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.

Currency
The Scheme's functional currency and presentational currency is pounds sterling (GBP).

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.

The LGIM Managed Property Fund included a material uncertainty clause in its valuation as a result of the COVID-19 pandemic. Trading in the fund was suspended with effect from 20 March 2020 until 1 October 2020. The valuers of the underlying properties have advised that conditions exist in the real estate markets that may result in uncertainty in the reliability of the valuation reported. Nonetheless, these represent the best estimate of the current valuation at the year-end date and have not been adjusted.

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 most recent Scheme Funding Valuation assumptions updated for market conditions at the reporting date 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.
* Contributions in respect of death in service are accounted for as they fall due under the schedule of contributions.

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

Transfer values
Transfer values have been included in the financial statements 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.

			2020	2019
		£	£	£
2.	**Contributions receivable**			
	Employer – normal	1,722,491		1,938,605
	Employer - salary sacrifice, on behalf of the employee	1,023,961		932,862
	Employer – deficit funding	725,000		725,000
	Total employer		3,471,452	3,596,467
	Employee – normal	78,433		55,998
	Employee - additional voluntary contributions	5,584		9,350
	Total employee		84,017	65,348
			3,555,469	3,661,815

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 in equal monthly amounts at a rate £725,000 per annum until January 2029. These are in line with the schedule of contributions/ scheme funding recovery plan in place for the year.
Due to the Covid-19 pandemic, the Trustees have agreed to defer payment of 50% of the deficit funding contributions due for the years to 31 July 2021 and 31 July 2022.The deferred amount will be paid in full in equal monthly amounts over the following three years.

		2020	2019
		£	**£**
3.	**Transfers in**		
	Transfer values received - individuals	**5,114**	**12,356**

		2020	2019
		£	£
4	**Other income**		
	Claims on term insurance policies	**138,513**	**-**
	Interest received	**4,070**	**3,666**
	Sundries	**2,786**	**-**
		145,369	3,666

		2020	2019
		£	£
5	**Benefits payable**		
	Pensions payable	**4,840,778**	**4,671,191**
	Lump sums on retiral	**1,018,076**	**744,686**
	Pensions rectification exercise	**69,524**	**942,700**
	Trivial Commutation cash lump sums	**43,934**	**1,396,830**
	Lump sums on death -in- service	**187,676**	**-**
	Lump sums on death -in- deferment	**2,442**	**-**
	Lump sums on death -in- retirement	**0**	**13,095**
		6,162,430	**7,768,502**

Pension payments include £125,000 (2019: £138,000) of pensions paid directly by the annuity provider.

The Pensions Rectification Exercise resulted from a review of the administration procedures for calculating pensions, which the Trustees asked for following a clarification of the Scheme rules relating to equalisation of benefits. The review found that some pensions had been miscalculated so the Trustees arranged for these pensions to be recalculated, with arrears and interest being paid to the pensioners affected. The cost in the current year relates to charges paid to HMRC in respect of these pension arrears.

		2020	2019
		£	£
6	**Payments to and on account of leavers**		
	Transfer values payable - individual	**585,638**	**113,657**
	Refunds to early leavers	**9,142**	**8,873**
	Tax paid	**1,994**	**2,063**
		596,774	**124,593**

		2020	2019
		£	£
7	**Life Assurance Premiums**		
	Current year premium	**74,922**	66,155

		2020	2019
		£	£
8	**Administrative expenses**		
	Administration charge	**101,051**	92,465
	Consultants fees	**268,973**	172,913
	Audit fee	**12,500**	11,780
	PPF levy	**97,639**	94,966
	Pension Regulator levy	**10,471**	10,500
	Administration, legal and insurance costs	**142,836**	174,412
		633,470	557,036

		2020	2019
		£	£
9	**Investment income**		
	Annuity income	**125,000**	138,000

		2020	2019
		£	£
10	**Investment management expenses**		
	Investment managers' charges	**441,189**	388,817

11	**Investments**	Value at 1.8.19	Purchases	Sales	Change in market value	Value at 31.7.20
	Pooled Investment Vehicles (PIVs)	**164,022,431**	45,994,033	(50,986,024)	9,866,240	**168,896,680**
	Insurance policies - annuities	**1,058,925**	-	-	(106,101)	**952,824**
	Money Purchase AVCs	**147,606**	5,584	(82,507)	(16,075)	**54,608**
		165,228,962	45,999,617	(51,068,531)	9,744,064	**169,904,112**

Concentration of investments:	2020	% of net assets	2019	% of net assets
LGIM UK Equity Index	-	-	6,705,144	4.0
LGIM World (ex UK) Equity Index	7,365,636	4.3	12,493,881	7.6
LGIM World (ex UK) Equ Ind GBP Hgd	6,870,043	4.0	11,650,675	7.1
LGIM Matching Core Fix Short Ser 1	3,854,272	2.3	-	-
LGIM Matching Core Fix Long Ser 1	4,398,622	2.6	-	-
LGIM Matching Core Real Short Ser 1	9,452,733	5.6	-	-
LGIM Matching Core Real Long Ser 1	23,793,660	14.0	-	-
LGIM Over 5years Index-Linked Gilts	9,403,292	5.5	41,672,024	25.2
Managed Property	7,632,719	4.5	7,832,598	4.7
Sterling Liquidity Fund	13,355,084	7.8	-	-
Diversified Growth fund	41,428,182	24.4	41,968,661	25.4
Dynamic Diversified Growth Fund	41,342,437	24.3	41,699,448	25.2

Analysis of Pooled Investment Vehicles:

Type of Fund	2020	2019
Equity	14,235,679	30,849,700
Bond	9,403,292	41,672,024
Property	7,632,719	7,832,598
Diversified Growth	82,770,619	83,668,109
Matching Core	41,499,287	-
Sterling Liquidity	13,355,084	-
	168,896,680	164,022,431

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.

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 levels as follows:

Fair value breakdown at 31 July 2020

Level	**1**	**2**	**3**
Pooled investment vehicles	**-**	**161,263,961**	**-**
LGIM World (ex UK) Equity Index	-	7,365,636	-
LGIM World (ex UK) Equity Index - Hedged	-	6,870,043	-
LGIM Over 5y Index-Linked Gilts	-	9,403,292	-
Matching Core Fixed Short	-	3,854,272	-
Matching Core Fixed Long	-	4,398,622	-
Matching Core Real Short	-	9,452,733	-
Matching Core Real Long	-	23,793,660	-
LGIM Managed Property	-	-	7,632,719
Sterling Liquidity Fund	-	13,355,084	-
LGIM Diversified Fund	-	41,428,182	-
LGIM Dynamic Diversified fund	-	41,342,437	-
Insurance Policies – Annuities	**-**	**-**	**952,824**
AVC Investments	**-**	**-**	54,608
Total	**-**	**161,263,961**	**8,640,151**

As a result of the COVID-19 pandemic, trading in the LGIM Managed Property Fund was suspended from 20 March 2020 until 1 October 2020.The Fund has therefore been classified as a Level 3 Asset as at 31 July 2020.

Fair value breakdown at 31 July 2019

Level	1	2	3
Pooled investment vehicles	-	**164,022,431**	-
LGIM UK Equity Index	-	6,705,143	-
LGIM World (ex UK) Equity Index	-	11,650,675	-
LGIM World (ex UK) Equity Index - Hedged	-	12,493,881	-
LGIM Over 5y Index-Linked Gilts	-	41,672,024	-
LGIM Managed Property	-	7,832,598	-
LGIM Diversified Fund	-	41,968,662	-
LGIM Dynamic Diversified fund	-	41,699,448	-
Insurance Policies – Annuities	-	**0**	**1,058,925**
AVC Investments	-	**0**	147,606
Total	-	**164,022,431**	**1,206,531**

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

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

Price risk: this 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 around 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 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 Scheme also holds Annuity Policies, the majority of which were set up before 1 August 1984, when the Scheme switched from an insured to a managed fund.

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 World (ex UK) Equity Index	✔	✘	✘	✔
LGIM World (ex UK) Equity Index GBP Hedged	✔	✔	✘	✔
LGIM Over 5y Index-Linked Gilts	✔	✘	✔	✔
LGIM Managed Property	✔	✘	✔	✔
LGIM Diversified Fund	✔	✔	✔	✔
LGIM Dynamic Diversified Fund	✔	✔	✔	✔
Matching Core Fixed Short	✔	✘	✔	✘
Matching core Fixed Long	✔	✘	✔	✘
Matching Core Real Short	✔	✘	✔	✔
Matching Core Real Long	✔	✘	✔	✔
Sterling Liquidity 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

For pooled investment vehicles credit risk arises where there is a dependence on the pooled arrangement to deliver the cash flows which support the fair value and units, or shares in the pooled arrangement can only be transacted with the pool manager. If the Scheme's interest in a pooled arrangement can be traded in the open market then the Scheme, generally, does not have direct credit risk to the pooled arrangement. All other credit risk exposure can be deemed to be indirect due to the underlying asset classes within the pooled investment vehicles.

The Scheme has had exposure to indirect counterparty risk via the two World (ex UK) Equity Funds, the Managed Property Fund, Matching Core Funds, the Diversified Fund and Dynamic Diversified Fund, which may use derivatives for efficient portfolio management. The Managed Property Fund, the Diversified Fund, Dynamic Diversified Fund and Sterling Liquidity Fund also have the remit to invest in Money Market and Fixed Income instruments, which have direct credit risk based on the counterparty's credit rating. As at the 2020 Scheme year end, around 87% of assets were invested in these nine 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.

The Scheme held investments in funds amounting to c£168.9m at the end of the accounting period which have indirect exposure to credit risk, approximately 96% of total Scheme assets. In practice, c£82.8m of this is invested in the Diversified Fund and the Dynamic Diversified Fund where the exposure to credit risk would be far less than 100% and is expected to change due to the active management of these funds.

Overall, indirect credit risk is not considered to be a significant risk within the Scheme's investment strategy.

Investment risks – Currency risk

During the year the Scheme had some exposure to currency risk through the World (ex UK) Equity Fund, the Diversified Fund and Dynamic Diversified Fund, which have the remit to invest 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 and Dynamic Diversified Fund are actively managed and partially hedge 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 £90.1 million, approximately 53% of overall assets. This was through investment in the World (ex UK) Equity fund, the Diversified Fund and Dynamic Diversified Fund, the latter two of which will not be fully exposed to currency risk.

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 funds managed by Legal and General is the principal source of indirect exposure to interest rate movements. Approximately 30% of the total assets are invested in the Matching Core and Over 5 Year Index-Linked Gilt fund, around £50.9m at 31 July 2020.

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 of interest rates which increase the value placed on the liabilities. 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 Scheme also had indirect exposure to changes in interest rate movements via some of the instruments used by the Diversified Fund, Dynamic Diversified Fund and Sterling Liquidity Fund, although this exposure to these funds 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 £154.7million invested in funds which are exposed to indirect interest rate risk, 92% of overall Scheme assets. However, the exposure through the Diversified funds 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 £9.4million 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 World Equity Funds as well as the Diversified Fund and Dynamic Diversified 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 87 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.

	2020	2019
	£	£
15. **Current assets**		
Cash in bank	252,644	381,057
Contributions due from the employer	300,079	-
Prepaid expenses	81,950	62,800
	634,673	443,857

	2020 £	2019 £
16. **Current liabilities**		
Accrued expenses	(272,500)	(160,600)
Unpaid benefits	(452,143)	(1,323,654)
Due to the employer	-	(40,134)
Other creditors	(775)	(1,295)
	(725,418)	(1,525,683)

17. **Related party transactions**

The University of Aberdeen, which is the Employer, provides administrative support to the pension scheme and charged £26,800 for this service for the year (2019: £26,750).
At 31 July 2020 the Employer owed £300,079 to the Scheme (2019 £5,313, as £280,000 was paid to account in July 2019) for the July 2020 contributions. These were paid in August 2020 in accordance with the requirements of the Schedule of Contributions.
One active member and one pensioner member are trustees of the Scheme, with contributions and benefits being paid in line with the Scheme Rules.

18. **Employer related investments**

The Scheme did not hold any employer related investments during the year or at the year end. (2019: none)

19. **Contingent Liabilities**

As explained on page 9 of the Trustees report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps.

As explained on page 9 of the Trustees report, in November 2020, the High Court handed down a second judgement involving the Lloyds Banking Group's defined pension benefit pension schemes. This latest judgement confirms the Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgement arise in relation to many other defined benefit pension schemes. The trustees will consider next steps as the scheme has experienced significant historical transfers out which will be subject to adjustment as a result of this second ruling. Any adjustments necessary will be recognised in the accounts for the year in which they are calculated. It is not possible to estimate the value of any such adjustments at this time.

There is still uncertainty surrounding the calculations but based on an initial assessment of the likely backdated amounts and related interest the trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in the financial statements. They will be accounted for in the year in which they are determined.

20. **Post Balance Sheet Events – COVID-19**

As a result of the COVID-19 (Coronavirus) pandemic, there was a dramatic downturn in global markets in March 2020. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the Scheme's investment return and the fair value of the Scheme investments

Given the extreme volatility affecting all asset markets, and the extreme global economic uncertainty prevailing, it is not practicable to provide a quantitative estimate of the impact of the virus on the Scheme's assets at this time and no adjustments have been made

The Trustees have designed and implemented an investment strategy which takes a necessarily long-term view, whilst also having built in resilience to withstand short term fluctuations. The Trustees continue to take proactive and considered steps, in conjunction with their advisers, to assess the situation and respond to it.

The LGIM Managed Property Fund included a material uncertainty clause in its valuation as a result of the COVID-19 pandemic. Trading in the fund was suspended with effect from 20 March 2020 until 1 October 2020. The valuers of the underlying properties have advised that conditions exist in the real estate markets that may result in uncertainty in the reliability of the valuation reported. Nonetheless, these represent the best estimate of the current valuation at the year-end date and have not been adjusted

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

Opinion

We have audited the financial statements of the University of Aberdeen Superannuation and Life Assurance Scheme ("the Scheme") for the year ended 31 July 2020 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 1.

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 2020 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 accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Trustees' conclusions, we considered the inherent risks to the Scheme, and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Scheme will continue in operation.

Other information

The Trustees are responsible for the other information, which comprises the Trustees' report (including the report on actuarial liabilities, the Implementation Statement and the summary of contributions), and the actuarial certification of the schedule of contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustees' responsibilities

As explained more fully in their statement set out on page 28, the Scheme Trustees are responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to wind up the Scheme, or have no realistic alternative but to do so. .

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

[redacted]

[redacted]
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Vincent Plaza
319 St Vincent Street
Glasgow
G2 5AS

Date: **26 February 2021**

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 Schedule.

Trustee Summary of Contributions Payable

During the year ended 31 July 2020, the contributions payable to the Scheme were as follows:

	Employee £	Employer £
Contributions Payable under the Schedule of Contributions		
Normal contributions	78,433	1,722,491
Salary Sacrifice contributions (for employee)	-	1,023,961
Deficit Funding contributions	-	725,000
Total required by the Schedule of Contributions (as reported on by the Scheme Auditor)	**78,433**	**3,471,452**
Other contributions payable		
Member – additional voluntary	5,584	-
Total, as per financial statements	**84,017**	**3,471,452**

Signed for and on behalf of the Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme on 26 February 2021.

[redacted]

[redacted]

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

Statement about contributions

We have examined the summary of contributions payable under the schedule of contributions to the University of Aberdeen Superannuation & Life Assurance Scheme in respect of the Scheme year ended 31 July 2020 which is set out on page 45.

In our opinion contributions for the Scheme year ended 31 July 2020 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 7 January 2019.

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 schedule of contributions.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 45 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.

The purpose of our work and to whom we owe our responsibilities

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.

[redacted]

[redacted]

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Vincent Plaza
319 St Vincent Street
Glasgow

Date: **26 February 2021**

Part 6: Actuarial Statements

Actuary's certificate of the calculation of technical provisions

Name of Scheme: **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 2019 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the statement of funding principles dated 27 October 2020.

[redacted] 25 November 2020

[redacted]
Fellow of the Institute and Faculty of Actuaries
XPS Pensions
Scotia House
Castle Business Park
Stirling
FK9 4TZ

Actuary's certification of schedule of contributions

University of Aberdeen Superannuation and Life Assurance 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 27 October 2020.

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 27 October 2020.

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

Signature
[redacted]

Date
29 October 2020

Name
[redacted]

Qualification
Fellow of the Institute
and Faculty of Actuaries

Address
Scotia House
Castle Business Park
Stirling
FK9 4TZ

Employer
XPS Pensions Consulting Limited

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 2019. This showed that on that date:

The value of the Technical Provisions was:	£173,600,000
The value of the assets as at that date was:	£164,000,000

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 (past service liabilities before retirement)

Bank of England gilt yield curve plus 2.75% per annum at each term

Discount rate (past service liabilities after retirement)

Bank of England gilt yield curve plus 0.75% per annum at each term

Discount rate (future service liabilities)

The past service liability discount rates plus 0.25% per annum at each term

Future RPI inflation

Risk First Gilt RPI Curve minus 0.15% per annum at each term

Future CPI inflation

Future RPI inflation assumption minus 0.85% per annum at each term

Deferred pension revaluation

Set equal to the Future CPI inflation assumption with relevant caps and floors applied

Future Salary inflation

Set equal to the Future RPI inflation assumption

7.4. Pension increases in payment

GMP accrued before 6 April 1988 (pre '88 GMP)	Nil	Non-increasing
GMP accrued from 6 April 1988 (post '88 GMP)	Future CPI inflation	CPI max 3%
Pension in excess of GMP accrued prior to 2011	Future RPI inflation	RPI
Pension accrued between 2011 and 2020	Future CPI inflation capped at 5%	CPI max 5%
Pension accrued from 2020	Future CPI inflation, reduced by 0.2% p.a. and capped at 3%	CPI max 3%
An overall increase of 3% per annum applies for pension accrued prior to 2011.		

7.5. Mortality before and after Retirement:

The pre and post retirement mortality assumption is set equal to Self-Administered Pension Schemes (SAPS) "S3" tables with a 116% multiplier for males and a 106% multiplier for females. Future longevity improvement is assumed to follow the Continuous Mortality Investigation (CMI) 2018 projection model with a default smoothing parameter of 7.5 and an assumed long term rate of improvement of 1.25% per annum for both males and females.