

University of Edinburgh Staff Benefits Scheme

Report and Financial Statements

31 March 2014

Registration Number : 10102234

University of Edinburgh Staff Benefits Scheme

Principal employer

The University Court of the University of Edinburgh

Trustees

Mr Alan Johnston (University appointed Trustee and chair) appointed 16 September 2013

Mr G Angell (Member-nominated trustee)

Mr R Black – appointed 1 April 2013

Mr J Carson (University appointed trustee)

Mr P McNaull (Director of Finance) appointed until May 2014

Mrs C Rye (Member-nominated trustee)

Ms S Smith (University Secretary) appointed 24 June 2013

Scheme administrators

The University of Edinburgh

Aon Hewitt Limited – Glasgow

Actuary

Shahbaz Hamid of Aon Hewitt Limited

Solicitors

Shepherd & Wedderburn – appointed 1 April 2013

Bankers

Royal Bank of Scotland – Edinburgh

Auditor

Ernst & Young LLP – Glasgow

Investment Advisers

Hymans Robertson Ltd – Edinburgh

Investment managers

KAMES Capital

BlackRock Investment Management (UK) Ltd

Morgan Stanley Investment Management Ltd

Threadneedle Investments Ltd

Wellington Management Company, LLP

Baillie Gifford & Co

Custodians

BlackRock Investors until July 2014

BNY Mellon from July 2014

BNP Paribas Securities Services and Administration Ltd

State Street Bank

Trustees' Report

Introduction

The Trustees are pleased to present their report for the year ended 31 March 2014.

The financial statements have been prepared and audited in accordance with the regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

Further information on the Scheme can be obtained from Ann Banks, Pensions Manager, 9 - 16 Chambers Street, Edinburgh.

Membership of the scheme

Active members

At 31 March 2013	2,250
Adjustments*	14
New entrants	129
Retirements	-52
Leavers	-137
Deaths	-2
Others	-11
	2,191

Pensioners

At 31 March 2013	1,796
Adjustments*	-5
Widows	16
Retirements	85
Deaths	-33
	1,859

Deferred members

At 31 March 2013	1,817
Adjustments*	36
Transfers out from deferred membership	-63
Leavers	94
Retirements	-33
Deaths	-1
Other	-10
	1,840

Total membership	5,890
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*Adjustments - A prior period adjustment arises where a member's status changed during the previous period but this was not updated in time for it to be recorded in that period's membership analysis. This could typically be where a member left or retired during the previous tax year but confirmation was not received until after that year end's report was run.

University of Edinburgh Staff Benefits Scheme

Scheme benefits

The Scheme provides for guaranteed increases on pensions in payment in line with the Pensions (Increase) Act 1971 up to a maximum of 6% per annum and the increases are applied to pensions in excess of the Guaranteed Minimum Pension. Statutory increases are linked to CPI. Pensions built up after 1 January 2011 will increase by RPI up to a maximum of 5%.

Benefits for service accrued up to 31 December 2010 are based on final salary with all benefits accrued from 1 January 2011 onwards based on a Career Average Revalued Earnings (CARE) arrangement.

The normal retirement age for all members is 65.

The individual transfer values paid out of the Scheme have been calculated and verified as prescribed in Section 97 of the Pension Schemes Act 1993. The transfer values paid were not reduced below the actuarially calculated value.

Contributions

Following the completion of the actuarial valuation as at 31 March 2012, a new schedule of contributions came into effect on 14 May 2013 and the rates of employer and employee contributions are set out in the summary on page 5.

Management of the scheme

The Trustees of the Scheme are appointed under the terms of the Definitive Trust Deed dated 17 May 1968. The University Court as principal employer may by that Deed appoint or replace Trustees. Trustees as at 31 March 2014 and any changes during the year or since the year end are given on page 1. Member nominated trustees will be elected every 6 years.

During the year the Trustees and the University Court agreed an amendment to the Trust Deed which deleted the *ex officio* status of the Director of Finance as Trustee. As a result Mr Phil McNaul stepped down as Trustee in May 2014.

The current Trustees of the Scheme are determined by the following:

- a. The Principal Employer shall from time to time appoint as Trustees:
 - (i) one person chosen from amongst those persons then holding the offices of Principal, Vice-Principal, Secretary or Director of Corporate Services of the University of Edinburgh, and
 - (ii) one person chosen from amongst those members of the University Court of the University of Edinburgh who are not employees of the Principal Employer (any person who is such a member being hereafter referred to as a "Lay Member").

Ms Smith has been appointed under point (i) above from 24 June 2013. Mr Black is appointed under point (ii) from 1 April 2013.

- b. The Principal Employer may from time to time appoint such further persons as it may determine as Trustees.

Mr Carson and Mr Johnston are appointed Trustees under this term.

- c. There shall be such number of member-nominated Trustees as are required in terms of section 16 of the Pensions Act 1995, who shall be selected in accordance with such arrangements as are made by the Trustees pursuant to that section and in accordance with the appropriate rules (within the meaning of section 20 of the Pensions Act 1995). A person selected in accordance with such arrangements and the appropriate rules shall, upon being so selected, automatically become a Trustee of the Scheme and shall hold such office until such time as he or she ceases to

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hold office in accordance with those arrangements resigns by notice in writing given to the other Trustees or dies.

Mr Angell and Mrs Rye are appointed under this term.

Valuation

The date of the last actuarial valuation of the Scheme and of the last actuarial statement was 31 March 2012. This showed that there was a deficit in the Scheme relative to the technical provisions. Following completion of the valuation, a new Schedule of Contributions was put in place which is summarised below:-

In respect of future accrual of benefits

The University will pay the following:

Period 14 May 2013 to 30 December 2025	25.3% of Pensionable Salary less the amounts paid by active members
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Members will pay the following:

Period to 31 July 2027	7.5% of Pensionable Salary
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In respect of the shortfall in funding

In accordance with the Recovery Plan dated 14 May 2013, the University will pay the following in respect of the funding shortfall:

Period to 30 December 2025	2.5% of Pensionable Salary
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The Trustees have been granted a number of contingent assets by the University. These consist of securities over a number of properties owned by the University. Each security is subject to a standard security agreement and becomes enforceable if an event of default occurs. Such events include the insolvency of the University or it ceasing to carry on business.

Investment Report

Market Review

Equity markets in the UK, Eurozone and North America performed strongly over the year, albeit with some unsettled periods. Investor confidence was supported, in the main, by record low short-term interest rates.

In late May 2013, there was a distinct, if short lived, change in the prevailing bullish market sentiment, when the US central bank hinted it might begin scaling back its programme of asset purchases. Signs of a potential credit crunch in China, reduced forecasts for economic growth in the Eurozone and an uncertain outlook in the UK added to the sense of unease. Equity markets responded with sharp falls, particularly in Asia Pacific and Emerging markets. In the UK, Europe and US, there was some recovery over the summer of 2013, as central banks sought to re-assure investors and to restore confidence. The FTSE All World Index returned 6.8% over the past year. The best performing global sectors relative to benchmark over the 12 months were Technology (+8.1%) and Health Care (+7.6%), while the poorest performing sectors were Basic Materials (-9.8%) and Consumer Goods (-5.2%). UK equities, as measured by the FTSE All Share Index, returned 8.8% over the period.

In December 2013, and after much speculation, the US central bank commenced the scaling back of its monthly asset buying program. This is likely to be phased out entirely during 2014 but official guidance indicates no rise in interest rates until there is clear evidence of sustainable economic growth. In contrast to US policy, the European central bank provided further monetary easing through two cuts in short-term interest rates; one in May 2013, from 0.75% to 0.50%, and a second in November 2013, to 0.25%, as inflation in the Eurozone dipped below 1% p.a. In the UK, expectations of future levels of interest rates rose. The 'All Stocks' government bonds index returned -2.6%, with index-linked issues returning -3.8% and corporate bonds returning 2.5%.

In the March 2014 budget, branded as a budget for 'savers', the Chancellor of the Exchequer announced an increase in the threshold for tax free savings and greater flexibility in the operation of defined contribution pension plans. At the same time, the Office for Budget Responsibility revised its forecast for UK economic growth in 2014, from 2.4% to 2.7%. On this basis, the economy will surpass its pre-crisis peak later this year. Despite the more optimistic tone of published economic data, a number of commentators expressed concerns whether the recovery will be sufficiently strong to resolve problems of a more structural nature. Consequently, further austerity measures remain on the agenda.

University of Edinburgh Staff Benefits Scheme

Portfolio Review

The Trustees have a mix of active and passive mandates and have appointed investment managers within a structure as follows:

Table 1 Portfolio Valuation

	31 March 2014		31 March 2013	
	Market value £000s	Percentage of total	Market value £000s	Percentage of total
<i>Global equities</i>				
Baillie Gifford	61,570	21.7	54,854	20.4
BlackRock	-	-	52,728	19.6
Wellington	53,850	18.9	51,631	19.2
Total Equities	115,420	40.6	159,213	59.2
<i>Fixed interest bonds</i>				
Kames Capital	39,926	14.1	40,268	15.0
BlackRock-UK Gilts	8,583	3.0	8,797	3.3
BlackRock-Corp bonds	17,084	6.0	17,096	6.4
Total Bonds	65,593	23.1	66,161	24.7
<i>Property</i>				
Threadneedle (@ bid)	26,109	9.2	23,787	8.8
<i>Private equity</i>				
Morgan Stanley	20,126	7.1	19,585	7.3
<i>Diversified Growth</i>				
Baillie Gifford	56,841	20.0	-	-
<i>Cash</i>				
Total Cash	1	0.0	1	0
Total	284,090	100.0	268,747	100.0

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The returns achieved by the individual managers together with their respective benchmarks for the year and three years to 31 March 2014 were:

Table 2 Scheme Performance

Investment return to 31 March 2014		One Year		Three Years		
		Fund %	Benchmark %	Fund % p.a.	Benchmark % p.a.	
<i>Global equities</i>						
Baillie Gifford	Active	12.1	6.7	n/a	n/a	
BlackRock ¹	Passive	6.2	6.2	n/a	n/a	
Wellington	Active	4.2	6.7	n/a	n/a	
<i>Fixed interest bonds</i>						
Kames Capital	Active	-0.3	-1.3	7.9	6.3	
BlackRock (UK Gilts)	Passive	-1.3	-1.5	6.0	5.9	
BlackRock (Corporate bonds)	Passive	2.5	2.5	7.8	7.7	
<i>Property</i>						
Threadneedle	Active	11.5	10.5	5.4	5.5	
<i>Diversified Growth</i>						
Baillie Gifford ²	Active	1.1	1.3	n/a	n/a	
Total Fund		6.0	4.8	7.2	7.3	
<i>Private Equity</i>						
Morgan Stanley		3.4	-	8.4	-	

¹The one year return shown for BlackRock Global Equities represents the period from 31 March 2013 to 25 November 2013, when this investment was fully disinvested.

²The one year return shown for Baillie Gifford DGF represents the period since inception. Inception date was 29 November 2013.

Investment Managers

At the end of November 2013, Baillie Gifford was appointed to manage a Diversified Growth mandate on behalf of the Scheme. This investment was funded using the proceeds from the passive BlackRock Global Equity fund disinvestment. There were no other changes to the Scheme's managers during the twelve months to 31 March 2014. The Trustees continue to review investment performance on a regular basis, focusing on results over a three to five year time horizon.

Manager Performance

Over the 12 months to 31 March 2014, the Scheme returned 6.0% compared to a benchmark of 4.8%. The Scheme marginally underperformed its benchmark over the 3 year period, returning 7.2% against a benchmark of 7.3%.

In assessing the performance of the Managers, the Trustees look at 3 to 5 year performance data. Over the

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3 year period, Kames Capital has outperformed its benchmark while Threadneedle and the passive Blackrock funds have performed broadly in line. Global equity mandates with Baillie Gifford and Wellington were introduced in June 2011 and hence do not have 3 year return data. Over the 12 month period, the Baillie Gifford Global Equity Fund outperformed its benchmark, while Wellington underperformed.

Morgan Stanley performance figures represent the internal rate of return over the respective time periods.

Aggregate performance is as calculated by Hymans Robertson Limited, based on cash flows, market values and performance figures provided by the individual investment managers.

Statement of Trustees' Responsibilities

The Scheme's Trustees are responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for making available certain other information about the Scheme in the form of an Annual Report.

The financial statements are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- 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 that year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in the Schedule to 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 Statement of Recommended Practice 'Financial Reports of Pension Schemes' (revised May 2007).

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable to 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 monitoring 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 Act 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

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.

On behalf of the Trustees

Alan Johnston, Trustee

Date.....

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE UNIVERSITY OF EDINBURGH STAFF BENEFITS SCHEME

We have audited the financial statements of the University of Edinburgh Staff Benefits Scheme for the year ended 31 March 2014 which comprise the fund account, the net assets statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustees, as a body, in accordance with regulation 3 (c) of the Occupational Pension Schemes (Requirement 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 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 Trustees, as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 10 the Scheme's Trustees are responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2014 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 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Ernst & Young LLP

Statutory Auditor

Glasgow

Dated.....

Fund Account

for the year ended 31 March 2014

	<i>Notes</i>	<i>2014</i>	<i>2013</i>
		<i>£</i>	<i>£</i>
<i>Contributions and benefits</i>			
Contributions receivable	3	12,276,164	11,943,756
Transfers in	4	617,530	410,115
Other income	5	149,731	317,387
		<hr/>	<hr/>
		13,043,425	12,671,258
		<hr/>	<hr/>
Benefits payable	6	10,651,955	10,442,604
Payments to and on account of leavers	7	3,362,200	1,493,912
Other payments	8	86,628	214,334
Administrative expenses	9	878,285	912,004
		<hr/>	<hr/>
		14,979,068	13,062,854
		<hr/>	<hr/>
<i>Net (withdrawals) from dealings with members</i>		(1,935,643)	(391,596)
<i>Returns on investments</i>			
Investment income	10	3,260,671	2,641,503
Change in market value of investments	12	13,157,851	28,005,645
Investment management expenses	11	(113,098)	(133,541)
		<hr/>	<hr/>
<i>Net returns on investments</i>		16,305,424	30,513,607
		<hr/>	<hr/>
<i>Net increase in fund during the year</i>		14,369,781	30,122,011
		<hr/>	<hr/>
<i>Net assets of the scheme</i>			
<i>At 1 April</i>		269,840,027	239,718,016
		<hr/>	<hr/>
<i>At 31 March</i>		284,209,808	269,840,027
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 14 to 20 form part of these accounts.

Net Assets Statement

as at 31 March 2014

	<i>Notes</i>	<i>2014</i> £	<i>2013</i> £
<i>Investment Assets</i>	12	284,420,051	269,161,214
<i>Current Assets</i>	13	1,178,595	1,695,571
<i>Current Liabilities</i>	14	(1,388,838)	(1,016,758)
<i>Net assets of the scheme at 31 March</i>		<u>284,209,808</u>	<u>269,840,027</u>

These financial statements summarise the transactions of the Scheme and deal with the net assets at the disposition of the Trustees. They do not take account of the obligations to pay pensions and benefits, which fall after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations is dealt with in the Trustees' Report and the actuary's certificates on pages 25 and 26 and these financial statements should be read in conjunction with them.

The financial statements on pages 12 to 20 were approved by the Trustees on

2014

Signed on behalf of the Trustees by:

Alan Johnston, Trustee

The notes on pages 14 to 20 form part of these accounts.

Notes to the Financial Statements

at 31 March 2014

1. Basis of preparation

The 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, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes, revised May 2007.

2. Accounting policies

Investments

Pooled investment vehicles and AVC investments are valued at closing bid price or, if single priced, at the closing single price.

Unquoted investments are stated at the Trustees' estimate of fair value based on advice from the investment manager or other appropriate professional advisor.

Contributions

Employer's and members' contributions are accounted for on an accruals basis at rates agreed between the Trustees and the employer based on the recommendation of the actuary and the schedule of contributions. Members' additional voluntary contributions are accounted for on an accruals basis.

Employer deficit funding contributions are accounted for on an accruals basis, in accordance with the schedule of contributions under which they are paid.

Augmentation contributions are accounted for in accordance with the agreement under which they are payable.

Transfer values

Individual transfers to and from the Scheme during the year are included in the financial statements on the basis of when the member liability is accepted or discharged.

Benefits

Benefits payable are included in the financial statements in respect of entitlement to 31 March 2014 in accordance with the rules of the Scheme.

Investment income

Dividends and income from managed funds are included on an ex-dividend basis. Other interest is accounted for on an accruals basis. Income from Managed Funds is reinvested in the fund and is shown as an increase in market value, and not separately as investment income. Income from Unit Trusts – Property is included under investment income.

Foreign currencies

Amounts denominated in foreign currencies at the year end are translated at the rate ruling at the year end. Differences on foreign currency transactions are included in the fund account within the change in the market value of investments to which they relate.

Investment income and purchases and sales of foreign currency holdings denominated in foreign currencies are recorded at the rate of exchange on the date of the transaction.

Administrative expenses and investment management expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis. The majority of investment manager fees are charged within the underlying funds as disclosed in note 11.

Notes to the Financial Statements

at 31 March 2014

3. Contributions receivable

	2014	2013
	£	£
Employers:		
Normal*	8,831,992	8,616,424
Salary Sacrifice**	3,030,521	3,051,390
Additional***	23,343	18,862
Members:		
Normal	207,599	109,029
Additional voluntary contributions	182,709	148,051
	12,276,164	11,943,756
	12,276,164	11,943,756

*Employer normal contributions include deficit funding contributions of £1,561,370 for 2014, and £3,777,644 for 2013. These are paid in accordance with the rates set out in the schedules of contributions that were effective during the year. The schedule of contributions that was certified by the actuary on 14 May 2013 requires deficit funding of 2.5% of pensionable salaries to be paid until 30 December 2025 (previously 8.9%).

**Salary Sacrifice was implemented with effect from 1 January 2008. All eligible members were informed of the proposals and given the option to opt out. Few eligible members chose to opt out and the take up was over 95%.

***Employer additional contributions relate to specific amounts paid by the employer to augment members' benefits.

4. Transfers in

	2014	2013
	£	£
Individual transfers in from other schemes	617,530	410,115
	617,530	410,115
	617,530	410,115

5. Other income

	2014	2013
	£	£
Claims on term insurance policies	137,256	314,544
Other	12,475	2,843
	149,731	317,387
	149,731	317,387

Notes to the Financial Statements

at 31 March 2014

6. Benefits payable

	2014	2013
	£	£
Pensions	8,269,813	7,827,980
Commutations and lump sum retirement benefits	2,167,085	2,174,364
Lump sum death benefits	159,350	312,692
Refunds on death	55,707	127,568
	10,651,955	10,442,604
	10,651,955	10,442,604

7. Payments to and on account of leavers

	2014	2013
	£	£
Refunds to members leaving service	6,269	4,933
Contribution equivalent premiums	35,154	-
Individual transfers to other schemes	3,320,777	1,488,979
	3,362,200	1,493,912
	3,362,200	1,493,912

8. Other payments

	2014	2013
	£	£
Premiums on term insurance policies	86,628	214,334
	86,628	214,334
	86,628	214,334

9. Administrative expenses

	2014	2013
	£	£
Administration and actuarial fees	710,250	745,128
Audit fees	19,764	14,580
Pension Regulator Levy	148,271	152,296
	878,285	912,004
	878,285	912,004

10. Investment income

	2014	2013
	£	£
Income from unquoted securities	1,790,208	1,222,426
Income from pooled investment vehicles	1,470,463	1,419,075
Interest on cash deposits	-	2
	3,260,671	2,641,503
	3,260,671	2,641,503

Notes to the Financial Statements

at 31 March 2014

11. Investment charges

Investment management fees are charged as follows:

Manager	Fee Rate (p.a.)	Comment
Kames Capital	0.40% for first £20m, 0.33% for next £50m.	Basis of fee is the average fund size in the month and apply 1/12 of the annual management charge.
Baillie Gifford (Global Equities)	0.65%pa	Basic fee of 0.65%pa
Baillie Gifford (Diversified Growth)	0.5%pa	Basic fee of 0.5%pa applies assuming the allocation to Global Alpha continues to be significant
BlackRock	<u>UK Gilts</u> 0.1%pa on first £15m, 0.06%pa on remainder. <u>Corporate Bonds</u> 0.125%pa on first £7.5m, 0.1%pa on remainder	Basic fee of 0.1%pa on first £15m and 0.06%pa on remainder. Basic fee of 0.125%pa on first £7.5m and 0.1%pa on remainder.
Morgan Stanley	PMF III and IV 1.00% p.a. on capital committed until the fifth anniversary of the first capital call. Thereafter, the fee will be a constant percentage of the Scheme's proportionate share of capital committed to underlying investments, less the amount of capital returned. PMF V 1.00% p.a. on capital committed until the fifth anniversary of the first capital call. Thereafter, the fee will fall to a percentage equal to 75% of the percentage used to calculate the fee for the preceding year.	In addition the Morgan Stanley mandate has a performance fee as follows: 5% of net profits annually, with a preferred return of 8% per annum, compounded annually and a 100% catch-up.
Threadneedle	0.68% pa. 1.18%pa if trail fee of 0.5% is paid	
Wellington	0.65% on first £20m, 0.5% over £20m	Basic fee of 0.65% on first £20m, 0.5% over £20m

Fees charged by Blackrock are included in the Fund Account. Fees charged by other investment managers are reflected in the unit prices of the investments and are not directly charged to the Trustees.

Notes to the Financial Statements

at 31 March 2014

12. Investment assets

	<i>Value at 31.3.2013</i>	<i>Purchases at cost</i>	<i>Sales proceeds</i>	<i>Change in market value</i>	<i>Value at 31.3.2014</i>
	£	£	£	£	£
Pooled Investment Vehicles	249,170,286	57,914,215	(56,675,074)	13,553,521	263,962,948
Unquoted Securities	19,585,241	951,871	-	(411,309)	20,125,803
AVCs	404,844	40,220	(130,088)	15,639	330,615
	<u>269,160,371</u>	<u>58,906,306</u>	<u>(56,805,162)</u>	<u>13,157,851</u>	<u>284,419,366</u>
Cash deposits	843				685
	<u>269,161,214</u>				<u>284,420,051</u>

Pooled investment vehicles are managed by companies registered in the UK and Luxembourg.

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.

Where the investments are held in managed and unitised funds the change in market value also includes expenses both implicit and explicit to the scheme and any reinvested income, where the income is not distributed.

Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

AVC investments

The Trustees hold assets within the main pooled investment vehicles and invested separately from the main fund in the form of individual insurance policies held with The Equitable Life Assurance Society and Standard Life Assurance Company securing 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 confirming the amounts held to their account and the movements in the year. AVC investments are managed by companies registered in the UK.

Notes to the Financial Statements

at 31 March 2014

12. Investment assets (continued)

	2014	2013
	£	£
<i>Pooled investment vehicles</i>		
Managed Funds - Other	237,853,698	225,373,781
Unit trusts - Property	26,109,250	23,796,505
	263,962,948	249,170,286
<i>Unquoted Securities</i>		
Limited Liabilities Partnerships	20,125,803	19,585,241
<i>AVC investments</i>		
Equitable Life	71,470	71,481
Standard Life	259,145	333,363
	330,615	404,844
<i>Cash deposits</i>		
Sterling	685	843
	685	843
 Total	 284,420,051	 269,161,214

Investment holdings

The following investments held represent more than 5% of the total value of net assets at 31 March 2014:-

<i>Fund</i>	<i>Market Value £k</i>	<i>Market Value more than 5% of net assets</i>
Baillie Gifford Global Alpha fund	£61,570	21.7%
Baillie Gifford Diversified Growth Fund	£56,841	20.0%
Morgan Stanley Private Markets Funds	£20,126	7.1%
KAMES Capital Core Plus Fund	£39,926	14.1%
Blackrock Corporate Bond Index All Stocks S1	£17,084	6.0%
Wellington Management Global Value Equity Fund	£53,850	19.0%
Threadneedle Property Unit Trust Fund	£26,109	9.2%

Notes to the Financial Statements

at 31 March 2014

13. Current assets

	2014	2013
	£	£
Debtors		
Other debtors	101,767	-
Contributions due from Employer	1,022,236	1,036,166
	54,592	659,405
Cash balances	54,592	659,405
	1,178,595	1,695,571

The contributions from the employer were received after the year end in accordance with the timescales set out in the schedule of contributions.

14. Current liabilities

	2014	2013
	£	£
Creditors		
Amounts due to employer (note 16)	700,610	671,337
Accrued expenses	688,228	345,421
	1,388,838	1,016,758
	1,388,838	1,016,758

15. Capital Commitment

The Trustees appointed Morgan Stanley Investment Management Ltd in November 2006. Morgan Stanley Investment Management Ltd manages the Private Equity mandate for the Scheme. The Scheme has committed to invest in PMF III, PMF IV and PMF V funds and will commit to PMFVI later in 2014.

As at 31 March 2014 the amount of the undrawn commitment was approximately £9.7 million (\$14.8m), (2013: £9.5 million (\$14.5m)).

16. Related party transactions

The University of Edinburgh provides administration services to the Scheme. The fee payable for these services was £63,826 for the year ended 31 March 2014 (2013: £62,045). At the year end the Scheme was due to pay the University of Edinburgh £700,610 as reimbursement for pensions paid (2013: £671,337). The University of Edinburgh was due to pay the Scheme £1,022,236 as contributions receivable (2013: £1,036,166).

There is one Trustee (2013: one Trustee) who is a contributing member of the Scheme and her contributions are included in employee and employer contributions. The amounts are paid in accordance with the Schedule of Contributions.

17. Employer related investments

There were no employer related investments at any time during the year within the meaning of section 40(2) of the Pensions Act 1995. (2013 – nil)

Independent Auditor's Statement about Contributions to the Trustees of the University of Edinburgh Staff Benefits Scheme

We have examined the summary of contributions to the University of Edinburgh Staff Benefits Scheme for the Scheme year ended 31 March 2014 to which this statement is attached.

This statement is made solely to the Trustees, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the 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 Trustees as a body, for our work, for this statement, or the opinion we have formed.

Respective responsibilities of trustees and auditor

As described more fully in the Statement of Trustees' Responsibilities set out on page 10 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 contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Scheme's 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.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes 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.

Statement about contributions

In our opinion contributions for the Scheme year ended 31 March 2014 as reported in the attached summary of contributions, have, in all material respects, been paid at least in accordance with the schedules of contributions certified by the scheme actuary on 25 June 2010 and 14 May 2013.

Ernst & Young LLP
Statutory Auditor
Glasgow

Dated.....

**University of Edinburgh Staff Benefits Scheme
Summary of Contributions payable during the year ended 31 March 2014**

During the year ended 31 March 2014 the contributions payable to the Scheme under the schedules of contributions were as follows:

	£
Employer normal contributions	8,831,992
Employer salary sacrifice	3,030,521
Employer additional contributions	23,343
Employee normal contributions	207,599
Total contributions under schedules of contributions	----- 12,093,455 -----
Employee additional voluntary contributions	----- 182,709 -----
Total contributions per note 3 of the financial statements	----- 12,276,164 -----

Signed on behalf of the Trustees

Date:

The trustees have agreed a schedule of contributions with the employer. The schedule of contributions sets out rates of employer and employee contributions and also the dates by which the contributions will be paid to the Scheme. The rates applicable were:

Employers: 20.3% of pensionable salary since 1 August 2009.

Employees: 7.5% of pensionable salary since 1 August 2009.

University of Edinburgh Staff Benefits Scheme Schedule of Contributions

Contributions payable from the Schedule Date until 30 December 2025

Status

This schedule of contributions has been prepared by the Trustees of the University of Edinburgh Staff Benefits Scheme ("the Scheme"), after obtaining the advice of Shahbaz Hamid, the actuary to the Scheme. The Trustees have consulted the Court of the University of Edinburgh ("the University") in relation to this schedule.

For each complete month ending after the Schedule Date¹ contributions of at least the following rates for retirement benefits and for expenses are due:

By active members

Contributions to the Scheme are payable by the active members and by the University. Active members who do not participate in the salary sacrifice arrangements contribute at a rate of 7.5% of Pensionable Salary. For active members who do participate in the salary sacrifice arrangements, the University pays an additional 7.5% of Pensionable Salary on the members' behalf.

By the University

In respect of future accrual of benefits:

Period	Contributions
Period until 30 December 2025	25.3% of Pensionable Salary less the amounts paid by active members

The above rate includes an allowance to cover administration expenses, Pension Protection Fund and other levies and insurance premiums for death-in-service benefits.

Pensionable Salary, for contribution purposes, is defined as basic current earnings for that pay period (or, for a member participating in the salary sacrifice arrangement, the basic current earnings that the member would have received for that pay period had he not been participating in salary sacrifice arrangement).

Contributions are to be paid to the Scheme on or before the 19th of the calendar month following that to which the payment relates.

1. "Schedule Date" is the date this schedule is certified by the Scheme Actuary.



In respect of the shortfall in funding.

In accordance with the recovery plan dated 14 May 2013, the University will pay the following in respect of the funding shortfall:

Period	Contributions
31 March 2012 – 30 December 2025	2.5% of Pensionable Salary

Contributions are to be paid to the Scheme on or before the 19th of the calendar month following that to which the payment relates.

In respect of augmentations granted

The University may also pay any additional contributions from time to time in respect of enhanced early retirements, benefit augmentations or discretionary benefits, as agreed by the University and Trustees following advice from the Scheme Actuary.

Administration errors

The University may contribute smaller or greater amounts than those described in the previous paragraphs provided that these result from administration errors and that, at any time, the cumulative amounts paid are no more than £5,000 lower than the cumulative that should have been paid as described in the previous paragraphs.

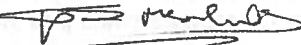
In the event that the amounts actually paid are lower than those described in the previous paragraphs, the University shall ensure that the shortfall is made good as soon as reasonably practicable after it becomes aware of the errors.

Future Revisions

This Schedule may be revised from time to time where the revisions are agreed between the Trustees and the University, following advice from the Scheme Actuary. The Scheme Actuary would then certify any revisions to the rates. The Trustees and the University have agreed to review the contribution rate again after the actuarial valuation on 31 March 2015.

Signed on behalf of the Trustees of the University of Edinburgh Staff Benefits Scheme:

Name: PAUL MCNAUL

Signed: 

Position: TRUSTEE

Date: 14 May 2013

Signed on behalf of the Court of the University of Edinburgh:

Name: PROF STUART R MOWER

Signed: 

Position: VICE CHANCELLOR OF COURT

Date: 14 May 2013



Actuary's Certification of Schedule of Contributions

Scheme Name: **University of Edinburgh Staff Benefits Scheme**

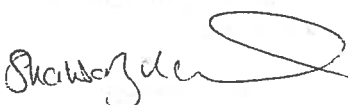
Adequacy of rates of contributions

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 31 March 2012 to be met by the end of the period specified in the recovery plan dated 14 May 2013.

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 14 May 2013.

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: 14 May 2013

Name: Shahbaz Hamid

Qualification: Fellow of the Institute & Faculty of Actuaries

Address: Aon Hewitt
40 Torphichen Street
Edinburgh
EH3 8JB

Name of employer: Aon Hewitt Limited



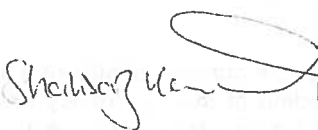
Actuary's Certification of Technical Provisions

ACTUARIAL CERTIFICATE GIVEN FOR THE PURPOSES OF REGULATION 7(4)(a) OF THE
OCCUPATIONAL PENSION SCHEMES (SCHEME FUNDING) REGULATIONS 2005

Name of Scheme: *University of Edinburgh Staff Benefits Scheme*

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme technical provisions as at 31 March 2012 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 14 May 2013.

Signature  Date 14 May 2013

Name Shahbaz Hamid Qualification Fellow of the Institute and Faculty
of Actuaries

Address 40 Torphichen Street Name of Employer Aon Hewitt Limited
Edinburgh
EH3 8JB

Compliance Statement

University of Edinburgh Staff Benefits Scheme is governed by a Definitive Trust Deed and rules dated 17 May 1968 with subsequent amendments.

Taxation status

The scheme is a Registered Pension Scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from a trading activity is not investment income and so will be assessed to tax in the normal way.

Changes to scheme constitution, rules or basic information

The Scheme benefit structure for all service from 1 January 2012 is based on a CARE type arrangement. The Scheme's normal age of retirement for all staff is 65 and the guarantee on pension increases in payment is to a maximum of 5%.

Pension increases

In accordance with the rules, pensions in payment and deferred pensions were increased with effect from 1 April to assist pensioners to keep pace with inflation.

TPAS, Pensions Ombudsman and the Pension Regulator

If Scheme members have any queries concerning their benefits they should contact the Scheme's administrators by writing to the pension administration office at the address shown on page 3.

If a member has a complaint against the scheme which has not been resolved to their satisfaction through the scheme's dispute procedure, The Pensions Advisory Service (TPAS), an independent voluntary organisation, may be able to offer advice. The name of the local TPAS adviser can be obtained from any local Citizens Advice Bureau. If the complaint is not satisfactorily resolved, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustees or scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB

The Pensions Regulator can intervene if it considers that a scheme's trustees, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton
BN1 4DW