University of Edinburgh Staff Benefits Scheme

Annual Report and Financial Statements
31 March 2022
Scheme Registration Number: 10102234

Contents

SECTION 1 – TRUSTEES AND THEIR ADVISERS

THE TRUSTEES

The Trustees of the University of Edinburgh Staff Benefits Scheme are set out below:

University appointed

Mr Richard Davidson (retired 31 July 2022)
Ms Doreen Davidson
Dr Bruce Nelson (retired 31 May 2021)
Mrs Ashley Shannon (appointed 1 July 2021) (retired as individual Trustee 1 August 2022)
Scottish Pension Trustees Limited (represented by Julia Miller)
EUSBS Trustees Limited (appointed 29 July 2022) (represented by Mrs Ashley Shannon)

Member nominated

Mr Khushaal Joshi
Ms Lauren Reid (retired 31 July 2022)

Secretary to the Trustees

Mrs Ann Fraser
Pensions Manager
Charles Stewart House, 9-16 Chambers Street
Edinburgh
EH1 1HT

ADVISERS

The advisers to the Trustees are set out below:

Actuary	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	Morgan Stanley Investment Management Ltd Adams Street Partners LLC (appointed 23 December 2021) Threadneedle Investments Ltd Baillie Gifford & Co Legal & General Investment Management Barings LLC Legal & General Investment Management Build to Rent Fund LP (appointed 5 August 2022)
AVC Providers	Standard Life
Custodians	BNY Mellon BNP Paribas Securities Services and Administration Ltd State Street Bank and Trust Company HSBC Citi Northern Trust

TRUSTEES AND THEIR ADVISERS (CONTINUED)

ADVISERS (CONTINUED)

Bankers	Barclays
Principal Employer	The University Court of the University of Edinburgh

SECTION 2 – TRUSTEES' REPORT

The Trustees of the University of Edinburgh Staff Benefits Scheme are pleased to present their report together with the audited financial statements and actuarial statements of the Scheme for the year ended 31 March 2022. 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 Ann Fraser, Pensions Manager, 9 - 16 Chambers Street, Edinburgh, EH1 1HT.

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 governed by a Definitive Trust Deed and Rules dated 17 May 1968 with subsequent amendments. The most up to date version of the Trust Deed and Rules is dated January 2017 and supersedes the previous version. Two deeds of Amendment dated June 2021 came into effect during the period which amended the rules under which Trustees were appointed.

TRUSTEES

The Trustees of the Scheme are appointed under the terms of the Trust Deed and Rules. 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. Trustees as at 31 March 2022 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 Trustee is 6 years. There is currently a vacancy for one Member Nominated Trustee.

Following on the deed of amendment dated August 2020, the terms under which Trustees are appointed was changed to the following:

Principal Employer's powers to appoint Trustee under Scheme Rules

The rules on the Trustee length of office were changed with effect from 4 June 2021 to the following:

"A trustee appointed (or re-appointed) under Clause 8.2.1 shall be appointed for a period of 4 years (or for such other 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 and Ms Reid were appointed under this term.

TRUSTEES' REPORT (CONTINUED)

TRUSTEES (CONTINUED)

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

Principal Employer's powers to appoint Trustee 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.

Dr Nelson was appointed under point (i) from 1st June 2019 (and retired in May 2021). Mrs Shannon is appointed under point (i). Ms Davidson, Mr Davidson and Scottish Pension Trustees Limited (represented by Julia Miller) and EUSBS Trustees Limited are appointed under point (ii).

The Trustees 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 and ad-hoc meetings to discuss the 31 March 2021 valuation as and when required. All decisions are taken by simple majority with the Chair having the casting vote.

The Trustees have established the following committees:

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

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

TRUSTEES' 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 increased from £508,387,892 at 31 March 2021 to £537,046,290 at 31 March 2022. The increase in net assets is accounted for by:

	31 March 2022 £	31 March 2021 £
Member related income	12,570,872	12,720,592
Member related payments	(17,998,588)	(18,008,139)
Net withdrawals from dealings with members	**(5,427,716)**	**(5,287,547)**
Net returns on investments	34,086,114	101,009,975
Net increase in the year	**28,658,398**	**95,722,428**
Net assets at start of year	508,387,892	412,665,464
Net assets at end of year	**537,046,290**	**508,387,892**

PENSION INCREASES

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

- Pension in excess of 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 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 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 2021 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: 0.5%.
  - Pension built up after 5 April 1997 and before 1 January 2011: 0.5%.
  - Pension built up after 1 January 2011 and before 1 January 2017: 1.1%.
  - Pension built up after 1 January 2017: 0.5%.
  - 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: 0.5% (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.

TRUSTEES' 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 24 to 40 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:

- £1,078,013.49 paid in April 2021;
- £1,111,431.91 paid in April 2022;
- £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 Trustees have 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.

TRUSTEES' 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 Trustees 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.

TRUSTEES' 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% pa	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% pa	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% pa	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% pa	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% pa 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.

TRUSTEES' REPORT (CONTINUED)

SCHEME MEMBERSHIP

The reconciliation of the Scheme membership during the year ended 31 March 2022 is shown below:

Active Members	
As at 31 March 2021	**1,702**
Prior year adjustments	(8)
As at 1 April 2021	**1,694**
New joiners	129
Retirements	(56)
Leavers – deferred	(92)
Leavers - refund	(17)
Leavers with benefits pending	(9)
Death in service	(1)
Transfers out	(11)
Active Members as at 31 March 2022	**1,637**

Pensioner Members (including spouses and dependants)	
As at 31 March 2021	**2,217**
Prior year adjustments	19
As at 1 April 2021	**2,236**
Retirements	112
Deaths	(66)
Spouses and dependants	21
Child pension ceasing	(1)
Pensioner Members as at 31 March 2022	**2,302**

Deferred Pensioner Members	
As at 31 March 2021	**2,184**
Prior year adjustments	1
As at 1 April 2021	**2,185**
Leavers from active membership	92
Transfers out from deferred membership	(3)
Retirements	(56)
Deaths	(1)
Other	(2)
Deferred Pensioner Members as at 31 March 2022	**2,215**

The prior year adjustments relate to late notification of membership movements to the Scheme Administrators.

TRUSTEES' 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 2022.

Global GDP has risen rapidly as major economies moved towards a more permanent easing of pandemic restrictions; however, momentum has started to ease in recent months. Physical disruptions and sanctions caused by the Russia-Ukraine conflict have triggered broad commodity price rises which, alongside existing inflationary pressures, are increasing input costs and weighing on consumer's real incomes. As a result, CPI forecasts have reached new highs while consensus forecasts for global growth have been revised downwards, but still point to a relatively robust pace of growth over 2022 and 2023 by post-GFC standards.

Soaring energy costs pushed headline inflation higher, but core inflation, which excludes volatile energy and food costs, also rose and is running at a 30-year high. UK and US headline CPI inflation increased to 7.0% and 8.5% year-on-year, respectively in March.

The inflation backdrop has seen central banks turn more hawkish this year, despite the potential downside risks to growth from higher commodity prices. After a first hike in December, the Bank of England raised rates twice in Q1, to 0.75% p.a., and, as expected, the US Federal Reserve raised rates by 0.25% p.a. in March, with the median voting member now expecting seven rate rises in 2022 and four in 2023. The European Central Bank confirmed its asset purchases will end this year, leaving the door open to an interest rate rise, while the Fed noted plans to reduce the size of its balance sheet.

Government bond yields rose in line with the recovery in growth and inflation expectations, with UK 10-year government bonds rising 0.8% p.a., to 1.6% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose from 3.7% p.a. to 4.4% p.a. Global investment-grade credit spreads rose 0.3% p.a. and European high yield bond spreads rose 0.9% p.a., while their US counterparts were little changed: the larger rise in European credit spreads perhaps reflecting expectations of a larger negative impact from the Russia-Ukraine conflict. Rises in underlying yields had a larger negative impact on total returns in longer-duration investment-grade credit markets. Despite a weakening outlook towards the end of the period, the ongoing economic and earnings recovery supported a 9.1% return from global equities. Amid surging oil and gas prices, the energy sector notably outperformed whilst commodity price rises also benefitted basic materials. Rising yields benefitted the financial sector whilst rising input costs and a squeeze on real incomes weighed on the industrial and consumer discretionary sectors, respectively. Healthcare, utilities, and technology also outperformed.

The US led the performance rankings and the UK also outperformed, benefitting from above-average exposure to energy, metals, and miners. Emerging Market equities have been the worst performing region, pulled lower by weak performance from China, where announcements of tighter regulation have been compounded by a slowdown in Chinese property and manufacturing sectors, and high energy prices.

An 18.0% rise in the MSCI UK IPD capital value index over the 12 months to the end of March is largely attributable to a 36.8% rise in industrial capital values. Return on the all-property index, including income, was 23.9% in the 12 months to end-March.

TRUSTEES' REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

PORTFOLIO REVIEW

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

PORTFOLIO VALUATION

	31 March 2022		31 March 2021	
	Market value £	Percentage of total (%)	Market value £	Percentage of total (%)
Global equities				
Baillie Gifford	76,524,195	14.4	87,871,735	17.5
Legal and General	92,768,272	17.5	90,550,473	18.1
Total Equities	**169,292,467**	31.9	**178,422,208**	**35.6**
Liability driven investments				
Legal and General	100,958,598	19.0	95,426,155	19.0
Multi-Asset Credit				
Barings	48,783,016	9.2	51,457,416	10.3
Property				
Threadneedle	40,834,060	7.7	34,959,449	7.0
Private Equity				
Morgan Stanley	39,164,702	8.6	44,040,188	8.8
ASP Global Fund	1,445,830	0.3	-	-
Total Private Equity	**40,610,532**	8.9	**44,040,188**	8.8
Private Debt				
Barings	26,784,935	5.0	23,049,276	4.6
Diversified Growth				
Baillie Gifford	75,423,458	14.2	74,225,586	14.8
Sterling Liquidity				
Legal and General	21,740,638	4.1	70	-
Total	**524,427,704**	**100.0**	**501,580,348**	**100.00**

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

The Investment Strategy is agreed by the Trustees 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.

TRUSTEES' REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

STEWARDSHIP AND ENGAGEMENT

The Trustees believe 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 Trustees' policies on stewardship and manager engagement.

Financially material considerations

The Trustees recognise that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process. The Trustees further recognise 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 Trustees will consider such factors in the development and implementation of their 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, they will engage with their 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 Trustees take account of 'financially material considerations' over the appropriate time horizon, including, but not limited to, ESG factors, including climate change
2. the Trustees' 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 Trustees have not considered any non-financially material factors in the development and implementation of their investment strategy. The Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship and voting

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

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

TRUSTEES' REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

Stewardship and voting (continued)

The Trustees do not engage directly but believe it is sometimes appropriate for their investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustees of any issue on which it may be beneficial for the Trustees to undertake further engagement. The Trustees will review engagement activity undertaken by their investment managers as part of their 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 Trustees 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 Trustees separately consider any conflicts of interest arising in the management of the Scheme and their investments and have ensured that each manager has an appropriate conflicts of interest policy in place.

Manager Engagement and Portfolio Turnover

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

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

The Trustees review the performance of each of their 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 Trustees draw input from their investment adviser to support any such review of and engagement with their investment managers. Where necessary, the Trustees will highlight any areas of concern identified during such reviews to the manager as part of their 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 Trustees 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 Trustees periodically review the fees paid to all of their managers against industry standards.

TRUSTEES' REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

Manager Engagement and Portfolio Turnover (continued)

The Trustees recognise the long-term nature of their liability profile and appoints their managers to invest in such a way that generates long term sustainable returns. The Trustees 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 objectives.

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

The Trustees have expectations of the level of turnover within each mandate which are determined at the inception of the mandate, based on the Trustees' knowledge of the manager, investment process and the nature of the underlying portfolio. Whilst the Trustees expect financial performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees also expect 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 Trustees 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 2022 are shown in the table below.

TRUSTEES' REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

SCHEME PERFORMANCE

		One Year		Three Years	
Investment return to 31 March 2022 Net of fees		**Fund %**	**Benchmark %**	**Fund % p.a.**	**Benchmark % p.a.**
Global Equities					
Baillie Gifford	Active	-7.0	12.9	12.4	13.9
Legal and General	Passive	11.3	11.3	11.0	11.2
Liability Driven Investments					
Legal and General	Passive	6.1	6.1	4.1	4.1
Multi-Asset Credit					
Barings	Active	-0.5	5.1	2.3	5.4
Property					
Threadneedle	Active	21.7	23.1	7.6	8.1
Diversified Growth					
Baillie Gifford	Active	3.7	3.7	3.5	3.8
Sterling Liquidity					
Legal and General	Active	0.0	0.1	0.2	0.2
Total Scheme (incl. Private Markets)		5.4	9.8	7.3	8.2
Private Equity					
Morgan Stanley *		21.7	13.0	20.2	13.0
ASP Global Fund *		-	-	-	-
Private Debt					
Barings *		6.4	6.0	-	-
Total Scheme (incl. Private Markets)		6.7	9.8	8.5	8.5

Note: The Private Debt Mandate with Barings does not yet have a long enough track record to report 3-year performance. Inception date is 31 December 2019.

Note: The Private Equity Mandate with ASP does not yet have a long enough track record to report 1 year and 3-year performance. Inception date is 23 December 2021.

* 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.

INVESTMENT MANAGERS

There were some portfolio changes over the 12 months to 31 March 2022.

The Scheme increased its liability hedging to 60% on a Technical Provision basis during the year. This increase was largely funded from global equity sales.

In order to maintain the Scheme's strategic allocation of 7.0% to private equity, the Trustees agreed to make a $35m commitment to Adams Street Partners. This commitment consisted of a 20% allocation to the Adams Street Partners Co-Investment Fund and an 80% allocation to the Adams Street Partners 2021 Global Fund Programme.

TRUSTEES' REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

INVESTMENT MANAGERS (CONTINUED)

This commitment is expected to be drawn down over the next few years and be funded from repayments from the existing Morgan Stanley private equity holding, which is now largely distributing.

The Trustees also agreed to transition the Scheme to a strategic benchmark allocation. The allocation to Diversified Growth was reduced from 15% to 14%, the allocation to Property was increased from 8% to 10%, the allocation to Multi Asset Credit was reduced from 12% to 10% and the allocation to Liability Driven Investments was increased from 21% to 22%.

The following transitions took place during the year:

Q2 2021

- £8.65m invested in the Scheme's LGIM LDI funds facilitate an increase in liability hedge ratios to 60% on a TP basis.
- £5m was invested into the LGIM SLF to increase the Scheme's cash buffer.
- To fund the above transactions, £5m was disinvested from the Baillie Gifford Global Alpha mandate and £7.5m was disinvested from LGIM RAFI, the remaining balance came from the Trustee bank account.

The Trustees continue to review investment performance on a regular basis, focusing on results over a three to five-year time horizon.

MANAGER PERFORMANCE

The value of the Scheme's assets rose over the 12 months to 31 March 2022, returning 5.4% (excluding Private Markets) and 6.7% (including Private Markets) (net of fees) over the period. This was largely driven by the Scheme's allocation to property, as property markets continued to hold their momentum over the period and saw rising capital growth and values.

The Scheme's liability hedging assets returned 6.1% on an absolute basis over the 12 months as real yields fell for three out of the four quarters.

Over the longer 3-year period to 31 March 2022, the Scheme returned 7.3% p.a.(excluding Private Markets) and 8.5% (including Private Markets) (net of fees) driven mainly by strong performance from Baillie Gifford Global Alpha, LGIM RAFI and the Threadneedle property mandate portfolio.

INVESTMENT PRINCIPLES

The Trustees have produced a Statement of Investment Principles, which incorporates the investment strategy, in accordance with Section 35 of the Pensions Act. The Trustees reviewed their 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 copy can be obtained on request from the Secretary to the Trustees at the address shown on page 1.

TRUSTEES' 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 2022.

Manager	Fee Rate (p.a.)	Comment
Legal and General	RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund: 0.21% p.a. LDI Portfolio: 0.15% p.a. Sterling Liquidity Fund: 0.125% p.a. on first £5m, 0.1% p.a. on next £5m, 0.075% p.a. on next £20m and 0.05% p.a. on balance above £30m.	Discounted fee. Discounted fee*. Standard fee.
Baillie Gifford	Global Alpha: 0.65% p.a. Diversified Growth Fund: 0.5% p.a.	Standard fee. Basic fee of 0.5% p.a. applies assuming the allocation to Global Alpha continues to be significant.
Barings	High Yield Credit: 0.5% p.a. Private Debt: 0.85% p.a., additional performance fee of 10% of profits subject to a minimum 6% IRR to investors.	Basic fee of 0.5% p.a. applies to the NAV of the Scheme shares.
Morgan Stanley	PMF III and IV 1.00% p.a. on capital committed until the fifth anniversary of the first capital call. Thereafter, the fee will be a constant percentage of the Scheme's proportionate share of capital committed to underlying investments, less the amount of capital returned. PMF V 1.00% p.a. on capital committed until the fifth anniversary of the first capital call. Thereafter, the fee will fall to a percentage equal to 75% of the percentage used to calculate the fee for the preceding year. PMF VI 1.00% p.a. on capital committed until the fifth anniversary of the first capital call. Thereafter, the fee will fall to a percentage equal to 85% of the percentage used to calculate the fee for the preceding year. PMF VII 0.90% p.a. on capital committed until the fifth anniversary of the first capital call. Thereafter, the fee will fall to a percentage equal to 85% of the percentage used to calculate the fee for the preceding year.	In addition, the Morgan Stanley mandate has a performance fee of 5% of net profits annually.
Threadneedle	0.68% p.a.	

* Hymans Robertson Advisory Client discounted fee. The new fee for the LGIM LDI Portfolio is 0.15% p.a. on the amount invested in these funds in aggregate and took effect from 1 October 2021. The old fee was 0.17% p.a. on the first £50m invested in these funds in aggregate and 0.16% p.a. on amounts over £50m invested in these funds in aggregate.

TRUSTEES' REPORT (CONTINUED)

INVESTMENT REPORT (CONTINUED)

INVESTMENT CHARGES (CONTINUED)

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 Trustees. These fees are included within change in market value.

L&G 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.

TRUSTEES' REPORT (CONTINUED)

STATEMENT OF TRUSTEES' 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 Trustees.

Pension scheme regulations require, and the Trustees are 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 Trustees are 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 Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

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

The Trustees are 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 Trustees are 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 Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Trustee

Trustee

7th September 2022 Date

TRUSTEES' REPORT (CONTINUED)

FURTHER INFORMATION

INTERNAL DISPUTE RESOLUTION (IDR) PROCEDURES

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have Internal Dispute Resolution (IDR) procedures in place for dealing with any disputes between the Trustees and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustees, details of which can be obtained by writing to the Secretary to the Trustees 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 Trustees at the address on page 1 of this report.

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 trustees of the Scheme. MaPS has launched Moneyhelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get 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

TRUSTEES' REPORT (CONTINUED)

FURTHER INFORMATION (CONTINUED)

THE PENSIONS REGULATOR

The Pensions Regulator (TPR) 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 of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
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 the services are as follows:

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

APPROVAL OF THE REPORT BY THE TRUSTEES

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

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

.... Trustee

Doreen Jordan .... Trustee

7th September 2022 .... Date

SECTION 3 – INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES 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 2022 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 2022, 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 trustees' 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 trustees 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 Trustees are 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 Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 19, the Trustees are 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 trustees determine 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 Trustees are 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 trustees either intend 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

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 Trustees 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 Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustees 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

Date

SECTION 4 – FINANCIAL STATEMENTS

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2022

	Note	2022 £	2021 £
CONTRIBUTIONS AND BENEFITS			
Contributions - Employer	4	**12,036,273**	12,398,087
- Member	4	**327,025**	321,561
Other income	5	**207,574**	944
		12,570,872	12,720,592
Benefits paid or payable	6	**(16,273,764)**	(15,706,050)
Payments to and on account of leavers	7	**(342,908)**	(984,078)
Other payments	8	**(170,964)**	(170,710)
Administrative expenses	9	**(1,210,952)**	(1,147,301)
		(17,998,588)	(18,008,139)
Net withdrawals from dealings with members		**(5,427,716)**	(5,287,547)
RETURNS ON INVESTMENTS			
Investment income	11	**23,637,632**	9,879,000
Change in market value of investments	13	**11,518,647**	92,330,418
Investment management expenses	12	**(1,070,165)**	(1,199,443)
Net returns on investments		**34,086,114**	101,009,975
Net increase in the Scheme during the year		**28,658,398**	95,722,428
Balance of the Scheme at the start of the year		**508,387,892**	412,665,464
Balance of the Scheme at the end of the year		**537,046,290**	508,387,892

The notes on pages 27 to 41 form part of these financial statements.

FINANCIAL STATEMENTS (CONTINUED)
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 MARCH 2022

	Note	2022 £	2021 £
Investment assets	*13*		
Pooled investment vehicles		**524,427,704**	501,580,348
AVC		**275,197**	243,338
Accrued income		**1,163,028**	1,660,604
		525,865,929	503,484,290
Current assets	*14*	**11,823,993**	5,505,452
Current liabilities	*15*	**(643,632)**	(601,850)
Net Assets of the Scheme as at 31 March		**537,046,290**	508,387,892

These financial statements summarise the transactions of the Scheme and deal with the net assets at the disposition of the Trustees. 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 Trustees' Report. These financial statements should be read in conjunction with that report.

The financial statements on pages 25 to 41 were approved by the Trustees on

J C [signature] Trustee

Doreen Dundas Trustee

7th September 2022 Date

The notes on pages 27 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 2022

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 Trustees believe to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustees have 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 Trustees 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:
Mrs Ann Fraser, Pensions Manager, Charles Stewart House, 9-16 Chambers Street, Edinburgh, EH1 1HT.
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 Trustees 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.

Augmentation contributions are accounted for in accordance with the agreement under which they are payable.

3.2 Transfer Values

Individual transfers to and 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 Trustees 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 Trustees' Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

3.5 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.

3.6 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 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 (NAV), 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.

3.7 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.

3.8 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 2022 (CONTINUED)

4 CONTRIBUTIONS

	2022	2021
	£	£
Employers:		
Normal	**7,647,788**	7,904,852
Deficit funding	**1,078,013**	1,072,650
Salary sacrifice*	**3,300,786**	3,408,562
Additional**	**9,686**	12,023
	12,036,273	12,398,087
Members:		
Normal	**203,495**	209,785
Additional voluntary contributions	**123,530**	111,776
	327,025	321,561
	12,363,298	12,719,648

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

- £1,078,013.49 paid in April 2021; and
- £1,111,431.91 paid in April 2022.

Following the 31 March 2021 triennial valuation, an updated Schedule of Contributions was agreed between the Trustees 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.

**Employer additional contributions relate to specific amounts paid by the employer to augment members' benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

5 OTHER INCOME

	2022	2021
	£	£
Bank interest	**11,679**	812
Other	**142**	132
Claims on term insurance policies	**195,753**	-
	207,574	944

6 BENEFITS PAID OR PAYABLE

	2022	2021
	£	£
Pensions	**12,749,236**	11,988,875
Commutations and lump sum retirement benefits	**3,292,854**	3,579,551
Lump sum death benefits	**231,674**	137,624
	16,273,764	15,706,050

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022	2021
	£	£
Refunds to members leaving service	**2,998**	3,291
Individual transfers to other schemes	**339,910**	980,787
	342,908	984,078

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

8 OTHER PAYMENTS

	2022	2021
	£	£
Premiums on term insurance policies	**170,964**	170,710

9 ADMINISTRATIVE EXPENSES

	2022	2021
	£	£
Administration and actuarial fees	**564,130**	505,227
Audit fee	**25,660**	21,960
Legal fees	**50,679**	117,800
Other advisor fees	**28,200**	-
Investment consultancy fees	**171,061**	130,320
Pensions regulator levy	**332,342**	346,394
Trustee expenses	**38,880**	25,600
	1,210,952	1,147,301

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

	2022	2021
	£	£
Income from pooled investment vehicles	**23,637,632**	9,879,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

12 INVESTMENT MANAGEMENT EXPENSES

	2022	2021
	£	£
Administration and management	**1,081,625**	1,211,024
Investment rebates	**(11,460)**	(11,581)
	1,070,165	1,199,443

13 INVESTMENTS

13.1 INVESTMENT ASSETS

	Value at 31 March 2021	*Purchase cost*	*Sales proceeds*	*Change in market value*	*Value at 31 March 2022*
	£	£	£	£	£
Pooled investment vehicles	**501,580,348**	48,992,980	(37,656,460)	11,510,836	**524,427,704**
AVC investments	**243,338**	45,741	(21,693)	7,811	**275,197**
	501,823,686	49,038,721	(37,678,153)	11,518,647	**524,702,901**
Accrued income	**1,660,604**				**1,163,028**
	503,484,290				**525,865,929**

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.

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 2022 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.2 POOLED INVESTMENT VEHICLES (PIV)

The holdings of PIVs are analysed below:

	2022	2021
	£	£
Equities	**169,292,467**	178,422,208
Diversified Growth	**75,423,458**	74,225,586
Multi-Asset Credit	**48,783,016**	51,457,416
Property	**40,834,060**	34,959,449
Private Equity	**40,610,532**	44,040,188
Private Debt	**26,784,935**	23,049,276
Liability Driven Investments	**100,958,598**	95,426,155
Sterling Liquidity	**21,740,638**	70
	524,427,704	501,580,348

13.3 ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) INVESTMENTS

During the year the Trustees held assets within the main pooled investment vehicles and invested separately from the main fund in the form of individual insurance policies with Utmost Life and 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.

	2022	2021
	£	£
Standard Life	**275,197**	243,338

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.4 CONCENTRATION OF INVESTMENTS

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

	2022 £	2022 % of net assets	2021 £	2021 % of net assets
Legal and General RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund	92,768,272	17%	90,550,473	18%
Baillie Gifford Global Alpha Growth Fund C Inc	76,524,195	14%	87,871,735	17%
Baillie Gifford Diversified Growth Fund C Inc	75,423,458	14%	74,225,586	15%
Barings Global High Yield Credit Strategies	48,783,016	9%	51,457,416	10%
Threadneedle Property Unit Trust Fund	40,834,060	8%	34,959,449	7%
Morgan Stanley Private Markets Funds	39,164,702	7%	44,040,188	9%

Note: LGIM LDI has 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 LGIM LDI portfolio account 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 2022	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Pooled investment vehicles	**-**	**416,198,177**	**108,229,527**	**524,427,704**
AVC investments	**-**	**275,197**	**-**	**275,197**
Accrued income	**1,163,028**	**-**	**-**	**1,163,028**
	1,163,028	**416,473,374**	**108,229,527**	**525,865,929**

As at 31 March 2021	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	399,531,436	102,048,912	501,580,348
AVC investments	-	243,338	-	243,338
Accrued income	1,660,604	-	-	1,660,604
	1,660,604	399,774,774	102,048,912	503,484,290

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.6 POOLED INVESTMENT VEHICLES

The Scheme also invests in pooled investment vehicles which are not quoted in an active market and which may be subject to notice periods, restrictions on redemptions or lock up periods. The Scheme classifies such funds as Level 3.

Private equity and debt funds are fair valued, typically using the practical expedient methodology (NAV provided by the General Partner 'GP'). For the investments not fair valued using the practical expedient method the investment is fair valued by the fair valuation committee. Such investments are typically fair valued using such valuation techniques as a discounted cash flow model or EBITDA. The Scheme classifies the private equity, private debt, and property funds, as Level 3.

13.7 INVESTMENT RISKS

The Trustees aim 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 Trustees do 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 objectives for the Scheme are 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	31.0
Diversified Growth	14.0
Multi Asset Credit	10.0
Property	10.0
Private Equity	7.0
Private Debt	6.0
Total Growth assets	**78.0**
Liability Driven Investments	22.0
Total Matching Assets	**22.0**
Total Assets	**100.0**

The Trustees have 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 Trustees' meetings as and when necessary.

In order to achieve this 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;
- 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.7 INVESTMENT RISKS (CONTINUED)

The key risks associated with the current investment strategy (excluding AVC investments and accrued income) are, in order of significance:

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 c.60% hedged (on a Technical Provisions basis) against interest rates and inflation 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 37). To a lesser extent, the value of the bonds held within the pooled diversified growth fund (see table on page 37) may provide an element of interest rate protection. 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 37). 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 an investment in derivatives:

	2022	2021
	£	£
Baillie Gifford Diversified Growth	**75,423,458**	74,225,586
Barings Global High Yield Strategies	**48,783,016**	51,457,417

Note: The table above excludes the derivatives in the Legal and General LDI portfolio (2022: £102,006,024; 2021: £95,426,157) which are held for hedging purposes within pooled investment vehicles.

The Trustees manage 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 2022 (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 is subject to direct currency risk through the Morgan Stanley and Adams Street Partners private equity funds which are denominated in US Dollars (see table on page 37). As such, the Sterling valuation of this investment is directly influenced by changes in the GBP/USD foreign exchange rate. The Barings Global High Yield Credit Strategies Fund (2022: £48,783,016; 2021: £51,457,417) is also denominated in US Dollars. However, the Scheme is invested in the GBP share class therefore the manager hedges 100% of the currency risk on the Scheme's behalf. The Barings private debt fund (2022: £26,784,935; 2021: £23,049,276) is denominated in USD, however, the Scheme is invested in the GBP tranche as the fund aims to fully hedge the currency risk. The fund also aims to fully hedge the currency risk in the underlying loans to the US Dollar thereby removing this indirect currency risk.

The Scheme is also subject to indirect currency risk due to a proportion of the underlying financial instruments held within the pooled investment vehicles being denominated in overseas currencies. In particular, the pooled global equity fund with Baillie Gifford, private equity, multi-asset credit and diversified growth mandates are subject to currency risk (see table on page 37).

The Scheme invests in the currency hedged share class of the Legal & General RAFI (Research Affiliates Fund Index) Fundamental Global Reduced Carbon Pathway Equity Index Fund to decrease the Scheme's exposure to currency risk.

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 37). The Trustees manage credit risk by maintaining a diverse portfolio of investments across various markets and with various investment managers.

The Scheme's holdings in pooled investment vehicles are unrated. 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 Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor 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 37) with institutions which are at least investment grade credit rated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.7 INVESTMENT RISKS (CONTINUED)

Credit Risk (Continued)

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

	2022	2021
	£	£
Unit Linked Insurance Contracts	**215,467,508**	185,976,698
Unit Trusts	**40,834,060**	34,959,449
Open-ended Investment Company ('OEIC')	**200,730,669**	213,554,738
Shares of Limited Liability Partnerships	**67,395,467**	67,089,463
	524,427,704	501,580,348

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

Pooled Investment Vehicle	Market Value 31 Mar 2022 £	Market Value 31 Mar 2021 £	Interest rate risk	Other price risk	Currency risk	Credit risk
Equities	169,292,467	178,422,208	No	Yes	Yes*	No
Diversified Growth	75,423,458	74,225,586	Yes	Yes	Yes	Yes
Multi-asset Credit	48,783,016	51,457,416	Yes	Yes	No	Yes
Property	40,834,060	34,959,449	No	Yes	No	Yes
Private Equity	40,610,532	44,040,188	No	Yes	Yes	No
Private Debt	26,784,935	23,049,276	Yes	Yes	No	Yes
Liability Driven Investment	100,958,598	95,426,155	Yes	Yes	No	Yes
Cash	21,740,638	70	Yes	No	No	Yes
Total	**524,427,704**	**501,580,348**	-	-	-	-

*As at 31 March 2022 £92,768,272 (2021: £90,550,473) of the global equity holdings were currency hedged.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

13 INVESTMENTS (CONTINUED)

13.7 INVESTMENT RISKS (CONTINUED)

Credit Risk (Continued)

In addition the Trustees have 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 Trustees manage 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 Trustees regularly monitor the cash balance.
- **Risk of lack of diversification** – the Trustees ensure 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 Trustees monitor this via investments reports produced by the managers.
- **Covenant risk** – the Trustees manage 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 Trustees manage 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.

14 CURRENT ASSETS

	2022	2021
	£	£
Cash balances	**10,803,428**	4,331,147
Employers contributions receivable	**915,213**	920,387
Members contributions receivable	**28,088**	26,190
Benefits paid in advance	**67,642**	227,426
Sundry income due	**9,622**	302
	11,823,993	5,505,452

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

15 CURRENT LIABILITIES

	2022	2021
	£	£
Tax due to HMRC	**117,970**	108,988
Accrued expenses	**458,377**	399,571
Accrued benefits payable	**67,285**	93,291
	643,632	601,850

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

16 CAPITAL COMMITMENT

The Trustees 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 to invest in PMF (Private Market Funds) III, PMF IV, PMF V, PMF VI and PMF VII funds.

As at 31 March 2022 the amount of the undrawn commitment in relation to these funds was approximately £10.4 million ($13.7m), (2021: £10.2 million ($14.1m)). A timetable for the settlement of these commitments has not yet been agreed with the fund manager.

The Scheme has also committed £30.0m to Barings Global Private Loan Fund 3. As of 31 March 2022 the amount of undrawn commitment in relation to this fund was c.£3.9m (2021: £7.5m).

Following the Trustees' agreement to commit a total of $35.0m to the Adams Street Partners Private Equity mandate (made up of a $28.0m commitment to the ASP 2021 Global Investment Fund and a $7.0m commitment to the ASP Co-Investment Fund V). As of 31 March 2022, the amount of undrawn commitment in relation to the ASP 2021 Global Investment Fund was c.£20.2m ($26.6m). The Trustees are still considering the commitment to ASP Co-Investment Fund V.

The Scheme has also committed to the LGIM Build to Rent Fund, to date the amount of undrawn commitment to this fund was £15m.

17 RELATED PARTY TRANSACTIONS

The University of Edinburgh provides certain administration services to the Scheme. The fee payable for these services was £56,546 for the year ended 31 March 2022 (2021: £57,378).

Trustee fees for services provided by Scottish Pension Trustees totalling £38,880 (2021: 25,600) was paid by the Scheme.

There are two Trustees (2021: 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.

18 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 (2021: nil).

19 GMP COURT CASE

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 Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (CONTINUED)

19 GMP COURT CASE (CONTINUED)

For the actuarial valuation as at 31 March 2021, the Trustees have included a loading of 0.17% to the Scheme's technical provisions to account for GMP equalisation.

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

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 TRUSTEES 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 2022.

In our opinion contributions for the Scheme year ended 31 March 2022 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 24 June 2019.

SCOPE OF WORK ON STATEMENT ABOUT CONTRIBUTIONS

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions 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 TRUSTEES AND THE AUDITOR

As explained more fully on page 19 in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the scheme's Trustees 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 Trustees 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 Trustees as a body, for our audit work, for this statement, 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
Date

TRUSTEES' SUMMARY OF CONTRIBUTIONS PAYABLE UNDER THE SCHEDULE IN RESPECT OF THE SCHEME YEAR ENDED 31 MARCH 2022

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 24 June 2019 in respect of the Scheme year ended 31 March 2022. 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	7,647,788	203,495
Salary sacrifice	3,300,786	-
Deficit funding	1,078,013	-
Additional	9,686	-
Total required by the Schedule of Contributions	**12,036,273**	**203,495**
Other contributions payable		
Additional Voluntary Contributions	-	123,530
Total (as per Note 4)	**12,036,273**	**327,025**

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

JCF Dw Trustee

Doreen Dundas Trustee

7th September 2022 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

Signature	DocuSigned by: Julia Miller A56548864BC0410...	on behalf of the trustees	
Print name	Julia Miller	Position	Chair of Trustees
Date	22-Jun-2022 | 14:34 BST		

Agreed by the University

Signature	DocuSigned by: P W Mathieson 7B9C5B907EB411...	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
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 2022.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy during the period from 1 April 2021 to 31 March 2022.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees' approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed on an annual basis in line with the Scheme's Statement of Investment Principles (SIP) review which was last completed in December 2021. Following this review, the following wording was added:

- ***1.7 Consideration of financially material factors in investment arrangements***
  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 Trustees take account of 'financially material considerations' over the appropriate time horizon, including, but not limited to, ESG factors, including climate change

  2. the Trustees' 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.

You can review the Scheme Stewardship Policy, which can be found within the Scheme's Statement of Investment Principles, at: https://www.uoesbspensions.co.uk/media/3821/statement-of-investment-principles-december-2021.pdf. A copy of both the Scheme's Statement of Investment Principles and this statement can also be found at: https://www.uoesbspensions.co.uk/uoe/documents-and-links/forms-and-publications/.

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustees believe it is important that their 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 Trustees' own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with their managers (at least annually) and the Trustees consider managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

Stewardship policy (continued)

The Trustees also monitor compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The Trustees seek to ensure that their managers are excising voting rights and, where appropriate, monitor managers' voting patterns. The Trustees also monitor investment managers' voting on particular companies or issues that affect more than one company.

The Trustees have investment in equity assets through three different mandates. The Trustees' investment managers have reported on how votes were cast in each of these mandates as set out in the tables below.

Strategy/Fund name	Baillie Gifford Global Alpha Growth Fund	Baillie Gifford Diversified Growth Fund	LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund
Proportion of Scheme assets (as at 31 March 2022)	14.3%	14.1%	17.4%
No. of meetings eligible to vote at during the year	105	133	3,695
No. of resolutions eligible to vote on during the year	1,307	1,537	43,863
% of resolutions voted	96.6%	88.1%	99.7%
% of resolutions voted with management	97.3%	96.0%	80.6%
% of resolutions voted against management	2.1%	3.4%	18.6%
% of resolutions abstained	0.6%	0.6%	0.8%
% of meetings with at least one vote against management	16.2%	18.1%	72.1%

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

The Trustees are satisfied that voting rights in relation to a high proportion of eligible resolutions have been exercised on behalf of the Scheme. That said, the proportion of votes that Baillie Gifford voted on within the Diversified Growth Fund was below 90%. The Trustees requested Baillie Gifford justify this, who explained that the reason the proportion of resolutions voted was lower was largely due to the following factors:

- They were adhering to their conflicts of interest policy, namely not voting at a shareholder meeting of Baillie Gifford managed vehicles. This occurs where the funds hold another Baillie Gifford pooled fund as part of the strategy;
- Avoiding "blocking", whereby they would have been prevented from trading between casting a vote to the date of the corresponding meeting; and
- The underlying companies had restricted voting rights for non-EU holders, so they were unable to vote.

Voting activity (continued)

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 mandate with high conviction 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 that the managers prioritised voting on the most over the Scheme year were mainly in relation to:

- General governance regarding remuneration policies and reports;
- ESG factor focussed shareholder resolutions; and,
- Election of Boards of Directors and Senior Management

Significant votes

The Trustees have asked their managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustees. Managers were asked to explain the reasons why votes identified were 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 managers' reports, the Trustees have identified the following votes as being of greater relevance to the Scheme:

Deutsche Börse AG, 19 May 2021

Baillie Gifford Global Alpha Growth Fund opposed a resolution on the election of a director.

Subsequent to Mr Gottschling being put forward for re-election of Deutsche Börse's Chair of the Risk Committee, Baillie Gifford voted against his re-election. Baillie Gifford explained that Mr Gottschling had previously had to stand down from a similar position, at another company, due to ongoing investigations regarding their risk practices.

Whilst currently no evidence of wrongdoing has been found against Mr Gottschling, ongoing investigations at another company led Baillie Gifford to feel unable to support Mr Gottschling's re-election to the same position at Deutsche Börse at the time.

This resolution is significant due to it being opposed to the election of a director.

Booking Holdings Inc., 3 June 2021

Baillie Gifford Diversified Growth Fund supported a shareholder resolution requesting a climate transition report – believing that better disclosure on the transition was in the shareholders' best interests.

Baillie Gifford engaged with Booking Holdings in advance of the Annual General Meeting ("AGM") and advised that they intended to support the resolution. Baillie Gifford was encouraged by the Booking Holdings' progress on this issue however wished to see further reporting on the transition, for example targets to reduce emissions, rather than only focussing on offsetting, and long-term scenario planning on transition risk.

The outcome of this vote was a 'pass' and Baillie Gifford will continue to monitor this topic in their discussions with Booking Holdings.

Significant votes (continued)

This resolution is significant because it was submitted by shareholders and received greater than 20% support. The holding represented c.0.2% of the portfolio.

Mitsubishi UFJ Financial Group, Inc., 29 June 2021

LGIM voted for a shareholder resolution to amend Mitsubishi UFJ Financial Group's articles to disclose a plan outlining the company's business strategy to align investments with the goals of the Paris Agreement.

LGIM views climate change as a financially material issue with implications for the company. In Japan, this was a high-profile proposal where climate-related shareholder proposals are still currently rare.

Voting in favour of this shareholder proposal, LGIM believes, was warranted as it expects companies to be taking sufficient action on the key issue of climate change. Mitsubishi UFJ Financial Group's recent announcements regarding net-zero targets and exclusion policies were noted but LGIM believed these commitments could be further strengthened. The shareholder proposal provided Mitsubishi UFJ Financial Group with a positive directional push.

This resolution is significant because it was submitted by shareholders and received greater than 20% support. The holding represented c.0.2% of the portfolio.

Engagement activity

The Trustees hold meetings with their investment managers on an annual basis where stewardship issues are discussed in further detail. Over the last 12 months, the Trustees have met with five of their six managers and the following issues were discussed.

- **Baillie Gifford.** The Trustees met with Baillie Gifford and discussed the manager's Stewardship Policies. These included aims to prioritise long-term value creation, constructive and purposeful boards, long-term focussed remuneration, ensure the fair treatment of stakeholders and sustainable business practices. Baillie Gifford also provided the Trustees with recent examples of engagement undertaken with companies, to encourage behaviour and action in line with their Stewardship Policies. Opportunities regarding the transition to 'greener' energy were also highlighted to the Trustees, such as investments into commodities supporting the energy transition and substantial investment in sustainable infrastructure.

- **LGIM.** LGIM highlighted to the Trustees how its stewardship tackles financially material ESG issues. LGIM summarised the ESG-related actions it took over 2020 such as targeting Net Zero by 2050 for all assets under its management, highlighting the value of its assets held in responsible investment strategies (as well as the number of new responsible investment strategies launched) and how many resolutions LGIM voted on globally. LGIM also raised the ESG options available to its clients in order to deliver specific investment beliefs.

- **Threadneedle.** Threadneedle provided Trustees with an update on its UK Real Estate responsible investment, focussing on the key areas of ESG. Threadneedle highlighted that the Net Zero pathway would be published in 2021 and reporting (such as Streamlined Energy and Carbon Reporting 'SECR' and Global ESG Benchmark for Real Assets 'GRESB') had shown Threadneedle to be making continual improvement in energy and carbon emissions. The Trustee also considered Threadneedle's ESG Policy Statement which defined a road map for achieving various corporate Sustainable Development Goals.

Engagement activity (continued)

- **Barings.** Barings informed the Trustees of its commitments to ESG, also highlighting its drive in 2021 to continue to advance the middle market on sustainability. Barings specified three components, focussing on: integration (consistently considering ESG factors and underwriting for key risks and opportunities),

  engagement (maintaining a direct relationship with stakeholders to encourage positive outcomes) and moving forwards (by incentivising positive ESG behaviours via moderate pricing reductions). Barings also provided the Trustees with case studies on its engagements, highlighting responsible investment considerations throughout its investment process.

- **Morgan Stanley.** Morgan Stanley informed the Trustees of its commitment to integrating ESG principles, polices and best practices – highlighting due diligence to be an integral part of its investment process. The Trustees considered Morgan Stanley's implementation of ESG which involved: providing training programs to all its investment professionals, the continued engagement of Morgan Stanley's Investment Committee on ESG findings (and associated risk) of investments considered, annual monitoring to ensure compliance with wider ESG values and establishing systems to flag ESG incidents and notify relevant internal teams for subsequent action to be taken.

Adams Street Partners were appointed during the year and will become part of the Trustees' regular manager meeting cycle. ESG factors were considered as part of the selection process – both at a firmwide level and with respect to individual investments.

Summary of manager engagement activity

The Trustees receive annual reporting on Baillie Gifford's engagement activity. The following table summarises the Baillie Gifford funds' key engagement activity for the 12-month period ending 31 December 2021.

Categories engaged on	Number of Engagements	
	Baillie Gifford Global Alpha Growth Fund	Baillie Gifford Diversified Growth Fund
Environmental/Social	34	22
Corporate Governance	13	6
AGM or EGM Proposals	18	14
Executive Remuneration	4	1

Over 2021, the Baillie Gifford Global Alpha Growth Fund carried out 69 engagements and the Baillie Gifford Diversified Growth Fund carried out 43 engagements. Engagements primarily focused on the understanding of companies' climate strategies, carbon energy transitions and ESG-related reporting. The main methods of engagement were meetings and calls.

The Trustees receive annual reporting on LGIM's engagement activity. The following table summarises the key engagement activity for the 12-month period ending 31 December 2021.

Engagement activity (continued)

Topic engaged on	Number of Engagements
Climate Change	246
Remuneration	205
LGIM ESG Score	133
Company Disclosure and Transparency	131

Note: Engagements may cover more than one topic.

LGIM carried out a total of 773 engagements over 2021. Engagements primarily focused on climate change. The main methods of engagement were written engagements, meeting and calls.

Use of a proxy adviser

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

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

Review of policies

The Trustees have committed to reviewing the managers' responsible investment policies on an annual basis. The most recent review considered managers broad approach to responsible investment issues in addition to considering any change in approach by the manager over the year. The Trustees also considered changes to their managers voting policies.

The Trustees and their advisors remain satisfied that the responsible investment policies and (where appropriate) voting policies remain suitable for the Scheme.

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): The Consumer Price Index (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"): 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.