



Superannuation Arrangements
of the University of London

Your Annual Review 2015



INVESTORS
IN PEOPLE

Welcome

I'm pleased to send you the 2015 Annual Review, which gives important and helpful information to you as a member of SAUL (the Superannuation Arrangements of the University of London).

In recent years, many defined benefit pension schemes like SAUL have faced funding pressures. They have not been able to rely on investment performance alone to bridge any gap between the money they need to pay the benefits promised and the money in the scheme. While SAUL's position is better than most, we still face a deficit.

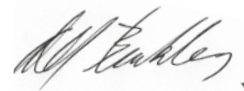
To help meet the growing costs of providing benefits and ensure that SAUL remains affordable and valuable to members and employers in future, some changes will be made in 2016 to

the benefits SAUL provides. After much consideration and extensive consultation, the Trustee decided to close the Final Salary Plan on 31 March 2016 and change the way benefits are built up from 1 April 2016. These changes aim to return the Scheme to full funding in a reasonable time. You can read more about the changes on page 5.

Every three years, our Actuary completes a valuation, which is a way of measuring the Scheme's financial strength. This year's review includes the results of the

2014 valuation and an update on SAUL's funding level (on page 8).

Do let us know what you think of this review. If there's anything you would like to see covered in a future review, please contact us using the details on the back page.



Dr Dennis Buckley
Chairman

Our vision

We put our members at the heart of all we do

What's inside?

News round-up	4
Changes to SAUL in 2016	5
Update on SAUL's funding	8
Financial highlights	10
Membership	11
Investment update	12
Our commitment to environmental and social issues	14
Sue Applegarth's first year as Chief Executive Officer	15
Trustee and advisers	15
Contact us	16



Help for visually impaired members

If you'd like a large-print version of this Annual Review, please contact SAUL Trustee Company (STC) on 020 7776 4340.

News round-up

Increases to pensions in payment



The increase for SAUL pensions in payment for 2014/15 was 1.2%, in line with changes in the Consumer Prices Index (CPI).

Get the news straight to your inbox



Sign up for regular email updates from SAUL, so that you'll always be up to date with pensions news. Simply follow the instructions on the homepage at www.saul.org.uk

Changes to National Insurance

If you're paying into SAUL in April 2016, your National Insurance (NI) contributions will increase and you'll notice a reduction in your take-home pay.

This is because the Government is changing the State Pension (which is currently made up of basic State Pension and additional State Pension). As a member of SAUL you're not currently building up additional State Pension

because SAUL is contracted-out of it. The changes will end contracting-out. The new State Pension will replace the existing basic and additional State Pension.

We'll include a new calculator on our website so you can see how the increase in NI contributions will affect your take-home pay. Your employer will let you know when this is available.

Pension tax allowances

The Government sets limits each year on the amount of pension savings people can put in before they have to pay a tax charge.

The Annual Allowance is the amount of pension savings you can put in during a 'pension input period' before you're taxed. SAUL's pension input period (normally 1 April to 31 March each year) will change next year to be in line with the tax year. Current transitional arrangements are beneficial to members. Next year the Annual Allowance will return to £40,000.

The Lifetime Allowance is a limit on the amount of pension benefits someone can

take without having to pay extra tax. Your pension benefits will be tested against the Lifetime Allowance when you retire.

The Lifetime Allowance will reduce from £1.25 million to £1 million from 6 April 2016.

It's your responsibility to monitor all your pension savings, across all personal and workplace pension schemes, to make sure you don't exceed these limits. If you do, there will be tax implications.

If you need more information, visit the HM Revenue & Customs (HMRC) website (www.hmrc.gov.uk) or contact an independent financial adviser (www.unbiased.co.uk).

Changes to SAUL in 2016

SAUL employers consulted affected employees on proposed changes to SAUL this summer. The consultation took place from 13 July to 13 September 2015. The proposals included changing the benefit structure of SAUL and increasing employer contributions.

The SAUL Negotiating Committee, made up of six SAUL employers and six Trade Union representatives from UNISON and Unite, considered all the views given by affected employees during the consultation. They recommended to the Trustee that the proposed changes should go ahead. The Trustee decided to follow the Negotiating Committee's recommendation, so the changes to SAUL will take place on 1 April 2016.

A summary of the changes

Please visit our website, at www.saul.org.uk/changes to find out more about:

- how SAUL is changing
- what affected employees said about the changes
- how we're helping you understand what the changes mean for you, and
- deadlines for transferring benefits in to SAUL and combining service.



If you're receiving a pension or have a deferred pension after leaving your SAUL employer, you won't be affected by the changes to SAUL. They'll only affect you if you're working for a SAUL employer and are either in SAUL or eligible for membership on 1 April 2016.



I'm paying into the Final Salary Plan

The Final Salary Plan will close on 31 March 2016. This will break the link between Final Salary and pension benefits (including transferred-in benefits). Benefits built up to 31 March 2016 are protected by the Scheme Rules and by law. They will increase until they are paid as pensions.

You'll move into the CARE Plan on 1 April 2016. As a condition of breaking the link between Final Salary and pension benefits, you'll receive a 5% increase in your Pensionable Service (reduced by 1% for each year you're over age 60).



If you're receiving a pension or have a deferred pension because you've left your SAUL employer, you won't be affected by the changes.



Benefits built up to 31 March 2016

Benefits built up to 31 March 2016 are protected by the Scheme Rules and by law. They will increase until they are paid as pensions.



Enhancement

If you transferred pensions into the CARE Plan from the public-sector, the link between your transferred-in service and your Final Salary will be broken. As a condition of breaking the link, you'll receive a 5% increase in your transferred-in pensionable service (reducing by 1% for each year you're over age 60).



Benefits built up from 1 April 2016

- You'll build up benefits at an improved rate: (1/75th of salary each year instead of 1/80th of salary).
- Employer contributions will increase from 13% to 16% of members' salaries.
- When benefits built up from 1 April 2016 are paid as pensions, the pension will increase in line with the Consumer Price Index (CPI), capped at 2.5%.
- SAUL will leave the public-sector transfer club on 31 March 2016. Pension transfers into SAUL won't be available. Pension transfers out of SAUL will be available but won't be done under the club rules.

I'm paying into the CARE Plan



Update on SAUL's funding

SAUL is a defined benefit pension scheme, which means the benefits you receive are defined in the Scheme Rules. Members and employers pay in to the Scheme. The Trustee must make sure there is enough money in the Scheme (our assets) to pay all promised pensions and lump sums (our liabilities) to members.

Every three years, the Actuary does a financial health check of the Scheme, known as an actuarial valuation. The most recent valuation looked at SAUL's funding position on 31 March 2014. In the years between valuations, the Actuary does a regular but less detailed update on the funding position, called the actuarial report.

	31 March 2011 (triennial valuation)	31 March 2014 (triennial valuation)
Money in SAUL (assets)	£1,506 million	£1,927 million
Cost of benefits promised to members (liabilities)	£1,581 million	£1,986 million
How far the money in SAUL covers the benefits promised (funding level)	95% funded	97% funded
Deficit	£75 million	£59 million

SAUL's funding position improved from 95% to 97% at the 31 March 2014 valuation after the changes to be introduced on 1 April 2016 are taken into account. Although SAUL's overall investment return was better than expected, the cost of paying promised benefits to members increased significantly. This was because returns on gilts (Government bonds) were lower than expected. This is important because returns on gilts are used to measure SAUL's likely investment returns in future. If gilt returns are low, SAUL will need more money today to meet the cost of providing pensions in future. This consequent increase in SAUL's deficit has been removed by the benefit changes from April 2016.

The SAUL employers and Trade Unions remain committed to SAUL's future. The Trustee has set out a course of action to return the Scheme to a fully funded position.

To show how the deficit will be removed, the Trustee and the SAUL employers have set out a recovery plan. Closing the Final Salary Plan and the other changes to SAUL taking place on 1 April 2016, including the extra contributions paid by employers (see page 5), form part of the recovery plan. The Actuary estimates the changes will help eliminate the deficit in a reasonable time.

The amount needed to pay all members' benefits in full (called 'full solvency') was £3,273 million at 31 March 2014, against assets of £1,927 million. This means the solvency funding level was 59%, down from 68% at the 2011 valuation.

Full solvency assumes that, if the Scheme were to wind up (which would involve the Scheme closing and ending the Trust), all members' benefits would be completely secured by insurance policies. This is an expensive way of valuing the Scheme's assets, as insurance companies set high premiums to ensure they make a profit.

If the SAUL employers were to become insolvent, the Pension Protection Fund would pay compensation to members. **We don't expect this ever to be necessary.** Please be assured there is no intention to wind up SAUL. This is just information we have to provide to help you understand the financial security of your benefits. Even though funding may temporarily be below our targeted level, we can still pay all benefits we've promised to pay.

If, as a result of the funding position, you're considering leaving the Scheme you should think about getting professional financial advice first.

SAUL employers haven't received any refunds of surplus funds in the last 12 months. The Scheme hasn't been modified. The Pensions Regulator has not imposed a schedule of contributions, or any other directions, on SAUL in the last 12 months. You can find out more at www.thepensionsregulator.gov.uk.





Financial highlights

This page summarises the financial information in the full Annual Report and Financial Statements, which have been audited by PricewaterhouseCoopers.

Both the audit opinion on the accounts and the auditor's statement about contributions were unqualified. This means everything is as it should be and the auditor believes the accounts give a true and fair reflection of the Scheme's financial ins and outs.

You can see the full Annual Report and Financial Statements on the SAUL website at www.saul.org.uk – or you can request a copy from STC.

The year in brief...

	£'000
Value of Scheme at 31 March 2014	1,926,344
Money in less money out	41,743
Plus the rise in value of our investments	403,016
Value of Scheme at 31 March 2015	2,371,103

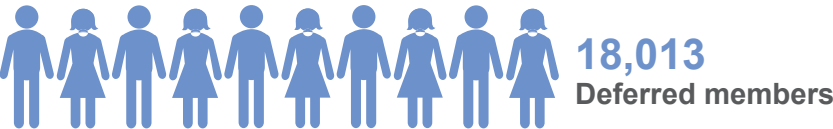
The ins and outs...

Money in	
Contributions	71,156
Transfers into SAUL	23,010
Other income	1,805
Income from investments	30,552
Total money in	126,523
Money out	
Payment of benefits	63,887
Refunds and transfers out	4,297
Administration costs	7,369
Investment and management fees	7,775
Other payments	1,452
Total money out	84,780

Membership

At the end of March 2015, SAUL had 42,359 members – an increase of over 4,000 since last year. The SAUL CARE Plan now has over 10,000 members in total, which means its membership has almost doubled since last year.

The following chart shows the number of members in each category on 31 March 2015.





Investment update

A dedicated Investment Committee manages our investment strategy. The Investment Committee meets to consider the investment of the Scheme's assets, taking advice from its professional investment adviser, Redington.

The policy setting out how SAUL's assets should be split between different investments is written down in SAUL's Statement of Investment Principles (SIP). You can get a copy of the SIP from the SAUL website, www.saul.org.uk, or ask us to send you a copy.

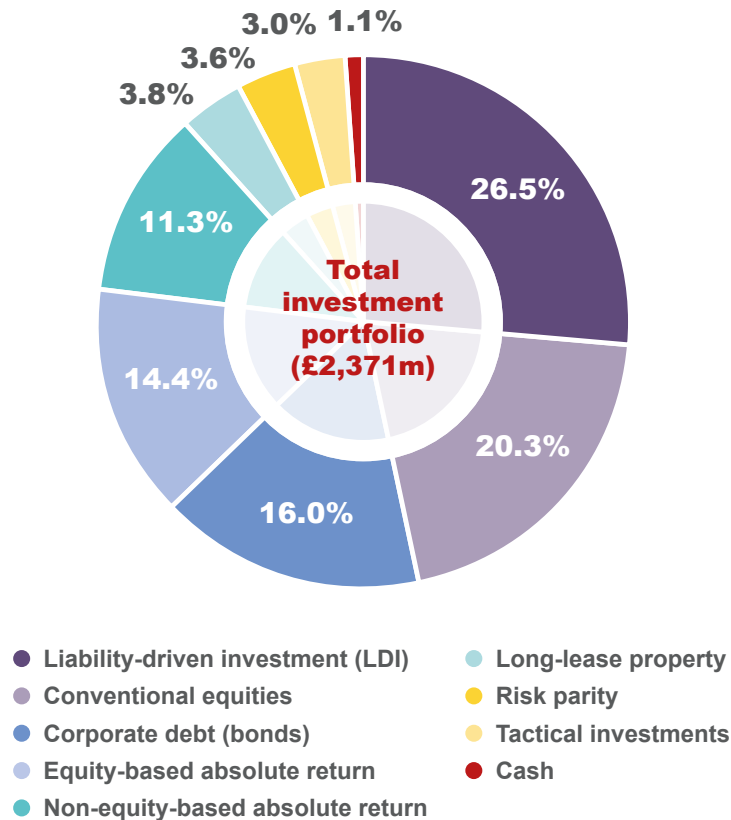
The increase in the Scheme's liabilities has been partially offset by good returns on our assets.

If you want to read the full investment report, take a look at the 2015 Annual Report and Financial Statements on the SAUL website - www.saul.org.uk.

More information about SAUL's assets can be found in the 2015 Annual Report and Financial Statements on the SAUL website - www.saul.org.uk.

Where the assets are invested

On 31 March 2015, SAUL's assets were invested across the following types of investment:



Overall investment performance

Over the year to 31 March 2015, the Scheme achieved a return of 19.8%.

The following table shows the average annual performance of SAUL's assets over the one-year, three-year and five-year periods to 31 March 2015.

Year period	Fund return (%/yr)
One	19.8
Three	12.6
Five	10.3

There are no guarantees that any of the strategy changes introduced by the Trustee will protect the assets against future downturns, high inflation or other unexpected problems. However, we expect our strategy will offer a good degree of protection and provide a strong foundation for managing SAUL's assets.

“Over the year to 31 March 2015, the Scheme achieved a return of 19.8%.”

Our commitment to environmental and social issues

We give SAUL's corporate governance and shareholder engagement policy to all the Scheme's investment managers. You can find a copy on the financial publications page of our website.

In 2013 SAUL became a signatory of the United Nations Principles of Responsible Investment (PRI).

Activities over the year

In 2014, SAUL adopted the UK Stewardship Code, which demonstrates our commitment to Environmental, Social and Governance (ESG) issues. You can find a copy of the Scheme's UK Stewardship Code response in the 'About us' section of our website.

SAUL, along with other pension funds, was a founding signatory to the Guide to Responsible Investment Reporting in Public Equity. This aims to tackle the differences in reporting on ESG issues across investment managers.

We improved our meetings with the Scheme's investment managers by including a dedicated section on ESG. This means

we can consider how well the investment managers are carrying out their responsibilities in this area.

SAUL has continued to vote at meetings of companies in which it has shares. This year we have focused increasingly on climate change and executive pay. At a recent annual general meeting of an energy supplier, SAUL supported a resolution to make sure its annual reporting from 2016 will say more about a range of performance indicators regarding emissions, low-carbon energy and sustainability. SAUL also continued to vote against executive pay packages that are excessive and out of step with long-term performance goals.

The future

In early 2016 SAUL will complete its first submission for the annual PRI Transparency Report. This will allow SAUL to compare itself against other investors and highlight areas for improvement. A copy of the Transparency Report will be available on the website early in 2016.

SAUL is committed to maintaining and implementing its ESG policy.



Sue Applegarth, Chief Executive Officer, reflects on her first year at STC

“My first year at STC has been incredibly enjoyable – it has been wonderful to work with teams who are passionate about and committed to delivering a high-quality service to SAUL members and employers.

This year we successfully completed a four-year project to move the administration of SAUL benefits to a new platform, which was essential to making our service more efficient.

Good communication is vital, so we launched new websites for members and employers that focused on plain language, easy-to-use information and clear layout. But the year hasn't been without challenges. The deficit means changes are needed so that SAUL stays affordable and continues to provide a high standard of benefits. The changes to SAUL will require a lot of our attention in 2016, but we'll also be looking at ways to improve our internal procedures and controls.

I look forward to the year ahead as we continue to put members at the heart of all we do.”

Trustee and advisers

SAUL is set up under Trust, registered with HMRC and managed by STC. The STC directors are responsible for looking after the interests of all SAUL beneficiaries.

STC is also responsible for the Scheme's day-to-day administration.

There were changes to the Trustee Board this year. Louise Lindsay, Director of Human Resources at Imperial College London, was appointed to the Board on 1 January 2015 as a University nominee. Penny Green, former Chief Executive Officer of STC, was appointed to the Board on 1 July 2015.

Details of the directors and how they're appointed are in the full Annual Report and Financial Statements on the SAUL website.

The Trustee appoints professional advisers to help in SAUL's day-to-day running:

Actuary	Mr C Hardy FIA, Mercer Ltd
Legal advisers	Sacker & Partners LLP
Auditors	PricewaterhouseCoopers LLP
Bank	NatWest plc

Contact us

If you have any questions about this review or would like more information, please contact us at:

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

Telephone: 020 7776 4340
Email: gen@saul.org.uk
Website: www.saul.org.uk

You can find more documents on our website including:

- The Statement of Funding Principles, which sets out our funding plan
- The Statement of Investment Principles, which explains how we invest the Scheme's assets
- The actuarial valuation at 31 March 2014.

If you have any questions about your individual benefits in SAUL, please contact:

- your employer (if you're an active member)
- SAUL Trustee Company (if you're a pensioner or deferred member of the Scheme).

Death benefits – important

SAUL may pay a benefit to your spouse or dependants when you die, so please remember to complete a Letter of Intent and keep it up to date as your circumstances change. You can download a Letter of Intent from the SAUL website. Please also remember to tell us if you change your address or marital status.

The Superannuation Arrangements
of the University of London.
Registration No. 10125215.

SAUL Trustee Company is a company limited by
guarantee. Registered in England and Wales at the
above address. No. 2868875

