



**University of Exeter Retirement Benefits
Scheme
Annual Report
5 April 2022**

Scheme Registration Number: 10244300

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Trustee and its Advisers

Trustee

ERBS Trustee Limited
One Glass Wharf
Bristol
BS2 0ZX

Trustee Directors

A C Ames Member-nominated
R L O'Connell
M Laithwaite
A H Elliott Member-nominated
BESTrustees Limited, represented by P Green

Secretary to the Trustee Directors

P Farrell (Quantum Advisory) (from 1 May 2021)
A Shrubshall (until 31 July 2021)

Sponsoring Employer

University of Exeter
Northcote House
The Queen's Drive
Exeter
EX4 4QJ

Participating Employer

INTO University of Exeter LLP
Stocker Road
Exeter
EX4 4PY

Administrators

Broadstone Consultants & Actuaries Limited
BBS House
23-25 St George's Road
Bristol
BS1 5UU

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Trustee and its Advisers (continued)

Scheme Actuary

J M Harvey FIA
Aon Solutions UK Limited
25 Marsh Street
Bristol
BS1 4AQ

Advising Actuaries

Aon Solutions UK Limited
25 Marsh Street
Bristol
BS1 4AQ

Investment Manager

BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue
London
EC2N 2DL

Custodian

Bank of New York Mellon (International) Limited
One Canada Square
London
E14 5AL

Investment Advisers

Aon Solutions UK Limited
1 Redcliff Street
Bristol
BS1 6NP

Independent Auditors

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford
WD17 1JJ

Trustee and its Advisers (continued)

Legal Advisers

Burges Salmon LLP
One Glass Wharf
Bristol
BS2 0ZX

Bank

National Westminster Bank Plc
Bristol Queens Road
40 Queens Road
Bristol
BS8 1BF

Contact for Further Information

Mr P Farrell
Quantum Advisory
St Mary's Court
The Broadway
Amersham
HP7 0UT

Email: exeterretirement@quantumadvisory.co.uk

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Trustee's Report

Introduction

The Trustee of the University of Exeter Retirement Benefits Scheme ("the Scheme") is pleased to present its report together with the audited financial statements for the year ended 5 April 2022.

Scheme constitution and management

The Scheme is a defined benefit arrangement, established by trust deed to provide benefits for members on retirement, in ill-health and on death.

The Scheme is currently governed by the Rules dated 19 March 2015 and subsequent amendments. The Scheme was closed to all future benefit accrual from 1 December 2016. There have been no Deeds of Amendment to the Rules in the year to 5 April 2022.

Responsibility for setting the strategy and for managing the Scheme rests with the Corporate Trustee, ERBS Trustee Limited. The names of the persons who acted as Trustee Directors of ERBS Trustee Limited during the year are listed on page 1.

In accordance with the Trust Deed, the employer has the power to appoint and remove the Trustee of the Scheme. The Articles of Association of ERBS Trustee Limited govern the appointment and removal of Trustee Directors. The Articles of Association provide that the Sponsoring Employer has the power to appoint and remove Trustee Directors by serving written notice on them, subject to the requirements of the Pensions Act 2004 in relation to member-nominated directors (in particular, the removal of a member-nominated director by the Sponsoring Employer during his or her term of office requires the unanimous agreement of all of the other Trustee Directors).

The Trustee Directors held three full meetings and a number of additional meetings to discuss specific strategic or operational matters during the year under review.

The Articles of Association of ERBS Trustee Limited provide that decisions of the Trustee Directors may be made by three Trustee Directors present at any meeting (one of whom must have been appointed following selection by the Sponsoring Employer and one of whom must be a member-nominated Trustee Director).

The Trustee Directors governance arrangements include periodic review of registers of risks and conflicts to ensure that appropriate internal controls are in place and remain effective. The Trustee Directors have appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on pages 2 and 3. The Trustee has a written agreement in place with each of them.

Trustee's Report (continued)

Taxation status

The Scheme is a registered pension Scheme under Chapter 2 of Part 4 of the Financial Act 2004 and, to the Trustee's knowledge, there is no reason why the Scheme's registered status should be prejudiced or withdrawn.

Financial development and financial statements

The financial statements on pages 26 to 38 have been prepared and audited in accordance with the Regulations made under Sections 41(1) and (6) of the Pensions Act 1995. They show the value of the fund decreased from £148,298,809 at 5 April 2021 to £148,213,441 at 5 April 2022.

Summary of contributions

During the year, the contributions payable to the Scheme by the Employer under the Schedules of Contributions, certified by the Scheme Actuary on 20 December 2018 and 17 December 2021, were as follows:

Employers' additional deficit funding contributions	£ 1,850,944
Employers' expenses contributions	431,346
	<hr/>
Total contributions payable under the Schedules of Contributions and in accordance with the financial statements	2,282,290

The January 2022 contribution of £67,662 was received by the Scheme on 4 February 2022, 4 days later than the due date specified in the schedule of contributions. This was due to an administrative oversight.

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Trustee's Report (continued)

Membership and benefits

Details of the membership of the Scheme are given below:

	2022	2021
Retired members		
Retired members at the start of the year	860	854
Adjustment	(1)	-
Members retiring	29	28
Deaths	(22)	(22)
Retired members at the end of the year	<u>866</u>	<u>860</u>
Dependants		
Dependants at the start of the year	117	116
Pensions granted to dependants	10	13
Cash option taken	-	(4)
Pensions ceased	(4)	-
Deaths	(4)	(8)
Dependants at the end of the year	<u>119</u>	<u>117</u>
Members with deferred benefits		
Deferred members at the start of the year	2,259	2,304
Adjustment	1	-
Members retiring	(29)	(28)
Transfers out	(9)	(8)
Cash option taken	(9)	(7)
Deaths	(2)	(2)
Deferred members at the end of the year	<u>2,211</u>	<u>2,259</u>
Total membership at the end of the year	<u><u>3,196</u></u>	<u><u>3,236</u></u>

Pension increases

The Trustee Deed and Rules makes provision for increases in pensions in payment and deferred pensions. All Pensions in payment in excess of the Guaranteed Minimum Pensions were increased in accordance with Annual Pensions Increase Review Orders.

Preserved Pensions were increased in accordance with statutory requirements.

No discretionary increases were made.

Trustee's Report (continued)

Transfer values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pensions Schemes Act 1993 and do not include discretionary benefits.

(A cash equivalent is the amount to which a Scheme member is entitled under social security legislation to have applied as a transfer payment to another permitted pension arrangement or a buyout policy.)

Report on 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 Pension Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions set by the Trustee, having taken advice from the Scheme Actuary, and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request. The next valuation of the scheme is due as at 5 April 2024.

The most recent triennial actuarial valuation of the Scheme was carried out as at 5 April 2021 by the Scheme Actuary, J M Harvey FIA. The formal actuarial certificate required by statute to be included in this Annual Report from the Scheme Actuary appears on page 39.

The funding position at 5 April 2021 is detailed below.

	5 April 2021
Assets	£148.3m
Amount needed to provide benefits (Technical Provisions)	£173.5m
Shortfall	£25.2m
Funding level	85%

University of Exeter Retirement Benefits Scheme

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Trustee's Report (continued)

Report on actuarial liabilities (continued)

Although there are no current plans to discontinue the Scheme and buy-out liabilities with an insurance company, the Trustee Directors also consider the level of funding relative to the estimated costs of such a buy-out (known as solvency liabilities). The estimated amount as at 5 April 2021 needed to ensure that all members' benefits could be paid in full if the Scheme had started winding up (full solvency) was £217.0m (i.e. there was an estimated deficit of £68.7m on this basis).

The value of the technical provisions is based on Pensionable Service to the closure date and assumptions about various factors that will influence the Scheme in the future, such as the level of investment returns and inflation, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

Method

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

Significant actuarial assumptions

Approach: The financial assumptions are determined using a 'yield curve approach', with different assumptions applying at different points in time, reflecting the term structure of financial instruments. The particular approach used in determining each of the financial assumptions for calculating the technical provisions is set out below. Gilt curves refer to UK government bond curves, using data provided by the Bank of England and Aon's investment department.

Future Retail Price Inflation (RPI): The assumption is derived from the geometric difference between the UK nominal gilt curve and the UK index-linked curve at the valuation date.

Future Consumer Price Inflation (CPI): The assumption is derived by deducting a margin from the RPI inflation assumption which reflects the Scheme Actuary's best estimate view of the difference between RPI and CPI inflation.

At the valuation date, the Scheme Actuary's best estimate assumption was that CPI inflation would be equal to RPI inflation less 0.9% p.a. over the period to 2030 and 0.1% p.a. thereafter.

Discount rate: Pre-retirement – the UK nominal gilt curve at the valuation date plus 0.9% p.a. at all terms. Post-retirement – the UK nominal gilt curve at the valuation date plus 0.5% p.a. at all terms.

Trustee's Report (continued)

Report on actuarial liabilities (continued)

Significant actuarial assumptions (continued)

Revaluation of deferred pensions in excess of GMP: Derived from the CPI inflation assumption (subject to the caps and floors that apply).

Increases to pensions in payment: Inflation-linked pension increase assumptions are derived from the CPI inflation assumption allowing for the maximum and minimum annual increase, the date of pension increases, seasonal trends, and the Scheme Actuary's best estimate of inflation volatility as applies from time to time.

Post-retirement mortality: Base mortality table:

- Males: 115% for deferreds and 105% for pensioners of standard table S3PMA (Medium).
- Females: 110% for deferreds and 100% for pensioners of standard table S3PFA (Medium).

An allowance for improvements from 2013 (the assumed date of the tables above) has been made in line with the CMI_2020 Core Projections with a smoothing parameter of 7.0, an initial addition to improvement rates of 0.5% and an assumed long-term annual rate of improvement in mortality rates of 1.5% p.a. for both men and women.

Pre-retirement mortality: 100% of AC00 tables.

Recovery plan

Under the recovery plan agreed between the Trustee and the University on 17 December 2021, the University will continue to pay contributions in line with the recovery plan agreed following the 2018 valuation (£139,352 per month from 1 August 2021), with an additional £62,500 per month over the period from 1 January 2022 to 31 December 2027 and an additional £87,500 per month over the period from 1 January 2025 to 31 December 2027. The University has also agreed to pay £34,838 per month until 31 December 2021 and then £40,000 per month thereafter payable in respect of Scheme expenses. The annual amounts of these contributions will be increased on 1 August each year by actual RPI to the previous September plus 0.5%.

On the basis of conditions prevailing at the valuation date, the Scheme funding deficit was expected to be eliminated by 31 December 2027.

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Trustee's Report (continued)

Investment management

Investment strategy and principles

The Trustee is responsible for determining the Scheme's investment strategy. In accordance with section 35 of the Pensions Act 1995, the Trustee Directors have agreed a statement of investment principles ("SIP") that governs decisions about the Scheme's investments.

The investment strategy set out in the SIP approved on 1 August 2022 is as follows:

- A portfolio composition of 20% passive global equities and 80% bonds, which in 2021 was expected to generate a return of broadly Gilts plus 1.5% p.a.;
- Within the equities portfolio, to adopt a 50%/50% (+/-5%) split between a market capitalisation indexation approach, managed relative to the weights of the FTSE All- World Index, and an Environmental Social and Governance screening indexation approach, managed relative to the MSCI World ESG Focus Low Carbon Screened Index;
- To hedge broadly 50% of overseas equity currency exposure back to sterling;
- To adopt a strategic benchmark allocation within the bond portfolio that, at the time of implementation, was expected to result in a funded liability ratio hedge of broadly 100%. It is understood that the funded liability hedge ratio will vary over time. The Trustee Directors monitor the funded liability hedge ratio, and discuss this where necessary at Trustee meetings. The strategic allocations within the bonds portfolio (as a percentage of the total portfolio) are set out below.

• Over 15 year fixed interest gilts	8.70%
• Over 25 year index-linked gilts	32.00%
• Over 5 year index-linked gilts	27.57%
• 5 – 15 year corporate bonds	11.73%

Post year-end, the Scheme updated its strategic allocation to remove exposure to 5-15 year corporate bonds.

The Trustee has a cash management and rebalancing policy in place that aims to keep the Scheme's investment strategy broadly in line with the target allocations above.

A copy of the SIP may be obtained from the contact for enquiries on page 3 and is also available on the website <http://www.exeter.ac.uk/pensions/erbsscheme/>.

Trustee's Report (continued)

Investment management (continued)

Management and custody of investments

Under the terms of approved agreements, BlackRock Investment Management (UK) Limited ("BlackRock") has responsibility for managing the allocations within the equities portfolio in accordance with the Trustee Directors' investment strategy as set out in the SIP.

Custody services in accordance with FSA regulations are provided by Bank of New York Mellon (International) Limited. The records and procedures of the custodian are routinely subjected to scrutiny by external auditors and the regulatory authorities. The custodians accept complete responsibility for financial losses as a result of negligence or fraud. There is no involvement by the Trustee Directors or Sponsoring Employer in custody procedures.

Social, environmental or ethical considerations

The Trustee Directors recognise that social, environmental and ethical considerations are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention or sale. BlackRock have produced a statement setting out its policy in this regard and they have been delegated by the Trustee to act accordingly. Further detail is set out in the SIP.

Voting rights

The Trustee Directors have delegated voting rights to BlackRock as investment manager, who exercises its voting rights in accordance with its own policy on proxy voting and shareholder engagement. The policy sets out how BlackRock will discharge the responsibilities applicable to agents as set out in the UK Stewardship Code drawn up by the Financial Reporting Council.

Investment performance

Full details of the market value of investments at the year-end are set out in note 10 on page 31.

The figures quoted below for the review of investment performance are to 31 March 2022 being the closest period end to the Scheme year-end.

Implementation Statement

An Implementation Statement is included as an appendix to these financial statements which confirms how the principles of the Trustee's Statement of Investment Principles (SIP) dated 1 August 2022 have been implemented.

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Trustee's Report (continued)

Investment management (continued)

Market background

The principal factors affecting portfolio performance are outlined below.

Global equities generated positive returns over the last twelve months to 31 March 2022. Equities delivered solid returns in 2021, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, markets reversed some of their gains in Q1 2022 as geopolitical risk took centre stage with Russia invading Ukraine. Furthermore, major central banks continued to move forward with normalising monetary policy as inflation rates worldwide rose rapidly.

Yields fell in Q2 2021 as variant virus risks and worries over a slower pace of global economic recovery arose. Nominal yields then picked up once more over the third quarter of 2021, driving the negative performance of UK fixed-interest government bonds. Yields rose on the back of brought-forward interest rate hike expectations against the background of rising inflation and central bank indications of policy rate increases. However, longer-dated yields briefly fell back in Q4 2021 due to heightened uncertainty surrounding Omicron. Short-dated yields later began to factor in potential monetary policy changes and saw notable increases. In Q1 2022, yields rose strongly across maturities due to expectations of future rate hikes. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 5.1%, whilst index-linked gilts rose by 5.1% over the last twelve months. Index-linked gilts significantly outperformed nominal gilts due to increased breakevens driven by expectations of more persistent inflation.

Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index widened.

Portfolio performance

Over the year to 31 March 2022, the Scheme's assets delivered a portfolio return of 3.5%, in line with the benchmark return of 3.5%. Over the three years to 31 March 2022, the Scheme's assets delivered a portfolio return of 4.6%, in line with the benchmark return of 4.6%. Total invested assets rose from £146,298,778 to £147,073,281 over the year (as at 5 April). The Scheme saw positive returns through the first three quarters of the financial year, followed by a quarter of negative performance in Q1 2022 as markets fell in the face of rising inflation and recession risk.

Trustee's Report (continued)

Investment management (continued) (continued)

The performance of the equity and bond portfolios is set out in further detail below.

Equity portfolio investment brief

Total fund value at 5 April 2022: **£31,410,960** (21.4% of total portfolio at 5 April 2022)

Benchmark allocation: 20% of total investment portfolio

Performance target: Each individual fund within the portfolio aims to achieve returns in line with the appropriate FTSE index.

Asset allocation

The Scheme had pooled investments in the BlackRock Aquila Life and Collective Investment funds as at 5 April 2022 as follows:

	Value and distribution 5 April 2022		Value and distribution 5 April 2021	
	£	%	£	%
Global equity	31,410,960	100.0	30,218,919	100.0
<i>Global Developed Fundamental</i>				
<i>Weighted</i>	-	-	15,445,259	51.1
<i>World ESG Equity Tracker</i>	15,917,548	50.7	-	-
<i>Currency Hedged World ex-UK Equity</i>	13,239,251	42.1	12,495,818	41.4
<i>UK Equity</i>	646,358	2.1	602,595	2.0
<i>Emerging Markets Equity</i>	1,607,803	5.1	1,675,247	5.5
Cash instruments, cash and commitments	6	0.0	221	0.0
	31,410,966	100.0	30,219,140	100.0

Equity portfolio investment returns (to 31 March 2022)

	1 year		3 years	
	Fund %	Index %	Fund % p.a.	Index % p.a.
Total portfolio	12.0	n/a	12.6	n/a
World ESG Equity Tracker *	n/a	n/a	n/a	n/a
Currency Hedged World ex-UK Equity	11.2	11.1	14.4	14.9
UK Equity	13.1	13.0	5.4	5.3
Emerging Markets Equity	-3.7	-3.2	5.3	6.0

* Annual performance not available as the Scheme invested into the World ESG Equity Tracker in June 2021.

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Trustee's Report (continued)

Investment management (continued)

Bond portfolio investment brief

Total fund value at 5 April 2022: **£115,659,166** (78.6 % of total portfolio at 5 April 2022)

Benchmark allocation: 80% of total investment portfolio

The Aquila Life Over 15 Years UK Gilt Index fund aims to achieve a return consistent with the FTA Over 15 Year Gilt index.

The Aquila Life 5-15 Year Corporate Bond Index fund aims to achieve index returns in line with the iBoxx Sterling non-gilts 5-15 Year Index. Post year end, a full redemption was made from this fund.

Bond portfolio investment brief

The Aquila Life Over 25 Years Index Linked Index fund invests in UK government index-linked securities (index-linked gilts) that have a maturity period of 25 years or longer. The fund aims to achieve a return consistent with the FTSE AS Inflation Linked Gilts 25+ Index.

The Aquila Life Over 5 Years Index Linked Index fund invests in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 years Index.

The Scheme had pooled investments in the BlackRock Aquila Life funds as at 5 April 2022 as follows:

	Value and distribution 5 April 2022		Value and distribution 5 April 2021	
	£	%	£	%
Bonds and gilts				
Over 15 years UK Gilt Index fund	11,083,178	9.6	12,039,011	10.4
5 - 15 years Corporate Bond Index fund	15,799,722	13.7	16,776,572	14.5
Over 25 years Index Linked Gilt Index fund	47,215,641	40.8	46,998,583	40.5
Over 5 years Index Linked Gilt Index fund	41,560,625	35.9	40,262,325	34.7
Cash	3,148	0.0	3,148	0.0
	115,662,314	100.0	116,079,639	100.0

Trustee's Report (continued)

Investment management (continued)

Bond portfolio investment returns (to 31 March 2022)

	1 year		3 years		5 years	
	Fund	Index	Fund	Index	Fund	Index
	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Total fund	1.5	n/a	2.5	n/a	2.7	n/a
Over 15 years UK Gilt Index fund	-7.1	-7.2	-0.7	-0.7	1.0	0.9
5 – 15 years Corporate Bond Index fund	-5.4	-5.6	1.0	0.9	1.8	1.7
Over 25 years Index Linked Gilt Index fund	3.4	3.4	3.1	3.1	3.2	3.2
Over 5 years Index Linked Gilt Index fund	4.9	4.9	3.3	3.3	n/a	n/a

The bond portfolio has consistently performed in line or ahead of its comparator indices over the 5-year period.

More details about investments, including a fair value hierarchy and investment risk disclosures, are given in the notes to the financial statements.

Employer-related investments

There were no employer-related investments at the year end.

GMP equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. A further court ruling was made on 20 November 2020 that historic statutory transfer values with GMPs built up between May 1990 and April 1997 also need to be equalised. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will affect the Scheme and is considering next steps in consultation with advisers. Any adjustments necessary will be recognised in the accounts in future years. It is not possible to estimate the value of any such adjustments at this time.

Further information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contacts listed on page 3.

University of Exeter Retirement Benefits Scheme

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Trustee's Report (continued)

Approval

The Trustee's Report was approved by the Trustee Directors on 26 September 2022
and signed on their behalf by:

P Green - Trustee Director

R L O'Connell - Trustee Director

Statement of Trustee's Responsibilities

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.

Trustee's responsibilities in respect of contributions

The trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the scheme by or on behalf of employers and the active members of the scheme and the dates on or before which such contributions are to be paid.

University of Exeter Retirement Benefits Scheme

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Statement of Trustee's Responsibilities (continued)

Trustee's responsibilities in respect of contributions (continued)

The trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Independent Auditors' Report to the Trustee of the University of Exeter Retirement Benefits Scheme

Report on the audit of the financial statements

Opinion

In our opinion, University of Exeter Retirement Benefits Scheme's financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 5 April 2022, 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, which comprise: the Statement of Net Assets (available for benefits) as at 5 April 2022; 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

University of Exeter Retirement Benefits Scheme

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Independent Auditors' Report to the Trustee of the University of Exeter Retirement Benefits Scheme (continued)

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 other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. 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.

Independent Auditor's Report to the Trustee of the University of Exeter Retirement Benefits Scheme (continued)

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.

Independent Auditor's Report to the Trustee of the University of Exeter Retirement Benefits Scheme (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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 of journals where we identified particular 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.

Independent Auditor's Report to the Trustee of the University of Exeter Retirement Benefits Scheme (continued)

Responsibilities for the financial statements and the audit (continued)

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

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

Date: 4 October 2022

Independent Auditors' Statement about Contributions to the Trustee of the University of Exeter Retirement Benefits Scheme

Statement about contributions

Qualified opinion

In our opinion, except for the matter described in the basis for qualified opinion paragraph below, the contributions payable to the scheme by the employer under the schedules of contributions, certified by the scheme actuary on 20 December 2018 and 17 December 2021, for the scheme year ended 5 April 2022 as reported in University of Exeter Retirement Benefits Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the scheme actuary on 20 December 2018 and 17 December 2021.

We have examined University of Exeter Retirement Benefits Scheme's summary of contributions for the scheme year ended 5 April 2022 which is set out on page 5.

Basis for qualified opinion

The summary of contributions discloses details of the late contributions which have led us to qualify our opinion.

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme under the schedules of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions

As explained more fully in the statement of trustee's responsibilities, the scheme's trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Independent Auditors' Statement about Contributions to the Trustee of the University of Exeter Retirement Benefits Scheme (continued)

Responsibilities for the statement about contributions (continued)

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

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Watford

Date: 4 October 2022

University of Exeter Retirement Benefits Scheme

Annual Report
5 April 2022**Fund Account**

for the year ended 5 April 2022

	Note	Year ended 5 April 2022 £	Year ended 5 April 2021 £
Contributions and benefits			
Employer contributions	4	2,282,290	2,038,028
Other income	5	887	1,734
		<u>2,283,177</u>	<u>2,039,762</u>
Benefits	6	(4,732,716)	(4,589,785)
Payments to and on account of leavers	7	(235,161)	(71,647)
Administrative expenses	8	(464,296)	(431,563)
		<u>(5,432,173)</u>	<u>(5,092,995)</u>
Net withdrawals from dealings with members		<u>(3,148,996)</u>	<u>(3,053,233)</u>
Returns on investments			
Investment income	9	5,741	28,244
Change in market value of investments	10	3,213,863	13,457,676
Investment management expenses	11	(155,976)	(172,333)
Net returns on investments		<u>3,063,628</u>	<u>13,313,587</u>
Net (decrease)/increase in the fund		<u>(85,368)</u>	<u>10,260,354</u>
Opening net assets of the Scheme		<u>148,298,809</u>	<u>138,038,455</u>
Closing net assets of the Scheme		<u>148,213,441</u>	<u>148,298,809</u>

The notes on pages 28 to 38 form part of these financial statements.

Statement of Net Assets (available for benefits)

as at 5 April 2022

	Note	As at 5 April 2022 £	As at 5 April 2021 £
Investment assets	10		
Pooled investment vehicles	12	147,070,126	146,295,410
Cash		3,155	3,368
		147,073,281	146,298,778
Current assets	16	1,251,727	2,124,490
Current liabilities	17	(111,567)	(124,459)
Total net assets available for benefits		148,213,441	148,298,809

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 takes account of such obligations, is dealt with in the report on Actuarial Liabilities on pages 7 to 9 of this Annual Report, and these financial statements should be read in conjunction with this report.

The notes on pages 28 to 38 form part of these financial statements.

The financial statements on pages 26 to 38 were approved by the Trustee on 26 September 2022 and signed on its behalf by:

Trustee Director: P Green

Trustee Director: R L O'Connell

Notes to the Financial Statements

1. Basis of preparation

The individual financial statements of University of Exeter Retirement Benefits Scheme 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").

2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included on page 3.

3. Accounting policies

The principal accounting policies of the Scheme, which have been applied consistently throughout the year, are as follows:

Accruals basis

The financial statements have been prepared on an accruals basis with the exception of individual transfers, which are recognised when received or paid.

Contributions

Employer deficit funding contributions and contributions in respect of expenses are recognised on the due dates in accordance with the Schedule of Contributions or, in the absence of a formal agreement, on a receipts basis.

Benefits and payments to and on account of leavers

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

Where members chose 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 was exercised.

Notes to the Financial Statements (continued)

3. Accounting policies (continued)

Benefits and payments to and on account of leavers (continued)

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Scheme. Individual transfers in and out of the Scheme are accounted for when received or paid.

Investments

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 sales of investments during the year.

Pooled investment vehicles are stated at bid price as advised by the Investment Manager.

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.

Currency

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

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at 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.

Investment income

Investment income is stated inclusive of any related taxation recoverable but net of any irrecoverable overseas withholding taxes and costs of collection where applicable.

Investment income arising from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".

University of Exeter Retirement Benefits Scheme

Annual Report
5 April 2022

Notes to the Financial Statements (continued)

4. Total contributions

	2022 £	2021 £
Contributions from Employer:		
Deficit funding	1,850,944	1,630,424
Expenses	431,346	407,604
	<u>2,282,290</u>	<u>2,038,028</u>

In accordance with the Schedule of Contributions, deficit funding contributions are being received to reduce the Scheme deficit. An amount of £201,852 is due to be received per month until 31 December 2027, increasing on the 1 August each year by the Retail Price Index to the previous September plus 0.5%.

Also, in accordance with the Schedule of Contributions, in respect of expenses, an amount of £40,000 increasing on the 1 August each year by the Retail Price Index to the previous September plus 0.5%, is due to be received per month.

5. Other income

	2022 £	2021 £
VAT rebate	<u>887</u>	<u>1,734</u>

6. Benefits

	2022 £	2021 £
Pensions	4,144,965	4,168,587
Commutations and lump sum retirement benefits	560,939	406,660
Lump sum death benefits	26,812	14,538
	<u>4,732,716</u>	<u>4,589,785</u>

7. Payments to and on account of leavers

	2022 £	2021 £
Individual transfers to other schemes	<u>235,161</u>	<u>71,647</u>

Notes to the Financial Statements (continued)

8. Administrative expenses

	2022	2021
	£	£
Administration and processing	197,632	224,223
Consultancy and actuarial	212,045	147,379
Legal	12,851	22,304
Audit fee	18,000	17,340
Miscellaneous	23,768	20,317
	<u>464,296</u>	<u>431,563</u>

Except as noted above, all other costs of administration are borne by the Sponsoring Employer.

9. Investment income

	2022	2021
	£	£
Interest on cash deposits	176	22,215
Annuity income	5,565	5,811
Income from pooled investment vehicles	-	218
	<u>5,741</u>	<u>28,244</u>

10. Reconciliation of investments

	Value as at 6 April 2021 £	Purchases at cost £	Sale proceeds £	Change in market value £	Value as at 5 April 2022 £
Pooled investment vehicles	146,295,410	<u>15,397,236</u>	<u>(17,836,383)</u>	<u>3,213,863</u>	<u>147,070,126</u>
Cash	3,368				<u>3,155</u>
	<u>146,298,778</u>				<u>147,073,281</u>

Transaction costs are included in the cost of purchases and sale proceeds. There were no direct transaction costs incurred during the year (2020: £nil).

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.

University of Exeter Retirement Benefits Scheme

Annual Report
5 April 2022

Notes to the Financial Statements (continued)

11. Investment management expenses

	2022	2021
	£	£
Administration, management and custody	78,920	87,419
Other advisory fees	77,056	84,914
	<u>155,976</u>	<u>172,333</u>

12. Pooled investment vehicles

	2022	2021
	£	£
Bonds	115,659,166	116,076,491
Equities	31,410,960	30,218,919
	<u>147,070,126</u>	<u>146,295,410</u>

13. Concentration of investment

The following investments represent more than 5% of the net assets of the Scheme at the year end:

	2022		2021	
	£	%	£	%
Aquila Life Over 25 Years IL Gilt Index Fund	47,215,641	31.9	46,998,583	31.7
Aquila Life Over 5 Years UK Index Linked Fund	41,560,625	28.0	40,262,325	27.1
BlackRock ACS World ESG Equity Tracker Fund	15,917,547	10.7	-	-
Aquila Life 5 to 15 Years Corporate Bond fund	15,799,722	10.7	16,776,572	11.3
Aquila Life Ccy Hedged World Ex-UK Equity Fund	13,239,251	8.9	12,495,818	8.4
Aquila Life Over 15 Years UK Gilt Index Fund	11,083,178	7.5	12,039,011	8.1
Aquila Life Global Dev Fundamental Fund	-	-	15,445,259	10.4

Notes to the Financial Statements (continued)

14. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.

Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.

Level 3: Inputs are unobservable, i.e. for which market data is unavailable.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy as follows:

	At 5 April 2022			Total £
	Level 1 £	Level 2 £	Level 3 £	
Pooled investment vehicles	-	147,070,126	-	147,070,126
Cash	3,155	-	-	3,155
	3,155	147,070,126	-	147,073,281

	At 5 April 2021			Total £
	Level 1 £	Level 2 £	Level 3 £	
Pooled investment vehicles	-	146,295,410	-	146,295,410
Cash	3,368	-	-	3,368
	3,368	146,295,410	-	146,298,778

15. Investment risk disclosures

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

These risks are set out by FRS 102 as follows:

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

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

- **Currency risk:** this is the risk that the fair value of 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.

University of Exeter Retirement Benefits Scheme

Annual Report
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Notes to the Financial Statements (continued)

15. Investment risk disclosures (continued)

- **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 of currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report.

The Trustee manages investment risks, including credit and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through investment manager agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Summary

A summary of the Scheme's invested assets and risks as at 5 April 2022 is shown in the table below.

Investment assets	Credit risk	Currency risk	Interest rate risk	Other price risk	2022 value £	2021 value £
Pooled investment vehicles						
Direct	●	◐	◐	◐		
Indirect	◐	◐	◐	◐	147,070,126	146,295,410
Cash	●	○	○	○	3,155	3,368

Key: ● – significant risk exposure, ◐ – partial risk exposure, ○ – immaterial/no risk exposure

Investment strategy

The investment objective is to maintain a portfolio of suitable assets which will generate investment returns to meet, together with future contributions, the benefits payable under the trust deed and rules as they fall due.

Notes to the Financial Statements (continued)

15. Investment risk disclosures (continued)

Investment strategy (continued)

The current investment strategy targets an allocation of:

- 20% in return seeking investments comprising UK and global equities (“equity portfolio”);
- 80% in government and corporate bonds (“bond portfolio”) which assist in protecting against the impact of interest rate movements on long term liabilities.

At 5 April 2022, the allocation was 21.4%/78.7% (2021: 20.7%/79.3%).

Further information on the Trustee’s approach to risk management, credit and market risk is set out below.

Credit risk

The Scheme is subject to indirect credit risk because the Scheme invests via pooled funds in bonds and gilts and holds cash. A summary of exposure to credit risk is given in the following table.

	2022	2021
	£	£
Corporate bonds	15,799,722	16,776,572
Gilts	99,859,444	99,299,919
Cash	3,155	3,368
	<u>115,662,321</u>	<u>116,079,859</u>

Credit risk on bonds and gilts is mitigated by investing in pooled vehicles consisting of UK government bonds where the credit risk is minimal or corporate bonds which are rated investment grade (BBB and higher).

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 and the regulatory environments in which the pooled managers operate. The Trustee obtains routine updates, and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

University of Exeter Retirement Benefits Scheme

Annual Report
5 April 2022**Notes to the Financial Statements (continued)****15. Investment risk disclosures (continued)*****Credit risk (continued)***

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

Legal nature of the pooled arrangements	2022	2021
	£	£
Unit linked insurance contracts	129,544,776	144,620,163
UCITS	17,525,350	1,675,247

Indirect credit risk is mitigated by only investing in funds which hold at least investment grade credit rated investments.

Cash is held within financial institutions which are at least investment grade credit rated.

Equity holdings are not subject to credit risk.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via the pooled investment vehicles. In order to minimise the risk, the Trustee Directors' strategy is to hedge broadly 50% of overseas currency exposure back to sterling. At year end, total overseas currency exposure was £30.1m of which £17.5m (58.2%) was unhedged (2021: £28.4m).

Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds and gilts. However, this is integral to the strategy for managing the impact of interest rate changes on actuarial liabilities. The benchmark for total investment in bonds and gilts is 80% of the total portfolio and at year end was £115,662,321 or 78.6% (2021: £116.1m/79.3%). The allocation to bonds and gilts increases the exposure to interest rate risk, the risk of rising interest rates and therefore a fall in the value of the bond portfolio is mitigated by the fact that rising interest rates will result in a decrease in actuarial liabilities because of an increase in the discount rate. Conversely if interest rates fall and actuarial liabilities increase, this will be mitigated by a rise in the value of the bond portfolio. The Trustee has adopted a strategic benchmark allocation within the bond portfolio that, at the time of implementation, by investing in index-linked funds with average duration ranging from five to over 25 years, was expected to result in a funded liability ratio hedge of broadly 100%.

Notes to the Financial Statements (continued)

15. Investment risk disclosures (continued)

Other price risk

Other indirect price risk arises principally in relation to the Scheme's return seeking portfolio (2022: £31.4m; 2021: £30.2m) which consists entirely of equities held in pooled vehicles.

Investment in equities will always bring exposure to overall price movements. The Trustee Directors' strategy is to invest the equity portfolio in passive (index-tracking) equity funds rather than a higher risk strategy of active portfolio management.

16. Current assets

	2022	2021
	£	£
Cash balances	<u>1,251,727</u>	<u>2,124,490</u>

17. Current liabilities

	2022	2021
	£	£
Unpaid benefits	5,203	9,400
Accrued expenses	<u>106,364</u>	<u>115,059</u>
	<u>111,567</u>	<u>124,459</u>

18. Contingent liabilities

Other than the liability to pay future pensions and the GMP equalisation matter referred to in Note 21, there are no contingent liabilities of the Scheme at 5 April 2022 (2021: nil).

19. Related party transactions

Sponsoring Employer

The sponsoring employer provides certain administration services to the Trustee Directors and bears these costs. All of the above transactions were made in accordance with the Scheme rules.

Key management personnel

Mrs AC Ames, who was a Trustee Director and pensioner of the Scheme during the year, received benefits at the same rate as other members and is/was paid on the same terms and conditions as other pensioners.

20. Employer-related investments

There were no employer-related investments at the year end.

Notes to the Financial Statements (continued)

21. GMP equalisation

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. A further court ruling was made on 20 November 2020 that historic statutory transfer values with GMPs built up between May 1990 and April 1997 also need to be equalised. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will affect the Scheme and is considering next steps in consultation with advisers. Any adjustments necessary will be recognised in the accounts in future years. It is not possible to estimate the value of any such adjustments at this time.

22. Subsequent events

There have been no events after the period end that require disclosure or adjustment to the financial statements.

Actuarial Certificate given for the purposes of Section 227 of the Pensions Act 2004 (Certificate of Schedule of Contributions)

Name of scheme: University of Exeter Retirement Benefits Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 5 April 2021 to be met by the end of the period specified in the recovery plan dated 17 December 2021.

Adherence to statement of funding principles

2. I also certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 17 December 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 the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature

J M Harvey

Name

J M Harvey

Date

17 December 2021

Qualification

Fellow of the Institute and Faculty of Actuaries

Employer

Aon Solutions UK Limited
1 Redcliff Street
Bristol
BS1 6NP

University of Exeter Retirement Benefits Scheme

Annual Report
5 April 2022

Further Information

The Pensions Regulator

The Pensions Regulator is the statutory body that regulates occupational pension schemes and can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

The Pension Tracing Service

The Pension Tracing Service's main purpose is to provide a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

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

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

The information provided includes details of the address at which trustees of a pension scheme may be contacted. This Scheme is registered with the Pension Tracing Service.

Further Information (continued)

Money and Pensions Service

Pension Wise, The Pensions Advisory Service and The Money Advice Service have joined forces under the above name to streamline and simplify access to financial information.

The Money and Pensions Service is a free and impartial guidance service introduced by the government to assist people with retirement saving options to ensure people make well-informed decisions in order to ensure good retirement outcomes. Contact details are available via the Money and Pension Service website at:

www.moneyandpensionservice.org.uk

You can also book a free face-to-face or telephone appointment through the website or by calling 0800 138 3944. Please note that the Money and Pensions Service does not provide advice but will provide guidance to help you understand your options.

Pensions Ombudsman (TPO)

Any concern connected with the Scheme should be referred to the Scheme Administrators, Broadstone Consultants & Actuaries Limited, who will try to resolve the problem as quickly as possible. Contact details are provided on page 3. Members and beneficiaries of occupational pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the trustees can make an application to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

Pensions Ombudsman Service
10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: 0800 917 4487

Email: helpline@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

Engagement Policy Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement which outlines the following:

- Explain how and the extent to which the Trustee has followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

This document sets out the details, as outlined above. The Engagement Policy Implementation Statement ("EPIS") has been prepared by the Trustee and covers the Scheme year 6 April 2021 to 5 April 2022.

Scheme Stewardship Policy Summary

Summarised below is the Scheme's Stewardship Policy that was in force over the majority of the reporting year to 5 April 2022. The full SIP can be found here:

<https://www.exeter.ac.uk/pensions/erbsscheme>

The Trustee uses passive investment strategies, where the fund manager is required to match the portfolio to a specific benchmark index. Whilst the Trustee does not expect the same degree of engagement as an active investment strategy, the Trustee expects the fund manager's Engagement Policy to continue to apply as the Trustee believes that effective stewardship improves companies' financial performance and hence investment returns.

The Trustee expects the Scheme's investment manager to:

- *Engage with investee companies with the aim to enhance the long-term value of assets; and*
- *exercise the Trustee's voting rights in relation to the Scheme's assets.*

The Trustee regularly reviews the continuing suitability of the investment managers and takes advice from the investment adviser with regard to any changes.

Where the Trustee identifies significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of a fund manager or other stakeholder; it will consider the methods by which it would monitor and engage with such a fund manager or other stakeholders.

Scheme stewardship activity over the year

Stewardship Policy

In line with regulatory requirements to expand the SIP for policies such as cost transparency and incentivising managers, the Trustee reviewed and expanded its Stewardship Policy in August 2020. The SIP notes that whilst the Trustee does not expect the same degree of engagement as an active investment strategy, the Trustee expects the fund manager's Engagement Policy to continue to apply as the Trustee believes that effective stewardship improves companies' financial performance and hence investment returns. It also outlines how the

Trustee would review the suitability of the Scheme's fund manager and other considerations relating to voting and methods to achieve their Stewardship Policy.

The SIP was reviewed in 2021 following strategic changes. The SIP, including the Scheme's Stewardship Policy, is available on a website where it can be accessed by the public.

Cost Transparency Reporting

The Scheme had previously appointed ClearGlass to collate cost transparency information on the Scheme's fund manager for the period 1 July 2019 to 30 June 2020. The ClearGlass cost transparency report was discussed by the Trustee in March 2021.

The Trustees undertook a detailed review of manager fees in early 2021 – with revised reduced fees agreed with the Scheme's existing manager BlackRock. These were effective from 1 April 2021.

The Scheme has appointed ClearGlass to undergo further transparency reporting over the calendar year 1 January 2022 to 31 December 2022. This report will be reviewed by the Trustee once complete.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee by their investment advisor (Aon). The reports include Environmental, Social and Governance (ESG) ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy-rated investment strategies and is designed to assess whether fund managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversations with the fund manager, Aon's lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

In addition to ESG ratings, the Trustee receives a quarterly summary of the MSCI ESG coverage rating and MSCI ESG Quality Score for the ACS ESG Equity Tracker in which it invests. These ratings are compared to the MSCI World Index and movement in the ratings is also monitored. The metrics provide the Trustee with an indication of the ESG risks associated with the holding.

The Trustee also receives annual stewardship information on the monitoring and engagement activities carried out by its fund manager, which helps to support the Trustee in assessing the extent to which the Scheme's Engagement Policy has been followed throughout the year.

Manager Appointments

In March 2021, after considering Responsible Investment and the risks posed by ESG factors and climate change, the Trustees agreed to allocate 10% of the Scheme's assets in the BlackRock ACS World ESG Equity Tracker Fund, which tracks the MSCI World ESG Focus Low Carbon Screened Index. This benchmark index aims to have a higher ESG rating than the MSCI World Index, while also reducing carbon exposure by c.50%. This change was implemented in June 2021.

Voting and Engagement activity

The Scheme invested in the following material BlackRock passive funds over the year:

Manager	Fund Name	Asset Class
BlackRock	ACS ESG Equity Tracker	Equity
BlackRock	World Ex-UK Equity Index	Equity
BlackRock	UK Equity Index	Equity
BlackRock	Emerging Markets Equity Index	Equity
BlackRock	Corporate Bonds 5-15 Year Index	Fixed Income

In this section, there is a summary of voting information and examples of significant voting activity for BlackRock. For the purposes of reporting, the Trustee considers a significant vote as one which the voting manager deems to be significant or a vote where more than 15% of votes were cast against management.

In addition, the Trustees note that the investment manager was able to provide evidence of engagement examples at the fund / strategy level being implemented in practice, which provided comfort that the manager was using its ability to influence positive outcomes for the Scheme.

Equity – voting and engagement

Voting

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. BlackRock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

BlackRock Equity Funds voting statistics to 31 March 2022

	ACS ESG Equity Tracker	World Ex-UK Equity Index	UK Equity Index	Emerging Markets Equity Index
Number of resolutions eligible to vote on over the period	4,418	24,008	10,263	33,776
% resolutions voted on for which the fund was eligible	89.7%	99.0%	100.0%	100.0%
% that were voted against management	6.5%	7.0%	5.0%	11.0%
% that were abstained from	0.7%	0.0%	0.0%	2.0%

BlackRock Engagement

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities

include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

More information can be found here: <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

Fixed Income – Engagement

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so debt issuers have a vested interest to make sure that investors are happy with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, downside risk mitigation and credit quality are critical parts of the investment decision-making process.

BlackRock – Corporate Bonds

BlackRock's credit analysts work with its Investment Stewardship team for joint engagement meetings with companies. Also, BlackRock's Global Fixed Income ESG team work with the Investment Stewardship team to communicate ESG related topics to fixed income investors, and attend or host engagement meetings. BlackRock also explores how factors such as climate change, the fair treatment of workers, and racial and gender equality, among others, are increasingly relevant to a company's business operations

In summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that BlackRock was able to disclose evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations of their fund manager and its significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

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