



University
of Glasgow | Pension
Scheme

University of Glasgow Pension Scheme

Trustees' Annual Report and Financial Statements for
the year ended 31 March 2020

Scheme Registration No: 10046480



UNIVERSITY OF GLASGOW PENSION SCHEME

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UNIVERSITY OF GLASGOW PENSION SCHEME

TRUSTEES AND THEIR ADVISERS

<i>Sponsoring Employer:</i>	The University Court of the University of Glasgow
<i>Trustees:</i>	Moat Pensions Limited, (represented by June Crombie) Independent Chairperson of Trustee Board Mr George Gillespie* Ms Margaret A McParland* Mr James Ross, Head of Pay & Pensions Mr Neal Juster Mr Lesley Cummings Mr David Duncan * Member Nominated
<i>Secretary to the Trustees:</i>	Mr James Ross, Head of Pay & Pensions
<i>Scheme Actuary:</i>	Mr Eddie McAuley, Hymans Robertson LLP
<i>Independent Auditor:</i>	Ernst & Young LLP
<i>Bankers:</i>	Bank of Scotland
<i>Investment Managers:</i>	BlackRock Investment Management Limited Newton Investment Management Limited Pyrford International Limited Insight Investment Fund Management Limited JPMorgan Asset Management Partners Group (UK) Limited AEW UK Investment Management LLP Apollo Management International LLP
<i>Investment Custodians:</i>	The Bank of New York Europe Limited Northern Trust State Street Ireland BNY Mellon JPMorgan Chase Bank RBC Investor Services Bank SA
<i>AVC Provider:</i>	Prudential Life Assurance Company
<i>Legal Adviser:</i>	CMS
<i>Administrators:</i>	XPS Administration Limited
<i>Investment Consultants</i>	Isio Group Limited
<i>Life Assurance Company</i>	MetLife UNUM
<i>Annuity Providers</i>	Aviva Phoenix Life Sun Life

TRUSTEES AND THEIR ADVISERS (continued)

*Contact for further information &
complaints about the Scheme*

Mr James Ross
Secretary to the Trustees
Finance Office
Tay House
University of Glasgow
Glasgow
G12 8QQ
Email: Jim.Ross@Glasgow.ac.uk

UNIVERSITY OF GLASGOW PENSION SCHEME

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020

Introduction

The Trustees of the University of Glasgow Pension Scheme have pleasure in presenting the Annual Report and audited financial statements for the year ended 31 March 2020.

This Report relates to the operation of the University of Glasgow Pension Scheme ("the Scheme") during the year ended 31 March 2020. The University pays a substantial proportion of the cost of providing the benefits and of running the Scheme.

This Report is addressed primarily to the Scheme's members.

The Scheme closed to new members with effect from 1 April 2014.

Constitution

The Scheme is a defined benefit scheme governed by a Definitive Trust Deed dated 26 July 1965, which was supplemented by a Definitive Trust Deed and Rules effective from 1 April 1985 and a Replacement Definitive Deed and Rules dated 18 May 2000, along with subsequent amendments.

The Management of the Scheme

The Occupational Pension Schemes (Member Nominated Trustees & Directors) Regulations 2006 came into force on 6 April 2006 and prescribe the composition of trustee boards. The existing arrangements are that four of the Trustees are nominated by the members under the rules notified to the members of the Scheme, to serve for a period of five years. In the year ended 31 March 2020 only two Trustees served as a Member Nominated Trustee.

The Trustees, as listed on page 2, are responsible for the administration and investment policy of the Scheme.

A Member-nominated Trustee can only be removed from office with the agreement of all of the other Trustees. The power to appoint and remove University appointed Trustees is vested in the University Court. Trustee appointments however will cease if the Trustee ceases to be a member of the Scheme or resigns from the University. Appointment and removal of Trustees must be exercised by Deed.

The Trustee body includes membership representative Trustees nominated by the main unions represented within the membership and one elected by the pensioner members.

Trustees are invited to attend Trustees' meetings at which the majority must be present for valid decisions to be taken. Decisions require the majority support of those Trustees present.

During the year, the Trustees held two scheduled meetings. Four investment subcommittee-meetings were also held during the year.

Governance & Risk Management

The Trustees have in place policies and procedures that set out their objectives in areas such as administration, investment, funding and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustees run the Scheme efficiently and serves as useful reference documentation.

A Risk Register is in place which sets out the key risks to which the Scheme is subject along with the controls in place to mitigate these.

Trustee Knowledge & Understanding

The Pensions Act 2004 requires Trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist Trustees on this matter which became effective from 6 April 2006. The Risk Register highlights areas on which the Trustees should focus; the use of the trustees' toolkit to develop knowledge and to develop training logs to ensure compliance and record details of the training received each year.

Principal Employer

The Scheme is provided for all eligible employees of the Principal Employer. The Principal Employer's registered address is University of Glasgow, Glasgow, G12 8QQ.

UNIVERSITY OF GLASGOW PENSION SCHEME

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Membership

The number of members as at the year-end was:

	2020	2019
Active Members		
Active members at the start of the year	1,177	1,305
Adjustments in respect of prior periods*	(27)	(19)
Retirements	(37)	(56)
Members leaving with preserved benefits	(37)	(51)
Deaths	(4)	(2)
Active members at the end of the year	1,072	1,177
Pensioners		
Pensioners at the start of the year	1,652	1,595
Adjustments in respect of prior periods*	10	12
Active members retiring during the year	37	56
Members with preserved benefits reaching retirement	36	32
Child pension cessation	(1)	-
Spouses and dependants	17	18
Commutated pensions	(12)	(10)
Pensioners who died during the year	(41)	(51)
Pensioners at the end of the year**	1,698	1,652
Members with preserved benefits		
Number at the start of the year	1,431	1,417
Adjustments in respect of prior periods*	3	(2)
Members leaving with preserved benefits	37	51
Members with preserved benefits retiring during the year	(36)	(32)
Transfers out during the year	(7)	(3)
Deaths	(2)	-
Preserved at the end of the year	1,426	1,431
Total membership at the end of the year	4,196	4,260

*Adjustments relate to movements notified to the Scheme administrator after the completion of the previous renewal.

**includes 233 (2019: 224) spouses and dependants of members in receipt of a pension. In addition to the above, the Scheme also has 147 members at the year-end who have left the Scheme with decisions pending (2019: 150).

UNIVERSITY OF GLASGOW PENSION SCHEME

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Pension increases

All pensions in payment were increased by 2.4% with effect from April 2020 (April 2019: 2.4%). This increase did not apply to any Guaranteed Minimum Pension which was earned in respect of the service before April 1988.

Calculation of Transfer Values

During the year all cash equivalent transfer values and buy outs paid by the Scheme on behalf of members who have left service have been calculated and verified as prescribed in Section 93 of the Pension Schemes Act 1993 and subsequent amendments (The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI 2008/1050) and The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI 2008/2450)). From 31 March 2015 all transfer values have been calculated on a non-Public Sector Transfer Club basis.

Discretionary benefits are not included in the calculation of transfer values.

As the Scheme closed to new members with effect from 1 April 2014 the Trustees decided that no new transfers in would be agreed after 31 March 2017.

COVID-19

COVID-19 has caused significant disruption to economic activity which has been reflected in global stock market fluctuations and, in turn, in the valuation of pension scheme assets. This matter has been further detailed in Note 25 to the financial statements.

Having had due consideration of the above and having discussed with the Sponsoring Employer, the Trustees consider that the Scheme remains a going concern for the foreseeable future.

The Trustees continue to monitor this ever-evolving situation and are liaising with their advisers and Principal Employer to limit the impact of COVID-19.

Financial Development of the Scheme

The financial statements for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

Changes in the Scheme's net assets during the year were as follows:

	£
Net assets at 31 March 2019	448,495,770
Net withdrawals from dealings with members	(7,449,615)
Net returns on investments	9,869,419
Net assets at 31 March 2020	<u>450,915,574</u>

Enquiries

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme Trustees:

Mr James Ross
Head of Pay & Pensions
Finance Office
Tay House
University of Glasgow
Glasgow
G12 8QQ

Email: Jim.Ross@Glasgow.ac.uk

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Money and Pensions Service (MaPS)

The MaPS is a new service which has been introduced in 2019 combining pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. MaPS can be contacted at:

Money and Pensions Service
Holborn Centre
120 Holborn
London EC1N 2TD

MaPS Tel: 0115 965 9570
Email: contact@maps.org.uk
Website: www.moneyandpensionsservice.org.uk

Pensions Ombudsman

Any concern connected with the Scheme should be referred to Mr James Ross who will try to resolve the problem as quickly as possible. If a member has a complaint against the Scheme that has not been resolved to his or her satisfaction, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustees or Scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10046480. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton WV98 1LU

Tel: 0800 731 0193
Website: www.gov.uk/find-lost-pension

The Pensions Regulator (TPR)

The Pensions Regulator can intervene if they consider that a scheme's Trustee, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton
BN1 4DW

Tel: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

INVESTMENT REPORT

General

All investments, with the exception of AVCs which are managed by Prudential, have been managed during the year under review by BlackRock Investment Management Limited, Newton Investment Management Limited, Pyrford International Limited, Insight Investment Fund Management Limited, JP Morgan Asset Management, Partners Group (UK) Limited, AEW UK Investment Management LLP and Apollo Capital Management LLC.

There is a degree of delegation of responsibility for investment decisions given to the investment managers. The investment strategy is agreed by the Trustees after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the fund which should be invested in the principal market sectors, the day-to-day management of the Scheme's asset portfolio which includes full discretion for stock selection is the responsibility of the Investment Managers.

Investment Principles

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. A copy of the statement is available on request or can be viewed/downloaded at www.glasgow.ac.uk/myglasgow/payandpensions.

The Trustees' overall investment policy falls into two parts. The strategic management of the assets is the responsibility of the Trustees acting on expert advice and is determined by their investment objectives set out in the Statement of Investment Principles. The remaining elements of the Trustees' investment policy concern the day-to-day management of the Scheme's asset portfolio.

Following the completion of an investment strategy review in November 2016 the Trustees agreed to move to a new strategic asset allocation, to be implemented over several stages. As at 31 March 2020 the strategic targets were as follows; 20% diversified growth, 10% direct lending, 5% semi-liquid credit, 5% hybrid property, 10% long lease property, 15% diversified credit funds, 10% corporate bonds and 25% liability driven investment. The Trustees have since agreed further changes to the investment strategy which are expected to be implemented over 2020.

Code of Best Practice

During the year the Trustees, in conjunction with their professional advisers, have continued their work of reviewing the Scheme's level of compliance with the recommendations contained in the Government's Code of Best Practice. This ongoing review is aimed at benchmarking the Scheme's level of compliance with these recommendations and identifying any actions that still need to be taken. There is an investment sub-committee which has Terms of Reference and reports to the main Trustee Board.

The Trustees understand that the primary purpose of the Code of Practice is to ensure that the Trustees have the right skill set and decision-making structures and also that they have clear objectives for the Scheme and an appropriate and well-documented strategy in place for achieving these objectives. In a similar vein, the Trustees know that they should set explicit goals for the fund managers used by the Scheme.

Progress has continued to be made against the principles set out in the Code. The Trustees have complied with the requirements for setting clear objectives and making strategic asset allocation decisions for the Scheme. The Trustees continue to review and agree mandates, appropriate benchmarks and performance targets with the four investment managers. The Statement of Investment Principles is reviewed regularly and is available to all members on request. Continued compliance with these principles is monitored by the Trustees.

In addition, the Trustees continually review their training needs and the skills of its members to ensure effective decision-making. Where appropriate, they take independent expert advice.

UNIVERSITY OF GLASGOW PENSION SCHEME

INVESTMENT REPORT (continued)

Deployment of Investments (excluding AVCs and unsettled transactions)

The distribution of the Scheme's underlying assets at the end of the year is set out below:

	2020 %	2019 %
Pooled investment vehicles		
- Equities	1.9	2.3
- Diversified growth	26.0	26.6
- Bonds	32.4	33.8
- Property	13.2	13.1
- Diversified credit	13.2	13.3
- Direct lending	7.0	5.8
- Semi-liquid credit	4.2	4.7
- Cash and cash instruments	1.6	-
	99.5	99.6
Annuity policies	0.1	0.1
Cash deposits	0.4	0.3
Income receivable	-	-
	100.0	100.0

Note: All values based on single priced valuations, with exception of AEW and BlackRock Sterling Liquidity which are priced at bid. The valuations for the BlackRock Long Lease Property Fund and AEW Real Return Fund have been issued with material uncertainty, given market conditions as at 31 March 2020.

Source: Investment Managers; Isio Calculations.

Fund Performance

The table below shows the performance of the Fund against its benchmark (where appropriate) to 31 March 2020:

	1 year %	3 years %	5 years %
BlackRock Dynamic Diversified Growth Portfolio	(2.7)	1.4	0.8
<i>Benchmark (3 Month Sterling LIBOR)</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>
Newton Global Equity X Shares (Acc)	(2.4)	4.1	7.6
<i>Benchmark (MSCI AC World Index (£))</i>	<i>(6.2)</i>	<i>2.3</i>	<i>7.2</i>
Pyrford - Global Total Return (Sterling) Fund	(2.1)	(0.3)	1.9
<i>Benchmark (RPI)</i>	<i>2.6</i>	<i>2.8</i>	<i>2.6</i>
Insight - Maturing Buy and Maintain Bond Funds 2026-2030	N/A*	N/A*	N/A*
<i>Benchmark (100% iBoxx GBP Corporates 2026- 2030)</i>	<i>N/A*</i>	<i>N/A*</i>	<i>N/A*</i>

UNIVERSITY OF GLASGOW PENSION SCHEME

INVESTMENT REPORT (continued)

Fund Performance (continued)

	1 year	3 years	5 years
	%	%	%
Insight – Maturing Buy and Maintain Bond Funds 2031-2035	N/A*	N/A*	N/A*
<i>Benchmark (100% iBoxx GBP Corporates 2031- 2035)</i>	N/A*	N/A*	N/A*
JP Morgan Unconstrained Bond Fund	(1.1)	0.1	N/A*
<i>Benchmark (ICE Overnight GBP LIBOR)</i>	0.7	0.5	N/A*
Insight - LDI Solutions Plus Partially Funded Index-Linked Gilts Funds 2041-2050	3.4**	N/A*	N/A*
<i>Benchmark (Customised LDI benchmark)</i>	3.4	N/A*	N/A*
Insight - LDI Solutions Plus Partially Funded Index-Linked Gilts Funds 2051-2065	(2.0)**	N/A*	N/A*
<i>Benchmark (Customised LDI benchmark)</i>	(2.0)	N/A*	N/A*
Insight - LDI Solutions Plus Partially Funded Gilts Funds 2041-2050	63.1**	N/A*	N/A*
<i>Benchmark (Customised LDI benchmark)</i>	63.2	N/A*	N/A*
BlackRock Investment Management Limited UK Long Lease Property Fund	3.3***	N/A*	N/A*
<i>Benchmark (RPI)</i>	2.6	N/A*	N/A*
AEW Investment Management Limited UK Real Return Fund	4.0***	N/A*	N/A*
<i>Benchmark (RPI)</i>	2.6	N/A*	N/A*
Partners Group AG - Private Markets Strategies 2 S.A (2016)	0.5	N/A*	N/A*
<i>Benchmark (3 month Sterling LIBOR)</i>	0.8	N/A*	N/A*
Apollo Total Return Fund	(4.9)	N/A*	N/A*
<i>Benchmark (3 month Sterling LIBOR)</i>	0.8	N/A*	N/A*
BlackRock Sterling Liquidity Fund	0.7	0.5	N/A*
<i>Benchmark (GBP 1 week LIBID)</i>	0.5	0.4	N/A*
Partners Group AG - Private Markets Strategies (2018)	(4.8)	N/A*	N/A*
<i>Benchmark (3 month Sterling LIBOR)</i>	0.8	N/A*	N/A*
Total Scheme	2.3	3.3	5.5
<i>Scheme Objective</i>	6.7	6.0	7.6

Note:

Total Scheme return and benchmark are estimates based on Isio calculations. Total Scheme returns are net of management fees. Scheme benchmark is calculated from manager objectives as opposed to specific benchmarks.

All individual fund performance has been provided on a net of fees basis, unless stated otherwise.

*Performance unavailable given inception date of investment.

** Gross of fees performance included given fees aggregated across holdings.

*** Performance is calculated as money weighted rate of return and doesn't include spread costs incurred on entrance.

No performance or benchmark information available for the Insight Buy and Maintain Bond Funds as these mandates were incepted over the year.

Source: Investment Managers; Isio Calculations.

INVESTMENT REPORT (continued)

Investment commentary

Over the 12 months to 31 March 2020, global equity markets fell in value, with the MSCI World Index returning -5.3%. The negative performance for the period was driven by the experience in Q1 2020, as investors' reaction to the impact of the COVID-19 pandemic led to a sharp sell-off across the majority of markets. Volatility also significantly increased over Q1 2020, with the Vix index (a measure of expected volatility which typically sits somewhere between 10 and 20) spiking at over 80. The sell off during Q1 2020, was further exacerbated by a sharp decline in the oil price following disputes between Saudi Arabia and Russia. Prior to the events over Q1 2020, equity markets had been buoyant, mainly due to improving global data and signs that the trade war between the US and China was reaching a positive conclusion.

Amidst this global backdrop, US equities posted the strongest returns, with the S&P 500 declining only 2.2% over the year (in Sterling terms), mainly due to rallies throughout 2019. The UK was one of the weaker performing regional markets, returning -18.5% (FTSE All Share index), as concerns over the outcome of Brexit and the region's tilt towards energy and financial firms (which underperformed) hindered returns. Emerging Markets were not immune to the challenges faced by global equities over the period, with a stronger US Dollar also creating headwinds which resulted in a 12 month return of -13.2% for the MSCI EM Index (in Sterling terms).

Within fixed income markets, the Bank of cut the base rate for interest rates from 0.75% to 0.1% over Q1 as an action to try and mitigate the economic impact of the COVID-19 pandemic. Credit spreads widened over the year as a result of a deterioration in risk sentiment amidst the market sell-off in Q1 2020. Index-linked gilts (FTSE over 5 Year Index) returned 2.4% over the year, underperforming similar duration fixed interest gilts by 15.2% as a result of a fall in inflation expectations.

Custodial Arrangements

The investment managers appointed the Bank of New York Europe Limited, Northern Trust, State Street (Ireland), BNY Mellon, JPMorgan Chase Bank and RBC Investor Services Bank S.A as custodians of the Scheme's assets. The custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodian's nominee companies, in line with common practice for pension scheme investments.

The Trustees are responsible for ensuring the Scheme's assets continue to be securely held. They review the custodian arrangements from time to time.

Social, Environmental and Ethical Considerations

The Trustees recognise that social, environmental and ethical considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. The managers have produced statements setting out their general policy in this regard. The managers have been delegated by the Trustees to act accordingly.

Exercise of voting rights

The Trustees have delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

Basis of Investment Managers' Fees

BlackRock Investment Management Limited

The tiered management fee for the BlackRock Dynamic Diversified Growth is calculated as follows:

- 0.55% per annum of the first £50 million;
- 0.5% per annum thereafter.

The management charge for the BlackRock UK Long Lease Property Fund is 0.40% per annum.

The management charge for the BlackRock Sterling Liquidity Fund is 0.095% per annum.

INVESTMENT REPORT (continued)

Basis of Investment Managers' Fees (continued)

Newton Investment Management Limited

The tiered management fee is calculated as follows:

- 0.25% per annum of the first £75 million of the client's quarter end value; and
- 0.20% per annum of the client's quarter end value which is above £75 million.

There is also a performance fee of 20% of any outperformance, with payment spread over 4 years.

Pyrford International Limited

The investment management fees in respect of the Pyrford Global Total Return Fund are 1% per annum for Share Class A and such fees are based on the pro rata Net Asset Value of Class A shares accrued daily and payable monthly.

There is a rebate of 0.5% per annum of the annual investment management fee paid, the rebate entitlement is accrued on a daily basis, and credited in the form of units on a monthly basis.

The Investment Manager shall be responsible for paying the fees and out-of-pocket expenses of the Sub-Investment Managers out of its own investment management fee.

Insight Investment Fund Management Limited

The management charge for the Maturing Buy and Maintain Funds is 0.12% per annum

The tiered management fee for the LDI Funds is calculated as follows:

- 0.06% per annum on the first £100 million of exposure;
- 0.055% per annum on the next £150 million of exposure;
- 0.05% per annum on remaining exposure.

The fees above are subject to a 10% discount.

JP Morgan Asset Management

The management charge for the JP Morgan Unconstrained Bond Fund is 0.40% per annum.

Partners Group AG

The management charge for the Partners Group Private Markets Credit Strategies 2 S.A. – Compartment 2016 (VIII) Fund and Private Markets Credit Strategies (2018) Fund is 0.80% per annum. The Fund also charged 0.1% on committed capital for the setup of the Fund. Partners Group will also receive a performance fee of 8% net of costs after achieving a 4% per annum return for investors (with catch-up).

AEW UK Investment Management LLP

The management charge for the AEW UK Real Return Fund is 0.60% per annum on invested capital.

Apollo Capital Management LLC

The management charge for the Apollo Total Return Fund is 0.65% per annum.

Employer related investments

There were no employer-related investments at any time during the year (2019: none).

UNIVERSITY OF GLASGOW PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES

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, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustees and the employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The last full actuarial valuation of the Scheme was completed as at an effective date of 1 April 2019 and was the fifth valuation carried out under the scheme specific funding requirements of the Pensions Act 2004. At that date the valuation assessed that the Scheme had technical provisions (the target level of Scheme assets given its commitments to pay pensions and other benefits) of £474.5m, assets of £448.5m, a deficit of £26m, and a funding level (ratio of assets to technical provisions) of 95%.

As a result of the 2019 valuation, it was agreed that the Employer will continue to contribute 22.5% of the monthly pensionable salary roll into the Scheme. Members will contribute 7.5% p.a. of their pensionable salary into the Scheme in respect of future benefit accrual. In addition, in order to eliminate the funding deficit, it was agreed that the Employer would contribute £3.951m p.a. during the period from March 2023 to March 2034 inclusive, increasing by 2.5% per annum.

Actuarial method

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

Actuarial assumptions

The key assumptions used for calculating the "technical provisions" for the Scheme were:

Principal actuarial assumptions for valuation as at 1 April 2019

Discount rate before retirement	Dependent on term and assumed to be 1% p.a. above the yield on fixed interest government bonds
Discount rate after retirement	Dependent on term and assumed to be 1% p.a. above the yield on fixed interest government bonds
RPI price inflation	Market expectation of future inflation dependent on term as measured by the difference between yields on fixed and index linked government bonds
Consumer Price Inflation	RPI curve less 0.80% p.a.
Pension increases in payment	Assumed to be in line with CPI, with a floor of 0% p.a. and a cap of 10% p.a. for pensions in excess of the GMP
Salary increases	Assumed to be CPI plus 0.5% p.a.*
GMP equalisation	0.11% of liabilities
Expenses	An allowance for Scheme expenses is included in the University's ongoing contributions in respect of the fees, charges, levies and expenses
Non-retired members' mortality	SAPS All tables, with future improvements assumed to be in line with the CMI 2017 model with starting rates based on improvements observed in England and Wales population data up to the end of 2017 with core parameters i.e. a smoothing parameter of 7.5, a long term rate of improvement of 1.5% p.a. with all other parameters in line with the core parameterisation of the model.
Retired members' mortality	Club Vita base tables, with future improvements assumed to be in line with the CMI 2017 model with starting rates based on improvements observed in England and Wales population data up to the end of 2017 with core parameters i.e. a smoothing parameter of 7.5, a long term rate of improvement of 1.5% p.a. with all other parameters in line with the core parameterisation of the model.

**the valuation allows for a known salary increase of 2.56% in the first year as advised by the University.*

REPORT ON ACTUARIAL LIABILITIES (continued)

Updated funding position of the Scheme

An updated actuarial position of the Scheme as at 1 April 2020 indicated that the funding level, ratio of assets to technical provisions, has changed to 90% from 95% (as at 1 April 2019). This was largely due to changes in market conditions, in particular a reduction in government bond yields which has increased the value of the liabilities. Positive investment performance from the Scheme's assets was not enough to offset the increase in the liabilities. In the short term, it is expected that the funding position will fluctuate with changing market conditions.

The next full actuarial valuation of the Scheme will have an effective date of 1 April 2022.

Wind up funding level

The estimated funding position of the Scheme on a wind up basis, had the Scheme been discontinued and wound up as at the date of the actuarial valuation of 1 April 2019, indicated that the Scheme had liabilities of £681m, assets of £449m, a deficit of £232m and hence a funding level of 66%. The winding up liabilities are much higher than the ongoing funding liabilities noted previously because the estimated cost of purchasing insurance policies to secure the benefits is significantly higher than the anticipated cost of providing the benefits from the Scheme's assets. This information is provided for legislative purposes only and the Trustees have no plans to wind up the Scheme in the foreseeable future.

ACTUARIAL STATEMENTS AND CERTIFICATE

University of Glasgow Pension Scheme

Schedule of Contributions

This schedule sets out the contributions that will be paid to the University of Glasgow Pension Scheme (the "Scheme"). This schedule is dated June 2020 and applies from 1 July 2020 until 1 April 2034. It replaces the previous schedule dated June 2017.

This schedule has been prepared after consultation with the Court of the University of Glasgow (the "University") and after taking the advice of Eddie McAuley (the Scheme Actuary). This schedule has been certified by the Scheme Actuary and the certificate is included in the appendix.

Salary definition

Some of the contributions which are due to be paid to the Scheme are based on the salaries of the members. A member's pensionable salary for contribution purposes is defined in the Scheme rules to be basic salary plus, if appropriate, additional contractual earnings.

Member contributions

Members shall pay contributions at the rate of 7.5% of pensionable salary. These are due to be paid to the Scheme not later than 19 days from the end of the month in which the deduction from pay is made.

Sponsor contributions for new benefits

The University shall pay the following contributions to the Scheme on a monthly basis in respect of the accrual of new benefits and expenses:

- contributions at the rate of 22.5% of monthly pensionable salary roll

All monthly contributions from the University shall be paid to the Scheme not later than 19 days after the end of the calendar month to which they relate.

Sponsor deficit reduction contributions

The 1 April 2019 actuarial valuation showed that the Scheme had a funding deficit relative to the Scheme's statutory funding objective. The sponsor shall pay the following deficit reduction contributions¹:

- £3.951m p.a. with effect from March 2023, increasing at 2.5% per annum. The first of these annual payments is to be made no later than 31 March 2023, and the subsequent payments by each 31 March thereafter until 2034.

All deficit reduction contributions are due to be paid to the Scheme not later than 19 days after the end of the month to which they relate.

The sponsor shall also pay to the Scheme any additional contributions required from time-to-time on the advice of the Scheme Actuary as required from time to time under the Scheme's trust deed and rules.

¹ As part of the previous recovery plan, dated June 2017, the University agreed to pay a lump sum of £17m in August 2017 to cover the following 5 years' deficit reduction contributions. The pre-payment lump sum was determined as the present value of the deficit reduction contributions due from March 2018 to March 2022 inclusive under a notional schedule of annual payments starting at £3.492m p.a. and increasing at 2.5% per annum, using a neutral basis.

UNIVERSITY OF GLASGOW PENSION SCHEME

ACTUARIAL STATEMENTS AND CERTIFICATE (continued)

Expenses, Levies, Fees and Insurance Premiums

The University's contributions include an allowance for the following which are payable by the Scheme:

- the Pension Protection Fund levy (the last levy was approximately £255k)*
- the Pension Protection Fund administration levy
- the Pension Regulator's general levy
- life insurance premiums
- fees payable to the Scheme's administrators, investment managers and other professional advisors
- investment charges and expenses; and
- other Scheme expenses that are reasonably incurred in the course of the trustees performing their duties.

*The trustees reserve the right to request additional contributions in respect of the PPF levy, if the annual levy rises above £300k.

Prepared by the trustees of the Scheme

Signature  Director, Moat Pensions Limited for and on behalf of the Trustees
Print name June Crombie, Director of Moat Pensions Limited Position Chair of Trustees
Date 26 June 2020

Agreed by the University of Glasgow

Signature  on behalf of the University of Glasgow
Print name Anton Muscatelli Position Principal and Vice-Chancellor
Date 26 June 2020

This schedule of contributions is provided to meet the requirements of section 227 of the Pensions Act 2004.

June 2020

002

HTTP://CLIENTS.HYMANSON.COM/CLIENTS/THECOURTOFGLASGOW/UNIC18/FORMALVALUATION-2019/SCHEDULEOFCONTRIBUTIONSUGPS
SCHEDULE OF CONTRIBUTIONS - 2019 VALUATION.DOCX

ACTUARIAL STATEMENTS AND CERTIFICATE (continued)

University of Glasgow Pension Scheme Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 1 April 2019 can be expected to be met by the end of the period specified in the recovery plan dated June 2020.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated June 2020.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the scheme's full liabilities with annuities if the scheme were to wind up.

Signature	
Date	29 June 2020
Name	Eddie McAuley
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street, Glasgow, G2 6DB

This certificate is provided to meet the requirements of regulation 10(8) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

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 the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than the 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 a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

In discharging these responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements 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 continue as a going concern.

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

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

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

Approval of the Trustees' Report

The Trustees' Report, which includes the Investment Report, the Report on Actuarial Liabilities and the Statement of Trustees' Responsibilities, was approved by the Trustees on:



Mr James Ross (Trustee)

30th September 2020

Date



Ms Lesley Cummings (Trustee)

30th September 2020

Date

UNIVERSITY OF GLASGOW PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF UNIVERSITY OF GLASGOW PENSION SCHEME

Opinion

We have audited the financial statements of the University of Glasgow Pension Scheme for the year ended 31 March 2020 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2020, 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 including FRS 102 'The Financial Reporting Standard' applicable to the UK and Republic of Ireland'; 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report on page 1 to 35, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF UNIVERSITY OF GLASGOW PENSION SCHEME (continued)

Other information (continued)

We have nothing to report in this regard.

Responsibilities of the Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 18, the 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 wind up 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. 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's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
London

Date: 30 September 2020

UNIVERSITY OF GLASGOW PENSION SCHEME

FUND ACCOUNT

For the year ended 31 March 2020

	Note	2020 £	2019 £
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	8,208,399	8,680,349
Employee contributions	4	227,470	201,123
Total contributions		<u>8,435,869</u>	<u>8,881,472</u>
Other income	5	<u>381,894</u>	<u>119,928</u>
		<u>8,817,763</u>	<u>9,001,400</u>
Benefits paid or payable	6	(13,448,381)	(12,821,787)
Payments to and on account of leavers	7	(1,656,222)	(284,226)
Other payments	8	(164,213)	(175,755)
Administrative expenses	9	(998,562)	(987,719)
		<u>(16,267,378)</u>	<u>(14,269,487)</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(7,449,615)</u>	<u>(5,268,087)</u>
RETURNS ON INVESTMENTS			
Investment income	10	26,197,827	17,469,148
Change in market value of investments	12	(16,362,954)	11,670,985
Investment management expenses	11	34,546	177,580
NET RETURNS ON INVESTMENTS		<u>9,869,419</u>	<u>29,317,713</u>
NET INCREASE IN THE FUND FOR THE YEAR		2,419,804	24,049,626
OPENING NET ASSETS		<u>448,495,770</u>	<u>424,446,144</u>
CLOSING NET ASSETS		<u><u>450,915,574</u></u>	<u><u>448,495,770</u></u>

The notes on pages 23 to 33 form part of these financial statements.

UNIVERSITY OF GLASGOW PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 31 March 2020

	Note	2020 £	2019 £
INVESTMENT ASSETS	12		
Pooled investment vehicles	13	437,744,843	439,933,343
Insurance policies	14	329,603	335,704
AVC investments	15	1,338,004	1,256,966
Cash deposits	12	1,907,263	1,227,214
Other investment balances	12	144,611	138,691
		<u>441,464,324</u>	<u>442,891,918</u>
CURRENT ASSETS	19	10,499,596	6,615,350
CURRENT LIABILITIES	20	(1,048,346)	(1,011,498)
CLOSING NET ASSETS		<u>450,915,574</u>	<u>448,495,770</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations is dealt with in the Report on Actuarial Liabilities on pages 13 to 14 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 23 to 33 form part of these financial statements.

These financial statements were approved by the Trustees on 30th September 2020

Signed on behalf of the Trustees



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pensions 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 and the guidance set out in the Statement of Recommended Practice (Revised 2018).

In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustees have adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statement, however, it has required certain additions to or amendments of disclosures in the financial statements.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustees' Report.

3. ACCOUNTING POLICIES

(a) *Accounting Convention*

The Financial Statements are prepared on an accruals basis.

(b) *Contributions*

Normal contributions from the employer and members, including members' additional voluntary contributions, are accounted for on an accruals basis in the payroll period to which they relate at the rates agreed between the Trustees and the Employer based on the recommendations of the Actuary and the Schedule of Contributions.

(c) *Payments to Members*

Pensions in payment are recognised in the month to which they relate. Pension benefits paid in respect of which annuity income is received are included within benefits payable.

Other benefits payable (except for transfers to and from other schemes which are accounted for as disclosed below) are included 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.

Transfer values represent the capital sums either receivable in respect of members from other schemes of previous employers or payable to the pension schemes of new employers for members who have left the Scheme. They are accounted for on an accruals basis on the date the Trustees of the receiving scheme accept the liability.

(d) *Expenses*

Administrative expenses and investment management expenses are met by the Scheme and are accounted for on an accruals basis.

(e) *Investment Income*

Income from equities and any pooled investment vehicles which distribute income is accounted for on an accruals basis on the date the securities are quoted ex-dividend. Income arising from the underlying investments of the pooled investment vehicles that is rolled up within the pooled investment vehicle is reflected in the unit price. Such income is reported within the change in market value. Interest on bank deposits is accounted for as it accrues. Income arising from annuity policies is accounted for on an accruals basis and is included in investment income and the pensions paid included in pension benefit payments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. ACCOUNTING POLICIES

(f) *Investments*

Investments are included at fair value as follows.

- Unitised pooled investment vehicles which are priced daily, weekly or at the end of each month are included at the last price provided by the manager at or before the year end i.e. at the closing bid price if both bid and offer prices are available, or at the closing single price.
- The value of shares in other pooled investment vehicles which are not quoted or actively traded on a quoted market is primarily driven by the fair value of the underlying assets. The net asset value advised by the fund manager is considered a suitable approximation to fair value.
- Annuity policies are valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.
- Additional Voluntary Contributions (AVCs) investments are included in the Statement of Net Assets (available for benefits) at the surrender value of the policies as determined by the AVC provider.
- 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 and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

(g) *Functional and presentational currency*

The functional and presentational currency of the Scheme is sterling.

(h) *Critical accounting estimates and judgements*

The preparation of the financial statements requires the Trustees to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Net Asset Statement date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustees confirm that no judgements have had a significant effect on amounts recognised in the financial statements but note estimation uncertainty in the valuation of annuity policies, as disclosed in Note 14.

UNIVERSITY OF GLASGOW PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

4.	CONTRIBUTIONS	2020	2019
		£	£
	Employer contributions		
	Normal	8,208,399	8,680,349
		<u>8,208,399</u>	<u>8,680,349</u>
	Employee contributions		
	Normal	97,143	105,825
	Additional voluntary	130,327	95,298
		<u>227,470</u>	<u>201,123</u>
		<u>8,435,869</u>	<u>8,881,472</u>

From 1 October 2008 the Scheme implemented a salary sacrifice scheme. Employee contributions paid under this arrangement are disclosed under employer normal contributions.

In accordance with the Schedule of Contributions certified by the Scheme Actuary in June 2017 the Employer paid deficit funding contributions of £17.0m into the Scheme during the year ended 31 March 2018.

Following completion of the 1 April 2019 actuarial valuation the Schedule of Contributions was revised and certified by the Scheme Actuary in June 2020. In accordance with the revised Schedule the following contributions are payable into the Scheme from 1 July 2020 to 1 April 2034:

- Member contributions: 7.5% of pensionable salary
- Employer contributions: 22.5% of monthly pensionable salary roll
- Deficit contributions: £3.951m p.a. with effect from March 2023, increasing at 2.5% per annum. The first of these annual payments is to be made no later than 31 March 2023.

5.	OTHER INCOME	2020	2019
		£	£
	Income tax refund	-	475
	Claims on term insurance policies	381,894	119,453
		<u>381,894</u>	<u>119,928</u>

6.	BENEFITS PAID OR PAYABLE	2020	2019
		£	£
	Pensions	9,423,885	8,878,927
	Commutation of pensions and lump sum retirement benefits	3,608,695	3,786,864
	Lump sum death benefits	415,801	155,996
		<u>13,448,381</u>	<u>12,821,787</u>

7.	PAYMENTS TO AND ON ACCOUNT OF LEAVERS	2020	2019
		£	£
	Refunds of contributions	23,983	2,016
	Individual transfers out to other schemes	1,632,239	282,210
		<u>1,656,222</u>	<u>284,226</u>

UNIVERSITY OF GLASGOW PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

8.	OTHER PAYMENTS		2020		2019	
			£		£	
	Premiums on term insurance policies		<u>164,213</u>		<u>175,755</u>	
9.	ADMINISTRATIVE EXPENSES		2020		2019	
			£		£	
	Administration		243,219		238,614	
	Actuarial fees		198,853		131,560	
	Independent Trustee fees		39,857		45,552	
	Investment advice		150,250		184,741	
	Audit fees		18,620		21,000	
	PPF levy		254,820		250,997	
	Salary costs		67,301		87,996	
	Other directly attributable charges including pension regulator charges		<u>25,642</u>		<u>27,259</u>	
			<u>998,562</u>		<u>987,719</u>	
10.	INVESTMENT INCOME		2020		2019	
			£		£	
	Dividends from equities		-		41,953	
	Income from pooled investment vehicles		26,116,166		17,361,775	
	Interest on cash deposits		52,893		36,615	
	Annuity income		<u>28,768</u>		<u>28,805</u>	
			<u>26,197,827</u>		<u>17,469,148</u>	
11.	INVESTMENT MANAGEMENT EXPENSES		2020		2019	
			£		£	
	Investment fees - fee & unit rebates		(361,877)		(491,973)	
	Investment fees - management & custody		<u>327,331</u>		<u>314,393</u>	
			<u>(34,546)</u>		<u>(177,580)</u>	
12.	RECONCILIATION OF INVESTMENTS					
		Value at	Purchases at	Sales	Change in	Value at
		31.03.2019	cost	proceeds	market value	31.03.2020
		£	£	£	£	£
	Pooled investment vehicles	439,933,343	69,415,642	(55,148,516)	(16,455,626)	437,744,843
	Insurance policies	335,704	-	-	(6,101)	329,603
	AVC investments	<u>1,256,966</u>	<u>129,479</u>	<u>(147,214)</u>	<u>98,773</u>	<u>1,338,004</u>
		<u>441,526,013</u>	<u>69,545,121</u>	<u>(55,295,730)</u>	<u>(16,362,954)</u>	<u>439,412,450</u>
	Cash deposits	1,227,214				1,907,263
	Investment income receivable	<u>138,691</u>				<u>144,611</u>
		<u>442,891,918</u>				<u>441,464,324</u>

UNIVERSITY OF GLASGOW PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

12. RECONCILIATION OF INVESTMENTS (continued)

The pooled investment vehicles are held under managed fund policies in the name of the Scheme.

Transaction costs charged directly to the Scheme are included in the cost of purchases and sale proceeds. Indirect transaction costs are also borne by the Scheme in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid-offer spread of these investments and are not separately reported.

There were no employer-related investments at any time during the year (2019: none).

The companies managing the investments are registered in the United Kingdom.

13. POOLED INVESTMENT VEHICLES

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2020	2019
	£	£
Equities	7,966,752	9,981,013
Diversified growth	114,592,382	117,533,807
Bonds	142,815,979	149,443,434
Property	58,008,209	57,712,559
Diversified credit	58,187,434	58,824,702
Direct lending	30,615,145	25,774,611
Semi-liquid credit	18,577,442	20,564,823
Cash and cash instruments	6,981,500	98,394
	<u>437,744,843</u>	<u>439,933,343</u>

14. INSURANCE POLICIES

The Scheme held insurance policies at the year-end as follows:

	2020	2019
	£	£
Annuity policies with Aviva, Phoenix Life and Sun Life	<u>329,603</u>	<u>335,704</u>

The Trustees hold a number of insurance policies that secure pensions payable to specified members. These policies remain assets of the Trustees and are valued on the Scheme funding basis at the period end, as advised by the Scheme Actuary. These policies will continue in payment until the death of the last remaining insured member. Annuities are issued by Aviva, Phoenix Life and Sun Life.

15. AVC INVESTMENTS

The Trustees hold assets invested separately from the main fund investments to secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to the year-end confirming the value of their fund and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2020	2019
	£	£
Prudential	<u>1,338,004</u>	<u>1,256,966</u>

UNIVERSITY OF GLASGOW PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

16. FAIR VALUE DETERMINATION

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	At 31 March 2020			
	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	330,544,047	107,200,796	437,744,843
Insurance policies	-	-	329,603	329,603
AVC investments	-	-	1,338,004	1,338,004
Cash	1,907,263	-	-	1,907,263
Other investment balances	144,611	-	-	144,611
	<u>2,051,874</u>	<u>330,544,047</u>	<u>108,668,403</u>	<u>441,464,324</u>

	At 31 March 2019			
	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	335,881,350	104,051,993	439,933,343
Insurance policies	-	-	335,704	335,704
AVC investments	-	-	1,256,966	1,256,966
Cash	1,227,214	-	-	1,227,214
Other investment balances	138,691	-	-	138,691
	<u>1,365,905</u>	<u>335,881,350</u>	<u>105,644,663</u>	<u>442,891,918</u>

17. INVESTMENT RISK DISCLOSURES

Investment Strategy

Overall Investment Strategy

The Trustees currently set the Scheme's investment strategy after consultation with the Principal Employer, taking into account considerations such as the strength of the Employers' covenant and after receiving professional advice from Isio, in order to achieve the following objectives:

- To adopt a statutory funding objective which is that the Scheme must have sufficient and appropriate assets to cover the expected cost of providing members' past service benefits; and
- To generate surplus assets, over and above the cost of providing members' past service benefits, through an expectation of actual experience, particularly investment returns, being more favourable than the assumptions adopted for the Statutory Funding Objective. The aim will be over time to use some, or all of this surplus, to reduce the proportion of assets that offer greater expected returns, with a corresponding greater level of risk, and to adopt an investment strategy that is more closely matched to the nature of past service benefits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

17. INVESTMENT RISK DISCLOSURES (continued)

Current Investment Strategy

As documented in the Statement of Investment Principles, the Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme which is reflected in the investment mandates given to the Scheme's investment managers.

The investment objectives of each investment manager, allocation benchmarks and associated risk limits are implemented through investment management agreements in place with each of the investment managers that are monitored by the Trustees through regular reviews of the investment portfolios.

We note that the Scheme is currently moving to the agreed investment strategy in a phased manner and therefore the current asset allocation and manager structure is not fully reflective of the desired position.

As at the end of March 2020, the Scheme's assets are invested as follows:

- BlackRock: 13% in diversified growth funds, 9% in property funds and 2% in cash funds (all pooled);
- Newton: 2% in global equities (pooled);
- Insight: 32% in buy and maintain bonds/LDI (pooled);
- Partners Group: 7% in direct lending funds (pooled);
- JP Morgan: 13% in diversified credit funds (pooled);
- Pyrford: 13% in diversified growth funds (pooled);
- AEW: 5% of assets held in property funds (pooled) and;
- Apollo: 4% of assets held in semi-liquid credit funds.

Investment risks

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

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates;
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates;
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees' approach to risk management and the Scheme's exposure to the market (currency, interest and other price risk) and credit risks are reported below. This does not include annuity insurance policies as these match the related future obligations or AVC investments or other investments as these are not considered significant in relation to the overall investments of the Scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

17. INVESTMENT RISK DISCLOSURES (continued)

Credit Risk

The Scheme is subject to direct credit risk within the investment portfolio to the extent of the holdings in pooled investment vehicles and cash holdings as detailed within the investment table on page 25.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by:

- the underlying assets of the pooled arrangements being ring-fenced from the manager;
- the regulatory environments in which the managers operate; and
- the diversification of investments amongst a number of pooled arrangements.

Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the manager. The Scheme's cash deposits of £1,907,263 (2019: £1,227,214) are held with institutions which are at least investment grade credit rated.

The Scheme is indirectly exposed to credit risks arising on the underlying financial instruments held within the pooled investment vehicles. At the year-end approximately 98% of the Scheme's investment assets were held in funds that proportionately invest in bond and cash type securities (2019: approximately 97%). Please see below for the legal nature of pooled arrangements.

	2020	2019
	£m	£m
Authorised unit trusts	76.4	77.2
Open ended investment companies	253.8	256.7
Open ended investment companies	107.5	106.0
	437.7	439.9

Currency risk

The Scheme is not directly exposed to currency risk as the pooled investment vehicles and cash held are denominated in sterling.

Indirect exposure to currency risk is due to a proportion of the underlying financial instruments held within the pooled investment vehicles being denominated in overseas currencies. The Newton Global Equity Fund, BlackRock Diversified Growth Fund, JP Morgan Unconstrained Bond Fund, Partners Group Direct Lending Funds and Pyrford's Global Total Return Fund, equating to approximately 48% of the Scheme's investment assets (2019: approximately 48%), all have a proportion invested in overseas assets.

Interest rate risk

As a result of some of the pooled funds held by the Scheme investing in fixed interest securities such as government and corporate bonds, the Scheme is exposed indirectly to interest rate risk as movements in interest rates will have a bearing on the price of those underlying assets. Insight's mandates, Pyrford's Global Total Return Fund, JP Morgan's Unconstrained Bond Fund, BlackRock's Diversified Growth Fund, Sterling Liquidity Fund, AEW's Real Return Fund, BlackRock's Long Lease Property Fund, and the Apollo Total Return Fund, equating to approximately 91% of the Scheme's investment assets (2019: approximately 92%), all have exposure to fixed interest securities.

However, this risk offsets a proportion of the interest rate risk associated with the liabilities. If interest rates fall, the value of these investments will rise to help match the increase in the actuarial value of the liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value as will the actuarial value of the liabilities because of an increase in the discount rate.

UNIVERSITY OF GLASGOW PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

17. INVESTMENT RISK DISCLOSURES (continued)

Other price risk

Approximately 59% of the Scheme's investment assets are also indirectly exposed to other price risk via its pooled investment vehicles which have a proportion invested in assets including equities and properties (2019: approximately 60%). The Trustees manage other price risk by constructing a diverse portfolio of investments across various markets and with various investment managers.

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

	Credit Risk	Interest Rate Risk	Currency Risk	Other Price Risk
Pooled investment vehicles - Equities	No	No	Yes	Yes
Pooled Investment vehicles - Diversified growth	Yes	Yes	Yes	Yes
Pooled Investment vehicles - Bonds	Yes	Yes	Yes	Yes
Pooled Investment vehicles - Property	Yes	Yes	No	Yes
Pooled Investment vehicles - Diversified credit	Yes	Yes	Yes	No
Pooled Investment vehicles - Semi Liquid Credit	Yes	Yes	No	Yes
Cash and cash instruments	Yes	No	No	No

18. CONCENTRATION OF INVESTMENTS

The following investments have a market value exceeding 5% of the value of the Scheme's net assets:

	2020		2019	
	£	%	£	%
Pyrford Global Total Return (Sterling) Fund (Class A Stg Acc)	58,291,341	12.9	59,695,557	13.3
BlackRock UK Long Lease Property Fund	37,877,097	8.4	38,350,977	8.6
BlackRock BIJF DYN Diversified Growth Fund (Acc)	56,301,041	12.5	57,838,249	12.9
Insight UK Corporate All Maturities Bond Gross "P" Acc	-	-	37,899,356	8.5
Insight LDI Solutions Plus Partially Funded Index-Linked Gilts Funds 2041-2050	35,829,215	7.9	41,278,652	9.2
Insight LDI Solutions Plus Partially Funded Gilts Funds 2041-2050	25,719,836	5.7	-	-
Insight LDI Solutions Plus Partially Funded Index-Linked Gilts Funds 2051-2065	45,103,161	10.0	51,658,718	11.5
JP Morgan Unconstrained Bond Fund I Gross Accumulation	58,187,434	12.9	58,824,702	13.1

UNIVERSITY OF GLASGOW PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

19. CURRENT ASSETS	2020	2019
	£	£
Bank balance	8,685,429	4,944,390
Contributions receivable - employer	667,128	700,037
Contributions receivable - members	18,137	18,272
Cash in transit from AVC provider	15,775	-
Investment Management fee rebates due	7,709	-
Pensions paid in advance	807,325	775,975
Life assurance paid in advance	167,721	176,676
Sundry Debtor	130,372	-
	<u>10,499,596</u>	<u>6,615,350</u>

All contributions receivable were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

20. CURRENT LIABILITIES	2020	2019
	£	£
Unpaid benefits	63,429	42,852
Accrued expenses	175,412	190,491
Amount due to the University of Glasgow	809,505	778,155
	<u>1,048,346</u>	<u>1,011,498</u>

21. TAXATION STATUS

In accordance with the provision of Schedule 36 of the Finance Act 2004, the Scheme became a "Registered Pension Scheme" under Chapter 2 of part 4 of the Finance Act with effect from 6 April 2006. The Trustees know of no reason why this approval may be prejudiced or withdrawn.

22. RELATED PARTY TRANSACTIONS

One Trustee in office (2019: three) was a contributing member of the Scheme. The Trustee's contributions were received into the Scheme in accordance with the Scheme Rules and with the recommendations of the Actuary. One Trustee (2019: one) in office during the year was a pensioner of the Scheme. Pension benefits paid to the Trustee were calculated in accordance with the Scheme rules.

The administration of pensions in payment to retired Employees and other beneficiaries is the responsibility of the Pensions Department of the Employer.

Pensions are paid by the Employer and subsequently reimbursed by the Trustees. The balance due to the Employer at 31 March 2020, as shown in note 20 represents pensions paid by the Employer on behalf of the Trustees, which were not reimbursed by the Trustees until after the year end.

Independent Trustee fees totalling £39,857 were paid in respect of the Scheme year ended 31 March 2020 (2019: £45,552). Of this balance £7,000 was not paid until after the year end (2019: £11,718).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

23. COMMITMENTS

Scheme commitments:

- the Trustees entered a commitment to invest £40 million in the BlackRock UK Long Lease Property Fund. At 31 March 2020 £40 million had been invested with £nil still to be invested;
- the Trustees entered a commitment to invest £20.9 million in the Apollo Total Return Fund (LUX) LP Series A-2-D GBP Fund. At 31 March 2020 £20.9 million had been invested with £nil still to be invested;
- the Trustees entered a commitment to invest £20 million in the Partners Group Private Markets Credit Strategies Fund 2016. At 31 March 2020 £20 million had been invested with £nil still to be invested;
- the Trustees entered a commitment to invest £21 million in the Partners Group Private Markets Credit Strategies Fund 2018. At 31 March 2020 £15.8 million had been invested with £5.2 million still to be invested; and
- the Trustees entered a commitment to invest £20 million in the AEW UK Real Return Fund. At 31 March 2020 £20 million had been invested with £nil still to be invested.

24. GMP EQUALISATION

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Based on an initial assessment completed by the Scheme Actuary the Trustees do not consider that the estimated backdated amounts and related interest is material in relation to the net assets of the Scheme and have therefore not included any liability in respect of these matters in these financial statements. They will be accounted for in the year they are paid.

25. COVID-19

In early 2020, a new coronavirus, COVID-19, impacted a significant number of countries globally. COVID-19 has caused disruption to economic activity which has been reflected in recent fluctuations in global stock markets and, in turn, in the valuation of scheme assets. The Trustees have designed and implemented the Scheme's investment strategy taking a long-term view and have built in resilience to withstand short term fluctuations. Given the inherent uncertainties, it is not practicable at this time to provide a quantitative estimate of the impact of the virus.

UNIVERSITY OF GLASGOW PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF UNIVERSITY OF GLASGOW PENSION SCHEME

We have examined the Summary of Contributions to the University of Glasgow Pension Scheme for the Scheme year ended 31 March 2020 to which this statement is attached.

In our opinion contributions for the Scheme year ended 31 March 2020 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 29 June 2017.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions on page 35 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, 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.

Use of our statement

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 audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our work, for this statement, or the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP
Statutory Auditor
London

Date: 30 September 2020

UNIVERSITY OF GLASGOW PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAYABLE DURING THE YEAR

During the year, the contributions payable to the Scheme by the employer under the Schedule of Contributions were as follows:

	£
Employer normal contributions	8,208,399
Employee normal contributions	<u>97,143</u>
Total contributions paid	<u>8,305,542</u>
Reconciliation to the financial statements:	
Contributions paid under Schedule of Contributions	8,305,542
Members' Additional Voluntary Contributions	<u>130,327</u>
Contributions receivable per the financial statements	<u><u>8,435,869</u></u>

This Summary was approved by the Trustees on 30th September 2020

Signed on behalf of the Trustees



Trustee



Trustee