



Superannuation Arrangements
of the University of London

Annual Review 2011



WELCOME

Welcome to the 2011 annual review for members of SAUL (the Superannuation Arrangements of the University of London). This review looks at SAUL's finances and investments over the year from 1 April 2010 to 31 March 2011.

Over the 12 months to 31 March 2011, financial markets continued to recover, with the UK and other markets producing returns of 7-9 per cent. Although there has been a considerable recovery from the lows of early 2009, the Scheme's liabilities remain high due to the persistence of low, long-term bond values. As we have seen during the middle part of 2011, however, the economic outlook is still precarious at best and the markets continue to fluctuate dramatically.

This year we haven't included an update on Scheme funding. This is because the latest actuarial review, as at 31 March 2011, is under way and we will not have the results for some time. Once the results are known, we will of course report them to SAUL members.

In the wider world of pensions, the government is bringing in a number of changes and we explain some of these on pages 8 and 9.

I hope you find this year's annual review informative and easy to read. As always, we would welcome your comments on the contents and look of the review, so please get in touch using the details on page 12.



Dr Dennis Buckley
Chairman

SAUL had almost 31,000 members and assets of over £1.5 billion as at 31 March 2011.

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Help for visually impaired members
If you have trouble reading this newsletter, you might prefer a large print version. This can be downloaded from the SAUL website, or call SAUL Trustee Company on 020 7776 4340.

The Scheme's investments returned 8.3% in the year to March 2011.

FINANCIAL HIGHLIGHTS

This page gives a summary of the financial information in the full Report & Financial Statements, which have been audited by our independent auditor. Both the audit opinion on the accounts and the auditor's statement about contributions were unqualified – which means that everything is as it should be and the auditor believes the accounts give a true and fair reflection of the Scheme's financial ins and outs.

You can see the latest full Report & Financial Statements on the SAUL website at www.saul.org.uk – or you can request a copy from SAUL Trustee Company.

THE YEAR IN BRIEF...

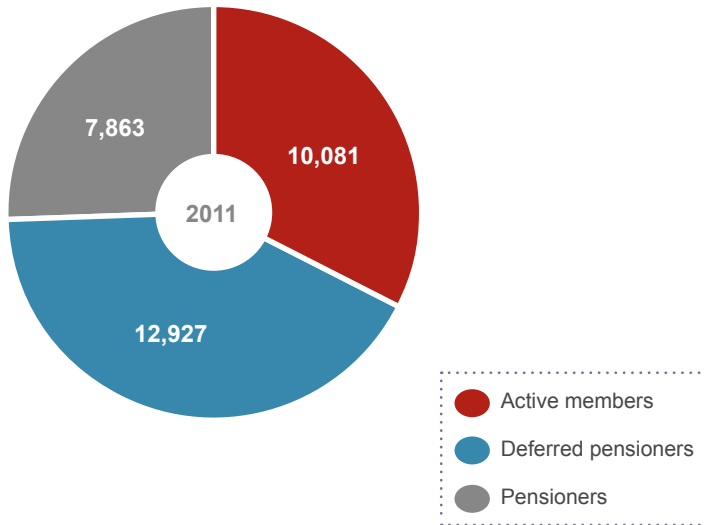
	£'000
Value of Scheme at 31 March 2010	1,404,085
Money in less money out	5,329
Plus the rise in value of our investments	95,821
Value of Scheme at 31 March 2011	1,505,235

THE INS AND OUTS...

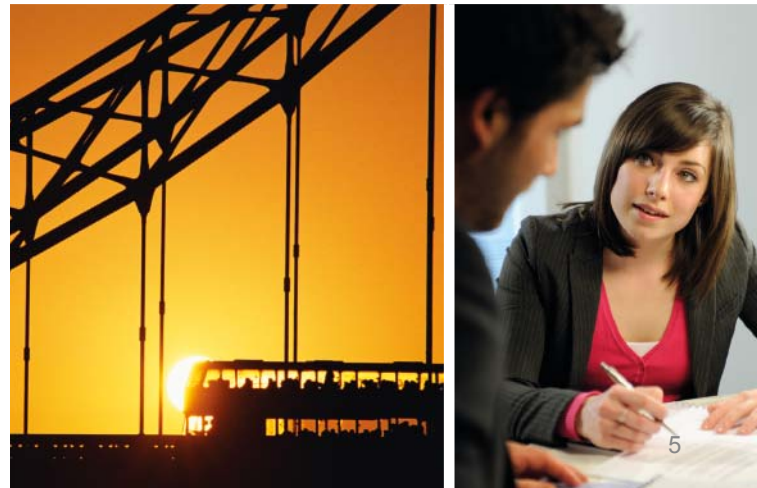
	£'000
Money in	
Contributions	49,373
Transfers into SAUL	1,900
Other income	1,407
Income from investments	16,922
Total income	69,602
Money out	
Payment of benefits	47,892
Refunds and transfers out	6,975
Administration costs	4,516
Investment and management fees	3,870
Other payments	1,020
Total expenditure	64,273

MEMBERSHIP

The following chart shows how this was split between the membership categories on 31 March 2011:



There are now 30,871 members in the Scheme, with 51 employers participating in SAUL.



INVESTMENT UPDATE

The Trustee Board is responsible for setting and managing SAUL's investment strategy. The Trustee Directors are helped in this complex area by an Investment Committee and specialist advisers. Since August 2010, Kevin Wade has been the Head of Investments for the SAUL Trustee Company, providing further valuable support in this important area.

SAUL's assets are split across a wide variety of different fund managers (currently 17) and investment types, including company shares, property, government bonds and company bonds. Although the value of these investments can be affected by instability in the financial markets, having this spread of investments does help to smooth out some of the ups and downs.

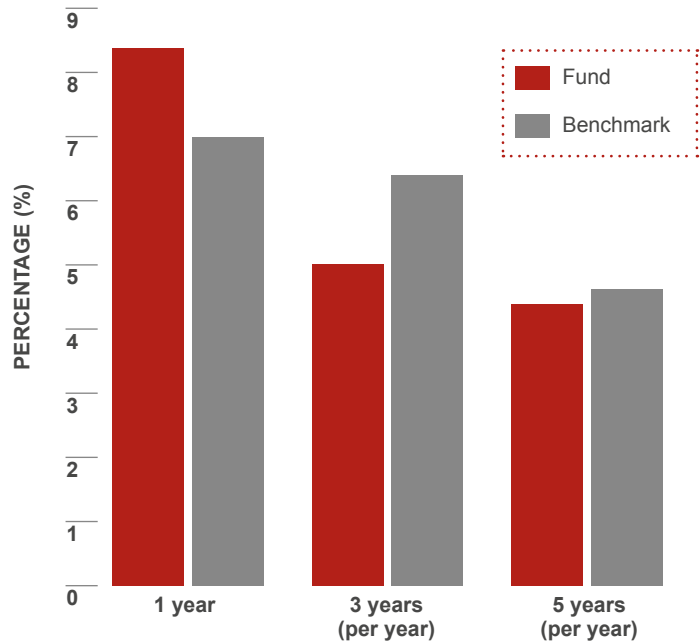
Each manager is set a performance target or 'benchmark', against which their performance is measured. This helps in monitoring their performance and identifying those who are doing a good job and those doing less well.

Change to the investment strategy

To protect the Scheme's assets against the volatility of share markets and the risk of high inflation, a new manager has been appointed to look after absolute return investments. These aim to limit losses when the markets are falling but to grow in the longer term. This more diverse strategy is expected to protect against the rising cost of the Scheme's liabilities.

Investment performance

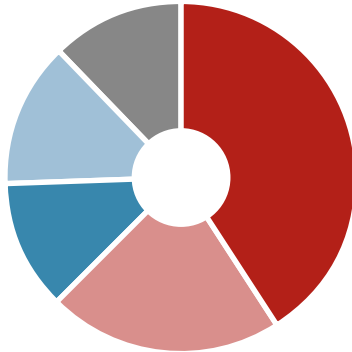
The following chart shows the performance of the Scheme's assets against the benchmark over the one-year, three-year and five-year periods to 31 March 2011.



Where the assets are invested

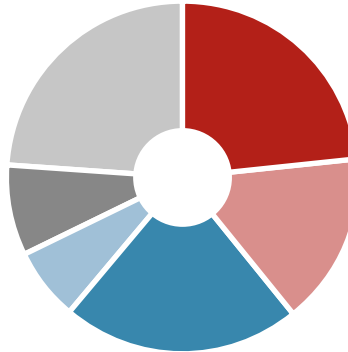
The total value of the Scheme's assets on 31 March 2011 was around £1.5 billion. Other than cash holdings of around 5%, this is split between a 'return-seeking' portfolio (59%) and a 'risk-reducing' portfolio (36%). The following charts show how each of these portfolios is made up.

Risk-reducing assets



Passive index-linked gilts	41.1%
Passive corporate bonds	21.4%
Active bonds	12.2%
High income UK equity	13.1%
Property	12.2%

Return-seeking assets



Absolute return overseas equity	23.4%
Absolute return global equity	15.9%
Conventional overseas equity	22.0%
Absolute return UK equity	6.8%
Conventional UK equity	8.1%
Alternative investments	23.9%

A spread of investments helps to smooth out the ups and downs.

NEWS ROUNDUP

Recent awards

SAUL is proud that it is a multi-award winning pension scheme. These are some of the awards SAUL has received recently...

2011

Engaged Investor – Team Excellence in Administration
(Highly Commended)

2010

Pensions and Investment UK Schemes Awards – Trustee
Excellence
Professional Pensions – Best In-House Administration
EDHEC – Best Portfolio Construction (runner-up)
Engaged Investor – Best Trustee Training Plan (Highly Commended)

Pension increases

The Government has begun to use the Consumer Prices Index (CPI) in place of the Retail Prices Index (RPI) when it calculates statutory inflation increases to pensions from April 2011.

The SAUL pension increase for 2011 was therefore 3.1%, based on CPI and in line with the Pension Increase (Review) Order 2011.

Notification that the basis for transfers in is changing

Currently, members who transfer pension benefits into SAUL from arrangements outside the public sector, such as a personal pension plan, receive extra pensionable service within SAUL. The Trustee has decided to alter the way it accepts this sort of transfer. Therefore from 1 April 2012, members will still be able to transfer non-public sector benefits into SAUL, but they will be credited with a fixed pension at retirement as opposed to additional pensionable service. This change will bring such transfers into line with the new AVC arrangements that will also apply from April 2012. It will mean that members have certainty as to what benefits they will get at retirement.

Scheme changes

The SAUL Employers have made formal proposals to the Trade Unions on possible changes to the SAUL benefit structure. Nearly all the current proposals will affect new members only – including the possible introduction of a Career Average Revalued Earnings (CARE) scheme. CARE benefits are based on salary each year and built up on a year-by-year basis. Each year's benefit is then increased to the date of retirement.

The Unions are now consulting their colleagues on those proposals and it is hoped that negotiations between the Unions and the Employers will have ended by the spring of 2012.

Whatever the outcome of the negotiations, benefits already built up in SAUL by active, deferred or pensioner members up to the date of the benefit change cannot be altered.

Reminder about Additional Pension

Please remember that from April 2012, the way members build up extra pension benefits with Additional Voluntary Contributions (AVCs) will change. 'Additional Pension' will replace added years contracts. Lump-sum AVCs and monthly AVC contracts for between three and 10 years will be available, which will buy extra pension rather than pensionable service.

Added years contracts in place at April 2012 can be continued, reduced or terminated but not increased. If you would like to start an added years contract before this date, please ask your employer's pensions officer for a quotation.

State Pension age rising faster

You may already know that the State Pension age for women is gradually increasing to age 65, as this change has already begun to take effect. However, you may not be aware that the change has now been accelerated between April 2016 and November 2018, which will further affect State Pension age for a number of women.

Additionally, the increase in State Pension age for both men and women (to 66 years) will now take place between December 2018 and October 2020. The Government is currently considering the timetable for increasing the State Pension age to 68 years.

A State Pension age calculator is available online on the Directgov website at www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/DG_4017919. However, this calculator does not currently take the latest proposals into account.

THREE STEPS

TO GET THE MOST FROM SAUL MEMBERSHIP

1. Understand...

Your pension benefits are valuable, so it's worthwhile finding out more about them – and that's easy! Visit the SAUL website at www.saul.org.uk – once there you can read the easy-to-understand Benefits Guide, pick up the latest news, ask questions and much more.

2. Connect...

Get the latest news and information from SAUL, as well as details of new features on our website, by signing up for regular email updates – just follow the instructions on the website home page. Then you'll always be in the know.

3. Plan...

If you're an active member, do check your annual benefits estimate – this will show you what you can expect to receive when you retire and will help you to plan for the retirement income you hope to enjoy. To help your planning, the website has benefit calculators to show how much extra you might need to save to ensure a comfortable retirement.

If you're a deferred pensioner, ask us for an up-to-date statement of your benefits so you'll be able to accurately include your SAUL pension in your retirement planning. Also please keep us up to date if you change any of your personal details such as your address – that way you won't miss important information or have your benefits delayed when you retire.

TRUSTEE AND ADVISERS

SAUL is set up under Trust, registered with HMRC and managed by SAUL Trustee Company (STC). The Directors of STC are responsible for looking after the interests of all SAUL members. STC is also responsible for the Scheme's day-to-day administration.

Over the year there have been some changes to the Trustee Board. Our thanks go to Mike Hanson, who retired from the Board on 30 June 2010. He was replaced as a University nominee on 1 July 2010 by Steve Large, who is already making a valuable



contribution. Following the year end, David Bennett-Rees retired as a Co-opted Director and was replaced by Anne Kershaw on 1 May 2011.

A full list of the Trustee Directors, of whom there were 12 as at 31 March 2011 – and an explanation of how they are appointed – can be found in the full Report & Financial Statements, which you can download from www.saul.org.uk.

We appoint professional advisers to help in the day-to-day running of the Scheme:

Actuary	Mr C Hardy FIA, Mercer Ltd
Legal advisers	Sacker & Partners LLP
Auditors	PricewaterhouseCoopers LLP
Bank	NatWest plc

CONTACT US

If you have any questions about this newsletter or would like more information, please contact us at:

SAUL Trustee Company

1 King's Arms Yard, London EC2R 7AF

Telephone: 020 7776 4340

Fax: 020 7776 4341

Email: gen@saul.org.uk

Website: www.saul.org.uk

You can find more documents on our website including:

- The Statement of Funding Principles, which sets out our funding plan
- The Statement of Investment Principles, which explains how we invest the fund
- The Actuarial Valuation Report at 31 March 2008.

The Superannuation Arrangements of the University of London. Registration No. 101252158.

SAUL Trustee Company is a company limited by guarantee. Registered in England and Wales at the above address. No. 2868875

If you have any questions about your individual benefits in SAUL, please contact:

- your employer's pension officer (if you are an active member)
- SAUL Trustee Company (if you are a pensioner or deferred member of the Scheme).



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