

UNIVERSITY OF GLASGOW PENSION SCHEME

TRUSTEES' REPORT
YEAR ENDED 31 MARCH 2018



University
of Glasgow



UNIVERSITY OF GLASGOW PENSION SCHEME

Trustees' Report

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UNIVERSITY OF GLASGOW PENSION SCHEME

Trustees' Report

Chairperson's Statement

Welcome to the Trustees' Report for the year ended 31 March 2018. This is your annual update on your University of Glasgow Pension Scheme.

Your University of Glasgow Pension Scheme is a defined benefit scheme and so your pension is based on your length of service and your salary during the time that you are building up benefits in the Scheme. The Scheme must have funds to pay pensions as they fall due and your Trustees continue to work with their advisers and with the University to achieve that.

Whilst scheme funding levels can vary considerably from day to day due to various factors, it is important to bear in mind that funding a defined benefit pension scheme such as your scheme is, by its nature, a long-term commitment. The University continues to support the Scheme and to work with your Trustee Board. Next year another triennial valuation of the Scheme, as at 1 April 2019, will get underway.

Once again, this Report contains an abbreviated version of the Scheme's formal Annual Report and Accounts for the year ended 31 March 2018. You can ask to see the full formal Annual Report and Accounts by contacting Mr Jim Ross, our Scheme Secretary, in the Pay & Pensions Section of the Finance Office. Alternatively, you can view it online at <http://www.gla.ac.uk/services/finance/payandpensions/pensionscheme>. Further information about the Scheme can be found in the Explanatory Guide which is also available online.

The Pensions Regulator's Code of Best Practice

During the year the Trustees, with their professional advisers, have continued their work of reviewing the Scheme's level of compliance, aligning it with the recommendations set out in the Code of Best Practice. The Statement of Investment Principles is reviewed regularly and is available to all members on request.

The Trustees monitor continued compliance with these principles. Part of this work is carried out by the investment sub-committee, which has its own Terms of Reference and reports to the main Trustee Board.

The Trustees understand the importance of having the right skill set and decision-making structures. They also have clear objectives for the Scheme's investment and funding strategy, and have an appropriate strategy in place for achieving these objectives. We have been working with our investment advisers to carry through the various requirements of our investment strategy, including that the fund managers used by the Scheme have clear goals and report against them regularly.

In addition, the Trustees keep their own training needs under review, undertake training to ensure effective decision-making and where appropriate, they take independent expert advice.

Economic Outlook

Brexit next year is a source of some uncertainty for markets but the investment strategy for your Scheme, designed with advice from our investment advisers, aims to deliver returns to fit within our overall strategy for the Scheme. You can read more about your Scheme's investments and general market review in the Investment Update and Current Issues sections later in this report. One particular factor impacting on funding level has been continuing low expected future returns on Government Bonds. The expected future return on Government Bonds is used by actuaries to help calculate how much they assess it costs to provide pensions in schemes such as ours.

Chairperson's Statement (continued)

Current Funding Position

As you know, our Actuary assesses the funding position of the Scheme each year and carries out a formal valuation every three years. Our next formal valuation begins next year and we will report on progress with that in next years' report.

Our Actuary reported on the funding position of the Scheme as at 1 April 2018 is explained in the Summary Funding Statement that has been issued to you along with this report. As you know, funding levels in pension schemes can vary enormously, which means that any Summary Funding Statement can only be a snapshot in time.

Your Trustee Board wants to make sure that you have information on your Scheme pension, as well as key pension issues, set out in a way that you find clear and helpful. If you think that we can improve the content of the communications you receive from us, please do let us know. If you have any comments on this Report, please contact Mr Jim Ross, Secretary to the Trustees, at the Pay & Pensions Section of the Finance Office.

Pension Scams – new ScamSmart Initiative launched

As you know, many members of the public have become victims of pension scams. A new campaign has been released by the Pensions Regulator and Financial Conduct Authority (FCA) to urge the public to be on their guard against pension scams. You will find out more information on pages 12 and 13 of this report under Pension Scams – new ScamSmart Initiative launched. Please do look out for this campaign in the media.

June Crombie

Director, Moat Pensions Limited, as Chair of and for and on behalf of the Trustees of the University of Glasgow Pension Scheme

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Meet Your Trustees

The Scheme's Trustees are responsible for ensuring the Scheme is run in accordance with the Trust Deed and Rules. They ensure the Scheme's assets are safeguarded and the interests of members are protected.

■ Ms June Crombie	Chairperson, of Moat Pension Limited
■ Mr David Newall	Secretary of Court (resigned 30 April 2017)
■ Dr David Duncan	Secretary of Court (appointed 30 April 2017)
■ Mr Jim Ross	Head of Pay & Pensions
■ Ms Lesley Cummings	Head of Performance, Pay & Reward
■ Mr Neal Juster	Senior Vice Principal
■ Mr George Gillespie	Member-nominated
■ Ms Margaret A McParland	Member-nominated
■ Mr John Speirs	Member-nominated
■ Mr Robert H Harkins	Member-nominated (resigned 22 May 2018)

Mr Jim Ross is also Secretary to the Trustees. You may contact the Trustees by writing to Mr Jim Ross, Secretary to the Trustees, at the following address:

Pay & Pensions Section
Finance Office (Tay House)
University of Glasgow
Glasgow
G12 8QQ

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Investment Update

Successful investment of financial assets is important to the long-term success of all pension schemes. After consultation with their investment advisers and the University as sponsoring employer, along with input from the Scheme Actuary, the Trustees decide the investment strategy. The investment strategy was reviewed and adjusted to align with the strategy for the Scheme, and was taken into account by the Scheme Actuary in carrying out the actuarial valuation.

It is the duty of the Investment Managers to follow this strategy while managing the Scheme's investments on a day-to-day basis. The Investment Managers have discretion to choose the individual stocks and shares they feel are appropriate to the strategy.

Investment Sub-Committee ("ISC")

This is a sub-committee of the main Trustee Board along with some non-Trustees members, which meets 4 times a year. It concentrates on specific aspects relating to the investment of your Scheme's assets, including development of strategy proposals and implementation of the investment strategy, monitoring the performance of the managers and advisers and related matters. The sub-committee then reports back to the main Trustee Board, where decisions are taken.

The sub-committee is currently made up of:

Trustees

- | | |
|-----------------------|---|
| ■ Ms June Crombie | Convenor of the ISC & Chair of the Trustees |
| ■ Mr George Gillespie | Trustee |
| ■ Mr Robert Harkins | Trustee (resigned 22 May 2018) |
| ■ Mr Jim Ross | Trustee |

Non Trustee members

- | | |
|------------------------|----------------------------------|
| ■ Prof Christian Ewald | Professor in Financial Economics |
| ■ Mr Robert Fraser | Director of Finance |

Investment Managers

During the year to 31 March 2018, the assets of the Scheme (with the exception of AVC's) were managed by BlackRock Investment Management Limited, Newton Investment Management Limited, Pymfords International, Insight Investment, JP Morgan Asset Management, Partners Group (UK) Ltd and AEW UK Investment Management LLP.

AVC's (additional voluntary contributions) are managed by Prudential. The Trustees monitor the performance of Prudential's funds on an annual basis to ensure that they continue to offer value for members and that charges remain competitive.

UNIVERSITY OF GLASGOW PENSION SCHEME

Trustees' Report

Investment Update (continued)

Scheme investments

The breakdown of the Scheme's investment assets at 31 March 2018 (excluding AVCs) is set out below:

Type of Asset	% of assets
UK Equities	6.1
Pooled investment vehicles:	
- Equities	15.0
- Diversified Growth	27.1
- Bonds	28.7
- Property	3.1
- Diversified Credit	14.0
- Direct Lending	5.0
- Cash and Cash Instruments	0.9
Annuity Policies	0.1
Cash deposits	-
Income Receivable	-
Total	100.0

Investment Review & Performance

Global equities delivered marginal positive returns over the 12 months to 31 March 2018 – primarily driven by steady global growth and the tax reforms initiated by the Trump administration. Developed currency hedged returns significantly outperformed unhedged equities, as Sterling strengthened on the back of an increasingly hawkish stance by the Bank of England. The uncertainty surrounding the UK's vote to leave the European Union also failed to prevent domestic markets from reaching all time-highs during the year. Returns were partially offset as global equity markets produced negative returns and exhibited elevated volatility over the first quarter of 2018, with 'risk-off' sentiment being driven by fears over increasing global inflation, offsetting relatively positive economic data. Geopolitical tensions, in particular protectionist rhetoric from the US and China, also discouraged investors.

In terms of specific regions, emerging markets were the best performing, generating a return of 11.8% over the 12 months to 31 March 2018. In the US, the S&P delivered a modest return of 1.6% (in Sterling terms) as concerns around a potential trade war between the US and China caused disruption in equity markets over the first quarter of 2018, reducing the gains made over 2017. This, coupled with concerns that US interest rates could rise faster than expected, resulted in the return of volatility following a relatively stable environment over 2017. The main risk to European stocks over the year was political volatility, however this eased following the comfortable election of Emmanuel Macron to the office of French President in May 2017.

Elsewhere, property markets continued a long run of solid returns in the UK despite continued uncertainty over Brexit. Commercial property has benefited from overseas investor demand, with data for 2017 showing almost half of total investment volume being originated from outside the UK. The industrial sector was the one of the strongest performing sectors over the year to 31 March 2018 as it continues to experience high demand coupled with low supply constraints supporting rental and value growth.

Investment Update (continued)

Investment Review & Performance (continued)

Credit spreads remained near record lows in an environment of low defaults and generally benign conditions for credit assets. Gilt yields fell marginally over what was a volatile 12 months. The second half of 2017 saw the Bank of England raise the base rate for the first time in 10 years to 0.5%, which was in line with investors' expectations. Since then, the Monetary Policy Committee voted to maintain the base rate at 0.5% in the first quarter of 2018.

Investment review provided by Hymans Robertson LLP

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Trustees' Report

Investment Update (continued)

Investment Performance

The table below shows the performance of the Scheme's investments relative to their benchmarks (where appropriate) to 31 March 2018:

	1 year to 31 March 2018 % p.a.	3 Years to 31 March 2018 % p.a.
BlackRock Dynamic Diversified Growth Portfolio	4.0	1.2
<i>Benchmark</i>	0.4	0.5
BlackRock Investment Management Limited UK Equity Portfolio	2.0	7.7
<i>Benchmark</i>	1.3	5.9
Newton Global Equity X Shares (Acc)	1.4	9.0
<i>Benchmark</i>	2.9	10.8
Pyrford – Global Total Return (Sterling) Fund (Class A Stg Acc)	(2.3)	2.7
<i>Benchmark</i>	3.5	2.8
Insight - UK Corporate All Maturities Bond Gross 'S' ACC Fund	1.6	3.7
<i>Benchmark</i>	1.3	3.6
JP Morgan Unconstrained Bond Fund	1.1	N/A*
<i>Benchmark</i>	0.3	N/A*
Insight - LDI Solutions Plus Partially Funded Index-Linked Gilts Funds 2031-2040	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*
Insight - LDI Solutions Plus Partially Funded Index-Linked Gilts Funds 2041-2050	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*
Insight - LDI Solutions Plus Partially Funded Index-Linked Gilts Funds 2051-2065	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*
Insight - LDI Solutions Plus Partially Funded Gilts Funds 2021-2030	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*
Insight - LDI Solutions Plus Partially Funded Gilts Funds 2041-2050	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*
Insight - LDI Solutions Plus Partially Funded Gilts Funds 2051-2060	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*
BlackRock Investment Management Limited UK Long Lease Property Fund	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*
AEW Investment Management Limited UK Real Return Fund	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*
Partners Group AG – Private Markets Strategies 2 S.A	N/A*	N/A*
<i>Benchmark</i>	N/A*	N/A*

*Performance unavailable given inception date of investment.

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Fund Account for the year ended 31 March 2018

The following information is taken from the audited Financial Statements of the Scheme for the year to 31 March 2018. The audited Financial Statements were signed on 22 October 2018 and included an unqualified audit opinion on the Financial Statements and an unqualified audit statement on contributions.

You can obtain a copy of the full Annual Report by contacting Mr Ross, the Pay & Pensions Section of the Finance Office or from the pension's website:

<http://www.gla.ac.uk/myglasgow/finance/payandpensions/pensionscheme/>

	2018 £'000	2017 £'000
Opening Net Assets of the Scheme	409,104	343,669
Income		
Contributions	26,364	12,418
Transfers in	-	5
Investment income	1,056	7,431
Other income	135	191
Total Income	27,555	20,045
Expenditure		
Benefits	(11,059)	(10,648)
Payments to and on account of leavers	(548)	(144)
Life assurance premiums	(146)	(112)
Administrative expenses	(1,053)	(1,006)
Investment management expenses	(819)	(89)
Total Expenditure	(13,625)	(11,999)
Change in market value of investments	1,412	57,389
Closing Net Assets of the Scheme	424,446	409,104

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Scheme Membership

	2018	2017
Active Members		
Active members at the end of the Scheme year	1,305	1,402
Pensioners		
Pensioners at the end of the Scheme year	1,595	1,573
Members with preserved benefits		
Preserved members at the end of the Scheme year	1,417	1,406
Total membership at the end of the Scheme year	4,317	4,381

Scheme Valuation

Whilst scheme funding levels can vary considerably from day to day, it is important to bear in mind that funding a defined benefit pension scheme is, by its nature, a long-term commitment. The University continues to support the Scheme and to work with your Trustee Board.

The Scheme Actuary has completed a formal triennial actuarial valuation of the Scheme as at 1 April 2016. This indicated that the Scheme had a funding shortfall of £57m on the Scheme's normal ongoing funding basis, which represents a funding level of 86%. An updated actuarial position of the Scheme as at 1 April 2018 indicated that the funding level had remained unchanged at 86%.

As a result of the 2016 valuation the Employer will continue to contribute 22.5% of the monthly pensionable salary and active members will contribute 7.5% of their pensionable salary into the Scheme in respect of future benefit accrual.

In addition to the above contributions, in order to eliminate the funding deficit identified in the 2016 valuation, the University contributed a lump sum of £17m into the Scheme on 28 July 2017, which will be followed by £3.951m payable each year (increasing by 2.5% per annum) during the period March 2023 to March 2034 inclusive.

Some information on other pension matters

Pension Scheme Administrators – XPS Administration

The Scheme Administrator Xafinity, merged with Punter Southall in January 2018 to form XPS Pensions Group. XPS Pensions Group is now the largest pure pensions consulting and administration firm in the UK. As part of XPS Pensions Group, XPS Administration has just been ranked as the number one Third Party Administrator in the Professional Pensions Survey for the fourth time in five years.

Trivial and Small Pot Commutation

If you are over 55, and the value of your pension is deemed to be “trivial” or “small” then you may be entitled to exchange your pension for a one off cash payment. If you elect to commute your pension in this way, then there would be no further benefits payable from the Scheme to either you, or in the event of your death, your spouse. If your pension benefits are already in payment, the whole of the lump sum would be taxable. If you have not yet taken your benefits, an element will be tax-free.

If you wish to check your eligibility for such a payment, please contact XPS Administration, using the contact details on page 15.

General Data Protection Regulation (GDPR)

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. All members of the Scheme were issued with a Privacy Notice in May 2018.

Pension Scams - new ScamSmart Initiative launched

Known victims of pension scams lost an average of £91,000 in 2017 and a new campaign has been released by the Pensions Regulator (TPR) and Financial Conduct Authority (FCA) to urge the public to be on their guard.

The new Scam Smart advertising campaign will target pension holders aged 45-65. A YouGov study revealed a third of those in this group would not know how to check whether they are speaking with a legitimate pension adviser or provider. One in eight in this age bracket would trust an offer of a 'free pension review' from someone claiming to be a pension advisor: an entirely credible figure, for many would think 'it's free; what have I got to lose?' It is believed that only a minority of pension scams are ever reported.

Whilst cold calling is the most common method of initiating pension fraud, other tactics include:

- making unexpected contact about a pension via text, email, or post;
- promising guaranteed high returns and downplaying the risks;
- offering unusual or overseas investments that aren't regulated by the FCA;
- putting people under pressure to make a quick decision;
- claiming to be able to unlock money from an individual's pension (which is normally only possible from age 55).

Some information on other pension matters (continued)

The advertising campaign will include TV, radio, online video and banner ads.

Four simple steps to protect against fraud are advocated:

1. Reject unexpected pension offers whether made online, on social media or over the phone.
2. Check who you're dealing with before changing your pension arrangements. Check the FCA Register or call the FCA contact centre.
3. Don't be rushed or pressured into making any decision about a pension.
4. Consider getting impartial information and advice.

The regulators reiterate the Government's intention to lay regulations to ban pension cold calling in the autumn of 2018.

Updating your Details

If your personal details have recently changed, for example if you've moved house, or have got married (or registered a Civil Partnership) or divorced, you should contact XPS Administration (using the contact details on page 15) so they can update the Scheme records. This is particularly important if you become a member who no longer works for the University but still have benefits in the Scheme as they will not be able to track you down through your place of work.

Please remember to also inform the Pay & Pensions Section of the Finance Office if your personal circumstances have changed.

Benefit Nomination Form

When you joined the Scheme, you should have completed a Benefit Nomination Form. This form indicates to whom you wish any cash lump sum payable on your death, whilst still in service with the University, to be paid. If you die in service the Scheme will pay a cash lump sum, normally tax free.

The Trustees decide who amongst your beneficiaries will receive this sum. They will take your wishes into account in coming to their decision so it is important that you make sure that your Benefit Nomination Form is up to date. If your personal circumstances change, please think about whether you want to make any changes to your Benefit Nomination Form. I know we never like to think about these things, but it is important that the Trustees have the right information about your wishes, should anything happen.

If you are unsure if you have completed this Benefit Nomination Form or would like to update your Benefit Nomination Form please complete the Form on Page 17 and return it to the Pay & Pensions Section of the Finance Office.

If you have a dependant partner, you should complete a Potential Dependant Nomination Form to help the Trustees establish if a dependant's pension can be paid, in the event of your death. The Trustees cannot guarantee that a dependant's pension will be payable as this can only be decided at the time of the member's death in accordance with HM Revenue & Customs requirements.

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Scheme Advisers

The Trustees use the services of the following specialist advisers in the running of the Scheme:

Scheme Actuary E McAuley, Hymans Robertson LLP	Investment Consultants KPMG LLP
Administrator XPS Administration	Independent Auditors Ernst & Young LLP
Investment Managers BlackRock Investment Management Limited Newton Investment Management Limited Pyrford International Insight Investment JP Morgan Asset Management	Legal Advisers CMS
Life Assurance Provider MetLife (until 19 June 2018) UNUM (from 19 June 2018)	AVC Provider Prudential Life Assurance Company

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Useful Addresses

Scheme Administrators

If you have any queries regarding your benefits entitlement, or wish to update your personal details, you can contact XPS Administration at:

PO Box 205
Huddersfield
HD8 1ET

Or email: Unig.admin@xpsgroup.com

Or telephone: 028 9032 8282

Pay and Pensions Department

If you have any queries regarding your pay and pension you can contact:

Pay and Pension Section
Finance Office, Tay House
University of Glasgow
Glasgow
G12 8QQ

Or email: finance-pensions@glasgow.ac.uk

Or telephone: 0141 330 5366

Other Sources of Information

The Trustees aim to administer and manage the Scheme to the highest of standards. Any potential issues and concerns should be referred to Mr Jim Ross at the address given on page 5 of this report. For any unresolved matters the Trustees have formal arrangements in place known as the Internal Dispute Resolution Procedure (IDRP).

In addition there are a number of independent bodies that may be useful:

- The Pensions Advisory Service
- Pension Wise
- The Pensions Ombudsman
- The Pensions Regulator

If you have any dispute that cannot be resolved by using the IDRP then you can refer it to the Pensions Advisory Service initially.

The Pensions Advisory Service

The Pensions Advisory Service (TPAS) works to make pensions accessible and understandable for everyone. They provide independent and impartial information and guidance about pensions, free of charge, to members of the public. You can contact TPAS at:

11 Belgrave Road
London
SW1V 1RB
Tel No: 0800 011 3797

Website: www.pensionsadvisoryservice.org.uk

Pension Wise

If you have AVCs and are approaching retirement then you can access the Pension Wise service at:

Pension Wise
PO Box 10404
Ashby de la Zouch
Leicestershire
LE65 9EH
Tel No: 0800 138 3944

Website: www.pensionwise.gov.uk

Email: contact@pensionwise.gov.uk

Useful Addresses (continued)

The Pensions Ombudsman

The Pensions Ombudsman may investigate and decide any complaint or dispute made or referred to him. Complaints or disputes may be referred directly to the Pensions Ombudsman. If you have any complaint or dispute that cannot be resolved by the internal dispute resolution procedures, then you may refer to the Pensions Ombudsman.

You can contact the Pensions Ombudsman at:

10 South Colonnade
Canary Wharf
London
E14 4PU
Tel No: 0800 917 4487

Website: www.pensions-ombudsman.org.uk
Email: enquiries@pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator is the regulator of pension schemes in the UK. With a remit focused on member protection, the Pensions Regulator will also educate, advise and support those involved with running pension schemes. It will specifically:

- protect members' benefits in 'work based' pension schemes e.g. company sponsored pension schemes;
- reduce the risks of situations arising which might lead to the Pension Protection Fund having to pay compensation;
- promote and improve the understanding of the good administration of 'work based' pension schemes amongst sponsoring employers, trustees etc.

You can contact the Pensions Regulator at:

Napier House
Trafalgar Place
Brighton
BN1 4DW
Tel No: 0345 600 7060

Website: www.thepensionsregulator.gov.uk
Email: customersupport@tpr.gov.uk

UNIVERSITY OF GLASGOW PENSION SCHEME

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DEATH BENEFITS NOMINATION FORM

To: The Trustees of the University of Glasgow Pension Scheme (the "Scheme")

BLOCK CAPITALS PLEASE

FROM: (Full Name) N.I. Number

In the event of my death I request the Trustees to pay any cash benefit under the Scheme to those named below. I

understand that this Nomination Form supersedes any previous Nomination Form signed by me.

I further understand that this is an expression of wish and is not legally binding on the Trustees, and that I may at any time revoke or revise this wish, in writing.

	<i>Proportion of Benefit</i>
1. Full Name
Address	
Relationship (if any)	
2. Full Name
Address	
Relationship (if any)	
3. Full Name
Address	
Relationship (if any)	
4. Full Name
Address	
Relationship (if any)	
5. Full Name
Address	
Relationship (if any)	

In the event of my death please contact the following person, who will handle my affairs:

.....
.....

Date Signed

NOTES

1. If you wish to nominate more than 5 beneficiaries, please contact the Pay and Pensions Section and request a continuation sheet. In that event, you should mark this form clearly to show that a continuation sheet has been used and then ensure that the continuation sheet is attached securely to this form.
2. When completed, return to the **Pay and Pensions Section, Finance Office, Tay House, University of Glasgow, Glasgow, G12 8QQ.**
3. Please note that when completed and lodged with the Pay and Pensions Section, this will supersede your previous form.