1495
UNIVERSITY OF
ABERDEEN

University of Aberdeen Superannuation & Life Assurance Scheme

Annual Report for the Year ended 31 July 2018

Scheme Registration Number 10052894

Annual Report
For the Year ended 31 July 2018

This Report relates to the operation of the University of Aberdeen Superannuation and Life Assurance Scheme ("the Scheme") during the year ended 31 July 2018.

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

Annual Report
For the Year ended 31 July 2018

Part 1: Trustees' Report

a) SCHEME ADVISERS

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

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

Annual Report
For the Year ended 31 July 2018

Investment Managers	Legal & General Investment Management One Coleman Street London EC2R 5AA
Life Assurer	Canada Life 3 Rivergate Temple Quay Bristol BS1 6ER
Lawyer	Pinsent Masons 131 Bothwell Street Glasgow G2 7EQ
Banker	Bank of Scotland plc 39 Albyn Place Aberdeen AB10 1YN
Contact for further information & enquiries about the scheme	Pensions Office Finance Section King's College Aberdeen AB24 3FX e-mail: pensions@abdn.ac.uk

b) REVIEW OF THE MANAGEMENT AND DEVELOPMENT OF THE SCHEME

1.1. Introduction

This report relates to the operation of the Scheme during the year ended 31 July 2018. Membership of the Scheme is open to all eligible employees of the University who are over age 18. The Scheme provides benefits on a member's retirement or death based on the member's earnings at that time, in accordance with the Scheme rules. This report is addressed primarily to the Scheme's members, but any eligible employees who are interested in joining the Scheme should contact the Pensions Office at the address given on page 4.

1.2. Management of the Scheme

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

Ms Jacquelynn Craw	Independent Chairwoman
Mrs Caroline Inglis	University Secretary (resigned 31 October 2018)
Mr David Beattie	Director of Finance (resigned 31 October 2018)
Mr Mark Whittington	University Court nominated
Mrs Diane Massie	Member-nominated
Mr David Walton	Member-nominated (resigned 1 June 2018)
Mr Owen Cox	Member-nominated (appointed 1 November 2018)
Professor Alex Kemp	University Court nominated (appointed 31 October 2018)
Professor Richard Wells	University Court nominated (appointed 2 October 2018)

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

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

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

1.3. Sponsoring Employer

The Scheme is provided for support staff of the University of Aberdeen. The University provides administrative support to the Scheme. The principal employer is the University of Aberdeen, and the participating employers are the Rocking Horse Nursery and A.U.S.A.

1.4. Scheme Booklet

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

1.5. Contributions Receivable

During the year to 31 July 2018, employer contributions were payable as follows: to December 2017 at a rate of 17.50% of members' pensionable salaries, comprising 11.7% in respect of future service and 5.8% in respect of the shortfall in funding; from January 2018 at a rate of 18.4% in respect of future service and £725,000per annum in respect of the shortfall in funding. Employee contributions were paid at a rate of 7.05%. In addition, the employer was responsible for paying the cost of insuring death-in-service, up to December 2017, and for certain other contributions in specific circumstances.

Employees have the option of entering a Salary Sacrifice arrangement, whereby their pensionable salary is unchanged, but their gross salary is reduced by 7.05%. Consequently the employer, on behalf of the employee, pays contributions of 7.05% of the pensionable salary, in addition to the contributions already being paid (17.5% to December 2017 and 18.4% from January 2018).

1.6. Review of the Financial Development of the Scheme

The financial statements have been prepared and audited in accordance with regulations made under Section 41 (1) and (6) of the Pensions Act 1995. These show that the Scheme's assets increased in value from £149.5 million to £156.2 million over the Scheme year.

1.7. Actuary's Report

The Report on Actuarial Liabilities which forms part of the Trustees Annual Report is included on page 35.The Trustees are bound by law to instruct the Scheme Actuary to carry out a financial health check of the Scheme. Every three years a formal actuarial valuation is conducted which involves a series of assumptions relating to inflation, investment returns, salaries, interest rates and longevity. The calculations are used to establish the anticipated cost of providing the benefits paid by the Scheme over the long term.

The Scheme's financial security

The last full actuarial valuation was performed by Jonathan Seed of Xafinity Consulting as at 31 July 2016. This showed that, based on the assumptions set out in the Trustees' Statement of Funding Principles:

The value of the technical provisions was:	£158.7 million
The Scheme's assets were valued at:	£135.5 million
This means that there was a shortfall of:	£23.2 million
The funding level was:	85%

The position of the Scheme was reviewed at 31 July 2017, which showed a significant improvement in the funding position, with the shortfall reducing to £8.9million. The position was also reviewed at 31 July 2018, with the shortfall reducing further to £7.5million.

Contributions to the Scheme

To eliminate the funding shortfall at 31 July 2017 the Trustees and the University agreed on a Recovery Plan, where the employer would continue to contribute 5.8% of active members' pensionable salaries to 31 December 2017 and £725,000 per annum from 1 January 2018 to 31 January 2029.

The ongoing contribution rate required to meet the cost of each additional year's accrual of pension benefits was also assessed. It was agreed that members would continue to contribute 7.05% of their pensionable salary while the employer would meet the balance of the cost by contributing 11.7% of pensionable salaries to 31 December 2017 and 18.4% thereafter.

If the Scheme were wound-up

At 31 July 2016 the Scheme's assets could not have paid for the full benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date (without additional contributions from the University of Aberdeen). This is common for most UK pension schemes. At that date, the Scheme's assets were estimated to be around 53% of the cost of the associated premium – the University would have been liable for the balance.

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

1.8. Scheme Membership

Active Members

At 31 July 2017		627
Add:	New entrants	80
Less:	Leavers to deferred	(37)
	Retirements	(17)
	Cash settlements on retirement	(2)
	Refunds	(27)
	Deaths	(2)
	At 31 July 2018	**622**

Pensioners

At 31 July 2017		975
Add:	Active retirements	17
	Deferred retirements	14
	Dependants pensions becoming payable	10
Less:	Deaths	(40)
	At 31 July 2018	**976**

Deferred Members

At 31 July 2017		669
Add:	Leavers with deferred pensions	37
Less:	Pensions becoming payable	(14)
	Death	(1)
	Cash settlements on retirement	(7)
	Transfers out	(5)
	At 31 July 2018	**679**

Of the above pensioners there are 101 whose benefits are partially secured by insurance policies held in the name of the Trustees. The majority of these were set up before 1 August 1984, when the Scheme switched from an insured to a managed fund, while the remainder relate to additional contributions paid by some members under a money-purchase arrangement.

1.9. Ill Health Early Retirement

During the year five ill-health early retirements came into payment. There were none in the previous year.

1.10. Disputes

There were no disputes during the year.

1.11. Transfer Payments

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

1.12. Changes to the Scheme

Following the 2016 Valuation the University granted security to the Scheme over certain University properties, to the value of £9.1 million.

Since July 2018 the University held a consultation with Active and potential members on proposed changes to the benefit structure and the member contribution rate. The option selected was to retain the defined benefit structure but to change the accrual rate from 1/80th to 1/100th per annum and to increase the member contribution rate from 7.05% to 8.0%. These changes will take effect from 1 January 2019.

1.13. GMP Equalisation.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the accounts for the year ended 31 July 2019. It is not possible to estimate the value of any such adjustments at this time.

c) INVESTMENT REPORT

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

The SIP was updated and formally approved in June 2016 and is currently being updated to reflect the changes to investments implemented during the year.

Investment Target

The benchmark distribution of the Scheme's assets is to be maintained in the following proportions: 20.5% equities split between UK 6%, overseas 7.25% and overseas hedged 7.25%, index-linked bonds 25%, property 4.0%, diversified fund 25.0% and dynamic diversified fund 25.0%.

Valuation and Distribution of Assets

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

	2018 %	Benchmark %	Range %	2017 %	Benchmark %
UK Equities	6.1	6.0	+/-1.5	15.4	15.0
Overseas Equities	7.4	7.25	+/-2.0	36.4	20.0
Overseas Equities - Hedged	7.3	7.25		4.3	20.0
Index Linked	24.0	25.0	+/-2.0	24.1	25.0
Property	4.9	4.0	n/a	6.9	7.5
Diversified Fund	25.1	25.0	+/-1.0	12.9	12.5
Dynamic Diversified Fund	25.2	25.0	+/-1.0	-	-
TOTAL	100.0	100.0		100.0	100.0

	2018	2017
Pooled investment vehicles	£154,861,638	£148,214,769
Insurance Policies- Annuities	£1,111,817	£1,195,100
AVCs	£148,495	£154,470
Investment value per accounts	**£156,121,950**	**£149,564,339**

Investment Returns

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

TIME-WEIGHTED RETURNS TO 31 JULY 2018						
	Last Twelve Months		3 Years		5 Years	
Investment Sector Fund	Fund %	Index %	Fund % pa	Index % pa	Fund %pa	Index %pa
UK Equity Index	9.19	9.15	9.37	9.20	7.86	7.7
World (ex UK) Equity Index	12.63	12.55	16.69	16.62	13.44	13.37
World (ex UK) Equ Ind GBP Hedged	11.78	11.70	n/a	n/a	n/a	n/a
Over 5y Index-Linked Gilts	3.98	3.98	7.62	7.6	9.15	9.11
Managed Property Fund	12.6	n/a	n/a	n/a	n/a	n/a
Diversified Fund	5.05	12.43	10.0	12.50	n/a	n/a
Dynamic Diversified Fund	n/a	n/a	n/a	n/a	n/a	n/a
Total Assets	**6.38**	**n/a**	**11.02**	**n/a**	**10.19**	**n/a**

Market highlights 12 months to 31 July 2018

Economic overview

The global economic background has improved over the past twelve months, led by a solid growth in the major developed economies although recent indicators suggest there has been some loss of momentum, particularly in Europe. Despite a rise in commodity prices, with the oil price (Brent crude) recovering to $79/barrel in May – its highest level since 2014, inflationary pressures worldwide have remained subdued by historical standards.

In the US, economic activity remains in good shape underpinned by improving consumer and business sentiment, a strong labour market and a recovery in the energy sector. The Federal Reserve (Fed) sanctioned a gradual tightening of monetary policy, raising interest rates three times over the last twelve months. The Fed also began unwinding its asset purchase programme, known as quantitative easing (QE), in October. In December, Congress approved US President Donald Trump's tax reforms which include a cut in the main rate of corporation tax from 35% to 21%.

The Eurozone economy grew at its fastest pace for a decade in 2017 although there was some loss of momentum during the first half of 2018 with a slowdown in Germany and France – the region's two largest economies. The European Central Bank (ECB) announced it would cease its monthly asset purchase programme by the end of 2018. With inflation remaining subdued the ECB has signalled interest rates are likely to remain on hold at least until mid-2019.

In the UK, both economic and political uncertainty have heightened over the last 12 months, with precariousness as to the outcome of the UK government's strategy on Brexit and the implications for trade with the EU. The UK economy grew at its slowest pace for six years during the first quarter of 2018. The Bank of England voted to increase interest rates to 0.5 per cent in November, removing the emergency support announced in August 2016 in the wake of the EU referendum but shelved plans for an additional rate hike in May.

Looking at the Asian economies, Japan recorded eight consecutive quarters of growth as monetary policy has remained loose, although the economy contracted during the first quarter of 2018 as an unexpected decline in household consumption offset a rise in business spending. The Chinese authorities have adopted a range of policy initiatives to facilitate the economy's transition from export and investment-driven growth towards consumption and services, while tightening regulation of shadow banking and encouraging debt reduction in the broader economy. Recent Chinese economic indicators suggest year-on-year growth remains in line with the government's 6.5% target.

Amongst other emerging economies, Brazil saw a turn in fortunes after a two-year recession ended in 2017 while Russia has recorded its sixth consecutive quarter of growth, given the boost of a recovery in commodity markets.

Equities
A combination of an improving global economic outlook, low inflation and supportive central bank policies have underpinned equity markets worldwide over the last 12 months. However, there was a spike in market volatility during the first quarter of 2018 with escalating trade tensions between the US and China triggering a sell-off.

Although UK equities performed well in 2017, the market recorded three consecutive months of losses before rebounding strongly in April and May. The market has been led higher by resources stocks, benefitting from the strength of commodity prices. Food retailers also performed well on encouraging earnings announcements, while the autos sector was driven by a hostile takeover bid from Melrose Industries for component supplier GKN which eventually received shareholder approval. Amongst the weakest sectors were utilities and telecoms. These sectors are less sensitive to the economic cycle but are more closely correlated with bond markets, and tend to underperform when investors are more optimistic about the economic outlook and earnings growth prospects.

US equities recorded double-digit percentage gains in both dollar and sterling terms. The rally has been led by technology stocks for much of the year, which have generally exhibited strong earnings momentum. Discretionary consumer stocks and energy companies have also outperformed the broader market, while consumer staples, utilities and real estate have lagged the index. As the year progressed, investors focused on the prospect of corporation tax cuts with Congress passing the Trump administration's tax reforms in December. The prevailing mood of optimism and accelerating economic growth enabled the equity market to take higher US interest rates in its stride, although the opening quarter of 2018 heralded a spike in volatility as US-China trade dispute escalated.

Returns from European equities have been disappointing in comparison with other developed markets. Although earnings growth and the economic background have been supportive, political concerns resurfaced during the second quarter, most notably in Italy. Lingering concerns that the fledgling coalition government comprising the populist Five Star Movement and the Northern League is on a collision course with the European Union came to the fore after the Italian President vetoed the appointment of a Eurosceptic finance minister. Subsequently, a new government was finally installed, ending weeks of deadlock. In Spain, the Socialist-led opposition succeeded in ousting prime minister Rajoy in the wake of a corruption scandal enveloping the ruling Popular party. As a result, renewed fears of a sovereign debt crisis in southern Europe drove down financial stocks, notably banks.

Asia Pacific equities generated solid returns for sterling-based investors, outperforming wider emerging markets but underperforming global equities. Despite supportive earnings news and confidence in the global recovery, worries over the effect of ongoing US interest rate increases and rising trade tensions weighed on sentiment. Japanese equities produced positive returns amid encouraging corporate earnings, albeit that performance waned late in the period as domestic economic data softened and trade risks rose. Positive company results boosted Australian equities, offsetting trade concerns and a financial sector misconduct scandal. However, economic and trade worries weighed on Indonesian and Philippine equities, notwithstanding July's limited recovery.

After performing strongly in late 2017 as confidence in the global economic outlook remained robust, emerging market equities subsequently faltered, underperforming their global market peers over the 12 months as a whole. Concerns over the likely pace and extent of future US interest rate rises and the growing risk of a global trade war impacted on investors' appetite for risk. In regional terms, Latin American markets underperformed other emerging markets, weighed by growing domestic political risks and resistance to economic reform, particularly in Brazil. However, Asian markets showed greater resilience, largely reflecting ongoing confidence in the region's economic prospects.

Global information technology shares staged a vigorous rally over the 12 month period, outperforming broader global equities by a considerable margin. A string of better-than-expected quarterly earnings updates from sector heavyweights such as Microsoft and Google-parent Alphabet drove the rally, helping the sector to recover from a brief decline in March as a data security scandal hit Facebook. Microchip makers Micron Technology and Nvidia were among the leading stock-level risers, amid optimism over the demand outlook in areas such as AI and graphics processors for gaming applications. Ongoing demand for cloud-based services also boosted software giants Microsoft and Salesforce.com.

Health-related equities produced good returns, outperforming broader global stock markets over the 12 months. Despite investors favouring more cyclical sectors early in the period and lingering concerns over the effect of generic competition, better-than-expected earnings updates helped the sector to rally strongly late in the period. Robust earnings updates helped Intuitive Surgical to generate robust gains amid growing demand for high-precision robot-assisted surgery technology. Meanwhile, pharmaceutical heavyweight AbbVie generated strong price gains over the year as a patent agreement extended protection for rheumatoid arthritis drug Humira, more than offsetting the effect of subsequent trial disappointment for a new cancer drug.

Bonds

Returns from bond markets have been disappointing over the last 12 months, although a marked rise in equity market volatility in early 2018 highlighted the 'safe haven' appeal of government bonds. In the US, investors have discounted Federal Reserve rate hikes and looser fiscal policy. In the UK, inflation peaked at over 3% in November and declined towards the Bank of England's (BoE) 2% target. However, index-linked gilts outperformed conventional securities as demand for long-dated inflation-linked bonds has remained strong amongst institutional investors for liability matching purposes. Corporate bonds have underperformed gilts on concerns about the impact of weaker UK economic growth on earnings, and uncertainty over the outcome of Brexit negotiations.

Currency adjusted returns from emerging bond markets have been disappointing. Issuance levels have been high as both sovereign and corporate borrowers have looked to attract international investors. However, several emerging economies with relatively high debt levels and current account deficits came under increased scrutiny, with ratings downgrades for Brazil, Turkey and South Africa. In recent months, market volatility has risen on concerns that the Federal Reserve may be required to raise US interest rates more rapidly than anticipated, while escalating trade tensions between the US and China have also unsettled investors.

Property
In the UK commercial property market, capital growth in the industrial sector has outpaced the other main sectors over the last 12 months. In contrast, the retail sector has been sluggish with a decline in capital values on the high street and in shopping centres. In the office sector, growth in capital values outside London and in the rest of the UK outpaced growth in central London. Overall, the investment market continues to attract capital from yield-driven international investors, particularly Asian investors focusing on London.

Investment Report for the year ended 31 July 2018

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

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

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

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

Annual Report
For the Year ended 31 July 2018

UK Equities
0.10% per annum on the first £10 million
0.075% per annum on the next £10 million
World (ex UK) Equities
0.22% per annum on the first £5 million
0.19% per annum on the next £10 million
0.16% per annum on the next £35 million
World (ex UK) Equities – GBP Hedged
0.243% per annum on the first £5 million
0.213% per annum on the next £10 million
0.183% per annum on the next £35 million
Gilts
0.10% per annum on the first £5 million
0.075% per annum on the next £5 million
Property
0.70% per annum on the first £2.5 million
0.65% per annum on the next £2.5 million
0.60% per annum thereafter
Diversified Fund
0.30% per annum on the first £25 million.
0.25% per annum thereafter
Dynamic Diversified Fund
0.38% per annum on the investment.

d) STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *the Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustees' annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

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

The Trustees are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

e) COMPLIANCE

Constitution

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

Taxation Status

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

Pension Increases

All pensions in payment were increased with effect from 1st April 2018. In respect of benefits attributable to service to 31 July 2011, the increase was the higher of 3% or RPI and in respect of benefits attributable to service from 1 August 2011, the increase was the lower of CPI or 5%. All the figures are guaranteed by the Scheme rules.

Calculation of Transfer Values

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

Annual Report
For the Year ended 31 July 2018

Part 2: Financial Statements

FUND ACCOUNT
for the year ended 31 July 2018

	Notes	2018 £	2018 £	2017 £
Contributions and Benefits				
Contributions receivable - employer	2	3,572,779		3,068,678
Contributions receivable – employee	2	61,246		70,053
Transfers in	3	19,609		0
Other income	4	140,776		75,894
			3,794,410	3,214,625
Benefits payable	5	5,600,853		5,611,538
Payments to and on account of leavers	6	75,408		633,002
Life assurance premiums	7	64,564		69,961
Administrative expenses	8	489,512		450,853
			6,230,337	6,765,354
Net withdrawals from dealing with members			(2,435,927)	(3,550,729)
Returns on Investments				
Investment income	9	134,400		136,500
Change in market value of investments	11	9,292,451		17,336,913
Investment management expenses	10	(374,657)		(268,278)
Net returns on investments			9,052,194	17,205,135
Net increase in fund during the year			6,616,267	13,654,406
Net assets of the Scheme at 1 August			149,546,171	135,891,765
Net assets of the Scheme at 31 July			156,162,438	149,546,171

The notes on pages 20 to 28 form part of these financial statements

STATEMENT OF NET ASSETS (available for benefits)

	Notes	2018 £	2017 £
Investment assets:			
Pooled Investment Vehicles	11	**154,861,638**	**148,214,769**
Insurance Policies	11	**1,111,817**	**1,195,100**
AVCs	11	**148,495**	**154,470**
Current Assets	15	**574,384**	**490,518**
Current Liabilities	16	**(533,896)**	**(508,686)**
		156,162,438	**149,546,171**

The notes on pages 20 to 28 form part of these financial statements

The Financial Statements summarise the transactions and the net assets of the Scheme. The Financial Statements do not take account of the liabilities to pay pensions and other benefits in the future. The actuarial position of the Scheme which does take account of such liabilities is dealt with in the Report on Actuarial Liabilities included on page 35 of the Annual Report which should be read in conjunction with the Financial Statements.

Signed for and on behalf of the Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme on 28 February 2019

J CRAW

D MASSIE

NOTES (forming part of the Financial Statements)

1. **Principal Accounting Policies**

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

Basis of Preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2014).

Investments

Investments are included at fair value.

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

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

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

Administrative expenses

Administration expenses are accounted for on an accruals basis.

Contributions receivable

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

Transfer values

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

Income from investments

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

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

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

Investment manager's fees

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

Benefits Payable

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

Annual Report
For the Year ended 31 July 2018

			2018	2017
		£	£	£
2.	**Contributions receivable**			
	Employer – normal	1,972,416		1,454,018
	Employer - salary sacrifice, on behalf of the employee	842,768		823,903
	Employer – deficit funding	730,695		720,796
	Employer - death-in-service contributions	26,900		69,961
	Total employer		3,572,779	3,068,678
	Employee – normal	49,160		48,820
	Employee - additional voluntary contributions	12,086		21,233
	Total employee		61,246	70,053
			3,634,025	3,138,731

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

Deficit funding contributions were payable at a rate of 5.8% of pensionable salaries until 31 December 2017 and then at £725,000 per annum from January 2018.These are in line with the schedules of contributions/ scheme funding recovery plan in place for the year.

		2018	2017
		£	£
3.	**Transfers in**		
	Transfer values received - individuals	19,609	0

		2018	2017
		£	£
4	**Other income**		
	Claims on term insurance policies	140,570	75,894
	Interest received	206	0
		140,776	75,894

		2018	2017
		£	£
5	**Benefits payable**		
	Pensions payable	4,575,585	4,420,667
	Lump sums on retiral	729,042	1,062,970
	Lump sums on death -in- service	216,704	75,894
	Lump sums on death -in- deferment	25,292	24,827
	Lump sums on death -in- retirement	54,230	27,180
		5,600,853	5,611,538

Pension payments include £134,400 (2017: £136,500) of pensions paid directly by the annuity provider.

		2018	2017
		£	£
6	**Payments to and on account of leavers**		
	Transfer values payable - individual	65,618	621,879
	Refunds to early leavers	7,005	5,744
	State scheme premiums payable	1,033	4,049
	Tax paid	1,752	1,330
		75,408	633,002

		2018	2017
		£	£
7	**Life Assurance Premiums**		
	Current year premium	64,564	69,961

		2018	2017
		£	£
8	**Administrative expenses**		
	Administration charge	90,000	88,549
	Consultants fees	137,232	174,557
	Audit fee	9,959	10,822
	PPF levy	85,713	82,247
	Pension Regulator levy	10,606	9,654
	Administration, legal and insurance costs	156,002	85,024
		489,512	450,853

		2018	2017
		£	£
9	**Investment income**		
	Annuity income	134,400	136,500

		2018	2017
		£	£
10	**Investment management expenses**		
	Investment managers' charges	374,657	268,278

11 Investments	Value at 1.8.17	Purchases	Sales	Change in market value	Value at 31.7.18
Pooled Investment Vehicles (PIVs)	**148,214,769**	114,162,431	(116,885,788)	9,370,226	**154,861,638**
Insurance policies - annuities	**1,195,100**	-	-	(83,283)	**1,111,817**
Money Purchase AVCs	**154,470**	12,086	(23,569)	5,508	**148,495**
	149,564,339	114,174,517	(116,909,357)	9,292,451	**156,121,950**

Concentration of investments:	**2018**	**% of net assets**	**2017**	**% of net assets**
LGIM UK Equity Index	9,430,149	6.0	22,766,567	15.2
LGIM World (ex UK) Equity Index	11,443,908	7.3	54,031,708	36.1
LGIM World (ex UK) Equ Ind GBP Hgd	11,327,753	7.3	6,333,470	4.2
LGIM Over 5years Index-Linked Gilts	37,221,283	23.8	35,771,093	23.9
Managed Property	7,607,465	4.9	10,275,207	6.9
Diversified Growth fund	38,899,029	24.9	19,036,724	12.7
Dynamic Diversified Growth Fund	38,932,051	24.9	0	0

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

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

12. **Investment Fair Value Hierarchy**

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

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

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

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

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

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

Fair value breakdown at 31 July 2018

Category	1	2	3
Pooled investment vehicles	**0**	**154,861,637**	**0**
LGIM UK Equity Index	0	9,430,149	0
LGIM World (ex UK) Equity Index	0	11,443,908	0
LGIM World (ex UK) Equity Index - Hedged	0	11,327,753	0
LGIM Over 5y Index-Linked Gilts	0	37,221,283	0
LGIM Managed Property	0	7,607,465	0
LGIM Diversified Fund	0	38,899,029	0
LGIM Diversified fund	0	38,932,051	
Insurance Policies – Annuities	**0**	**0**	**1,111,817**
AVC Investments	**0**	**0**	148,495
Total	**0**	**154,861,638**	**1,260,312**

Fair value breakdown at 31 July 2017

Category	1	2	3
Pooled investment vehicles	**0**	**148,214,769**	**0**
LGIM UK Equity Index	0	22,766,567	0
LGIM World (ex UK) Equity Index	0	54,031,708	0
LGIM World (ex UK) Equity Index - Hedged	0	6,333,470	0
LGIM Over 5y Index-Linked Gilts	0	35,771,093	0
LGIM Managed Property	0	10,275,207	0
LGIM Diversified Fund	0	19,036,724	0
Insurance Policies – Annuities	0	0	**1,195,100**
AVC Investments	0	**0**	154,470
Total	**0**	**148,214,769**	**1,349,570**

13. **Investment Risks**

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

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

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

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

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

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

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

The Scheme has a broad allocation of around 76% of investments being in return-seeking assets, designed to deliver a return above that expected of a risk-free of return. The remaining 24% is allocated to liability matching assets, designed to partially offset the movements in the Scheme's liabilities caused by movements in interest rates and inflation. This asset split reflects the Trustees' view of the most appropriate investments balancing risk/reward characteristics of the funds the Scheme is invested in.

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

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

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

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

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

Investment risks - Credit risk

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

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

The Scheme has had exposure to indirect counterparty risk via the two World (ex UK) Equity Funds, the Managed Property Fund, the Diversified Fund and Dynamic Diversified Fund, which may use derivatives for efficient portfolio management. The latter three funds also have the remit to invest in Money Market and Fixed Income instruments, which have direct credit risk based on the counterparty's credit rating. As at the 2018 Scheme year end, over 70% of assets were invested in these five funds.

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

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

The Scheme held investments in funds amounting to c£145.4m at the end of the accounting period which have indirect exposure to credit risk, approximately 94% of total Scheme assets. In practice, c£77.8m of this is invested in the Diversified Fund and the Dynamic Diversified Fund where the exposure to credit risk would be far less than 100% and is expected to change due to the active management of these funds.

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

Investment risks – Currency risk

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

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

The value of Scheme's assets invested in funds that are exposed to currency risk as at the end of the accounting period was approximately £89.3 million, approximately 58% of overall assets. This was through investment in the World (ex UK) Equity fund, the Diversified Fund and Dynamic Diversified Fund, the latter two of which will not be fully exposed to currency risk.

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

Investment risks - Interest rate risk

The liability matching fund managed by Legal and General is the principal source of indirect exposure to interest rate movements. Approximately 24% of the total assets are invested in the Over 5 Year Index-Linked Gilt fund, around £37.2m.

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

The Trustees recognise that only 24% of the Scheme's assets have exposure to gilt movements and therefore are designed to only capture part of the interest rate movement. So even though the Trustees have taken steps to mitigate a proportion of interest rate risk, they have not fully mitigated the risk.

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

The Scheme has approximately £122.7million invested in funds which are exposed to indirect interest rate risk, 79% of overall Scheme assets. However, the exposure through the Diversified will typically have a very short duration or may be temporary holdings, as part of the managers' active approach to investing.

The primary source of exposure to interest rate movement was via the Over 5 Year Index-Linked Gilt which amounted to approximately £37.2million at the end of the accounting year.

Investment risks - Other risks, including price risk

The Scheme will have had indirect exposure to price risks and other risks over the year through its holdings in the Property and the World Equity Funds as well as the Diversified Fund and Dynamic Diversified Fund which can invest in a mix of equities, bonds, property and cash.

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

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

14. **Insurance Policies - Annuities**

The legacy annuity policies relate to benefits for 101 individuals. The Trustees no longer purchase annuities to meet Scheme liabilities. The annuities were issued by Scottish Amicable and are valued by the Scheme Actuary.

	2018	2017
	£	£
15. **Current assets**		
Cash in bank	219,086	226,603
Contributions due from the employer	283,698	256,815
Prepaid expenses	71,600	7,100
	574,384	490,518

	£	£
16. **Current liabilities**		
Accrued expenses	(142,500)	(125,200)
Unpaid benefits	(388,490)	(381,114)
Other creditors	(2,906)	(2,372)
	(533,896)	(508,686)

17. **Related party transactions**

The University of Aberdeen, which is the Employer, provides administrative support to the pension scheme and charged £26,750 for this service for the year. At 31 July 2018, the University of Aberdeen was due to pay £322,960 (2017 £258,158) to the Scheme for the July 2018 contributions. These were paid in August 2018 in accordance with the requirements of the Schedule of Contributions. One active member and one pensioner member are trustees of the Scheme.

18. **Employer related investments**

The Scheme did not hold any employer related investments during the year or at the end. (2017 none)

19. **Contingent Liabilities**

As explained on page 9 of the Trustees report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the accounts for the year ended 31 July 2019. It is not possible to estimate the value of any such adjustments at this time.

Annual Report
For the Year ended 31 July 2018

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

Opinion

We have audited the financial statements of the University of Aberdeen Superannuation and Life Assurance Scheme ("the Scheme") for the year ended 31 July 2018 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 July 2018 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Trustees and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Scheme's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Scheme's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

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

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

Other information

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

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

Trustees' responsibilities

As explained more fully in their statement set out on page 16, the Scheme Trustees are responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

IKDelay

Iryndeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Vincent Plaza
319 St Vincent Street
Glasgow
G2 5AS

Date: 28 FEBRUARY 2019

Annual Report
For the Year ended 31 July 2018

Part 4: Summary of Contributions Payable

Statement of Trustees' Responsibilities in respect of Contributions

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

Trustee Summary of Contributions Payable

During the year ended 31 July 2018, the contributions payable to the Scheme were as follows:

	Employee £	Employer £
Contributions Payable under the Schedules of Contributions		
Normal contributions	49,160	1,972,416
Salary Sacrifice contributions (for employee)	-	842,768
Additional contributions:		
Deficit Funding contributions	-	730,695
Death-in-service contributions	-	26,900
Total required by schedule of contributions	**49,160**	**3,572,779**
Other contributions payable (as reported on by the Scheme Auditor)		
Member – additional voluntary	12,086	-
Total, as per financial statements	**61,246**	**3,572,779**

Signed for and on behalf of the Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme on 28 February 2019.

M Whittington: M. Whittington

Annual Report
For the Year ended 31 July 2018

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

Statement about contributions

We have examined the summary of contributions payable under the schedule of contributions to the University of Aberdeen Superannuation & Life Assurance Scheme in respect of the Scheme year ended 31 July 2018 which is set out on page 32.

In our opinion contributions for the Scheme year ended 31 July 2018 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid from 1 August 2017 to 7 January 2018 at least in accordance with the schedule of contributions certified by the actuary on 2 July 2014, and subsequently at least in accordance with the schedule of contributions certified by the actuary on 8 January 2018.

Scope of work on statement about contributions

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 32 the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

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

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

IKDelay

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

Date: 28 FEBRUARY 2019

Annual Report
For the Year ended 31 July 2018

Part 6: Actuarial Statements

xafinity

Certification of Schedule of Contributions

University of Aberdeen Superannuation and Life Assurance Scheme ("the Scheme")

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated 21 December 2017.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 21 December 2017.

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

Signature	[signature]	Date	8/1/2018
Name	Jonathan Seed	Qualification	Fellow of the Institute and Faculty of Actuaries
Address	Scotia House Castle Business Park Stirling FK9 4TZ	Employer	Xafinity Consulting Limited

Making Sense of Pensions Page 1

Annual Report
For the Year ended 31 July 2018

Part 7: Actuarial Liabilities

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

Under s222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to the scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 July 2016. This showed that on that date:

The value of the Technical Provisions was:	£157,382,219
The value of the assets as at that date was:	£134,212,505

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

7.2. Method

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

7.3. Significant Actuarial Assumptions

Discount rate (before retirement)

4.30%	Yield on index-linked gilts plus a margin for asset outperformance relative to gilts

Discount rate (after retirement)

2.30%	Yield on Bank of England gilts plus a margin for asset outperformance relative to gilts

Future RPI inflation

2.90%	Bank of England UK implied inflation for a maturity consistent with the duration of the Scheme's liabilities

Future CPI inflation

2.15%	RPI minus 0.5%

Deferred pension revaluation

2.15%	CPI

7.4. Pension increases in payment

GMP accrued before 6 April 1988 (pre '88 GMP)	-	Non-increasing
GMP accrued from 6 April 1988 (post '88 GMP)	2.15%	CPI max 3%
Pension in excess of GMP	2.90%	RPI

7.5. Mortality before and after Retirement:

Mortality is assumed to follow the Self-Administered Pension Schemes (SAPS) "S2" tables with a 105% multiplier for males and a 100% multiplier for females. Future improvements follow the Continuous Mortality Investigation (CMI) 2016 projection model with a long term improvement trend rate of 1.25% per annum.