

**UNIVERSITY OF SOUTHAMPTON  
PENSION AND ASSURANCE  
SCHEME FOR  
NON ACADEMIC STAFF**

**ANNUAL REPORT**

**31 JULY 2015**

**Registered number:101150842**

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# **UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF**

## **ANNUAL REPORT – 31 JULY 2015**

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# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

## SCHEME FOR NON ACADEMIC STAFF

### TRUSTEES AND INDEPENDENT ADVISERS

#### Chairman

Dr M Bateman (to 31.8.2014)  
Mr A Gosden (from 1.9.2014)

#### University Trustees

Mr M S Killingley (to 31.7.2015)  
Ms Sarah Pook  
Prof. J Falkingham

#### Active Member Trustees

Mr D Lynock (to 7.8.2015)  
Mr A Dilworth (from 21.9.2015)  
Mr A Dolby (to 6.8.2014)  
Mrs J Shaw (from 3.10.2014)

#### Pensioner Trustee

Mr N Burr

#### Clerk to the Trustees

Ms L North

#### Actuary

Mr P Hamilton  
Barnett Waddingham  
St James's House, St James's Square  
Cheltenham, GL50 3PR

#### Auditors

Mazars LLP  
8 New Fields  
2 Stinsford Road  
Nuffield  
Poole, BH17 0NF

#### Bankers

HSBC Bank Plc (to 13.3.2015)  
165 High Street  
Southampton  
Hampshire, SO14 2NZ

Lloyds Bank Plc  
City Office Branch  
Bailey Drive, Gillingham Business Park  
Gillingham  
Kent, ME8 0LS

#### Solicitors

Squire, Patton Boggs (UK) LLP  
Rutland House  
148 Edmund Street  
Birmingham, B3 2JR

#### Administration Office

Finance Department  
University of Southampton  
Highfield  
Southampton, SO17 1BJ

#### Investment Advisor

Mr M Tickle  
Barnett Waddingham  
St James's House, St James's Square  
Cheltenham, GL50 3PR

#### Investment Managers

BlackRock Investment Management Limited  
33 King William Street  
London, EC4R 9AS

Barings Asset Management Limited  
155 Bishopsgate  
London, EC2M 3XY

Newton Investment Management Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London, EC4V 4LA

Longview Partners (Guernsey) Limited  
PO Box 559  
Mill Court  
St Peter Port  
Guernsey, GY1 6JG

#### Custodian (BlackRock and Longview)

BNY Mellon  
One Canada Square  
London, E14 5AL

#### Custodian (Newton)

BNY Mellon  
160 Queen Victoria Street  
London, EC4V 4LA

#### Custodian (Barings)

Northern Trust Fiduciary Services (Ireland) Ltd.  
George's Quay House  
43 Townsend Street  
Dublin 2  
Ireland

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

## REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2015

The Trustees have pleasure in reporting to the members for the year ended 31 July 2015.

### The Scheme

The University of Southampton Pension and Assurance Scheme for Non Academic Staff was established in August 1967, to provide retirement and death benefits for all eligible non-academic employees of the University of Southampton.

The Scheme is governed by a revised definitive Trust Deed dated 23<sup>rd</sup> August 2012 incorporating the preservation requirements of The Social Security Act 1973, and the contracting out provision of The Social Security Pension Act 1975, and all previous supplementary deeds.

### Management of the Scheme

The overall management of the Scheme is vested in the Trustees whose names appear on page 1 of this report. The Trustees are appointed and may be removed by the University in accordance with provisions of the Trust Deed. University Trustees are the holders of the offices specified in the Trust Deed and cease to be Trustees on resignation from those offices. Member Trustees are elected triennially by a ballot of members and cease to be Trustees on the day prior to the third anniversary of their appointment, or by resignation prior to that date. The Scheme administration is performed by the Finance Department of the University.

The Trustees are responsible for the administration and investment policy of the Scheme. The Trustees met four times in the year, and attendance of the meetings is as follows:

Trustee	Number of meetings attended
Dr M Bateman – Chairman	1/1
Mr A Gosden – Chairman	3/3
Mr M S Killingley – University Trustee	3/4
Ms S Pook – University Trustee	3/4
Prof. J Falkingham – University Trustee	3/4
Mr D Lynock – Member Trustee	3/4
Mr A Dolby – Member Trustee	0/1
Mrs J Shaw – Member Trustee	3/3
Mr N Burr – Pensioner Trustee	4/4

# **UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF**

## **REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2015 (Continued)**

### **Statement of Trustees' responsibilities**

The financial statements, which are prepared in accordance with the UK Generally Accepted Accounting Practice, are the responsibility of the trustees. Pension scheme regulations require the trustees to make available to the scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of 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 the Schedule of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement as to whether the financial statements 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 any estimates and judgements on a prudent and reasonable basis.

The trustees are also responsible for making available certain other information about the scheme in the form of an annual report.

The 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 trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions, the scheme rules and recommendations of the actuary. 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.

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.

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

## REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2015 (Continued)

### The sponsoring employer

The University of Southampton  
University Road  
Highfield  
Southampton SO17 1BJ

### Financial development of the Scheme

The financial statements have been prepared and audited in compliance with regulations under Section 41(1) and (6) of the Pensions Act 1995.

### Pensions payable

In accordance with the Scheme rules, pensions are increased annually in line with the Pensions Increase Act 1971. With effect from 1 April 2015 the following increases were made to pension payable and deferred provision based on CPI as at September 2014, which replaced the previous methodology of using RPI.

Pensions in course of payment for benefits accrued to end September 2010	1.2%
Pensions in course of payment for benefits accrued to after 1 October 2010	1.2%
Deferred pensions	1.2%

Pension increases are made at the discretion of the Trustees and University of Southampton where pensions commenced to be paid prior to 1 April 1987.

Revaluation of deferred pensions only apply where a member left after 1 January 1986. In these cases, the following rules apply:

- For leavers between 1 January 1986 and 31 December 1990: Revaluation can be back-dated to 1 January 1985.
- For leavers after 1 January 1991: Revaluation is calculated on all pensionable service.

Deferred pensions for members who left before 1 January 1986 are not subject to any revaluation.

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

## SCHEME FOR NON ACADEMIC STAFF

### REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2015

(Continued)

#### Actuarial status of the Scheme

The last full actuarial valuation was performed by Barnett Waddingham LLP as at 31 July 2012. The valuation indicated that on the basis of existing contribution rates the scheme was in deficit. As a consequence of the Scheme being in deficit the Trustees agreed to a long term recovery plan effective from 26 April 2013, whereby the funding shortfall is expected to be eliminated by 31 August 2022. The next full actuarial valuation will be effective from 31 July 2015 and is currently being carried out by the Scheme Actuary, Paul Hamilton of Barnett Waddingham LLP.

#### Scheme membership

	<u>2015</u>	<u>2014</u>	
<u>Active members</u>	<u>Number</u>	<u>Number</u>	
Active members at the beginning of the year	1,973	1,691	
Adjustment to previous year balance	(7)	177	
New members joining	369	467	
Members retiring	(27)	(30)	
Deaths in service	(4)	(1)	
Members leaving prior to pensionable age	(292)	(238)	
Members leaving with refunds	(49)	(87)	
Transfers out	(2)	(6)	
	1,961	1,973	
<u>Pensioners</u>			
Pensioners at the beginning of the year	1,309	1,273	
Adjustment to previous year balance	15	(1)	
Members retiring	27	30	
Deferred pensioners reaching pensionable age	31	27	
Spouses and dependants	6	14	
Pensioners who died during the year	(27)	(34)	
	1,361	1,309	
<u>Deferred Pensioners</u>			
Deferred pensioners at the beginning of the year	1,967	1,910	
Adjustment to previous year balance	77	(141)	
Deferred pensioners during the year	292	238	
Deferred pensioners reaching pensionable age	(31)	(27)	
Deferred pensioners taking refunds/ transfers/trivial pensions	(87)	(13)	
	2,218	1,967	
Total membership as at 31 July	<u>5,540</u>	<u>5,249</u>	

During the ongoing data integrity and cleansing exercise a number of Active, Pensioner and Deferred member records were identified as having been excluded from the 2014 statistics. Adjustments to the previous year balance have been included in the 2015 statistics in order to correct the position as at 31<sup>st</sup> July 2015.

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

## SCHEME FOR NON ACADEMIC STAFF

### INVESTMENT REPORT

The Scheme investments are in accordance with the Occupational Pensions Scheme (Investment of Scheme's Resources) Regulations 1996. There were no employer-related investments held at any time during the year.

A statement of investment principles has been produced as required by Section 35 of the Pensions Act 1995, and is available on request.

There are written agreements in place between the trustees of each of the scheme advisors listed on page 1 of this report and also with the Principal Employer. The investment managers appointed on behalf of the Trustees to manage funds under section 34(4) of the Pensions Act 1995 are appropriately authorised under the Financial Services Act 1986 to manage investments or are specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated to them.

#### **Investment managers**

The management of the investment assets of the Scheme has been delegated by the Trustees to BlackRock Investment Management, Longview Partners (Guernsey) Limited, Barings Asset Management and Newton Investment Management, who have full responsibility for the day to day affairs of the Scheme. The Investment Managers are remunerated on a fee basis which is based on the value of the Scheme's assets managed by each manager as follows:

#### BlackRock Investment Management

Investments held by BlackRock in the Absolute Return Bonds Fund are charged at 0.5% per annum. The 10% performance fee previously charged on outperformance of the Fund's benchmark was removed, effective 1 January 2015.

Investments held by BlackRock in the Property Fund are charged a management fee of 1.0% per annum.

All other investments are charged as follows (based on the market value of assets at the quarter end):

- 0.70% pa on first £10 million
- 0.50% pa on next £10 million
- 0.35% pa on balance in excess of £20 million



# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

## SCHEME FOR NON ACADEMIC STAFF

### INVESTMENT REPORT (Continued)

#### Longview Partners

All investments are subject to fees, which are calculated quarterly, based on the average value of the Scheme's asset as at the end of the previous three months:

- First £25m                      0.75%
- Next £25m                      0.65%
- Next £75m                      0.60%
- Next £125m                    0.50%
- Thereafter                      0.40%

#### Barings Asset Management

0.55% pa on assets held in the Dynamic Asset Allocation Fund, which is deducted directly from the pooled fund and therefore incorporated into the unit price.

#### Newton Investment Management

0.75% pa on assets held in the Real Return Fund, which is deducted directly from the pooled fund and therefore incorporated into the unit price.

#### **Review of investment performance**

BlackRock manage a portfolio in accordance with the guidelines provided by the Trustees. In the case of the equity portfolios, held with BlackRock and Longview Partners, direct investment in tobacco companies has been excluded. Other than these restrictions, the Scheme's managers have full discretion to invest on a worldwide basis.

The policy followed reflects the investment objectives of meeting the Scheme's long term commitment to provide pensions and other benefits in the future. The Trustees have produced a Statement of Investment Principles as required by section 35 of the Pension Act 1995 and a copy is available on request.

A summary of the Scheme's performance over the last five calendar years as well as the first six months of 2015 is given below. The table shows the returns achieved by each investment manager and the aggregate return of the Scheme. All performance returns are shown net of fees, with the exception of BlackRock which is shown gross of fees. Since 1 April 2003 the Scheme has been using a composite benchmark, tailored to its long term strategy.

**UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE  
SCHEME FOR NON ACADEMIC STAFF**

**INVESTMENT REPORT (Continued)**

	BlackRock	Barings <sup>#</sup>	Legal & General	Newton <sup>#</sup>	Longview <sup>*</sup>	PASNAS Total	Benchmark
	%	%	%	%	%	%	%
2015 (6 mths)	2.1	3.7	-	0.9	4.8	2.8	1.8
2014	10.6	4.3	-	3.2	16.8	10.8	8.8
2013	13.2	7.9	-	5.7	5.4	12.4	10.3
2012	10.8	5.5	-	4.4	-	9.2	8.6
2011	-2.6	3.3	-	2.1	-	2.0	4.0
2010	14.3	-	14.6	-	-	13.9	13.1

<sup>#</sup> Baring's and Newton's performance during 2011 shown for the period invested since 31 January 2011.

<sup>\*</sup> Longview's performance during 2013 shown from the period invested since 26 July 2013.

Over the 12 months to 30 June 2015, all asset classes generated positive returns and the overall portfolio performance was strong. Performance was driven by positive returns from global equity markets and falling gilt yields, the latter being particularly pronounced during the second half of 2014.

The best performer in absolute terms was the global equity portfolio (+20%) managed by Longview Partners, which produced significant outperformance over its global equity benchmark (+10%). The Scheme's UK equity portfolio (+8%) managed by BlackRock also produced returns significantly ahead of its benchmark (+3%). Other notable contributors were index linked gilts (+16%) and UK property (+14%), both managed by BlackRock. Returns from the Scheme's absolute return managers, Barings and Newton, were positive but as expected from this type of mandate, failed to keep pace with returns from equities markets.

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

## SCHEME FOR NON ACADEMIC STAFF

### INVESTMENT REPORT (Continued)

#### Analysis of investments

At 31 July 2015 the investment managers had invested the investment assets of the Scheme as follows:

	<u>2015</u>	<u>2014</u>
	£000	£000
Managed Funds UK – Fixed interest securities	6,957	7,153
Managed Funds UK – Index linked securities	24,260	19,834
Equities – UK quoted	47,082	41,252
– UK unquoted	3	3
– Overseas quoted	39,666	30,651
Managed Funds (investment and unit trusts)	8,461	7,486
Absolute Return Funds	41,072	38,016
Cash deposits	1,483	2,840
	<u>168,984</u>	<u>147,235</u>

The investment assets held by each investment manager as at 31 July 2015:

	<u>2015</u>	<u>2014</u>
	£000	£000
BlackRock Investment Management	89,422	78,273
Longview	46,462	37,938
Barings Asset Management	13,854	13,003
Newton Investment Management	19,246	18,021
	<u>168,984</u>	<u>147,235</u>

#### Analysis of investment portfolio as at 31 July 2015

	<u>2015</u>	<u>2014</u>
	%	%
<b>BlackRock</b>		
Managed funds UK - fixed interest securities	7.8	9.1
Managed funds UK - index linked securities	27.0	25.3
Equities	45.4	45.7
Absolute return bond funds	9.5	8.9
Managed funds (unit and investment trusts)	8.9	9.6
Cash deposits	1.4	1.4
	<u>100.0</u>	<u>100.0</u>
<b>Longview</b>		
Equities	99.4	95.3
Cash deposits	0.6	4.7
	<u>100.0</u>	<u>100.0</u>
<b>Barings</b>		
Absolute return bond funds	100.0	100.0
	<u>100.0</u>	<u>100.0</u>
<b>Newton</b>		
Absolute return bond funds	100.0	100.0
	<u>100.0</u>	<u>100.0</u>

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

## SCHEME FOR NON ACADEMIC STAFF

### INVESTMENT REPORT (Continued)

#### Significant investments

Excluding UK equities, the eight largest holdings represent 71.88% of the total market value of assets held as at 31 July 2015 (last year's rankings are shown in brackets)

	£000	Percentage of Fund %
1 Longview North America (1)	34,352	20.51
2 BlackRock UK Index Linked Securities (2)	24,260	14.48
3 Newton Real Return (3)	19,246	11.49
4 Baring Dynamic Asset Allocation Fund (4)	13,854	8.27
5 BlackRock Property Fund (5)	8,461	5.05
6 BlackRock Absolute Return Bond Fund (7)	7,972	4.76
7 BlackRock UK Fixed Interest Securities (6)	6,957	4.15
8 Longview Europe (8)	5,314	3.17
	<u>120,416</u>	<u>71.88</u>

#### Analysis of investments by market sector (BlackRock & Longview)

The analysis of worldwide quoted equity and managed funds holdings by market sector, based on market values as at 31 July 2015, is as follows:

	<u>2015</u> £000	<u>2014</u> £000
<u>Capital Goods:</u>		
Building, Electronics, Motors, Other Industrial Materials, IT	22,019	13,688
<u>Consumer and Services group:</u>		
Brewers, Leisure, Stores, Food, Media, Printing, Transport	36,442	33,321
<u>Financial group:</u>		
Banks, Insurance, Property	28,113	22,224
<u>Other groups:</u>		
Oil, Gas, Electricity, Chemical, Water and Telephones	8,635	10,156
	<u>95,209</u>	<u>79,389</u>

#### Geographical analysis of investment

(based on market value of funds excluding absolute return funds and cash as at 31 July 2015)

	<u>2015</u> £000	<u>2014</u> £000
Europe	5,314	4,673
North America	34,352	25,978
UK	86,763	75,727
	<u>126,429</u>	<u>106,378</u>

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

## INVESTMENT REPORT (Continued)

### Custodial arrangements

The custodians are The Bank of New York Mellon (BlackRock, Longview & Newton) and Northern Trust Fiduciary Services (Ireland) Limited (Barings). They are responsible for retaining all documentation in relation to assets held by the scheme.

### Further information

Further disclosures required by legislation are made in the Compliance Statement.

### Trustees

  
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# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

## CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

**Name of scheme**        The University of Southampton Pension and Assurance Scheme for  
Non Academic Staff

### **Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of the contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected, on 31 July 2012, to be met by the end of the period specified in the Recovery Plan dated 26 April 2013.

### **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 26 April 2013.

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.

<b>Signature:</b>		<b>Date:</b>	26 April 2013
<b>Name:</b>	Jon Bridger	<b>Qualification:</b>	Fellow of the Institute of Actuaries
<b>Address:</b>	St. James' House St. James' Square Cheltenham GL50 3PR	<b>Name of Employer:</b>	Barnett Waddingham LLP

# **UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE**

## **SCHEME FOR NON ACADEMIC STAFF**

### **Independent Auditor's Report to the Trustees of the University of Southampton Pension and Assurance Scheme for Non Academic Staff**

We have audited the financial statements of University of Southampton Pension & Assurance Scheme for Non Academic Staff for the year ended 31 July 2015 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 3, the Scheme's Trustees are responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Scheme's Trustees as a body in accordance with The Occupational Pension Schemes (Requirement 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 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.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on the financial statements**

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 July 2015, 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

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

## SCHEME FOR NON ACADEMIC STAFF

### Independent Auditor's Report to the Trustees of the University of Southampton Pension and Assurance Scheme for Non Academic Staff (Continued)

- Contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

*Mazars LLP*

**Mazars LLP**

Chartered Accountants and Statutory Auditor

8 New Fields  
2 Stinsford Road  
Nuffield  
Poole  
Dorset  
BH17 0NF

Date *24 February 2016*



**UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE**  
**SCHEME FOR NON ACADEMIC STAFF**

**FUND ACCOUNT FOR THE YEAR ENDED 31 JULY 2015**

	<u>Notes</u>	<u>2015</u> £000	<u>2014</u> £000
<b>CONTRIBUTIONS AND OTHER INCOME</b>			
Contributions receivable	2	9,110	8,590
Transfers in from other schemes	3	616	582
Other income	4	224	27
		<u>9,950</u>	<u>9,199</u>
<b>BENEFITS AND OTHER PAYMENTS</b>			
Benefits payable	5	6,323	5,823
Payments to and on account of leavers	6	677	401
Other payments	7	171	134
Administration expenses	8	519	356
		<u>7,690</u>	<u>6,714</u>
<b>NET CONTRIBUTIONS FROM DEALING WITH MEMBERS</b>		<u>2,260</u>	<u>2,485</u>
<b>INVESTMENT RETURN</b>			
Investment income	9	2,843	2,581
Change in market value of investments	10	16,708	5,099
Investment management expenses		(649)	(613)
Custodian Fees		(56)	(44)
		<u>18,847</u>	<u>7,023</u>
<b>NET RETURN ON INVESTMENTS</b>		<u>18,847</u>	<u>7,023</u>
<b>NET INCREASE IN THE FUND DURING THE YEAR</b>		<b>21,107</b>	<b>9,508</b>
<b>NET ASSETS AT 1 AUGUST</b>		<b>148,578</b>	<b>139,070</b>
<b>NET ASSETS AT 31 JULY</b>		<u><b>169,684</b></u>	<u><b>148,578</b></u>

The notes on pages 17 to 23 form part of these financial statements.

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

## SCHEME FOR NON ACADEMIC STAFF


### NET ASSETS STATEMENT AS AT 31 JULY 2015


	<u>Notes</u>	<b>2015</b> <b>£000</b>	<b>2015</b> <b>£000</b>	2014 £000	2014 £000
<b>INVESTMENT ASSETS</b>	<b>10</b>		<b>169,120</b>		<b>147,393</b>
<b>CURRENT ASSETS</b>					
Debtors	11	<b>325</b>		608	
Cash		<b>559</b>		<b>621</b>	
		<b>884</b>		<b>1,229</b>	
<b>CURRENT LIABILITIES</b>	<b>12</b>	<b>(320)</b>		<b>(44)</b>	
<b>NET CURRENT ASSETS</b>			<b>564</b>		<b>1,185</b>
<b>NET ASSETS OF THE SCHEME</b>			<b>169,684</b>		<b>148,578</b>

The notes on pages 17 to 23 form part of these financial statements.

The financial statements summarise the transactions and net assets of the Scheme. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the scheme year are not dealt with in the financial statements. The actuarial position of the fund, which does take account of such liabilities, is dealt with in the statement by the actuary on page 12 of the report and these financial statements should be read in conjunction with it.

The accounts were approved by the Trustees on 16 FEB 2016, and signed on their behalf by:

  
-----  
Trustee

  
-----  
Trustee

# **UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF**

## **NOTES TO THE ACCOUNTS – 31 JULY 2015**

### **1 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, revised May 2007, Financial Reports of Pension Schemes.

#### **Contribution income**

Ordinary contributions in respect of wages and salaries earned in the financial year are included on an accruals basis at rates agreed between the Trustees and the participating employers for the period and as recommended by the consultant actuary. Special contributions from the participating employers and additional voluntary contributions are accounted for when receivable.

#### **Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Scheme. All the values were based on methods and assumptions determined by the consultant actuary advising the Trustees.

#### **Investment income**

Income from investments is accounted for when receivable. Dividends and interest are grossed up for the amount of any taxation recoverable.

#### **Benefits payable**

Benefits payable represent all valid benefit claims in respect of the scheme year and are accounted for when paid.

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

## NOTES TO THE ACCOUNTS – 31 JULY 2015 (Continued)

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

#### Investments

Investments are included in the net assets statement at their market values at the year end, which are determined as follows:

UK listed equities, foreign securities and listed equities quoted on a recognised stock exchange are stated at bid values ruling at the year end.

Investments traded through the Stock Exchange Electronic Trading Service, “SETS”, are valued on the basis of the latest trade price.

Unit trusts and managed fund investments are stated at the latest bid prices quoted by the trust and fund managers at the year end.

Unlisted UK equities and unlisted foreign securities are stated at the Trustees’ valuation, based on the advice of the Scheme’s investment managers.

Realised and unrealised capital gains and losses are dealt with in the fund account in the year in which they arise.

Investments denominated in foreign currencies are translated at exchange rates ruling at the year end, and any surpluses or deficits arising from foreign currency movements are dealt with as part of realised and unrealised investment gains and losses.

#### Investment management expenses

The investment managers are remunerated on a formula based on the valuation of the fund each quarter. Specific details are disclosed within the Investment Report.

### 2 CONTRIBUTIONS RECEIVABLE

	2015 £000	2014 £000
<b>Employee</b>		
Ordinary contributions	338	319
Additional voluntary contributions	83	69
	421	388
<b>Employer</b>		
Ordinary contributions	6,608	6,237
Employer contributions arising from member salary sacrifice	2,081	1,965
<b>Total contributions</b>	<b>9,110</b>	<b>8,590</b>

# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

## NOTES TO THE ACCOUNTS – 31 JULY 2015 (Continued)

### 2 CONTRIBUTIONS RECEIVABLE (Continued)

Contribution rates during the year were as follows:

By members –	6.35%
By employers –	17.25%

Please note that the above rates were implemented on 1<sup>st</sup> August 2012. In July 2008 the University implemented a salary sacrifice scheme relating to employee pension contributions. These payments are separately disclosed as employer contributions arising from member salary sacrifice.

#### Additional voluntary contributions

Additional voluntary contributions from members, as shown above, represent contributions made to purchase added years or additional defined benefits under the provision of the principal scheme and are included in the revenue account. Assets acquired with these contributions are included in the net assets statement.

### 3 TRANSFERS IN

	2015	2014
	£000	£000
Individual transfers in from other schemes	616	582

### 4 OTHER INCOME

	2015	2014
	£000	£000
Life assurance benefits	224	27

### 5 BENEFITS PAYABLE

	2015	2014
	£000	£000
Pension payments to retired members	5,107	4,863
Commutation of pensions	1,068	896
Death in service – benefits	136	27
Death in service – refunded contributions	12	37
	6,323	5,823

**UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE  
SCHEME FOR NON ACADEMIC STAFF**

**NOTES TO THE ACCOUNTS – 31 JULY 2015 (Continued)**

**6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	<u>2015</u>	<u>2014</u>
	£000	£000
Refunds to members leaving service	11	4
State scheme premiums	9	6
Individual transfers out to other schemes	<u>657</u>	<u>391</u>
	<u>677</u>	<u>401</u>

**7 OTHER PAYMENTS**

	<u>2015</u>	<u>2014</u>
	£000	£000
Group life assurance premiums	<u>171</u>	<u>134</u>

Related claims under these policies are included within 'other income' above.

**8 ADMINISTRATION EXPENSES**

	<u>2015</u>	<u>2014</u>
	£000	£000
Expenses borne by the scheme comprise:		
Investment advisors fees (including actuarial fees)	112	56
Audit fees	19	11
Staff costs (recharged by the University)	123	80
Pension Protection Fund (PPF) Levy	217	184
Other scheme expenses	<u>48</u>	<u>25</u>
	<u>519</u>	<u>356</u>

The University of Southampton provides day to day administration staff, the costs of which are recharged to the Scheme as noted above.

**9 INVESTMENT INCOME**

	<u>2015</u>	<u>2014</u>
	£000	£000
Income from UK fixed interest securities	308	407
Dividends from equities	2,112	1,791
Income from managed funds	417	383
Interest on cash deposits	6	-
	<u>2,843</u>	<u>2,581</u>

**UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE**  
**SCHEME FOR NON ACADEMIC STAFF**

**NOTES TO THE ACCOUNTS – 31 JULY 2015 (Continued)**

**10 INVESTMENT ASSETS**

	2015			2014				
	<u>UK</u> £000	<u>Overseas</u> £000	<u>ARF*</u> £000	<u>Total</u> £000	<u>UK</u> £000	<u>Overseas</u> £000	<u>ARF*</u> £000	<u>Total</u> £000
Managed Funds- Fixed interest securities	6,957	-	-	6,957	7,153	-	-	7,153
Managed Funds - Index linked securities	24,260	-	-	24,260	19,834	-	-	19,834
Equities:								
Quoted	47,082	39,666	-	86,748	41,252	30,651	-	71,903
Unquoted	3	-	-	3	3	-	-	3
Managed funds:								
Property	8,461	-	-	8,461	7,486	-	-	7,486
Other than property	-	-	41,072	41,072	-	-	38,016	38,016
	<u>86,763</u>	<u>39,666</u>	<u>41,072</u>	<u>167,501</u>	<u>75,728</u>	<u>30,651</u>	<u>38,016</u>	<u>144,395</u>
Cash deposits	1,203	280	-	1,483	2,479	361	-	2,840
Sub total	<u>87,965</u>	<u>39,946</u>	<u>41,072</u>	<u>168,984</u>	<u>78,207</u>	<u>31,012</u>	<u>38,016</u>	<u>147,235</u>
Income receivable	96	24	-	120	108	30	-	138
Withholding Tax recoverable	-	16	-	16	-	20	-	20
Total	<u>88,061</u>	<u>39,986</u>	<u>41,072</u>	<u>169,120</u>	<u>78,315</u>	<u>31,062</u>	<u>38,016</u>	<u>147,393</u>

\*Absolute Return Funds

**UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE  
SCHEME FOR NON ACADEMIC STAFF**

**NOTES TO THE ACCOUNTS – 31 JULY 2015 (Continued)**

**10 INVESTMENT ASSETS (Continued)**

**Reconciliation of investment assets (including cash deposits)**

	<u>2015</u> £000	<u>2014</u> £000
At 31 July 2014	147,235	135,752
Purchases at cost	39,721	81,487
Sales proceeds	(33,217)	(76,085)
Change in market value of investments (realised and unrealised)	16,708	5,099
Cash movement	(1,463)	982
At 31 July 2015	<u>168,984</u>	<u>147,235</u>

**Breakdown of change in market value of investments**

	<u>2015</u> £000	<u>2014</u> £000
BlackRock	7,510	2,779
Longview	7,796	1,675
Barings	852	254
Newton	550	391
	<u>16,708</u>	<u>5,099</u>

**11 DEBTORS**

	<u>2015</u> £000	<u>2014</u> £000
Amount owed by the University of Southampton	302	583
Other debtors	23	25
	<u>325</u>	<u>608</u>

All contributions due to the Scheme relate to the month of July 2015 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

**12 CURRENT LIABILITIES**

	<u>2015</u> £000	<u>2014</u> £000
Amounts owed to the University of Southampton	71	-
Accruals	249	44
	<u>320</u>	<u>44</u>



# UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

## NOTES TO THE ACCOUNTS – 31 JULY 2015 (Continued)

### 13 CONTINGENT LIABILITIES

Following the European Court of Justice's decision that part-time staff must be allowed to join an occupational pension scheme and the subsequent English case of Preston v Wolverhampton Healthcare NHS Trust, the Trustees have undertaken work to contact all part-time staff, past and present, and inform them of their rights.

The liability of the scheme which may arise has been quantified by the Trustees as follows:

Total claims outstanding	3
<b>Current members</b>	
	£
Contributions due	1,474
Future additional pension per annum (based on current salaries)	857
Future additional lump sum payable (based on current salaries)	2,561

There could be further claims lodged in the future by current members that may need to be settled. The Trustees are unable to quantify the number that may be involved or the relevant costs of potential claims.

**UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE  
SCHEME FOR NON ACADEMIC STAFF**

**COMPLIANCE STATEMENT**

**Tax and contracting-out status of Scheme**

The Scheme is approved as an “exempt approved scheme” under the terms of the Income and Corporation Taxes Act 1988 and to the Trustees’ knowledge there is no reason why such approval should be prejudiced or withdrawn. The Scheme is contracted out of the State Earnings Related Pension Scheme under a certificate issued by the Occupational Pensions Board.

**Cash equivalents**

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

# **UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF**

## **MEMBERS' INFORMATION**

Members can obtain information about their own pension benefits or further information about the scheme from the Pensions Office.

Copies of the Scheme's documentation are available for reference in the Pensions Office, Finance Department, Professional Services (George Thomas) Building.

### **Registrar of Occupational and Personal Pension Schemes**

The Registrar's main purpose is to provide a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

The Pension Tracing Service

The Pension Service

Whitley Road

Newcastle Upon Tyne

NE98 1BA

Tel: 0845 600 2537

Or visiting their website at [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

The information provided includes details of the address at which the trustees of a pension scheme may be contacted. This Scheme has been registered with the Registrar.

### **The Pensions Advisory Service (TPAS)**

Any concern connected with the Scheme should be referred to the Clerk to the Trustees, who will try to resolve the problem as quickly as possible. Members and beneficiaries of occupational pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with The Pensions Advisory Service (TPAS). A local TPAS advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively TPAS can be contacted at:

11 Belgrave Road

London SW1V 1RB

Telephone: 0845 601 2923

# **UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF**

## **MEMBERS' INFORMATION (Cont'd)**

### **The Pension Protection Fund Ombudsman (TPPFO)**

In cases where a complaint or dispute cannot be resolved, normally after the intervention of TPAS, an application can be made to the Pension Protection Fund Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

11 Belgrave Road  
London SW1V 1RB  
Telephone: 0207 630 2200

### **The Pensions Regulator (TPR)**

The Pensions Regulator (TPR) has the power to intervene where trustees of an occupational pension scheme, the employer or the professional advisors to the trustees have failed in their duties. TPR may be contacted at the following address: -

Napier House  
Trafalgar Palace  
Brighton  
BN1 4DW  
Telephone: 0845 600 0707

# **UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF**

## **Independent auditor's statement about contributions to the trustees of University of Southampton Pension and Assurance Scheme for Non Academic Staff**

We have examined the summary of contributions of University of Southampton Pension and Assurance Scheme for Non Academic Staff payable in respect of the scheme year ended 31 July 2015 to which this statement is attached.

### **Respective responsibilities of trustees and auditor**

As described 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 which sets out 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 report our opinion to you. This statement is made solely to the scheme's trustees, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our 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 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 and the scheme's trustees as a body, for our work, for this statement, or for the opinions we have formed.

### **Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached 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.

**UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE  
SCHEME FOR NON ACADEMIC STAFF**

**Independent auditor's statement about contributions to the trustees of  
University of Southampton Pension and Assurance Scheme for Non Academic  
Staff (Continued)**

**Statement about contributions payable under the schedule of contributions**

In our opinion the contributions for the scheme year ended 31 July 2015 as reported in the summary of contributions attached 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 scheme actuary on 26 April 2013.

*Mazars LLP*  
Mazars LLP  
Chartered Accountants and Statutory Auditor  
8 New Fields  
2 Stinsford Road  
Nuffield  
Poole  
Dorset  
BH17 0NF

*24 February 2016*

**UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE  
SCHEME FOR NON ACADEMIC STAFF**

**SUMMARY OF CONTRIBUTIONS**

During the year, the contributions paid to the Scheme under the Schedule of Contributions were as follows:

	£000
Employer normal contributions	6,608
Employer contributions arising from member salary sacrifice	2,081
Employee normal contributions	338
Employee additional voluntary contributions	83
<b>Total contributions</b>	<b><u>9,110</u></b>

Signed on behalf of the Trustees:



Date: 16/2/16

