

THE UNIVERSITY OF SOUTHAMPTON
PENSION AND ASSURANCE SCHEME
FOR NON-ACADEMIC STAFF

Trustees' Annual Report and Financial Statements

31 JULY 2024

Registered number: 10115084

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

ANNUAL REPORT - 31 JULY 2024

CONTENTS	Page
Trustees and Independent Advisers	1 - 2
Report of the Trustees	3 - 22
Implementation Statement	23 - 34
Independent Auditor's Report	35 - 38
Fund Account	39
Statement of Net Assets (available for benefits)	40
Notes to the Financial Statements	41 - 52
Independent Auditor's Statement about Contributions	53 - 54
Summary of Contributions	55
Certification of Schedule of Contributions	56
Report on Actuarial Liabilities (forming part of the Trustees' Report)	57 - 58

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

TRUSTEES AND INDEPENDENT ADVISERS

Chairman

Mr A Gordon

University Trustees

Ms A Sitton

Ms J Fielder (resigned 29 February 2024)

Mrs A Jarvis (appointed 01 May 2024)

Employer Trustee

Ms S Pook (resigned 17 November 2023)

Ms L Colquhoun

Active Member Trustees

Mrs J Shaw (resigned 3 October 2023)

Mr A Dolby

Mrs N Gravett (appointed 13 October 2023)

Independent Trustee

Mrs J Devine

Clerk to the Trustees

Mrs C Johnson

Administration Office

Finance Department

University of Southampton

Highfield

Southampton, SO17 1BJ

Enquiries

Finance Department

University of Southampton

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Southampton, SO17 1BJ

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Actuary

Mr P Hamilton

Barnett Waddingham LLP

St James's House, St James's Square

Cheltenham, GL50 3PR

Independent auditor

Cooper Parry Group Limited

Sky View

Argosy Road

East Midlands Airport

Castle Donington

Derby, DE74 2SA

Bankers

Lloyds Bank Plc

PO Box 1000

Andover

BX1 1LT

Solicitors

Squire Patton Boggs (UK) LLP

Rutland House

148 Edmund Street

Birmingham, B3 2JR

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

TRUSTEES AND INDEPENDENT ADVISERS (continued)

Investment Adviser

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

Investment Managers

Artemis Investment Management LLP
Cassini House
57 St James's Street
London, SW1A 1LD

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

Fidelity Investment Services Limited
Oakhill House
130 Tonbridge Road
Hildenborough, TN11 9DZ

M&G Investment Management Limited
10 Fenchurch Avenue
London, EC3M 5AG

Northern Trust International Fund Administration Services (Ireland) Limited
Georges Court
54 - 62 Townsend Street
Dublin 2
Ireland, D02 R156

Schroder Investment Management Limited
1 London Wall Place
London, EC2Y 5AU

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024

The Trustees are pleased to present their annual report and audited financial statements of The University of Southampton Pension and Assurance Scheme for Non-Academic Staff (“the Scheme”) for the year ended 31 July 2024.

The Scheme

The Scheme was established as a defined benefit scheme 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 August 2012 incorporating the preservation requirements of The Social Security Act 1973, The Social Security Pension Act 1975, and all previous supplementary deeds.

Under the AVC Added Years option, members were able to purchase additional years benefits, to be combined with benefits arising due to years’ service. The option for members to pay additional voluntary contributions to secure additional benefits is no longer available, but continues for existing members who opted for this. Members are able to fund their contributions by salary sacrifice.

The University of Southampton (“the University”), after thorough consideration of a number of options, closed the Pensions and Assurance Scheme for Non-Academic Staff to new members from 1 January 2019.

Eligible staff joining the University since this date have the opportunity to join a defined contribution scheme.

Changes to the Scheme

A triennial review was completed as at 31 July 2021 and the recovery plan has been based on the Scheme changes with a decrease in deficit contributions from the University from 1 January 2023. A triennial review as at 31 July 2024 is currently underway.

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. The removal of a Member-nominated Trustee requires the agreement of all the Trustees and must be recorded in a Deed of Removal. In accordance with the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for member elected Trustees. The Scheme’s Trustee selection process provides for at least one third of the Trustees to be nominated by Scheme members. 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 UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Management of the Scheme (continued)

Trustees are responsible for the administration and investment policy of the Scheme. There were five Trustee meetings during the year and attendance at the meetings was as follows:

Trustee	Number of Trustee meetings attended
Mr A Gordon - Chairperson	5/5
Ms A Sitton – University Trustee	5/5
Ms J Fielder - University Trustee	3/3
Mrs A Jarvis – University Trustee	2/2
Ms S Pook – Employer Trustee	2/2
Ms L Colquhoun - Employer Trustee	3/5
Mrs J Shaw – Member Trustee	0/0
Mr A Dolby - Member Trustee	5/5
Mrs N Gravett – Member Trustee	2/5
Mrs J Devine – Independent Trustee	4/5

Statement of Trustees' responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustees. Pension Scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

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

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

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

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

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Statement of Trustees' responsibilities (continued)

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the Members.

The principal employer

The University of Southampton
University Road
Highfield
Southampton
SO17 1BJ

Financial development of the Scheme

The financial statements of the Scheme for the year ended 31 July 2024 are set out on pages 39 to 52; the Trustees' Summary of Contributions and the Auditor's statement about contributions are set out on pages 53 to 55. The financial statements have been prepared and audited in accordance with the regulations made under section 41(1) and (6) of the Pensions Act 1995. They show that the value of the fund increased from £208.9m at 31 July 2023 to £215.8m at 31 July 2024.

Schedule of Contributions

The Schedule of Contributions was agreed and certified by the Scheme Actuary on 28 October 2022.

Under the Schedule of Contributions certified by the Scheme Actuary on 28 October 2022, contribution rates from 1 January 2023 to 31 March 2031 are as follows:

By members	7.2%
By employers – deficit	£625k per annum
By employers – insurance and administration expenses	£400k per annum
By employers – normal	15.6%

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

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 2024 the following increases were made to pensions payable and deferred provision based on CPI as at September 2023.

Pensions in course of payment for benefits accrued to end September 2010	6.7%
Pensions in course of payment for benefits accrued to after 1 October 2010	2.5%

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. No discretionary pension increases were made during the financial year.

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 backdated to 1 January 1985; and
- 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.

Actuarial status of the Scheme

The last full actuarial valuation was carried out by Barnett Waddingham LLP as at 31 July 2021 and finalised on 28 October 2022.

The actuarial valuation of the Scheme as at 31 July 2021 revealed a funding shortfall of £56.5m. To eliminate this funding shortfall, the Trustees and University of Southampton (the Employer) have agreed that additional contributions will be paid to the Scheme by the Employer as follows:

- From 1 November 2022 to 31 December 2022: £2,000,000 per annum to be paid towards the Scheme in equal monthly instalments on or before the nineteenth day of the calendar month following that to which the payment relates.
- From 1 January 2023: £625,000 per annum, to be paid in monthly instalments towards the Scheme on or before the nineteenth day of the calendar month following that to which the payment relates.

The funding shortfall is expected to be eliminated in 9 years and 8 months from 31 July 2021, which is by 31 March 2031.

The next full actuarial valuation will be due as at 31 July 2024 and is currently in progress.

Further detail on the actuarial status of the Scheme is detailed in the Report on Actuarial Liabilities (pages 57 to 58).

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Scheme membership

	2024	2023
Active members		
Active members at the beginning of the year	965	1,117
Adjustment to previous year balance	(3)	(38)
Members retiring	(26)	(22)
Death in service	(2)	(4)
Members leaving prior to pensionable age	(68)	(88)
	866	965
Pensioners		
Pensioners at the beginning of the year	1,688	1,650
Adjustment to previous year balance	(3)	-
Active members retiring	24	22
Flexible to full retirement	2	-
Deferred pensioners retiring	56	39
Spouses and dependants	25	21
Pensioners who died during the year	(52)	(44)
	1,740	1,688
Deferred Pensioners		
Deferred pensioners at the beginning of the year	2,685	2,604
Adjustment to previous year balance	1	40
Deferred pensioners during the year	68	88
Deferred pensioners retiring	(56)	(39)
Deferred pensioners taking refunds/ transfers/trivial pensions	(7)	(7)
Deferred pensioners who died in the year	(3)	(1)
	2,688	2,685
Total membership as at 31 July	<u>5,294</u>	<u>5,338</u>

The adjustments shown above are the result of retrospective updating of member records.

Investment performance and management

The Scheme investments are held 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 (SIP) has been produced that meets the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and incorporates changes as required by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Investment performance and management (continued)

The SIP is available on request and is hosted online here:

<https://www.southampton.ac.uk/~assets/doc/finance/pasnas-statement-of-investment-principles.pdf>

The Trustees review the SIP at least once every three years, and after any significant change in investment strategy. The Employer, the appointed Investment Consultant, and the appointed Scheme Actuary are consulted during any reviews of the SIP. The SIP was last reviewed and updated in October 2023.

There were no significant departures from the stated principles during the year under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

There are written agreements in place between the Trustees and each of the Scheme advisers listed on pages 1 and 2 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.

The Trustees have given their investment managers discretion when evaluating environmental, social and governance (ESG) issues and in exercising right and stewardship obligations attached to the Scheme's investments. The Trustees also implement the following restrictions on investments:

- investments in the Artemis Global Select Fund exclude companies who derive more than 5% of their revenue from tobacco producers;
- investments in the Newton Sustainable Real Return Fund excludes companies whose industry is classified as 'Tobacco' as well as other stocks which fail to meet their strict ESG criteria; and
- investments in the Northern Trust World Green Transition Index Fund aims to closely match the risk and return characteristics of the MSCI World Custom ESG Climate Series A Index. This index excludes companies not considered to meet its sustainability and ESG principles, including tobacco companies.

Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. Where relevant, equity managers who are regulated by appropriate UK (or other relevant) authorities are expected to report on their adherence to the UK Stewardship Code on an annual basis.

The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Trustees monitor this activity within the Implementation Statement produced alongside the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Investment performance and management (continued)

Investment managers

The Trustees delegates the task of day-to-day investment management to external professional investment managers. The management of the investment assets of the Scheme has been delegated by the Trustees to BlackRock Investment Management Limited (“BlackRock”), Newton Investment Management Limited (“Newton”), Artemis Investment Management LLP (“Artemis”), Fidelity Investment Services Limited (Fidelity), Federated Hermes Investment Management Limited (“Hermes”), M&G Investment Management Limited (“M&G”), Columbia Threadneedle Investments Limited (“Threadneedle”), Northern Trust International Fund Administration Services (Ireland) Limited (“Northern Trust”) and Schroder Investment Management Limited (“Schroders”). 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

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

Artemis

0.50% pa on closing net asset value of investments held at the end of each quarter, which is invoiced quarterly.

Fidelity

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

Newton

0.75% pa on assets held in the BNY Mellon Sustainable Real Return Fund, which is deducted directly from the pooled fund and therefore incorporated into the unit price. Newton is reported as part of the Schroders portfolio.

Hermes

0.65% pa on assets held in the Unconstrained Credit Fund which is deducted directly from the pooled fund and therefore incorporated into the unit price. Additionally, a cash rebate agreement is in place of 0.20%. Hermes is reported as part of the Schroders portfolio.

M&G

0.50% pa on assets held in the M&G Secured Property Income Fund, which is deducted directly from the pooled fund and therefore incorporated into the unit price.

Threadneedle

0.50% pa on assets held in the Columbia Threadneedle Dynamic Real Return Fund, which is deducted directly from the pooled fund and therefore incorporated into the unit price. Threadneedle is reported as part of the Schroders portfolio.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Investment managers (continued)

Northern Trust

0.07% pa on assets held in the Northern Trust World Green Transition Index Fund, which is deducted directly from the pooled fund and therefore incorporated into the unit price.

Schroders

Investments held in the Securitised Credit Pooled Fund have a 0.35% p.a. fee, which is deducted directly from the pooled fund and therefore incorporated into the unit price.

Investments held in the Sterling Liquidity Plus Fund have a 0.10% p.a. fee, which is deducted directly from the pooled fund and therefore incorporated into the unit price. Investments held in the Liability Driven Investment (LDI) portfolio have a 0.06% p.a. fee, which is based on the value of the liabilities hedged rather than the value of invested assets.

Review of investment performance

Reporting of investment performance is provided to 30 June 2024 and not 31 July 2024 as the investment managers only report on a quarterly basis. Over the year to 30 June 2024, the Scheme carried out the following transactions:

- In November 2023 and December 2023, the Scheme disinvested £1.0m from Artemis and £1.0m from the Schroders Liquidity Plus Fund in July 2023 in order to meet cashflow requirements.
- During the year, approximately £5.0m was transferred from the Scheme's collateral portfolio to the LDI portfolio as a result of an increase in gilt yields.
- In April 2024, Schroders moved c.£3.6m from the Schroders Securitised Credit Fund to top up the Sterling Liquidity Plus Fund as part of a regulatory change to increase the yield buffer in the LDI pool.
- In late May 2024, the Scheme disinvested £2.95m from Artemis and £1.8m from Northern Trust. The resulting monies (£3.8m) was invested in Threadneedle, in order to rebalance the equity and diversified growth portfolios to strategic benchmarks. £1.0m was kept in the Scheme bank account for cash flow purposes.
- In February 2024, Hermes announced their intention to merge the Hermes Multi Strategy Credit Fund into the Hermes Unconstrained Credit Fund. In June 2024, approximately £22.4m was switched from the Hermes Multi Strategy Credit Fund to the Hermes Unconstrained Credit Fund.

A summary of the Scheme's performance over the last five calendar years as well as the first six months of 2024 is given on the following page (with asset classes shown in brackets). The table shows the returns achieved by each investment manager and the aggregate return of the Scheme. The aggregate return allows for all transfers that happened during each period. All performance returns are shown net of fees. Since 1 April 2003 the Scheme has been using a composite benchmark, tailored to its long term strategy.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Review of investment performance (continued)

Fund	2024 % (6 months)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
BlackRock (Property)	1.2	-3.6	-10.0	16.2	-0.8	1.4
Artemis (Global Equities)	11.6	8.2	-10.5	18.7	17.7	26.8
Fidelity (Property)	0.5	-4.1	-10.0	20.2	-1.0	2.0
M&G (Property) ^[1]	1.7	0.8	-14.6	12.5	1.5	1.0
Newton (Multi-Asset) ^[2]	3.6	0.3	-10.9	7.6	9.8	11.6
Hermes (Credit) ^[3]	2.1	8.2	-10.7	1.2	3.1	11.0
Northern Trust (Global Equities) ^[4]	13.8	20.7	-13.0	20.3	-	-
Columbia Threadneedle (Multi-Asset) ^[5]	4.8	9.0	-7.5	2.3	-	-
Schroders (LDI Portfolio) ^[6]	-14.2	8.8	-84.3	53.2	-	-
Schroders (Credit) ^[6]	3.4	9.1	-1.2	0.5	-	-
Schroders (Cash) ^[6]	2.7	4.8	0.8	0.0	-	-
PASNAS Total	0.8	8.4	-35.4	13.9	6.4	14.3
Benchmark	1.3	10.2	3.3	14.1	8.2	11.5

Source: respective investment managers

[1] M&G's performance during 2019 is shown for the period invested since 1 November 2019.

[2] Newton's performance reflects the returns of the Real Return Fund until 4 December 2019, and the returns of the Sustainable Real Return Fund since 4 December 2019. Therefore the performance for 2019 is a combination of the two Funds.

[3] Hermes' performance in 2024 is up until the merger (25 June 2024). We have not included Hermes Unconstrained Credit Fund performance as the time frame is immaterial (four days).

[4] Northern Trust's performance during 2021 is shown for the period invested since 15 March 2021.

[5] Columbia Threadneedle's performance during 2021 is shown for the period invested since 23 June 2021.

[6] Schroder's performance during 2021 is shown for the period invested since 28 April 2021.

The overall portfolio delivered returns of 9.5%, -3.2% p.a. and -4.7% p.a. over the 12 months, 3 year and 5 year periods to 30 June 2024 respectively.

Over the 12 month period, all the Scheme's growth funds except for the Artemis Global Select Strategy and the three property funds performed in line with or outperformed their respective benchmarks. The growth portfolio returned 11.1% over this period, underperforming the composite benchmark return of 11.5%.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Investment strategy

The investment objective is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the Trust Deed and Rules as they fall due.

The Trustees set the investment strategy taking into account considerations such as the strength of the Employer covenant, the long-term liabilities and the funding agreed with the Employer. The Trustees also set the investment strategy taking into account considerations such as the strength of the Employer covenant, Environmental, Social and Governance (ESG) factors, the long-term liabilities of the Scheme and the funding agreed with the Employer.

In March 2024, the Trustees agreed to a full disinvestment from the BlackRock Property Fund, however the proceeds of this may not be available for a significant period of time. Upon settlement, the strategic asset allocation will need to be updated.

The investment strategy is set out in the Scheme's Statement of Investment Principles dated October 2023. As at the Scheme year-end, the target strategic asset allocation is below.

Mandate	Asset allocation	Managers
Global Equities	25.0%	Artemis Investment Management Northern Trust Corporation
Diversified Growth Funds	15.0%	Newton Investment Management Columbia Threadneedle Investments
Multi-Asset Credit	10.0%	Federated Hermes Investment Management
Property	15.0%	BlackRock Investment Management Fidelity International M&G Investments
Protection Assets (comprising Liability Driven Investment, Securitised Credit and Liquidity Plus Funds)	35.0%	Schroder Investment Management

The Trustees feel that the strategy set out above meets the objectives with an appropriate level of diversification, expected return and use of assets that are expected to reduce funding level volatility by moving in line with the change in estimated liability value.

Contributions paid by the Employer, not required for Scheme cashflow purposes, are invested with the Scheme's investment managers so as to move the Scheme back towards the central asset allocation benchmark.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Trustees' policies

Financially Material Considerations

The Trustees consider that factors such as ESG issues (including but not limited to climate change) across some asset classes and strategies will be financially material for the Scheme over the medium and long-term. The Scheme is still open to accrual and the Trustees have set objectives of achieving real investment returns over the medium and long-term and ensuring there are sufficient levels of cashflow available to meet known benefit outgo.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

- Selection of investments: Assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.
- Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- Realisation of investments: The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

Non-Financial Matters

The Trustees believe their duty is to act in the best financial interests of the Scheme's beneficiaries, and they have not made any specific provision themselves for social, environmental or ethical considerations to be taken into account, other than the exclusion of direct investment in tobacco companies.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Trustees' policies (continued)

Exercise of Voting Rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment adviser.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Stewardship

The Trustees' stewardship policy is implemented by focusing on three stewardship priorities, which have been chosen to reflect the best long-term interests of Scheme members. The Trustees have also confirmed that these priorities align closely with the University's own values. These three stewardship priorities are:

- Environment and Climate
- Diversity and Inclusion
- Strong Governance and Business Ethics

The Scheme's asset managers have been informed of these priorities. The Trustees will monitor the stewardship activity of the managers in these areas going forwards on an annual basis, by considering their voting and engagement activity in the implementation statement.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Custodial arrangements

The custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed holdings. Investments are held in the name of the custodians' nominee companies, in line with common practice for pension scheme investments. The Scheme does not have an appointed custodian and so custodial services are provided by the custodians of the pooled funds in which it invests.

Custodians appointed for the Scheme's investments are as follows:

- Bank of New York Mellon act as the custodian for the Scheme's holdings with Newton.
- J.P. Morgan Chase act as the custodian for the Scheme's holdings with Fidelity, BlackRock and Schroders.
- Northern Trust (London) Company act as the custodian for the Scheme's holdings with Northern Trust and Federated Hermes.
- Northern Trust Global Service act as the custodian for the Scheme's holdings with Artemis.
- Northern Trust (Guernsey) Limited act as the custodian for the Scheme's holdings with M&G.
- Citibank N.A. act as the custodian for the Scheme's holdings with Columbia Threadneedle.

Economic and market conditions over the year to 30 June 2024

In the 12-month period to 30 June 2024, the dominant economic factors have been persistently high, but falling, inflation and high interest rates. Inflation reached its highest rate since the early 1980's in both the UK and US during the second half of 2022, leading the Federal Reserve, Bank of England, and European Central Bank to raise interest rates to bring inflation under control. By 30 June 2024, inflation had fallen significantly, and markets were pricing in interest rate cuts in 2024. The ECB was the first major central bank to cut interest rates from 4.25% to 4.0% in June 2024.

US CPI inflation peaked in June 2022 at 9.1%, whilst UK and EU inflation reached a higher and later peak in October 2022, with UK CPI inflation reaching 11.1% and Eurozone inflation reaching 10.6%. This elevated level of inflation forced central banks to raise interest rates at the fastest pace in several decades and to reduce or reverse asset purchase programmes. By June 2023, interest rates had reached 5.00% (Bank of England), 5.0-5.25% (Federal Reserve) and 4.25% (ECB), their highest levels since the Global Financial Crisis.

Over 2023 inflation remained well above its target range in most major economies but had fallen significantly from its 2022 peak. In the US, inflation had already fallen to 3.0% in June 2023, whereas UK and Eurozone inflation also slowed sharply, but not until the final quarter of 2023. UK CPI fell from 7.9% in September to 4.0% in December and Eurozone inflation fell from 5.5% to 2.9% over the same period. As a result, central banks slowed the pace of interest rate rises, before reaching a plateau in the second half of 2023. Each of the three large central banks raised interest rates by 0.25% in the third quarter of 2023 and did not raise rates again for the rest of the period to 30 June 2024. While central banks continued to hold interest rates steady, markets began to price in aggressive rate cuts during the final quarter of 2023. As at December 2023 markets were pricing in approximately five 0.25% cuts to occur in both the US and UK over 2024. As a result, global yields fell. UK gilt yields fell across all terms, with the 10-year yield falling from 4.4% to 3.6% over the six months to 31 December 2023.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Economic and market conditions over the year to 30 June 2024 (continued)

Over 2024 inflation continued to fall in the UK and Eurozone, with UK inflation reaching the 2% target in May for the first time since July 2021. However, in the US, inflation rose to 3.5% by March and economic growth accelerated, with GDP growing by 3.1% over 2023 and remaining strong in the first half of 2024. While US inflation resumed its fall over the second quarter of 2024, falling back to 3% in June 2024, it remained higher than expected at the start of 2024. Combined with stronger growth this contributed to reduced market expectations for rate cuts over 2024, leading to a rise in global yields. For example, UK 10-year yields rose back to 4.2% by 30 June 2024. As at 30 June, markets expected two 0.25% interest rate cuts over 2024 from the Federal Reserve and the BoE and two further rate cuts from the ECB following their first rate cut at the start of June.

Falling inflation, coupled with strong US economic growth boosted market hopes for a “soft landing” in the global economy (where inflation falls back to target without a deep recession), helping global equities to rise by 21.2% over the period. The US market, which makes up approximately 60% of the global index, drove most of these gains, with technology stocks performing particularly well on the back of market optimism over the future of artificial intelligence. Japanese equities produced an even stronger return as inflation rose in an economy that has struggled with the risk of deflation for decades. As a result, the Bank of Japan was able to raise interest rates out of negative territory for the first time in eight years and the yen weakened to its lowest point against the US Dollar since 1986, boosting Japanese companies that rely on exports.

On 22 May 2024, Rishi Sunak called an early election due to be held on 4 July 2024. The market reaction was muted as a victory for the Labour party had been expected for some time. In contrast the unexpected French election called by Emmanuel Macron on 10 June caused more uncertain as markets priced in the risk that Marine Le Pen’s National Rally party could win a majority in the National Assembly. This caused European credit spreads to rise at the end of the period, although the result would not be known until 7 July 2024.

Over the year, all major central banks tightened monetary policy in response to significantly above target inflation.

- The Bank of England (BoE) raised the base rate from 5.00% to 5.25% over the year to 30 June 2024. In the September 2023 meeting, the Bank announced that it would increase the pace at which it will reduce the stock of gilts held on its balance sheet to £100 billion per year. Around half of this reduction will come from not reinvesting proceeds as bonds reach maturity and around half from active sales.
- The European Central Bank (ECB) raised its main lending rate from 4.25% to 4.50% in August 2023 but cut rates on the 12 June 2024 from 4.50% to 4.25%. The ECB decided to cease all reinvestment of the proceeds from the Asset Purchase Programme assets in July 2023.
- The Federal Reserve (The Fed) raised the Federal Funds Rate range from 5.00%-5.25% to 5.25%-5.50% over the year to 30 June 2024. Until May 2024, the Federal Reserve had partially halted reinvestment of the proceeds of maturing assets such that its balance sheet will shrink by \$60 billion per month. From June 2024 it reduced the pace at which its balance sheet will shrink to \$25 billion per month.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Economic and market conditions over the year to 30 June 2024 (continued)

Market Performance

The 12 months to 30 June 2024 saw strong positive returns across equities and bonds as yields fell, combined with high income yield and falling spreads. Property also produced a positive return over the period.

- Equities: Overall, global equities produced a positive return across all major regions. The FTSE All World rose by 21.2% over the year to 30 June 2024. The best performing region, in local currency terms, was Japan (+25.4%), and the worst performing region was Developed Asia Pacific excluding Japan (+8.9%).

The Scheme is exposed to global equities through its holdings in the Artemis Global Select Fund and the Northern Trust World Green Transition fund. The two funds performed broadly in line with the market and their respective benchmarks over the 12 months to 30 June 2024.

- Bonds: Over the year to 30 June 2024, UK gilt yields fell at shorter maturities and rose at maturities at longer maturities. UK fixed interest gilts (all stocks) produced positive returns (4.8%) and UK Index-Linked gilts (all stocks) delivered negative returns (-0.4%) as implied inflation fell over the year. UK corporate bond spreads (all stocks) tightened (-0.5%) over the year.

The Scheme is exposed to bonds through its holdings in the Schrodgers Securitised Credit Fund, Hermes Multi Strategy Credit Fund, Columbia Threadneedle Dynamic Real Return Fund and Newton Sustainable Real Return Fund. All these funds performed broadly in line with their respective benchmarks, with the exception of Columbia Threadneedle which outperformed its benchmark, over the year to 30 June 2024. The Scheme's investment in government bonds through the Schrodgers LDI funds performed broadly in line with their respective benchmarks over the year to 30 June 2024.

- Property: The MSCI UK All Property Index rose by 0.6% over the year to 30 June 2024

The Scheme is exposed to property through its holdings in the BlackRock UK Property Fund, Fidelity UK Real Estate Fund and the M&G Secured Property Fund. The property funds returned lower than their benchmarks over the period to 30 June 2024. The BlackRock and Fidelity property funds underperformed the broad index over the period to 30 June 2024. The M&G Secured Property Fund outperformed the broad index over the period to 30 June 2024.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Analysis of investments

At 31 July 2024 the investment managers had invested the investment assets of the Scheme as follows:

	2024	2023
	£000	£000
Managed Funds UK – Index linked securities	89,653	79,081
Managed Funds - Property	33,738	35,378
Multi Asset Credit Fund	24,935	22,667
Securitised Credit Fund	6,198	13,977
Absolute Return Fund	27,201	21,601
Global Select Fund	31,364	31,932
Liquidity fund	2,391	2,992
Cash deposits	109	89
Other investments	109	196
	<u>215,698</u>	<u>207,913</u>

The investment assets held by each investment manager as at 31 July 2024:

	2024	2023
	£000	£000
Artemis	31,364	31,932
BlackRock	10,236	10,739
Fidelity	14,885	15,893
M&G	8,617	8,746
Northern Trust	27,025	24,128
Schroder	123,353	116,189
	<u>215,480</u>	<u>207,627</u>

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Analysis of investments (continued)

The % of each class of asset held by each investment manager is shown below. This is included to indicate the distribution of assets with each investment manager.

	2024 %	2023 %
BlackRock		
Managed funds - property	99.5	99.6
Cash deposits	0.5	0.4
	<u>100.0</u>	<u>100.0</u>
	2024 %	2023 %
Artemis		
Global Select Fund	100.0	100.0
	<u>100.0</u>	<u>100.0</u>
	2024 %	2023 %
Schroder		
Managed funds	50.8	47.2
Multi Asset Credit Funds	20.2	19.5
Securitised Credit Funds	5.0	12.0
Absolute Return Funds	22.0	18.6
Liquidity funds	1.9	2.6
Cash deposits	0.1	0.1
	<u>100.0</u>	<u>100.0</u>

The Fidelity and M&G investments were held 100% in Managed Fund, Property at 31 July 2023 and 31 July 2024.

The Northern Trust investments were held 100% in Managed Funds at 31 July 2023 and 31 July 2024.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

Guaranteed Minimum Pensions

The High Court, in judgments involving Lloyds Bank defined benefits pension schemes, has held that trustees of such schemes, with Guaranteed Minimum Pensions (GMPs) accrued between 1990 and 1997, must address inequalities arising from GMPs in the benefits payable to their members. Inequalities can arise because GMPs must be calculated and paid in accordance with legislation, which has different terms for men and women. The judgments, which mean that some members will be due an uplift to their benefits, apply to members with benefits still secured or payable under affected schemes and to members who have previously transferred-out of these schemes.

The Trustees are aware that the issue will affect the Scheme and have agreed to the project to equalise the Scheme's GMPs to determine backdated benefit adjustments and provide interest on the backdated amounts. The Trustees have been unable to obtain a reliable estimate at the date of signing the financial statements and any adjustments necessary will be recognised in future financial statements, however the last actuarial valuation report by the Scheme Actuary at 31 July 2021 included an allowance of 0.5% in respect of GMP equalisation which covers transfer cases from the latest ruling in 2020.

Virgin Media Ltd v NTL Pension Trustees II

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. In a judgment delivered on 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court. The case has the potential to cause significant issues in the pensions industry. The Trustees will investigate the possible implications with its advisers in due course.

Tax status of the Scheme

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

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.

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, University of Southampton, Highfield, Southampton, SO17 1BJ.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

The Pension Scheme Registry

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 the Trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

Pension Tracing Service

The Pension Service

Post Handling Site A

Wolverhampton, WV98 1AF

Tel: 0800 731 0175

Or visiting their website at www.gov.uk/find-pension-contact-details

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 Money and Pensions Service

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 Money and Pensions Service (MAPS). A local MAPS adviser can usually be contacted through a Citizen's Advice Bureau. Alternatively MAPS can be contacted at:

The Money and Pensions Service

Borough Hall

Cauldwell Street

Bedford

MK42 9AB

Telephone: 0115 965 9570

Email: contact@maps.org.uk

Website: www.maps.org.uk

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

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2024 (continued)

The Pension Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of MAPS, an application can be made to The Pension Ombudsman (TPO) for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. TPO can be contacted at:


The Pension Ombudsman
10 South Colonnade
Canary Wharf
London, E14 4PU
Telephone: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator has the power to intervene where Trustees of an occupational pension scheme, the employer or the professional advisers to the Trustees have failed in their duties. The Pension Regulator can be contacted at:

The Pensions Regulator
Telecom House
125 – 135 Preston Road
Brighton, BN1 6AF
Telephone: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website : www.thepensionsregulator.gov.uk

Approved by the Trustees on 28 February 2025 and signed on their behalf by:


Adrian Gordon (Feb 28, 2025 16:06 GMT)

.....
Adrian Gordon - Trustee


A L Jarvis (Feb 28, 2025 15:16 GMT)

.....
Alison Jarvis – Trustee

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT

Purpose of this statement

This implementation statement has been produced by the Trustees of The University of Southampton Pension and Assurance Scheme for Non-Academic Staff (“the Scheme”) to set out the following information over the year to 31 July 2024:

- How the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year;
- The voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

The voting behaviour is not given over the Scheme year end to 31 July 2024 because investment managers only report on this data quarterly. We have therefore given the information over the year to 30 June 2024.

Conclusions

In reviewing the activities of the past year, the Trustees believe that the policies set out in the Statement of Investment Principles (“SIP”) have been effectively implemented. A significant proportion of the Scheme’s investment managers have demonstrated transparency in their voting and engagement activities, and the Trustees believe that these activities reasonably align with the stewardship priorities of the Scheme.

We will engage with the various managers over the following topics:

- Encouraging **Newton** to improve the availability and quality of Diversity and Inclusion engagements.
- Encouraging **Artemis** to improve the availability of their voting data.
- Encouraging **Columbia Threadneedle** to report on engagements at a fund level.
- Encouraging **Schroders** to provide engagement data on the Securitised Credit Fund.

Stewardship policy

The Trustees’ SIP in force at 31 July 2024 describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities.

The Scheme’s stewardship policy was updated over the year in order to incorporate three stewardship priorities that were agreed by the Trustees in July 2023. This has been reflected in the latest version of the SIP, which was updated in October 2023. The latest version has been made available online here:

<https://www.southampton.ac.uk/~assets/doc/finance/pasnas-statement-of-investment-principles.pdf>

The Trustees have established three stewardship priorities in order to implement their stewardship policy. These priorities have been chosen to reflect the best long-term interests of Scheme members. The Trustees have also confirmed that these priorities align closely with the University’s values. These three stewardship priorities are:

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Stewardship policy (continued)

- Environment and Climate
- Diversity and Inclusion
- Strong Governance and Business Ethics

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that their policies on voting and engagement have been met in the following ways:

- The Trustees regularly consider the performance of the funds held with each investment manager and any significant developments that arise. At the Scheme year-end, the Scheme's investment managers were as follows:
 - Artemis Investment Management LLP ("Artemis")
 - BlackRock Investment Management Limited ("BlackRock")
 - Columbia Threadneedle Investments Limited ("Threadneedle")
 - Federated Hermes Investment Management Limited ("Hermes")
 - Fidelity Investment Services Limited ("Fidelity")
 - M&G Investment Management Limited ("M&G")
 - Newton Investment Management Limited ("Newton")
 - Northern Trust International Fund Administration Services (Ireland) Limited ("Northern Trust")
 - Schroder Investment Management Limited ("Schroders")
- The Trustees receive regular information from the investment managers on how voting and engagement with investee companies has been undertaken on the Scheme's behalf.
- The Scheme invests solely in pooled funds and, where applicable, delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- The Trustees regularly receive reports on ESG considerations, engagement, and voting from their investment managers, via their investment consultant, and review these to ensure alignment with their own policies.
- The Trustees are satisfied that the Scheme's stewardship priorities are broadly addressed by the investment managers' voting behaviours. However, it is noted that BlackRock, Fidelity and Schroders did not provide engagement examples for the specific funds held by the Scheme.
- Four managers have attended Trustee meetings over the year and they have included a discussion on stewardship and voting as part of their presentations.
- The Trustees are comfortable that the actions of the Scheme's investment managers are in alignment with the Scheme's ESG and stewardship policies.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Voting data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's portfolio on behalf of the Trustees over the year to 30 June 2024. The LDI, securitised credit and cash funds with Schroders, multi-asset credit fund with Hermes, and property funds with M&G, Fidelity and BlackRock have no, or negligible amounts of, assets with voting rights given the nature of the mandates. Therefore, these funds are not included in the table below.

Manager	Artemis	Northern Trust	Columbia Threadneedle	Newton
Asset class	Global Equities	Global Equities	Diversified Growth	Diversified Growth
Fund name	Global Select	World Green Transition Index	Dynamic Real Return	Sustainable Real Return
Structure	Pooled			
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.			
No. of eligible meetings	55	1,199	418	72
No. of eligible votes	902	16,681	6,182	1,016
% of resolutions voted	100.0%	99.3%	98.9%	99.2%
% of resolutions abstained¹	0.4%	0.3%	0.6%	0.0%
% of resolutions voted with management¹	91.0%	94.4%	92.8%	93.8%
% of resolutions voted against management^{1*}	9.0%	5.6%	6.7%	6.3%
% of resolutions voted against proxy voter recommendation	3.0%	1.0%	data not provided	5.8%

Source: information provided by the managers over the year to 30 June 2024.

The proportion of resolutions that were voted on or abstained from may not add up to 100%. This can be due to how investment managers or local jurisdictions define voting and abstentions. Numbers are subject to rounding.

¹As a percentage of the total number of resolutions voted on.

*ISS counts Abstain as a vote against management if the instruction is different from management recommendation.

Proxy voting

A proxy advisor is a company that advises how owners of shares could vote on resolutions at shareholder meetings, and where applicable the proxy advisor can also vote on behalf of the owners of the shares. The next page summarises how the investment managers utilise their proxy voting services.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Voting data (continued)

- Artemis uses Institutional Shareholder Services' (ISS) electronic voting platform to execute their vote instructions. All voting decisions are made by Artemis.
- Northern Trust uses an independent third-party proxy voting service ("Proxy Voting Service") to review proxy proposals and to make voting recommendations to the Proxy Committee in a manner consistent with the Proxy Voting Policy. Northern Trust also uses the ISS electronic voting platform.
- Columbia Threadneedle deploy their own specialist corporate governance team on the most complex and sensitive issues, while using the proxy adviser ISS on more straightforward, routine issues. They also use Glass, Lewis & Co. for proxy research services.
- Newton does not maintain a voting policy with ISS. They instead utilise an independent voting provider which has Newton's own voting guidelines.

Significant votes

For the year under review, the Trustees made clear to the investment managers what they consider to be the most significant votes i.e. the Scheme's stewardship priorities, in advance of those votes being taken via email.

The investment managers have provided a selection of votes which they consider to be significant. The Trustees have selected a significant vote for each fund relating to each of the Scheme's stewardship priorities, where provided. A summary of the significant votes provided is set out below.

Artemis | Global Select Fund

Based on the fund managers' assessment criteria for determining significant votes, there were none to report for the year ending 30 June 2024.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Voting data (continued)

Northern Trust | World Green Transition Fund

	Vote 1	Vote 2	Vote 3
Company name	Darden Restaurants, Inc.	NIKE, Inc.	Cintas Corporation
Date of vote	20 September 2023	12 September 2023	24 October 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided		
Summary of the resolution	Adopt Greenhouse Gas (GHG) emissions reduction targets aligned with the Paris Agreement Goal.	Report on effectiveness of supply chain management on equity goals and human rights commitments.	Report on effectiveness of diversity, equity, and inclusion efforts.
Stewardship Priority	Environment & Climate	Strong Governance & Business Ethics	Diversity & Inclusion
How the manager voted	Abstain	For	For
Rationale for the voting decision	Northern Trust votes case by case for proposals requesting the adoption of GHG reduction goals from products and operations.	Northern Trust votes case by case for proposals requesting increased disclosure on a company's supply chain policies and processes and its management of related risks.	Northern Trust generally votes for proposals advocating the elimination of workplace discrimination and support for equity and inclusion initiatives.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	Data not provided		
Criteria on which the vote is considered "significant"	Vote against management	Vote against management	Vote against management

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Voting data (continued)

Columbia Threadneedle | Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Expeditors International of Washington, Inc.	Eli Lilly and Company
Date of vote	28 February 2024	7 May 2024	6 May 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.8%	0.0%	0.6%
Summary of the resolution	Report on median gender/racial pay gap.	Adopt GHG emissions reduction targets aligned with Paris Agreement Goal.	Report on effectiveness of diversity, equity and inclusion efforts.
Stewardship Priority	Diversity & Inclusion	Environment & Climate	Strong Governance & Business Ethics
How the manager voted	For	For	For
Rationale for the voting decision	Threadneedle believe that the proposed enhanced disclosures would help the board and shareholders better assess existing and future risks relating to human capital management.	Threadneedle is supportive of requests to adopt near and long term GHG reduction targets that align with the Paris Agreement.	Threadneedle believe that the company should disclose its demographic workforce data to increase transparency and aid shareholders in assessing the effectiveness of the company's efforts to address human capital risks and opportunities.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of Threadneedle's research and investment process.		
Criteria on which the vote is considered "significant"	Vote against management	Vote against management	Vote against management

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Voting data (continued)

Newton Investment Management | BNY Mellon Sustainable Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	The Goldman Sachs Group, Inc.	Amazon.com, Inc.	The Goldman Sachs Group, Inc.
Date of vote	24 April 2024	22 May 2024	24 April 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.9%	1.5%	0.9%
Summary of the resolution	Report on clean energy supply financing ratio.	Commission a third-party audit on working conditions.	Report on pay equity.
Stewardship Priority	Environment & Climate	Strong Governance & Business Ethics	Diversity & Inclusion
How the manager voted	For	For	For
Rationale for the voting decision	Newton supported this shareholder proposal requesting a report on a clean energy supply financing ratio as they believe the ratio will help shareholders assess how the bank is capitalising on clean energy opportunities and aligning itself with the Net Zero by 2050 pathway.	Newton voted for the shareholder proposal requesting a third-party audit on working conditions as they consider it to add value for shareholders at this stage.	Newton supported a shareholder proposal asking for a report on pay equity as the requested adjusted and unadjusted median pay gap statistics may allow shareholders to evaluate and measure the company's progress towards reducing pay inequities more fully.
Outcome of the vote	28.5% For	31% For	30% For

Implications of the outcome

Newton view climate transition as a risk as well as an opportunity. A clean energy financing ratio by banks would provide investors with a more accurate figure to evaluate a fund's alignment with existing sustainable and green financing goals of the bank. Newton will continue to engage with the bank in an attempt to make their climate transition plan more robust.

While Newton do find some merits to the proponent's asks and legitimate concerns, aligning Scope 3 targets at Shell to a 1.5-degree scenario would mean a significant loss of customers to competitors. Newton believes that such a decision is best in the hands of management, and the disclosure of a partial Scope 3 target shows some responsiveness from the company to their concerns, tackling mainly the emissions it directly has control of.

The requested adjusted and unadjusted median pay gap statistics should help Newton measure the company's progress towards reducing pay inequities. This proposal should also help Newton assess if pay inequity on top of unequal access to opportunity, might be one of the reasons that they have seen recent departures of senior female leaders from the bank.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF
IMPLEMENTATION STATEMENT (continued)

Voting data (continued)

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered "significant"	The vote is considered significant due to the rarity of a shareholder proposal receiving significant support.	Newton consider the issue of working conditions material to the company, and the conclusion of an audit would help the board understand potential shortcomings and respond adequately to shareholder concerns.	The vote is considered significant owing to the rarity of a shareholder proposal receiving significant support.
Engagement	<p>The investment managers may engage with their investee companies on behalf of the Trustees. The table overleaf provides a summary of the engagement activities undertaken by each of the relevant managers during the year to 30 June 2024.</p> <p>Engagement activities are limited for the Scheme’s LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets has not been shown.</p> <p>Schroders did not provide any engagement information for the Securitised Credit Pooled Fund</p>		

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Voting data (continued)

Manager	Artemis	Northern Trust	Newton	Columbia Threadneedle	Federated Hermes	M&G	BlackRock	Fidelity	Schroders
Fund name	Global Select	World Green Transition	Sustainable Real Return	Dynamic Real Return	Multi Strategy Credit	Unconstrained Credit Fund	Secured Property Income	UK Real Estate	Securitised credit
Asset Class	Global Equity	Global Equity	Diversified Growth	Diversified Growth	Multi-asset Credit	Property	Property	Property	Credit
Number of engagements undertaken on behalf of the holdings in this fund in the year	7	1,977	16	Data not provided	888	972	43	Data not provided	Data not provided
Number of entities engaged on behalf of the holdings in this fund in the year	7	418	9	Data not provided	158	174	29	Data not provided	Data not provided
Number of engagements undertaken at a firm level in the year	62*	4,505**	37	1,424**	4,185	4,185	408	1,088	6,724**

*Artemis have only been able to provide firm level engagement from Oct 23 to June 24, following the implementation of an internal Engagement Reporting template in October 2023.

**Northern Trust, Columbia Threadneedle, BlackRock and Schroders only provide engagement data over the year to 31 December 2023.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Examples of engagement activity undertaken over the year to 30 June 2024

Artemis

Inchcape

Inchcape is a distributor for automobile manufacturers. The company is looking to work with traditional automobile manufacturers along with newer electric vehicle (EV) brands.

Artemis met with Inchcape's Head of Sustainability to discuss their sustainability strategy and the company's role in the EV transition. Inchcape has signed partnerships with brands including BYD and Great Wall to ensure they are able to support consumers as they move towards EVs.

Artemis also participated in a survey of stakeholders which will form the basis of their ongoing engagement in 2024.

Northern Trust

Nestle

A group of institutional investors co-filed a shareholder resolution at Nestle's 2024 Annual General Meeting (AGM), which requested the company to produce an annual report containing social key performance indicators, including a more stretching target on healthy food sales.

In the second quarter of 2024, Northern Trust engaged with Nestle ahead of the AGM to understand their response to criticism of their healthy products sales targets and transparency over their healthy food classification systems. They also wanted to understand Nestle's position with regards to their product portfolio against a backdrop of sugar taxes and the rise of anti-obesity drugs.

Following discussions with Nestle, Northern Trust voted against the shareholder resolution due to concerns that Nestle were the only member of their industry to be targeted with a binding shareholder resolution that could put them at a competitive disadvantage. The shareholder resolution did not pass, only receiving 11% support.

Newton

Shell Plc

While Newton recognise the importance of conventional fuels, they feel it is imperative for large oil and gas companies to demonstrate how and where they can invest in clean energy alternatives in order to establish credibility for transition plans. Scope 3 is the largest source of emissions for the company and Newton believe that the absence of an absolute Scope 3 reduction target raises questions over Shell's transition plan.

Newton have continuously reiterated to Shell that a Scope 3 plan would help investors assess the credibility of its climate transition plan and align itself with some of its EU peers. Newton acknowledges that rushing to set a Scope 3 target is not credible and that there is little buy-in internally from Shell. However, Shell is looking into a near zero methane target as well as expanding on biofuels and looking at their transport sector and value chain to cut emissions.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Examples of engagement activity undertaken over the year to 30 June 2024 (continued)

Newton will monitor announcements at Shell's ESG day and a shareholders' resolution regarding the climate transition plan may be submitted to shareholders at the 2024 AGM.

Columbia Threadneedle

Unilever

As one of the world's largest consumer goods companies, Unilever is established across 190 countries in 4.4 million retail stores. At the company's AGM, 68% of shareholders opposed the company's remuneration report. This was primarily down to the salary of the incoming CEO being set at a higher level than his predecessor.

At the AGM, Columbia Threadneedle abstained on the remuneration vote and sought to change the company's approach through subsequent engagement. During these discussions, the company listened to investor concerns and acted by freezing the CEO's salary for two years. Unilever has highlighted creating luxury groups to increase brand reputation and are creating more incentive based schemes.

Columbia Threadneedle also discussed sustainability measures including Net Zero and living wage. These will be integral parts for the strategy and long-term performance of Unilever.

Columbia Threadneedle welcomes these changes made by Unilever to address shareholder concerns. However, the robustness of the performance conditions attached to these schemes will be monitored to ensure support at future AGMs.

Hermes

Cleveland-Cliffs

Cleveland-Cliffs was an iron ore mining company that has reinvented itself as an integrated steel company – the largest flat rolled steel and iron ore pellet producer in North America. The company is now in a phase of integrating new companies and assets which includes a new focus on sustainability. With steel being an essential economic material and its production being responsible for 7% of global greenhouse emissions (GHG), in 2021, Cleveland-Cliffs has targeted to reduce its GHG emissions by 25% by 2030.

Hermes engaged with Cleveland-Cliffs to understand how this might be delivered. Cleveland-Cliffs' main answer is to change the way it produces its steel at their new \$1bn facility in Toledo. However, other plans to reduce emissions in other areas such as renewables, energy efficiency and carbon capture are relatively underdeveloped. Hermes has encouraged the company to be proactive in seeking partners to accelerate low-carbon innovations to a similar level to others in the industry.

M&G

Ball Corporation

As part of a wider discussion focused on aluminium packaging specialist Ball Corp's use of factoring, M&G used the opportunity to ensure the company was not being negatively impacted as a result of the situation in Israel, particularly relating to operations and potential boycott of customer products.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

IMPLEMENTATION STATEMENT (continued)

Examples of engagement activity undertaken over the year to 30 June 2024

Following a meeting with Ball Corp's investor relations team, the company confirmed it has no operations within Israel and relayed that the situation had not been a driver of business within its customer base. It was also unaware of threats of boycott. M&G continue to monitor the situation.

Fidelity

Reading, 200 Berkshire Place

Fidelity send out an ESG questionnaire to all their tenants annually and actively try to aim for a Net Zero Carbon Pathway. One example is 200 Berkshire Place where they installed solar panels on top of an office building for the commercial tenants to use. Part of the capital was paid by the tenants as they were incentivised with lower energy rates and carbon free energy. The solar panels will supply 5% of the building's electricity and save over £6,700 per year, as well as reducing fossil fuels usage and energy bills.

BlackRock

BlackRock failed to provide engagement examples at a fund level for this period. However, their main engagement topics have remained broadly consistent throughout the year to 30 June 2024. They include the following:

- Board quality and effectiveness
- Climate and natural capital
- Strategy, purpose and financial resilience
- Incentives aligned with financial value creation
- Company impacts on people

Schroders

Schroders failed to provide engagement examples at a fund level for this period. However, they did provide some firm wide level engagement. An example of firm wide engagement included identifying human capital management as a priority issue for engagement, noting that they believe that people in an organisation are a significant source of competitive advantage, and that effective human capital management is essential to drive innovation and long-term value creation.

THE 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

Opinion

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

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 July 2024, 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 year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

THE 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)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon and our auditor's statement about contributions. The Trustees are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Statement of Trustee's Responsibilities set out on pages 4 and 5, the Scheme's Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

THE 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)

Auditor's responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Our assessment focussed on key laws and regulations the Scheme has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Pensions Act 1995 and United Kingdom Generally Accepted Accounting Practice.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme and how the Scheme is complying with that framework, including agreement of financial statement disclosures to underlying documentation and other evidence;
- obtaining an understanding of the Scheme's control environment and how the Scheme has applied relevant control procedures, through discussions and sample testing of controls;
- obtaining an understanding of the Scheme's risk assessment process, including the risk of fraud;
- reviewing Trustee meeting minutes throughout the year; and
- performing audit testing to address the risk of management override of controls, including testing the appropriateness of journal entries and other adjustments made.

Whilst considering how our audit work addressed the detection of irregularities, we also considered the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**THE 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)**

Use of our report

This report is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (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's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



Cooper Parry Group Limited
Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 28 February 2025

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

FUND ACCOUNT FOR THE YEAR ENDED 31 JULY 2024

	Notes	2024 £000	2023 £000
CONTRIBUTIONS AND BENEFITS			
Contributions receivable			
Employer		6,253	6,794
Employee		141	151
Total contributions	2	<u>6,394</u>	<u>6,945</u>
Transfers in from other Schemes	3	-	1
Other income	4	<u>199</u>	<u>248</u>
		<u>199</u>	<u>249</u>
Benefits paid or payable	5	(11,139)	(9,283)
Payments to and on account of leavers	6	(8)	(63)
Other payments	7	(75)	(87)
Administration expenses	8	<u>(757)</u>	<u>(856)</u>
		<u>(11,979)</u>	<u>(10,289)</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(5,386)</u>	<u>(3,095)</u>
RETURNS ON INVESTMENTS			
Investment income	9	1,587	1,593
Change in market value of investments	10	10,852	(73,766)
Investment management expenses		(140)	(175)
Custodian fees		-	(81)
		<u>12,299</u>	<u>(72,429)</u>
NET RETURNS ON INVESTMENTS		<u>12,299</u>	<u>(72,429)</u>
NET INCREASE/(DECREASE) IN THE FUND DURING THE YEAR		6,913	(75,524)
NET ASSETS AT 1 AUGUST		208,904	284,428
NET ASSETS AT 31 JULY		<u>215,817</u>	<u>208,904</u>

The notes on pages 41 to 52 form part of these financial statements.

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

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 JULY 2024

	Notes	2024 £000	2023 £000
INVESTMENT ASSETS	10		
Pooled Investment Vehicles		215,480	207,628
Cash deposits		109	89
Other investment balances		109	196
		215,698	207,913
CURRENT ASSETS	13	663	1,357
CURRENT LIABILITIES	14	(544)	(366)
NET ASSETS OF THE SCHEME		215,817	208,904

The notes on pages 41 to 52 form part of these financial statements.

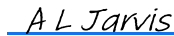
The financial statements summarise the transactions and net assets of the Scheme. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the Scheme year are not dealt with in the financial statements. The actuarial position of the Scheme, which does take account of such liabilities, is dealt with in the Report on Actuarial Liabilities on pages 57 to 58 and these financial statements should be read in conjunction with this report.

The financial statements were approved by the Trustees on 28 February 2025 and signed on their behalf by:



Adrian Gordon (Feb 28, 2025 16:06 GMT)

Adrian Gordon - Trustee



A L Jarvis (Feb 28, 2025 15:16 GMT)

Alison Jarvis - Trustee

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

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

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

Identification of the financial statements

The Scheme is established as a trust under English Law. The address for enquiries to the Scheme is included on page 1.

Principal accounting policies

The financial statements have been prepared on the accruals basis. The principal accounting policies are set out below. Unless otherwise stated they have been applied consistently year on year.

Currency

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

Contributions

Normal and deficit 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 in accordance with the schedule of contributions in force during the year. Additional contributions from the participating employers and additional voluntary contributions are accounted for when receivable.

Salary sacrifice

Employee’s contributions made under a salary sacrifice arrangement are accounted for on an accruals basis and are categorised as Employers’ contributions.

Additional voluntary contributions

Additional voluntary contributions from members represent contributions made to purchase added years benefits, under the provision of the principal Scheme, and are included in the fund account. Assets acquired with these contributions are included within investments in the statement of net assets.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Transfers to and from other Schemes

Individual transfers to and from the Scheme during the year are included in the financial statements on the basis of when the member liability is accepted or discharged which is normally when the transfer amount is paid or received. All the values were based on methods and assumptions determined by the consultant actuary advising the Trustees.

Investment income

Interest on bank deposits is accounted for as it accrues.

Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value, otherwise it is accounted for when declared by the fund manager.

Benefits payable

Benefits payable are included in the financial statements on an accruals basis when the member notifies the Trustees as to the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving. Pensions in payment are accounted for in the period to which they relate.

Death receipts

Claims received in respect of death benefit represent all valid claims in respect of the Scheme year.

Other income

Other income is recognised when it is probable that the income will be received and that the amount can be reliably measured.

Investments

Investments are included in the Statement of Net Assets at their fair values at the year end. Quoted securities in active markets, including equities and bonds are usually valued at the current bid prices at the reporting date. Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. 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 during the year.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Investment management expenses

The investment managers are remunerated on a formula based on the valuation of the fund each quarter and they are accounted for on an accrual basis. Specific details are disclosed within the Report of the Trustees.

Administrative expenses and other payments

Administrative expenses and insurance premiums are accounted for on an accruals basis.

2 CONTRIBUTIONS RECEIVABLE

	2024 £000	2023 £000
Employer		
Normal contributions	3,707	3,749
Deficit contributions	625	1,197
Insurance premiums and expenses contributions	400	233
Normal contributions arising from member salary sacrifice	1,521	1,615
	<u>6,253</u>	<u>6,794</u>
Employee		
Normal contributions	138	133
Additional voluntary contributions	3	18
	<u>141</u>	<u>151</u>
Total contributions	<u><u>6,394</u></u>	<u><u>6,945</u></u>

The Schedule of Contributions was agreed and certified by the Scheme Actuary on 28 October 2022.

Under the Schedule of Contributions certified by the Scheme Actuary on 28 October 2022, contribution rates from 1 January 2023 to 31 March 2031 are as follows:

By members	7.2%
By employers – deficit	£625k per annum
By employers – insurance and administration expenses	£400k per annum
By employers – normal	15.6%

3 TRANSFERS IN FROM OTHER SCHEMES

	2024 £000	2023 £000
Individual transfers in from other schemes	<u>-</u>	<u>1</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

4 OTHER INCOME

	2024	2023
	£000	£000
Life assurance benefits	159	248
Other income	40	-
	<u>199</u>	<u>248</u>

Other income relates to income received with respect to the liquidation of the Southampton Nuffield Theatre Trust Limited, a previous participating employer of the Scheme.

5 BENEFITS PAID OR PAYABLE

	2024	2023
	£000	£000
Pension payments to retired members	8,368	7,661
Commutation of pensions	2,375	1,421
Death in service – benefits	342	144
Death in service – refunded contributions	54	57
	<u>11,139</u>	<u>9,283</u>

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024	2023
	£000	£000
Refunds to members leaving service	-	8
Individual transfers out to other schemes	8	55
	<u>8</u>	<u>63</u>

7 OTHER PAYMENTS

	2024	2023
	£000	£000
Group life assurance premiums	<u>75</u>	<u>87</u>

Related claims under these policies are included within "Other Income" where received. 2 claims were received in 2024 (2023 - 4 claims).

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

8 ADMINISTRATION EXPENSES

Expenses borne by the Scheme comprise:	2024	2023
	£000	£000
Investment advisers fees (including actuarial fees)	277	296
Audit fees	23	27
Staff costs (recharged by the University)	178	153
Pension Protection Fund (PPF) Levy	195	335
Other Scheme expenses	84	45
	<u>757</u>	<u>856</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

	2024	2023
	£000	£000
Income from managed funds	1,565	1,586
Interest on cash deposits	22	7
	<u>1,587</u>	<u>1,593</u>

10 INVESTMENT ASSETS

	Market value at 1 August 2023 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Market value at 31 July 2024 £000
Pooled investment vehicles:					
-Bonds	91,597	62,684	(61,710)	1,190	93,761
-Liquidity	2,992	38,138	(39,112)	373	2,391
-Property	35,377	-	-	(1,639)	33,738
-Equity	77,662	3,770	(6,770)	10,928	85,590
Total pooled investment vehicles	207,628	104,592	(107,592)	10,852	215,480
Cash instruments	89				109
Other investment balances	196				109
	<u>207,913</u>				<u>215,698</u>

“Other Investment Balances” includes withholding tax and income receivable in relation to Investment Assets.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

10 INVESTMENT ASSETS (continued)

Investments exceeding 5% of the net assets of the Scheme at the year end comprised:

	2024 £000	2024 % net assets	2023 £000	2023 % net assets
Artemis Global Select Fund	31,364	14.5%	31,932	15.3%
Hemers Multi Strategy Credit Fund	24,935	11.6%	22,667	10.9%
Newton Real Return	13,564	6.3%	12,624	6.0%
Fidelity UK Real Estate fund	14,885	6.9%	15,893	7.6%
Northern Trust World Green Index Fund	27,025	12.5%	24,128	11.5%
Threadneedle Dynamic Real Return Fund*	13,637	6.3%	-	-
Schroders LDI Mandate	62,628	29.0%	54,952	26.3%
BlackRock UK Prop FD Dist UTS*	-	-	10,739	5.1%
Schroders Securitised Credit Fund*	-	-	13,977	6.7%

*A nil balance is disclosed as these balances did not constitute more than 5% of the net assets of the Scheme.

Transaction Costs

Indirect transaction costs are incurred on the bid-offer spread on pooled investment vehicles. It is not possible for the Trustees to quantify indirect transaction costs.

11 FAIR VALUE DETERMINATION

FRS 102 requires fair value hierarchy disclosures of the Scheme's investment assets. The investment assets have been fair valued using the hierarchy levels as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 July 2024				
- Bonds	-	93,761	-	93,761
- Liquidity Fund	-	2,391	-	2,391
- Property	-	8,617	25,121	33,738
- Equity	-	85,590	-	85,590
Pooled investment vehicles	-	190,359	25,121	215,480
Cash deposits	109	-	-	109
Other investment balances	109	-	-	109
	<u>218</u>	<u>190,359</u>	<u>25,121</u>	<u>215,698</u>

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

11 FAIR VALUE DETERMINATION (continued)

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 July 2023				
- Bonds	-	91,597	-	91,597
- Liquidity Fund	-	2,992	-	2,992
- Property	-	8,746	26,631	35,377
- Equity	-	77,662	-	77,662
Pooled investment vehicles	-	180,997	26,631	207,628
Cash deposits	89	-	-	89
Other investment balances	196	-	-	196
	<u>285</u>	<u>180,997</u>	<u>26,631</u>	<u>207,913</u>

12 FINANCIAL INSTRUMENT RISK DISCLOSURES

FRS 102 requires the disclosure of information in relation to certain investment risks as follows:

- Credit risk – one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk – comprises the following three types of risk:
 - Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates;
 - Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates;
 - Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

The Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management, credit and market risk is set out below.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

12 FINANCIAL INSTRUMENT RISK DISCLOSURES (continued)

The table below summarises the extent to which the various classes of investments are affected by financial risks:

Asset Type	Exposure (£)		Credit Risk	Currency Risk	Market Interest rate Risk	Other price Risk
	2024 value £000s	2023 Value £000s				
Artemis Global Select Fund	31,364	31,932	○	●	○	●
Schroders (Newton) Sustainable Real Return Fund	13,564	12,624	◐	◐	◐	●
Northern Trust World Green Transition Index Fund	27,025	24,128	○	●	○	●
Schroders (Columbia Threadneedle) Dynamic Real Return Fund	13,637	8,978	◐	◐	◐	●
BlackRock UK Property Fund	10,236	10,740	◐	○	◐	●
Fidelity Property	14,885	15,893	◐	○	◐	●
M&G Secured Property Income Fund	8,617	8,746	◐	○	◐	●
Schroders (Hermes) Unconstrained Credit Fund	24,935	-	●	◐	◐	◐
Schroders (Hermes) Multi Strategy Credit Fund	-	22,667	●	◐	◐	◐
Schroders Securitised Credit Fund	6,198	13,977	●	◐	◐	◐
Schroders Sterling Liquidity Plus Fund	2,391	2,992	●	◐	○	○
Schroders LDI	62,628	54,951	◐	○	●	○
Cash Fund Deposits	109	89	●	◐	○	○

Key: The risk noted affects the fund significantly (●), partially (◐) or hardly/not at all (○).

Valuations at 31 July 2024 and 2023 respectively.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

12 FINANCIAL INSTRUMENT RISK DISCLOSURES (continued)

Market risk: Interest rate

The Scheme is exposed to direct interest rate risk through its holding in units of the funds provided by Schroders. The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, leveraged gilts, asset-backed securities and cash. The Trustees have set a benchmark for the total investment in protection assets to be 35% of their total investment portfolio. The protection assets are made up of the liability driven investment, securitised credit and liquidity plus funds. Under this strategy the investments aim to match changes in the value of the Scheme's liabilities due to movements in interest and inflation rates and if interest rates fall, the value of the Scheme's protection assets will rise. The converse is true should interest rates rise.

The Scheme is also partially exposed to interest rate risk through its holdings in the units provided by Schroders, Hermes, M&G, Fidelity, BlackRock, Columbia Threadneedle and Newton. Over the year, the Scheme held investments within the Federated Hermes Multi Strategy Credit Fund and the Federated Hermes Unconstrained Credit Fund. These funds are exposed to interest rate risk through investments in various types of bonds, including high yield bonds. The interest rate risk is actively managed by the fund's manager.

Market risk: Currency

The Scheme is exposed to currency risk because some of its investments are held in overseas markets. For example, the Scheme has a strategic asset allocation of 25% in global equities, which are subject to currency movements. There is also a degree of currency risk associated with investments in Columbia Threadneedle and Newton. Both Federated Hermes funds and Northern Trust employ currency hedging to hedge back returns to sterling. Columbia Threadneedle, Artemis and Newton can employ currency hedging where deemed appropriate.

Market risk: Other price

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, property, credit and diversified growth funds.

The Scheme manages this exposure by investing in a pooled fund that invests in a diverse portfolio of instruments across various markets. According to the Scheme's Statement of Investment Principles (SIP), each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. In addition, the asset allocation is detailed in the Appendix of the SIP document and is monitored on a regular basis by the Trustees.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

12 FINANCIAL INSTRUMENT RISK DISCLOSURES (continued)

Credit risk

The Scheme is exposed to direct credit risk through its holding in units of the funds provided by Schroders and Hermes. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and the ongoing due diligence of the pooled manager. Schroders and Hermes are regulated by the Financial Conduct Authority and maintain separate funds for their policy holders.

The credit risk arising on bonds is mitigated by investing in government bonds and corporate bonds which are at least investment grade credit rated. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade rated.

The Scheme has indirect exposure to credit risks from the underlying investments held by the pooled investment vehicles. Indirect credit risk arises in relation to the underlying investments of pooled investment vehicles. This risk is taken in order to generate additional returns above that assumed on gilts, and is monitored by the investment managers.

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

Pooled investment vehicle by type of arrangement	31 July 2024	31 July 2023
	£'000	£'000
Investment Company with Variable Capital ("ICVC")	13,564	12,624
Open Ended Investment Company ("OEIC")	13,637	8,978
Unclassified Property Unit Trust	10,236	10,740
Property Authorised Investment Fund ("PAIF")	14,885	15,893
Guernsey Property Unit Trust	8,617	8,746
Undertakings in Collective Investment in Transferable Securities ("UCITS")	83,324	78,727
Société d'Investissement à Capital Variable ("SICAV")	71,216	71,920
Total	215,480	207,628

Please note that the total may not sum due to rounding. Please note that the cash fund deposits have been excluded.

The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

13 CURRENT ASSETS

	2024 £000	2023 £000
Other debtors	247	255
Prepayment of life assurance premiums	90	-
Contributions due from Employer	15	-
Cash balances	311	1,102
	<u>663</u>	<u>1,357</u>

14 CURRENT LIABILITIES

	2024 £000	2023 £000
Amounts owed to the University of Southampton	245	149
Expense accruals	227	215
Unpaid benefits	72	-
Social security	-	2
	<u>544</u>	<u>366</u>

Amounts owed to the University of Southampton represents employer contributions of £498,000 including salary sacrifice contributions of £121,000 (2023: £536,000, including salary sacrifice contributions of £132,000) and employee contributions of £11,000 (2023: £13,000), offset by a pensioner payroll recharge of £728,000 (2023: £672,000). The net difference was paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force and therefore do not constitute employer related investments. The amounts owed to the University of Southampton also includes £15,000 (2023: £13,000) for rechargeable staff costs.

15 RELATED PARTIES

The Scheme is administered by the University of Southampton. Fees payable in respect of administration and processing of £178,000 (2023: £153,000) are included within administrative expenses. At the year end creditors include £15,000 (2023: £13,000) in respect of administration expenses and £230,000 (2023: £136,000) in respect of pensioner payroll recharges payable to the University of Southampton.

Contributions received in respect of Trustees who are members of the Scheme have been made in accordance with the Trust Deed and Rules. There are two active member Trustees as at 31 July 2024.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2024 (continued)

16 GUARANTEED MINIMUM PENSION EQUALISATION

The High Court, in judgments involving Lloyds Bank defined benefits pension schemes, has held that trustees of such schemes, with Guaranteed Minimum Pensions (GMPs) accrued between 1990 and 1997, must address inequalities arising from GMPs in the benefits payable to their members. Inequalities can arise because GMPs must be calculated and paid in accordance with legislation, which has different terms for men and women. The judgments, which mean that some members will be due an uplift to their benefits, apply to members with benefits still secured or payable under affected schemes and to members who have previously transferred-out of these schemes.

The Trustees are aware that the issue will affect the Scheme and have agreed to the project to equalise the Scheme's GMPs to determine backdated benefit adjustments and provide interest on the backdated amounts. The Trustees have been unable to obtain a reliable estimate at the date of signing the financial statements and any adjustments necessary will be recognised in future financial statements, however the last actuarial valuation report by the Scheme Actuary at 31 July 2021 included an allowance of 0.5% in respect of GMP equalisation which covers transfer cases from the latest ruling in 2020.

17 VIRGIN MEDIA V NTL PENSION TRUSTEES II

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. In a judgment delivered on 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court. The case has the potential to cause significant issues in the pensions industry. The Trustees will investigate the possible implications with its advisers in due course.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

We have examined the Summary of Contributions to The University of Southampton Pension and Assurance Scheme for Non-Academic Staff in respect of the Scheme year ended 31 July 2024 which is set out on page 55.

Qualified Statement about Contributions payable under the Schedule of Contributions

In our opinion, except for the effects of the departures from the Schedule of Contributions referred to below, contributions for the Scheme year ended 31 July 2024 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 28 October 2022.

Basis for qualified Statement about Contributions

Employer normal contributions, Employer deficit contributions and Employer insurance premiums and expenses contributions due in respect of February 2024, from the University of Southampton's Students' Union, were received on 21 March 2024. Per the Schedule of Contributions, these contributions should have been received by the Scheme on or before 19th of the following month to which they relate. As such, these contributions were received 2 days later than the due date stipulated in the Schedule of Contributions.

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 the Auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 4, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

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

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF (continued)

Use of our report

This statement is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 4 of 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 on contributions has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in such 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 on contributions, for this statement, or for the opinions we have formed.



Cooper Parry Group Limited
Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 28 February 2025

**THE 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	3,707
Employer deficit contributions	625
Employer insurance premiums and expenses contributions	400
Employer normal contributions arising from member salary sacrifice	1,521
Employee normal contributions	138
Total contributions per the Schedule of Contributions as reported on by the Scheme auditor	6,391
The following contributions payable were not required under the Schedule of Contributions:	
Employee additional voluntary contributions	3
	3
Total contributions per Fund Account	6,394

Employer normal contributions, Employer deficit contributions and Employer insurance premiums and expenses contributions due in respect of February 2024, from the University of Southampton's Students' Union, were received on 21 March 2024. Per the Schedule of Contributions, these contributions should have been received by the Scheme on or before 19th of the following month to which they relate. As such, these contributions were received 2 days later than the due date stipulated in the Schedule of Contributions.

Approved by the Trustees on 28 February 2025 and signed on their behalf by:


Adrian Gordon (Feb 28, 2025 16:06 GMT)

.....
Adrian Gordon - Trustee


A L Jarvis (Feb 28, 2025 15:16 GMT)

.....
Alison Jarvis - Trustee

THE 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 28 October 2022, to be met by the end of the period specified in the Recovery Plan dated 28 October 2022.

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 28 October 2022.

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:



Date:

28 October 2022

Name:

Paul Hamilton

Qualification:

Fellow of the Institute
and Faculty of Actuaries

Address:

St. James' House
St. James' Square
Cheltenham
GL50 3PR

**Name of
Employer:**

Barnett Waddingham LLP

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT ON ACTUARIAL LIABILITIES (forming part of the Report of the Trustees)

Under Section 222 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, assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 July 2021. This showed that on that date:

The value of the Technical Provisions was: £339.5 million

The value of the assets at that date was: £283.1 million

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

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Inflation: The starting point is the yield curve of implied inflation statistics published by the Bank of England. This gives an indication of the level of price inflation expected by the market at the valuation date. The Government's long term target for inflation will also be taken into account.

An assumption for Consumer Prices Index (CPI) inflation will be derived by determining an appropriate gap between the Retail Prices Index (RPI) inflation and CPI.

Investment return: The investment return assumption used to determine the discount rate will take into account market indicators of the returns available at the date of the valuation and the long-term strategic allocation of assets agreed by the Trustees after taking professional advice.

Salary increases: An assumption for future salary increases will be set with reference to the inflation assumptions, following consultation with the Principal Employer.

Pension increases: Assumptions for future pension increases which are linked to inflation will be set with reference to the relevant inflation assumption, adjusted to take account of any minimum and maximum increases that apply.

Retirement: All members may take the benefits accrued before 1 October 2010 unreduced at age 60. Assumptions regarding the age at which members retire will be set taking into account professional advice and the experience of the Scheme.

Cash commutation: An allowance may be made for members to exchange part of their pension for a lump sum at retirement. When calculating spouses' pensions for pensioner members, members are assumed to have taken 85% of the maximum tax free cash lump sum.

THE UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON-ACADEMIC STAFF

REPORT ON ACTUARIAL LIABILITIES (forming part of the Report of the Trustees) (continued)

Significant actuarial assumptions (continued)

Leaving service: No allowance is made for active members to leave service before their retirement date.

Mortality: The rates of mortality assumed will reflect information published by Continuous Mortality Investigation Limited, a subsidiary of the Institute and Faculty of Actuaries, deemed most relevant to the membership of the Scheme, including an appropriate allowance for expected future improvements in longevity.

This assumption may be adjusted on the advice of the Scheme Actuary or in the light of evidence relating to the actual mortality experience of the Scheme, the industry in which the members work or the distribution of pension payment amounts or other characteristics of the Scheme membership.

Dependent details: Assumptions regarding the proportion of members with a dependant at death, and the age difference between the member and the dependant, will be set taking into account professional advice and the experience of the Scheme.

The next full actuarial valuation is due as at 31 July 2024 and is currently in progress.