STUDENTS' UNION SUPERANNUATION SCHEME

(Scheme Registration Number 10149211)

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2019

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The Trustees' Report

Introduction

This report relates to the operation of the Students' Union Superannuation Scheme ("the Scheme") during the year ended 30 June 2019. The Investment Report on pages 11 to 14 forms part of this report.

The Scheme was a contracted-out salary related pension arrangement and provides its members with retirement benefits. This type of arrangement is also known as a defined benefits arrangement. Up until 30 September 2003 the Scheme provided a pension of 1/60th of final pensionable earnings for each year of pensionable service. From 1 October 2003 the Scheme changed to a career average structure where members built up a slice of additional pension based on their earnings during the year. On 1 October 2011 the Scheme closed to future accrual. Normal contributions have ceased and only deficit reduction contributions continue to be paid.

Before 1 October 2011 members were able to make additional voluntary contributions (AVCs) to secure additional benefits. The Scheme also covered members for death benefits before this date.

Full details of the Scheme's benefits can be found in the member's explanatory booklet (see "Contact for further information" on page 6).

Management of the Scheme

The names of the Trustees of the Scheme who served during the year and those serving at the date of approval of this report are as follows:

Name	Nominated / appointed by	Year of appointment / resignation
Peter David Shilton Godwin	Employer	1995 (re-appointed 2017)
Richard Hugh Orme Boyes	Member	2007 (re-appointed 2015)
Ross Trustees Services Limited	Independent	2014
David Malcolm	Employer	2014
Nick Gash	Member	2018

The Scheme Rules contain provisions for the appointment and removal of the Trustees. The Scheme requires between two and seven Trustees together with a corporate Trustee. Three Trustees must be elected from the constituent employers of the Scheme and two must be elected from the individual membership of the Scheme. The Trustees serve for a term of six years. This arrangement has been approved by a ballot of the members in accordance with the Pensions Act 1995 and operates with the agreement of the National Union of Students as the Principal Employer named in the Trust Deed. There is currently a vacant employer nominated trustee position.

The Trustees are responsible for the administration and investment policy of the Scheme. The Trustees held four full meetings during the year under review. Each Trustee is entitled to receive at least ten days' notice of meetings, although in practice dates are normally fixed well in advance.

The Scheme Rules provide that decisions of the Trustees may be made by a majority of the Trustees present at any meeting and the Chairman has a casting vote.

The Trustees have delegated the day-to-day management and operation of the Scheme's affairs to professional organisations.

The Trustees' Report (Cont)

Changes to Scheme Rules

There have been no changes to Scheme Rules during the year under review.

The Principal Employer

The Principal Employer is the National Union of Students of the United Kingdom.

Scheme advisers

The Trustees retain a number of professional advisers in connection with the operation of the Scheme. The advisers currently appointed are as follows:

Scheme Actuary	Paul Hamilton FIA
Advising Actuaries	Barnett Waddingham LLP
Independent Auditor	Grant Thornton UK LLP (until 6 March 2019)
	RSM UK Audit LLP (from 7 March 2019)
Investment Managers	Standard Life Investments
	Janus Henderson Investors (formerly Henderson Global Investors)
	Legal and General Investment Management
	Ruffer LLP
	Baring Asset Management
	Insight Investment Management (Global Limited)
	Partners Group (Guernsey) Limited
Custodians	Northern Trust
Legal Advisers	Osborne Clarke LLP
	Squire Patton Boggs UK LLP
Administrator of the Scheme benefits	Barnett Waddingham LLP
Bankers	Lloyds TSB
Secretary to the Trustees	Ross Trustees Services Limited

Changes in and other matters relating to Scheme advisers

During the year the Scheme Auditors changed from Grant Thornton UK LLP to RSK UK Audit LLP. Grant Thornton UK LLP stated on their resignation that they knew of no circumstances connected with their resignation which in their opinion significantly affects the interests of the members or beneficiaries of the Scheme. There have been no other changes to Scheme advisers during the Scheme year under review.

The Trustees’ Report (Cont)

Scheme Audit

The financial statements on pages 19 to 30 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Financial development of the Scheme

During the year the value of the net assets increased by £6,746,073 to £124,636,929 as at 30 June 2019. The increase comprised net withdrawals from dealings with members of £1,657,818 together with an increase from the net return on investments of £8,403,891.

Pension increases for pre 31 December 1993 pensionable service –

A legal issue has arisen on the pension increases to be applied by the Trustees to benefits accrued prior to 31 December 1993. The Scheme was established on 1 October 1981 and initially provided pension increases of 7% fixed on excess pension and statutory increases on GMP (i.e. nil on pre 6 April 1988 GMP and CPI capped at 3% for post 6 April 1988 GMP).

A decision was made in 1988 by the then Trustees to reduce the level of increases to pensions in payment to 3% fixed on both excess pension and GMP with effect from 1 October 1988 for new joiners to the Scheme and back-dated to 1 October 1981 for members in pensionable service on 1 October 1988. However, no deed or written instrument, which was signed by the NUS as principal employer and the then trustees, has been located to evidence this decision despite extensive searches to locate it. The decision to make these changes therefore resulted in a defective amendment.

A formal amendment to the Scheme Rules was made on 31 December 1993 to reduce the level of increases to pensions in payment and this is valid and has prospective effect.

The Trustees have taken legal advice from Leading Counsel who has confirmed that, in the absence of any other formal amending document or other evidence, the reduction in the level of pension increases takes effect from 31 December 1993 rather than 1 October 1988 (for new joiners) or 1 October 1981 (for existing members). Leading Counsel has advised that neither rectification of the Scheme Rules nor any other legal remedies are available to address this defective amendment.

As reported in last year's accounts, the Trustees made a decision with the agreement of the NUS to honour pension increases of 7% fixed for existing members as at 1 October 1988 for periods of pensionable service from 1 October 1981 to 30 September 1988 as the power of amendment at the material time protected affected members' accrued rights and such amendment should never have been back-dated.

Those same members who were in pensionable service on 1 October 1988 were sent an announcement informing them of the reduction in pension increases to 3% from that date. The defective amendment resulted in a further funding liability in respect of those members for their pensionable service from 1 October 1988 to 31 December 1993.

New joiners from 1 October 1988 received an explanatory booklet informing them that the applicable increase to pensions in payment is 3% fixed. The defective amendment resulted in an additional funding liability in respect of those members for their pensionable service from the date of joining to 31 December 1993.

As reported in last year's accounts, the Trustees consulted with the NUS (as principal employer of SUSS) and the other participating employers in SUSS as to how to deal with periods of pensionable service from 1 October 1988 to 31 December 1993. Following legal advice in respect of the available options and advice from its other scheme advisers, the parties decided to seek affected members' informed consent to amend the Scheme Rules.

The Trustees' Report (Cont)

The parties did not propose an amendment to retrospectively apply the fixed 3% increases on and from 1 October 1988, but instead offered affected members under the age of 80 a choice between a compromise option and increases under the SUSS rules as written.

The compromise relates to pension increases payable after 1 October 2019 in respect of benefits accrued from 1 October 1988 to 31 December 1993 (inclusive). Those consenting to the compromise will receive future pension increases in line with inflation subject to a minimum of 3% and a maximum of 7%. Non-consenters and those over the age of 80 will receive future pension increases as set out in the SUSS rules (7% on excess benefits and statutory increases on GMPs, subject to an underpin to ensure that the total increase is not less than 3%). Note that the parties agreed to apply this underpin to all such members for ease of administration, having considered the costs versus benefits of this approach.

Current pensioners and dependants will also see an uplift in their pensions in payment to reflect the increases properly payable on this slice of benefit accrual since the date the pension commenced. Back-payments for the last 6 years (without interest) will also be paid.

This exercise was conducted between June 2019 and January 2020. Responses were received from approximately 80% of those written to and 80% of those responding accepted the compromise.

The Scheme Actuary is in the process of updating member records and pensions in payment. With the exception of a small number of complex cases, this process will be complete, and back-payments will have been made, by 31 December 2019. The financial statements have been amended to include an underpayment of £1,884,255 in respect of these back-payments.

A full actuarial valuation is to take place as at 30 June 2019. Based on the initial results of this valuation, the Scheme Actuary has estimated that the additional funding liabilities arising from this issue are up to £36 million.

The Trustees and the NUS have protected their position in relation to any potential negligence claim arising against the professional adviser to the Scheme at the material time (Friends Provident and associated companies) by entering into a standstill agreement with them. The Trustees and the NUS in conjunction with their respective legal advisers continue to consider the merits of any claim against Friends Provident and associated companies.

Tax status of Scheme

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

The Trustees' Report (Cont)

Scheme membership

	Number as at start of year	Changes in year	Number as at end of year
Preserved pensioners	1,491		
adjustment	6		
transferred out		(2)	
retired (trivial commutation)		(4)	
retired (small lump sum)		(1)	
retired (serious ill-health)		(1)	
retired		(45)	
died		(1)	
		(54)	1,443
Pensioners and dependants	944		
new pensioners		45	
new dependants		3	
commuted pension		(1)	
died		(6)	
		41	985
Grand total members	2,441		2,428

Included within the pensioner and dependants above are 105 (2018: 105) members whose pensions are settled by annuity policies held in the name of the Trustees.

The member numbers shown above reflect the number of member records held by the Scheme.

Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pensions Act 1993 and subsequent amendments. No discretionary benefits are included in the calculation of transfer values.

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

Pension increases

During the year pensions have been increased in accordance with the Scheme Rules with no discretionary benefits provided.

Data Protection Act 2018 and General Data Protection Regulations

On 25 May 2018 the Data Protection Act 1998 was replaced by the General Data Protection Regulations (GDPR) and the Data Protection Act 2018. The GDPR and the 2018 Act introduced some significant changes, including new contractual obligations, enhanced reporting obligations and tougher enforcement and/or sanctions for non-compliance.

Under the new regulations, pension scheme trustees continue to be classed as data controllers, with legal responsibility for compliance falling to them. Scheme Actuaries are also classed as data controllers (jointly with the trustees) in accordance with guidance issued by the Actuarial Profession. Barnett Waddingham LLP act as a data processer as the administrators of the Scheme.

The Trustees have worked with their advisers to receive relevant training, and continue to do so to ensure continued compliance with data protection legislation.

The Trustees' Report (Cont)

Codes of Practice

The Trustees are aware of and adhere to the Codes of Practice issued by The Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good administration.

GMP equalisation

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. However, at this stage the Trustees and Employer have not agreed the equalisation methodology to be used and therefore the Trustees are not in a position to obtain a reliable estimate of the backdated benefits and related interest. Therefore the cost of backdating pension benefits and related interest have not been recognised in these financial statements. They will be recognised once the Trustees are able to reach reliable estimate. Further details are disclosed in Note 23 of the financial statements.

The Pensions Regulator: Record Keeping

The Pensions Regulator issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the trustees) and those who administer pension schemes. The guidance covers both common data and also conditional data (the data that is used to calculate benefits and is therefore scheme specific). The guidance sets out good practice in helping trustees to assess risks associated with record keeping. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded. More information can be found at:

http://www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx

Contact for further information

If, as a Scheme member, you wish to obtain further information about the Scheme, including copies of the Scheme documentation, your own pension position or who to contact in the event of a problem or complaint, please write to, or telephone:

The Students' Union Team, Barnett Waddingham LLP, St James's House, St James's Square, Cheltenham, GL50 3PR

Or telephone 0333 11 11 222

Alternatively you may contact the Scheme administrators online at:
https://logon.bwebstream.com/shared/contact

The Trustees' Report (Cont)

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are 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 a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

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

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

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustees' Report (Cont)

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, the Scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustees and the employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 30 June 2016. This showed that on that date:

The value of the Technical Provisions was:	£221.0 million
The value of the assets was:	£101.3 million

Therefore the Scheme had a funding deficit of £119.7 million corresponding to a funding level of 46%.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit Method.

Actuarial assumptions – The key assumptions used are:

Inflation

By looking at the cost of investing in Government bonds with payments linked to inflation compared to the cost of investing in Government bonds not linked to inflation, it is possible to arrive at a figure for the average market view of future price inflation. This will then be compared to the latest Treasury targets for inflation in the UK, when deriving the assumption to use.

The assumed rate of pension increases is set taking into account the inflation assumption and also any limit on the rate of increase.

Discount rate

The discount rate will normally be determined by the Trustees taking into account professional advice in relation to market indicators available at the valuation date, the long-term strategic asset allocation, the liability profile of the Scheme, and the perceived strength of the employer covenant. However, if the Trustees have material concerns over the strength of the employer covenant the discount rate may need to be determined looking solely at the yield available on gilts and other low risk asset classes.

The return on Government bonds will be taken as a suitable market index yield.

As a proportion of the Scheme's funds are invested in assets such as equities which would be expected to outperform Government bonds over the long term, an allowance will be made for this in the discount rate. The allowance will be determined by the Trustees based on information provided by their professional advisers.

Mortality

The rates of mortality assumed will reflect information published by the Continuous Mortality Investigation deemed most relevant to the membership of the Scheme, with allowance for expected future improvements in longevity.

This assumption may be adjusted on the advice of the Scheme Actuary or in the light of evidence relating to the actual mortality experience of the Scheme, the industry in which the members work, or the distribution of pension payment amounts.

The Trustees’ Report (Cont)

Report on Actuarial Liabilities (Cont)

Retirement

Members will be assumed to retire at the earliest age at which they can take their benefit without an actuarial reduction applying.

Member options

If the Trustee considers it to be appropriate, allowance may be made for member options such as commuting pension for cash at retirement or taking early retirement.

Dependant details

Assumptions regarding the proportion of members with a dependant at death and the age difference between males and females will be set taking into account advice from the Scheme Actuary and the experience of the Scheme.

The financial statements on pages 19 to 30 do not take into account liabilities which fall due after the year end. As part of the triennial valuation, the Scheme Actuary considers the funding position of the Scheme and the level of contributions payable.

The Trustees' Report (Cont)

Approval of Trustees' Report (including Investment Report)

Further disclosures required by legislation are provided in the Investment Report.

This Report and the accompanying Investment Report were approved by the Trustees on

Date: ______________________

Signed on behalf of the Trustees:

Trustee	Trustee

The Investment Report

Investment managers

The Scheme's Trust Deed and Rules permit the Trustees to delegate the task of investment management to outside experts. Standard Life Investments, Janus Henderson Global Investors, Legal and General Investment Management, Ruffer LLP, Barings Asset Management, Partners Group and Insight Investment Management are professional external investment managers and have taken full responsibility for investing the Scheme's assets. The Trustees set the investment strategy for the Scheme after taking advice from the Scheme's investment adviser. The Trustees have put in place a mandate with their investment managers which implements this strategy. The investment managers are remunerated by fees based on a percentage of funds under management, and these fees are met by the Scheme. The Scheme's investment with Partners Group is subject to a performance-related fee There are no performance-related fee arrangements who charge a percentage of the difference between the NAV per unit and a specified 'high water mark'.

When choosing investments, the Trustees and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 requires that the Trustees' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.

- Voting and corporate governance in relation to the Scheme's assets.

Departures from investment principles

There were no significant departures from the stated principles during the year under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

Investment strategy

Strategy at 30 June 2019

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

The Trustees set the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in the Scheme's Statement of Investment Principles (SIP) dated June 2019.

The current strategy is to hold:

- 40% in investments that move broadly in line with the value of the long-term liabilities of the Scheme. Part of this investment is in LDI and comprises of UK government bonds (gilts), gilt repurchase agreements, interest rate swaps and cash instruments. This part of the portfolio also incorporates holdings in a Multi-Asset Credit Fund, Global Asset Backed Securities Fund and an Absolute Return Bond Fund. The purpose of these assets is to hedge against the impact of interest rate movement on long term liabilities.
- 60% in return seeking investments comprising UK and overseas equities, UK property, Absolute Return Funds, Diversified Growth Funds and alternatives.

The Investment Report (Cont)

In January 2019, following a period of poor performance, £6m was disinvested from the Insight Bonds Plus 400 Fund and re-invested into the Insight Global Asset Backed Securities (ABS) Fund.

In accordance with the Scheme's Guidelines with Insight, the level of hedging from the previous investment report to today has increased to 39%.

Performance

The Scheme's portfolio returned 7.1% over 12 months to 30 June 2019. The table below sets out the investment returns of the Scheme's asset over 1 and 3 year periods to 30 June 2019:

	1 Year (% p.a.)		3 Years (% p.a.)	
	Fund	Benchmark	Fund	Benchmark
L&G Equities	4.2	4.2	11.3	11.2
Standard Life UK Property	-1.2	3.4	4.9	6.3
Ruffer Absolute Return	-2.2	0.7	1.1	0.5
Barings Dynamic Asset Allocation Fund	2.7	4.9	5.1	4.6
Henderson Multi Asset Credit Fund	4.3	5.9	4.8	5.6
Insight Bonds Plus 400	-2.0	4.9	-0.6	4.6
Insight Global ABS**	1.2	1.0	n/a	n/a
Insight LDI	29.3	29.7	14.5	16.1
Partners Fund*	9.9	8.2	n/a	n/a
Total	7.1	n/a	7.1	n/a

*the Scheme has not been invested in these funds for a period of 3 years.

**performance since the Scheme invested in the Fund on 22 January 2019.

The Investment Report (Cont)

Economic and market conditions over the year to 30 June 2019

Economic environment

Markets started the period on a high note on the back of strong global growth, which allowed both the Bank of England and Federal Reserve to raise rates during August and September 2018 respectively.

Following the Fed's rate rise at the end of September, markets stumbled as a result of tighter financial conditions. When the Fed then went through with its planned rate rise in December, it resulted in the worst market reaction to a rate rise since 1994. Global growth had slowed sharply in the second half of 2018 and continued to struggle during the first half of 2019. The IMF downgraded its estimate of global growth in 2019 from 3.9% to 3.3% in April 2019. Europe felt the brunt of the slowdown, with Italy falling into recession and Germany avoiding a recession by the narrowest of margins. Multiple indicators of Chinese growth also fell sharply, leading the government to embark on a fresh round of stimulus to support the economy, however official GDP growth data was largely unaffected.

Markets feared that continuing rate rises would tip the US economy into recession and were relieved when during a January speech, Jerome Powell, Chair of the Federal Reserve, announced his decision to pause before further rises took place.

At its March meeting the Federal Reserve acknowledged the changing economic environment, downgrading its outlook for 2019 from two rate rises to none. At its June 2019 meeting, the Fed indicated that its next move was more likely to be a cut in rates than a rise. The ECB and the Bank of England also suggested that they are willing to loosen monetary policy in the event that the economy deteriorates further. As a result, equity markets rebounded from their December lows and by the June 2019 global equities had recovered all the ground lost since the Fed rate rise in September. Moreover, the adjustment to the expected path of future rate changes from rises to cuts meant that bond yields fell around the world. Gilts yields fell to their lowest point since the aftermath of the EU referendum and German Bund yields fell to all-time lows, deep in negative territory.

Throughout the period the trade war between the US and China periodically roiled markets. During 2018 the U.S. announced several rounds of tariffs on Chinese goods, which were met by equally sized retaliatory measures. By 30 September 2018, tariffs had been announced on more than $250 billion of US imports from China, with a further $267 billion threatened in the event that China continued to retaliate. Markets relaxed somewhat on 1 December when the US and China agreed a truce, delaying the onset of the 1 January tariffs to 1 March 2019 to allow for a period of negotiations.

However, on 5 May 2019, markets were rocked once more when President Trump declared that trade talks had broken down and the delayed tariffs would be implemented on 10 May 2019. Despite the new tariffs, talks resumed on 29 June 2019 following a meeting between Donald Trump and Xi Jinping at the G20 meeting in Osaka.

In the UK, the year was dominated by the Brexit negotiations. In November 2018, Theresa May presented a draft Withdrawal Agreement to the country. However, unable to pass the deal through the House of Commons, an agreement was reached with the European Union to extend the Article 50 process until 31 October 2019, unless an agreement can be reached before this date.

The Investment Report (Cont)

The twelve months to 30 June 2019 saw the US and UK tighten their central bank monetary policies and the ECB end its asset purchase programme. However, in the early months of 2019, central banks moved to pause their plans to tighten policy.

- The European Central Bank (ECB) kept its main lending rate at 0.0% throughout the period and although it extended the length of its quantitative easing (QE) programme, it also ended the programme in December 2018.
- In August 2018 the Bank of England raised rates to 0.75%, the second such rise since the Global Financial Crisis. UK CPI continued to fall over the period, from a peak of 2.7% in August 2018 to 2% in June 2019.
- The Fed continued to tighten monetary policy over the 12 months to 30 June 2019, raising interest rates twice, and ended the period with the rate set at 2.5%. The Fed also continued to reduce its balance sheet, shrinking its assets by around $460 billion over the period.

Market performance

Against this backdrop, market returns from traditional asset classes were largely positive in absolute terms over the year to 30 June 2019.

Equities

Overall, global equities performed strongly over the year to 30 June 2019, generating 6.5% in local currency terms. Returns were highly variable across geographic regions. There was a significant differential between the best (North America: 9.9%) and worst (Japan: -7.4%) performing regions (in local currency terms).

The Scheme is exposed to equities through its investments with L&G, Ruffer, Barings and Partners.

Bonds

Over the year to 30 June, UK gilt yields fell across all but the shortest maturities. The net impact was a positive return (4.9%) for UK fixed interest gilts (all stocks). Inflation expectations increased, particularly for shorter terms meaning that UK index-linked gilts (all stocks) also delivered a positive return (8.6%) over the year. UK corporate bond spreads (all stocks) tightened by around 0.1% over the year.

The Scheme is exposed to bonds through its investments with Ruffer, Barings, Henderson and Insight.

Property

The MSCI UK All Property Index rose 4.0% over the 12 months to 30 June 2019.

The Scheme is exposed to property through its investment in Standard Life, Ruffer, and Barings.

Independent Auditor's Report to the Trustees of the Students' Union Superannuation Scheme

Opinion

We have audited the financial statements of the Students' Union Superannuation Scheme for the year ended 30 June 2019 which comprise Fund account, the Net Assets Statement (available to members) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice)*.

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 June 2019, and of the amount and disposition at that date of its assets and liabilities, other than the 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; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Scheme's Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement in 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 in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 7, the Trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Scheme's Trustees as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP **Date:**
Statutory Auditor, Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Summary of contributions payable in the year

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

	£
Employer deficit funding contributions	5,565,450
PPF Levy	898,311
Contributions payable under the Schedule of Contributions	6,463,761

Signed on behalf of the Trustees:

Trustee

Trustee

Date:

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the Students' Union Superannuation Scheme

Statement about contributions payable under Schedule of Contributions

We have examined the Summary of Contributions payable to the Students' Union Superannuation Scheme on page 17, in respect of the Scheme year ended 30 June 2019.

In our opinion the contributions for the Scheme year ended 30 June 2019 as reported in the attached Summary of Contributions on page 17 and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the actuary on 28 June 2017.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 17 in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustees and auditor

As explained more fully on page 7 in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Scheme's Trustees as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP **Date:**
Statutory Auditor, Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

The Financial Statements

Fund Account

for the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
		£	£
Contributions and benefits			
Employer contributions		6,463,761	7,870,500
Total contributions	3	6,463,761	7,870,500
Other income	4	-	3,045
		6,463,761	7,873,545
Benefits paid or payable	5	(6,197,200)	(4,977,529)
Payments to and on account of leavers	6	(32,308)	(2,280,981)
Administrative expenses	7	(1,892,071)	(930,020)
		(8,121,579)	(8,188,530)
Net withdrawals from dealings with members		(1,657,818)	(314,985)
Returns on investments			
Investment income	8	4,761,249	578,744
Change in market value of investments	9	3,912,428	3,692,564
Investment management expenses	10	(257,744)	(254,674)
Taxation	11	(12,042)	(11,802)
Net returns on investments		8,403,891	4,004,832
Net increase in the fund during the year		6,746,073	3,689,847
Net assets of the Scheme			
At 1 July		117,890,856	114,201,009
At 30 June		124,636,929	117,890,856

The notes on pages 21 to 30 form part of these financial statements.

The Financial Statements (Cont)

Statement of Net Assets

available for benefits as at 30 June 2019

	Note	30 June 2019	30 June 2018
		£	£
Investment assets:	9		
Equities	9	5,053,125	5,160,775
Bonds	9	2,805,343	5,517,255
Pooled investment vehicles	12	107,910,344	99,803,201
Derivatives	13	4,422	-
Insurance policies	15	5,198,749	5,244,176
AVC investments	14	378,999	380,730
Cash	9	3,877,442	2,082,647
Other investment balances	9	7,566	28,747
		125,235,990	118,217,531
Investment liabilities:			
Derivatives	13	(1,818)	(26,562)
Total net investments		125,234,172	118,190,969
Current assets	19	1,584,380	778,425
Current liabilities	20	(2,181,623)	(1,078,538)
Net assets of the Scheme at 30 June available for benefits		124,636,929	117,890,856

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme is dealt with in the Report on Actuarial Liabilities on pages 8 to 9 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 21 to 30 form part of these financial statements.

These financial statements were approved by the Trustees on

Date: ____________________

Signed on behalf of the Trustees:

Trustee	Trustee

Notes to the Financial Statements

Details of general information for the Scheme are available in the Trustees Report.

1. Basis of preparation

The individual financial statements 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 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (September 2015) issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2015).

2. Accounting policies

The principal accounting policies of the Scheme which are applied consistently are as follows:

Contributions

- Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.
- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and Trustees.
- Employer additional contributions are accounted for in accordance with the agreement under which they are payable. This include contributions in respect of the PPF levy.

Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Benefits are accounted for in the period in which the member notifies the Trustees of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Expenses

- Expenses are accounted for on an accruals basis.
- Investment management expenses are accounted for on an accruals basis. Transaction costs are included in the cost of purchases and sale proceeds.

Investment income

- Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- Dividends from quoted securities are accounted for when the security is declared ex-dividend.
- Income from pooled investment vehicles is accounted for when declared by the fund manager.
- Income from cash and short term deposits is accounted for on an accruals basis.
- 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".
- Receipts from annuity policies are accounted for as investment income on an accruals basis.

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.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager.
- Bonds are valued by valuation techniques that use observable market data.
- Quoted securities in active markets are usually valued at the current bid prices as at 30 June 2019, or at the valuation date nearest to the year-end.
- Accrued interest is excluded from the market value of bonds and is included in investment income receivable.

Notes to the Financial Statements (Cont)

- With profit insurance & AVC policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.
- Annuities have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date. No allowance for movements in annuitant membership is provided for in valuation updates other than in a triennial valuation year.
- Over the counter (OTC) derivatives are valued using the following valuation techniques:
  i. Forward foreign exchange (Forward FX) – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Currency

- The Scheme's functional and presentational currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

3. Contributions

	2019	2018
	£	£
Employer contributions		
Normal	-	36,432
Deficit funding	5,565,450	7,470,200
PPF Levy	898,311	363,868
	6,463,761	7,870,500

Deficit funding contributions are being paid by the employers for a period of 16 years from 28 June 2017 in accordance with recommendations from the Scheme Actuary in order to improve the Scheme's funding position.

The PPF Levy contribution is higher than the Levy paid (see note 7) as the contribution includes an allowance for costs relating to the Levy due for 2017/18.

4. Other income

	2019	2018
	£	£
Compensation	-	3,045

5. Benefits paid or payable

	2019	2018
	£	£
Pensions	3,937,276	3,881,521
Commutation of pensions and lump sum retirement benefits	1,169,407	1,057,344
Lump sum death benefits	6,262	38,664
Backdated pension increases	1,084,255	-
	6,197,200	4,977,529

The backdated pension increases balance is in respect of the resolution of issues relating to historic pension increases.

Notes to the Financial Statements (Cont)

6. Payments to and on account of leavers

	2019	2018
	£	£
Individual transfers to other schemes	33,542	2,280,981
Payments for members joining the state scheme.	(1,234)	-
	32,308	2,280,981

7. Administrative expenses

	2019	2018
	£	£
Administration and processing	227,378	155,267
Actuarial fees	238,395	67,878
Audit fee	15,080	15,420
Legal and other professional fees	271,061	179,920
Trustee indemnity insurance	12,320	11,200
Fees paid to Corporate Trustee	163,886	152,798
Trustees expenses	1,838	1,948
Other fees	86,242	7,541
PPF Levy	875,871	338,048
	1,892,071	930,020

The Scheme bears all the costs of administration.

8. Investment income

	2019	2018
	£	£
Dividends from equities	146,819	142,902
Income from bonds	46,102	43,360
Income from pooled investment vehicles	4,220,126	44,697
Interest on cash deposits	3,202	2,785
Annuity income	345,000	345,000
	4,761,249	578,744

The income from pooled income from investment vehicle received during 2019 includes an amount of £4,161,472 in respect of income from the Insight Liquidity Fund.

Notes to the Financial Statements (Cont)

9. Reconciliation of investments

	Value at 30 June 2018 £	Purchases at cost and derivative payments £	Sales proceeds and derivative receipts £	Change in market value £	Value at 30 June 2019 £
Equities	5,160,775	2,512,374	(2,396,104)	(223,920)	5,053,125
Bonds	5,517,255	5,688,522	(8,756,744)	356,310	2,805,343
Pooled investment vehicles	99,803,201	28,374,396	(24,196,671)	3,929,418	107,910,344
Insurance policies	5,244,176	-	-	(45,427)	5,198,749
Derivatives	(26,562)	392,671	(211,030)	(152,475)	2,604
AVC investments	380,730	-	(50,253)	48,522	378,999
	116,079,575	36,967,963	(35,610,802)	3,912,428	121,349,164
Cash deposits	2,082,647				3,877,442
Other investment balances	28,747				7,566
	118,190,969				125,234,172

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees £	Commission £	Taxes £	2019 Total £
Equities	1,036	2,225	2,665	5,926
Pooled investment vehicles	-	20	-	20
Total	1,036	2,245	2,665	5,946

	Fees £	Commission £	Taxes £	2018 Total £
Equities	305	6,821	5,653	12,779
Pooled investment vehicles	5,547	67	-	5,614
Total	5,852	6,888	5,653	18,393

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect costs is not separately provided to the Scheme.

10. Investment management expenses

	2019 £	2018 £
Administration, management and custody	193,061	192,416
Investment consultancy fee	64,683	62,258
	257,744	254,674

Notes to the Financial Statements (Cont)

11. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The tax charge in the Fund Account represents irrecoverable withholding tax arising on investment income.

12. Pooled investment vehicles

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

	2019	2018
	£	£
Equities	25,221,730	24,609,816
Bonds	16,015,857	22,252,050
Commodities	1,277,259	662,217
Cash	15,043	156,311
Derivatives	188,030	222,347
LDI	33,419,684	21,300,087
Multi-asset	17,073,592	16,396,281
Property	7,857,064	7,955,138
Hedge	6,842,085	6,248,954
	107,910,344	99,803,201

13. Derivatives

OBJECTIVES AND POLICIES

The Trustees have authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme as follows:

Forward FX – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP (sterling), a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

At the year end the Scheme had the following derivatives:

	2019		2018	
	Asset	Liability	Asset	Liability
	£	£	£	£
Forward FX contracts	4,422	(1,818)	-	(26,562)
	4,442	(1,818)	-	(26,562)

A summary of the Scheme's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

Forward FX contracts

Contract	Settlement date	Currency bought	Currency sold	Asset value £	Liability Value £
Forward FX	3 months	JPY	GBP	-	(1,818)
Forward FX	3 months	USD	GBP	4,422	-
Total 2019				4,422	(1,818)
Total 2018				-	(26,562)

Notes to the Financial Statements (Cont)

14. AVC investments

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

	2019	2018
	£	£
Friends Provident (With-profits)	192,545	201,448
Friends Provident (Unit-linked)	186,454	179,282
	378,999	380,730

15. Insurance policies

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

	2019	2018
	£	£
Annuities with Friends Life	5,198,749	5,244,176

16. Fair value determination

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

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	As at 30 June 2019			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Equities	5,053,125	-	-	5,053,125
Bonds	2,805,343	-	-	2,805,343
Pooled investment vehicles	-	101,068,259	6,842,085	107,910,344
Insurance policies	-	-	5,198,749	5,198,749
Derivatives			2,604	2,604
AVC investments		186,454	192,545	378,999
Cash	3,877,444	-	-	3,877,442
Other investment balance	7,566		-	7,566
	11,743,478	101,254,713	12,235,983	125,234,172

Notes to the Financial Statements (Cont)

16. Fair value determination (Cont)

As at 30 June 2018

	Level 1 £	Level 2 £	Level 3 £	Total £
Equities	5,160,775	-	-	5,160,775
Bonds	5,517,255	-	-	5,517,255
Pooled investment vehicles	-	93,554,247	6,248,954	99,803,201
Insurance policies	-	-	5,244,176	5,244,176
Derivatives	-	-	(26,562)	(26,562)
AVC investments	-	179,282	201,448	380,730
Cash	2,082,647	-	-	2,082,647
Other investment balances	28,747	-	-	28,747
	12,789,424	93,733,529	5,419,062	118,190,969

17. Investment risk disclosures

FRS102 requires the disclosure of information in relation to certain investment risks as follows:

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

Market risk – comprises the following three types of risk:

1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
3. Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

The Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk 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 the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management, credit and market risk is set out below. This does not include AVC investments or legacy insurance policies as these are not considered significant in relation to the overall investments of the Scheme. The following table summarises the extent to which various classes of investments are affected by financial risks:

Asset Type	Credit risk	currency risk	interest rate risk	other price risk	2019 £	2018 £
L&G Equities	1	2	1	3	23,707,017	22,954,009
Standard Life UK Property	1	1	2	3	7,857,065	7,955,138
Ruffer Absolute Return	2	2	2	3	15,819,143	16,168,959
Barings DAAF	2	2	2	3	15,938,442	15,518,175
Henderson MAC	3	2	3	1	11,620,494	11,198,659
Insight BP400	3	2	3	1	4,395,362	11,075,563
Insight Global ABS	3	2	3	1	6,064,171	n/a
Insight LDI	2	1	3	1	27,355,513	21,300,087
Partners Fund	3	3	3	3	6,842,085	6,248,954
Liquid Assets - Cash	3	2	1	1	49,577	189,154
Total					**119,648,869**	**112,608,698**

Notes to the Financial Statements (Cont)

17. Investment risk disclosures (Cont)

In the table on the previous page, a risk rating '1' is deemed none/hardly any risk, '2' is partial and '3' is significant

Market risk: Interest rates

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, leveraged gilt repos, interest rate swaps and cash through pooled investment vehicles. Specifically, the Scheme has exposure to interest rates through its investments with Insight and Henderson.

Generally speaking, if interest rates fall, the value of the Scheme's bond investments will rise to help offset a portion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the bond investments are more likely to fall in value, as will the actuarial liabilities because of an increase in the discount rate. As at 30 June, through their investments in bonds and LDI, the Scheme has hedged approximately 39% of the impact of interest rate movements on the liabilities. That is, if interest rates move, the LDI portfolio will experience approximately 39% of the movement of the liabilities.

Market risk: Currency

The Scheme is exposed to currency risk because some of its investments are held in overseas markets. These include the overseas equity portfolio with LGIM, Barings and Ruffer in their diversified growth fund and target return fund respectively, the multi-asset credit manager Henderson, Partners Group and Insight may also gain exposure to currency movements though their holdings of overseas assets.

The Scheme's liabilities are denominated in sterling and currency hedging is employed with overseas equities to manage the impact of exchange rate fluctuations on the Scheme's investments. Specifically, the Trustees took steps to hedge 75% of the non-sterling exposure in the equity mandate managed by L&G back into Sterling.

The Scheme's other managers, Ruffer, Barings, Henderson, Partners Group and Insight take active decisions as to whether or not they hedge currency exposure back into Sterling.

Market risk: Other price

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, private equity, equities held in pooled vehicles, property and diversified growth funds.

The Scheme manages this exposure by investing in funds that invests in a diverse portfolio of instruments across various markets. According to the Scheme's Statement of Investment Principles (SIP), each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. In addition, the asset allocation is detailed in the Appendix of the SIP document and is monitored on a regular basis by the Trustees.

Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, derivatives, has cash balances, enters into repurchase agreements, private debt and holds units in pooled investment vehicles. The Scheme has indirect exposure to credit risks from the underlying investments held by the pooled investment vehicles.

The credit risk arising on bonds is mitigated via Henderson and Insight's active management of the bond funds held by the Scheme. There may be additional exposure through assets held by Barings and Ruffer in their diversified growth fund and absolute return portfolio respectively.

The exposure to credit risk through private debt is managed by the Partners Group as it forms a proportion of a broadly diversified portfolio of alternative investments.

The instruments used in the pooled LDI funds held with Insight are not necessarily guaranteed by a regulated exchange, so there is the risk of a counterparty defaulting on its payment. The risk is reduced through collateral arrangements. It must be emphasised that although the instruments used by Insight in the pooled LDI funds carry various risks, the aim of these investments is to hedge against the changing actuarial value placed on the liabilities of the Scheme.

Credit risk arising on other derivative contracts is mitigated by investment mandates requiring all counterparties to be at least investment grade credit rated.

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

Notes to the Financial Statements (Cont)

17. Investment risk disclosures (Cont)

Pooled investment arrangements used by the Scheme comprises of authorised unit trusts. 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 the ongoing due diligence of the pooled manager.

Indirect credit risk arises in relation to the underlying investments of pooled investment vehicles. This risk is mitigated as set out above.

The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.

18. Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year-end:

	2019		2018	
	£	%	£	%
Insight Bonds Plus 400 Fund	-	-	11,053,391	9.4
Barings Alpha Funds Dynamic Assets	15,938,442	12.8	15,518,175	13.1
Henderson Multi Asset Credit Fund	11,620,494	9.3	11,198,659	9.5
Insight Longer Real Fund	16,705,831	13.4	12,565,085	10.7
Standard Life Property Fund	7,857,065	6.3	7,955,138	6.7
L&G UK Equity Index Fund	-	-	5,954,825	5.1
Partners Group Fund	6,842,085	5.5	6,248,954	5.3

19. Current assets

	2019	2018
	£	£
Contributions due from Employer in respect of:		
Employers	469,376	447,022
Prepayments	4,605	262,121
Cash balances	1,110,399	69,282
	1,584,380	778,425

Contributions due to the Scheme at the year-end have been paid subsequent to the year-end in accordance with the Schedule of Contributions.

20. Current liabilities

	2019	2018
	£	£
Unpaid benefits	(34,925)	(900,001)
Accrued expenses	(262,443)	(178,537)
Backdated pension increases	(1,884,255)	-
	(2,181,623)	(1,078,538)

Notes to the Financial Statements (Cont)

21. Related party transactions

The key management personnel of the Scheme are considered to be the Trustees. Fees and expenses paid directly to the Trustees by the Scheme for their services during the year were £165,724 (2018: £154,746) and are disclosed in Note 7 to the accounts.

All of the transactions were made in accordance with the Scheme Rules.

The following Trustees of the Scheme are preserved members.

PDS Godwin
RHO Boyes
D Malcolm
N Gash

22. Employer-related investments

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

Contributions are normally received by the Trustees in the subsequent month to that in which they are due. Under the accruals basis of accounting, these contributions are therefore shown as outstanding. However, as the contributions were received in line with the Schedule of Contributions after the year end, they do not become employer-related investments.

23. Contingent liabilities

As explained on page 6 in Trustee's report, on 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. However, at this stage the Trustees and Employer have not agreed the equalisation methodology to be used and therefore the Trustees are not in a position to obtain a reliable estimate of the backdated benefits and related interest. Therefore the cost of backdating pension benefits and related interest have not been recognised in these financial statements. They will be recognised once the Trustees are able to reach reliable estimate.

Certificate of Adequacy of Contributions

Certification of the schedule of contributions

Students' Union Superannuation Scheme

Adequacy of rates of contributions

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 30 June 2016, to be met by the end of the period specified in the recovery plan dated 28 June 2017.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 June 2017.

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:		Date:	28 June 2017
Name:	Paul Hamilton	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	St James's House St James's Square Cheltenham Gloucestershire GL50 3PR	Employer:	Barnett Waddingham LLP

Schedule of Contributions

Students' Union Superannuation Scheme
Schedule of contributions

Status

This schedule of contributions has been prepared by the Trustees of the Students' Union Superannuation Scheme ("the Scheme"), after obtaining the advice of the Scheme Actuary appointed by the Trustees.

Contributions to be paid by the participating unions from 28 June 2017 to 30 June 2033

In respect of the shortfall in funding as set out in the Recovery Plan dated 28 June 2017:	Each participating employer will contribute an amount as set out in the attached Appendix 1. The amounts commencing 1 October 2017 will be increased each subsequent 1 October by 5% or such greater amount as is agreed between the Trustees and the Principal Employer. These contributions are payable monthly in arrears, within 19 days of the end of each month. A participating employer may, at their discretion, pay all or part of the contributions in advance. The Trustees have given the participating employers the option of paying a single lump sum contribution instead of their monthly contributions from October 2017 to September 2020. These lump sum contributions are set out in Appendix 2. If a participating employer chooses to pay this lump sum (which they are under no obligation to do) then they will not pay any contributions set out in Appendix 1 for the period from 1 October 2017 to 30 September 2020. Contributions payable under Appendix 1 for periods outside these dates remain payable by participating employers taking up this offer. Participating employers taking up the offer must pay the lump sum contribution by 19 November 2017, and may at their discretion pay all or part of the lump sum contribution in advance.
In respect of expenses:	The amounts set out in the appendices include an allowance of £400,000 pa in respect of the ongoing administrative and operational expenses of running the Scheme.
In respect of the Pension Protection Fund levy:	The amount of the PPF levy as shown in the levy invoice, plus associated expenses, will be payable in addition to the contributions set out in the appendices. Once the PPF levy has been paid by the Trustees, the amount due from each participating employer will be determined by the Trustees and notified to each participating employer for payment within 30 days.