SAUL

Annual Report and Financial Statements

Superannuation Arrangements of the University of London

Year ended 31 March 2023

Pension Scheme Registry (PSR) number: 10125215

Contents

Vision, Goals and Behaviours

Our vision

A sustainable and affordable, well-managed Scheme, which is valued by members and employers alike

Our goals

A sustainable and affordable Scheme
To deliver a Scheme that is affordable, both in terms of contributions and risk, with covenant, funding and investment matters being managed in an integrated way to help ensure the Scheme remains sustainable.

Benefits and service that are valued
To provide benefits that members and employers value, and deliver high quality services, support and communications to members and employers alike.

Well-managed and well-governed
To ensure STC offers a high quality service at reasonable cost, actively engaging with industry bodies to ensure ongoing compliance with relevant legal and regulatory guidance and requirements, with a strong focus on limiting exposure to risk for members, employers, staff and the Trustee.

Motivated and capable teams
To have a well-motivated and knowledgeable team of STC staff and Trustee Directors, who embrace the ethos of quality and continual improvement, are supported in terms of personal wellbeing and development, and who work productively together to deliver agreed goals.

Our behaviours

Care
Putting yourself in other people's shoes: listen and think before acting

Professional
Keeping up to date with developments and communicating well

Pride
Taking pride in your work

Progressive
Delivering continuous, sustainable improvement

Teamwork
Working together to deliver results

Putting members at the heart of all we do

SAUL

A Message from our COO and Chair

Introduction

The year to 31 March 2023 has been one of geopolitical tensions – with Russia's continuing war in Ukraine – and economic uncertainty. Inflation and rising interest rates, which reached their highest level since 2008 during the year, created volatility on a macroeconomic level and for institutional investors, including SAUL.

The government's mini-budget in September 2022, led to a dramatic and unprecedented rise in the yields on UK government bonds, known as gilts, in which Defined Benefit pension schemes invest to help meet their long-term funding objectives. The speed of the rise in gilt yields, coupled with a fall in the value of equity markets, created challenges for SAUL, as well as other Defined Benefit pension schemes, and a backdrop of volatility for our work over the year.

The sudden rise in gilt yields, in particular, created significant work for the Trustee and our in-house investment team as the value of our Liability-Driven Investment (LDI) portfolio dropped and we were required to quickly sell some of our growth assets to provide extra collateral for the portfolio. The 'gilts crisis' also necessitated a review of our investment strategy in October 2022. That said, our funding position remains positive, not least due to good governance on the part of the Trustee and Investment Committee.

Much of our focus for the year has been on implementing the outcomes of the 2020 actuarial valuation, which showed that we needed to address SAUL's contribution strain – the gap between the money being paid in by members and employers and the cost of paying future pensions. The Trustee and SAUL Negotiating Committee, made up of employer and union representatives, worked together to decide how to address the strain and agreed that one of the measures needed was an increase in employer contributions.

The Trustee also agreed to set up a Defined Contribution section of SAUL – called SAUL Start - for new joiners from 1 April 2023 for their first three years of membership. This required significant effort from the whole STC team as we worked to achieve Master Trust Authorisation (MTA) from our regulator, the Pensions Regulator, and to prepare for the first members joining SAUL Start in April.

The MTA process was rigorous and demanding and demonstrated the strength of SAUL's governance and that our Trustee and Executive are fit and proper persons to run the Scheme. We were delighted that our application was approved and that engagement with the Pensions Regulator was positive throughout. This really does mark a huge achievement for everyone at STC and provides reassurance for our members and employers that SAUL is a well-run, well-managed and trusted pension Scheme.

There has also been an incredible amount of work to set up SAUL Start, from putting new contribution and data submission procedures in place and testing new systems and processes, to supporting employers through the changes and building a strong relationship with our new investment and administration partner, Legal & General.

Away from the valuation outcomes, we have promoted our online accounts for SAUL members. This new facility, which has been eagerly awaited, has received positive feedback from members who welcome the ability to see the current value of their pension update their details and, for active members, get an estimate of what they might receive when they retire. The modeller allows them to see their likely SAUL income based on their chosen retirement date and amount of tax-free lump sum, meaning members can access a meaningful estimate based on their individual circumstances and retirement aspirations.

We have also worked to help support members with the increased cost of living. In February, the Trustee and SAUL's Negotiating Committee approved a discretionary, additional, one-off increase to some pensions, to be paid from April 2023. We have also supported active members, who may see pension contributions as unaffordable in light of rising fuel, food and housing costs, by reminding them of all the benefits SAUL membership offers so they are fully informed before choosing to stop paying into SAUL.

One key, and unwelcome, development which falls outside the reporting period but has had a significant impact on the business since June 2023, is a security vulnerability affecting the MOVEit data transfer facility. Thousands of organisations worldwide use MOVEit and around 17 million people have been affected by a vulnerability which allowed a group known as cl0p to access their data. Unfortunately, SAUL was a victim of this incident, which was a zero-day vulnerability, meaning it could not have been identified in advance by the software provider or any users of MOVEit. Some SAUL members, mostly active members who are currently contributing to SAUL, have been affected.

Since being notified of the incident in June, we have worked closely with specialist IT, legal and communications advisers to identify the scale of the data affected, secure our systems and notify and support affected members. We have also notified the appropriate authorities about the incident, including the Pensions Regulator and the Information Commissioner's Office. We take the security of member data extremely seriously and, while we are confident there is nothing we could have done to prevent this incident, we are working to review all of our IT security arrangements and to implement new data-sharing procedures to protect SAUL members and their data.

SAUL has four strategic goals, which underpin everything we do. You can find details of our work for the year, organised by each of these goals, below.

Goal 1: A sustainable and affordable Scheme

Delivering 2020 valuation outcomes

Delivering the outcomes of SAUL's 2020 actuarial valuation has been a key focus over the year. For a number of years, SAUL's valuation results have shown a growing contribution strain, meaning the cost of providing future pensions was greater than the contributions being paid to the Scheme by members and employers. When the 2020 results showed the contribution strain was continuing to grow, we knew action was needed. The Trustee and SAUL Negotiating Committee established a Joint Working Group (JWG), made up of employer, union and independent representatives to consider how best to address the contribution strain and to make sure all stakeholders were represented in the discussions.

The JWG made recommendations to the Trustee and SAUL Negotiating Committee (SNC) and, as a result, the Trustee decided to increase employer contributions from 16% of salaries to 21%, with a staged increase to 19% in April 2022 and a further increase to 21% in January 2023. This staged approach helped employers plan for the extra contributions. The increase in employer contributions, with no corresponding rise for members, demonstrates the support of SAUL employers for the Scheme and their commitment to provide valuable pensions for their employees.

To help keep SAUL sustainable and affordable for the future, the Trustee also decided, following a recommendation from the SNC, to introduce a new Defined Contribution (DC) section of SAUL. The DC plan – known as SAUL Start – will provide pensions for members who join SAUL for the first time from 1 April 2023, for the first three years of membership. Preparing to welcome new SAUL Start members from April has involved a considerable amount of work for the STC team, for our employers and for our investment and administration partner for SAUL Start, Legal & General.

In addition to the rigorous process of obtaining Master Trust status, and all the work required to demonstrate our robust governance to the Pensions Regulator, the team has also worked to implement new data submission processes, review new communications for SAUL Start members, and to build effective working relationships with L&G, as well as helping employers understand what SAUL Start means for the way they work with STC.

This new era for SAUL provides a best-in-class DC pension, with a generous employer contribution of 15% of salaries to members' pension pots, with a further 1% towards running costs and death-in-service benefits, for the first three years. We know that many SAUL members only stay with the Scheme for a short time, so offering a pension that's portable and easy to transfer between employers is a good outcome for those who aren't SAUL members for long. After three years, members will join SAUL's Defined Benefit (DB) plan and build up pension in the same way as current SAUL members, providing a valuable DB pension for those who stay SAUL members for the long term. Member contributions for both SAUL plans will be 6%, giving members who join the DB plan in future continuity, without increasing the cost of their membership.

A Defined Contribution pension also provides choice for members, especially around where their pension money is invested. The SAUL Start funds chosen by the Trustee allow members to select a level of risk that's right for them and give the option of investing in a 'lifestyle profile' where money is moved away from equities as members approach their target retirement date. Legal & General – with whom we already had a relationship in relation to DB investments – is the main fund manager and, like SAUL, is committed to engaging with the companies in which they invest, both on climate change and other environmental, social and governance (ESG) issues. In addition to the Legal & General funds, SAUL Start also offers a Sharia fund, managed by HSBC, that is compliant with Islamic rules around savings and investments.

When selecting our administration partner for SAUL Start, cultural fit was extremely important. The STC team are building strong working relationships with our colleagues at L&G and are pleased to find that their commitment to 'put customers at the heart of all we do' matches our own ethos.

As always, the Trustee and SAUL Negotiating Committee worked together to decide how best to keep SAUL sustainable and affordable for the long term, and the whole STC team worked hard to implement the changes. The great strength of SAUL is in our collaboration and in the desire of everyone involved to put SAUL members at the heart of everything we do. These latest Scheme changes are no exception and we are confident that the introduction of SAUL Start will help keep SAUL sustainable in the long term.

SAUL's investments

The year has proved a challenging one for our investments, with the value of SAUL's investment portfolio declining by 33%. SAUL's assets fell from £4.6 billion in March 2022 to £3.1 billion a year later. However, the change in the value of SAUL's assets tells only part of the story as the value of our liabilities – the money we need to hold now to meet the cost of the pensions we have promised to pay – also fell around 30% (from £3.9 billion to £2.7 billion over the course of the year) as gilt yields rose meaning our funding position remained strong. Rising inflation, and the rise in government bond yields aimed at combatting it, affected the value of other assets in our portfolio and contributed to the overall negative investment return over the year.

Gilts crisis

But it was the dramatic rise in gilt yields following the government's mini-budget last September that necessitated swift action to secure SAUL's portfolio and respond to the unprecedented volatility at that time.

Many Defined Benefit pension schemes, including SAUL, hold gilts in Liability Driven Investment (LDI) portfolios to help manage interest rate and inflation risks. SAUL has used LDI since 2012 and the Scheme has been well protected against rising inflation and falling interest rates as a result. As our liabilities fell, the value of our LDI portfolio fell too. However, the rapid rise in gilt yields after the mini-budget last September, caused liquidity issues for SAUL, which created an urgent need for us to sell some of our growth assets to provide more collateral for our LDI portfolio. This was helped by a Bank of England gilt-buying programme designed to help secure DB schemes affected by rising yields.

Shortly before the mini-budget, our Investment Committee had reviewed the hedge ratios for SAUL's liabilities and agreed to reduce the targets, on the assumption that yields would continue to rise. This decision helped mitigate some of the impact of the gilts crisis in the short term. Following the crisis, the Trustee has been able to return hedge ratios to the level agreed before the mini-budget in order to help SAUL continue to manage its interest rate and inflation risk.

The gilts crisis has resulted in a lower value for both SAUL's assets and liabilities. This means we have retained a strong, albeit slightly lower, funding level.

Investment strategy

The Trustee also reviewed its investment strategy in light of the gilts crisis. This review included reducing our exposure to equities as our strong funding position coupled with higher bond yields mean we can now afford to take less investment risk in our portfolio and still target the necessary returns to remain sustainable.

Addressing climate-change risk

Another key aspect of SAUL's future sustainability is our approach to managing climate-change risk in our investment portfolio. Last year, the Trustee established an overarching target to have a net-zero investment portfolio by 2050, or sooner if we can. This is supported by sub-targets to:

- measure and monitor our carbon emissions
- reduce our carbon footprint by 50% by 2030
- invest at least 15% of SAUL's money where it can have a positive impact on climate change by 2025 at the latest, and,
- stop direct investment in companies that receive more than 5% of their revenue from the extraction and exploration of oil sands and thermal coal, or from generating electricity from thermal coal.

We have published our first Climate Change Risk Management report, which is available on our website at https://www.saul.org.uk/#/page/climate-change-risk-management-report and will be updated annually from now on. The report measures our progress towards our net-zero target in terms of absolute carbon emissions, carbon footprint, investment in climate solutions, and engagement with the companies in which we invest on climate change issues.

While we are pleased to report that our absolute carbon emissions – the greenhouse gases generated by our investments – have fallen 36% in the year to 31 March 2023 this is more a result of the fall in the value of the investments rather than a result of direct action by the Trustee.

Our carbon footprint, which measures the intensity of our greenhouse gas emissions compared to the size of our portfolio, rose over the year. The carbon footprint is measured in tonnes of carbon dioxide equivalent per £ million of investment and rose from 225 to 274 tCO2e/£million in the year to 31 March 2023. This increase is due to the proportion of our investments in private markets increasing as we sold liquid investments to rebalance our portfolio in response to rising gilt yields. Based on the modelling carried out currently, companies that are not publicly traded, tend to have higher carbon intensity than other types of investment.

We have also managed to increase our investment in climate solutions through our renewable energy mandate with Greencoat this year. At 31 March 2023, 7.1% of our total portfolio was invested in climate solutions.

Our engagement with the companies in which we invest has been positive this year. We engage both through our investment managers, who manage the day-to-day running of SAUL's investments, and through PIRC, a company who manage voting rights for shareholders. There are details of specific engagements in the report, from encouraging better climate change reporting to challenging climate change targets where these do not align with best practice or SAUL's own objectives.

Publishing the report is a positive step for SAUL as we continue to work towards our net-zero goal. Not only does taking account of climate change risk in our investment portfolio help to keep SAUL sustainable for the long term, we know it matters to our members too. In our recent annual member survey, the number one question members wanted to ask was whether their pension money was being invested responsibly, with many members specifically referencing climate change. The report provides transparency on our approach to climate change risk and tangible examples of our progress

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Looking ahead

At the time of writing this report, the SAUL Actuary has shared the preliminary results of our 2023 valuation with the Trustee who, along with the SAUL Negotiating Committee, will consider the results and whether any action is needed to keep SAUL sustainable in the long term. While we don't yet have the final valuation results, we expect them to show that SAUL remains in a strong position with more than enough money to pay the pensions we've promised and that the contribution strain has been eliminated, meaning that there is sufficient money being paid into the Scheme by members and employers to meet the cost of future pensions.

The Trustee will carefully consider the valuation results mindful of the fact that any Scheme changes we've made in the past have been prudent and based on a long-term view of SAUL's financial health. The Trustee will consider the impact of the employer contribution increase and the likely effect of SAUL Start on the DB section in any decision making, working together as always, to keep the best interests of SAUL members at the heart of the discussions. The statutory deadline for completing the valuation, and sharing the results with the Pensions Regulator, is 30 June 2024. We will keep all SAUL's stakeholders up to date as work on the valuation progresses.

Goal 2: Benefits and service that are valued

Our second strategic goal focuses on providing benefits and service that are valued by our members and employers. Over the year, we've delivered an excellent level of service to SAUL members, with 95% of our work completed within our agreed turnaround times. This is a slight improvement from the same period last year although we know that since the end of the reporting period the team have faced challenging circumstances.

We are particularly proud that the team has achieved such a high standard of 'business-as-usual' service over the year, given the demands of delivering the 2020 valuation outcomes. It really is testament to the dedication of our whole team that members have continued to receive a timely and efficient service while so much effort has necessarily been focused on applying for Master Trust Authorisation and implementing SAUL Start.

Delivering good service is not just about meeting our targets, it is also about our members and employers being satisfied with the service we provide. We are pleased to report that in our annual survey of SAUL members, 78% of members agreed or strongly agreed that the team are professional and knowledgeable, easy to get in touch with and provide all the information they need to help them understand the benefits of SAUL membership.

We also run a year-round feedback survey aimed at members who have recently been in touch with us, and available on our website. During the reporting period, 91% of respondents agreed or strongly agreed that they were satisfied with the service they received. The survey also measures our Net Promoter Score, based on the likelihood that members would recommend SAUL to a colleague. This is a widely used tool to measure customer satisfaction, with a score of 50 or higher considered excellent. We are proud that our Net Promoter Score for the year was 75 – as it is further evidence that members appreciate and value SAUL and the service we offer.

We also survey employers annually to monitor and improve our service. In our most recent employer survey, all respondents agreed or strongly agreed that we provide a professional service and are approachable and knowledgeable. 96% agreed, or strongly agreed, that our service is efficient and timely and that the STC team always have time for employers.

We are pleased to report these results, especially in light of the demands, for both the STC team and SAUL employers, of implementing new processes to support the launch of SAUL Start in April 2023. In April, we introduced a new method for employers' data submissions. Our new SAUL Online service, which is integrated with our administration platform allows joiner, leaver and contribution data to be automatically validated against the records we hold. It also ensures that we can enrol new joiners in the correct SAUL plan. As SAUL Start is only for members who join SAUL for the first time from April 2023, or those who re-join but who have not retained their previous benefits in SAUL, validating their eligibility is an important step and ensures that the correct contributions are paid for each member.

SAUL Online also supports the efficient investment of SAUL Start contributions by Legal & General, something which is vital to ensure we meet our obligations to invest contributions for our new Defined Contribution plan by tight statutory deadlines.

Implementing SAUL Online has required significant effort from the STC team – to design new processes, test the new system and support employers in understanding the new approach to data submissions. It has also been hugely demanding for our employers as they have worked to adapt their pension and payroll systems to support the new data requirements. We are grateful to employers for their work to support the implementation of SAUL Start and for engaging with the resources we've provided on the new procedures and the benefits offered to members.

Service delivery was a key consideration when choosing our new administration and investment partner for SAUL Start. After a rigorous tender process, we are confident that Legal & General are the right choice to support SAUL Start members in their first three years of membership. Not only do L&G provide excellent service and an online facility – called 'Manage Your Account' – that allows members to see the value of their pension pot and make changes to their investments and nominated beneficiaries in real time, they are also the right cultural fit for SAUL. The STC team has spent time getting to know our new L&G colleagues in the run up to April and been impressed by their approach to customer service and commitment to put their customers at the heart of everything they do – an ethos very much in tune with our own. As mentioned in last year's Annual Report, we also now provide an online service for DB plan members where they can see the value of their pension along with the data we hold about them, update their address, nominate beneficiaries, track any work they have asked us for and, for active members, use our calculator to get an estimate of their retirement benefits – based on retirement dates and lump sum amounts that suit their aspirations and circumstances.

During the year, we promoted the new online service to active members as part of the 2022 Annual Statements exercise. We were able to offer online delivery of the Annual Statements for the first time in September last year, with many employers opting to direct their members to their online accounts to view and download the statements. All active members were also encouraged to register with the new service to get a retirement estimate as part of the statements exercise.

We also promoted the new service to deferred members as part of our Pensions Awareness week campaign, which we'll be taking part in again this year. At time of writing, almost 9,000 members have registered for their online accounts and feedback has been positive with members appreciating the ability to access their pension information at any time. Registrations are currently suspended, out of an abundance of caution while we ensure that members can securely register without reference to the data compromised by the MOVEit incident. Members who had already registered before June 2023 can continue to use the web platform, which remains secure for existing account holders. We are working to reinstate registrations and will further promote online accounts later in the year.

Pensions Awareness week, which took place last November, was an excellent opportunity to encourage SAUL members to 'Pay Your Pension Some Attention'. In line with the Pensions and Lifetime Savings Associations (PLSA) aims for this national campaign, we encouraged members to think about what they might need when they retire and to make sure their records are up to date so that we can contact them if we need to. We contacted just over 8,000 deferred members and were encouraged by the level of engagement, with 69% of members opening our email. This is well above the industry average open rate of 25% and is particularly gratifying given that deferred members – who are no longer paying into SAUL but have yet to retire – are typically less engaged with their pensions than other cohorts.

We also promoted the benefits of SAUL membership in response to the cost-of-living crisis, recognising that not all SAUL members can afford to continue making pension contributions in the face of external financial pressures including rising housing, fuel and food costs. We were aware that opting out of their pension scheme may be a viable short-term option for members struggling with increasing costs but wanted to ensure that our members understood the range of benefits SAUL offers, including life cover, spouses' pensions and ill-health retirement.

With the agreement of the SAUL Negotiating Committee, the Trustee exercised its discretionary power to award an additional one-off pension increase this year by boosting the increase to post-2016 pension from the 2.5% set out in the Rules to 7.55%.

We know that scammers have been taking advantage of the cost-of-living crisis to persuade people to transfer their pensions to illegitimate schemes with the promise of releasing extra cash. With this in mind, we are following industry best practice when it comes to protecting SAUL members from scammers. We have signed the Pensions Regulator's pledge to combat scams and, last year, introduced new checks for transfer payments to ensure that receiving schemes are legitimate before transferring members' pension money.

Looking ahead

Providing excellent service to our members and employers is central to everything we do at STC. In the coming year, we will look to further enhance our service by considering improvements to both members' online accounts and the SAUL Online platform used for employers' data submissions. We will take account of user feedback to ensure both platforms are delivering what our members and employers need.

We will also begin to look at the way we are communicating with members, including collecting their communication preferences so that they will receive pension information in a format that best suits their individual needs and circumstances.

Goal 3: Well-managed and well-governed

Governance

Ensuring that SAUL is well-managed and well-governed is key to our success and has been especially important over the last year as we have worked to gain Master Trust Authorisation for SAUL Start. This has necessitated a full review of our policies and procedures, demonstrating our good governance to the Pensions Regulator and ensuring that our Trustee and Executive are fit and proper persons to run a Master Trust.

We were delighted to achieve Master Trust Authorisation early in 2023 and appreciated the opportunity to engage with the Pensions Regulator and to receive constructive support throughout the process. Our continuing 'business as usual' engagement with tPR has been just as positive and constructive and we look forward to continuing to work with them as a newly created Master Trust.

It was not just the Pensions Regulator who took a keen interest in the implementation of SAUL Start. Our Trustee was also heavily engaged with reviewing the operational decisions, planned communications, investment fund selection and governance arrangements for our new Defined Contribution plan, with the Joint Working Group set up by the Trustee and SAUL Negotiating Committee having oversight of the whole process.

We are also working to incorporate oversight of Legal & General into SAUL's own governance structures. Our DC Benefits and Investments teams are meeting regularly with the L&G teams and L&G's own management information and reporting is feeding into the Trustee's regular review of SAUL's operations.

Cyber security

We continue to review our cyber security arrangements and work towards achieving Cyber Essentials accreditation to help ensure that we have the tools and expertise in place to guard against cyber attacks and to reassure SAUL members and employers that we take the security of their data and our systems seriously.

Cyber security has, unfortunately, risen to prominence since June 2023 when SAUL was one of many victims around the world of an incident affecting the MOVEit file transfer platform. We have been working with external experts since June in our efforts to assess the scale of the data accessed, secure our systems and support affected members.

We quickly took MOVEit offline and it remains unavailable, with alternative file transfer arrangements in place until the Autumn, when the Trustee's Audit Committee will consider a new permanent file transfer solution.

As soon as we had identified which members had been affected, we contacted them to provide information about the incident, a dedicated point of contact for questions and 12 months' free access to Experian's 'Identity Plus' service, which allows individuals to see applications for credit and accounts held in their name and to monitor the use of their identity.

We also reported the incident to the Pensions Regulator and the Information Commissioner's Office and continue to keep them updated and to fulfil our regulatory obligations.

We continue to work with external experts who are monitoring the open and dark web for any misuse of SAUL member data and supporting our communications with affected members and SAUL employers. We are also reviewing our cyber security arrangements. While we are confident that there is nothing we could have done to prevent falling victim to this exploited zero-day vulnerability, we are keen to reassure all SAUL stakeholders that cyber security is of paramount importance to the Trustee, as is safeguarding SAUL members and their data.

Looking ahead

We will continue to work closely with the Pensions Regulator in a 'business-as-usual' capacity following our successful application for Master Trust Authorisation. As ever, we will continue following developments in pensions legislation. Following the launch of SAUL Start we will be keenly interested in both DB and DC developments. As mentioned in last year's report, we had been looking at developments in the Pensions Dashboard which was due to be rolled out from August 2023. The government has now delayed implementation until 31 October 2026.

We will also be looking closely at The Pensions Regulator's DB funding code, which is due to come into force in 2024 and will have an impact on future actuarial valuations.

All pension schemes with 100 members or more will be required to complete and publish an Own Risk Assessment (ORA) as part of the Pensions Regulator's Single Code of Practice. The ORA will be an annual opportunity to consider how well SAUL's governance structures are working and to consider improvements in response to any potential risks. We continue to monitor developments in the ORA requirements.

Finally, we will renew our focus on Guaranteed Minimum Pension (GMP) equalisation, with the first stage being to consider the implications for SAUL of equalising GMP for men and women and for the Trustee to agree an equalisation method from the options set out by the government.

Goal 4: Motivated and capable team

All the work we do to support SAUL's members and employers and ensure that the Scheme's sustainability and good governance would not be possible without the STC team. That is why one of our strategic goals is focused on ensuring our team are motivated and capable. Investing in our team helps ensure we continue to achieve our vision for SAUL.

During the year, we once again took part in the Times 100 survey of best companies to work for and, as in the previous two years, achieved ‘two star’ status, rating STC as outstanding. The survey also ranks us against other small companies and our peers in London and in Financial Services. We’re delighted to confirm that, in Q3 2023, STC ranked as the 21st best small company to work for, up from 24th last year. We also came 7th in the ranking of best Financial Services companies and 9th in the best small companies in London.

The Times 100 survey results are welcome recognition that our team feel valued and that STC is a great place to work. The survey is also an opportunity to gather honest feedback about what’s working well and how we can improve our business for the people who work here. Each year, we establish a focus group to consider the results and come up with an action plan to implement new initiatives and improvements. In previous years, initiatives launched in response to the survey results have included a review of our environmental policies to establish greener ways of working, and a volunteering policy which gives each team member one paid day off per year for charity work.

A further enhancement to our greener ways of working introduced over the year is a new electric car scheme, allowing employees to lease an electric car at a subsidised rate, and new incentives for those who choose to cycle to work.

We are currently considering the feedback from this year’s Times 100 survey and preparing an action plan, which is likely to include a leadership charter for managers.

Recognition is an important part of rewarding and motivating our team. This year saw our inaugural Trustee Awards where managers nominated individuals and teams who had made an outstanding contribution over the year. The winners were chosen by the Trustee and announced at a ceremony with the Trustee and our advisers in attendance. This recognition was appreciated by the team and we look forward to running regular awards from now on.

We also recognise the importance of supporting our team in difficult times and, in common with SAUL members, the STC team has also been affected by the rising cost of living. This year the Trustee took the decision to award a flat-rate pay increase and bonus to the whole team, rather than basing remuneration on performance as usual, in recognition of difficult economic circumstances. The 2024 pay awards are expected to revert to their usual link to performance and be based on meeting objectives through the year.

Looking ahead

We will share the Times 100 survey action plan with the team in the Autumn and begin to implement new initiatives stemming from the feedback. We are also reviewing STC’s behaviours – key attributes we expect the team to embody – to ensure they remain fit for purpose and reflect our current ethos and priorities.

Changes to the Board

In August 2022, Glyn Baker joined the Board as a union representative. Glyn replaces Ken Coventry, who stepped down on 31 March 2022 after many years of service. We welcome Glyn who has already made a valuable contribution to the Board and who we look forward to working with in the future.

During the year, we also re-confirmed the appointment of Louise Lindsay as Chair and Steve Large as an employer representative from King's College London.

After the end of the reporting period, Jane Higham, who has served as an employer representative from the University of Kent for many years, tendered her resignation from the Board. We are sad to see Jane leave the Board, thank her for her many years of dedication to SAUL and wish her all the best in her future endeavours.

Conclusion

While the year has been a busy and challenging one for SAUL, the Scheme is in a strong position in spite of recent market volatility. The recent changes to SAUL – both the increase in employer contributions and the introduction of SAUL Start for new members from 1 April 2023 – will help ensure the long-term sustainability of the Scheme.

SAUL Start marks a positive step for SAUL because it offers new members a best-in-class pension, with a generous employer contribution, that is easily transferrable if they decide not to stay in SAUL for long. Offering these members a Defined Contribution pension for their first three years of membership also helps keep the DB plan sustainable for the long term and ensures that all SAUL members have a pension they can trust and value in the years to come. Although it is difficult to draw direct comparisons to other schemes, we are confident that SAUL provides both valuable benefits for members and value for money for employers. We anticipate that when the final results of the 2023 actuarial valuation are known they will show that SAUL is in a strong position now and for the future.

In addition to our focus on delivering the 2020 valuation outcomes this year, we have also delivered improvements to our service to members and employers, through online accounts for members and a new data submission platform for employers, all while delivering the excellent service our stakeholders have come to expect.

We are especially grateful for the commitment of our employers and their hard work in preparing for the launch of SAUL Start and for the support and understanding of our members and employers, particularly in light of the MOVEit incident.

The challenges we've faced this year – from the huge amount of work required to launch SAUL Start in April 2023 to the repercussions of the rise in gilt yields – have been met with dedication, positivity and a commitment to always put SAUL members first, from the whole team. We remain indebted to the STC team, and to our advisers, for their invaluable support. Without that support, our progress over the year would not have been possible.

Ms Louise Lindsay
Chair

Mr Laurence Bacon
Chief Operating Officer

21 September 2023

Board

The Directors of SAUL Trustee Company who held office during the year, or prior to approval of this Annual Report, are set out below:

Ms L Lindsay LL.M, BA(Hons), FCIPD *Director of Safeguarding and College Projects, Imperial College* **Chair**	University nominee
Dr I S Dhingra AMAPPT MBA **Deputy Chair**	Co-opted Director
BESTrustees Limited with Mr S J Balmont BA(Hons) AMAPPT FCA as the named representative	Co-opted Director
Mr G J H Baker IEng.MIET *(from 1 August 2022)*	Unite
Mr W Causon MInstLM,	UNISON
Mr P G Fraser	Unite
Mrs P A Green BA(Hons) AMAPPT FPMI	Co-opted Director
Mr P Harding MSc FCMA	University nominee
Mrs L J Crudgington-Higham BSc ACA *Chief Financial Officer, University of Kent* *(to 14 July 2023)*	University nominee
Ms A Jelfs BSc PGCE	UNISON
Mr S Large FKC FCCA ACMA *Senior Vice President Operations, King's College London*	University nominee
Dr M Lee BSc(Hons) *Chief Operating Officer, London School of Hygiene and Tropical Medicine*	University nominee

(From left to right) Steve Large (King's College, London), Bill Causon (UNISON), Matt Lee (London School of Hygiene and Tropical Medicine), Angela Jelfs (UNISON), Inder Dhingra (Deputy Chair, co-opted), Louise Lindsay (Chair, Imperial College, London), Philip Harding (University nominee), Penny Green (Co-opted), Glyn Baker (Unite), Peter Fraser (Unite), Steve Balmont (Co-opted).

Membership of Committees

The committee members who held office during the year, or prior to approval of this Annual Report, are set out below.

Audit Committee

Mr S Large, Chair

Mr S J Balmont

Mr P G Fraser

Ms A Jelfs
(from 1 June 2022)

Dr M Lee

Covenant Review Committee

Mrs P A Green, Chair

Mr S J Balmont

Dr I S Dhingra

Human Resource and Remuneration Committee

Ms L Lindsay, Chair

Mr S J Balmont

Mr W Causon

Investment Committee	Appointment
Dr I S Dhingra, Chair	
Mr W Causon	
Ms A Devitt	Board nominee
Mrs P A Green	
Mr P Harding	
Mr R Kuo *(from October 2022)*	Board nominee

The Committee held 10 meetings during the year.

Changes to the Investment Committee

Following the departure of Mr J Tregoning from the Investment Committee (IC) in 2021, Mr Kuo was appointed as an independent member of the IC in October 2022. Mr Kuo brings a wealth of experience from his work with various pension and endowment portfolios.

SAUL Negotiating Committee

Nominated by the Council of the University of London

Ms H Akif	Executive Director (Operations), Royal College of Art
Mrs L J Crudgington-Higham *(to 14 July 2023)*	Chief Financial Officer, University of Kent
Mr P Harding	Director of Finance & Estates, Trinity Laban Conservatoire of Music and Dance
Mr S Large	Senior Vice President (Operations), King’s College London
Dr M Lee	Chief Operating Officer, London School of Hygiene and Tropical Medicine
Ms C Rae	Deputy Director of HR and Head of Partnering, University of London

Nominated by the Trade Unions (three by UNISON and three by Unite)

Mr A Always *(from 13 July 2022)*	Royal Holloway	Unite
Mr G Baker *(to 13 July 2022)*	Pensioner	Unite
Ms P Carry *(from 13 July 2022)*	Imperial College	Unite
Mr W Causon	Pensioner	UNISON
Ms A Jelfs	University of London	UNISON
Mr N Sommerville BSc	Pensioner	Unite
Mr P Whitehouse *(to 8 February 2023)*	London School of Economics & Political Science	UNISON

There is currently a vacancy for a UNISON representative.

The Chair of the Committee is appointed at each meeting. The SAUL Negotiating Committee meets at least once a year. The quorum is six members of the Committee, of whom at least three shall be Trade Union nominees and three shall be University nominees. Members of the Negotiating Committee may be removed from the Committee by their respective bodies.

The following are alternate members of the SAUL Negotiating Committee who attend as substitute for the regular members:

Mr D Beckley, Unite *(to 13 July 2022)*	London School of Economics & Political Science	Unite
Ms P Carry, Unite *(became a full member from 13 July 2022)*	Imperial College	Unite
Mr M Jones *(from 13 July 2022)*	Imperial College	Unite

Nominations Committee

Mrs L Lindsay, Chair

Mr W Causon

Dr I S Dhingra

Operations Committee

Mr W Causon, Chair

Mrs L Lindsay

Mr S J Balmont

Mr P G Fraser

Principal Officers and Advisers

Trustee and Administrator

SAUL Trustee Company
1 King's Arms Yard
London EC2R 7AF

SAUL Trustee Company (STC) Executive Management Team (EMT)

Chief Executive	Mrs S Applegarth FPMI
Chief Investment Officer	Mr K Wade BSc FIA
Chief Operating Officer	Mr L D Bacon
Head of Benefits	Mrs D McGuire
Head of Technical and Communications	Mr R Orr MLitt FPMI

(From left to right) Kevin Wade (Chief Investment Officer), Donna McGuire (Head of Benefits), Sue Applegarth (Chief Executive), Dirk Bacon (Chief Operating Officer), Rob Orr (Head of Technical and Communications).

Investment Managers

Aberdeen Standard Investments Ltd

Artemis Investment Management Ltd
(to July 2022)

AVIVA Investors Global Services Ltd (AVIVA)

Capital International Ltd
(to July 2022)

Comgest Asset Management International Ltd
(to September 2022).

Greencoat Capital LLP

HPS Investment Partners LLC (HPS)

Igneo Infrastructure Partners

Intermediate Capital Managers Ltd (ICG)

JPMorgan Asset Management Ltd

Juno Investment Partners B.V.
(to September 2022)

Kohlberg Kravis Roberts & Co L.P (KKR)

Legal & General Investment Management Ltd (LGIM)

Macquarie Capital Funds (Europe) Ltd

Martin Currie Investment Management Ltd
(to July 2022)

Montanaro Asset Management Ltd
(to September 2022)

Ninety One UK Ltd
(appointed September 2022)

Partners Group Holdings AG

Redwood Investments LLC
(to September 2022)

Royal London Asset Management Ltd
(to October 2022)

Advisers and Banker

Actuarial Consultants	Mercer Ltd
Scheme Actuary	Mr C Hardy FIA, Mercer Ltd
Bank	National Westminster Bank PLC
Cash Managers	BlackRock Financial Management Inc
	The Northern Trust Company
Corporate Governance Adviser	Pensions & Investment Research Consultants Ltd
Covenant Review Adviser	Aon Solutions UK Ltd
Custodian	The Northern Trust Company
Defined Contribution Consultant	Hymans Robertson LLP *(appointed July 2021)*
Defined Contribution Provider	Legal & General Assurance Society *(appointed August 2022)*
External Auditors	PricewaterhouseCoopers LLP
Investment Adviser	Redington Ltd

Investment Performance Measurer	The Northern Trust Company
Legal Adviser	Sacker & Partners LLP
Medical Adviser	Dr S Gillibrand
Pension System Consultants	Civica Group Ltd

Trustee's Report

Scheme Constitution and Management

Scheme information

SAUL Trustee Company (STC) is Trustee and administrator of the Superannuation Arrangements of the University of London (SAUL or the Scheme). The Scheme started in 1976 and was established to provide retirement benefits for non-academic employees of the University, although all staff are eligible to join. It now covers 49 colleges and institutions that have links with higher education in the south-east of England, including most of the Colleges of the University of London, Imperial College, the Royal College of Art and the Universities of Kent and Essex. A full list of employers participating in SAUL is shown in the Membership Analysis (see pages 29 and 30).

SAUL is a multi-employer occupational defined benefit (DB) pension scheme set up under trust. Changes to the benefit structure were introduced from 1 April 2016 that meant that benefits for all active members were based on each member's career average revalued earnings while a member (CARE). In addition, benefits built up in the Final Salary section to 31 March 2016 are protected.

Contributions are pooled and invested to provide a fund out of which benefits are paid. SAUL had over 81,000 members and assets of £3.1 billion as at 31 March 2023.

Following the 2020 Actuarial Valuation, the Trustee agreed to set up a Defined Contribution (DC) section of SAUL – called SAUL Start – for new joiners from 1 April 2023 for their first three years of membership. This required SAUL to obtain Master Trust status.

The Employers also agreed to a two-stage increase to employer contributions to the DB section, beginning with a rise from 16% to 19% of salaries on 1 April 2022. A subsequent increase to 21% of salaries took effect on 1 January 2023.

Employer contributions for SAUL Start members will be 15% of salaries to members' pension pots, with a further 1% towards running costs.

Member contributions for both SAUL sections will be 6%, giving members who join the DB section in future continuity, without increasing the cost of their membership.

Trustee

STC, the sole corporate Trustee of SAUL, was appointed by the University of London in 1993 under the Rules in force at that date. SAUL Rule 6.1 sets out the power to appoint new or additional directors. The Board of Directors of STC is made up of five Directors appointed by the University of London and four Directors appointed by the appropriate Trade Unions (two by Unite and two by UNISON). The Board also may co-opt up to three Directors who are appointed and removed by the Board with the agreement of the Negotiating Committee. The Board of Directors meets as the Trustee of SAUL at least once every quarter. The quorum is three members of the Board including at least one Union Director and one Employer Director. Directors appointed either by the University or by the Trade Unions may be replaced by their respective appointing bodies.

Committees

Much of the work of the Board is delegated to the Audit, Covenant Review, Investment, Human Resource and Remuneration, Nominations and Operations Committees. The work of these Committees is vital to the governance and good running of STC, and the Board is most grateful to those who serve on them.

Attendance at Board meetings

The Board met nine times over the year on 26 May 2022, 21 July 2022, 18 August 2022, 25 August 2022, 22 September 2022, 27 September 2022, 24 November 2022, 23 February 2023 and 22 March 2022. Members attended meetings as follows:

Mr G J H Baker	6 meetings[1]
Mr S J Balmont	9 meetings
Mr W Causon	9 meetings
Mrs L J Crudgington-Higham	4 meetings
Dr I S Dhingra	9 meetings
Mr P G Fraser	9 meetings
Mrs P A Green	8 meetings
Mr P Harding	8 meetings
Ms A Jelfs	8 meetings
Mr S Large	6 meetings
Dr M Lee	5 meetings
Mrs L Lindsay	9 meetings

Directors' training

Trustee Directors benefitted from being enrolled into the PMI Trustee Group, which supports the Trustee's ongoing training and development through digital webinars, round table events and regular communications. The Trustee is also a member of the Pensions and Lifetime Savings Association, which enables both Trustee Directors and members of the STC staff to attend various conferences and seminars to help ensure their knowledge and understanding remains up to date.

In line with SAUL's recent Master Trust approval, and the agreed Trustee Training policy, all Trustee Directors completed a minimum of 15 hours training in the year to 31 March 2023. All training is logged by the Committee Secretary and individual training logs kept for each Trustee Director.

[1] Mr G J H Baker joined the Board on 1 August 2022 and was only eligible to attend 7 meetings during the year.

Directors' training included the following areas specifically linked to Project Sunrise (establishing the new SAUL Start DC section):

- Working Styles and Myers-Briggs Type Indicator (MBTI) training facilitated by an external trainer
- Looking at the wider market relevant to SAUL, including:
  - Macro Economics
  - Higher Education sector
  - Pensions Dashboard
  - Trustee Perspectives and DC Master Trusts
  - Future development plans from Civica (SAUL's administration portal)
- Ongoing legal training via the Quarterly Board meetings
- Familiarisation and training on the DC market from SAUL's DC Consultant
- Governance of a DC Section
- Compliance aspects of a DC Section e.g. Breach reporting, notifiable events and significant events.

Following the Gilts crisis in September 2022, there was also a large focus on Investment Training for the Trustee Directors, including Investment Strategy.

There was also a programme of sessions before the DC Section went live covering administration, Master Trust Supervision and Investments.

In preparation for the 2023 Actuarial Valuation, Valuation training was provided to the Trustee Directors in January and March 2023.

Some members of the Trustee Board also attended a number of external training sessions, including Pensions Circle, PLSA Conference and LGIM conference.

There was one new Trustee Director who completed the Trustee Toolkit and the full induction training plan during the year through to 31 March 2023.

Members of both the SAUL Negotiating Committee and non-Trustee Director members of the Investment Committee were also invited to attend some of the sessions noted above.

Risk Policy

The Board's Risk Management Policy sets out the approaches to managing strategic level risks, operational level risks and process level risks. Risks are assessed using a traditional method of weighing the likelihood and potential impact of a risk event. Where necessary, actions are then agreed to reduce risks to acceptable levels. The definitions and assessments of strategic risks are documented in a Strategic Risk Register, alongside records of risk-mitigation measures and actions being taken to manage reduction of risks. A Strategic Risk Dashboard is produced to provide an overview of changes to strategic risk ratings.

The Board also has a policy setting out its approach to Integrated Risk Management (IRM), which follows The Pensions Regulator's (TPR) guidance on ensuring that the inter-relationships between covenant, funding and investment are properly considered together when developing the funding and investment solution for a defined benefits pension scheme such as SAUL. The IRM framework draws together relevant strategic risks and related Key Performance Indicators (KPIs) and management information. An IRM Dashboard is produced to provide an overview of the IRM position, and it is accompanied by a report which documents the supporting analysis.

Alongside the Risk Management and IRM policies, the following key policies are submitted to the Audit Committee for review on an annual basis: Accounting; Data Protection; Regulatory Control; Fraud Prevention; Whistleblowing; Cyber Security; Hospitality and Gifts; Business Continuity; and IT Disaster Recovery

Statement of Internal Controls

The Board has ultimate responsibility for ensuring that effective risk-management systems and controls are in place. The Board has ensured that risk management and internal controls are embedded within STC's normal management and governance arrangements. Nonetheless, at each of its meetings, it receives copies of relevant registers and reports, together with recommendations from the Audit Committee and, in the case of investment risks, from the Investment Committee, in order that it can keep STC's risk profile under review, and ensure that appropriate mitigation measures and insurances are in place.

The Audit Committee undertakes annual reviews of the policies outlined above as well as STC's Business Continuity and IT Disaster Recovery plans, as these are key risk-mitigation measures. The Audit Committee carries out a review of the Strategic Risk Register each year to ensure that all relevant risks are included and to challenge the definitions and assessments of each risk. On an ongoing basis, the Audit Committee monitors and challenges the assessments and the approaches to mitigating and managing individual strategic risks. It receives reports from the Executive Management Team (EMT) on progress with managing strategic risks and on the IRM position. It also receives reports on the operation of STC's Quality Management System (QMS), which has been certified to the ISO9001 standard by BSI (the British Standards Institution). The reports cover the outcome of internal audits from the Quality Manager. The Audit Committee submits its findings to the Board, together with copies of the Strategic Risk Register, Strategic Risk Dashboard, IRM Dashboard, supporting IRM Analysis and summaries of QMS outcomes and effectiveness.

The CIO maintains an Investment Risk Register which is reviewed on a monthly basis and escalated to the EMT / Strategic Risk Register and the IRM analysis where appropriate. The Investment Committee reviews the Investment Risk Register annually, and any issues or concerns are raised with the Board.

The EMT manages process, operational and strategic level risks on a day-to-day basis. STC's QMS is based on the principles of embedding risk mitigation and continuous improvement in all processes. Processes governed by the QMS are subject to internal quality audits, which are conducted using a risk-based approach. The results of quality audits are reported through the STC Quality Management Group to the Audit Committee and the Board.

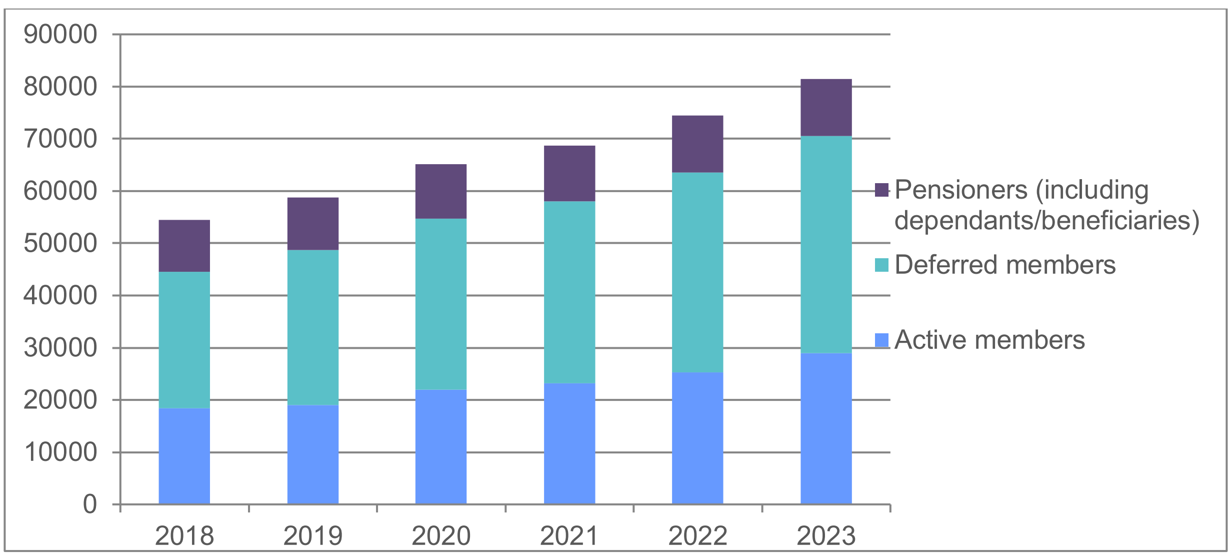
The EMT also receives regular updates on operational KPIs and management information. At an operational level, project and department risks are managed by relevant members of the EMT and the Management Team (MT). Where operational-level risks or the findings of an audit might have an impact on strategic-level risks, the relevant EMT member will escalate the matter for EMT consideration. The Strategic Risk Register and the IRM analysis are regularly reviewed by the EMT as a whole, but each individual risk and each risk mitigation action is owned by an individual member of the EMT.

Financial Development

The Financial Statements show the financial development of SAUL during the year to 31 March 2023. The annual Financial Statements for the Scheme have been prepared and audited in accordance with regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

Membership and benefits

Summary of SAUL membership



Analysis of total member numbers

	2023	2022
Active members	**28,992**	**25,270**
Deferred members	**41,651**	**38,250**
Pensioners (including dependents/beneficiaries)	**11,120**	**10,906**
TOTAL	**81,763**	**74,426**

The figures above include a number of members who hold multiple records resulting from different periods of employment at participating employers. These multiple records account for 403 (2022: 373) of the membership figures above (the 31 March 2022 figure was calculated at 30 June 2022 due to administrative issues).

Deferred members are members who have left service with benefits in SAUL that are due for payment at their Normal Pension Date. These figures include deferred benefits where transfers out have been requested but not finalised.

Included within the table above are 56 (2022: 58) pensioners whose benefits (partially or fully) were provided by annuities.

There are 1,406 (2022: 1,418) dependant pensioners included within the total pensioners' figure.

STC has introduced new data validations from April 2023 to support employers' submissions of leaver data. This has highlighted a good number of historic cases which employers and STC are processing. Next year's membership figures will reflect a higher volume of leavers as this work is completed.

Active membership analysis

University of London	Final Salary		CARE		TOTAL	
	2023	2022	**2023**	2022	**2023**	2022
Birkbeck College	**0**	0	**814**	627	**814**	627
Central Academic & Administrative Activities	**0**	0	**547**	467	**547**	467
Courtauld Institute of Art	**0**	0	**47**	50	**047**	50
King's College London	**1**	2	**2,749**	2,484	**2,750**	2,486
London School of Economics & Political Science	**0**	0	**2,811**	2,225	**2,811**	2,225
London School of Hygiene & Tropical Medicine	**0**	0	**258**	188	**258**	188
Queen Mary, University of London	**0**	0	**2,249**	1,715	**2,249**	1,715
Royal Holloway, University of London	**0**	0	**498**	479	**498**	479
Royal Veterinary College	**0**	0	**562**	552	**562**	552
St George's, University of London	**0**	0	**199**	168	**199**	168
School of Oriental & African Studies	**0**	0	**245**	203	**245**	203
University College London	**2**	2	**8,434**	6,890	**8,436**	6,892
Total	**3**	4	**19,413**	16,048	**19,416**	16,052

Universities and associated institutions	Final Salary		CARE		TOTAL	
	2023	2022	**2023**	2022	**2023**	2022
Association of Coloproctology of Great Britain & Ireland	**0**	0	**2**	2	**2**	2
Association of Commonwealth Universities	**0**	0	**1**	1	**1**	1
Association of Laparoscopic Surgeons	**0**	0	**2**	2	**2**	2
Association of Surgeons of Great Britain & Ireland	**0**	0	**1**	1	**1**	1
Association of Upper Gastrointestinal Surgery	**0**	0	**1**	1	**1**	1
British Academy	**0**	0	**121**	96	**121**	96
British Association of Oral and Maxillofacial Surgeons	**0**	0	**2**	2	**2**	2
British Association of Plastic, Reconstructive and Aesthetic Surgeons	**0**	0	**12**	11	**12**	11
British Association of Urological Surgeons Limited	**0**	0	**8**	8	**8**	8
British Orthopaedic Association	**0**	0	**17**	19	**17**	19
British Pharmacological Society	**0**	0	**11**	12	**11**	12
British Society for Surgery of the Hand	**0**	0	**10**	7	**10**	7
ENT UK	**0**	0	**8**	10	**8**	10

Universities and associated institutions (continued)	Final Salary		CARE		TOTAL	
	2023	2022	**2023**	2022	**2023**	2022
Gray Laboratory Cancer Research Trust – University of Oxford	**0**	0	**0**	0	**0**	0
Gresham College	**0**	0	**15**	13	**15**	13
Higher Education Statistics Agency *(ceased to participate from 3 October 2022)*	**0**	0	**0**	120	**0**	120
Imperial College London	**3**	4	**4,664**	4,535	**4,667**	4,539
International Students' House	**0**	0	**58**	54	**58**	54
Kent Union	**0**	0	**57**	62	**57**	62
London Universities Purchasing Consortium	**0**	0	**9**	8	**9**	8
Overseas Development Institute	**0**	0	**76**	77	**76**	77
Pearson Education Limited	**0**	0	**13**	14	**13**	14
Quality Assurance Agency for Higher Education	**0**	0	**36**	37	**36**	37
Royal College of Anaesthetists	**0**	0	**104**	114	**104**	114
Royal College of Art	**0**	0	**1,235**	1,112	**1,235**	1,112
Royal College of Ophthalmologists	**0**	0	**37**	34	**37**	34
Royal College of Pathologists	**0**	0	**39**	49	**39**	49
Royal College of Surgeons of England	**0**	0	**111**	99	**111**	99
SAUL Trustee Company	**0**	0	**48**	50	**48**	50
Thrombosis Research Institute	**0**	0	**1**	1	**1**	1
UCL Business plc	**0**	0	**46**	45	**46**	45
UCL Consultants Limited	**0**	0	**34**	29	**34**	29
Universities & Colleges Employers' Association	**0**	0	**7**	6	**7**	6
University of Essex	**0**	0	**1,149**	1,028	**1,149**	1,028
University of Essex Campus Services	**0**	0	**14**	15	**14**	15
University of Essex Student's Union	**0**	0	**28**	22	**28**	22
Universities UK	**0**	0	**61**	55	**61**	55
University of Kent	**0**	0	**1,535**	1,463	**1,535**	1,463
Total	**3**	4	**9,573**	9,214	**9,576**	9,218

Transfer values

Members leaving SAUL are entitled to have the cash equivalent transfer value of their benefits transferred from SAUL to other registered pension schemes. Having taken actuarial advice, the Trustee reviewed the cash equivalent transfer basis in 2015, with changes being implemented from 1 April 2016. There was a practice of granting increases to deferred pensions fully in line with inflation, which is underpinned by the minimum required by legislation. Those discretionary increases have been allowed for in the calculation of transfer values. All cash equivalents calculated and/or paid during the year were at the full, actuarially calculated values.

Up to 31 March 2016, SAUL was a member of the Public Sector Transfer Club (the Club). Transfers between Club schemes use special calculation factors supplied by the Government Actuary that give a broadly equivalent service credit in the receiving scheme. The benefit changes introduced on 1 April 2016 led to a decision by the Board to leave the Club.

Further to the Trustee's decision in November 2020, and having taken actuarial and legal advice, from 1 June 2021 SAUL's cash equivalent transfer value calculation was adjusted to make allowance for GMP equalisation. A future project will review all pre June 2021 transfer outs and retrospectively equalise benefits where appropriate.

The Trustee continues not to accept transfers in.

Pension increases

SAUL increases pensions in line with price inflation, subject to caps, and in accordance with the Pensions Increase (Review) Order published by the Government each year. This is measured using the Consumer Prices Index (CPI) to September of the previous year, with the increase in CPI in the year to September 2021 being 3.1%, applied as at 1 April 2022.

Former members of the Royal College of Art Retirement Benefit Scheme have fixed-rate increases of 5% a year and Retail Price Index (RPI) linked increases on certain elements of their pensions in payment before they joined SAUL on 1 January 2010. The RPI-linked increase was 11.7% in 2022 and such pensions were increased accordingly as at 1 August 2022.

The Trustee did not grant any discretionary increases during 2022/23.

Members who left service before 1 April 1976 receive increases only during deferment, not once the pension is in payment.

The minimum increase to pensions in payment during the Scheme year was nil, the maximum was 5.0% and the average was 3.1%.

For deferred pensioners, the pension payable at retirement is the basic pension at date of leaving increased by the higher of the discretionary increases awarded by the Board, or the statutory and Guaranteed Minimum Pension revaluation. Fixed pension purchased by non-Club transfers in and Additional Pension purchased by AVCs do not increase during deferment.

The Board reviewed all other deferred pensions and related benefits of former members who had not retired, and approved that those should not be increased.

Contracting out

Between 1978 and 1997, SAUL members were contracted out of the State Earnings Related Pension Scheme (SERPS) and SAUL will pay them at least a Guaranteed Minimum Pension (GMP) for that period. GMPs were abolished for future service in April 1997 and a new Reference Scheme Test was adopted. In April 2002, the State Second Pension (S2P) replaced SERPS. SAUL members remained contracted out of S2P on the part that was equivalent to the benefit level provided by SERPS, and the Reference Scheme Test remained in force.

The Government introduced changes to the state pension from 6 April 2016 that means that contracting out on a salary-related basis was abolished from the same date.

Receipt of contributions

STC has agreed a Schedule of Contributions with each participating employer in line with the requirements of the Scheme Rules and Pensions Act 1995. All contributions (including additional voluntary contributions) are due by the 5th working day of the month following the month in which they are due. During the year all employers complied with this requirement in all material respects.

Actuarial liabilities

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

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

The most recent triennial valuation of the Scheme was carried out as at 31 March 2020. It showed that SAUL had assets of £3,612 million against liabilities of £3,829 million, representing a funding level of 94% on a Technical Provisions basis. The cost of accrual was 35.4% versus member and employer contributions of 22%, the difference being known as the contribution strain. The Trustee, Employers and SAUL Negotiating Committee agreed to allow for post-valuation experience up to 30 April 2021 and so SAUL was estimated to have a surplus of £357 million on a Technical Provisions basis at that date. The Trustee, Employers and SAUL Negotiating Committee also agreed to a package of measures to address the contribution strain, with Employers increasing their contributions, on a phased basis (to 19% from 1 April 2022 and to

21% from 1 January 2023), and a 3-year Defined Contribution Feeder Scheme being introduced for new members from 1 April 2023.

Although there are no current plans to discontinue the Scheme and buy out liabilities with an insurance company, the Trustee also considers the level of funding relative to the estimated costs of such a buy-out (known as “solvency liabilities”). On a buy-out basis, as at 31 March 2020, SAUL had assets of £3,612 million against liabilities of £5,246 million, representing a solvency funding level of 69%.

The actuarial method used in the calculation of the Technical Provisions is the Projected Unit Method and is based on pensionable service.

The value of Technical Provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the level of investment returns and pay increases, when members will retire, and how long members will live. The significant actuarial assumptions used in these calculations are as follows:

Actuarial assumptions for the valuation as at 31 March 2020		
Investment return pre-retirement	Full gilt yield curve with an additional outperformance allowance of 2.45% p.a.	3.15% p.a.
Investment return post-retirement (non-CDF*)	Full gilt yield curve with an additional outperformance allowance of 0.35% p.a.	1.05% p.a.
Investment return post-retirement (CDF pensioners)	Full gilt yield curve with an average outperformance allowance of 1.21% p.a.	1.91% p.a.
Price inflation – Retail Price Index	Full unadjusted market-implied RPI curve	2.70% p.a.
Price inflation – Consumer Price Index	Full curve derived as the RPI curve less 1% p.a. before 2030 and no deduction thereafter	
Pre 2016 pension increases in payment	In line with RPI and CPI inflation assumptions above	
Post 2016 pension increases in payment	CPI max 2.5% p.a. pension increases derived using the Jarrow-Yildirim model	
Mortality – Base table	S3PA (year of birth) tables with the “Middle” table for females, weighted as follows: • Non-pensioners: 123% for males and 100% for females • Pensioners: 118% for males and 97% for females	
Mortality Future improvements	CMI 2020 projections with long-term trend rate of 1.75% p.a., a period smoothing parameter of 7.5, an additional improvements parameter of 0% and a 2020 weight parameter of 0%	

* Cashflow Driven Finance - As part of SAUL's investment strategy, a cashflow matching approach (referred to as "Cashflow Driven Financing" or "CDF") has been adopted, which notionally matches some of SAUL's pensioner payments and involves investing in cash-generative assets. It is anticipated that the proportion of assets / liabilities adopting a CDF approach will grow over time.

Next actuarial valuation

A Funding Review was undertaken as at 31 March 2022 and the results showed that SAUL had a surplus of £616 million on a Technical Provisions basis with a funding level of 116%. As at 31 March 2022, the contribution strain was 10.9%. After taking into account the additional Employer contribution of 3% being paid from 1 April 2022, the contribution strain dropped to 7.9% of salaries.

The next triennial valuation is being carried out as at 31 March 2023.

GMP equalisation

In 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 (GMP) benefits. In November 2020, the High Court handed down a further judgement on the need to equalise for the effect of GMPs, this time addressing the need to equalise on past transfers out.

The issues determined by the judgments arise in relation to many other defined benefit pension schemes. The Trustee is aware that these issues will affect SAUL and will be considering this at a future meeting, where decisions will be made as to the next steps. Under the first ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Under the second ruling, defined benefit pension scheme trustees, including SAUL, are required to pay transfer value top-ups to receiving schemes along with interest.

They will be accounted for in the year they are determined.

SAUL Negotiating Committee Report

The Negotiating Committee held meetings on 4 April 2022, 6 October 2022 and 23 March 2023 (at which date this report has been prepared).

During 2022/23, a significant proportion of the Committee's time was focused on implementing the agreed changes flowing out of the 2020 actuarial valuation. The results from that valuation showed that although SAUL was fully funded, taking into account post-valuation experience, the contribution strain, which is the difference between contributions by Employers and Members paid into SAUL and the cost of benefits building up, had continued to grow since the 2017 valuation. Reflecting SAUL's collaborative nature, the Committee and the Trustee agreed a package of changes to help address the contribution strain. The package focused on increased contributions from Employers, the introduction of a Defined Contribution (DC) section into SAUL for the first 3 years of SAUL membership for new joiners from 1 April 2023, and the Trustee adjusting its funding and investment strategy to mitigate a portion of the strain.

The Committee and Trustee decided to put in place a Joint Working Group to deliver the introduction of the DC Section, which also necessitated authorisation from the Pensions Regulator for SAUL to become a Master Trust. Authorisation was granted in January 2023 after a significant amount of work by both the Committee, Joint Working Group and, at the time of writing, final preparations were being made for 'go live' of the DC section on 1 April 2023. The work put in by all SAUL stakeholders continues to reflect that both the Committee and Trustee are committed to ensuring that SAUL continues to be a sustainable and affordable pension scheme.

In terms of business as usual and other projects, the Committee monitored the Trustee's progress against its 2022/23 corporate strategy and business plan. The Committee also attended Trustee training sessions on 21 July and 27 September 2022, 26 January, 22 February, 16 March and 30 March 2023. In March 2023, the Committee also agreed to a request from the Trustee – the Trustee having sought advice from the Scheme Actuary – to pay an additional one-off discretionary pension increase in April 2023 to some SAUL pensioners who were subject to a cap on increases for post 2016 benefits.

SAUL Investment Committee (IC) Report

IC Governance

The IC reports to the Board of Directors of STC and advises the Directors on all matters relating to investment of the Scheme's assets. The IC consists of a Chair who is an independent member of the Board of Directors, and the Chair of the Board attends in an ex-officio capacity. At least three must be members of the Board (including at least one Union Director and one Employer Director) and up to five others may be nominated by the Board, to help strengthen investment skills and knowledge and enhance diversity. The IC meets at least once every quarter, and the quorum is four members.

The IC is supported by an in-house investment team (a Chief Investment Officer and three Investment Analysts).

Market commentary (year to 31 March 2023)

Over the year, inflationary pressures and tighter monetary policy have increasingly dominated the thoughts of market participants. At the end of the year, fears of an economic slowdown were at the forefront of the minds of investors and, with signs that inflation may have peaked in a number of developed markets, there was talk of when central banks might start reducing interest rates.

In the US, the Federal Reserve (Fed) continued with its monetary tightening, having increased rates by four successive 0.75% increments over the period. Additional rises in February and March 2023, took the headline rate to between 4.75% and 5.00%. High inflation and a tight labour market persist in the US, with Fed Chair Jerome Powell indicating that further interest rate increases is still a possibility, adding that "the ultimate level of interest rates is likely to be higher than previously anticipated". Annualised inflation in the US fell to 5% in March 2023, its ninth consecutive fall.

The UK also raised interest rates over the year, with the policy rate at 4.25% in March 2023, taking interest rates to their highest level since 2008. Inflation in the UK has remained stubbornly high, with CPI at 10.4% in March 2023. In September 2023 the first (and last) "mini budget" of UK Chancellor Kwasi Kwarteng's tenure, which included a number of sizeable unfunded spending pledges, prompted the yields on UK Government Bonds (Gilts) to soar with Sterling falling to its lowest level versus the US Dollar in almost 40 years. The prospect of a more fiscally responsible government (with the installation of Rishi Sunak as Prime Minister) saw Gilt yields fall significantly from their September 2023 highs, while Sterling recovered versus the US dollar.

In Europe, the European Central Bank (ECB) continued to raise rates over the period; in October it hiked by 0.75% and it followed up with 50 basis-point hikes in December, February and March, to take rates to 3.5%; they are expected to rise to 3.75% by September, matching the ECB's 2001 all-time high. Annualised inflation for the region fell from to 6.9% in March, its lowest level in over a year, as energy cost pressures continued to ease.

Elsewhere, Silicon Valley Bank was a notable US casualty of the banking woes that reared their heads in late February, although contagion risk seemed to be well contained. Meanwhile, Swiss regulators helped usher through a speedy takeover of the beleaguered Credit Suisse, with its rival UBS stepping in to rescue the challenged business in a cut-price all-share deal.

Meanwhile, the effects of Russia's invasion of Ukraine in February 2022 continued to be seen, with lingering fears of a global geopolitical crisis while the ramifications for the energy sector, and energy consumers, continue to be felt.

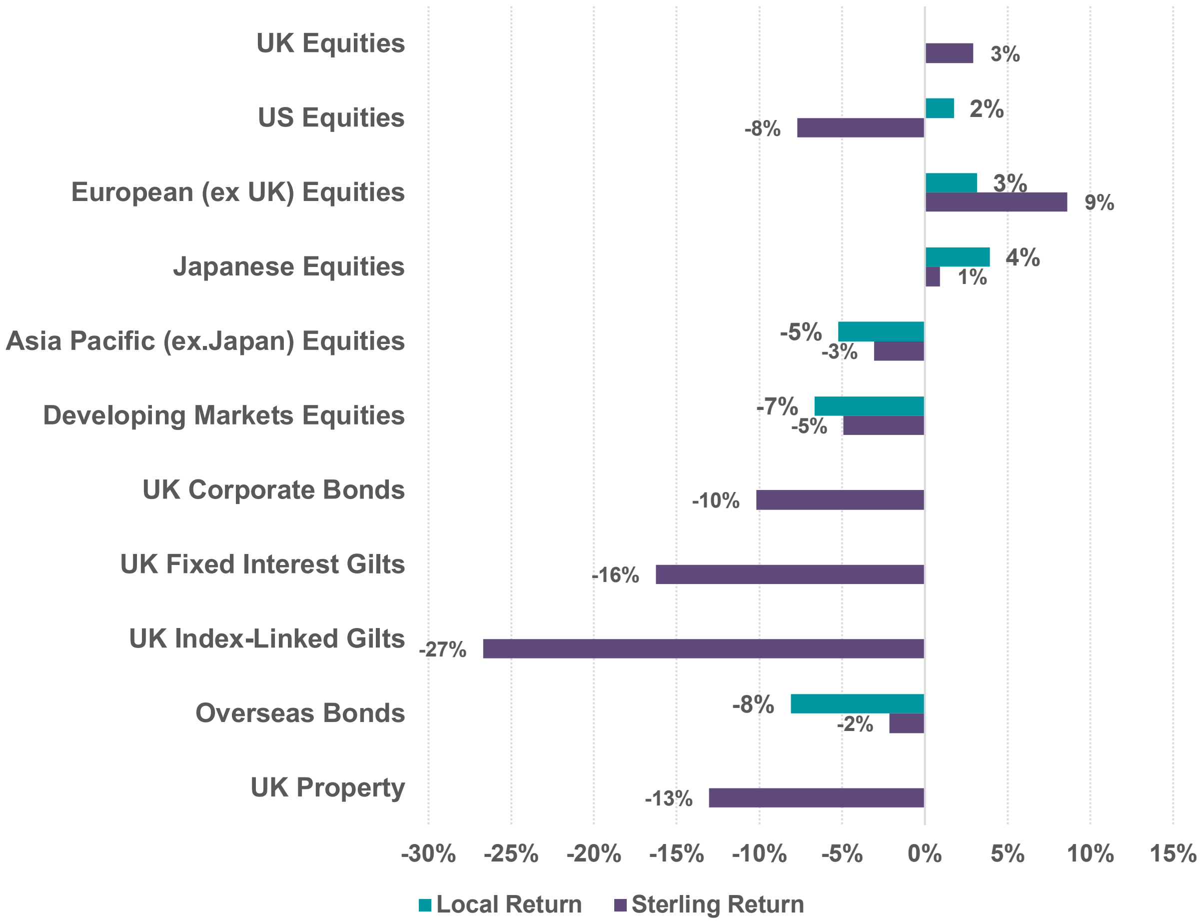
Global equity indices fell significantly over the past year as inflationary worries, the prospect of tighter monetary policy and recessionary fears increasingly took their toll. Against this backdrop, energy was the standout sector over the year (across regional markets generally)

Yields on government bonds rose strongly (prices fell) over the period. The effect of the UK government's 'mini-budget' on UK gilt yields was particularly stark midway through the period; in September alone, the yield on the 10-year gilt rose by an eye-watering 120 basis points, although it subsequently fell back significantly. Meanwhile, the yield on the 10-year Japanese government bond rose very late in the period on an announcement from the Bank of Japan that it was tweaking its yield curve control measures, allowing yields to move by as much as 0.5%, up from 0.25%.

Investment-grade bond spreads in the US, UK and Europe effectively tracked underlying government bond yields for much of the review period, widening early on following Russia's invasion of Ukraine, while the widening moves seen in UK and European investment-grade bond yields later in the period were significantly larger than in the US. Over the year as a whole, spreads widened somewhat across most major markets. High yield bonds saw spreads widened notably early on in the reporting period, exaggerated by the Ukraine invasion in February 2022, and indeed also widened over the year as a whole.

The UK commercial property market endured a difficult period, against a challenging backdrop of volatile finance costs. Meanwhile, the past year has seen a continued gradual uptrend in workers returning to offices, while investment volumes weakened towards the end of the period. Elsewhere, retail sales volumes also softened towards the end of 2022. Finally, the UK residential property market continued to weaken as interest rates sustained their ascent; indeed, the Nationwide House Price Index fell by 3.1% in the year to March, the seventh consecutive monthly fall, its worst run since October 2008.

Market Returns (year to 31 March 2023)



Source: (The Northern Trust Company and Bloomberg, rounded to the nearest whole percent)

UK Government Bond Crisis

- Background

In September 2022, the UK Government announced a "mini-budget" with the aim to accelerate growth within the UK economy. This was to be achieved through tax cuts and an increase in government spending. The timing of this change to economic policy (coinciding with high levels of inflation following the Russian invasion of Ukraine together with demand and supply shocks brought about by the end of the global pandemic) was not well received by market participants. This resulted in the prices of Gilts falling as many expected government borrowing to rise substantially in coming years to meet the cost of the pledges. As a result, Gilt yields rose to their highest levels since the early 2000's.

The sheer speed of the rise caused liquidity issues for defined benefit pension schemes like SAUL, which hold Gilts within Liability Driven Investment (LDI) programmes in order to manage interest rate and inflation risks related to the calculation of the Scheme's liabilities.

On 28 September 2022, in order to calm markets, the Bank of England (BoE) announced the start of a temporary conventional Gilt buying programme. The Bank's intervention aimed to address the steep decline in the value of Gilts and was targeted to help provide a short period for those pension schemes like SAUL, to rebalance their portfolios to support their LDI programmes with additional collateral. Support was subsequently extended by the BoE to include purchases of index-linked Gilts which was particularly important as many UK pension schemes provide index-linked benefits (and so use index-linked Gilts within their LDI programmes).

- Impact on SAUL

SAUL has used LDI since 2012 in order to protect the Scheme's funding level from falls in interest rates or rising inflation. As a result, against a backdrop of falling Gilt yields over the last few years, the Scheme's funding level has been well protected.

Just before the "mini-budget", the IC reviewed the ongoing hedging of SAUL's liabilities and agreed to reduce the target interest rate and inflation hedge ratios, given the likelihood that yields could continue to rise and the impact this could have on SAUL's collateral requirements for the LDI programme.

The significant rise in Gilt yields experienced in the days after the "mini-budget" reduced the present value placed on the Scheme's liabilities. This also led to a fall in the value of the LDI portfolio (but a lower fall compared to if the IC had retained a higher hedge ratio) and a requirement to rebalance from liquid assets to LDI to cover increased collateral requirements.

Given the speed of the rise in Gilt yields, the Trustee also agreed to a further, temporary, reduction in hedge ratios during the crisis to further limit the overall collateral requirements.

The Trustee still considers the LDI programme to be an important risk management tool and following improvements in the level of available collateral, it has brought the levels of interest rate and inflation hedge ratios back to the levels targeted immediately prior to the crisis.

Following the crisis, the IC initiated a strategy review in October 2022 to adapt the Scheme's asset allocation to the changing investment landscape, and to ensure that the Scheme remains sustainable and affordable. Further details are set out below.

Considerations and changes to the investments during the year

SAUL remains open to new entrants and, as such, the investments need to continue to meet our long-term return target. In response to the rise in Gilt yields (which led to a fall in the present value of SAUL's liabilities and similar fall in the value of the LDI portfolio and the required return to meet our investment objectives), the IC made the following changes to the Scheme's long-term strategic asset allocation.

Changes to the Scheme's Asset Allocation
• To support our desire to maintain high interest rate and inflation hedge ratios, we increased the capital allocated to the LDI portfolio, helping us to target a lower level of leverage overall.
• With higher Gilt yields available, the required return (over the return on Gilts) to meet the investment objectives has fallen and so we have decreased the overall allocation to growth assets and thereby reduce risk.
• With illiquid growth assets retained and more liquid growth assets (e.g. public equities) sold for rebalancing purposes, the Scheme has become overweight to illiquid growth assets. • The intention is therefore to reduce this current overweight to illiquid assets over time by using cash distributions to invest in liquid assets.

The IC continues to monitor the strategy on a quarterly basis with the STC investment team reviewing the portfolio asset allocation on at least a monthly basis and assessing the performance of individual managers throughout the year. If there were any issues that caused concern, the STC investment team would recommend appropriate and timely action, which might include terminating mandates.

Performance (year to 31 March 2023)

Following the Trustee's adoption of the Pension Return & Risk Management Framework (PRRMF), the key performance benchmark is the return required to maintain a strong funding level on a rolling-10-year time horizon on the Scheme's Technical Provisions Funding basis. The required return is linked to the return on long-dated Index-linked Gilts.

The rise in Gilt yields led to the present value of SAUL's liabilities falling significantly over the year. Given the LDI portfolio aims to move broadly in tandem with the move in the liabilities, the market exposure of the LDI portfolio also fell.

The rise in government bond yields across most major markets, in the main to combat rising inflation, also impacted the values of other credit-like assets in SAUL's portfolio and these also contributed negatively to the overall Scheme return. SAUL's exposure to equities was also negative for overall performance as inflationary worries, the prospect of tighter monetary policy and recessionary fears increasingly took their toll.

Conversely, SAUL's exposure to private market assets added to performance over the period, particularly within infrastructure, where those underlying companies that have government-backed contracted revenue streams, the majority with in-built inflation protection, achieved good returns.

Over the year the Scheme's liabilities fell c.30% (from c.£3.9bn to c.£2.7bn[2]) and the investment portfolio fell by 33.0%, with the asset value falling from c.£4.6bn at March 2022 to c.£3.1bn at March 2023, having a marginally negative effect on Scheme funding.

There can be no guarantees that the long-term investment strategy will protect the assets against future downturns, high inflation, or other unexpected challenges and difficulties. However, it is expected that the LDI portfolio will continue to provide a good degree of protection, whilst the growth assets will provide good investment returns over the long-term.

The IC's robust approach, supported by high quality managers, professional investment advisers and appropriate diversification, continues to provide a strong foundation for managing the Scheme.

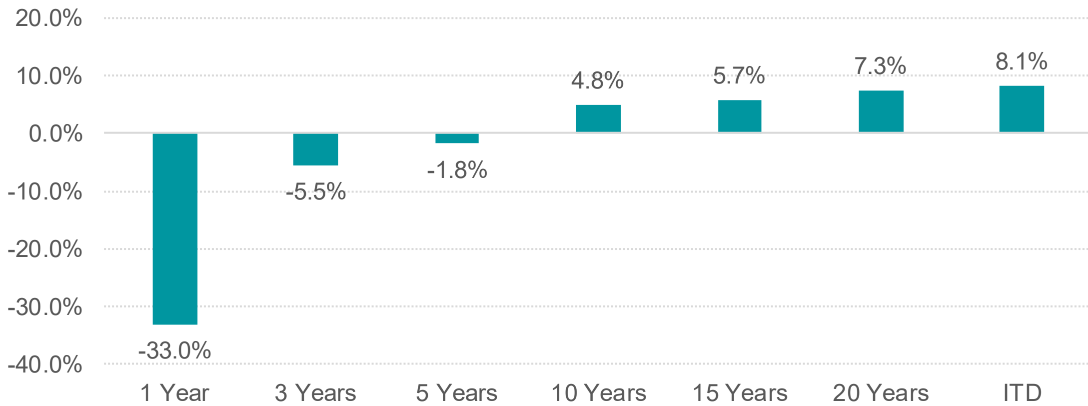
Changes to investments post year-end

In order to help reduce the overweight allocation to illiquids, and owing to the Trustee's negative view on the asset class going forward, the Trustee has agreed to sell its holding of long-lease property pooled funds. Some of these transactions were completed post year-end on the secondary market (and traded at a discount to the net asset value) post year-end.

The rest of this investment report contains charts and other information about the IC's stewardship of the portfolio over the past year, as well as information on the investment returns over various periods to 31 March 2023. The bar chart below shows the annualised return of SAUL's investment portfolio over the short, medium and longer terms:

[2] On the 2020 Statement of Funding Principles

Scheme returns (per annum) to 31 March 2023



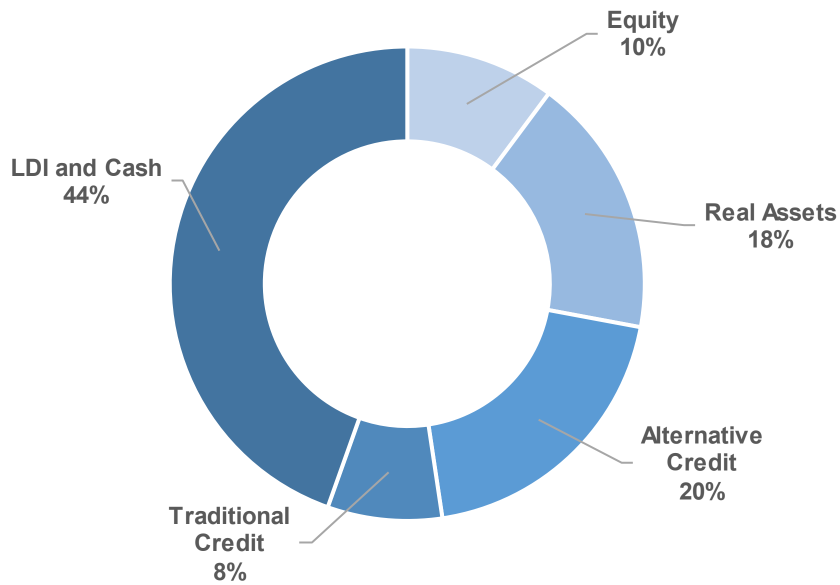
Source: The Northern Trust Company.
ITD: Inception Date of performance monitoring 1 April 1991

Comparisons between the results of SAUL's combined portfolio, a liability proxy, two price indices and an earnings index for each of the past five years are shown in the following table:

Returns	Year to 31 March				
	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)
SAUL Total Portfolio	8.5	-0.1	19.1	5.7	-33.0
Liability Proxy [1]	5.7	2.0	3.6	3.9	-39.1
Retail Price Index	2.4	2.6	1.5	9.0	13.5
Consumer Price Index [2]	1.9	1.5	0.7	6.2	8.9
Average Earnings Index [3]	3.2	2.4	4.8	9.9	5.6

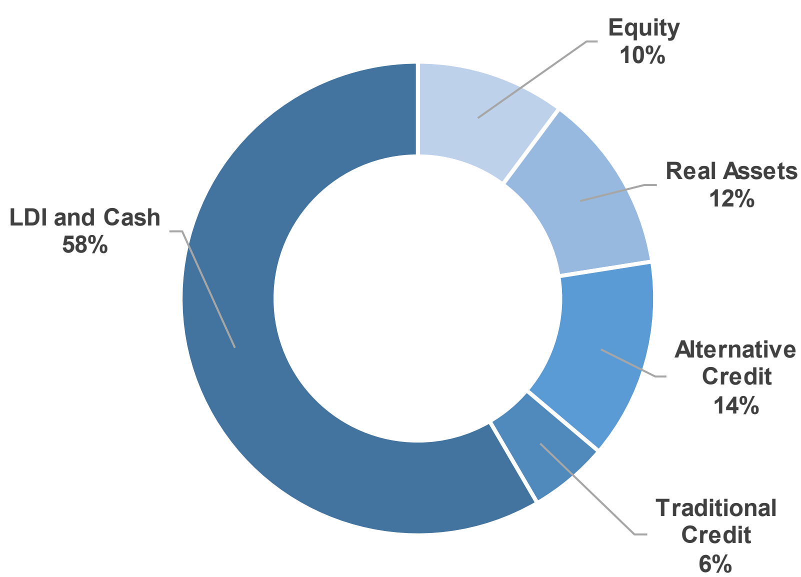
[1] The past service liability proxy shown is a long-dated, index-linked government bond index (FTSE Index-Linked (Over 15 years) Index).
[2] CPIH
[3] Average Weekly Earnings Index (Total Pay).
Source: The Northern Trust Company and ONS in GBP

Breakdown of capital allocation of investment portfolio as at 31 March 2023
Total value: £3.1 billion



Breakdown of market exposure of investment portfolio as at 31 March 2023

SAUL uses leverage to hedge the interest rate and inflation risks associated with the liabilities, whilst also aiming to add to growth returns. As a result, the total market exposure at 31 March 2023 from £3.1bn of assets was c.£4.4bn. A breakdown of the market exposure is as follows:



Diversification

Diversification is an important risk control mechanism. Diversification across asset classes protects SAUL's ability to meet the liabilities as they fall due by providing anticipated good long-term returns from equities, coupled with a significant weighting to bonds, the latter being the asset class most closely correlated with SAUL's liabilities. Diversification across countries provides exposure to different periods of the economic cycle, and diversification across managers protects against manager risk.

Derivative contracts' objectives

The Trustee has authorised managers to use derivatives (including repurchase agreements) where appropriate for risk reduction (e.g. inflation and interest rate hedging), return enhancement and efficient portfolio management (e.g. gaining exposure to relevant asset classes such as equities, or to gain exposure to particular stocks).

Investment managers

The Trustee has put in place mandates with external investment managers that implement the investment strategy. All day-to-day investment decisions are delegated to the investment managers, the names of which are listed on page 21.

Investment manager remuneration and transaction costs

The investment managers are paid fees either quarterly by invoice or paid within the unit prices of some of the pooled funds and limited partnership structures.

The IC reviews the value for money achieved on an annual basis.

Statement of Investment Principles

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles (SIP) has been prepared by the Trustee. In May 2022, following consultation with the Employers and Unions, a revised SIP was published on our website. It included SAUL's new climate change risk management objectives and an update to the investment objective.

Following changes to the investment strategy over the year, a revised SIP was consulted on in April 2023 and has since been published on the SAUL website.

A copy of the SIP may be obtained from the Pensions Officer at each participating employer, or from SAUL Trustee Company, or from the SAUL website.

The Custodian

Apart from the pooled funds (that have their own independent custodians) and the investments through limited partnership structures, assets are held on behalf of the Trustee by an independent global Custodian, The Northern Trust Company (Northern Trust). In order to ensure their reconciliations and safe-keeping practices are robust, regular reports on Northern Trust's procedures and internal controls are reviewed by the STC investment team, and a summary report is reviewed by SAUL's Audit Committee and Investment Committee.

Assets are valued independently of the investment managers by Northern Trust, except for units in pooled funds, the limited partnership structure investments and the interest rate and inflation swaps managed by Legal & General Investment Management Ltd. Investment performance is also measured independently by Northern Trust, with reports produced on a monthly basis.

Cash flow

SAUL's cash flow consists of contributions plus investment income less payment of benefits and expenses. Most of the investment income is re-invested.

Liquidity

As a result of the Gilt crisis, SAUL's illiquid assets have grown as a proportion of the total assets.

The new investment strategy aims to hold the majority of SAUL assets in readily realisable investments that are either quoted on stock exchanges in the major markets or in pooled funds. Given the Scheme has a long-time horizon, with some benefits not payable for forty years and longer, some illiquid assets are held with the aim of benefitting from any illiquidity premium.

We anticipate the illiquid allocation will fall over the coming years as distributions are received from our more mature illiquid investments.

Responsible Investment approach

In implementing its objectives, the Trustee asks the investment managers to have due regard to material financial factors including environmental (including, but not limited to climate change), social and governance (ESG) considerations. Reference to these considerations is made also in the Trustee's SIP, Responsible Investment Policy and Corporate Governance and Shareholder Engagement Policy, copies of which can be obtained from the Pensions Officer at each participating employer, or from SAUL Trustee Company, or from the SAUL website.

Implementation Statement

The Trustee's Implementation Statement, which sets out further information as to how the Scheme's SIP has been implemented in respect of SAUL's voting and engagement polices, is set out on page 79, and forms part of the Trustee's Annual Report.

Climate Change Risk Management Report

SAUL's climate change risk management report (based on requirements set out in the Task Force on Climate-Related Financial Disclosures) at 31 March 2023 can be obtained from the Pensions Officer at each participating employer, or from SAUL Trustee Company, or from the SAUL website here: https://www.saul.org.uk/#/page/climate-change-risk-management-report

Exercise of shareholder rights

The Trustee has appointed Pensions & Investment Research Consultants Limited (PIRC) to carry out all proxy voting in a consistent manner across the shareholdings in line with the Trustee's Corporate Governance Policy. Where an investment manager has particularly strong views, these are discussed with the Chief Investment Officer following which a decision will be taken as to how the shares will be voted.

SAUL disclosed its voting and engagement activity over the year as part of its Implementation Statement which is set-out on page 79.

Employer-related investments

Details of employer-related investments are given in Note 25 to the financial statements.

Conclusions

The Trustee seeks to accomplish positive long-term returns by maintaining a diversified approach to investments, while also controlling risk at a level appropriate to SAUL's long-term objectives and allowing for the strength of the covenant of the employers.

The market reaction caused by the UK Government's mini-budget in September 2022 led to a challenging time for SAUL's LDI programme, which had proved invaluable to maintaining the sustainability of the Scheme through the low interest rate environment since the programme's inception in 2012.

Given that our long-term return requirements remain linked to long-term Gilt yields, the rise in yields triggered a review of SAUL's investment strategy. This led to SAUL agreeing to use less leverage within the LDI programme through increasing the collateral held and targeting a lower level of return over Gilts going forward (given the higher expected return now provided by Gilts).

As set out in this report, owing to changes in market conditions over the year and further rises in Gilt yields observed after the reporting period, the Scheme is now much smaller in asset value terms. There are, however, no concerns regarding the funding level, its ability to meet the payment of benefits to members, or its ability to continue as a going concern.

The Trustee continues to monitor the situation and is well placed to take any further action as required.

Statement of the Trustee's Responsibilities

The Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the scheme will continue as a going concern.

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

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

The Trustee is also responsible for the maintenance and integrity of the www.saul.org.uk website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Further information

If you have any queries about this Report or about any entitlement to benefits from SAUL, or if you would like any further general information about SAUL, please contact the Chief Executive 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

The Trustee's Report on pages 23 to 48 was approved by the Trustee and signed on behalf of the Directors of the Trustee.

Ms L Lindsay	**Mr S Large**
Chair	**Director**

21 September 2023

Independent Auditors' Report to the Trustee of Superannuation Arrangements of the University of London

Report on the audit of the financial statements

Opinion

In our opinion, Superannuation Arrangements of the University of London's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023, 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 (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of Net Assets Available for benefits as at 31 March 2023; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to, or in respect of, the Scheme.

We have provided no non-audit services to the Scheme in the period under audit.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Scheme's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is 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 Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.

- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

21 September 2023

Superannuation Arrangements of the University of London

Fund Account

For the year ended 31 March 2023

	Note	2023	2022
		£000	£000
Contributions and Benefits			
Employer contributions		**146,426**	112,177
Employee contributions		**6,441**	5,762
Total contributions	4	**152,867**	117,939
Other income	5	**3,284**	2,977
		156,151	120,916
Benefits paid or payable	6	**83,361**	78,756
Payments to and on account of leavers	7	**1,977**	3,228
Other payments	8	**1,632**	1,417
Administrative expenses	9	**13,195**	9,602
		100,165	93,003
Net additions from dealings with members		**55,986**	27,913
Returns on investments			
Investment income	10	**66,537**	132,246
Change in market value of investments	11	**(1,582,962)**	107,903
Investment management expenses	13	**(7,560)**	(14,716)
Net returns on investments		**(1,523,985)**	225,433
Net (decrease)/increase in the fund during the year		**(1,467,999)**	253,346
Net assets of the Scheme as at 1 April		**4,563,661**	4,310,315
Net assets of the Scheme as at 31 March		**3,095,662**	4,563,661

The accompanying notes on pages 54 to 78 form an integral part of these financial statements.

Statement of Net Assets

Available for benefits as at 31 March 2023

	Note	**2023**	2022
		£000	£000
Investment assets			
Equities		**20**	737,386
Bonds	14	**2,435,321**	4,962,762
Debt securities	15	**155,602**	188,422
Pooled investment vehicles	16	**1,429,530**	1,572,798
Derivatives	17	**137,102**	64,707
Insurance policies	18	**5,791**	6,998
Reverse repurchase agreements	20	**759,100**	1,110,649
Cash		**601,966**	195,315
Other investment balances	19	**25,925**	428,818
		5,550,357	9,267,855
Investment liabilities			
Bonds short sold	14	**(727,741)**	(1,086,906)
Derivatives	17	**(113,196)**	(68,342)
Repurchase agreements	20	**(1,607,322)**	(3,410,415)
Other investment balances	19	**(20,594)**	(144,119)
		(2,468,853)	(4,709,782)
Total net investments	11	**3,081,504**	4,558,073
Current assets	26	**18,844**	9,884
Current liabilities	27	**(4,686)**	(4,296)
Net assets available for benefits as at 31 March		**3,095,662**	4,563,661

The accompanying notes on pages 54 to 78 form an integral part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. 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 does take account of such obligations, is dealt with in the report on the actuarial liabilities on pages 32 to 34 of the Annual Report, and these financial statements should be read in conjunction with this information.

These financial statements on pages 52 to 78 were approved by the Trustee on 21 September 2023.

Signed on behalf of the Directors of the Trustee

Ms L Lindsay
Chair

Mr S Large
Director

Notes to the Financial Statements

For the year ended 31 March 2023

1 General information

SAUL is a defined benefit occupational pension scheme established as a trust under English law. The Scheme provides retirement benefits to certain groups of employees of 49 colleges and institutions that have links with higher education, including most of the Colleges of the University of London, Imperial College, the Royal College of Art and the Universities of Kent and Essex. The address of the Scheme's office is 1 King's Arms Yard, London, EC2R 7AF.

The Scheme is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions paid by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

The Scheme is open to new members and to future accrual.

2 Basis of preparation

The individual financial statements of Superannuation Arrangements of the University of London (SAUL) have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRS 102) and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised June 2018) (the SORP).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared using an accruals basis of accounting.

Treatment of subsidiary undertakings

In accordance with FRS 102, the Trustee is not required to prepare consolidated financial statements and has chosen not to do so. Subsidiary undertakings, therefore, are included as investments at fair value.

Currency

The Scheme's functional currency and presentational currency is pounds Sterling (GBP).

Assets and liabilities in foreign currencies are expressed into Sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

Contributions

Normal and salary sacrifice contributions, both from members and employers, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll. Member contributions made under salary sacrifice arrangements are disclosed separately as employer contributions.

Employers' augmentation contributions for premature retirement are accounted for in accordance with the agreement under which they are paid, or, in the absence of such an agreement, when received.

Additional voluntary contributions from members are accounted for, on an accruals basis, in the month deducted from the payroll.

Employers' contributions in respect of Section 75 debts are accounted for in accordance with the agreement under which they are paid. The debt has been recognised in full with provisions for the recoverability and time value of money.

Benefits paid and payable

Pensions in payment, including pensions funded by annuity insurance contracts, are accounted for in the period to which they relate.

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Scheme as appropriate.

Where the Trustee agrees or is required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within benefits.

Payments to and on account of leavers

Transfer values represent the capital sums either receivable in respect of members from other pension 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 a cash basis or, where the Trustee has agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

Group transfers, where the Trustee has agreed to accept the liability prior to the receipt, are accounted for in accordance with the agreements.

Refunds are accounted for on the date the Trustee is notified of the member's decision to leave the Scheme.

Administrative, investment management and other expenses

Administrative expenses, investment management expenses and premiums on term insurance policies are accounted for on an accruals basis.

Investment income

Income from equities and any pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date they are quoted ex-dividend or, in the case of unquoted investments, when the dividend is declared.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds.

Interest paid on repurchase agreements and interest received from reverse repurchase agreements is accounted for on an accruals basis.

Interest on cash and short-term deposits and income from other investments are accounted for on an accruals basis.

Income arising from annuity insurance policies is included in investment income.

Other income

VAT reclaims are recognised relating to the period covered by the claim.

Income arising from the term insurance policy is recognised on the date of the member's death.

Changes in market value of investments

The changes 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 and unrealised changes in market values. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, changes in market values reflects such income.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

Valuation and classification of investments

Investments assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

The methods of determining fair values for the principal classes of investment are:

- equities, bonds and certain pooled investment vehicles which are traded on a regulated market are included at quoted price which is normally the bid price. Accrued interest is excluded from the market value of bonds but is included in investment income receivable;
- debt securities are valued at fair value using a discounted cash flow model. The key inputs to this model are the anticipated cash flows and the discount rate applied. The discount rate is a combination of the forecast risk free rate plus a credit spread. The credit spread applied to each loan will depend upon the price at which a loan was originated and movements in underlying credit spreads since origination. The Scheme's intention is to hold these instruments to maturity;
- unitised pooled investment vehicles are valued at the latest available bid price or single prices provided by the pooled investment managers. Shares in other pooled arrangements have been valued at the latest available net asset values (NAV), determined in accordance with fair value principles, provided by the pooled investment managers;
- exchange traded futures contracts' fair values are determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market-quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker;
- over-the-counter (OTC) swaps are valued at fair value, which is the current value of future expected net cash flows arising from the swap, taking into account the time value of money. Net receipts or payments are reported within change in market value. Realised gains or losses on closed contracts and unrealised gains and losses on open contracts

are included within change in market value. The notional principal is used for the calculation of cash flow only;

- exchange traded options' fair values are determined using the exchange prices for closing out the options at the reporting date. If any quoted market price is not available on a recognised exchange, the OTC contract option's fair value is determined by the investment manager using generally-accepted pricing models such as Black Scholes, where inputs are based on market data at the year-end date;
- the fair value of OTC forward currency contracts are based on market forward exchange rates at the year end, and determined as the gains or losses that would arise if the outstanding contracts were matched at the year end with equal and opposite contracts;
- insurance policies are valued by the Trustee based on the net present value of future expected cash flows to be received from the policies;
- the Scheme continues to recognise the value of securities that are delivered as collateral from repurchase agreements (repos) and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount;
- Where securities are received in exchange for a cash payment under a reverse repurchase agreement, the Scheme does not recognise the securities received as collateral as it does not have the economic benefits. The cash delivered to the counterparty is recognised as a receivable amount. Accrued interest is excluded from the market value of repurchase agreements and reverse repurchase agreements but is included in investment income receivable.

Other investment arrangements

Where stock has been lent the securities have been included in the statement of net assets to reflect the Scheme's continuing economic proprietorial interest in those securities.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- Key accounting estimates and assumptions

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy, including debt securities. Explanation of the key assumptions underpinning the valuation of investments are included within the valuation and classification of investments note above and within Notes 22 and 23.

4 Contributions receivable

	2023 £000	2022 £000
Employers		
Normal	**115,122**	84,945
Salary sacrifice	**29,522**	26,552
Augmentations - premature retirement:		
Augmentation	**-**	7
Actuarial strain	**209**	673
Section 75 debt	**1,573**	-
	146,426	112,177

Income relating to premature retirement includes the purchase of additional pension as well as income from employers to cover the financial costs of the strain on the Scheme of paying benefits before Normal Pension Date.

A Section 75 debt was payable by the Higher Education Statistics Agency due to their cessation as a participating Employer of the Scheme with effect from October 2022.

	2023 £000	2022 £000
Employees		
Normal	**5,700**	5,212
Additional voluntary contributions	**741**	550
	6,441	5,762
Total contribution income	**152,867**	117,939

Additional voluntary contributions are used to purchase additional years' pensionable service or additional pension and are invested in the main fund.

5 Other income

	2023 £000	2022 £000
VAT reclaim	**1,442**	1,676
Claims on term insurance policies	**1,842**	1,301
	3,284	2,977

6 Benefits paid or payable

	2023 £000	2022 £000
Pensions	**67,907**	64,716
Lump sum retirement payments	**12,639**	12,143
Lump sum death benefits	**2,743**	1,833
Taxation where lifetime or annual allowance exceeded	**72**	64
	83,361	78,756

Lump sum death-in-service benefits (excluding refunds of contributions and five-year guarantee payments) were insured with Zurich during the year.

7 Payments to and on account of leavers

	2023 £000	2022 £000
Individual transfers out to other schemes	**1,879**	3,147
Contributions refunded	**98**	81
	1,977	3,228

8 Other payments

	2023 £000	2022 £000
Premiums on term insurance policies	**1,632**	1,416
Other	**-**	1
	1,632	1,417

9 Administrative expenses

	2023 **£000**	2022 £000
Personnel costs	**4,135**	3,783
Information systems	**1,004**	882
Premises and rent costs	**827**	705
Amortisation	**563**	563
Office expenses	**178**	134
Office projects	**1,938**	1,255
Trustee costs	**595**	598
Members' communications	**104**	97
Professional fees	**1,524**	2,120
Pension Protection Fund and other levies	**2,152**	1,665
Pension Protection Fund release of provision	**-**	(2,400)
Other expenses	**175**	200
	13,195	9,602

Administrative expenses are incurred by SAUL Trustee Company and are chargeable to the Scheme. In the year ended 31 March 2022, this comprised the release of an overprovision of £2.4m for an additional PPF liability.

10 Investment income

	2023 **£000**	2022 £000
Dividends from equities	**(2,474)**	**28,201**
Income from bonds	**40,548**	**38,121**
Income from pooled investment vehicles	**43,130**	**72,041**
Annuity income	**738**	**705**
Income on cash deposits	**14,244**	**(4)**
Payments received on reverse repurchase agreements	**6,833**	**904**
Payments paid on repurchase agreements	**(36,535)**	**(7,810)**
Income from stock lending	**53**	**88**
	66,537	**132,246**

Negative dividends from equities in 2023 is due to an over-stated accrual of £7.8m at 31 March 2022.

11 Reconciliation of net investments

	Value at 1 April 2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	**Value at 31 March 2023**
	£000	£000	£000	£000	**£000**
Equities	737,386	325,510	(997,551)	(65,325)	**20**
Bonds - net	3,875,856	1,217,003	(1,885,268)	(1,500,011)	**1,707,580**
Debt securities	188,422	3,663	(10,341)	(26,142)	**155,602**
Pooled investment vehicles	1,572,798	180,980	(303,167)	(21,081)	**1,429,530**
Derivatives - net	(3,635)	256,254	(264,260)	35,547	**23,906**
Insurance policies	6,998	-	-	(1,207)	**5,791**
Total	6,377,825	1,983,410	(3,460,587)	(1,578,219)	**3,322,429**
Cash deposits	195,315			(4,743)	**601,966**
Reverse repurchase / Repurchase agreements - net	(2,299,766)				**(848,222)**
Other investment balances - net	284,699				**5,331**
	4,558,073			(1,582,962)	**3,081,504**

£233,341k of equity purchases and sales, and £2,848k of bond purchases and sales, during the year, included in the table above, were in-specie transfers between investment managers. The movement in purchases and sales in the year are reflective of the implementation of the Scheme's investment strategy.

The 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 the sales of investments during the year.

12 Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation in Note 11. Direct transaction costs are analysed as follows:

	Equities £000	**Other £000**	**Total £000**
Commissions	**336**	**-**	**336**
Other charges including stamp duty and levies	**247**	**-**	**247**
2023 total	**583**	**-**	**583**

	Equities £000	Other £000	Total £000
Commissions	395	-	395
Other charges including stamp duty and levies	629	-	629
2022 total	1,024	-	1,024

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs.

13 Investment management expenses

	2023 £000	2022 £000
Investment management and custody	**6,535**	11,547
Investment performance related fees	**150**	1,718
Consultancy and performance measurement	**875**	1,451
	7,560	14,716

Investment management expenses are incurred by SAUL Trustee Company and are chargeable to the Scheme.

In addition to the expenses noted above, investment management charges are also paid to certain pooled investment vehicle managers. These charges are reflected in the unit prices of the pooled funds held.

14 Bonds

	2023 £000	2022 £000
Fixed-interest securities	**611,895**	1,401,841
Index-linked securities	**1,823,426**	3,560,921
Total bonds	**2,435,321**	4,962,762
Fixed interest securities short sold	**(686,298)**	(1,061,832)
Index-linked securities short sold	**(41,443)**	(25,074)
Total short sold bonds	**(727,741)**	(1,086,906)
	1,707,580	3,875,856

15 Debt securities

	2023 £000	2022 £000
Debt securities	**155,602**	188,422

16 Pooled investment vehicles

Type of pooled investment vehicle	**2023 £000**	2022 £000
Bonds	**301,521**	534,924
Hedge funds	**1,007**	1,304
Private equity	**318,754**	295,260
Infrastructure	**433,352**	390,330
Senior loans	**122,995**	101,905
Distressed debt	**135,845**	103,238
Property	**116,056**	145,837
	1,429,530	1,572,798

Included in private equity is an investment through Partners Group AG in a fund in which the Scheme is the sole investor. The STC Private Markets L.P. seeks to invest in a globally diversified portfolio of equity interest in private companies, with a particular focus on mid-cap buyouts. The fund can purchase direct equity stakes and also make commitments to both third party private equity funds (known as Primaries) and purchase interest in third party private equity funds on the secondary market (known as Secondaries). As at 31 March 2023, the value of this fund was £248,510k (2022: £216,590k).

17 Derivatives

	2023 Assets £000	**2023 Liabilities £000**	**2023 Total £000**
Futures	**5,189**	**(863)**	**4,326**
Swaps	**127,510**	**(112,183)**	**15,327**
Forward foreign exchange	**4,403**	**(150)**	**4,253**
2023 total	**137,102**	**(113,196)**	**23,906**

	2022 Assets £000	2022 Liabilities £000	2022 Total £000
Futures	27,736	-	27,736
Swaps	36,279	(63,433)	(27,154)
Forward foreign exchange	692	(4,909)	(4,217)
2022 total	64,707	(68,342)	(3,635)

Objectives and policies for holding derivatives

The Trustee has authorised managers to use derivatives for risk reduction (e.g. inflation and interest rate hedging), return enhancement and efficient portfolio management (including to gain exposure to relevant asset classes such as commodities or to particular stocks).

The Legal & General Synthetic Equity Portfolio uses exchange traded equity futures. It was established to broadly maintain some of the Scheme's equity exposure while assets were invested in other growth assets. The resultant leverage within the Scheme, caused by the exposures within the Synthetic Equity Portfolio, is monitored by the STC team on an ongoing basis and reported at each Investment Committee meeting.

Futures (exchange traded)

	Economic Exposure £000	2023 Assets £000	2023 Liabilities £000
Equities			
MSCI World Index futures (Long)	138,538	**5,189**	**-**
Fixed interest securities			
US bond futures (Short)	32,104	**-**	**(863)**
Total		**5,189**	**(863)**
Net futures assets		**4,326**	

Swaps (OTC)

	Expiration	Nature of Swap	Notional Principal £000	2023 Assets £000	2023 Liabilities £000
Inflation swaps	Up to 15 years	Fixed for RPI	438,500	27,186	(18,161)
	15 to 30 years		12,100	662	-
	Over 30 years		40,634	4,686	(3,181)
Interest rate swaps	Up to 15 years	Fixed for Floating and Floating for Fixed	1,609,939	34,248	(26,742)
	15 to 30 years		209,695	60,728	-
	Over 30 years		96,400	-	(64,099)
Total				**127,510**	**(112,183)**
Net swap assets				**15,327**	

Forward foreign exchange contracts (OTC)

	Currency Bought	Currency Sold	Notional Principal £000	2023 Assets £000	2023 Liabilities £000
	GBP	USD	264,086	**4,403**	**(10)**
	GBP	EUR	13,260	**-**	**(28)**
	USD	GBP	4,589	**-**	**(112)**
Total				**4,403**	**(150)**
Net forward foreign exchange contract assets				**4,253**	

All forward foreign exchange contracts settle within three months.

Collateral

The Trustee has received £16,453,000 (2022: £11,630,000) in cash and £468,000 (2022: £nil) in bonds as collateral for the derivative contracts. The Trustee has pledged £29,585,000 (2022: £20,636,000) in bonds as collateral for the derivative contracts.

18 Insurance policies

The Trustee holds insurance policies with Scottish Widows, Legal & General and other companies which provide annuity income to cover pensions for certain members.

19 Other investment balances

	2023 £000	2022 £000
Other investment assets		
Amounts due from brokers	**14,497**	406,495
Accrued interest, outstanding dividend entitlement and recoverable withholding tax	**11,428**	27,309
	25,925	433,804
Other investment liabilities		
Interest payable on repurchase agreements	**(20,594)**	(4,986)
Amounts due to brokers	**-**	(144,119)
	(20,594)	(149,105)
Net other investment balances	**5,331**	284,699

20 Repurchase agreements and reverse repurchase agreements

At the year end, included in note 11, the Scheme held bond assets with a market value of £1,156.5m (2022: £3,233.5m), which are subject to repurchase agreements which have a liability value of £1,607.3m (2022: £3,410.4m).

In addition, note 11 also includes bond assets with a negative market value of £727.7m (2022: £1,086.9m) which are subject to reverse repurchase agreements which have an asset value of £759.1m (2022: £1,110.6m) representing cash delivered to the counterparty.

At 31 March 2023, there were 54 open contracts, due to be settled between April 2023 and September 2024.

Any gains and losses from repurchase agreement contracts are collateralised in order to mitigate counterparty risk. Collateral amounts received and pledged are shown below:

	2023 **£000**	2022 £000
Bonds received	**-**	3,979
Bonds pledged	**(426,034)**	(165,825)
Cash pledged	**(10,216)**	-
Net collateral position	**(436,250)**	(161,846)

21 Stock lending

The stock lending programme lends certain investments. At the year end the value of equity assets on loan was £nil (2022: £48.4m), in exchange for which the custodian held collateral worth £nil (2022: £51.2m) in fixed-interest bond securities.

22 Fair value of investments

The fair value of investments has been determined using the following 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 in 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. there is no market data available) for the asset or liability.

Investments reported under Level 3 are included at fair value based on values estimated by the underlying investment manager using accepted valuation methodologies and use of market information in the absence of observable market data.

Debt securities are fair valued by the investment manager using a discounted cash flow model. The key assumptions are discount rate, credit spread and illiquidity premium, which are determined by the investment manager

Private equity funds are stated using valuations prepared in accordance with International Private Equity and Venture Capital Guidelines. Other pooled investment vehicles are valued using valuations provided by their investment managers.

Insurance policies have been valued by the Trustee based on the net present value of expected future cash flows to be received from the policies.

The Scheme's investment assets and liabilities have been included at fair value within these levels as shown below.

2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment assets				
Equities	20	-	-	20
Bonds	-	2,435,321	-	2,435,321
Debt securities	-	-	155,602	155,602
Pooled investment vehicles	-	116,056	1,313,474	1,429,530
Derivatives	9,592	127,510	-	137,102
Insurance policies	-	-	5,791	5,791
Reverse repurchase agreements	-	759,100	-	759,100
Cash deposits	601,966	-	-	601,966
Other investment balances	25,925	-	-	25,925
	637,503	3,437,987	1,474,867	5,550,357
Investment liabilities				
Bonds sold short	-	(727,741)	-	(727,741)
Derivatives	(1,013)	(112,183)	-	(113,196)
Repurchase agreements	-	(1,607,322)	-	(1,607,322)
Other investment balances	(20,594)	-	-	(20,594)
	(21,607)	(2,447,246)	-	(2,468,853)
Total investments	615,896	990,741	1,474,867	3,081,504

Analysis for the prior year-end is as follows:

2022	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment assets				
Equities	737,386	-	-	737,386
Bonds	-	4,962,762	-	4,962,762
Debt securities	-	-	188,422	188,422
Pooled investment vehicles	-	211,732	1,361,066	1,572,798
Derivatives	28,428	36,279	-	64,707
Insurance policies	-	-	6,998	6,998
Reverse repurchase agreements	-	1,110,649	-	1,110,649
Cash deposits	195,315	-	-	195,315
Other investment balances	428,818	-	-	428,818
	1,389,947	6,321,422	1,556,486	9,267,855
Investment liabilities				
Bonds sold short	-	(1,086,906)	-	(1,086,906)
Derivatives	(4,909)	(63,433)	-	(68,342)
Repurchase agreements	-	(3,410,415)	-	(3,410,415)
Other investment balances	(144,119)	-	-	(144,119)
	(149,028)	(4,560,754)	-	(4,709,782)
Total investments	1,240,919	1,760,668	1,556,486	4,558,073

23 Investment risks

Types of risk relating to investments

FRS 102 requires the disclosure of information in relation to certain investment risks.

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; and
- 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 risk 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.

Investment strategy

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

The Trustee sets out the investment strategy taking into account considerations such as the strength of the employer covenant, the long-term nature of the liabilities and the funding agreed with the employers. The investment strategy is set out in the Statement of Investment Principles (SIP).

The current strategy holds:

- 45% in investments which move in line with the marked-to-market value of the long-term liabilities of the Scheme. This is referred to as Liability Driven Investment (LDI) and comprises UK government bonds, interest rate swaps, inflation swaps, UK government bond repurchase agreements (or repos) and UK government bond reverse repurchase agreements, the purpose of which is to hedge against the impact of interest rate and inflation movements on the present value of the liabilities; and
- 55% in growth investments comprising global equities, corporate bonds, long lease property, senior loan funds, multi-class credit (bonds and loans), infrastructure funds and private equity funds.

Credit risks

The Scheme is subject to credit risks because it directly invests in bonds, debt securities, over-the-counter derivatives, has cash balances, undertakes stock lending activities, holds insurance policies and invests in pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table:

2023	**Investment grade £000**	**Non-investment grade £000**	**Unrated £000**	**Total £000**
Bonds - net	**1,692,792**	**14,788**	**-**	**1,707,580**
Debt securities	**136,729**	**18,873**	**-**	**155,602**
Pooled investment vehicles	**-**	**-**	**1,429,530**	**1,429,530**
Derivatives – assets	**137,102**	**-**	**-**	**137,102**
Derivatives – liabilities	**(113,196)**	**-**	**-**	**(113,196)**
Insurance policies	**-**	**-**	**5,791**	**5,791**
Cash deposits	**601,966**	**-**	**-**	**601,966**
Reverse repurchase agreements	**759,100**	**-**	**-**	**759,100**
Repurchase agreements	**(1,607,322)**	**-**	**-**	**(1,607,322)**
Other investment balances – assets	**-**	**-**	**25,925**	**25,925**
Other investment balances – liabilities	**-**	**-**	**(20,594)**	**(20,594)**
	1,607,171	**33,661**	**1,440,652**	**3,081,484**

Analysis for the prior year-end is as follows:

2022	Investment grade £000	Non-investment grade £000	Unrated £000	Total £000
Bonds - net	3,654,252	221,604	-	3,875,856
Debt securities	170,326	18,096	-	188,422
Pooled investment vehicles	-	-	1,572,798	1,572,798
Derivatives – assets	64,707	-	-	64,707
Derivatives – liabilities	(68,342)	-	-	(68,342)
Insurance policies	-	-	6,998	6,998
Cash deposits	195,315	-	-	195,315
Reverse repurchase agreements	1,110,649	-	-	1,110,649
Repurchase agreements	(3,410,415)	-	-	(3,410,415)
Other investment balances – assets	-	-	428,818	428,818
Other investment balances – liabilities	-	-	(144,119)	(144,119)
	1,716,492	239,700	1,864,495	3,820,687

Credit risks arising on bonds held directly are mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds where managers are given specific guidelines to maintain maximum exposures to any bonds below investment grade. The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at Baa3 or higher by Moody's.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see Note 17). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

Cash is held within institutional liquidity funds or with financial institutions which are at least rated investment grade.

The Trustee manages the credit risk arising from stock lending activities by restricting the amount of overall stock that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. This is summarised in Note 21.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and, on an ongoing basis, monitors any changes to the operating environment of the pooled manager.

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

	2023 **£000**	2022 £000
Unit-linked insurance contracts	**55,113**	139,257
Authorised unit trusts	**60,944**	72,475
Closed ended investment funds	**389**	436
Shares of limited liability partnerships	**1,313,084**	1,360,630
	1,429,530	1,572,798

The information about exposures to and mitigation of credit risk above applied at both the current and previous year-end.

Currency risk

The Scheme is subject to currency risk because some of its investments are held in overseas markets, either as cash, segregated investments (direct exposure) or via pooled investment vehicles (indirect exposure, and direct exposure where the pooled investment vehicle is not GBP-denominated).

Where overseas investments are held for liability matching these assets are hedged back to Sterling (GBP).

Where overseas investments are held for long-term returns these tend to be unhedged as there is a long-term cost associated with hedging.

The Scheme's exposure by major currency at the year end is given in the following table:

	Direct exposure £000	**Indirect exposure £000**	**Hedging £000**	**2023 net exposure after hedging £000**	2022 net exposure after hedging £000
Pounds Sterling	**2,147,018**	**(259,044)**	**272,757**	**2,160,731**	2,670,054
US Dollars	**615,865**	**143,724**	**(259,497)**	**500,092**	980,266
Euros	**315,723**	**84,507**	**(13,260)**	**386,970**	514,257
Japanese Yen	**147**	**-**	**-**	**147**	106,633
Other currencies	**2,751**	**30,813**	**-**	**33,564**	286,863
	3,081,504	**-**	**-**	**3,081,504**	4,558,073

Interest rate risk

The Scheme's liabilities within the actuarial valuation are calculated with reference to government bond yields. As such the Scheme is exposed to interest rate risk (the risk that the liabilities increase owing to falls in government bond yields and this is not reflected in the value of the assets). Government bonds, private debt securities, bond futures, interest rate swaps, repurchase agreements and reverse repurchase agreements are held within the Scheme's segregated LDI investments to reduce this risk.

If government bond yields fall, the value of the LDI assets will rise to help match the increase in the actuarial liabilities (due to a reduction in the discount rate). Similarly, if government bond yields rise the LDI investments will fall in value as will the liabilities (due to an increase in the discount rate).

Bonds are also held within the growth portfolio (both segregated and within pooled investment vehicles). These are also subject to interest rate risk.

At the year end, the Scheme's exposure to investments subject to interest rate risk was:

	2023 **£000**	2022 £000
Direct		
Bonds - net	**1,707,580**	3,875,856
Debt securities	**155,602**	188,422
Bond futures	**32,104**	152,599
Interest rate swaps	**1,916,034**	4,264,341
Inflation swaps	**491,234**	409,627
Reverse repurchase agreements	**759,100**	1,110,649
Repurchase agreements	**(1,607,322)**	(3,410,415)
Indirect		
Bond pooled investment vehicles	**301,521**	534,924
	3,755,853	7,126,003

The values for futures and swaps in the table above reflect the Scheme's economic exposure, and not the fair value unrealised gain shown elsewhere in these financial statements, as this best reflects the Scheme's exposure to interest rate risk.

Other price risk

Other price risk arises within the LDI portfolio in terms of inflation risk, as changes in inflation expectations also impact the value of the liabilities. If market expectations of inflation increase the liabilities will increase, while if inflation expectations fall the liabilities will fall. If inflation expectations rise, the value of the LDI assets will rise to help match the increase in the actuarial liabilities. Similarly, if inflation expectations fall the LDI investments will fall in value as will the liabilities.

The remainder of the price risk arises principally in relation to the Scheme's growth portfolio which includes directly held equities, bonds and equities held in pooled investment vehicles, equity futures, hedge funds, private equity funds and commodity funds. The Scheme manages this exposure to overall price movements by holding a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2023 **£000**	2022 £000
Direct		
Equities	**20**	737,386
Equity futures	**138,538**	294,096
Inflation linked bonds	**1,781,983**	3,535,847
Indirect – pooled investment vehicles		
Hedge funds	**1,007**	1,304
Property	**116,056**	145,837
Private equity	**318,754**	295,260
	2,356,358	5,009,730

The values for futures in the table above reflect the Scheme's economic exposure, and not the fair value unrealised gain shown elsewhere in these financial statements, as this best reflects the Scheme's exposure.

Other matters

During the year, geopolitical issues (such as Russia's war in Ukraine) and global economic issues (such as increases in inflation and interest rates) have had a profound effect on economies. The Trustee, in collaboration with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the Scheme and the covenant of the Employers.

The extent of the impact on the Scheme's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted. Since the year end, the value of the Scheme's investment assets and investment liabilities have been impacted. Whilst the Trustee monitors the overall position, it has not, at this time, quantified the change (being an increase or decrease) in market value of investment assets and investment liabilities as markets remain fluid and unpredictable and therefore such an estimate cannot be made.

24 Concentration of investment

The following investments represented more than 5% of the net assets of the Scheme:

	2023		2022	
	£000	**%**	£000	%
Partners Group STC Private Markets, LP Inc.	**248,540**	**8.0**	216,590	4.7
Greencoat Renewable Income LP	**220,124**	**7.1**	190,747	4.2
Schroder FOCUS II (Cayman) Fund, LP	**187,911**	**6.1**	154,452	3.4

25 Employer-related investments

The Scheme did not hold any employer-related investments at 31 March 2023 (31 March 2022: none).

26 Current assets

	2023 £000	2022 £000
Contributions due in respect of Employers	**12,891**	8,721
Contributions due in respect of Employees	**495**	358
Cash at bank	**4,572**	324
Other debtors	**886**	481
	18,844	9,884

All contributions due from the employer institutions at 31 March 2023 were, in all material respects, received during April 2023 by the due date as set out in the Schedule of Contributions.

At 31 March 2023, £3.5M of the cash at bank was held by the DC Section of the Scheme (2022: £nil). See note 32.

27 Current liabilities

	2023 £000	2022 £000
Income tax payable	**(740)**	(662)
Due to SAUL Trustee Company (STC)	**(1,689)**	(2,904)
Benefit payments due	**(2,257)**	(721)
Other creditors	**-**	(9)
	(4,686)	(4,296)

28 Related party transactions

Key management personnel

Trustee costs disclosed in Note 9 are classified as related party transactions.

Total emoluments paid to STC Directors were £489,000 (2022: £464,000). Fees paid to Committee members who were not Directors were £49,000 (2022: £72,000).

Five Trustee Directors (2022: five) are pensioner members of the Scheme and one Trustee Director (2022: one) is an active member of the Scheme. In addition, the spouse of one Trustee Director (2022: one) is also in receipt of a pension from the Scheme. Their benefits are paid in accordance with the Scheme Rules.

Other related party costs

Transactions with STC disclosed in Notes 9 and 13 are classified as related party transactions.

Administrative expenses (see Note 9) and Investment Management expenses (see Note 13) totalling £20,755,000 (2022: £24,318,000) were paid by STC, which recovers all its costs from the Scheme. At the year-end, £1,689,000 (2022: £2,904,000) was owed by the Scheme to STC.

Other related parties

The Scheme owns 100% of the equity of SAUL Pension Services Limited (SPS), which is a related party. SPS is a non-trading, dormant entity (Registration No. 04560260).

29 Contractual commitments

Commitments

There are commitments to invest in funds as follows:

Manager	Period	Commitment at 31 March 2023		Commitment at 31 March 2022	
AVIVA	Up to 1 year	-	-	£3.7m	(£3.7m)
Greencoat	Up to 1 year	-	-	£26.9m	(£26.9m)
HPS	Up to 2 years	£71.8m	($88.6m)	£84.6m	($111.4m)
JPMorgan	Up to 3 years	£149.2m	($184.1m)	£171.6m	($225.9m)
KKR	Up to 3 years	£81.3m	($100.3m)	£115.5m	($152.0m)
Partners Group	Up to 2 years	£19.4m	(€22.0m)	£18.6m	(€22.0m)
Partners Group	Up to 2 years	£72.4m	(£72.4m)	£99.2m	(£99.2m)
Schroder	Up to 1 year	£15.3m	($18.9m)	£26.1m	($34.3m)
Other	Up to 2 years	£0.6m	($0.8m)	£0.6m	($0.8m)

In the opinion of the Trustee the Scheme had no other commitments at 31 March 2023 (2022: £nil).

30 Realisation of investments

The liquidity of the underlying investments of the Scheme varies across asset classes, the fund structures that are held and according to market conditions.

Where the investments are held in pooled investment vehicles, contract terms can restrict realisations. There are restrictions on the realisability of these investments, where some specialist investment managers require an initial period where new funds invested cannot be withdrawn, with liquidity thereafter being available only on specific monthly, quarterly or annual dates. Commitments to these pooled fund investment vehicles are normally made at the outset for periods that can exceed 10 years.

The Scheme has investments in directly-held private debt securities which also have restrictions imposed on their realisability. Similar to the pooled investment vehicles, commitments to these investments are normally made at the outset for periods that can exceed 10 years.

For the pooled fund vehicles and the directly-held private debt securities, a secondary market does exist for these investments, but cannot be relied upon to provide liquidity.

31 GMP equalisation

In 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 (GMP) benefits. In November 2020, the High Court handed down a further judgement on the need to equalise for the effect of GMPs, this time addressing the need to equalise on past transfers out.

The issues determined by the judgments arise in relation to many other defined benefit pension schemes. The Trustee is aware that these issues will affect SAUL and will be considering this at a future meeting, where decisions will be made as to the next steps. Under the first ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Under the second ruling, defined benefit pension scheme trustees, including SAUL, are required to pay transfer value top-ups to receiving schemes along with interest.

They will be accounted for in the year they are determined.

32 SAUL Start (DC) Section

Following the 2020 Actuarial Valuation, the Trustee agreed to set up a Defined Contribution (DC) section of SAUL – called SAUL Start – for new joiners from 1 April 2023 for their first three years of membership.

At 31 March 2023, £3.5M was held in cash by the DC Section of the Scheme. Please see note 26.

Implementation Statement - period 1 April 2022 to 31 March 2023

Introduction

SAUL Trustee Company ("STC") is Trustee and administrator of the Superannuation Arrangements of the University of London ("SAUL") which is an occupational defined benefit pension scheme established under trust. The Scheme started in 1976 and was established to provide retirement benefits for non-academic employees of the University, although all staff are eligible to join. It now covers 49 colleges and institutions that have links with higher education in the south-east of England, including most of the Colleges of the University of London, Imperial College, the Royal College of Art and the Universities of Kent and Essex.

The Statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

The legislation states that this Statement must be included in the annual report and accounts and that it must be made publicly available online. For schemes that have DB benefits (such as SAUL) this Statement needs to include the following information as a minimum:

Minimum Requirements for DB Schemes
• Details of how and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year in respect of voting and engagement.
• Description of voting behavior (including "most significant" votes by, or on behalf of, the Trustee) and any use of a proxy voter during the year.
• Explains how and the extent to which the Trustee has followed its engagement policy.

As a result, this Statement includes information on SAUL's policies on voting and engagement relating to the invested assets of the Scheme and, as required under the regulations, outlines how these policies have been implemented over the year to 31 March 2023 (the "review period").

This Statement should be read alongside SAUL's Statement of Investment Principles ("SIP"), Corporate Governance and Shareholding Engagement Policy and Responsible Investment Policy ("RI") which can all be found on our website: www.saul.og.uk.

This report has been produced by SAUL's Chief Investment Officer ("CIO") and reviewed by SAUL's Investment Committee ("IC") on behalf of the Board of Directors of STC.

September 2023

Executive Summary

Changes made to the Statement of Investment Principles ("SIP")

- In May 2022, following consultation with the Employers and Unions, a revised SIP was published on our website. Further details of the changes made are on page 82 of this report.

Summary of Voting and Engagement Activity over the year:

Voting		Companies Engaged[3]	
Meetings Voted	Overall Votes Cast[4]	Investment Managers	PIRC
254 Region: UK - 18% (45) Overseas - 82% (209)	**3,388** Direction of Vote: For - 72% Oppose - 26% Abstain - 2%	**226** Main engagement theme - Environmental.	**30** Main engagement theme - Social.

Voting Themes:

- The Trustee has appointed a third party, Pension and Investment Research Consultants ("PIRC")[5] to implement SAUL's proxy voting policy. Although we have generally supported management at company meetings, there have been times where we opposed a resolution where the proposals did not meet our policy guidelines.

- The main oppose votes cast over the period were director related. For example, where there was lack of independence on the board or companies continued to have a combined Chair and Chief Executive which is against best practice guidelines.

- We also opposed proposals to buy-back shares where companies did not set-out clear rationale for how these would benefit long-term shareholders.

[3] Excludes engagements that are deemed to be general "relationship management" with no specific engagement purpose.
[4] Excludes 159 non-voting resolutions.
[5] https://www.pirc.co.uk/

Engagement Themes:

- Our investment managers engaged on our behalf with companies on multiple topics. The environment was the main area, with companies' climate change risk management strategies also a key focus.

- PIRC completed their second year as SAUL's collaborative engagement partner. Social aspects have been gaining more prominence, with workforce issues and human rights increasingly part of stewardship activities. In the USA, well-known brands have been accused of breaching their employees' rights, leading investors to push them to review their practices. PIRC has been closely involved with some significant engagements on this topic on behalf of SAUL.

- With regards to climate change, PIRC has seen many investors begin to escalate their approach to engagement with the largest emitters, with greater challenge to the re-election of board members at companies where progress has been insufficient.

- Other engagements during the year covered topics such as competition policy, where PIRC undertook a sector-based engagement with companies to which SAUL has exposure, and tax transparency, where PIRC filed several shareholder proposals for other clients (although not at companies which SAUL held).

The remainder of this Statement sets out further details on our governance of voting and engagement, including examples of votes cast and engagement activities.

1. Changes to the Statement of Investment Principles ("SIP")

In May 2022, following consultation with the Employers and Unions, a revised SIP was published. A summary of the main changes were as follows:

• The primary investment objective was updated to reflect different objectives based on whether the Scheme was in deficit or surplus.
• Within the investment portfolio, the Trustee committed to a target of Net Zero greenhouse gas emissions by 2050 (or sooner). In doing so it also set four sub-objectives to help achieve this target: 1. Reduce the carbon footprint of its investment portfolio by 50% by 2030; 2. Invest 15% of the Scheme assets in climate solutions by 2025; 3. Carry-out collaborative engagements with portfolio companies in sectors that are highly exposed to climate risk; and 4. Set an exclusions policy where the activities of certain companies or industries are unlikely to ever be aligned to a net zero world (so could impact on the long-term sustainability of the Scheme).

SAUL also updated its Responsible Investment ("RI") policy over the review period.

A copy of the latest SIP and RI policy and Corporate Governance and Shareholding Engagement Policy can be found on our website.

2. Governance of SAUL's Voting and Engagement Activities

The Trustee Board has ultimate responsibility for SAUL's shareholder voting and engagement activities which are set out in SAUL's SIP, RI policy and Corporate Governance and Shareholding Engagement Policy. The IC is tasked with implementing the policies and monitoring progress, based on information provided by the STC Investment Team (a CIO and three Investment Analysts).

In order that voting is executed in a consistent manner across all directly held shareholdings, PIRC carries out all proxy voting in line with the Trustee's Corporate Governance & Shareholder Engagement Policy.

PIRC also help SAUL engage collaboratively with companies. Further details of their activities are set out on page 82 of this report.

In addition to the services provided by PIRC, SAUL periodically reviews its membership of various organisations or industry initiatives to help meet our Environmental, Social and Governance (ESG) goals, promote best practice and encourage positive change for the benefit of Members. SAUL's current affiliations are set out in our RI policy.

Stocklending programme

SAUL participates in a stock lending programme run by its Global Custodian. In order to exercise our vote at all company meetings, a proportion of shareholdings are excluded from the stock lending programme.

SAUL may, from time to time, recall some or all of the stock on loan for a company should there be a voting issue of particular significance e.g. where SAUL has co-filed a shareholder resolution. These are considered by the STC Investment Team on a case-by-case basis, but this did not take place over the review period.

3. Voting and Engagement Coverage

Background

The Trustee Board delegates the meeting of the investment objectives to its IC. The day-to-day management of the Scheme assets is delegated to external investment managers, with their activities – investment performance, integration and reporting of ESG matters - overseen by the STC Investment Team.

In order to meet the investment objectives, SAUL holds a diversified mix of investments across different asset classes, as can be seen in the table below as at 31 March 2023.

The columns on the right hand side of the table show the asset classes where proxy voting is carried out by PIRC, along with the quality of disclosures (in terms of a RAG status) we are receiving from our investment managers regarding their own engagement activities.

Asset Class[6]	Region	%	PIRC carry out Voting	Quality of Manager Engagement
Equity		**10%**		
Public Equity	Global	-	✓	✓
Private Equity	Global	10%	-	✓
Real Assets		**18%**		
Private Infrastructure	UK and Europe	14%	-	✓

[6] Source: Northern Trust and investment managers. Totals may not sum due to rounding. Excludes Annuity Insurance Policy and Net Current Assets. Some asset class classifications used in this Implementation Statement differ to those quoted in the Financial Statements. Where cash is held within mandates this is included, whereas it is disclosed differently within the Financial Statements. Furthermore, the LDI Portfolio includes UK Government Bonds, swaps, repo and cash which again are classified differently in the Financial Statements.

Asset Class[6]	Region	%	PIRC carry out Voting	Quality of Manager Engagement
Property	UK	4%	-	✓
Credit		**28%**		
Public Credit	Global	4%	-	✓
Private Credit	Mainly UK and USA	23%	-	✓
LDI Portfolio		**38%**		
Government Bonds	UK	38%	-	✓
Global Cash		**7%**	**-**	**-**
Total		**100%**	**-**	**-**

The proxy voting activities covered in this Statement relate to SAUL's public equity assets that were held within segregated accounts in the name of the Trustee. These assets were sold in the review period as part of rebalancing carried out to maintain the Scheme's asset allocation close to the Strategic Asset Allocation as a result of the volatile rise in Gilt yields in September 2022.

At 31 March 2023, SAUL's exposure to public equities was achieved through equity index futures (which do not offer voting rights to the underlying shares). We expect to rebuild our exposure to directly held public equities over the coming years.

Excluded Votes

The Trustee has taken the decision to exclude disclosing any votes related to AGM's / EGM's for the private market investments. These are deemed to be insignificant, with many of the votes cast over the review period approving routine business such as the annual report and accounts, as well as extending the terms of the funds to ensure value can be maximised.

Given the nature of these investments, direct engagement with the underlying companies sits with the General Partner of the Limited Partnership. No governance concerns in respect of the General Partners have been identified over the period.

Global Cash

The majority of SAUL's cash holdings are held within pooled cash funds at the Global Custodian and Liability Driven Investment manager. Given that global cash is not deemed to be a strategic holding, the Trustee currently excludes the pooled cash funds from its engagement data collection.

4. Voting (Section 9.2 of the SIP)

Voting Policy

SAUL has established its own set of voting principles which are set out in the Trustee's Corporate Governance & Shareholder Engagement Policy. This policy is implemented by PIRC who arrange for SAUL's votes to be cast at the company meetings where we hold valid shares, and a ballot has been received.

Implementation and Monitoring

PIRC ensures that, where possible, SAUL's voting intentions are communicated to each portfolio company before each shareholder meeting. Where this has not been possible, PIRC discloses this in their individual company reports to SAUL. Any feedback received is reviewed by PIRC and the voting recommendation may be amended, if appropriate.

The STC Investment Team monitors the implementation of the Trustees' voting policy through the individual company voting reports provided by PIRC. These are received before each meeting, as are the summary quarterly reports provided by PIRC (the latter is reviewed by the IC).

Where an investment manager may wish to vote in a different manner to SAUL's voting policy, these are discussed with the CIO in consultation with a Trustee Director, following which a decision will be taken as to how SAUL's vote will be cast. Over the year, no votes were changed in this way.

Voting Coverage

The proxy voting activities in this Statement cover SAUL's public equity assets that were held within segregated accounts in the name of the Trustee. As mentioned above, as part of the rebalancing carried out over the review period, all of the direct public equity investments were sold.

The proxy voting implemented by PIRC in this Statement covered the following investment mandates:

Public Equity - Manager Name	Regional Focus[7]
Artemis Investment Management Ltd	UK
Capital International Ltd	Japan
Comgest Asset Management International Ltd.	Europe
Juno Investment Partners B.V.	Europe and UK
Martin Currie Investment Management Ltd	Asia Pacific (ex-Japan)
Montanaro Asset Management Ltd	Europe and UK
Redwood Investments LLC	USA

[7] The "regional focus" denotes the main market(s) exposure of the manager, but some had discretion to hold a small proportion of the portfolio outside of these regions.

Votes Cast

This section summarises the voting carried out over the review period, firstly considering all votes and then looking at what the Trustee consider to be the most significant votes.

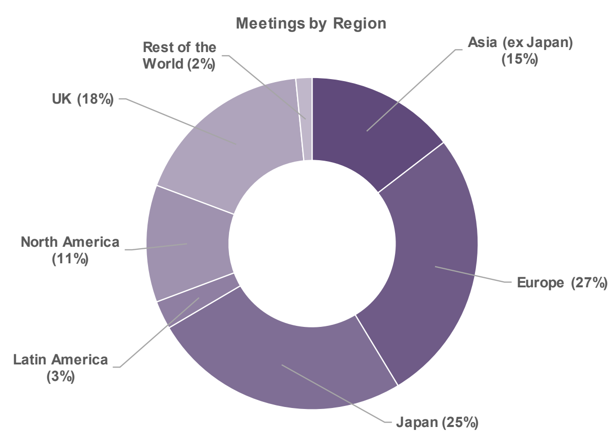
All Votes

The table below shows the number of meetings and resolutions that SAUL voted over the review period:

Meetings Voted:	**254**
Resolutions Voted[8]:	**3,388**

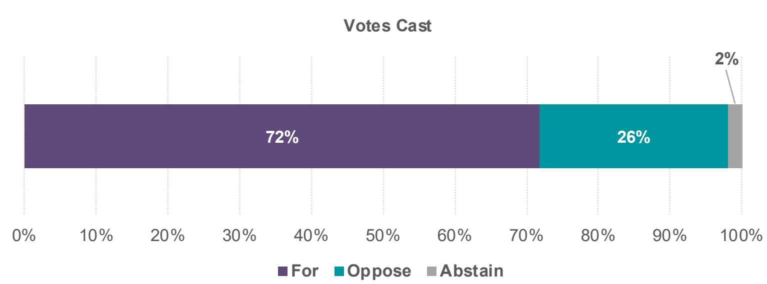
Votes by Region

The chart below summarises all votes cast by region over the review period:



Direction of Votes

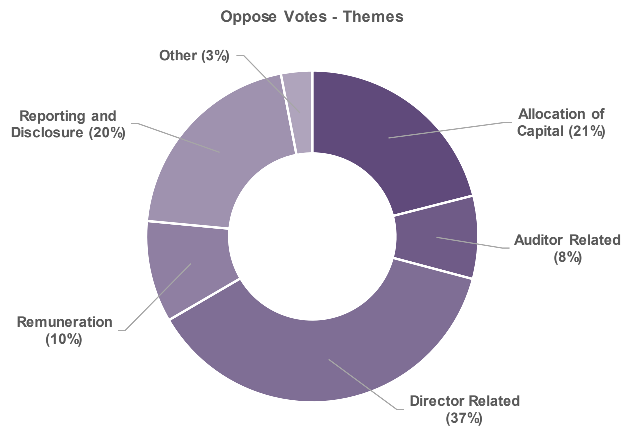
The chart below summarises the direction of votes cast over the review period:



[8] Excludes 159 non-voting resolutions.

Voting Themes

The main themes driving the oppose votes over the review period are shown in the chart below:



The table below describes the rationale behind the oppose votes over the review period:

Category	% of Oppose Votes	Comment
Director Related	**37%**	**Background and Rationale:** • Voting on the appointment or reappointment of the directors is the most important routine issue for shareholders to consider at general meetings. The composition and effectiveness of the board is a crucial element in determining long-term corporate performance. • SAUL may vote against the appointment or re-appointment of a director in the event of unsatisfactory compliance with the principles set out in our Corporate Governance and Shareholder Engagement Policy. **Examples where SAUL may vote against include:** • The role of Chairman and Chief Executive is combined. • Lack of board independence and board diversity. • Directors appear to have insufficient time (based on other roles or their attendance levels).
Allocation of Capital	**21%**	**Background and Rationale:** • Shareholders who have the same financial commitment to the company should have the same rights. Dual class share structures with differential voting rights are disadvantageous to many shareholders and should be reformed.

Category	% of Oppose Votes	Comment
		Examples where SAUL may vote against include: • Share buy-backs where there is no clear and compelling case demonstrating how it would benefit long-term shareholders. • For shares issued with pre-emption rights, the authority represents more than one third of the issued share capital or expires after the next AGM. • New issues above 5% of existing share capital without pre-emption rights.
Reporting and Disclosure	**20%**	**Background and Rationale:** • As well as reporting financial performance, companies should consider providing additional information on a range of issues which reflect the directors' stewardship of the company in respect of all stakeholders. This should include information in the strategic report on the commitment to employees, to society and on the impact of the company's business on the environment in which it operates. **Examples where SAUL may vote against include:** • Financial reporting considered inadequate or not disclosed timely. • No remuneration report or remuneration report not put to a vote. • No disclosure that ESG issues are part of a company's risk assessment, and it does not adequately quantify carbon emissions in its annual report (or equivalent).
Remuneration	**10%**	**Background and Rationale:** • Remuneration committees should operate independently, with all attendees at these meetings disclosed. The level of fees paid to Non-Executive Directors should also be disclosed. **Examples where SAUL may vote against include:** • The ratio of CEO pay is considered excessive and is more than the average employee ratio of 20:1. • Performance related pay that is complicated and are generally not long term.

Category	% of Oppose Votes	Comment
Auditor Related	**8%**	**Background and Rationale:** • Recommendations for opposition on such resolutions are normally related to auditor independence concerns. These may arise from high levels of non-audit fees paid to the auditor for other services, or length of tenure of the auditor. • Furthermore, circumstances continue to arise where it is prudent to oppose auditors who relate to, or have failed to identify, erroneous or misleading reporting. **Examples where SAUL may vote against include:** • Long tenure of the audit firm. • The level of non-audit fees is deemed excessive.

Most Significant Votes

Votes that have been deemed by the Trustee to be "most significant" over the review period are those that align with SAUL's current stewardship priorities in respect of climate change risk management and employment standards. These have both been chosen by the Trustee and are aligned with the United Nations Sustainable Development Goals[9] (8: "Decent Work and Economic Growth" and 13: "Climate Action").

The table below sets out two examples of most significant votes over the review period:

Company (Sector)	Meeting Date	Theme / (Vote Type)	Commentary
BP Plc **(Energy)**	**12 May 2022**	**Climate Action** **(Shareholder Resolution)**	**Company Overview** The company finds, develops and produces sources of energy, turns them into products, and buys and sells at each stage of the hydrocarbon value chain in three main businesses (fuels, lubricants and petrochemicals). In renewable energy, BP's activities are focused on biofuels and wind. **What was the vote about?** **Climate Change Targets** This resolution was a similar one to that at the May 2021 AGM that attracted the support of 20% of shareholders votes.

[9] https://sdgs.un.org/goals

Company (Sector)	Meeting Date	Theme / (Vote Type)	Commentary
			An organisation named "Follow-This"[10] proposed that the company set and publish targets that are consistent with the goal of the Paris Climate Agreement, to limit global warming to well below 2C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5C. **What did SAUL consider?** • PIRC reviewed the resolution on SAUL's behalf. It is widely accepted that most investors accept the Intergovernmental Panel on Climate Change (IPCC) recommendations, that net emissions of carbon dioxide must fall by 45% by 2030 and reach 'net zero' by 2050 to maintain warming below 1.5 degrees Celsius, and that these goals must be integrated into business planning decisions. • Comprehensive reporting on climate impacts is in shareholders' interests both as a means of informing them of potential risks and opportunities faced by the company, of strategies put in place to manage those risks and opportunities, and of the evaluation of the potential impact of different scenarios, including a 1.5 degrees Celsius scenario, on their businesses, strategy, and financial planning. **How did SAUL Vote?** – For. **Outcome:** For (14.7%), Oppose (84.4%), Abstain (0.9%) **Why was the vote significant?** This vote was in-line with SAUL's focus on climate risk management. Although support for this shareholder resolution had decreased from 20% to c.15% over 12 months, it remains imperative that companies have clear plans in respect of their exposure to fossil fuels and full disclosure is in shareholders' best interests. PIRC continues to engage with BP on SAUL's behalf on this topic.
SSE Plc **(Energy)**	**21 July 2022**	**Climate Action** **(Standard Resolution)**	**Company Overview** SSE is an electricity and gas company. The company is a leading generator of renewable electricity in the UK and Ireland and one of the largest electricity network companies in the UK. It is also involved in the production, storage and distribution of gas.

[10] https://www.follow-this.org/

Company (Sector)	Meeting Date	Theme / (Vote Type)	Commentary
			What was the vote about? **Approve Net Zero Transition Report** SSE is committed to providing transparent disclosures around its progress towards its net zero ambitions, supporting high-quality stakeholder engagement on climate-related issues. These reports are produced annually and put to a vote at each AGM. **What did SAUL consider?** • PIRC reviewed the reporting provided and the resolution on SAUL's behalf. • The climate strategy for the energy transition includes a defined timeline, by which progress regarding emission reductions can be measured and the targets are in line with a plan to limit global warming to 1.5 degrees Celsius when compared to pre-industrial levels. This is considered to be best practice and represents one of the more resilient scenarios. • Furthermore, the company disclosed a quantified plan to phase out coal from its power generation mix before 2040, which is in line with the required energy transition. **How did SAUL Vote?** – For. **Outcome:** For (98.9%), Oppose (1.1%), Abstain (-) **Why was the vote significant?** This vote was in-line with SAUL's focus on climate risk management. Annual reporting is an important step in improving the quality and level of disclosures and the company's plans to reduce emissions in line with its commitments.

Review of Voting Approach

The Trustee is content that its voting approach has been implemented appropriately and in-line with the SIP and accompanying policies. Following the agreement of SAUL's Climate Change Risk Management Objectives (as set out under Section 1 of this Statement), the Trustee will review its voting approach in the 2023 / 2024 Scheme year to ensure it continues to meet these requirements and industry best practice.

5. Engagement (Section 9.1 of the SIP)

Background

SAUL invests in multiple companies across the globe through a number of asset classes and recognises that it has a fiduciary duty, through engagement (either directly or through PIRC or the investment managers), to ensure that these companies have adequate corporate governance mechanisms for the benefit of SAUL's beneficiaries.

Engagement is also an important relationship building tool and ensures better understanding of the rationale of management regarding business risks, opportunities and strategy. It also provides a forum to tackle Environmental, Social and Governance ("ESG") issues, which contributes to effective risk management, long-term sustainability and value creation. In order to ensure that effective company engagement takes place, SAUL delegates most of its engagement activities to its investment managers who are better placed to engage given their significant levels of aggregate client assets.

Engagement with policymakers and other industry bodies is also important as it can help shape the direction of future regulation and best practice but most of all ensures that its application and any reporting requirements are both proportionate and relevant.

SAUL will actively look to engage with policymakers, industry initiatives and respond to consultations on a case-by-case basis. We also encourage our investment managers to do the same. A good example of this would be an investment manager joining Climate Action 100+, using the networks combined firepower to engage with companies at risk from, and contributing to, climate change.

SAUL recognises that, given resource constraints, there are limits to the influence that we can achieve on our own and so SAUL will focus mainly on collaborative engagements with other interested parties through our affiliations to various industry initiatives, and will continue to review the merits of these on a case-by-case basis.

To help SAUL engage collaboratively, we have appointed PIRC to help us engage with companies on issues that are particularly important to SAUL. Over the review period these were employment standards and climate change risk.

Monitoring of Engagements

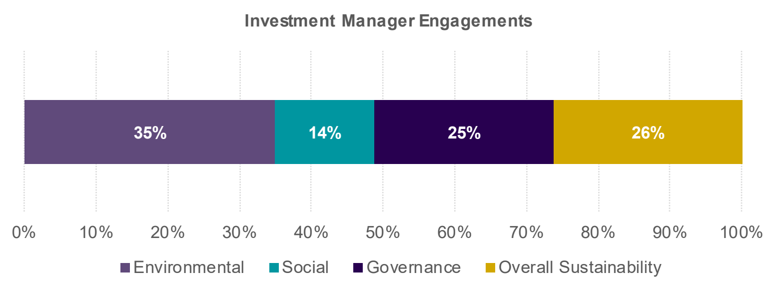
The STC Investment Team has regular dialogue with the investment managers and PIRC with regards to their engagement activities.

In order to capture engagements that were relevant to SAUL's investments over the review period, we asked our managers to complete a bespoke engagement template. This template asks for the objective of the engagements, a summary of the discussions, whether any further action is required and if the engagement has had any effect of their view of the company. PIRC also produces a quarterly report on their engagement activities.

Furthermore, the IC is committed to incorporating the quality of each investment manager's engagement activities in its review of the investment manager's performance. These are incorporated into the overall rating assigned to each of the Scheme's investment managers.

Engagement Examples - Investment Managers

Our investment managers engaged with 226[11] portfolio companies over the review period, with many of these companies engaged more than once. The chart below summarises the nature of engagements undertaken by the investment managers over the review period (and excludes general relationship management engagements).



The table below shows two examples of engagements over the review period that were conducted by our investment managers:

Company Name	Manager (Asset Class)	Engagement Type	Commentary
Hermès	**Comgest** **Public Equity**	**Environmental**	***Company Overview:*** *Hermès International is a family-run business. The company is committed to maintaining the majority of its production in France, through its more than 50 production sites, while developing its international distribution network of approximately 305 stores in some 45 countries. Hermès watches, perfumes, and tableware are also sold through networks of specialised stores. The Hermès adventure began in 1837 when the harness-maker Thierry Hermès opened a workshop in rue Basse-du-Rempart in Paris. The company generates the majority of its revenue in the Asia Pacific.* ***Manager's Engagement Note:*** • *After years of being poorly scored by ESG rating agencies, luxury leader Hermès has decided to improve its standing by being more transparent and proactive around ESG issues. While we believed they did much more than what their ESG scores indicated, we were a bit confused by their indifference.*

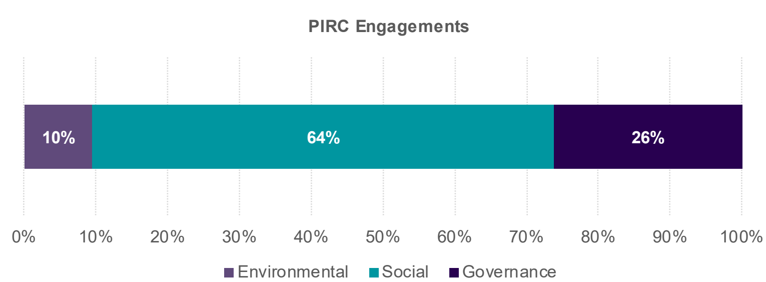
[11] Excludes engagements that are deemed to be general "relationship management" with no specific engagement purpose.

Company Name	Manager (Asset Class)	Engagement Type	Commentary
			• *After establishing more processes and disclosures, the group has engaged more with shareholders and stakeholders about their ESG strategy and results.* • *We laud their efforts, but in a world where circular economy, frugality and vegetarian preferences are rising, leather bags may be more acceptable across new generations if the brand is built to a large extent on product durability and repairability.* • *These two options seem viable but are not communicated enough to stand out and be a source of ESG competitive advantage. We urged the company to disclose a more granular breakdown of categories for the 160,000 Hermès items repaired last year.* ***Outcome:*** • *Comgest will continue to engage with the company on increasing disclosure.*
KinderCare	**Partners Group** **Private Equity**	**Environmental**	***Company Overview:*** *KinderCare Education, which became part of the Partners Group portfolio in 2018, is the largest for-profit provider of early childhood education and care services in the US.* *The company offers services through three main channels: KinderCare, which provides early childhood education and care services for children from six weeks to twelve years of age; KCE @ Work, an employer-sponsored early childhood education and back-up care services provider; and Champions, which provides before- and after-school educational and recreational programs in partnership with elementary schools.* ***Manager's Engagement Note:*** • *With the support of EY, our strategic partner for carbon accounting, KinderCare Education has conducted a baseline year GHG emissions assessment for Scope 1 and Scope 2 emissions. Data from the assessment helps to inform the company's broader environmental strategy.* • *Initiatives undertaken to improve energy efficiency include a USD 5.1 million investment in 2022, which updated 161 centers with LED lighting. These enhancements have led to the reduction of 12,229 tons of CO2 across the updated centers and brought the total number of*

Company Name	Manager (Asset Class)	Engagement Type	Commentary
			centers with LED lighting to 315 out of 1,500 (21% of the total). • *Meanwhile, following delays to heating, ventilation and air conditioning (HVAC) upgrades in 2022 due to supply chain limitations, older HVAC units will now be replaced with high efficiency units that are up to 40% more efficient. This is significant, as HVAC energy usage is the single largest source of energy consumption within the centers.* • *KinderCare Education also invested to install centralised energy management systems in 114 centers in 2022. These enhancements led to the reduction of 13,412 tons of CO2 annually and increased the total number of centers with energy management systems installed to 315.* ***Outcome:*** • *Together, all these initiatives brought more than $1.8 million in energy savings.*

Engagement Examples - PIRC

To help SAUL engage collaboratively, we have appointed PIRC to help us engage with companies on issues that are particularly important to SAUL. Over the review period these were employment standards and climate change risk with 30 unique portfolio companies engaged. The chart below summarises the nature of engagements undertaken by the PIRC over the review period.



The table below shows two examples of engagements over the review period that were conducted by PIRC on our behalf:

Company Name (Sector)	Engagement Type	Commentary
Cisco Systems **(Information Technology)**	**Social**	**Company Information:** Cisco Systems Inc is a US-based multinational technology company. It develops, manufactures, and sells networking

Company Name (Sector)	Engagement Type	Commentary
		hardware, software, telecommunications equipment and other high technology services and products. **Engagement Topic:** **Global Tax Strategy** • Cisco's Global Tax Strategy document provides insufficient information on governance and risk management. In PIRC's view the document is not fit-for-purpose, insofar as it does not provide investors with the information to undertake an appraisal of the company's tax risk appetite. • Cisco also fails to provide disaggregated profits or tax payments in non-US markets, with its approach to taxation being repeatedly challenged by tax authorities globally. • In May 2022, PIRC informed Cisco that it was considering filing a shareholder proposal requesting that it produce a tax transparency report that complied with the GRI Tax Standard, unless the company made commitments to publish, at a minimum, a country-by-country report of its tax and financial information in the next twelve months. **Outcome:** • The company refused to commit to providing additional tax reporting, so PIRC coordinated the filing of a shareholder proposal, with lead filer the Greater Manchester Pension Fund and co-filers Etica Funds and the Missionary Oblates. • PIRC engaged with Cisco investors to encourage them to vote for the proposal at the December 2022 AGM.
Tesco Plc **(Consumer Staples)**	**Social**	***Company Information:*** Tesco PLC operates various store formats that offer products, such as fresh produce, wines and spirits, in-store bakery, ready-meals, sandwiches as well as its wholesale business, Booker. The company, through its subsidiary, Tesco Bank, provides retail banking and insurance services, credit cards, MasterCard and Visa credit card transactions in the United Kingdom. The Telecoms business, primarily operated by Tesco Mobile network, offers mobile handsets, including the latest smart phones. ***Engagement Topic:*** **Supply Chain Due Diligence** • Over the review period, PIRC initiated engagement with several companies in relation to due diligence in their supply chains and the potential risks of modern slavery.

Company Name (Sector)	Engagement Type	Commentary
		• At the end of 2022, PIRC focused on the agricultural sector and some of the supermarkets supplied including Tesco. As part of their work they also undertook engagement with labour, media, regulatory and investor stakeholders who have specialist knowledge and/or are active in this area. • Media reports suggested that several retailers sourced fruit from a farm linked to allegations of debt bondage and other labour abuses involving Indonesian fruit pickers. The workers owe recruitment and other fees to Indonesian brokers and therefore must work to pay off the debt. Recruitment fees where workers pay to secure work are illegal in UK employment law. ***Outcome:*** • PIRC continues to engage with investors and other stakeholders over systemic and ongoing risk of labour abuse in the UK agricultural sector. • In December PIRC was one of 10 signatories to the Investment Statement on the Seasonal Workers Scheme which sought to highlight concerns that some workers employed through the SWS were being obliged to pay excessive fees to agents and middlemen in addition to other fees, travel and visa costs to work in the UK's food sector. • PIRC will be conducting further engagements on this topic during 2023.
Iberdrola **(Utilities)**	**Environmental**	***Company Information:*** Spain-based Iberdrola, a global energy provider, is one of the world's biggest electricity utilities in terms of market capitalisation. The company is also considered one of the largest producers of wind power globally. ***Engagement Topic:*** **Transition to a Carbon Neutral Business Model** • On behalf of SAUL, PIRC met with Iberdrola to discuss a range of climate, just transition and governance issues. The company presented its approach to mitigating the business risks posed by climate change and outlined how it intended to transition to a carbon neutral business by 2050. This included increasing its renewable capacity, increasing the number of regulated assets, and investing in green hydrogen. • The company relayed that there is a lack of clarity around the concept of the "just transition" and that they do not know what is expected. With regards to the risk of layoffs and impacts on local economies, this is not anticipated to be a problem, as the intention is to reallocate all

Company Name (Sector)	Engagement Type	Commentary
		employees at their closed coal stations within other parts of the business. • When asked about possible human rights abuses in their renewables supply chain, particularly in China, the company responded that whilst it can try to implement its own policies, it will take time for the whole industry to adapt policies to meet human rights levels. Growth of renewables in Europe would be stunted by divestment, as China is the source of 50% of global silicone supplies, a vital component in the production of solar panels. ***Outcome:*** • Other companies have not struggled with the concept of a just transition, and it is in the long-term interests of Iberdrola to formulate policies to match the need for such a plan. • PIRC will continue the engagement with Iberdrola in the future, with particular focus on commitments regarding its capital expenditure and human rights due diligence.

Engagement Examples - SAUL

SAUL recognises that, given resource constraints, there are limits to the influence that we can achieve on our own and so SAUL will focus mainly on collaborative company engagements with other interested parties through our affiliations to various industry initiatives, and will continue to review the merits of these on a case-by-case basis.

Although we did not engage directly with any companies over the review period, we did take part in some investor initiatives as well as responding to consultations, with examples shown in the table below:

Consultation / Engagement (Date)	Description
2022 Global Investor Statement to Governments on the Climate Crisis **(September 2022)**	**Background and Rationale:** • Alongside with over 500 other investors, SAUL signed the 2022 Global Investor Statement to Governments on the Climate Crisis. • The 2022 Global Investor Statement to Governments on the Climate Crisis is the most ambitious statement to date in terms of the policy recommendations contained within it, calling on governments to raise their climate ambition in line with the goal of limiting global temperature rise to 1.5°C. • The statement urges governments to implement policies consistent with a just transition limiting global temperature rise to 1.5°C such as medium and long-term climate strategies, transitioning energy away from fossil fuels, ending deforestation, bolstering climate finance, and strengthening disclosures.

Consultation / Engagement (Date)	Description
	Why did SAUL respond / take part? • It is important that pension funds with long-term investment horizons signal to governments the need to help limit global temperature rises, as well as working with investors to provide opportunities to deploy capital to help transition to a net-zero economy.
UN-backed Principles of Responsible Investment ("PRI") **(February 2023)**	• SAUL has been a signatory to the PRI since 2013. • The PRI launched a consultation to understand signatory views on the changing expectations of responsible investors, and how the PRI might adapt to better support its signatories. **Why did SAUL respond / take part?** • Given that we have been a long-term signatory to the PRI, it is important that the organisation develops in a way that encourages stewardship for pension funds, whilst limiting the reporting burden through aligning the disclosure framework to others such as the UK Stewardship Code and TCFD.
Workforce Disclosure Initiative ("WDI") **(March 2023)**	**Background and Rationale:** • SAUL joined the WDI in 2016 as part of our commitment to increasing disclosure of companies workforce related matters, particularly in their supply chains and ensure that reporting followed standardised criteria. • To increase the participation of companies, the WDI consulted on a shortened template focusing on core criteria that asset owners require. **Why did SAUL respond / take part?** • Standardised data on company workforces will help pension funds to identify which companies need to improve on their reporting practices.
Institutional Investors Group on Climate Change ("IIGCC") **(March 2023)**	**Background and Rationale:** • SAUL joined the IIGCC in 2021. • The IIGCC consulted on a new questionnaire for asset owners to use to assess their managers' climate stewardship and integrate this into the selection, appointment and monitoring processes.

Consultation / Engagement (Date)	Description
	Why did SAUL respond / take part? • The new questionnaire will help us to monitor our investment managers by providing a focused set of questions on climate change matters.

Engagement Data Quality
The Trustee is comfortable that, in general, our investment managers are engaging with companies on ESG matters, with the majority of our investment managers completing our bespoke engagement template on a quarterly basis. Where specific engagement examples on SAUL's portfolio companies have not been provided, or the quality of disclosure didn't meet our requirements, we continue to work with the investment managers to improve their reporting.

SAUL's private market investments cover a range of investment opportunities (private equity, private infrastructure, private credit etc.) and are generally accessed through investment in illiquid fund structures such as Limited Partnerships. Given the nature of these investments, direct engagement with the underlying companies sits with the General Partner of the Limited Partnership. As a large investor, and in order to ensure that SAUL can influence appropriate consideration and reporting of responsible investment considerations, we request a seat on the Limited Partnership Advisory Committees.

We believe that, overall, disclosure of engagement activities specific to underlying portfolio holdings for SAUL is acceptable. Some managers, however, disclose through general reporting which makes it difficult to attribute engagements directly to SAUL's portfolio. The STC Investment Team continues to engage with those managers to improve their reporting practices.

Review of Engagement

Over the review period we have seen an increase in disclosure of engagements, particularly from private markets managers which is encouraging.

5. Conclusions

The Trustee is content that both its voting and engagement polices as set out in the SIP have been implemented appropriately over the review period. All of SAUL's investment managers continue to demonstrate good integration of ESG considerations, or are continuing to take action to enhance their processes to keep pace with best practice.

We are also encouraged by some of our private markets managers taking steps to improve their client reporting, particularly around disclosure of carbon emissions. As ever, we will continue to work with our investment managers to improve their reporting and disclosure of engagement activities.

In addition, following the agreement of SAUL's Climate Change Risk Management Objectives (as set out under Section 1 of this Statement), the Trustee will review its voting approach in the 2023 / 2024 Scheme year to ensure it continues to meet these requirements and industry best practice.

Actuarial Certificate

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of Scheme	**Superannuation Arrangements of the University of London (SAUL)**

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 can be expected to be met by the end of the period specified in the Recovery Plan dated June 2021.

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 June 2021.

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	DocuSigned by: Christian Hardy D0F0B80C868443D...
Scheme Actuary	Christian Hardy
Qualification	Fellow of the Institute and Faculty of Actuaries
Date of signing	21 June 2021
Name of employer	Mercer Limited
Address	Four Brindleyplace Birmingham B1 2JQ