

June 2009

**Superannuation Arrangements
of the University of London**
Actuarial valuation as at
31 March 2008

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Mercer Limited is authorised and regulated by the Financial Services Authority
Registered in England No 984275 Registered Office: 1 Tower Place West, Tower Place, London
EC3R 5BU

Consulting. Outsourcing. Investments.



Summary

- An actuarial valuation of SAUL has been carried out as at 31 March 2008. This is SAUL's first valuation under the new funding regime.
- As part of the valuation process, the Trustee has undertaken an investigation of the Employer covenant.
- The Trustee has agreed two funding objectives with the Employer (which is defined in Section 1 of this report). These are set out in the statement of funding principles (enclosed as Appendix D). In summary the Trustee and Employer have agreed:
 - i. a basis for determining the technical provisions which takes account of both the strength of the Employer covenant and the expected long-term rate of return on SAUL's assets; and
 - ii. a stronger, secondary funding objective which is in line with the approach previously followed by SAUL, with minor changes to the demographic assumptions to reflect an analysis undertaken since the 2005 valuation.

The key conclusions from the valuation are:

- SAUL showed a surplus of £1 million at the valuation date based on the assumptions used for calculating its technical provisions. This measure compares SAUL's assets with the value of the past service benefits at 31 March 2008. It represents a funding level of 100% relative to SAUL's primary funding target.
- SAUL's ongoing funding level at the valuation date, based on its secondary funding objective, is 83%. This represents a shortfall of £261m.
- Based on the assumptions set out in the statement of funding principles, the total cost of future accrual is 25.4% of Salaries. This cost includes an allowance for expected future expenses (including the PPF levy) and the cost of insured death in service benefits.

- In common with the overwhelming majority of UK pension schemes, had SAUL been discontinued at the valuation date, there would have been insufficient scheme assets to buy out all the benefits with an insurance company. The estimated wind-up funding level at the valuation date was 80%.
- SAUL has a long-term objective of keeping contribution rates for employers and Members stable. Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and Employer have agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively.
- These contributions are set out in the schedule of contributions which is enclosed as Appendix E to this report.
- Contributions will be paid monthly except for those employers on list (b) of the schedule of contributions who shall pay contributions quarterly in advance.
- I can confirm that, in my view, given SAUL is fully funded on its technical provisions basis at the valuation date, the Trustee and Employer can justify not increasing contribution rates at this time.
- However, I would note that the total Employer and Member contributions being paid into SAUL are less than the cost of accrual on both the past and future service bases. SAUL therefore relies on additional returns from its assets to justify the status quo.
- Given the funding position on SAUL's secondary funding basis, I would suggest that an improvement in SAUL's financial position should be clearly evident at the next formal valuation (at 31 March 2011) if SAUL wishes to continue to operate at current contribution and benefit levels and maintain the funding margins it has held in the past.
- The Trustee continues to monitor the position closely in light of market events since the valuation date.

Signature

Scheme Actuary

Christian Hardy

Date of signing17th June 2009**Qualification**

Fellow of the Institute of Actuaries

Contents	Page
1. Introduction.....	1
2. Funding objective.....	3
3. Past service funding results	5
4. Funding results – contribution requirements.....	8
5. Method and assumptions.....	11
6. Wind-up funding results	14
7. Pension Protection Fund (PPF).....	17
8. Variability and risks.....	19
Appendix A. Assets and financial transactions	
Appendix B. Membership data	
Appendix C. Benefits	
Appendix D. Statement of funding principles	
Appendix E. Schedule of contributions & actuarial certificate	
Certificate Certificate of technical provisions	

This report is addressed to the Trustee of SAUL and has been prepared in accordance with the version of the Board for Actuarial Standards' *Guidance Note 9: Funding Defined Benefits – Presentation of Actuarial Advice* current at the date this report is signed.

The calculations in the report use methods and assumptions appropriate for reviewing the financial position of SAUL and determining the appropriate contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor does Mercer accept liability to the Trustee if the advice is used for any purpose other than that stated (for example for company accounting or corporate mergers/acquisitions).

Data in relation to members of SAUL was provided by the SAUL Trustee Company and its accuracy has been relied upon. Mercer does not accept any liability in respect of its advice where it has relied on data which is incomplete or inaccurate, although we are happy to confirm that in our opinion the quality of data, especially for a scheme the size of SAUL, was good.

The report may be disclosed to members and others who have a statutory right to see it. If the Trustee and Mercer consent, it may be disclosed to other third parties.

1**Introduction**

- 1.1 This report sets out the results of the actuarial valuation of the Superannuation Arrangements of the University of London ("SAUL") as at 31 March 2008.
- 1.2 SAUL covers 49 colleges and employers that have links with higher education in the south-east of England. The term "Employer" in this report is used as a collective name for the employers that participate in SAUL. The full list of participating employers is shown as part of the schedule of contributions in Appendix E.

Purpose of valuation

- 1.3 The primary aims of the valuation are to review the financial position of SAUL and to determine appropriate Employer contributions for the future.
- 1.4 In particular, the valuation aims:
 - to assess SAUL's funding position relative to the statutory funding objective;
 - to assess whether SAUL would have sufficient resources were it to discontinue;
 - and, taking the above into account, to determine the appropriate future level of Employer contributions.
- 1.5 The valuation has been carried out on the instruction of the Trustee and in accordance with Rule 3 of the Definitive Trust Deed and Rules and Section 224 of the Pensions Act 2004.

- 1.6 SAUL's Trust Deed and Rules specifies that the Trustee and Employer must agree the contribution rate (after taking the advice of the Actuary). In accordance with the Pensions Act 2004, the Trustee and Employer have agreed the funding policy, assumptions, statement of funding principles and schedule of contributions.
- 1.7 The previous actuarial valuation of SAUL was carried out as at 31 March 2005 by Frank Oldham, FIA.

2**Funding objective**

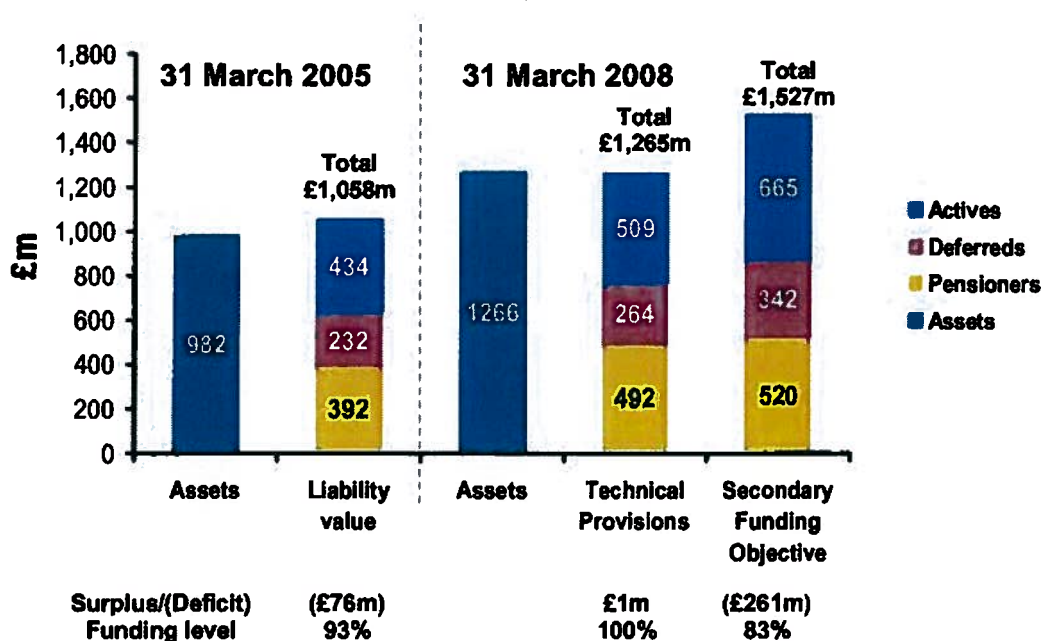
- 2.1 The Pensions Act 2004 and the Scheme Funding Regulations issued in 2005 require schemes to adopt the statutory funding objective – to have sufficient and appropriate assets to cover their ‘technical provisions’.
- 2.2 The ‘technical provisions’ are an estimate of the assets needed to make provision for benefits already accrued under a scheme.
- 2.3 The Trustee has decided on a funding objective and agreed it with the Employer. It is described in the statement of funding principles enclosed as Appendix D.
- 2.4 In summary, the Trustee’s agreed funding objective is to maintain assets equal to the technical provisions, assessed on an ongoing basis, and allowing for future salary increases for active members.
- 2.5 Although the covenant supporting SAUL is considered strong, the university environment does not easily accommodate increases in contributions at short notice. For this reason SAUL has historically maintained prudent margins within its assumptions in order to accommodate short-term fluctuations in investment markets and still maintain contribution stability.
- 2.6 SAUL’s benefits are real in nature, meaning that its benefits are largely linked to inflation. The value of SAUL’s benefits is particularly sensitive to the difference between the assumed rate of price inflation and the assumed investment return, which in turn depends on the real yield on index-linked government bonds (or gilts).
- 2.7 A feature of market conditions at the valuation date was the very low level of real yields (by historical standards) which increases the value of SAUL’s liabilities. As a result, the Trustee has taken the view that it is reasonable to release some of the prudent margins held against adverse experience to allow SAUL to disclose a fully funded position at this valuation on its technical provisions basis.

- 2.8 The assumptions used to calculate the technical provisions under the Trustee's funding objective are supported by the strength of the Employer covenant and the expected long-term rate of return on SAUL's assets.
- 2.9 The Trustee has also agreed a stronger, *secondary funding objective* which is in line with the approach adopted at the 31 March 2005 valuation (with minor changes to the demographic assumptions to reflect an analysis of SAUL's experience, which has been undertaken since the 2005 valuation). This is also described in Appendix D.
- 2.10 The Trustee's long term funding objectives parallels its long term investment objectives as set out in the statement of investment principles. In particular:
- i. keeping contribution rates for employers and Members stable,
 - ii. ensuring that the assets are sufficient to cover the ongoing liabilities of SAUL, and
 - iii. not forcing the Scheme to buy and sell shares at particular times.
- 2.11 Since this is SAUL's first valuation under the new funding regime (introduced for valuations on or after 22 September 2005), the Trustee's funding objectives have not previously been documented in a statement of funding principles.
- 2.12 The funding objective differs from those adopted at the previous valuation in the following respects:
- the Minimum Funding Requirement ("MFR") underpin has been removed (as the MFR has been abolished);
 - a new funding objective has been introduced after considering the strength of the Employer covenant and the expected long-term return on SAUL's assets.
- 2.13 Under legislation, the assumptions underlying the technical provisions are set by the Trustee with the agreement of the Employer. The assumptions include margins for prudence that the Trustee considers appropriate given the Employer's willingness and ability to support SAUL (the "Employer covenant"). I have provided advice to the Trustee on margins for prudence. This advice took account of the information on the Employer covenant provided separately by the Trustee, having undertaken its own investigation of the Employer covenant.



Past service funding results

- 3.1 As discussed in section 2 of this paper, the Trustee has agreed two funding objectives with the Employer.
- i. A technical provisions basis (that takes account of both the strength of the Employer covenant and the expected long-term return on SAUL's assets).
 - ii. A stronger, secondary funding objective (in line with SAUL's previous funding approach).
- 3.2 The market value of SAUL's assets at the valuation date is compared with SAUL's liabilities (on both past service bases) below. The funding position at the previous valuation is shown for comparison.



- 3.3 There was a surplus of £1 m against the technical provisions at the valuation date. This represents a funding level of 100% relative to the technical provisions.
- 3.4 The technical provisions are not the same as the cost of securing the benefits on a wind-up. On this basis SAUL's funding level was estimated to be 80%. The wind-up position is described in Section 6.
- 3.5 The results on the Trustee's secondary funding objective basis show a shortfall of £261m, which represents a funding level of 83%.

Analysis of change in funding position

- 3.6 The key factors influencing the change in the value of the liabilities since the previous valuation in 2005 are shown below:

Analysis of movement in surplus/(deficit)	£m
Deficit at 31 March 2005	(76)
Interest on deficit	(13)
Higher than expected investment returns	115
Higher than expected salary increases	(13)
Employer contributions lower than cost of benefit accrual	(66)
Miscellaneous/membership movements	(8)
Change in market conditions and demographic assumptions	(200)
Deficit at 31 March 2008 on secondary funding objective	(261)
Change in funding objective	262
Surplus at 31 March 2008 against technical provisions	1

- 3.7 The above analysis highlights a number of material developments affecting SAUL and differences between what was assumed at the last valuation and experience since then:
- Investment experience was a source of surplus over the inter-valuation period. SAUL's investment return was 9.6% p.a. over the three year period to 31 March 2008.
 - SAUL's current contributions are less than the cost of accrual on both the past and future service bases. This has resulted in a £66m loss over the inter-valuation period. SAUL relies on additional returns from its assets to justify this contribution shortfall and returns over the inter-valuation period have more than covered this amount.
 - The large experience loss due to the change in assumptions is primarily caused by a fall in real yields since the 2005 valuation, which increases the value of SAUL's liabilities. There is also a smaller contribution from the

change in mortality assumption (which followed an investigation of experience within SAUL).

- These experience losses are partially offset by a small gain (or reduction in liabilities) from updating the assumed proportion of members that are married and the assumed withdrawal assumption, both of which now more closely reflect SAUL's experience since the 2005 valuation.

4**Funding results – contribution requirements**

- 4.1 The contributions payable by the Employer have been agreed and details are set out in the schedule of contributions enclosed as Appendix E.
- 4.2 The future service cost is calculated as the value of benefits expected to accrue to the membership in respect of one year's service (based on projected salaries). To this is added an allowance for life assurance premiums and expenses (including levies). The figures are expressed as percentages of Salaries and apply for the period to next formal actuarial valuation.
- 4.3 When comparing assets and liabilities (as is the case in the past service valuation) it is important to compare like with like, such that liabilities are calculated consistently with the assets which are taken at market value.
- 4.4 In determining future service contribution rates:
- the investment time horizon is longer, reflecting the fact that only the (younger) active members are accruing future benefits (for this reason, the Trustee's practice has been to use a different pre-retirement discount rate for determining future service costs), and
 - new money will be invested across a range of different financial conditions and circumstances. Therefore, it is reasonable to assume an average yield for investing new money, rather than a spot rate on the valuation date, especially if that spot rate is considered to be unrepresentative of the long-term.
- 4.5 As shown in section 5 of this report (the table in paragraph 5.4), the yield on index-linked gilts has fallen dramatically over the inter-valuation period and the yield at the valuation date was very low by historical standards. As a consequence, the Trustee has considered SAUL's future service costs using two sets of assumptions:

- A future service basis that assumes a real yield in line with the average yield over the inter-valuation period. This basis is referred to in this report as the "average real yield" basis.
- A secondary future service basis which is in line with SAUL's approach at the previous valuation, with minor changes to the assumptions to reflect SAUL's experience since the 2005 valuation. This basis is referred to in this report as the "spot rate" basis.

4.6 The table below shows the future service cost at the valuation date calculated on both the average real yield basis and the spot rate basis. Figures at the previous valuation are shown for comparison:

	31 March 2005		31 March 2008	
	Spot rate	Average Real Yield	Spot rate	
Normal contribution rate for:				
▪ pension benefits	23.2%	23.4%	28.4%	
▪ insured lump sum death benefits	0.6%	0.6%	0.6%	
▪ administrative expenses	1.4%	1.4%	1.4%	
Total normal contribution rate	25.2%	25.4%	30.4%	
Member contribution rate*	(5.5%)	(6.0%)	(6.0%)	
Employer normal contribution	19.7%	19.4%	24.4%	

* excludes additional voluntary contributions (AVCs). Member contributions were increased from 5.0% to 6.0% with effect from 1 August 2006.

- 4.7 We have allowed for expected expenses in line with the long-term target in SAUL's business plan and included PPF levies. The cost of life assurance reflects the rate negotiated at the recent rate review (which is tested typically every two years). The increase in Member contributions in 2008 reflects the changes made in August 2006.
- 4.8 The Employer normal contribution rate at the valuation date, if real yields are smoothed over the valuation cycle, is 19.4% of Salaries. This is lower than the Employer contribution of 19.7% calculated at the 2005 valuation.
- 4.9 SAUL has a long-term objective of keeping contribution rates for employers and Members stable. Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and Employer have agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively.
- 4.10 I can confirm that, in my view, given SAUL is fully funded on its technical provisions basis at the valuation date, the Trustee and Employer can justify not increasing contribution rates at this time.

- 4.11 However, given the funding position on SAUL's secondary funding basis, I would suggest that an improvement in SAUL's financial position should be clearly evident at the next formal valuation (at 31 March 2011) if SAUL wishes to continue to operate at current contribution and benefit levels and maintain the funding margins it has held in the past.
- 4.12 The schedule of contributions (Appendix E) sets out the overall contribution rates agreed, including details of the timing and frequency of future contributions.

5

Method and assumptions

Funding method

- 5.1 The actuarial funding method used in this valuation is known as the projected unit method, under which the salary increases assumed for each active member are projected until the member is assumed to leave active service. The same method was used at the previous valuation.
- 5.2 If the membership profile remains stable in terms of age and sex, and the assumptions are borne out, then the normal contribution rate (as a percentage of salaries) will remain stable. The method therefore implicitly allows for new, younger entrants replacing leavers.

Assumptions

- 5.3 The financial and demographic assumptions used to assess the technical provisions, the normal cost of benefit accrual and the secondary funding objective are set out in the statement of funding principles (Appendix D).
- 5.4 The table below sets out a summary of the market yields at the valuation date, together with the yields at the date of the previous valuation:

	31 March 2005	31 March 2008
Long-dated gilt yield	4.5% p.a.	4.3% p.a.
Long-dated index-linked gilt yield*	1.6% p.a.	0.7% p.a.
Market expectation for inflation (long-term)	2.9% p.a.	3.6% p.a.

* also referred to as the "real yield" in this report.

- 5.5 The assumptions to which the valuation results are particularly sensitive are shown below. A number of changes have been made to the assumptions used, compared with the previous valuation.

	31 March 2005	31 March 2008	
		Technical Provisions ⁽²⁾	Future service (average yield) ⁽³⁾
Investment return pre-retirement	5.5% p.a. ⁽¹⁾	6.9% p.a.	7.0% p.a.
Investment return post-retirement	4.5% p.a.	4.8% p.a.	5.0% p.a.
RPI price inflation increases	2.65% p.a.	3.35% p.a.	3.35% p.a.
Salary increases ⁽⁴⁾	4.15% p.a.	4.85% p.a.	4.85% p.a.
Pension increases in payment	2.65% p.a.	3.35% p.a.	3.35% p.a.
Retirement age:			
- active members	62	62	62
- other members	60	60	60
Proportions Married	LG 59/60	75% of LG 59/60	
Withdrawals			
- male members	LG 59/60 MO	LG 59/60 FO	
- female members	LG 59/60 FO	LG 59/60 FO	
Non-retired members' mortality ⁽⁵⁾	PA92 (YOB = 1965) MC + 1 year	PA92 (actual YOB) MC + 1 year	
Retired members' mortality ⁽⁵⁾	PA92 (YOB = 1935) MC + 1 year	PA92 (actual YOB) MC + 1 year	

(1) 1.0% p.a. higher for future service costs (i.e. 6.5% p.a. at 31 March 2005).

(2) The secondary funding objective basis assumes a pre-retirement investment return of 5.3% p.a. and a post-retirement investment return on 4.3% p.a. Other assumptions are the same as used to determine the technical provisions.

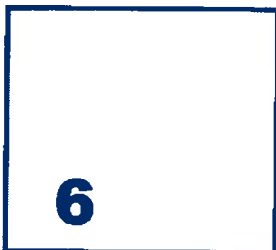
(3) The spot rate future service basis assumes a pre-retirement investment return of 6.3% p.a. and a post-retirement investment return on 4.3% p.a. Other assumptions are the same the average yield basis.

(4) An additional allowance is made for future promotional increases.

(5) "YOB" = Year of birth, "MC" = medium cohort.

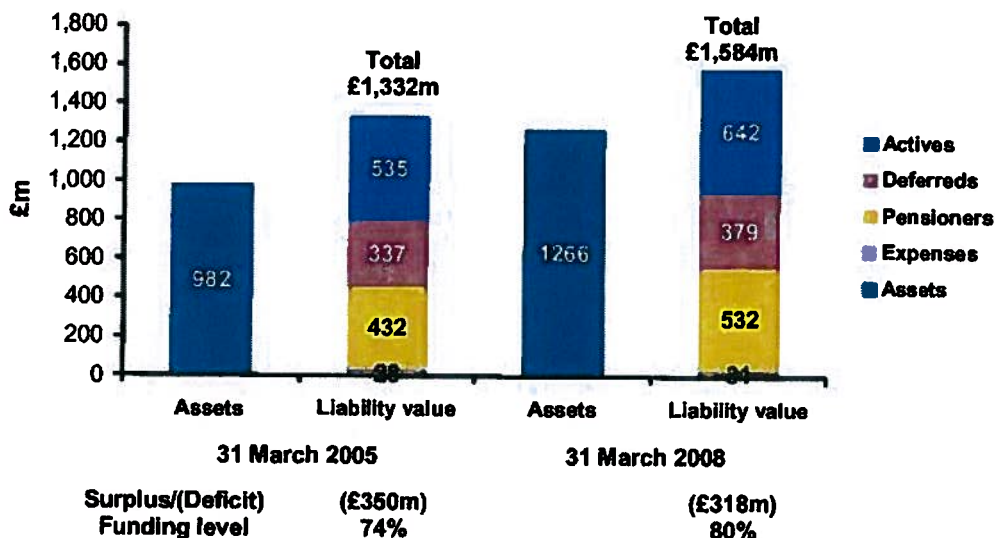
- 5.6 As part of the valuation process, the Trustee carried out a scheme specific analysis of the mortality experience of SAUL's pensioners. This analysis revealed that SAUL's experience has been consistent with the mortality table adopted at the 2005 valuation.
- 5.7 The Trustee has taken the opportunity at this valuation to update the mortality assumption to use tables based on each member's actual year of birth, rather than using an average year of birth of 1935/1965 for pensioners/non-pensioners.

- 5.8 This valuation report makes reference to the expected long-term return on SAUL's assets. This figure, based on SAUL's investment strategy and structure at the valuation date, is 7.7% p.a., of which 0.7% p.a. is expected from active management.
- 5.9 The basis of valuing the assets (market value) is consistent with that of valuing the liabilities.



Wind-up funding results

6.1 The wind-up funding level of SAUL at the valuation date has been estimated as 80%. This has improved from 74% since the previous valuation. The main reasons for the improvement in SAUL’s buy-out position are the greater than assumed investment experience coupled with a reduction in insurance company buy-out costs. These cost reductions have resulted from increased competition in the buy-out market and changes to insurance company buy-out assumptions.



6.2 SAUL’s statutory funding objective was met at 31 March 2008 resulting in a funding level of 100%. As can be seen from the chart above, this corresponds to a funding level of 80% on an estimated buy-out basis.

6.3 As SAUL is less than 100% funded on the wind-up basis at 31 March 2008, not all members could have received their full benefits from SAUL’s assets had it wound-up on that date.

- 6.4 If SAUL had been wound-up on the valuation date, the priority order currently applicable would have had the following approximate impact on the different categories of benefit.

Benefit category	Coverage of benefits
Benefits up to level covered by PPF	100%
Any other benefits above those covered by PPF	29%

- 6.5 There is now a liability on employers on wind-up of a scheme based on the cost of meeting benefits in full. The estimated shortfall at the valuation date amounted to £318m.
- 6.6 The above measures look at SAUL's funding on the assumption that it had been discontinued on the valuation date and the benefits bought out with an insurance company.
- 6.7 In doing this, it is assumed that no further benefits accrue, no further contributions are paid and active members are entitled to benefits on the basis they left service on the valuation date. There is no allowance for any discretionary benefits being paid in the future.
- 6.8 Given the Trustee's current investment policy, the wind-up position on a given date may be significantly different from the position estimated at the valuation date.
- 6.9 The funding level is only an estimate since it is not based on an actual quotation. The true position could only be established by completing a buy-out.
- 6.10 The assessments above have been carried out using experience of recent buy-out quotations and understanding of the factors affecting this market. Detailed analysis of the reserves that would need to be held has not been carried out. Approximate allowance has been made for the reserves a provider would maintain to cover the risks involved and the statutory reserving requirements. Thus these results are only a guide to the wind-up position and should not be taken as a quotation. Market changes, both in interest rates and in supply and demand for buy-out business, mean that if a buy-out were to proceed, actual quotations would likely differ. The key assumptions used are as follows:

Financial	
Investment return	
- Pre-retirement	4.8% p.a.
- Post-retirement	5.0% p.a.
Pension increases	
- RPI	3.6% p.a.
- LPI (3% maximum)	2.9% p.a. / 2.8% p.a. (Non-pensioners/Pensioners)

Demographic	
Retirement	All at age 60
Mortality – base table	PA92 tables using actual year of birth
Mortality – future improvements	
Males	Medium cohort projections with 1% minimum improvement per annum starting from 2007
Females	Medium cohort projections with 1% minimum improvement per annum starting from 2007
Commutation	No commutation

- 6.11 Allowance has been made for expenses of 2% of the solvency liability.
- 6.12 Based on the expected long-term rate of return on SAUL's assets, the agreed contributions and assuming there are no changes to the wind-up assumptions, the wind-up funding level at the next formal actuarial valuation (as at 31 March 2011) is estimated to remain at 80%. It is expected that the proportion of benefits in each priority class will have changed to the figures shown below.

Benefit category	Coverage of benefits
Benefits up to level covered by PPF	100%
Any other benefits above those covered by PPF	31%

- 6.13 Although the funding level on a wind-up basis at the next formal valuation is estimated to remain at 80%, the level of benefit coverage above the PPF benefits is estimated to increase slightly. This is due to the accrued PPF benefits over the period being less than the accrued benefits provided by SAUL (for example the PPF benefits accrued are 90% of the scheme benefits and have RPI increases in payment capped at 2.5% per annum).
- 6.14 It is worth noting that buyout markets have remained very volatile since the valuation date and a number of insurers have strengthened their reserving assumptions in recent months.

7**Pension Protection Fund (PPF)**

- 7.1 If a pension scheme were to wind up when its sponsoring employer is insolvent it may be eligible for the PPF. The scheme's assets and liabilities would only transfer to the PPF if the assets were insufficient to buy-out the benefits provided by the PPF.
- 7.2 The benefits that the PPF could provide would be broadly 100% of pension for members over pension age and 90% of a capped amount of pension for members under pension age. Under the current PPF provisions:
- pensions in payment will be increased annually, at the lower of 2.5% and the change in the retail prices index (RPI), in respect of post April 1997 service only. Pre April 1997 accrued pensions are not increased;
 - all deferred pensions will be revalued over the period to retirement in line with the increase in the RPI over the same period, or 5% per annum if less;
 - spouse's pensions will be 50% of the member's PPF benefit;
 - the pensions of members aged less than their scheme's normal pension age when SAUL enters the PPF will be capped. The cap depends on the member's age and will increase in line with earnings. For example, in 2009/10 the cap is £31,936 at age 65 so that the maximum amount of compensation for members retiring at age 65 will be 90% of this, i.e. £28,742.
- 7.3 Based on the PPF benefits, and the financial and demographic assumptions prescribed for the PPF, SAUL is estimated to be 107% funded at the valuation date.

- 7.4 Therefore, in the hypothetical scenario of SAUL winding up on 31 March 2008 without recourse to any funds from the Employer, then, as SAUL would have had more than sufficient assets to cover the PPF benefits, it would not have entered the PPF but would have secured benefits by the purchase of annuities.

8

Variability and risks

- 8.1 The Employer contributions set out in the schedule of contributions are based on the valuation results set out in sections 3 and 4 of this report. These in turn depend on the financial and demographic assumptions set out in the statement of funding principles.
- 8.2 It is likely, especially in the short-term, that these assumptions will not be borne out in practice. It is important to consider the potential impact on the Employer contribution rate of actual experience differing from what has been assumed.

Sensitivity to key assumptions

- 8.3 Investment return, inflation, salary increase and life expectancy assumptions impact significantly on the funding position. The following table illustrates the sensitivity to variations in these key assumptions over the long term. The base point is the technical provisions of £1,265m shown in section 3.2. Each row of the table considers one change in isolation, with all other assumptions being unaltered. An equivalent change in the assumption in the opposite direction would decrease the liability value by the equivalent amount.

Change in assumption	Increase in technical provisions at 31 March 2008
	£ m
Pre-retirement investment return reduced by 0.25% p.a.	26
Post-retirement investment return reduced by 0.25% p.a.	41
RPI increased by 0.25% p.a.	63
Real salary growth increased by 0.25% p.a.	17
Life expectancy increased by one year	34

- 8.4 Similarly these assumptions impact significantly on the cost of the benefits accruing over the year. The following table illustrates the sensitivity to variations in these key assumptions over the long term. The starting point is the Employer normal contribution rate of 19.4% shown in section 4.6. Each row of the table considers one change in isolation, with all other assumptions being unaltered. As before, a change in the assumption in the opposite direction would give rise to a decrease in the Employer contribution rate of an equivalent amount.

Change in assumption	Increase in Employer contribution at 31 March 2008 % of Pensionable Salaries
Pre-retirement investment return reduced by 0.25% p.a.	1.2
Post-retirement investment return reduced by 0.25% p.a.	0.8
RPI increased by 0.25% p.a.	2.2
Real salary growth increased by 0.25% p.a.	0.8
Life expectancy increased by one year	0.6

Investment risks

- 8.5 The technical provisions and contribution rate are derived from the yield on long-dated gilts with a percentage addition as shown in the statement of funding principles. The assets are invested in a range of asset classes. Since the last valuation, the Trustee has reviewed its long-term investment strategy. The long-term asset allocation strategy is now divided between "risk-reducing" assets (35%) and "return-enhancing" assets (65%).
- 8.6 Alternative investment strategies could be followed that would minimise the risk of deterioration in one of the measures of SAUL's funding position. Increasing the proportion invested in risk-reducing assets would reduce the risk that changing economic conditions would cause deterioration in SAUL's funding positions, against the technical provisions, the secondary funding objective and on the wind-up basis. It would also tend to produce a more stable contribution rate but at a higher overall level than indicated in section 4.
- 8.7 To assist the Trustee in considering whether the proposed approach affords a suitable degree of prudence, I have included the following additional observations:
- although SAUL is fully funded against its technical provisions, there is a shortfall of £261m on the secondary funding objective basis and the assets are £318m short of the estimated amount necessary to allow all risk to be hedged by the purchase of insurance policies;
 - a 25% fall in return-enhancing assets, with all other factors unchanged, would result in a deficit of approximately £205m against the technical provisions.

- A 0.5% reduction in the long-term yields used to derive SAUL's funding assumptions, with all other factors unchanged, would increase the technical provisions by approximately £150m. In addition, the cost of future benefits (on the average yield basis) would increase by approximately 4.5% of Salaries. An equivalent change in the opposite direction would decrease the liability values and contribution rate by equivalent amounts.
- 8.8 There are a number of specific investment-related risks that are particularly relevant for SAUL:
- the biggest investment risk arises from the Trustee's choice of investment benchmark and the reliance placed upon the achievement of the expected out-performance from the return enhancing assets;
 - SAUL may also be exposed to risk if the duration and nature of the risk reducing assets does not match the duration and nature of the liabilities;
 - SAUL is also exposed to under-performance of market indices by its actively managed assets.
- 8.9 However, these risks need to be considered in the context of a scheme that is open to new members and supported by a strong covenant; as such it has a relatively long investment time horizon. This means that short-term adverse fluctuations in markets need not present a difficulty for SAUL as a long-term investor.

Risks that the statutory funding objective will not be met

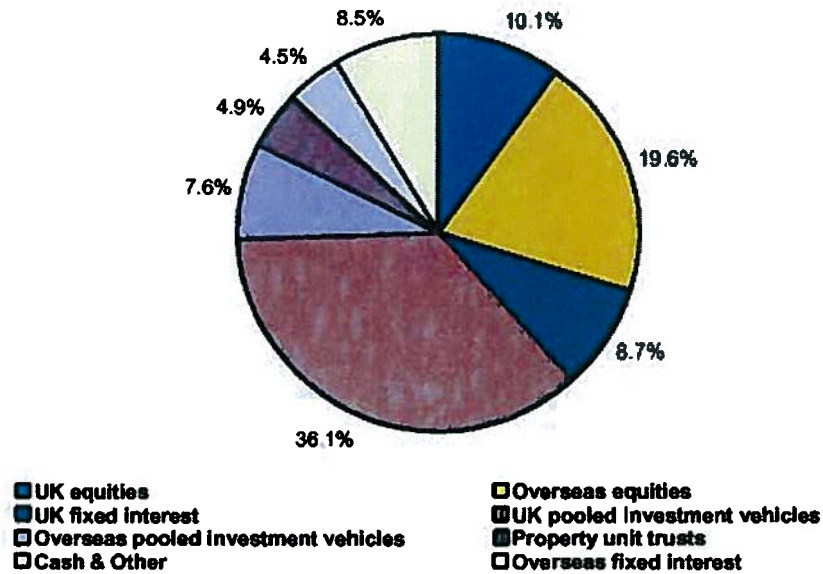
- 8.10 The Trustee's policy for meeting the statutory funding objective carries a number of risks. The following paragraphs comment on the following potentially material risks:
- the Employer may not be able to continue to pay contributions or make good deficits in the future;
 - the future investment return on assets may be insufficient to meet the funding objective;
 - falls in asset values may occur that are not matched by similar falls in the values of liabilities;
 - unanticipated future changes in mortality may occur, increasing the cost of the benefits;
 - members (or others) may exercise options against SAUL.

- 8.11 As noted earlier in this report, the university environment does not readily accommodate demands for funding at short notice and SAUL has a long term objective of keeping contribution rates stable. If the Employer becomes unable to pay contributions, or is unable to make good deficits in the future, SAUL's assets will be lower than expected and the solvency position will be worse than expected. If the reason for the Employer not paying the agreed contributions is one of financial difficulties, the Trustee's focus would switch to the results on the buy-out basis set out in Section 6.
- 8.12 The total Employer and Member contributions being paid into SAUL are less than the cost of accrual on the basis used to determine SAUL's future service costs. Furthermore, as the assumptions on this basis are less prudent than those used for calculating the technical provisions (or the secondary funding objective liabilities), SAUL needs to generate additional return from its assets in order to make up the difference in contributions. If the future investment return on SAUL's assets are less than required, the funding and solvency position of SAUL will be worse than expected and it is likely that an increase in future Employer contributions would be required (or alternatively the Employer may seek to reduce the value of future benefits being built up).
- 8.13 If gilt yields change such that the liability values increase by more than the assets, or decrease by less than the assets, the funding position against the technical provisions, the secondary funding objective and on the wind-up basis would be worse than expected. An increase in Employer contributions would be expected as a result. The same comments would apply if general population mortality studies and analysis of SAUL show that SAUL members are living longer than currently anticipated. The sensitivity analysis shown earlier in this section illustrates the quantitative impact of such changes.
- 8.14 If members made decisions around their options such that those decisions increased SAUL's liabilities (for example if more members than anticipated take early retirement), SAUL's funding position would be worse than expected. This is considered to be a relatively minor risk compared to those mentioned above and the Trustee periodically reviews its actuarial factors to investigate any potential adverse impact.

Appendix A

Assets and financial transactions

- A.1 The market value of SAUL's assets was £1,266m on the valuation date.
- A.2 The distribution of the assets by asset class is shown below:



- A.3 During the inter-valuation period, the investment return has been 9.6% per annum.
- A.4 The details of the assets at the valuation date and the financial transactions during the inter-valuation period have been obtained from the audited accounts for SAUL.
- A.5 Following a consultation process with Employers at the time of the previous valuation, and in recognition of the increasing costs of pension provision,

Mercer

Employer and Member contributions were increased with effect from 1 August 2006.

- A.6 The post August 2006 contribution rates are shown below, with the pre August 2006 rates shown for comparison:
- Member contributions: 5.0% of Salaries to 31 July 2006
6.0% of Salaries from 1 August 2006
 - Employer contributions: 10.5% of Salaries to 31 July 2006
13.0% of Salaries from 1 August 2006
- A.7 The Trustees hold a group life insurance policy with Legal & General which insures the lump sum benefit payable on death-in-service.
- A.8 The audited accounts confirm that contributions have been paid at these rates.

Mercer

Appendix B

Membership data

B.1 The membership data is summarised below, with figures at the previous valuation shown for comparison.

Active members	Previous valuation	Valuation date
Number	9,261	9,764
Total Salaries (£000s p.a.)	186,561	223,974
Average Salary (£ p.a.)	20,145	22,939
Salary weighted average age	42.1	42.0
Salary weighted average past service	8.5	8.6

Deferred pensioners	Previous valuation	Valuation date
Number	9,350	10,940
Total deferred pensions (£000s p.a. revalued to valuation date)	12,174	15,181
Average deferred pension (£ p.a.)	1,302	1,388
Pension weighted average age	45.6	46.9

Pensioners	Previous valuation	Valuation date
Number	6,162	6,867
Total pensions payable (£000s p.a.)	23,495	29,116
Average pension (£ p.a.)	3,812	4,240
Pension weighted average age	68.5	69.4

Mercer

- B.2 Increases in average salaries do not provide full information on general increases as they are distorted by salaries of younger new entrants (who generally earn less) and leavers during the year. The average Salary increase for members who were in service for the whole of the inter-valuation period was approximately 6.6% per annum.
- B.3 Pensions in payment in excess of Guaranteed Minimum Pensions (GMPs) were increased as guaranteed under SAUL as follows:
- | | |
|------------|------|
| April 2006 | 2.7% |
| April 2007 | 3.6% |
| April 2008 | 3.9% |
- B.4 Data in relation to members of SAUL was provided by the SAUL Trustee Company and its accuracy has been relied upon. Whilst reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data, although we are happy to confirm that in our opinion the quality of data, especially for a scheme the size of SAUL, was good.



Appendix C

Benefits

- C.1 The benefits valued are as set out in the Trust Deed and Rules dated 17 January 2002 plus supplemental deeds.
- C.2 The AVCs and added years secured by them have been included in the assets and liabilities at 31 March 2008.
- C.3 UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement). There is still no general agreement on whether this applies to inequalities caused by Guaranteed Minimum Pensions (GMPs) and, if it does, what adjustments have to be made to scheme benefits to correct these inequalities. The valuation makes no allowance for equalisation of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified.

Mercer



Statement of funding principles

Mercer

SNC09/09

SUPERANNUATION ARRANGEMENTS OF THE
UNIVERSITY OF LONDON

Statement of Funding Principles

*The Trustee's Policy
on Funding Matters*

20 May 2009

 SAUL

STATEMENT OF FUNDING PRINCIPLES

1. Introduction

SAUL is an independently managed and invested pension scheme for the non-academic staff of some 49 colleges and institutions which have links to higher education in the south-east of England. These include most of the colleges of the University of London together with the University of Kent.

Twelve Directors make up the Board of the SAUL Trustee Company which is the Trustee of SAUL and runs the Scheme.

This statement was prepared by the Trustee on 1 May 2009 for the purposes of the actuarial valuation of SAUL as at 31 March 2008 after obtaining the advice of Christian Hardy FIA, the Scheme Actuary to SAUL.

2. The Statutory Funding Objective

The statutory funding objective is defined in section 222 of the Pensions Act 2004: every scheme must have sufficient and appropriate assets to cover its technical provisions. 'Technical provisions' is a legislative term which means the value put on the scheme's liability to pay benefits. The assumptions made in calculating the technical provisions are set out in section 6 below. This statement sets out the Trustee's policy for securing that the statutory funding objective is met.

3. Other Funding Objectives

The Trustee has a secondary Funding Objective and this is set out in Section 8.

The Trustee's long term funding objectives parallel its long term investment objectives as set out in its Statement of Investment Principles.

- i Keeping contribution rates for employers and members stable;
- ii Ensuring that the assets are sufficient to cover the ongoing liabilities of the Scheme;
- iii Not forcing the Scheme to buy and sell shares at particular times;

4. The Employer Covenant

In order to be confident that the Trustee can rely on investment returns alone to meet any deficit, the Trustee must be confident that the Employer Covenant is strong. The Employer Covenant is not simply that the employers are financially able to meet the commitment of providing the benefits of SAUL, but also that the employers are willing to do so.

SAUL is a multi-employer plan providing benefits to the support staff of the University of London, Imperial College, University of Kent and their associated Colleges and Institutions. As such, the employers participating in SAUL are not commercial enterprises but operate in a sector strongly supported by Government (although there is no explicit Government guarantee). Unlike commercial operations, were the Government of the day to decide to withdraw funding from Higher and Further Education, this would be a significant policy change and one with profound implications for society in the UK as a whole, and not just for the University sector. In consequence, and unlike fully commercial operations, employers within the sector can be reasonably confident of operating into the foreseeable future.

This does not mean that individual colleges or institutions cannot fail. Indeed they can fail, and in the past some have fallen, into financial difficulty. However, because of underlying Government support for the sector as a whole, those colleges and institutions that have fallen into financial difficulty have been taken over by more financially sound employers by way of merger and the rights and benefits of employment have, by and large, been protected. SAUL has seen several such mergers. It is, therefore, not impossible for a SAUL participating employer to become insolvent, but it is most unlikely. In that context, whilst the analysis of the Employer Covenant is still of fundamental importance to SAUL and its ability to meet its deficit, the Covenant must be understood in the context of a secure sector.

The Employer Covenant comprises both ability as well as willingness to support the pension plan. In 2008 the Employers across the sector nationally commissioned a wide-ranging and comprehensive report into the future of pension provision in the University sector in the UK. That report can be found in the University and Colleges Employer Association web-site under Pensions in the Pay and Conditions section (www.ucea.co.uk). This confirms that the employers remain committed to defined benefit pension provision across the sector.

The Trustee has concluded, therefore, that the employers are willing to support SAUL, but are reluctant to see increases in contribution rates or a requirement for additional one-off deficit funding and that view will influence the Trustee decision regarding any Recovery Plan.

The second element of the Employer Covenant is the employers' ability to pay. To that end the Trustee has undertaken an in-depth analysis of the financial strength of the SAUL participating employers.

This analysis started with the Dun and Bradstreet scores for the PPF levy as an influence on the best focus for our efforts. On this basis all participating employers are shown as reasonably financially strong. However, this alone is not sufficient reassurance for the Trustee. Accordingly the six largest employers, who together represent over 70% of the membership, have been assessed in much greater depth.

The financial report and accounts have been analysed in-depth by the Head of Finance and Facilities at SAUL Trustee Company, a qualified accountant and auditor. These revealed that the Balance Sheets of the employers are very strong. The Head of Finance and Facilities also visited the six largest employers and met with the Directors of Finance (or equivalent) to enable a much better understanding of the Balance Sheet and any gearing.

The conclusions of this review were that the Balance Sheets of the participating employers were all very strong.

This conclusion, together with the overall strength of the sector and the employers' willingness to support defined benefit provision enable the Trustee to conclude that the Employer Covenant is very strong.

5. The Trustee's Investment Horizon

In developing any Recovery Plan and deciding that the deficit should be met if possible from investment returns, the Trustee has to look at the Plan maturity.

SAUL is an open pension plan. That means that new members are entering the plan every day. This results in two things. Firstly the average age of active members has remained constant over time at 42. Secondly, because new members are entering and keeping the average age of the membership low, this means that the Trustee has an investment horizon of over 15 years. In fact, it might be possible to argue that the horizon is 20 years given that the average age of members is 42 and the average age of retirement is 62.

The Trustee has looked more closely at the investment horizon. Work has been done on cash-flow analysis, duration analysis as well as demographic analysis. These reports have been both internally generated as well as provided by outside consultants. It is clear from these, which have been provided to the Trustee on a regular basis for a number of years, that should the Scheme close to new members, the Trustee's investment horizon would still be in the region of 15 to 20 years.

This is calculated by the identification of key inflection points which will have significant influences on investment strategy. In identifying these inflection points the Trustee has used the assumptions on asset returns and investment income as used by the Investment Consultant. Whilst prudent, these are less than those used in the calculation of the Technical Provisions. The first inflection point is when investment income has to be drawn down to pay benefits and expenses. Currently SAUL is in a neutral cash-flow position. That is to say, all benefits and expenses are met from contribution income with little or nothing to pay to investment managers for long-term investment. Equally little or nothing is drawn from investment income. Analysis shows that this position will maintain for 10 to 15 years.

The second inflexion point is when actual assets have to be sold to supplement investment income in meeting benefits and expenses. This point is some 25 to 30 years in the future.

The Trustee has concluded, therefore, that it has a long investment horizon of around 15 to 20 years at least.

6. The Technical Provisions

6.1. Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method. The liability for active members is calculated taking into account future increases in pensionable salary.

6.2. Assumptions

Assumption	Principle	Actual as at 31 March 2008
Investment return pre-retirement	2.6% above fixed interest gilt yields on the valuation date	6.9%
Investment return post-retirement	Gilt yields on the valuation date plus 0.5%	4.8%
RPI price inflation increases	Market implied inflation on the valuation date less 0.25% to reflect the difference between the market implied rate and the long-term expectation	3.35%
Salary increases	Assumed price inflation plus 1.5% plus an element to reflect promotional rises	4.85%
Pension increases in payment	Assumed price inflation	3.35%
Non-retired members' mortality	In line with SAUL experience with an allowance for future improvements	PA92 (YoB) mc + 1 year
Retired members' mortality	In line with SAUL experience with an allowance for future improvements	PA92 (YoB) mc + 1 year
Leaving service ill health retirement	In line with SAUL experience	LG59/60 MO table (Males), LG59/60 FO table (Females)
Retirement	Active members age 62, otherwise 60.	Active members age 62, otherwise 60.

Assumption	Principle	Actual as at 31 March 2008
Age difference of dependants	Men assumed three years older than women	Men assumed three years older than women
Percentage with dependants' benefits at death	As can be determined from SAUL experience	75% of LG59/60 table
Promotional salary scale	In line with SAUL experience	LG59/60 M table (males) LG59/60 F table (females)
Withdrawal	In line with SAUL experience	LG59/60 FO table for males and females
Ill-health mortality	In line with SAUL experience	PA92 (YOB) mc +4
Cash commutation	In line with SAUL experience	No member exchanges cash for pension

Note 1: The Gilt yield and market implied assumptions referred to in the above table are derived from estimates of the yield available on notional portfolios of conventional and index-linked Government bonds whose cashflows approximately match SAUL's estimated benefit cashflows.

Note 2: The Trustee holds additional reserves based on anticipated short-term deviations of experience from the long-term assumptions. At 31 March 2008 the Trustee included a reserve of £9m to allow for short-term inflationary pressures feeding into benefit payments.

7. Future Service

In determining the future service basis the Trustee's starting point is to use the same assumptions set out in section 6.2 with the following exceptions:

- a) The initial pre-retirement investment return assumption is 2.0% above fixed interest gilt yields on the valuation date (i.e. 6.3% p.a. at 31 March 2008);
- b) The initial post-retirement investment return assumption is gilt yields on the valuation date (i.e. 4.3% p.a. at 31 March 2008).

From time to time, depending on market conditions the Trustee may make an adjustment to real yields to allow for short-term influences in the gilt market. In particular, for the 31 March 2008 valuation, to allow for market conditions at the valuation date, an additional 0.7% p.a. was applied to yields to be more indicative of long-term real yields over the valuation cycle. As a result, the investment return assumptions for future service at 31 March 2008 are as follows:

- a) The pre-retirement investment return assumption is 2.7% above fixed interest gilt yields on the valuation date (i.e. 7.0% p.a. at 31 March 2008);
- b) The post-retirement investment return assumption is gilt yields on the valuation date (i.e. 5.0% p.a. at 31 March 2008).

In addition there is an assumption that the cost of Death In Service benefits will be 0.6% of pensionable salaries, and administrative expenses will be 1.4% of pensionable salaries (in line with long-term experience).

8. Secondary Funding Objective

The Trustee has introduced revised Technical Provisions Funding to take account of the strength of the employer covenant and also historical investment returns. This is a change to previous policy. To monitor the impact of that change the Trustee has a secondary Funding Objective which is more in line with the previous approach adopted. The following table details the assumptions adopted in the secondary Funding Objective.

8.1. Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method. The liability for active members is calculated taking into account future increases in pensionable salary.

8.2. Assumptions

The past service liabilities under the Trustee's secondary funding objective are determined using the assumptions set out in Section 6.2 with the following important exceptions:

- a) The pre-retirement investment return assumption is 1.0% above fixed interest Gilt yields on the valuation date (i.e. 5.3% p.a. at 31 March 2008);
- b) The post-retirement investment return assumption is gilt yields on the valuation date (i.e. 4.3% p.a. at 31 March 2008)

9. Secondary Funding Objective – Future Service

The future service liabilities under the Trustee's secondary funding objective are determined using the assumptions set out in Section 8.2 with the following exception:

- a) The pre-retirement investment return assumption is 2.0% above fixed interest gilt yields on the valuation date (i.e. 6.3% p.a. at 31 March 2008);

10. Policy on Discretionary Increases and Funding Strategy

In addition to statutory increases to any GMP, pensions in payment in excess of any GMP are increased in line with the Retail Prices Index. The Trustee has the power to pay further increases to pensions in payment but no allowance for this has been made in the technical provisions.

Historically the Trustee has used its power to apply discretionary increases to deferred benefits. The increase applied has been in line with price inflation where this results in higher benefits than required by legislation. The calculation of the technical provisions fully allows for this using the RPI assumption described above.

11. Recovery Plans

The funding of employers within the university environment is such that employers participating in SAUL have limited ability to apply material changes to contribution rates at short notice. For this reason, the Trustee has historically adopted a prudent approach to funding that provides sufficient margins / reserves against adverse experience.

A further objective is to keep the cost of benefits in SAUL at an affordable and sustainable level. As a consequence, the Trustee invests a significant portion of its assets in equities (and other asset classes).

Over the long term, the investment returns on equities are expected to exceed those on gilts (which act as a good proxy for the movement in SAUL's technical provisions). However, equities exhibit volatility relative to gilts and funding shortfalls can arise.

The Trustee and the employers have agreed that any funding shortfalls identified at an actuarial valuation should be eliminated by a combination of higher expected investment returns than anticipated in the assumptions adopted in calculating the technical provisions and by the payment of appropriate contributions assessed as a percentage of pensionable payrolls. Those higher returns will come from an investment strategy more heavily weighted to equities than that assumed by the Actuary.

Funding shortfalls would normally be expected to be eliminated over a period equivalent to the Trustee's investment horizon. In determining the actual recovery plan at any particular valuation the Trustee's principles are to take into account the following factors:

- The size of the funding shortfall;
- The size of the funding shortfall on the PPF basis and the FRS17 basis;
- The nature of the structure of the University;
- The ability of the employers to raise finance;
- The Trustee's assessment of the financial covenant of the employers; and
- Any contingent security offered by the employers.

As the Technical Provisions show a funding level of over 100% there is no Recovery Plan required following the Valuation as at 31 March 2008.

12. Arrangements by a Person Other than the Employer or Scheme Member to Contribute to SAUL

There are no arrangements for any other person to contribute to SAUL.

13. Policy on Reduction of Cash Equivalent Transfer Values (CETVs)

At each valuation, the Trustee will ask the actuary to report on the extent to which assets are sufficient to provide CETVs for all members. If the assets are insufficient to provide 100% of benefits on that basis, so that payment of full CETVs would adversely affect the security of the remaining members' benefits, and the Employers are unable or unwilling to provide additional funds, the Trustee will consider reducing CETVs as permitted under legislation.

If at any time in the future the Trustee is of the opinion that the payment of CETVs at this level may adversely affect the security of the benefits of other members and beneficiaries, the Trustee will ask the actuary for advice.

14. Payments to the Employers

There is no provision for payment of any surplus assets of SAUL to an employer unless the whole scheme is being wound up and the benefits have been secured elsewhere. The amendment power prohibits any change to SAUL which would permit the return of any part of the fund to an employer in any other circumstances.

15. Frequency of Valuations

The scheme's first valuation under Part 3 of the Pensions Act 2004 is being carried out as at the effective date of 31 March 2008. Subsequent valuations will in normal circumstances be carried out every three years thereafter. An actuarial report on developments affecting the scheme's funding level will be obtained as at each intermediate anniversary of that date.

The Trustee may commission a full actuarial valuation earlier than 31 March 2008 (or any other formal valuation date) after considering the actuary's advice.

16. Employers Agreement

This statement has been agreed by the employers.

17. Compliance with this Statement

The Trustee will comply with this statement in carrying out any future valuation of SAUL.

18. Review of this Statement

The Trustee will review the Statement of Funding Principles in response to any material changes to any aspects of the Scheme.

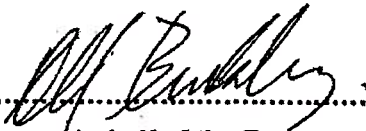
At the very least, the Trustee will review the Statement every three years as part of the valuation process. In accordance with its statutory obligations the Trustee takes advice from its actuary and will obtain the agreement of the employers who sponsor the Scheme as part of that review process.

If you would like more information about the pension scheme, please write to:

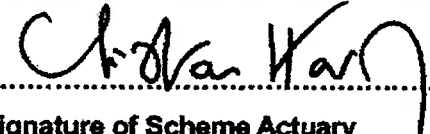
SAUL Trustee Company,
5th Floor, Glen House,
200-208 Tottenham Court Road,
London W1T 7PL.

Telephone: 020 7692 2000
Fax: 020 7692 2123

Website: www.saul.org.uk


.....
Signature on behalf of the Trustee of SAUL

20/05/2009
.....
Date


.....
Signature of Scheme Actuary

22/05/09
.....
Date



Schedule of contributions & actuarial certificate

Mercer

May 2009

Superannuation Arrangements of the University of London (SAUL)

SCHEDULE OF CONTRIBUTIONS

This schedule has been prepared to meet the Trustee's obligations under section 227 of the Pensions Act 2004.

Schedule Number: 4
Period Covered: 17 June 2009 to 17 June 2014
Date of Approval by Actuary: 17 June 2009

Employers' and Members' Contributions

Employers that participate in SAUL on list (a) shall pay contributions on the following basis:

Employer	% of Pensionable Salaries
All current SAUL employers	Employers: 13.0% Members: 6.0%

Any additional voluntary contributions (AVCs) deducted from salary at members' request.

Employers shall pay contributions to the Trustee monthly except for those employers on list (b) who shall pay all contributions quarterly in advance as per the condition of participation.

For employers paying monthly all contributions, i.e., employer's, employees' and AVCs, shall fall to be collected on the last day of each calendar month in respect of that month.

For employers paying quarterly in advance, all contributions, i.e., employer's, employees' and AVCs, shall fall to be collected on the last day of each quarter in respect of the next quarter.

In accordance with current practice, all employers should aim to pay all the contributions to the Trustee by the 5th working day of the subsequent month.

The contributions must be received by the Trustee by the legal due date for payment, i.e., by the 19th of the subsequent month. The Trustee may be obliged under the Pensions Act 1995 to report late payments to the The Pensions Regulator.

.....
Signed on behalf of the Trustee of SAUL

03/06/09
Date

Schedule of Contributions

LIST (a)

Employer Contributions

1.	Association of Coloproctology of Great Britain and Ireland	
2.	Association of Commonwealth Universities	
3.	Association of Surgeons of Great Britain & Ireland	
4.	Birkbeck College	
5.	British Academy	
6.	British Association of Oral & Maxillofacial Surgeons	
7.	British Association of Plastic Reconstructive and Aesthetic Surgeons	
8.	British Association of Urological Surgeons	
9.	British Orthopaedic Association	
10.	British Pharmacological Society	
11.	Courtauld Institute of Art	
12.	Deaneries	
13.	Drugscope	
14.	Edexcel Limited	now for all SAUL members
15.	ExtraCalm Cleaning LLP	
16.	Gray Laboratory Cancer Research Trust	
17.	Gresham College	
18.	Heythrop College	
19.	Higher Education Statistics Agency	
20.	History of Parliament Trust	
21.	Imperial College of Science, Technology & Medicine	
22.	Institute of Education	
23.	International Students House	
24.	Kent Union	
25.	King's College London	
26.	London School of Economic & Political Science	
27.	London School of Hygiene & Tropical Medicine	
28.	London Universities Purchasing Consortium	
29.	Overseas Development Institute	
30.	Quality Assurance Agency for Higher Education	
31.	Queen Mary & Westfield College	
32.	Royal College of Anaesthetists	
33.	Royal College of Ophthalmologists	
34.	Royal College of Pathologists	
35.	Royal College of Surgeons of England	
36.	Royal Holloway & Bedford New College	
37.	Royal Veterinary College	
38.	SAUL Trustee Company	
39.	School of Oriental & African Studies	
40.	School of Pharmacy	
41.	St George's Hospital Medical School	
42.	Thrombosis Research Institute	
43.	UCL Business	
44.	Universities & Colleges Employers Association	
45.	Universities U K	
46.	University College London	
47.	University of Kent	
48.	University of London – Senate House	
49.	University of Westminster	employees at the Policy Studies Institute

**Schedule of Contributions
LIST (b)**

Employer Contributions

- (i) Employers paying contributions quarterly in advance as per condition of participation
- Edexcel Limited
 - ExtraCalm Cleaning LLP
 - Gresham College

May 2009



Superannuation Arrangements of the University of London

Certification of schedule of contributions

Name of Scheme

Superannuation Arrangements of the University of London

Adequacy of rates of contributions

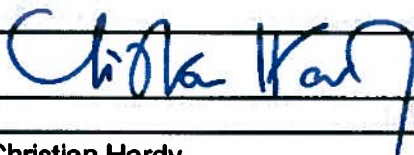
1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2008 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 20 May 2009.

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

Signature



Scheme Actuary

Christian Hardy

Date of signing

17th June 2009

Name of Employer

Mercer Limited

Address

Four Brindleyplace
Birmingham
B1 2JQ

Qualification

Fellow of the Institute of Actuaries



INVESTOR IN PEOPLE

Mercer Limited is authorised and regulated by the Financial Services Authority
Registered in England No. 984275 Registered Office: 1 Tower Place West, Tower Place,
London EC3R 5BU

Consulting. Outsourcing. Investments.



Certificate of technical provisions

Name of Scheme

Superannuation Arrangements of the University of London

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 March 2008 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the scheme and set out in the statement of funding principles dated 20 May 2009.

Signature

Christian Hardy

Name

Christian Hardy

Date of signing

17th June 2009

Address

Four Brindleyplace
Birmingham
B1 2JQ

Qualification

Fellow of the Institute of Actuaries

Mercer

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Mercer Limited
Four Brindleyplace
Birmingham B1 2JQ

Consulting. Outsourcing. Investments.



INVESTOR IN PEOPLE