

**UNIVERSITY OF SOUTHAMPTON
PENSION AND ASSURANCE
SCHEME FOR
NON ACADEMIC STAFF**

ANNUAL REPORT

31 JULY 2012

Registered number:101150842

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

Chairman

Dr M Bateman

University Trustees

Mr M J Ace
Mr M S Killingley
Ms T Harrison (from 01.08.2011)

Active Member Trustees

Mr D Lynock
Mr A Dolby

Pensioner Trustee

Mrs D Woods

Clerk to the Trustees

Mr S Honywill

Actuary

Mr J Bridger
Pension Consultants
Barnett Waddingham
St James's House
St James's Square
Cheltenham
GL50 3PR

Auditors

Mazars LLP
8 New Fields
2 Stinsford Road
Nuffield
Poole

Bankers

HSBC Bank Plc
165 High Street
Southampton
Hampshire
SO14 2NZ

Solicitors

Squire, Sanders & Dempsey (UK) LLP
Rutland House
148 Edmund Street
Birmingham
B3 2JR

Administration Office

Finance Department
University of Southampton
Highfield
Southampton
SO17 1BJ

Investment Managers

BlackRock Investment Management Limited
33 King William Street
London EC4R 9AS

Barings Asset Management Limited
155 Bishopsgate
London EC2M 3XY

Newton Investment Management Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Custodian (Blackrock)

BNY Mellon
One Canada Square
London E14 5AL

Custodian (Newton)

BNY Mellon
160 Queen Victoria Street
London EC4V 4LA

Custodian (Barings)

Northern Trust Fiduciary Services (Ireland) Ltd.
George's Quay House
43 Townsend Street
Dublin 2,
Ireland

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

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UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2012

The Trustees have pleasure in reporting to the members for the year ended 31 July 2012.

Board of Trustees

The Trustees are responsible for the administration and investment policy of the Scheme. The Trustees met five times in the year, and attendance of the meetings is as follows:

Trustee	Number of Meetings attended out of 5
Dr M Bateman- Chairman	4
Mr M J Ace- University Trustee	4
Mr M S Killingley- University Trustee	5
Ms T Harrison- University Trustee	1
Mr D Lynock- Member Trustee	4
Mr A Dolby- Member Trustee	4
Mrs D Woods- Pensioner Trustee	5

The Trustees are appointed and may be removed by the University in accordance with provisions of the Trust Deed. University Trustees are the holders of the offices specified in the Trust Deed and cease to be Trustees on resignation from those offices. Member Trustees are elected triennially by a ballot of members and cease to be Trustees on the day prior to the third anniversary of their appointment, or by resignation prior to that date.

The Scheme administration is performed by the Finance Department of the University.

Statement of Trustees' responsibilities

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 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 the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and Statement from the Auditor) Regulation 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

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 towards the Scheme by or on behalf of the employer and the active

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2012

(Continued)

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.

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 prevent and detect fraud and other irregularities.

The Scheme

The University of Southampton Pension and Assurance Scheme for Non Academic Staff was established in August 1967, to provide retirement and death benefits for all eligible non-academic employees of the University.

The Scheme is governed by a revised definitive Trust Deed dated 29 July 1999 incorporating the preservation requirements of The Social Security Act 1973, and the contracting out provision of The Social Security Pension Act 1975, and all previous supplementary deeds.

The Scheme investments are in accordance with the Occupational Pensions Scheme (Investment of Scheme's Resources) Regulations 1996. The financial statements have been prepared and audited in compliance with regulations under Section 41(1) and (6) of the Pensions Act 1995.

Pensions payable

In accordance with the Scheme rules, pensions are increased annually in line with the Pensions Increase Act 1971. With effect from 1 April 2012 the following increases were made to the pensions payable and deferred provision based on CPI as at September 2011, which replaced the previous methodology of using RPI.

Pensions in course of payment for benefits accrued to end September 2010	5.2%
Pensions in course of payment for benefits accrued to after 1 October 2010	2.5%
Deferred pensions	5.2%

Pension increases are made at the discretion of the Trustees and University of Southampton where pensions commenced to be paid prior to 1 April 1987.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2012 (Continued)

Revaluation of deferred pensions only apply where a member left after 1 January 1986. In these cases, the following rules apply:

- For leavers between 1 January 1986 and 31 December 1990: Revaluation can be back-dated to 1 January 1985.
- For leavers after 1 January 1991: Revaluation is calculated on all pensionable service.

Deferred pensions for members who left before 1 January 1986 are not subject to any revaluation.

Membership

	<u>2012</u> <u>Number</u>	<u>2011</u> <u>Number</u>
<u>Active members</u>		
Active members at the beginning of the year	1,462	1,557
Adjustment to previous year balance	4	(24)
New members joining	378	212
Members retiring	(29)	(66)
Deaths in service	(3)	(3)
Members leaving prior to pensionable age	(191)	(196)
Members leaving with refunds	(13)	(7)
Transfers out	(10)	(11)
	1,598	1,462
<u>Pensioners</u>		
Pensioners at the beginning of the year	1,234	1,202
Adjustment to previous year balance	(5)	(24)
Members retiring	29	66
Deferred pensioners reaching pensionable age	20	19
Spouses and dependants	20	12
Pensioners who died during the year	(43)	(41)
	1,255	1,234
<u>Deferred Pensioners</u>		
Deferred pensioners at the beginning of the year	1,656	1,512
Deferred pensioners during the year	191	196
Deferred pensioners reaching pensionable age	(20)	(19)
Deferred pensioners taking refunds/ transfers/trivial pensions	(49)	(33)
	1,778	1,656
Total membership as at 31 July	<u>4,631</u>	<u>4,352</u>

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2012

(Continued)

Management of the Scheme

The overall management of the Scheme is vested in the Trustees whose names appear on page 1 of this report. The management of the investment assets of the Scheme has been delegated by the Trustees to BlackRock Investment Management, Barings Asset Management and Newton Investment Management, who have full responsibility for the day to day affairs of the Scheme. The Investment Managers are remunerated on a fee basis, charged quarterly as follows:

BlackRock Investment Management

0.70% pa on first £10 million (market value of fund held at each quarter end)

0.50% pa on next £10 million (market value of fund held at each quarter end)

0.35% pa on balance in excess of £20 million (market value of fund held at each quarter end)

Investments held by BlackRock in corporate bonds and gilts are charged a management fee of 0.10% per annum.

Investments held by BlackRock in the Property Fund are charged a management fee of 1.0% per annum.

Barings Asset Management

0.55% pa on assets held in the Dynamic Asset Allocation Fund

Newton Investment Management

0.75% pa on assets held in the Real Return Fund

Actuarial Position

The last full actuarial valuation was performed by Barnett Waddingham Ltd as at 1 August 2009. The valuation indicated that on the basis of existing contribution rates the scheme was in deficit. As a consequence of the scheme being in deficit the Trustees agreed to a long term recovery plan effective from 1 August 2010.

The next full actuarial valuation will be effective from 1 August 2012.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

INVESTMENT REPORT

The investment assets of the Scheme are vested in the investment managers who have full discretion to invest on a worldwide basis with the exclusion of direct investment in tobacco companies. The policy followed reflects the investment objectives of meeting the Scheme's long term commitment to provide pensions and other benefits in the future. The Trustees have produced a Statement of Investment Principles as required by section 35 of the Pension Act 1995 and a copy is available on request.

A summary of the Scheme's performance over the last five calendar years is given below. The table shows the returns achieved by each investment manager and the aggregate return of the Scheme. Since 1 April 2003 the Scheme has been using a composite benchmark, tailored to its long term strategy.

	Black Rock	Barings	Lion Trust	Legal & General *	Newton	UBS	PASNAS Total	Benchmark
	%		%	%		%	%	%
2012(6mths)	2.9	2.4	-	-	2.1	-	2.6	2.7
2011	-2.6	3.3	-	-	2.1	-	2.0	4.0
2010	14.3	-	-	14.6	-	-	13.9	13.1
2009	17.6	-	-	27.1	-	-9.8	17.9	16.6
2008	-10.4	-	-29.2	-	-	-26.8	-15.0	-14.5

* The assets held with Liontrust were transferred to Legal & General on 24 April 2009.

Analysis of investments

At 31 July 2012 the investment managers had invested the investment assets of the Scheme as follows:

	<u>2012</u> £000	<u>2011</u> £000
Managed Funds UK – Fixed interest securities	12,788	10,924
Managed Funds UK – Index linked securities	16,836	15,868
Equities – UK quoted	27,053	28,707
– UK unquoted	3	3
Managed Funds (investment and unit trusts)	33,354	34,167
Absolute Return Funds	26,209	25,654
Cash deposits	1,631	393
	<u>117,874</u>	<u>115,716</u>

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

INVESTMENT REPORT (Continued)

Analysis of investments by market sector

The analysis of worldwide quoted equity, and managed funds holdings by market sector, based on market values, as at 31 July 2012 is as follows:

	<u>BlackRock</u> <u>2012</u> £000
<u>Capital Goods:</u>	
Building, Electronics, Motors, Other Industrial Materials	10,007
<u>Consumer and Services group:</u>	
Brewers, Leisure, Stores, Food, Media, Printing, Transport	16,732
<u>Financial group:</u>	
Banks, Insurance, Property	14,988
<u>Other groups:</u>	
Oil, Gas, Electricity, Chemical, Water and Telephones	18,680
Total	<u>60,407</u>

Significant investments

The ten largest holdings, in terms of market value, as at 31 July 2012 were as follows (last year's rankings are shown in brackets):

	£000	Percentage of Fund %
1 BlackRock UK Index Linked Securities (1)	16,836	14.48
2 Newton Real Return (2)	15,585	13.41
3 BlackRock UK Fixed Interest Securities (3)	12,788	11.00
4 Baring Dynamic Asset Allocation Fund (4)	10,625	9.14
5 BlackRock Pacific Basin (6)	5,752	4.95
6 BlackRock Continental Europe Fund (10)	5,652	4.86
7 BlackRock Emerging Markets Fund (5)	5,589	4.81
8 BlackRock North America (7)	5,536	4.76
9 BlackRock Japan Fund (8)	5,466	4.70
10 BlackRock Property Fund (9)	5,358	4.61
	<u>89,187</u>	

The Market Value of Funds held by each Investment Manager as at 31 July 2012:

	£000
BlackRock Investment Management	91,667
Barings Asset Management	10,625
Newton Investment Management	15,585
	<u>117,877</u>

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

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INVESTMENT REPORT (Continued)

Geographical analysis of investment (excluding UK)

<u>Unit and Investment Trusts (all held with UK fund managers)</u>	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>
Other European countries	5,653	5,171
North America	5,535	5,754
Japan	5,466	5,738
Pacific	5,752	5,838
Emerging markets	5,589	6,326
	<u>27,995</u>	<u>28,827</u>

<u>Analysis of the BlackRock Investment portfolio:</u>	<u>2012</u>	<u>2011</u>
	<u>%</u>	<u>%</u>
Managed Funds UK - Fixed interest securities	14.0	12.1
Managed Funds UK - Index linked securities	18.3	17.6
Equities	29.5	31.9
Managed funds (Unit and Investment trusts)	36.5	38.0
Cash deposits	1.7	0.4
	<u>100.0</u>	<u>100.0</u>

<u>Analysis of investment portfolios:</u>	<u>2012</u>	<u>2011</u>
	<u>%</u>	<u>%</u>
Baring Dynamic Asset Allocation Fund	100.0	100.0
Newton Real Return	100.0	100.0

Custodial arrangements

The custodians are The Bank of New York Mellon (BlackRock & Newton), Northern Trust Fiduciary Services (Ireland) Limited (Barings). They are responsible for retaining all documentation in relation to assets held by the scheme.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

INVESTMENT REPORT (Continued)

Further information

Further disclosures required by legislation are made in the Compliance Statement.

Trustees

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of scheme The University of Southampton Pension and Assurance Scheme for
Non Academic Staff

Adequacy of rates of contributions

1. I hereby certify that, in my opinion, the rates of the contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated 05 August 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 27 July 2010.

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 July 2010

Name:

Jon Bridger

Qualification:

Fellow of the
Institute of Actuaries

Address:

St. James' House
St. James' Square
Cheltenham
GL50 3PR

Name of Employer:

Barnett Waddingham
LLP

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

Independent auditors' report to the trustees of the University of Southampton Pension and Assurance Scheme for Non Academic Staff

We have audited the financial statements of University of Southampton Pension & Assurance Scheme for Non Academic Staff for the year ended 31 July 2012 which comprise the fund account, the net assets statement and the related notes. 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).

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 2, the Scheme's Trustees are responsible for the preparation of the financial statements which give 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 (APB's) Ethical Standards for Auditors. This report is made solely to the Scheme's Trustees as a body in accordance with 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 Scheme's Trustees those matters we are required to state to them in an auditors' 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 July 2012, 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.

Mazars LLP

Chartered Accountants and Statutory Auditors

8 New Fields
2 Stinsford Road
Nuffield
Poole
Dorset
BH17 0NF

Date

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

FUND ACCOUNT FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 £000	2011 £000
CONTRIBUTIONS AND OTHER INCOME			
Contributions receivable	2	6,907	6,392
Transfers in from other schemes	3	866	178
Other income	4	43	194
		<u>7,816</u>	<u>6,764</u>
BENEFITS AND OTHER PAYMENTS			
Benefits payable	5	5,514	6,262
Payments to and on account of leavers	6	1,180	461
Other payments	7	161	161
Administration expenses	8	306	390
		<u>7,161</u>	<u>7,274</u>
NET CONTRIBUTIONS/ (WITHDRAWALS) FROM DEALING WITH MEMBERS		<u>655</u>	<u>(510)</u>
INVESTMENT RETURN			
Investment income	9	2,490	2,155
Change in market value of investments	10	(166)	10,317
Investment management expenses		<u>(310)</u>	<u>(486)</u>
NET RETURN ON INVESTMENTS		<u>2,014</u>	<u>11,986</u>
NET INCREASE IN THE FUND DURING THE YEAR		2,669	11,476
NET ASSETS AT 1 AUGUST 2011		117,184	105,708
NET ASSETS AT 31 JULY 2012		<u>119,853</u>	<u>117,184</u>

The notes on pages 15 to 21 form part of these financial statements.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

NET ASSETS STATEMENT AS AT 31 JULY 2012

	<u>Notes</u>	2012 £000	2012 £000	2011 £000	2011 £000
INVESTMENT ASSETS	10		118,094		116,067
CURRENT ASSETS					
Debtors	11	626		527	
Cash		<u>1,182</u>		<u>665</u>	
		1,808		1,192	
CURRENT LIABILITIES	12	(49)		(75)	
NET CURRENT ASSETS			1,759		1,117
NET ASSETS OF THE SCHEME			<u>119,853</u>		<u>117,184</u>

The notes on pages 15 to 21 form part of these financial statements.

The financial statements summarise the transactions and net assets of the Scheme. Liabilities to pay pensions and other benefits which are expected to become payable after the end of the scheme year are not dealt with in the financial statements. The actuarial position of the fund, which does take account of such liabilities, is dealt with in the statement by the actuary on page 10 of the report and these financial statements should be read in conjunction with it.

The accounts were approved by the Trustees on.....2013, and signed on their behalf by:

Trustee

Trustee

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

NOTES TO THE ACCOUNTS – 31 JULY 2012

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and 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, revised May 2007, Financial Reports of Pension Schemes.

Contribution income

Ordinary contributions in respect of wages and salaries earned in the financial year are included on an accruals basis at rates agreed between the Trustees and the participating employers for the period and as recommended by the consultant actuary. Special contributions from the participating employers and additional voluntary contributions are accounted for when receivable.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Scheme. All the values were based on methods and assumptions determined by the consultant actuary advising the Trustees.

Investment income

Income from investments is accounted for when receivable. Dividends and interest are grossed up for the amount of any taxation recoverable.

Benefits payable

Benefits payable represent all valid benefit claims in respect of the scheme year and are accounted for when paid.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

NOTES TO THE ACCOUNTS – 31 JULY 2012 (Continued)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Investments

Investments are included in the net assets statement at their market values at the year end, which are determined as follows:

UK listed equities and foreign securities and listed equities quoted on a recognised stock exchange are stated at bid values ruling at the year end.

Investments traded through the Stock Exchange Electronic Trading Service, “SETS”, are valued on the basis of the latest trade price.

Unit trusts, managed fund investments are stated at the latest bid prices quoted by the trust and fund managers at the year end.

Unlisted UK equities and unlisted foreign securities are stated at the Trustees’ valuation, based on the advice of the Scheme’s investment managers.

Realised and unrealised capital gains and losses are dealt with in the fund account in the year in which they arise.

Investments denominated in foreign currencies are translated at exchange rates ruling at the year end, and any surpluses or deficits arising from foreign currency movements are dealt with as part of realised and unrealised investment gains and losses.

Investment management expenses

The investment managers are remunerated on a formula basis based on the valuation of the fund each quarter. Specific details are disclosed within the Investment Report.

2 CONTRIBUTIONS RECEIVABLE

	<u>2012</u> £000	<u>2011</u> £000
Employee		
Ordinary contributions	299	245
Additional voluntary contributions	68	72
	<u>367</u>	<u>317</u>
Employer		
Ordinary contributions	6,540	6,066
Premature retirement costs	-	9
Total contributions	<u>6,907</u>	<u>6,392</u>

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

NOTES TO THE ACCOUNTS – 31 JULY 2012 (Continued)

Contribution rates during the year were as follows:

By members – 6.2%

By employers – 16.5%

In July 2008 the University successfully implemented a salary sacrifice scheme relating to employee pension contributions. The scheme has helped the University constrain the growth of salary costs and provided benefits to staff.

Additional voluntary contributions

Additional voluntary contributions from members, as shown above, represent contributions made to purchase added years or additional defined benefits under the provision of the principal scheme and are included in the revenue account. Assets acquired with these contributions are included in the net assets statement.

3 TRANSFERS IN

	2012 £000	2011 £000
Individual transfers in from other schemes	866	178

4 OTHER INCOME

	2012 £000	2011 £000
Life assurance benefits	43	194
	43	194

5 BENEFITS PAYABLE

	2012 £000	2011 £000
Pension payments to retired members	4,356	4,062
Commutation of pensions	1,090	1,969
Pension payments to spouse on death	24	-
Death in service – benefits	43	194
Death in service – refunded contributions	1	37
	5,514	6,262

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

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NOTES TO THE ACCOUNTS – 31 JULY 2012 (Continued)

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	<u>2012</u>	<u>2011</u>
	£000	£000
Refunds to members leaving service	3	5
State scheme premiums	6	6
Individual transfers out to other schemes	1,171	450
	<u>1,180</u>	<u>461</u>

7 OTHER PAYMENTS

	<u>2012</u>	<u>2011</u>
	£000	£000
Group life assurance premiums	<u>161</u>	<u>161</u>

Related claims under these policies are included within 'other income' above.

8 ADMINISTRATION EXPENSES

	<u>2012</u>	<u>2011</u>
	£000	£000
Expenses borne by the scheme comprise:		
Investment advisors fees (including actuarial fees)	82	159
Audit fees	10	9
Staff costs (recharged by the University)	79	75
Pension Protection Fund (PPF) Levy	76	82
Other scheme expenses	59	65
	<u>306</u>	<u>390</u>

The University of Southampton provides day to day administration staff, the costs of which are recharged to the Scheme as noted above.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

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NOTES TO THE ACCOUNTS – 31 JULY 2012 (Continued)

9 INVESTMENT INCOME

	2012 £000	2011 £000
Income from UK fixed interest securities	612	620
Dividends from equities	930	710
Income from managed funds	944	822
Interest on cash deposits	4	3
	<u>2,490</u>	<u>2,155</u>

10 INVESTMENT ASSETS

	2012				2011			
	UK £000	Overseas £000	ARF* £000	Total £000	UK £000	Overseas £000	ARF* £000	Total £000
Managed Funds- Fixed interest securities	12,788	-	-	12,788	10,924	-	-	10,924
Managed Funds - Index linked securities	16,836	-	-	16,836	15,868	-	-	15,868
Equities:								
Quoted	27,053	-	-	27,053	28,707	-	-	28,707
Unquoted	3	-	-	3	3	-	-	3
Managed funds:								
Property	5,358	-	-	5,358	5,340	-	-	5,340
Other than property	-	27,995	26,210	54,205	-	28,827	25,654	54,481
	<u>62,038</u>	<u>27,995</u>	<u>26,210</u>	<u>116,243</u>	<u>60,842</u>	<u>28,827</u>	<u>25,654</u>	<u>115,323</u>
Cash deposits	1,631	-	-	1,631	393	-	-	393
Sub total	<u>63,669</u>	<u>27,995</u>	<u>26,210</u>	<u>117,874</u>	<u>61,235</u>	<u>28,827</u>	<u>25,654</u>	<u>115,716</u>
Income receivable	101	-	-	101	58	-	-	58
Withholding Tax recoverable	-	119	-	119	-	293	-	293
Total	<u>63,770</u>	<u>28,114</u>	<u>26,210</u>	<u>118,094</u>	<u>61,293</u>	<u>29,120</u>	<u>25,654</u>	<u>116,067</u>

*Absolute Return Funds

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

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NOTES TO THE ACCOUNTS – 31 JULY 2012 (Continued)

Reconciliation of Investment Assets (including Cash Deposits)

	£000
At 31 July 2011	115,716
Purchases at cost	81,833
Sales proceeds	(79,951)
Realised and unrealised gains	(166)
Cash movement	442
At 31 July 2012	<u>117,874</u>

11 DEBTORS

	<u>2012</u> £000	<u>2011</u> £000
Amount owed by University of Southampton	589	509
Other debtors	<u>37</u>	<u>18</u>
	<u>626</u>	<u>527</u>

12 CURRENT LIABILITIES

	<u>2012</u> £000	<u>2011</u> £000
Accruals	<u>49</u>	<u>75</u>

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NOTES TO THE ACCOUNTS – 31 JULY 2012 (Continued)

13 CONTINGENT LIABILITIES

Following the European Court of Justice's decision that part-time staff must be allowed to join an occupational pension scheme and the subsequent English case of Preston v Wolverhampton Healthcare NHS Trust, the Trustees have undertaken work to contact all part-time staff, past and present, and inform them of their rights.

The liability of the scheme which may arise has been quantified by the Trustees as follows:

Total claims outstanding	3
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Current Members

	£
Contributions due	1,474
Future additional pension per annum (based on current salaries)	811
Future additional lump sum payable (based on current salaries)	2,435

There could be further claims lodged in the future by current members that may need to be settled. The Trustees are unable to quantify the number that may be involved or the relevant costs of potential claims.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

COMPLIANCE STATEMENT

Tax and contracting-out status of Scheme

The Scheme is approved as an “exempt approved scheme” under the terms of the Income and Corporation Taxes Act 1988 and to the Trustees’ knowledge there is no reason why such approval should be prejudiced or withdrawn. The Scheme is contracted out of the State Earnings Related Pension Scheme under a certificate issued by the Occupational Pensions Board.

Cash equivalents

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

Scheme investments

There were no employer-related investments held at any time during the year.

The investment managers appointed on behalf of the Trustees to manage funds under section 34(4) of the Pensions Act 1995 are appropriately authorised under the Financial Services Act 1986 to manage investments or are specifically exempted from the requirements of the Act. The investment managers appointed have the appropriate knowledge and experience necessary to manage the particular investments delegated to them.

A statement of investment principles has been produced as required by Section 35 of the Pensions Act 1995, and is available on request.

Scheme advisors

There are written agreements in place between the trustees of each of the scheme advisors listed on page 1 of this report and also with the Principal Employer.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE SCHEME FOR NON ACADEMIC STAFF

MEMBERS' INFORMATION

Members can obtain information about their own pension benefits or further information about the scheme from the Pensions Section.

Copies of the Scheme's documentation are available for reference in the Pensions Office, Finance Department, Professional Services (George Thomas) Building.

Registrar of Occupational and Personal Pension Schemes

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

The Pension Tracing Service
The Pension Service
Whitley Road
Newcastle Upon Tyne
NE98 1BA
Tel: 0845 6002 537
Or visiting their website at www.thepensionservice.gov.uk

The information provided includes details of the address at which the trustees of a pension scheme may be contacted. This Scheme has been registered with the Registrar.

The Pensions Advisory Service (TPAS)

Any concern connected with the Scheme should be referred to the Clerk to the Trustees, who will try to resolve the problem as quickly as possible. Members and beneficiaries of occupational pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with The Pensions Advisory Service (TPAS). A local TPAS advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively TPAS can be contacted at:

11 Belgrave Road
London SW1V 1RB
Telephone: 0207 233 8080

The Pension Protection Fund Ombudsman (TPPFO)

In cases where a complaint or dispute cannot be resolved, normally after the intervention of

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

The Pensions Regulator (TPR)

TPAS, an application can be made to the Pension Protection Fund Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

11 Belgrave Road
London SW1V 1RB
Telephone: 0207 834 9144

The Pensions Regulator (TPR) has the power to intervene where trustees of an occupational pension scheme, the employer or the professional advisors to the trustees have failed in their duties. TPR may be contacted at the following address: -

Napier House
Trafalgar Palace
Brighton
BN1 4DW
Telephone: 01273 811800

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

Independent auditors' 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 University of Southampton Pension and Assurance Scheme for Non Academic Staff

We have examined the summary of contributions of the University of Southampton Pension and Assurance Scheme for Non Academic Staff payable in respect of the scheme year ended 31 July 2012 to which this statement is attached.

This statement is made solely to the Scheme's Trustees, as a body, in accordance with 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 Scheme Trustees those matters we are required to state to them in an auditors' statement about contributions 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 work, for this statement, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described 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 which sets out 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 have a general responsibility for procuring that contributions are made to the Scheme in accordance with the schedule of contributions.

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

Basis of statement about contributions

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the attached summary of contributions have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions paid to the Scheme and the timing of those payments under the schedule of contributions. Our statement about contributions is required to refer to those breaches of the schedule of contributions which come to our attention in the course of our work.

UNIVERSITY OF SOUTHAMPTON PENSION AND ASSURANCE

SCHEME FOR NON ACADEMIC STAFF

Statement about contributions

In our opinion the contributions for the scheme year ended 31 July 2012 as reported in the Summary of Contributions attached have been paid in accordance with the schedule of contributions certified by the actuary on 28 July 2010.

Mazars LLP

Chartered Accountants and Statutory Auditors

8 New Fields

2 Stinsford Road

Nuffield

Poole

Dorset

BH17 0NF

University of Southampton Pension and Assurance Scheme for Non Academic Staff

Summary of Contributions

During the year, the contributions paid to the Scheme under the Schedule of Contributions were as follows:

	£000
Employer normal contributions	6,540
Employer special contributions	-
Employer additional contributions	-
Employee normal contributions	299
Employee special contributions	-
Employee additional voluntary contributions	68
Total contributions	<u>6,907</u>

Signed on behalf of the Trustees:

Date: