University of Edinburgh Staff Benefits Scheme

Annual Report and Financial Statements
31 March 2024
Scheme Registration Number: 10102234

Contents

SECTION 1 – TRUSTEE AND ITS ADVISERS

THE TRUSTEE

The Trustee of the University of Edinburgh Staff Benefits Scheme is EUSBS Trustees Limited and the Trustee Directors are set out below:

Trustee Directors
University appointed
Ms Doreen Davidson
Ms Kathryn Graham (appointed 10 August 2023)
Scottish Pension Trustees Limited (represented by Ms Julia Miller) (Chair)
Mrs Ashley Shannon

Member nominated
Mr Khushaal Joshi
Mr James Hardacre

Secretary to the Trustee

Mrs Ann Fraser (until 1 September 2023)
Pensions Manager
Charles Stewart House, 9-16 Chambers Street
Edinburgh
EH1 1HT

Mr Andrew Mills (from 1 September 2023)
Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

ADVISERS

The advisers to the Trustee are set out below:

Actuary	Ms Susan McIlvogue of Hymans Robertson LLP
Auditor	RSM UK Audit LLP
Legal Adviser	Shepherd & Wedderburn LLP
Administrator	The University of Edinburgh Hymans Robertson LLP
Investment Adviser	Hymans Robertson LLP
Investment Managers	Adams Street Partners LLC Baillie Gifford & Co Barings LLC Legal & General Investment Management Legal & General Investment Management Build to Rent Fund LP Morgan Stanley Investment Management Ltd Threadneedle Investments Ltd

TRUSTEE AND ITS ADVISERS (CONTINUED)

ADVISERS (CONTINUED)

AVC Providers	Standard Life
Custodians	BNP Paribas Securities Services and Administration Ltd BNY Mellon Citi HSBC Northern Trust State Street Bank and Trust Company
Bankers	Barclays Plc
Principal Employer	The University Court of the University of Edinburgh

SECTION 2 – TRUSTEE'S REPORT

The Trustee of the University of Edinburgh Staff Benefits Scheme is pleased to present its report together with the audited financial statements and actuarial statements of the Scheme for the year ended 31 March 2024. The purpose of the report is to describe how the Scheme and its investments have been managed during the year.

Further information on the Scheme can be obtained from Andrew Mills, Hymans Robertson LLP
20 Waterloo Street ,Glasgow, G2 6DB.

MANAGEMENT OF THE SCHEME

LEGAL STATUS

The Scheme is a Registered Pension Scheme under the provisions of Schedule 36 of the Finance Act 2004.

The University of Edinburgh Staff Benefits Scheme was established by an Interim Trust Deed dated 25 and 28 July 1966. It is currently governed in accordance with a Trust Deed and Rules dated January 2017 as subsequently amended.

TRUSTEE

Trustees of the Scheme are appointed under the terms of the Trust Deed and Rules. Trustee-Directors of the sole corporate trustee of the Scheme are appointed under the terms of both the Trust Deed and Rules and the articles of association of EUSBS Trustees Limited.

The University Court of the University of Edinburgh as principal employer may by that Deed appoint or replace Trustees, subject to the statutory requirements relating to member-nominated trustees. Trustee Directors and any changes during the year then ended or since the year end are given on page 1. The term of office of a Member Nominated Director ("MND") is 6 years. . MNDs are entitled to stand for re-selection.

Principal Employer's powers to appoint Trustees under Scheme Rules

The rules on the Trustee's length of office are as follows:

"A trustee appointed (or re-appointed) under Clause 8.2.1 shall be appointed for a period of 4 years (or for such period as the Principal Employer shall determine)". The rules relating to member nominated trustees are as follows:

> c. There shall be such number of member-nominated Trustees as are required in terms of section 16 of the Pensions Act 1995, who shall be selected in accordance with such arrangements as are made by the Trustees pursuant to that section and in accordance with the appropriate rules (within the meaning of section 20 of the Pensions Act 1995). A person selected in accordance with such arrangements and the appropriate rules shall, upon being so selected, automatically become a Trustee of the Scheme and shall hold such office until such time as he or she ceases to hold office in accordance with those arrangements resigns by notice in writing given to the other Trustees or dies.
>
> ***Mr Joshi was originally appointed under this term.***

TRUSTEE'S REPORT (CONTINUED)

TRUSTEE (CONTINUED)

The terms on which Trustees other than member nominated trustees are appointed state as follows:

Principal Employer's powers to appoint Trustees under Scheme Rules

Under clause 8.2.1 of the Scheme's rules, the Principal Employer shall, subject to the Scheme's requirements for member nominated trustees, appoint as Trustees:

(i) one person chosen from amongst those persons holding the offices of Principal, Vice Principal, Secretary or Director of Corporate Services of the University of Edinburgh or such other person nominated by the Principal of the University and agreed to by the Principal Employer who holds a senior executive position at the University and;

(ii) such further persons as the Principal Employer may determine from time to time.

Mrs Shannon was originally appointed under point (i). Ms Davidson, Scottish Pension Trustees Limited (represented by Ms Julia Miller) and EUSBS Trustees Limited were originally appointed under point (ii).

All appointments since 25 July 2022 (other than of EUSBS Trustees Limited) have been made in accordance with the equivalent provisions of the articles of association of EUSBS Trustees Limited. That covers Mr Hardacre and Ms Graham and all those referred to above who were previously appointed under the terms of the Trust Deed and Rules.

The Trustee met 4 times during the year at full board meetings, with additional meetings of the investment sub-committee and governance sub-committee during the year. All decisions are taken by simple majority with the Chair having the casting vote.

The Trustee has established the following committees:

- Investment sub-committee (meets quarterly).
- Governance sub-committee (meets at least bi-annually)

both of which are governed by terms of reference approved by the main Board.

The Trustee has delegated the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on page 1. The Trustee has written agreements in place with each of them.

TRUSTEE'S REPORT (CONTINUED)

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.

The fund account shows that the net assets of the Scheme decreased from £414,247,530 at 31 March 2023 to £411,527,101 at 31 March 2024. The decrease in net assets is accounted for by:

	31 March 2024 £	31 March 2023 £
Member related income	17,210,524	18,356,970
Member related payments	(21,636,348)	(17,958,137)
Net (withdrawals)/additions from dealings with members	**(4,425,824)**	**398,833**
Net returns on investments	1,705,395	(123,197,593)
Net decrease in the year	**(2,720,429)**	**(122,798,760)**
Net assets at start of year	414,247,530	537,046,290
Net assets at end of year	**411,527,101**	**414,247,530**

PENSION INCREASES

The Scheme provides for guaranteed increases on pensions in payment as follows:

- Pension in excess of Guaranteed Minimum Pension ("GMP") built up before 6 April 1997 which can be commuted for a lump sum does not increase once in payment.
- Remaining pension in excess of GMP built up before 6 April 1997 will increase in line with Consumer Price Index ("CPI") up to a maximum of 6% per annum.
- Pension built up after 5 April 1997 and before 1 January 2011 will increase in line with CPI up to a maximum of 6% per annum.
- Pension built up after 1 January 2011 and before 1 January 2017 will increase in line with Retail Price Index ("RPI") up to a maximum of 5%.
- Pension built up after 1 January 2017 will increase in line with CPI up to a maximum of 5%.

During the Scheme year, pension increases were applied in accordance with the Scheme Rules as follows:

- Pensions in payment were increased with effect from 1 April 2023 as follows:
  - Pension in excess of GMP built up before 6 April 1997 which can be commuted for a lump sum: 0%.
  - Remaining pension in excess of GMP built up before 6 April 1997: 6%.
  - Pension built up after 5 April 1997 and before 1 January 2011: 6%.
  - Pension built up after 1 January 2011 and before 1 January 2017: 5%.
  - Pension built up after 1 January 2017: 5%.
  - GMPs accrued before 6 April 1988: 0% (increases in line with the annual rise in RPI are guaranteed by the State)
  - GMPs accrued after 5 April 1988: 3% (in accordance with the statutory revaluation orders)
- Deferred pensions were increased in accordance with statutory requirements.
- All increases were in accordance with the Trust Deed and Rules of the Scheme or legislative requirements. There were no discretionary increases awarded in the year.

TRUSTEE'S REPORT (CONTINUED)

SCHEME BENEFITS

Benefits for service accrued up to 31 December 2010 are based on final salary with all benefits accrued from 1 January 2011 onwards based on a Career Average Revalued Earnings ("CARE") arrangement basis.

The normal retirement age for all members in respect of pre 1 January 2017 service is 65. The normal retirement age for all members in respect of post 1 January 2017 service is aligned to State Pension Age.

TRANSFER VALUES

The individual transfer values paid out of the Scheme have been calculated and verified as prescribed in Section 97 of the Pension Schemes Act 1993. The transfer values paid were not reduced below the actuarially calculated value.

ACTUARIAL POSITION

The Financial Statements set out on pages 26 to 41 do not take into account the liabilities to provide pension benefits which fall due after the year end. The most recent valuation of the Scheme was carried out as at 31 March 2021. This showed that there was a deficit in the Scheme of £43m relative to the technical provisions. Following completion of the valuation, a Schedule of Contributions was certified by the Scheme Actuary on 23 June 2022 and is summarised below:

In respect of future accrual of benefits:

The University will pay the following:

From 1 July 2022	34.9% of Pensionable Salary less the applicable member contribution rate

Members will pay the following:

From 1 July 2022	9.1% of Pensionable Salary

Where an active member participates in the salary sacrifice arrangements, the University will pay the appropriate additional contribution to the Scheme in lieu of salary.

In respect of the shortfall in funding:

In accordance with the Recovery Plan dated 23 June 2022, the University will pay the following in respect of the shortfall:

- £3,388,568.09 paid in June 2022;
- £1.5m payable in April 2023;
- £1.5m payable in April 2024; and
- An amount payable annually, starting from April 2025 with the final payment due in April 2029, which will be a proportionate contribution reflecting the period from 1 April 2029 to 31 December 2029. The amount payable will be equal to £1.1m plus any increase in the Consumer Price index from September 2021 to the September preceding the payment date.

The Trustee has been granted a number of contingent assets by the University. These consist of securities over a number of properties owned by the University. Each security is subject to a standard security agreement and becomes enforceable if an event of default occurs. Such events include the insolvency of the University or it ceasing to carry on business.

TRUSTEE'S REPORT (CONTINUED)

ACTUARIAL POSITION (CONTINUED)

The formal actuarial certificate required by statute to be included in this Annual Report from the Scheme Actuary appears in Section 7.

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act, 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 built up by members, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the University, and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full valuation of the Scheme was carried out as at 31 March 2021. This showed:

- The value of the technical provisions was £551m
- The value of the assets was £508m

The table on the next page summarises the method and key assumptions used in the 31 March 2021 actuarial valuation, together with those used for the previous valuation, and the reasons for any change.

The actuarial method used to calculate the technical provisions was the projected unit method.

The next actuarial valuation as at 31 March 2024 is currently in progress.

TRUSTEE'S REPORT (CONTINUED)

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Assumption	This valuation	Previous valuation*	Rationale for change
Discount rate	Market implied gilt yield curve plus 1.6% p.a.	3.19% p.a.	Changes in Hymans reporting, approach is consistent to previous valuation
RPI inflation	Market implied RPI curve less 0.2% p.a. inflation risk premium	3.12% p.a.	Changes in Hymans reporting, approach is consistent to previous valuation
CPI inflation	RPI curve less 1.0% p.a. up to 2030 and RPI curve less 0.1% p.a. thereafter	2.12% p.a.	Changes in Hymans reporting and to allow for the RPI-CPI consultation, with RPI expecting to become CPI-H in 2030
Salary inflation	CPI curve plus 1.0% p.a.	3.12% p.a.	Changes in Hymans reporting, approach is consistent to previous valuation
Mortality – base table	2020 VITA tables	SAPS S2 tables with scheme-specific adjustments: **Non-pensioners** 117%/ 109% for males/ females **Pensioners** 111%/ 105% for males/ females	Updated based on latest Club Vita analysis.
Mortality – future improvements	CMI 2020 model with an initial addition to improvements of 0.5% and a long term rate of improvement of 1.5% p.a. for males and females	CMI 2017 core projections with long-term improvement rate of 1.5% p.a. for men and women	Updated to reflect the latest mortality improvements by CMI

*A full yield curve approach has been used, where the discount rate and inflation assumption varies by term. The financial assumptions shown above are approximate single equivalent rates based on the benefit cashflows for the Scheme.

PENSION INCREASES (IN PAYMENT)

Inflation-linked pension increase assumptions are derived from the relevant RPI/CPI inflation assumption allowing for maximum and minimum annual increases.

TRUSTEE'S REPORT (CONTINUED)

SECTION 37

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. The court decision was subject to appeal which was heard on 25 July 2024 and the original decision was upheld There is also potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments.

The Trustee has no reason to believe that the relevant requirements were not complied with, but is consulting with its professional advisers to understand the potential impact, if any, on the Scheme.

TRUSTEE’S REPORT (CONTINUED)

SCHEME MEMBERSHIP

The reconciliation of the Scheme membership during the year ended 31 March 2024 is shown below:

Active Members	
As at 31 March 2023	**1,655**
New joiners	282
Retirements	(80)
Leavers – deferred	(96)
Leavers - refund	(41)
Leavers with benefits pending	(15)
Death in service	(4)
Transfers out	(6)
Other Leavers	(2)
Active Members as at 31 March 2024	**1,693**

Pensioner Members (including spouses and dependants)	
As at 31 March 2023	**2,336**
Retirements	154
Spouses and dependants	30
Deaths	(82)
Full commutation	(1)
Pensioner Members as at 31 March 2024	**2,437**

Deferred Pensioner Members	
As at 31 March 2023	**2,253**
Leavers from active membership	96
Retirements	(74)
Transfers out	(8)
Deaths	(5)
Other	(5)
Deferred Pensioner Members as at 31 March 2024	**2,257**

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT

MARKET REVIEW

The following market review provides an update on the major developments in the global economy and performance of asset classes relevant to the Scheme's investments over the 12 months to 31 March 2024.

Global growth has been stronger than expected over the 12 months to 31 March 2024, particularly in the US. Additionally given improvements in activity survey data, global growth forecasts for 2024 have been revised up, to suggest only a marginal slowdown in 2024, compared with 2023.

Year-on-year headline CPI fell to 3.2%, 3.5% and 2.4%, in the UK, US and eurozone, respectively, in March 2024, from 10.1%, 5.0% and 6.9% a year earlier. Core inflation, which excludes volatile energy and food prices, fell by less but still declined materially, to 4.2%, 3.8% and 2.9% in the UK, US and eurozone, respectively.

The US Federal Reserve raised rates 0.5% p.a., to 5.5% p.a., in the 12 months to end-March 2024, while the Bank of England and European Central Bank both raised rates by 1.0% p.a., to 5.25% p.a. and 4% p.a., respectively. However, despite progress on inflation, major western central banks left rates unchanged since the summer of 2023 – markets are currently pricing in 2 to 3 interest-rate cuts in 2024, down from expectations of 6 to 7 at the start of the year.

Sovereign bond yields also rose sharply in March 2024 amid expectations that interest rates may be cut less than anticipated. Over the past year, UK and US 10-year bond yields rose 0.4% p.a. and 0.7% p.a.to 3.9% p.a. and 4.2% p.a., respectively.

Global credit spreads fell, reflecting both the improved economic outlook and yield-driven demand from institutional investors. Global investment-grade credit spreads declined 0.5% p.a., to 1.0% p.a., over the past year while global speculative credit spreads fell by 1.6% p.a., to 3.4% p.a. Despite a rise in sovereign bond yields, UK investment-grade and US high yield returned 7.4% and 11.0%, respectively.

Global equities rose 25.0% in local-currency terms amid improving economic activity, declining inflation, and AI enthusiasm. Japan strongly outperformed as yen weakness lent support to the export-heavy index and optimism around corporate governance reforms gained momentum. North American equities outperformed, given their large exposure to the outperforming technology sector. EM and Asia Pacific ex-Japan notably underperformed given concerns about China's growth prospects and disappointment with policy stimulus unveiled so far. The UK underperformed, given little exposure to technology and above-average exposure to energy and basic materials. The MSCI UK Monthly Property Index rose 0.3% over the last 12-month period as income offset a further 5.3% decline in capital values. Over the past 12 months, office capital values fell 16.3%, while retail sector values fell 5.6% and industrial values edged 0.8% higher.

Trade-weighted US dollar, UK sterling and euro rose 2.3%, 4.6%, and 3.6%, respectively. The equivalent measures for Japanese yen declined 9.1%, as investors continue to bet on a wide interest rate differential between Japan and its global peers. Gold prices rose 12.0% on the back of lingering inflation concerns and strong central bank reserve demand, and oil prices rose 11.7% amid supply cuts and conflict in the Middle East.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

PORTFOLIO REVIEW

The Trustee has a mix of active and passive pooled investment mandates and have appointed investment managers within a structure as follows:

PORTFOLIO VALUATION

	31 March 2024		31 March 2023	
	Market value £	Percentage of total (%)	Market value £	Percentage of total (%)
Global equities				
Baillie Gifford	46,477,927	11.4	43,734,080	10.6
Legal and General	47,105,678	11.5	45,668,275	11.0
Total Equities	**93,583,605**	**22.9**	**89,402,355**	**21.6**
Liability driven investments				
Legal and General	132,295,355	32.4	130,617,135	31.6
Investment Grade Credit				
Legal and General	12,272,050	3.0	-	-
Multi-Asset Credit				
Barings	42,501,702	10.4	42,654,842	10.3
Property				
Threadneedle	24,235,364	5.9	25,155,403	6.1
Legal and General	14,154,232	3.5	14,745,386	3.6
Total Property	**38,389,596**	**9.4**	**39,900,789**	**9.7**
Private Equity				
Morgan Stanley	34,141,954	9.0	38,599,439	10.5
ASP	13,938,159	3.3	9,104,107	2.1
Total Private Equity	**48,080,113**	**12.3**	**47,703,546**	**12.6**
Private Debt				
Barings	35,399,931	8.5	33,353,623	8.1
Diversified Growth				
Baillie Gifford	-	-	23,281,686	5.6
Sterling Liquidity				
Legal and General	4,070,066	1.0	2,211,829	0.5
Total	**406,592,418**	**100.0**	**409,125,805**	**100.0**

Note: Percentages may not add up to 100% due to rounding. Valuations shown on a bid value basis where possible.

The Investment Strategy is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, the day-to-day management of the Scheme's investment portfolio is the responsibility of the investment managers.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

STEWARDSHIP AND ENGAGEMENT

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. The following are excerpts from the Statement of Investment Principles that cover the Trustee's policies on stewardship and manager engagement.

Financially material considerations

The Trustee recognises that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others.

The Trustee will consider such factors in the development and implementation of its investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, the Trustee will engage with its investment managers to ensure they take such considerations into account within their decision making.

The 2018 Investment Regulations came into effect on 1 October 2019. The regulations aim to clarify language around the consideration of broader long-term financial risks, in particular:

1. how the Trustee takes account of 'financially material considerations' over the appropriate time horizon, including, but not limited to, ESG factors, including climate change
2. the Trustee's policies, in relation to various stewardship activities for the assets held
3. the extent to which any non-financial matters are taken into account.

The new regulations also seek to encourage trustees to take greater ownership and be aware of the consequences of their responsible investment policies, rather than adopting a 'box ticking' approach.

Non financially material considerations

Given the objectives of the Scheme, the Trustee has not considered any non-financially material factors in the development and implementation of its investment strategy. The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on factors that are not non-financially material.

Stewardship and voting

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

The Trustee has adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting policies of its investment managers and determined that these policies are appropriate. On an annual basis, the Trustee will request that its investment managers provide details of any change in their house policy. Where appropriate, the Trustee will engage with and may seek further information from its investment managers on how portfolios may be affected by a particular issue.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

Stewardship and voting (continued)

The Trustee does not engage directly but believes it is appropriate for its investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, on investment issues including managing conflicts of interest, improving corporate behaviours, improving performance and mitigating financial risks. Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by its investment managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

Manager Engagement and Portfolio Turnover

The Trustee has appointed investment managers to deliver returns relative to specific benchmarks, which overall will align to deliver the broader Scheme investment strategy. The Trustee ensures that its managers have clearly defined benchmarks, objectives and management parameters.

The Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme. The Trustee will take advice in determining the appropriateness of each manager and mandate for the Scheme. By investing in this manner, the Trustee is confident that the managers appointed will make decisions which are commensurate with the period over which the Trustee expects to be invested in each mandate.

The Trustee reviews the performance of each of its mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed. The Trustee draws input from its investment adviser to support any such review of and engagement with its investment managers. Where necessary, the Trustee will highlight any areas of concern identified during such reviews to the manager as part of its engagement process.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

Manager Engagement and Portfolio Turnover (continued)

The Trustee recognises the long-term nature of the liability profile and appoints its managers to invest in such a way that generates long-term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme's objectives.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages with managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated. However, all mandates are subject to ongoing review against various financial and non-financial metrics in addition to its continued appropriateness within the investment strategy. For close-ended investments, the Trustee expects the term of the appointment to be the lifetime of the investment.

The Trustee has expectations of the level of turnover within each mandate which are determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the underlying portfolio. Whilst the Trustee expects financial performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee also expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period, including details of the costs associated with transactions. The Trustee will challenge the manager if there is a material deviation in portfolio turnover from expectations or historic experience within the mandate.

The net of fees returns achieved by the individual managers together with their respective benchmarks for the year and three years to 31 March 2024 are shown in the table on the next page.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

SCHEME PERFORMANCE

	One Year		Three Years	
Investment return to 31 March 2024 Net of fees	**Fund %**	**Benchmark %**	**Fund % p.a.**	**Benchmark % p.a.**
Global Equities				
Baillie Gifford	17.6	21.2	0.9	10.7
Legal and General	23.5	23.1	10.8	10.6
Liability Driven Investments				
Legal and General	(15.8)	(15.8)	(48.1)	(48.1)
Investment Grade Credit				
Legal and General	-	-	-	-
Multi-Asset Credit				
Barings	11.3	10.1	1.8	7.3
Property				
Threadneedle	0.5	(0.7)	1.8	1.5
Legal and General	(2.7)	7.0	-	-
Sterling Liquidity				
Legal and General	5.2	5.1	2.3	2.4
Total Scheme (excl. Private Markets)	**(0.1)**	**2.6**	**(8.1)**	**(6.3)**
Private Equity				
Morgan Stanley *	(4.0)	15.8	8.6	8.8
Adams Street Partners ("ASP") Funds *	5.1	15.8	-	-
Private Debt				
Barings *	10.3	7.0	7.9	7.0
Total Scheme (incl. Private Markets)	**0.5**	**4.1**	**(5.9)**	**(4.4)**

Note: The Legal and General Build to Rent Property fund does not yet have a long enough track record to report 3-year performance. Inception date is 26 January 2023. Legal and General Investment Grade Credit does not yet have a long enough track record to report 1-year and 3-year performance. Inception date is 13 December 2023.

Note: The Private Equity Mandates with ASP do not yet have a long enough track record to report 3-year performance. Inception date is 23 December 2021 for the Global Fund and 11 July 2022 for the Co-Investment Fund.

* The Morgan Stanley, Adams Street Partners and Barings Private Debt fund performance figures represent the internal rate of return for the private equity and private lending portfolios in GBP. Additionally, Morgan Stanley and Adams Street Partners performance figures and corresponding benchmarks shown represent 3 month lagged returns, due to reporting not yet being available for these funds as at 31 March 2024.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

INVESTMENT MANAGERS

The following transitions took place during the year:

Q2 2023

- An in-specie transfer was conducted to transfer the Scheme's holdings in the Baillie Gifford Global Alpha Fund to the Paris-aligned equivalent version of the Fund.
- To improve collateral resilience, the allocation to the Baillie Gifford Diversified Growth Fund was redeemed in full and disinvestment proceeds were initially invested into the LGIM Liability Driven Investments ("LDI") Portfolio.

Q4 2023

- To rebalance the Scheme's allocation in line with strategy, £3.7m and £8.3m was disinvested from the Baillie Gifford Global Alpha Growth Paris Aligned Fund and LGIM RAFI Fund, respectively, with the total £12.0m invested into the LGIM Buy and Maintain Fund.

Q1 2024

- No transitions occurred in the period.

MANAGER PERFORMANCE

The Scheme returned 0.5% (net of fees) over the period to 31 March 2024. This was driven by positive returns from the Scheme's allocation to 'Growth' equity assets being largely offset by negative returns from the Scheme's allocation to the LDI Portfolio, as real gilt yields rose over the period.

The Scheme's liability hedging assets returned -15.8% on an absolute basis over the 12 months as real yields increased for three out of the four quarters over the year. However, the value of the Scheme's LDI assets moved in line with the Scheme's liabilities over the period, as intended.

Over the longer 3-year period to 31 March 2024, the Scheme -5.9% p.a. (net of fees). The main driver of the negative return was the LDI portfolio, which moved in line with the Scheme's liabilities over the period, as intended. Despite the negative performance, the Scheme's funding level has risen considerably over this time.

INVESTMENT PRINCIPLES

The Trustee has produced a Statement of Investment Principles ("SIP"), which incorporates the investment strategy, in accordance with Section 35 of the Pensions Act. The Trustee reviewed its Statement of Investment Principles during the Scheme year and amended it to reflect the relevant agreed changes. The updated SIP reflects the strategic benchmark showing under Note 13.7.

A Statement of Investment Principles is available to view on the Scheme website: (https://www.uoesbspensions.co.uk/resources/statement-of-investment-principles-november-2023/) or a copy can be obtained on request from the Secretary to the Trustee at the address shown on page 1.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

INVESTMENT CHARGES

The table below shows the investment management fees for the Scheme's mandates which were invested during the year to 31 March 2024.

Investment Manager	**Fund**	**Management Fee**
Global Equity – Baillie Gifford	Global Alpha Paris-Aligned Fund	0.65% p.a.
Global Equity – LGIM	RAFI Fundamental Global Reduced Carbon Pathway Fund	0.223% p.a.
Private Equity – Morgan Stanley	• Private Markets Fund (PMF") III • PMF IV • PMF V • PMF VI • PMF VII	PMF III and IV: • 0.9-1.0% p.a. on capital committed (until fifth anniversary of first capital call), depending on the vintage. • For PMF III-IV thereafter, a constant percentage of the Scheme's proportionate share of capital committed to underlying investments, less capital returned. • For PMF V-VII thereafter, 75-85% of the percentage used to calculate the fee for the preceding year, depending on the vintage. • In addition, all Morgan Stanley mandates have a performance fee of 5.0% p.a. of net profits.
Private Equity – Adams Street Partners	• 80% allocation to: 2021 Global Fund • 20% allocation to: Co-Investment Fund V	2021 Global Fund • 1.0% on capital committed to underlying investments (during fund ramp up). • After 7 years, the fee will decrease by 10% annually (during fund tail-down). • For returns over 7.0%, the fund additionally has a performance fee of: 10% on secondary investments, 12.5% on co-investments and 20% on Direct Growth Equity fund investments. Co-Investment Fund V • 1.0% p.a. of invested capital. • For returns over 8.0%, the fund additionally has a performance fee of: 12.5%.
Property – Columbia Threadneedle	• Threadneedle Property Unit Trust	0.68% p.a.
Property – LGIM	• Build To Rent Fund	• 0.13% p.a. of Net Asset Value ("NAV") • Additional asset management fee of 10% of annual net operating income. • Additional performance fees on developed assets: of 10% over a 10% IRR hurdle rate, 20% over a 12% IRR hurdle rate, 5% over a 20% hurdle rate. Additional aggregate construction fees on development of assets of 3% - reduced to 1% if Legal & General Property Limited/associate are not the developer.

TRUSTEE'S REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

INVESTMENT CHARGES (CONTINUED)

Investment Manager	Fund	Management Fee
MAC – Barings	• Global High Yield Credit Strategies Fund	0.50% p.a.
Private Lending – Barings	• Global Private Loan Fund 3	Global Private Loan Fund 3 • 0.85% p.a. • Additional performance fee of 10% of profits, subject to a minimum 6% IRR to investors.
Private Lending – Barings	• Global Private Loan Fund 4	Global Private Loan Fund 4 • 0.79% p.a. Additional performance fee of 10% of profits subject to a minimum 5.5% IRR to investors.
IG Corporate Bonds – LGIM	• Buy and Maintain Credit Fund	0.15% p.a.
LDI – LGIM	• LDI Portfolio	Single Stock/Unleveraged Gilt Funds; • 0.100% p.a. on first £5m, 0.075% p.a. on next £5m, 0.050% on next £20m and 0.030% on balance above £30m. Applied in aggregate across all Single Stock/Unleveraged Gilt Funds. Matching Plus/Leveraged Gilt Funds; • 0.240% p.a. on first £25m, 0.075% p.a. on next £5m, 0.170% on balance above £25m. Applied to aggregate value of holdings in Matching Plus/Leveraged Gilt Funds. Enhanced Service Agreement (LDI): • 0.015% p.a. (Applied to average offer value of LDI Portfolio)

Fees charged by Baillie Gifford and Legal and General are included in the Fund Account (see note 12). Fees charged by other investment managers are reflected in the unit prices of the investments and are not directly charged to the Trustee. These fees are included within change in market value.

LGIM funds are free from charge or lien except for the provisions of the floating charge and any security instrument put in place in the normal course of business.

TRUSTEE'S REPORT (CONTINUED)

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee.

Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising, 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 Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Julia Miller

Trustee Director

Ashley Shannon
Ashley Shannon (Oct 21, 2024 17:11 GMT+1)

Trustee Director

21/10/2024

Date

TRUSTEE'S REPORT (CONTINUED)

FURTHER INFORMATION

INTERNAL DISPUTE RESOLUTION PROCEDURE ("IDRP")

It is a requirement of the Pensions Act 1995 that the trustees of all occupational pension schemes must have an IDRP in place for dealing with any disputes between the trustees and the scheme beneficiaries. An IDRP has been agreed by the Trustee, details of which can be obtained by writing to the Secretary to the Trustee at the address on page 1 of this report.

CONTACT FOR FURTHER INFORMATION

Any enquiries or complaints about the Scheme, including requests from individuals about their benefits or for a copy of Scheme documentation, should be sent to the Secretary to the Trustee at the address on page 1 of this report. Members can also obtain details about their benefits through the member portal operated by Hymans, Prism, details of which can be obtained in the member newsletter or by application to the Scheme Secretary.

THE MONEY & PENSIONS SERVICE ("MaPS")

This service is available at any time to assist members and beneficiaries with pensions questions and issues they have been unable to resolve with the Trustee of the Scheme. MaPS has launched MoneyHelper to help with money and pension choices. MoneyHelper is impartial, backed by the government and free to use.

The Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD
Tel: 0800 011 3797
www.moneyhelper.org.uk

THE PENSIONS OMBUDSMAN

Members have the right to refer a complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the events(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London
E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

Members can also submit a complaint form online:
https://www.pensions-ombudsman.org.uk/submit-complaint

TRUSTEE'S REPORT (CONTINUED)

FURTHER INFORMATION (CONTINUED)

THE PENSIONS REGULATOR ("TPR")

The Pensions Regulator has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration in relation to pension schemes and to act against employers who fail to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton
BN1 6AF
Tel: 0345 600 7060
Email: customersupport@tpr.gov.uk
www.thepensionsregulator.gov.uk

PENSION TRACING SERVICE

The Pension Tracing Service is provided by the Department for Work and Pensions and can help members find pensions relating to service with other employers.

Contact details for their services are as follows:

Tel: 0800 731 0193
www.gov.uk/find-pension-contact-details

APPROVAL OF THE REPORT BY THE TRUSTEE

The investment report included in this annual report and financial statements forms part of the Trustee's report.

Signed for and on behalf of the Trustee of the University of Edinburgh Staff Benefits Scheme by:

Julia Miller

Trustee Director

Ashley Shannon
Ashley Shannon (Oct 21, 2024 17:11 GMT+1)

Trustee Director

21/10/2024

Date

SECTION 3 – INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE UNIVERSITY OF EDINBURGH STAFF BENEFITS SCHEME

Opinion

We have audited the financial statements of University of Edinburgh Staff Benefits Scheme for the year ended 31 March 2024 which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the Scheme's Trustee with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Scheme’s Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee’s responsibilities statement set out on page 20 the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory frameworks that the Scheme operates in and how the Scheme is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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

Use of our report

This report is made solely to the Scheme's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third floor, Centenary House
69 Wellington Street ,Glasgow
G2 6HG

RSM UK Audit LLP
RSM UK Audit LLP (Oct 21, 2024 17:14 GMT+1)

Date 21/10/2024

SECTION 4 – FINANCIAL STATEMENTS

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2024

	Note	2024 £	2023 £
CONTRIBUTIONS AND BENEFITS			
Contributions - Employer	4	**16,512,055**	17,812,931
- Member	4	**304,433**	340,954
Other income	5	**394,036**	203,085
		17,210,524	18,356,970
Benefits paid or payable	6	**(20,159,567)**	(16,210,295)
Payments to and on account of leavers	7	**(96,807)**	(106,378)
Other payments	8	**(197,388)**	(177,354)
Administrative expenses	9	**(1,182,586)**	(1,464,110)
		(21,636,348)	(17,958,137)
Net (withdrawals)/additions from dealings with members		**(4,425,824)**	398,833
RETURNS ON INVESTMENTS			
Investment income	11	**12,858,702**	12,952,308
Change in market value of investments	13	**(10,740,454)**	(135,379,046)
Investment management expenses	12	**(412,853)**	(770,855)
Net returns on investments		**1,705,395**	(123,197,593)
Net decrease in the Scheme during the year		**(2,720,429)**	(122,798,760)
Balance of the Scheme at the start of the year		**414,247,530**	537,046,290
Balance of the Scheme at the end of the year		**411,527,101**	414,247,530

The notes on pages 28 to 41 form part of these financial statements.

FINANCIAL STATEMENTS (CONTINUED)
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2024

	Note	2024 £	2023 £
Investment assets	*13*		
Pooled investment vehicles		**406,592,418**	409,125,805
AVC		**301,001**	301,993
Accrued income		**315,072**	329,971
		407,208,491	409,757,769
Current assets	*14*	**4,999,323**	4,912,681
Current liabilities	*15*	**(680,713)**	(422,920)
Net Assets of the Scheme as at 31 March		**411,527,101**	414,247,530

These financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of the obligations to pay pensions and benefits, which fall after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included in the Trustee's Report. These financial statements should be read in conjunction with that report.

The financial statements on pages 26 to 41 were approved by the Trustee on

Julia Miller

Trustee Director

Ashley Shannon
Ashley Shannon (Oct 21, 2024 17:11 GMT+1)

Trustee Director

21/10/2024

Date

The notes on pages 28 to 41 form part of these financial statements.

SECTION 5 – NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

1 BASIS OF PREPARATION

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

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes 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 Trustee has taken into account the expected performance of the sponsoring employer and its ability to continue as a going concern to gain comfort that it will continue to make contributions as they fall due. This assessment, together with income and capital growth from its assets and the contingent assets the Scheme holds over the University property gives the Trustee confidence to prepare the financial statements on a going concern basis.

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under Scottish law. The address for enquiries to the scheme is:
Mr Andrew Mills, Hymans Robertson LLP, 20 Waterloo Street ,Glasgow, G2 6DB.

The Scheme is a defined benefit ("DB") scheme and is open to new members and to future accrual.

3 ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied during the year, are set out below.

3.1 Contributions

Employer's and members' contributions (including salary sacrifice) are accounted for when they are deducted from pay by the employer at rates agreed between the Trustee and the employer based on the recommendation of the Actuary and the schedule of contributions. Members' additional voluntary contributions are accounted for on an accruals basis.

Employer deficit funding contributions are accounted for on an accruals basis, in accordance with the schedule of contributions under which they are payable.

3.2 Transfer Values

Individual transfers from the Scheme during the year are included in the financial statements on the basis of when the member liability is accepted or discharged, normally when the transfer is paid or received.

3.3 Benefits paid or payable

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Pensions in payment are accounted for in the period to which they relate.

3.4 Administrative expenses and investment management expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis. The majority of investment manager fees are charged within the underlying funds as disclosed in the Trustee's Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

3.5 Other Income

Any additional income is accounted for on an accruals basis.

3.6 Investment Income

When income from pooled investment vehicles is distributed it is included in investment income when the Scheme's right to receive payment is established. Income from pooled investment vehicles that is not distributed is reflected in the unit price. Other interest is accounted for on an accruals basis.

3.7 Investments

The statement of net assets includes investments at valuation – details of the valuation techniques involved in estimating fair values of certain investments are included in this note and note 13.

Fair value measurement

The Scheme measures its investment in financial instruments such as units in pooled investment vehicles and other investments, at fair value at each reporting date.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. FRS 102 and the SORP requires the use of a three-level hierarchy to analyse the fair value of investments (refer Note 13 to the financial statements).

Pooled Investment Vehicles and Additional voluntary contributions ("AVC") Investments

The Scheme invests in pooled investment vehicles and AVC Investments which are not quoted on an active market but for which the investment manager provides daily or weekly prices. The fair value of these funds is taken as the single price provided by the investment manager or the bid price where there is a bid and offer spread at the reporting date or if not available, at a date prior to but nearest to the reporting date. Shares in other pooled arrangements have been valued at the latest available net asset value, determined in accordance with fair value principles, provided by the pooled investment manager.

Private equity investments are valued in accordance with the valuation guidelines of the International Private Equity and Venture Capital valuation guidelines.

3.8 Change in Market Value

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

3.9 Foreign Currencies

Amounts denominated in foreign currencies at the year-end are translated into sterling (the Scheme's functional currency) at the rate ruling at the year end. Differences on foreign currency transactions are included in the fund account within the change in the market value of investments to which they relate.

Investment income and purchases and sales of foreign currency holdings denominated in foreign currencies are recorded at the rate of exchange on the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

4 CONTRIBUTIONS

	2024	2023
	£	£
Employers:		
Normal	**11,244,374**	9,857,530
Deficit funding	**1,500,000**	4,500,000
Salary sacrifice*	**3,767,681**	3,455,401
	16,512,055	17,812,931
Members:		
Normal	**201,982**	208,586
Additional voluntary contributions	**102,451**	132,368
	304,433	340,954
	16,816,488	18,153,885

Employer normal, salary sacrifice,deficit contributions and member normal contributions are paid in accordance with the rates that were effective during the year, as set out in the Schedule of Contributions. Under the previous Schedule of Contributions, the following deficit reduction contribution payments were made:

- £1,111,431.91 paid in April 2022.

Following the 31 March 2021 triennial valuation, an updated Schedule of Contributions was agreed between the Trustee and the University and was certified by the Scheme Actuary on 23 June 2022. It requires the University to pay the following deficit reduction contributions from the date of signing:

- £3,388,568.09 paid in June 2022;
- £1.5m payable in April 2023;
- £1.5m payable in April 2024; and
- An amount payable annually, starting from April 2025 with the final payment due in April 2029, which will be a proportionate contribution reflecting the period from 1 April 2029 to 31 December 2029. The amount payable will be equal to £1.1m plus any increase in the Consumer Price index from September 2021 to the September preceding the payment date.

*Salary Sacrifice was implemented with effect from 1 January 2008. All eligible members were informed of the proposals and given the option to opt out.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

5 OTHER INCOME

	2024	2023
	£	£
Bank interest	**200,911**	124,727
Other income	**97,938**	-
Claims on term insurance policies	**95,187**	78,357
	394,036	203,084

Other income of £97,938 received during the year relates to a Policy correction payment from Legal & General.

6 BENEFITS PAID OR PAYABLE

	2024	2023
	£	£
Pensions	**14,550,558**	13,356,211
Commutations and lump sum retirement benefits	**5,429,817**	2,747,998
Lump sum death benefits	**179,192**	106,086
	20,159,567	16,210,295

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024	2023
	£	£
Refunds to members leaving service	**2,162**	239
Individual transfers to other schemes	**94,645**	106,140
	96,807	106,379

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

8 OTHER PAYMENTS

	2024	2023
	£	£
Premiums on term insurance policies	197,388	177,354

9 ADMINISTRATIVE EXPENSES

	2024	2023
	£	£
Administration and actuarial fees	627,457	601,788
Audit fee	21,960	23,960
Legal fees	59,564	171,356
Other adviser fees	-	7,415
Investment consultancy fees	254,514	299,376
Pensions regulator levy	174,248	313,738
Trustee expenses	44,843	46,477
	1,182,586	1,464,110

10 TAX

The University of Edinburgh Staff Benefits Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note 11 below).

11 INVESTMENT INCOME

	2024	2023
	£	£
Income from pooled investment vehicles	12,858,702	12,952,308

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

12 INVESTMENT MANAGEMENT EXPENSES

	2024	2023
	£	£
Administration and management	**412,853**	770,855

13 INVESTMENTS

13.1 INVESTMENT ASSETS

	Value 31 March 2023	***Purchase cost***	***Sales proceeds***	***Change in market value***	***Value 31 March 2024***
	£	**£**	**£**	**£**	**£**
Pooled investment vehicles	**409,125,805**	203,076,050	(194,868,983)	(10,740,454)	**406,592,418**
AVC investments	**301,993**	50,039	(51,031)	-	**301,001**
	409,427,798	203,126,089	(194,920,014)	(10,740,454)	**406,893,419**
Accrued income	**329,971**				**315,072**
	409,757,769				**407,208,491**

Pooled investment vehicles are managed by companies registered in the UK, US and Luxembourg.

Where the investments are held in managed and unitised funds the change in market value also includes expenses both implicit and explicit to the Scheme and any reinvested income, where the income is not distributed.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.2 POOLED INVESTMENT VEHICLES ("PIV")

The holdings of PIVs are analysed below:

	2024	2023
	£	£
Equities	**93,583,606**	89,402,355
Diversified Growth	**-**	23,281,686
Investment Grade Credit	**12,272,050**	-
Multi-Asset Credit	**42,501,702**	42,654,842
Property	**38,389,596**	39,900,790
UK Government Bonds	**68,917,752**	57,117,452
Private Equity	**48,080,113**	47,703,545
Private Debt	**35,399,931**	33,353,623
Liability Driven Investments	**63,377,602**	73,499,683
Sterling Liquidity	**4,070,066**	2,211,829
	406,592,418	409,125,805

13.3 ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

During the year the Trustee held assets within the main pooled investment vehicles and invested separately from the main fund in the form of individual insurance policies with Standard Life Assurance Company securing 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. AVC investments are managed by companies registered in the UK.

	2024	2023
	£	£
Standard Life	**301,001**	301,993

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.4 CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets:

	2024	**2024**	2023	2023
	£	**% of net assets**	£	% of net assets
Legal and General RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund	**47,105,678**	**11**	45,688,275	11
Baillie Gifford Global Alpha Growth Paris-Aligned Fund C Inc	**46,477,927**	**11**	43,734,080	11
Barings Global High Yield Credit Strategies	**42,501,702**	**10**	42,654,842	10
Threadneedle Property Unit Trust Fund	**24,235,364**	**6**	25,155,403	6
Barings Private Loan Fund 3	**26,683,105**	**6**	27,401,577	7
Baillie Gifford Diversified Growth Fund C Inc	**-**	**-**	23,281,686	6

Note: Morgan Stanley Private Market Fund, Barings Private Loan Funds and LGIM LDI have not been included in the above table. This is due to the above investments being considered at an underlying fund level and none of the underlying funds in the Morgan Stanley Private Market Funds, Barings Private Loan Funds and LGIM LDI portfolio accounting for more than 5% of the Scheme's net assets.

13.5 INVESTMENTS FAIR VALUE HIERARCHY

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

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

As at 31 March 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	**284,722,777**	**121,869,641**	**406,592,418**
AVC investments	**-**	**301,001**	**-**	**301,001**
Accrued income	**315,072**	**-**	**-**	**315,072**
	315,072	**285,023,778**	**121,869,641**	**407,208,491**

As at 31 March 2023	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	288,167,847	120,957,958	409,125,805
AVC investments	-	301,993	-	301,993
Accrued income	329,971	-	-	329,971
	329,971	288,469,840	120,957,958	409,757,769

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.6 POOLED INVESTMENT VEHICLES

The Scheme invests in pooled investment vehicles which are priced at varying frequencies. Most of the funds are open-ended and therefore the units in those funds can be redeemed at a price determined by reference to the value of the underlying assets on the day a price is next struck for that fund, which may be on a daily, weekly or monthly basis. Where funds are priced on a daily or weekly basis and a price is therefore available as at the year-end date, these investments have been classified as Level 2. The Trustee classifies listed equity, LDI, investment grade credit, multi-asset credit and cash funds, as Level 2.

The Scheme also invests in pooled investment vehicles which are open-ended but priced less frequently and a price is not available as at the year-end date, or those which are unlisted closed-ended funds where investors do not have a right to redeem but may be able to sell their units to other investors. These investments have been classified as Level 3. The Trustee classifies the private equity, private debt and property funds, as Level 3.

13.7 INVESTMENT RISKS

The Trustee aims to invest the assets of the Scheme such that, in combination with the contributions received, there will be sufficient resources to meet the members' benefits as they fall due. The Trustee does so by taking into account considerations such as the strength of the employer covenant and after receiving professional advice from Hymans Robertson LLP. The over-riding funding objective for the Scheme is to set contributions at a level such that there will be sufficient assets in the Scheme to meet the obligations to the beneficiaries in full.

The current benchmark strategy for the Scheme has been set using advice from investment consultants and is as follows:

Mandate	Allocation %
Global Equities	26
Private Equity	7
Total Growth assets	**33**
Investment Grade Credit	6
Multi Asset Credit	10
Property	10
Private Debt	6
Total Income assets	**32**
Liability Driven Investments	35
Total Matching Assets	**35**
Total Assets	**100**

The Trustee has appointed external investment managers to conduct the day-to-day management of the Scheme's investment portfolio. This includes:-

- Investment of the Scheme's assets.
- Preparation of quarterly reporting including a review of investment performance.
- Providing fund accounting data concerning the investment portfolio and transactions.
- Attending Trustee's meetings as and when necessary.

In order to achieve the Trustee's objective, it is necessary to take investment risk. The key principles which guide the level and type of risk taken are:

- Risk should only be taken where a commensurate reward is expected;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.7 INVESTMENT RISKS (CONTINUED)

- Risk should only be taken where the expected reward is required to give a reasonable chance of meeting the Scheme's objectives; and,
- Risk should be diversified so that the Scheme is not overly exposed to any particular risk or source of return (whether an asset class or manager).

The key risks associated with the current investment strategy (excluding AVC investments and accrued income) are:

Interest rate risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is subject to indirect interest rate risk, both in absolute terms, and also unhedged risks in relation to the liabilities. The Scheme is 70% and 60% hedged (on a Technical Provisions basis) against interest rates and inflation, respectively, however it is still vulnerable to changes in interest rates impacting the value of unhedged liabilities.

The Scheme's hedging assets consist of leveraged gilts and index-linked gilts managed by Legal and General (see Liability Driven Investment amounts on the table on page 38). If interest rates fall, the value of these investments will rise and similarly, if interest rates rise, the value of these investments will fall. This partially offsets the impact on the funding level of interest rates changing the value of the liabilities.

Other price risk

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

Indirect other price risk arises principally from the Scheme's growth assets, which include equities, private equity, private debt, multi-asset credit, property and diversified growth pooled investment vehicles (see table on page 38). Some of the Scheme's managers also use derivatives as a way of obtaining efficient exposure to investment markets, and these are also subject to other price risk. The following table shows the Scheme's pooled investment vehicles that hold a small proportion of the below Market Value in derivatives:

	2024	2023
	£	£
Baillie Gifford Diversified Growth	**-**	23,281,686
Barings Global High Yield Strategies	**42,501,702**	42,654,842

Note: The table above excludes the derivatives in the Legal and General LDI portfolio (2024: £132,295,355.13; 2023: £132,828,963) which are held for hedging purposes within pooled investment vehicles.

The Trustee manages other price risk by constructing a diverse portfolio of investments across various markets and with various investment managers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.7 INVESTMENT RISKS (CONTINUED)

Currency risk

This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Scheme invests in overseas assets for diversification purposes. All overseas income generating assets are hedged back to Sterling, whilst only a proportion of growth assets are hedged back to Sterling. As at 31 March 2024, 20% of Scheme assets were unhedged.

Credit risk

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

The Scheme is subject to indirect credit risk from its exposure to bonds, cash, property and other fixed income assets contained within the pooled fund investments (see table on page 39). The Trustee manages credit risk by maintaining a diverse portfolio of investments across various markets and with various investment managers.

Direct credit risk arising from pooled investment vehicles as shown in note 13.2 is mitigated by:

- the underlying assets of the pooled arrangements being ring-fenced from the manager;
- the regulatory environments in which the managers operate; and,
- diversification of investments amongst a number of pooled arrangements.

The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the manager.

The Scheme's cash is held within the Sterling Liquidity pooled investment vehicle (see table on page 39) with institutions which are at least investment grade credit rated.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2024	2023
	£	£
Unit Linked Insurance Contracts	**195,743,150**	178,497,240
Unit Trusts	**38,389,595**	39,900,789
Open-ended Investment Company ("OEIC")	**88,979,629**	109,670,608
Shares of Limited Liability Partnerships	**83,480,044**	81,057,168
	406,592,418	409,125,805

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.7 INVESTMENT RISKS (CONTINUED)

The following table illustrates the extent to which the Scheme's investments are subject to indirect risks:

Pooled Investment Vehicle	Market Value 31 Mar 2024 £	Market Value 31 Mar 2023 £	Interest rate risk	Other price risk	Currency risk	Credit risk
Equities	93,583,606	89,402,355	No	Yes	Yes*	No
Diversified Growth	-	23,281,686	Yes	Yes	Yes	Yes
Investment Grade Credit	12,272,050	-	Yes	Yes	No	Yes
Multi-asset Credit	42,501,702	42,654,842	Yes	Yes	No	Yes
Property	38,389,596	39,900,790	No	Yes	No	Yes
UK Government Bonds	68,917,752	57,117,452	Yes	No	No	No
Private Equity	48,080,113	47,703,545	No	Yes	Yes	No
Private Debt	35,399,931	33,353,623	Yes	Yes	No	Yes
Liability Driven Investment	63,377,602	73,499,683	Yes	No	No	Yes
Cash	4,070,066	2,211,829	Yes	No	No	Yes
Total	**406,592,418**	**409,125,805**	-	-	-	-

*As at 31 March 2024 £47,105,678 (2023: £45,668,275) of the global equity holdings were currency hedged.

In addition the Trustee has identified a number of other risks that will impact on the funding level and contribute to funding risk which they consider when assessing the risk profile of the Scheme's investments. These include:

- **Cashflow risk** – the Trustee manages this risk by taking into account the timing of future payments in order to minimise the probability that there is a shortfall in liquid assets relative to the Scheme's liabilities. The Trustee regularly monitors the cash balance.
- **Risk of lack of diversification** – the Trustee ensures that the assets held by the Scheme within each mandate and asset class are well diversified, that is, there is no single investment within each mandate or asset class that is material in the context of the Scheme as a whole. The Trustee monitors this via investments reports produced by the managers.
- **Covenant risk** – the Trustee manages this risk by considering the strength of the sponsor when setting the investment strategy, and by consulting with the employer as to the suitability of the proposed strategy.
- **Operational risk** – the Trustee manages this risk by ensuring that all advisors and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

14 CURRENT ASSETS

	2024	2023
	£	£
Cash balances	**3,633,670**	3,533,208
Employer's contributions receivable	**1,282,970**	1,253,240
Members' contributions receivable	**25,610**	27,117
Benefits paid in advance	**-**	38,643
Bank interest receivable	**57,073**	60,472
	4,999,323	4,912,680

The outstanding contributions were received post year end within the timescales in the Schedule of Contributions.

15 CURRENT LIABILITIES

	2024	2023
	£	£
Tax due to HMRC	**173,924**	131,083
Accrued expenses	**350,603**	276,846
Accrued benefits payable	**156,186**	14,991
	680,713	422,920

16 CAPITAL COMMITMENT

The Trustee appointed Morgan Stanley Investment Management Ltd in November 2006. Morgan Stanley Investment Management Ltd manages the Morgan Stanley Private Equity mandate for the Scheme. The Scheme has committed a total of $85.5m to invest in Private Market Funds ("PMF") PMF III, PMF IV, PMF V, PMF VI and PMF VII funds. As at 31 March 2024, the undrawn commitment in relation to these funds was approximately $6.8m (2023: $9.8m).

The Scheme has also committed £30.0m to Barings Global Private Loan Fund 3 and £10.0m to Barings Global Private Loan Fund 4. As of 31 March 2024, the undrawn capital commitment for the Barings Global Private Fund 3 was £2.8m (2023: £2.8m). As at 31 March 2024, the undrawn commitment in relation to the Barings Global Private Loan Fund 4 was c.£1.5m (2023: £4.3m)

The Scheme has also committed a total of $35.0m to the Adams Street Partners Private Equity mandate (made up of a $28.0m commitment to the ASP 2022 Global Investment Fund and a $7.0m commitment to the ASP Co-Investment Fund V). As of 31 March 2024, the undrawn commitments in relation to these funds were $14.1m and $4.7m, respectively.

17 RELATED PARTY TRANSACTIONS

The University of Edinburgh provides certain administration services to the Scheme. The fee payable for these services was £41,168 for the year ended 31 March 2024 (2023: £56,545).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (CONTINUED)

17 RELATED PARTY TRANSACTIONS (CONTINUED)

Trustee fees for services provided by Scottish Pension Trustees totalling £44,843 (2023: £46,018) were paid by the Scheme.

There are two Trustee Directors (2023: two Trustee) who are contributing members of the Scheme and their contributions are included in employee and employer contributions. The amounts are paid in accordance with the Schedule of Contributions.

EMPLOYER RELATED INVESTMENTS

There were no employer related investments at any time during the year within the meaning of section 40 (2) of the Pensions Act 1995 (2023: nil).

18 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 GMP benefits.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

In November 2020 a further High Court judgment was made in respect of GMP equalisation and historic transfer values. The judge ruled that historic transfer values would fall under the scope of GMP equalisation and that trustees of pensions schemes remain liable to members where transfer value payments reflected unequalised GMP benefits.

For the actuarial valuation as at 31 March 2021, the Trustee has included a loading of 0.16% to the Scheme's technical provisions to account for GMP equalisation.

The Trustee agreed a method to equalise future transfer values at the 10 March 2021 Trustee meeting, which Hymans Robertson implemented from 1 April 2021.

The Trustee and the Employer agreed the method by which to equalise GMP benefits for current members in June 2023 (method B / dual records) and preparatory work continued during the year.

SECTION 6 – INDEPENDENT AUDITOR’S STATEMENT ABOUT CONTRIBUTIONS

INDEPENDENT AUDITOR’S STATEMENT ABOUT CONTRIBUTIONS UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEE OF THE UNIVERSITY OF EDINBURGH STAFF BENEFITS SCHEME

STATEMENT ABOUT CONTRIBUTIONS PAYABLE UNDER SCHEDULE OF CONTRIBUTIONS

We have examined the summary of contributions payable to the University of Edinburgh Staff Benefits Pension Scheme on page 43 in respect of the scheme year ended 31 March 2024.

In our opinion contributions for the Scheme year ended 31 March 2024 as reported in the attached summary of contributions on page 43 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 23 June 2022.

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 on page 43 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 TRUSTEE AND THE AUDITOR

As explained more fully on page 20 in the Statement of Trustee’s Responsibilities, the Scheme’s Trustee is 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 Trustee is 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 and to report our opinion to you.

Use of our statement

This statement is made solely to the scheme’s Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme’s Trustee those matters we are required to state to them in an auditor’s statement 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 and the scheme’s Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP (Oct 21, 2024 17:14 GMT+1)

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 21/10/2024

TRUSTEE'S SUMMARY OF CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE IN RESPECT OF THE SCHEME YEAR ENDED 31 MARCH 2024

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 23 June 2022 in respect of the Scheme year ended 31 March 2024. The Scheme auditor reports on these contributions payable under the Schedule in the Auditors' Statement about Contributions.

SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR

During the year, the contributions payable to the Scheme were as follows:

	Employer	Employee
	£	£
Required by the Schedule of Contributions		
Normal contributions	11,244,374	201,982
Salary sacrifice	3,767,681	-
Deficit funding	1,500,000	-
Total required by the Schedule of Contributions	**16,512,055**	**201,982**
Additional Voluntary Contributions	-	102,451
Total (as per Note 4)	**16,512,055**	**304,433**

Signed for and on behalf of the Trustee of the University of Edinburgh Staff Benefits Scheme by:

Julia Miller

Trustee Director

Ashley Shannon
Ashley Shannon (Oct 21, 2024 17:11 GMT+1)

Trustee Director

21/10/2024

Date

SECTION 7 – SCHEDULE OF CONTRIBUTIONS AND ACTURIAL CERTIFICATION

University of Edinburgh Staff Benefits Scheme ('the Scheme')

Schedule of Contributions

This schedule sets out the contributions that will be paid to the Scheme. This schedule applies from the date it is certified by the Scheme Actuary until 31 December 2029. It replaces the previous schedule dated June 2019.

This schedule has been prepared with the agreement of the University of Edinburgh ('the University') and after taking the advice of Susan McIlvogue ('the Scheme Actuary'). This schedule has been certified by the Scheme Actuary and the certificate is included in the appendix.

Pensionable Salary

For the purpose of this schedule, Pensionable Salary is defined as a member's basic salary plus any additional allowances that have been agreed in employee contracts for this purpose, or as subsequently amended by the Scheme's Trust Deed and Rules.

For the purpose of calculating University contributions, any reduction in the rate of Pensionable Salary as a result of maternity, paternity or sick leave will be ignored unless advised otherwise by the University.

University and member contributions

The total level of contributions required in respect of future service will be 34.9% p.a. of Pensionable Salary, payable no less frequently than monthly.

Contributions in respect of future service are split between the active members of the Scheme and the University.

The University will pay contributions at a rate equal 34.9% p.a. of Pensionable Salary less the applicable member contribution rate. Members currently pay contributions at a rate of 9.1% p.a. of Pensionable Salary. The University will pay the balance of contributions to ensure the total level of required contributions is paid. Where an active member participates in the salary sacrifice arrangements, the University will pay the appropriate contributions in relation to that member.

Should the member contribution rate be amended in future then the University's contributions will be adjusted accordingly to ensure the total contribution rate of 34.9% p.a. of Pensionable Salary is maintained.

The above contributions are due to be paid to the Scheme by the University by the 19th of the following month or by the 22nd of the following month if paid electronically. However, the trustees and the University can agree for payments to be made earlier if appropriate and, if so, the date of payment will become the due date.

This schedule does not cover the University's commitment to pay across to the Trustees additional voluntary contributions made by members.

University deficit reduction contributions

The 31 March 2021 actuarial valuation showed that the Scheme had a funding deficit relative to the Scheme's statutory funding objective. The University shall pay the following deficit reduction contributions:

- £3,388,568.09 payable in June 2022;
- £1.5m payable in April 2023;
- £1.5m payable in April 2024; and
- An amount payable annually, starting from April 2025 with the final payment due in April 2029, which will be a proportionate contribution reflecting the period from 1 April 2029 to 31 December 2029. The amount payable will be equal to £1.1m plus any increase in the Consumer Price Index from September 2021 to the September preceding the payment date.

In addition, the University shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the University and approved by the Trustees.

Expenses, Levies, Fees and Insurance Premiums

The University's contributions include an allowance for the following which are payable by the Scheme:

- the premium required to obtain life insurance cover;
- the Pension Protection Fund levy and other pension scheme levies;
- any fees falling due to the Scheme administrator, investment manager or other professional advisors; and
- other expenses of the trustees that are reasonably incurred in the course of performing its duties as trustees.

Prepared by the trustees of the Scheme

DocuSigned by:

Signature Julia Miller A56546564BC0419... on behalf of the trustees

Print name Julia Miller Position Chair of Trustees

Date 22-Jun-2022 | 14:34 BST

Agreed by the University

DocuSigned by:

Signature PW Mathieson 7B4A38A907EB411... on behalf of the University

Print name The Principal Position Principal and Vice-Chancellor, University

Date 23-Jun-2022 | 16:13 BST

This schedule of contributions is provided to meet the requirements of section 227 of the Pensions Act 2004.

University of Edinburgh Staff Benefits Scheme

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 31 March 2021 can be expected to be met by the end of the period specified in the recovery plan dated June 2022.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated June 2022.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Signature	DocuSigned by: Susan McIlvogue B1E6D7BD16F6491...
Date	23-Jun-2022 | 18:26 BST
Name	Susan McIlvogue
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street, Glasgow, G2 6DB

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

SECTION 8 – IMPLEMENTATION STATEMENT

Statement of compliance with the University of Edinburgh Staff Benefits Pension Scheme's Stewardship Policy for the year ending 31 March 2024.

Introduction

The Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the Pensions Regulator's General Code of Practice. It sets out how the Trustee has complied with the University of Edinburgh Staff Benefit Scheme's Stewardship Policy as set out in Statement of Investment Principles https://www.uoesbspensions.co.uk/resources/statement-of-investment-principles-november-2023/ during the period from 1 April 2023 to 31 March 2024.

Overall, the Trustee is satisfied that:

- The Scheme's investments have been managed in accordance with the Scheme's Stewardship Policy during the period;
- The Scheme's investments have been managed in accordance with the remainder of the Scheme's Statement of Investment Principles; and
- The provisions of the Statement of Investment Principles remain suitable for the Scheme's members.

Statement of Investment Principles

The Trustee has prepared this Implementation Statement on the basis of the Statement of Investment Principles in force throughout the period, with reporting within this document in line with the Statement of Investment Principles applicable at the relevant time.

Scheme Year Investments

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee has overall responsibility for how the Scheme's investments are governed and managed, in accordance with the Scheme's Trust Deed and Rules, as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee sets objectives for its investment advisor and annually reviews how well the investment adviser meets these objectives, which are designed to align with the Trustee's own objectives and investment strategy set out in the Statement of Investment Principles.

The Trustee has carried out an evidence-based review of the investment adviser's performance against these objectives and the Trustee was satisfied that the objectives had been achieved during the year.

The Trustee has undertaken training during the last year to ensure that its knowledge of investment matters remains up to date. Training topics included: Net Zero and the latest guidance issued by The Pension Regulator ("TPR") on using leveraged Liability Driven Investment ("LDI").

The investment risks relating to the Scheme are described in the Statement of Investment Principles (SIP) on pages 4-5 and the expected return is described in the SIP on page 3.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what type of assets and areas of the world the Scheme invests in over the longer-term), and the style of management adopted by the Scheme.

The Trustee expects fund managers to invest the Scheme's assets in the members' best interests. The fund managers appointed by the Trustee are expected to exercise voting power (where applicable) with the objective of preserving and enhancing long-term shareholder value. The Trustee meets regularly with the fund managers to monitor their performance, whilst asking them to evidence the implementation of environmental, social and governance risk factors into their investment decision-making, including voting rights.

The Scheme's asset managers have conflicts of interest policies in place. Managers have not disclosed any potential or actual conflict over the period.

Stewardship Policy

The Trustee's Stewardship Policy sets out how the Trustee will behave as an active owner of the Scheme's assets. It includes the Trustee's approach to:

- The exercise of voting rights attached to assets; and
- Undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme's Stewardship Policy can be found within the Scheme's Statement of Investment Principles, at https://www.uoesbspensions.co.uk/resources/statement-of-investment-principles-november-2023/.

The Scheme's Stewardship Policy is reviewed on a periodic basis in line with the Scheme's Statement of Investment Principles, which was last updated on 22 November 2023.

There were no changes made to the Stewardship Policy over the Scheme year ending 31 March 2024.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with its investment advisers. The Trustee meets regularly with its managers and the Trustee reviews stewardship implementation both during these meetings and through reporting provided by its investment adviser.

The Trustee also monitors its compliance with the Stewardship Policy on a periodic basis and is satisfied that it complied with the Policy over the last Scheme year ending 31 March 2024.

Voting Activity

The Trustee seek to ensure that managers are exercising voting rights and, where appropriate, monitor managers' voting patterns. The Trustee also monitor votes cast by managers on particular companies or issues that affect more than one company.

The Trustee invests in listed equities through two mandates. The Scheme's investment manager has reported on how votes were cast in each of these mandates as set out below.

	Baillie Gifford **Global Alpha Paris-Aligned Fund**	**LGIM** **RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund**
Proportion of Scheme assets (as at 31 March 2024)	11.3%	11.5%
No. of meetings eligible to vote at during the year	93	3,291
No. of resolutions eligible to vote on during the year	1,278	37,038
% of resolutions voted	96.0%	99.9%
% of resolutions voted with management	95.2%	79.3%
% of resolutions voted against management	3.4%	20.4%
% of resolutions abstained	1.4%	0.4%
% of meetings with at least one vote against management	23.7%	68.1%

Note: Percentage totals may not equal 100% due to rounding.

LGIM has voted against a greater proportion of management resolutions over the year. This is typical of passive mandates that track an index with little choice over stock selection, versus an active manager being able to exercise choice when selecting investments. It is also indicative of LGIM exercising active stewardship through frequently taking a stance against management. The LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund invests across a high number of companies across various sectors and countries. This includes in emerging markets, where governance practices are not as high as in developed markets, leading to a higher proportion of votes against management.

The resolutions the Scheme's managers, in aggregate, voted against management the most on over the period were mainly in relation to:

- General governance (e.g. boards of directors, remuneration, audit);
- Climate issues; and
- Shareholder proposals.

Significant Votes

The Trustee has asked its managers to report on the most significant climate related votes cast within the portfolios they manage on behalf of the Scheme, as this aligns with a key priority area for the Trustee. Managers were asked to explain the reasons why votes were deemed significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. From the manager reports, the Trustee has identified the following votes as being of greater relevance to the Scheme:

Baillie Gifford Global Alpha Paris-Aligned Fund – Martin Marietta Materials (1.19% allocation), 11 May 2023

Baillie Gifford voted for a resolution to set Science Based Target Initiative ("SBTi") carbon emissions reduction targets for Martin Marietta Materials.

Baillie Gifford supported the shareholder resolution for Martin Marietta Materials to set SBTi carbon emissions reduction targets, alongside a comprehensive plan to meet these, across its entire operational and supply chain emissions.

Upon Baillie Gifford engaging with Board, Martin Marietta Materials requested a period longer than the set out 12 month timeframe to complete the SBTi targets. However, Baillie Gifford believed that continuing to support the initial proposed timeframe of 12 months would be beneficial to investors and, more widely, be aligned with the Paris Agreement. As such, Baillie Gifford voted for the shareholder resolution and against management.

Although the resolution did not receive majority shareholder approval, Baillie Gifford communicated its decision on this to Martin Marietta Materials and continue to monitor ongoing progress on this.

This resolution is significant as it was submitted by shareholders and received greater than 20% of shareholder support and Baillie Gifford supported the resolution, against management. Additionally the vote is in a key area of importance for the Trustee, as a climate-related resolution.

LGIM's RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund – Mitsubishi UFJ Financial Group, Inc. (0.28%allocation), 29 June 2023

LGIM voted for a resolution to amend Mitsubishi Financial Group's ("Mitsubishi") articles of incorporation to also publish a carbon transition plan – in order for Mitsubishi's current lending and investment portfolios to align with the Paris Agreement. LGIM believe the decarbonisation of the banking sector is crucial in meeting the goals of the Paris Agreement.

Following a group of climate-focused Non-Governmental Organisations actively encouraging decarbonisation in the Asian banking market for several years, the first climate-related shareholder proposal of its kind was submitted to Mizuho, at its 2020 AGM. Since then, LGIM has supported similar climate-related resolutions at AGMs across other Japanese banks. LGIM has found these climate-related proposals, and ensuing shareholder conversation, has helped drive improvements in disclosures and tighter policies at these Asian banks.

Therefore, LGIM also voted for the resolution at Mitsubishi, to publish a carbon transition plan – to further strengthen Mitsubishi's decarbonisation policies, in line with global science-based temperature-aligned pathways towards Net Zero by 2050. LGIM also believe the carbon transition plan was not overly prescriptive, given the binding nature of amending articles of incorporation.

Although the resolution did not receive majority shareholder approval, LGIM continue to advocate for the decarbonisation of the banking sector, in efforts towards meeting the goals of the Paris agreement.

Significant votes (continued)

This resolution is significant as LGIM pre-declared its intention to support the resolution, against management recommendation. Additionally the vote is in a key area of importance for the Trustee, as a climate-related resolution.

Engagement Activity

Summary of Trustee engagement with managers

The Trustee holds meetings with its Scheme's investment managers on a regular basis . Over the last 12 months, the Trustee has met with 4 of its 6 managers. During these meetings, the Trustee has discussed Environmental, Social, Governance ("ESG") factors and stewardship issues in further detail.

The key topics discussed include: following the Scheme's switch from the core Baillie Gifford Global Alpha Fund in May 2023, the Baillie Gifford Global Alpha Paris-Aligned Fund and the social impact of properties held in the LGIM Build To Rent Property Fund.

Summary of Manager Engagement Activity

The Trustee receive reporting on Baillie Gifford's engagement activity. The following table summarises their Baillie Gifford Global Alpha Paris-Aligned Funds' key engagement activity for the 12-month period ending 31 December 2023.

Topics Engaged On	Number of Engagements
Environmental	34
Social	12
Governance	78
Strategy	2

Note: Engagements may cover more than one topic.

Over 2023, the Baillie Gifford Global Alpha Growth Paris-Aligned Fund carried out 86 discussions with companies held within the portfolio covering the engagements in the above table. The main methods of engagement were meetings and calls.

The Trustee receive reporting on LGIM's engagement activity. The following table summarises LGIM's key engagement activity for the 12-month period ending 31 December 2023.

Topics Engaged On	Number of Engagements
Climate Change	1,760
Deforestation	171
Remuneration	226
Diversity	226
Strategy	75

Note: Engagements may cover more than one topic.

Engagement Activity (continued)

Over 2023, LGIM carried out 2,500 engagements. The main methods of engagement were written engagements, meeting and calls.

Use of a Proxy Adviser

The Scheme's investment managers have made use of the services of the following proxy voting advisers over the Scheme year:

Manager	Proxy Advisor used
Baillie Gifford	ISS/Glass Lewis
LGIM	ISS

Review of Manager's Responsible Investment Policies

Where appropriate, the Trustee will review investment managers' Responsible Investment policies. The review will consider the managers' broader approach to responsible investment issues, in addition to considering any change in approach by the managers' over the period. The Trustee may also considered changes to its managers' voting policies.

The Trustee and its investment advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.

Prepared by:

Trustee of the University of Edinburgh Staff Benefits Scheme

DATE

APPENDIX – PENSIONS GLOSSARY

Actuarial Valuation: appraisal of the scheme's assets and liabilities, using investment, economic, and demographic assumptions for the model to determine whether, at a certain date, The Trustees believe the scheme will have enough money to be able to pay the pensions promised to members.

Additional Voluntary Contributions ("AVC's): AVCs are additional contributions paid into the Scheme by the member to increase the benefits payable at retirement. The current AVC provider for the Staff Benefit Scheme is Standard Life.

Annual Allowance ("AA"): The maximum amount of pension savings on which a member can receive tax relief each tax year.

Career Average Revalued Earnings: Schemes (known as CARE schemes) are a form of Defined Benefit pension arrangement.

Contingent assets: Assets held outside a pension scheme which the scheme can claim when one or more specified "trigger" events occur (such as the insolvency of the sponsoring employer). They can be useful for trustees and employers as an alternative to cash in relation to scheme funding and also as a way in which to reduce a scheme's PPF levy.

Contracting Out: Up until 2016, pension schemes and their sponsoring employers had the option to opt out of the State Second Pension (State Earnings Related Pension Scheme) for their members. Members and employers made lower National Insurance contributions in exchange for the scheme providing a certain level of pension which was at least as good as the State Second Pension.

Consumer Price Index ("CPI"): CPI is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

Defined Benefit: An employer-sponsored retirement plan where employee benefits are determined using a formula that considers several factors, such as length of employment and salary history.

Defined Contributions: A plan in which members and employers contribute a fixed amount or a percentage of pay which is invested and the proceeds used to buy a pension and/or other benefits at retirement.

Financial Times Stock Exchange ("FTSE"): now known as FTSE Russell Group, is a British financial organization that specializes in providing index offerings for the global financial markets.

Gross Domestic Product ("GDP"): Gross domestic product or GDP is a measure of the size and health of a country's economy over a period of time (usually one quarter or one year). It is also used to compare the size of different economies at a different point in time.

General Data Protection Regulation ("GDPR"): Introduced in 2018 to protect the data held by employers and pension schemes in relation to individuals.

Guaranteed Minimum Pensions (GMPs): Introduced from 6 April 1978 to allow occupational DB pension schemes to contract-out of the second tier of state pension provision (the State Second Pension). Schemes that were contracted-out on a GMP basis must provide members with benefits that are no less than a specified minimum, so that a contracted-out member does not lose out because they no longer receive all the elements of the state pension.

Hedging: Financial hedging is the action of managing price risk by using a financial derivative (like a future or an option) to offset the price movement of a related physical transaction.

PENSIONS GLOSSARY (CONTINUED)

Internal Dispute Resolution Procedure ("IDRP"): The official process set up by pension schemes to deal with disputes between the Trustees and scheme beneficiaries.

Lifetime Allowance ("LTA"): The Lifetime Allowance is the highest value of pension savings you can draw without paying tax. The amount set by the Government is and the standard Lifetime Allowance is currently £1,073,100 (2021-2022).

Member Nominated Trustees ("MNT"): Under the Pensions Act 2004 trustees must ensure that arrangements are in place to provide for at least one-third member nominated trustees (MNTs) or, where there is a corporate trustee, one-third member-nominated directors (MNDs) and that those arrangements are implemented. The arrangements must include a nomination process and a selection process, and comply with other statutory requirements.

Pension Commencement Lump Sum ("PCLS"): Members can take up to 25% of the capitalised value of their pension benefit as a lump sum at retirement. This is also known as a tax-free lump sum or tax-free cash.

Pension Protection Fund ("PPF"): The PPF was established by the Pensions Act 2004 with effect from April 2005. The PPF's main function is to provide compensation to members of eligible DB pension schemes where there are insufficient assets in the pension scheme to cover the PPF level of compensation.

Retail Price Index ("RPI"): The RPI is one of the two main measures of consumer inflation produced by the United Kingdom's Office for National Statistics (ONS).

Salary Sacrifice: An arrangement whereby the member agrees to give up a portion of their salary in exchange for that part of the salary being paid into the pension scheme directly from the employer, thus lowering the amount of pay eligible for National Insurance contributions.

Schedule of Contributions: A legal document setting out the schedule of contributions payable to the scheme.

State Pension Age: The age individuals need to reach to be able to take payment of the UK State Pension.

Statement of Investment Principles: A written statement governing decisions about investments for the purposes of an occupational pension scheme.

The Pensions Regulator: TPR is the UK's regulator of work-based pension schemes. Its primary objectives are to protect the benefits of members of work-based pension schemes; promote and improve understanding of the good administration of work-based pension schemes; reduce the risk of situations arising that may lead to compensation being payable from the PPF; in relation to scheme funding only, minimise any adverse impact on the sustainable growth of an employer; and maximise compliance with the automatic enrolment duties.