REGISTERED NUMBER: 10031805 (England and Wales)

Annual Report for the Year Ended 31 July 2018

for

University of Manchester Superannuation Scheme

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for the Year Ended 31 July 2018

Trustees and Advisers for the Year Ended 31 July 2018

SPONSORING EMPLOYER:	The University of Manchester Oxford Road Manchester M13 9PL
ENQUIRIES:	Mrs H Mawson Head of Pensions The University of Manchester Pensions Office John Owens Building Oxford Road Manchester, M13 9PL UMSS@manchester.ac.uk
ACTUARY:	Mr C Cowling (FIA) JLT Benefit Solutions Ltd St James's House 7 Charlotte Street Manchester M1 4DZ
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SOLICITORS:	Walker Morris Kings Court 12 King Street Leeds LS1 2HL
INVESTMENT CONSULTANT:	Mercer Limited Belvedere 12 Booth Street Manchester M2 4AW
BANKERS:	National Westminister Bank Plc 19 Market Street Manchester Greater Manchester M1 1WR

Report of the Trustees
for the Year Ended 31 July 2018

The trustees present their report for the year ended 31 July 2018.

This is the formal annual report about the running and finances of the University of Manchester Superannuation Scheme (UMSS) and is intended as a means of providing the specialist information required to comply with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996. It has been prepared in accordance with regulations made under Section 41 of the Pensions Act 1995. It will be available to members and pensioners on request and published on the UMSS website. A shorter version entitled Pensions News will be sent to all UMSS members, pensioners and deferred members.

MANAGEMENT OF THE SCHEME

The main purpose of UMSS is to provide retirement benefits for its members, who are drawn from staff of the University of Manchester, employed in grades 1 to 5, and staff of its associated employers. UMSS is operated as a trust fund. It is registered under the Finance Act 2004 and the Trustee (UMSS Limited) knows of no reason why this registration might be prejudiced or withdrawn. The principal employer is The University of Manchester, Oxford Road, Manchester M13 9PL.

UMSS Limited has been corporate trustee of UMSS since 22 April 1996. The Memorandum and Articles of Association of UMSS Limited provide for there to be nine directors of the company. Five directors are nominated by the University and four are nominated by the membership of the Scheme - one active member from each of the three main categories of staff; administrative, manual and technical employees and one pensioner member. Directors are appointed for an initial term of three years.

University Nominated Directors	Member Elected Directors
Mr J Ferns (Chair) (re-appointed 1 June 2018)	Mr W Allan (Pensioners) (re-elected 17 November 2017)
Professor CT Agnew (re-appointed 16 January 2018)	Mr P Leigh (Technical Staff) (re-elected 21 October 2016)
Dr S Merrywest (re-appointed 31 March 2017)	Mr M Mullin (Manual Staff) (elected 24 April 2014)
Mrs JN Shelton (re-appointed 31 July 2018)	Mr K McDermott (Administrative Staff) (elected 10 October 2016)
Mr H Peters (appointed 1 April 2016)	

SCHEME ADVISERS

Investment Managers and Fund	Short Name	Address
Schroder Private Equity Fund of Funds II	Aberdeen	31 Gresham Street
Aberdeen SVG		London
		EC2V 7QA
Lime Property Fund Unit Trust	Aviva	No 1 Poultry
Aviva Investors		London
		EC2R 8EJ
BlackRock NTR Renewable Power Fund		12 Throgmorton Avenue
BlackRock Investment Management (UK) Ltd	BlackRock	London
		EC2N 2DL
Vintage Fund VI Offshore,L.P.		200 West
GS Private Equity Partners 2004 Offshore Holdings, L.P.	GSAM	New York
Goldman Sachs Asset Management L.P		10282
		New York
Broad Street Real Estate Credit Partners II Offshore Feeder		200 West
Fund L.P.	GS&Co	New York
Goldman Sachs & Co		10282
		New York
ICG - Longbow Real Estate Debt Instruments III & V SCSp		Juxon House
ICG - Longbow	ICG-Longbow	100 St Pauls Churchyard
		London
		EC4M 8BU
LaSalle Real Estate Debt Strategies II GP		1 Curzon Street
LaSalle Investment Management	LaSalle	London
		W1J 5HD
Cash		
High Yield Bond		
LPI Property Fund		
Liability Driven Investments (LDI)		
Over 15 years Index-Linked Gilts	LGIM	One Coleman Street
Sterling Liquidity		London
World Developed Equity Index		EC2R 5AA
World Developed Equity Index GBP Hedged		
Legal & General Investment Management Ltd		
M&G Secured Property Fund Income Fund		Governor's House
M&G Real Estate Debt Fund II. III & VI		Laurence Pountney Hill
M&G European Loan Fund C GBP	M&G	London
M&G Investment Management Ltd		EC4R 0HH
North Haven Credit Partners II		1585 Broadway
Morgan Stanley Investment Management	Morgan Stanley	New York
		10036
		New York
Pictet Institutional Emerging Local Currency Debt-Z GBP		Moor House
Pictet Asset Management Ltd	Pictet	120 London Wall
		London
		EC2Y 5ET
Renshaw Bay Real Estate Finance Fund L.P.GAM (U.K.) Ltd	GAM	20 King Street
GAM (U.K) Ltd		London
		SW1A 1LY

Report of the Trustees
for the Year Ended 31 July 2018

PARTICIPATING EMPLOYERS

Employer	Participation began	Employees at 31 July 2018
The University of Manchester	22 July 1925	3,186
HECSU	1 February 1996	1
The University of Manchester Innovation Centre Ltd	1 February 1998	8
International Society	1 February 1999	5
Manchester Innovation Ltd	1 June 2003	0
Graduate Prospects Ltd	1 February 2004	22
The University of Manchester I3 Ltd	1 October 2004	34
The University of Manchester Conferences Ltd	1 February 2006	312
Total		**3,568**

Although there were no current employees of Manchester Innovation Ltd at the year end, it remains a participating employer.

RELATED PARTIES

The University of Manchester provides administration, financial accounting and pension payroll services for the Scheme. The cost, which is recharged to UMSS, amounted to £179,169 (2017: £189,097). The amount due from the University at 31 July 2018 was £nil (2017: £nil) and amounts due from participating employers at 31 July 2018 were also £nil (2017: £nil).

The following directors of UMSS Limited are members of UMSS. These members are entitled to receive benefits on the same basis as all other members: Mr W Allan, Mr P Leigh, Mr H Peters, Mr M Mullin and Mr K McDermott.

FINANCIAL DEVELOPMENT

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

ACTUARIAL STATUS OF THE SCHEME

The relevant Actuarial Statements from the valuation conducted as at 31 July 2016 certified by the Scheme Actuary on 31 October 2017, appear at the end of this Report and Financial Statements.

Report of the Trustees
for the Year Ended 31 July 2018

MEMBERSHIP

Details of membership of the scheme during the year are shown below:

Active members			
At start of year		3,469	
Prior year adjustments		(19)	
New members joining		706	
		4,156	
Members retiring	(50)		
Deaths in service	(5)		
Transfers to other pension schemes	-		
Members leaving prior to pensionable age	(432)		
Members leaving with refunds	(101)		
		(588)	
At end of year			3,568
Pensioners			
At start of year		2,236	
Members retiring		61	
Deferred pensioners reaching pensionable age		56	
Spouses and dependants		20	
		2,373	
Deaths during year		(67)	
At end of year			2,306
Deferred pensioners			
At start of year		2,972	
Prior year adjustments		141	
Deferred pensioners during year		181	
Preserved refunds		251	
		3,545	
Deferred pensioners reaching pensionable age	(56)		
Deaths during year	(3)		
Refunds paid	(297)		
Transfers to other pension schemes	(37)		
		(393)	
At end of year			3,152
Total membership at 31 July 2018			9,026

The prior year adjustments relate to the timing of the person leaving/joining the scheme and when the reports are run.

PENSION INCREASES

Increases were made on 1 April 2018 to pensions being paid to retired members and to deferred benefits held by early leavers as provided for in the Scheme rules. The increase was exclusive of Guaranteed Minimum Pensions and amounted to 4.1% for benefits earned before 1 April 2012 (matching the rise in the Retail Prices Index over the 12 months to 31 December 2017) and 3.0% on benefits earned after 31 March 2012 (matching the rise in the Consumer Prices Index over the 12 months to 31 December 2017).

Report of the Trustees for the Year Ended 31 July 2018

TRANSFER VALUES

Transfer values paid during the year to other registered schemes outside the Public Sector Transfer Club were calculated in accordance with regulations issued under Section 97 of the Pension Schemes Act 1993 and did not include an allowance for discretionary benefits. None of the transfer values were less than the amount provided by paragraph (1) of Section 97 of the Pension Schemes Act 1993. The number of individual transfers in completed during the year was 0 (2017:2) and the number of individual transfers out was 37 (2017: 32).

UMSS began to participate in the Public Sector Transfer Club on 1 October 1998. From 1 January 2004 UMSS Limited, on actuarial advice, suspended individual transfers in to the Scheme from all schemes that do not participate in the Public Sector Transfer Club.

From 1 October 2008 regulations came into force that require trustees of pension schemes to set the assumptions used in calculating Cash Equivalent Transfer Values. UMSS Limited has consulted with the actuary and has complied with the new regulations from 1 October 2008.

With effect from 15 April 2016, on actuarial advice, UMSS ceased to participate in the Public Sector Transfer Club.

CONTRIBUTIONS

The fund of UMSS contains the contributions paid by both the participating employers and members, together with income derived from investments and capital gains on the sale of investments, from which benefits are paid out.

During the year active members in the final salary section contributed 7.5% of pensionable salaries; members of the CARE section contributed 6.5% of pensionable salaries. For members who fund their membership via PensionChoice, the salary exchange plan for employees of the University, UMC and UMI3, the contribution rate for members is 0% and the employer contributes 27.25% for final salary members and 26.25% for CARE members. The University and participating employers paid 19.75% of pensionable salaries for non PensionChoice members towards the on-going cost. The University paid £6.0m p.a. towards the deficit in accordance with the Recovery Plan agreed following the 31 July 2013 actuarial valuation.

Further details in respect of contributions are detailed on page 19 and in note 2.

CHANGE IN THE FUND

At the beginning of the year the total net assets of the Scheme were £553,502,951. As a result of net additions from dealings with members of £8,073,439 and net returns on investments of £47,412,673 the net assets of the Scheme had a market value of £608,989,063 at 31 July 2018.

CUSTODIAL ARRANGEMENTS

The majority of the Scheme's assets are invested in pooled funds and so the Trustee does not need to directly appoint custodians for those assets. The Trustee will monitor the custodial arrangements in respect of the pooled funds in which the Scheme's assets are invested and the Scheme's auditor is also authorised to make whatever investigations it deems necessary as part of the annual audit procedure.

Report of the Trustees
for the Year Ended 31 July 2018

INVESTMENT MANAGEMENT
THE FUND

The investments comprising the fund of UMSS have been managed during the year by the investment managers listed on page 3.

It is the policy of the Trustee to maximise the expected return on assets whilst not exposing the assets of the Scheme to undue risk. This policy gives due emphasis to the spread of the Scheme's assets over the various categories of investment. It is the Trustee's policy that single investments should not represent a significant proportion of the Scheme's total assets. The Scheme's assets are invested in accordance with the employer-related investment regulations.

The overall investment policy is determined by the Trustee after it has taken appropriate advice. Day to day investment decisions are delegated to investment managers who operate within the guidelines laid down by the Trustee. The majority of assets are held in unitised funds. Working balances and money pending investment are held in Trustee bank accounts or cash vehicles with the investment managers.

LGIM manages equities, bonds, LDI and cash on behalf of the Scheme. These assets comprised around 70% of the Scheme's assets at the year-end, which is around 2% higher than at the beginning of the year.

The Scheme currently invests in three property funds managed by Aviva, M&G and LGIM respectively.

With regard to the Scheme's other investments, exposure to private equity is via funds operated by GSAM and Aberdeen. The Scheme also invests in infrastructure through a fund managed by BlackRock. In addition, the Scheme holds shares in a fund managed by M&G that invests in secured loans, a fund managed by Morgan Stanley that invests in private debt, and a fund managed by Pictet that invests in emerging market debt.

The Scheme also invests with five real estate debt managers, who manage eight different funds. The Scheme invests in three real estate debt funds managed by M&G that have currently drawn down £18.7m in total as at 31 July 2018 out of a commitment of £40.0m, in addition the two other funds managed by Longbow that have currently drawn down £15.5m out of a commitment of £40m. At the same date the LaSalle fund had drawn down £13.2m out of a commitment of £15.0m, and the GAM fund had drawn down £14.1m out of a commitment of £15.0m. Finally the GS&Co fund had drawn down $14.2m out of a commitment of $20.0m.

In addition, UMSS Ltd has delegated power via a Board resolution to the Finance Director of The University of Manchester, to manage those short-term deposits on a day to day basis that are not held by any of the external investment managers.

Report of the Trustees for the Year Ended 31 July 2018

INVESTMENT MANAGEMENT – continued

STATEMENT OF INVESTMENT PRINCIPLES

UMSS Ltd has drawn up a Statement of Investment Principles as required by section 35 of the Pensions Act 1995 and subsequent legislation. The Statement is reviewed annually. A copy is on the website and available to members on request.

ASSET ALLOCATION

The Fund is invested in a diversified mix of assets. The tables below show the distribution of the invested assets as at 31 July 2018, first by manager and then by asset class.

Manager	**Market Value (£000's)**	**(%)**
LGIM (Main)	405,397	70.0
Aviva	17,257	3.0
LGIM (Property)	27,466	4.7
GSAM, GS&CO, GSAMI	9,830*	1.7
Aberdeen	205*	0.0
M&G	54,635*	9.4
Pictet	17,895	3.1
Longbow	9,926*	1.7
Blackrock	16,912*	2.9
LaSalle	5,420*	0.9
GAM	6,154*	1.1
Morgan Stanley	7,791*	1.3
Total	**578,887**	**100.0**

Source: Investment Managers. Figures may not sum due to rounding.
* Assets values as at 30 June 2018 / 31 March 2018 (allowing for subsequent cash flows) due to infrequency of valuations of illiquid assets. All foreign currencies converted to sterling as at 31 July 2018 FX rates.

Asset Class	**Market Value(£000's)**	**(%)**
Global Equities	214,829	37.1
Liability Driven Investments (LDI)	147,327	25.4
High Yield Bonds	20,548	3.5
Secured Income Property	71,772	12.4
Private Equity	7,834	1.4
Secured Loans	23,749*	4.1
Emerging Market Debt	17,895	3.1
Real Estate Debt	35,329*	6.1
Cash/Money Market	22,693	3.9
Infrastructure	16,912	2.9
Total	**578,887**	**100.0**

Source: Investment Managers. Figures may not sum due to rounding.
* Assets values as at 30 June 2018 / 31 March 2018 (allowing for subsequent cash flows) due to infrequency of valuations of illiquid assets. All foreign currencies converted to sterling as at 31 July 2018 FX rates.

As at 31 July 2018, excluding AVC investments and short term deposits in bank accounts, the Scheme's assets were valued at £578,887,436. Exposure to equities was 37.1%, LDI was 25.4%, property was 12.4%, cash was 3.9% and 21.1% to 'alternative' investments, which includes high yield debt, secured loans, private equity, infrastructure, emerging market debt and real estate debt.

Report of the Trustees
for the Year Ended 31 July 2018

INVESTMENT MANAGEMENT - continued

INVESTMENT REVIEW
Over the 12 month period to 31 July 2018, growth assets generally performed well against a backdrop of broad economic expansion up to the end of 2017, while defensive assets saw lower returns. Over the first quarter of 2018, equity markets experienced a correction in February followed by a period of higher volatility than markets have been used to in recent times. A recovery ensued over the second quarter of 2018.

Global economic conditions improved over the 12 month period and remain strong, despite the moderate slowdown towards the end of the period, which has mostly been confined to Europe. However, investors continue to be concerned over country specific outlooks such as the direction of the US economy, which has potential to overheat, and the effect on emerging markets of rising trade tensions which escalated further during the second quarter of 2018. Such geopolitical tensions have continued to build over the year and drive the global economic outlook, as trade policy uncertainly remains between the US and China, and political pressure continues in the Middle East while the rapprochement between South and North Korea, brokered by President Trump provided a temporary relief even though it is yet too early to tell whether this will indeed lead to a meaningful change in the long term.

In the UK, Brexit continued to dominate investor's outlooks. Since the triggering of Article 50 in March 2017 by Prime Minister Theresa May, agreements have been reached on quite a few points such as the 'divorce bill' and the rights of immigrants. A transition period was also agreed that has pushed the cut-off date to March 2020. The UK economy remains reasonably resilient, despite the continued uncertainty over the complex negotiations about a future trade deal and the Irish border that remain open. Real GDP growth in the UK for 2017 was 1.4% while the consensus forecast for 2018 is 1.3%.

Emerging market returns suffered towards the end of the 12 month period as they experienced instability over trade frictions rising US interest rates and deleveraging in China. Performance also suffered from a strengthening US dollar, whose weakness had supported the region towards the end of 2017. At a regional level, considerable dispersion in the returns of emerging market economies persists.

Equities
At a global level, developed markets as measured by the FTSE World Index, returned 12.1%, meanwhile a return of 5.7% was recorded by the FTSE AW Emerging Markets Index.

At a regional level, European markets returned 5.8% as indicated by the FTSE World Europe ex UK Index. UK stocks as measured by the FTSE All Share Index returned 9.2%. The FTSE USA Index returned 16.9%, while the FTSE Japan Index returned 10.0%.

Equity market total return figures are in sterling terms over the year to 31 July 2018.

Fixed interest
UK Government Bonds as measured by the FTSE Gilts All Stocks Index returned 1.3%, while long dated issues as measured by the corresponding Over 15 Year Index returned 3.4%.

The FTSE All Stocks Index Linked Gilts Index returned 3.6% with the corresponding Over 5 Year Index returning 4.0%. Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non Gilts Index was flat over the year.

Bond market total return figures are shown over the year to 31 July 2018.

Property
UK property investors continued to benefit from the improving property market. Over the 12 month period to 31 July 2018, the IPD UK All Property Index returned 10.7%.

Currencies
Over the year to 31 July 2018, Sterling fell c.0.5% against the US Dollar from \$1.32 to \$1.31. Sterling appreciated c.0.8% against the Yen from ¥145.67 to ¥148.84, and remained broadly flat against the euro at €1.12 over the same period.

Report of the Trustees
for the Year Ended 31 July 2018

INVESTMENT MANAGEMENT - continued

INVESTMENT PERFORMANCE

The Trustee reviews the performance of the fund on a quarterly basis and normally meets the managers at least annually. Whilst the majority of the underlying assets are freely marketable, a number of the unitised investments (property, private equity, hedge funds and real estate debt) are not readily marketable. The performance of the main portfolio (equities, high yield bonds, LDI and cash, gross of fees) and also the total assets (main portfolio plus alternative asset classes, net of fees) over 1, 3 and 5 years to 30 June 2018 are set out in the table below:

	1 Year Fund (%)	3 Years Fund (%)	5 Years Fund (%)
Main Portfolio	7.4	10.0	9.1
Total Assets	**7.1**	**9.6**	**9.6**

Source: Investment Managers/Mercer.

Comments on the performance of funds outside the main portfolio are set out below.

Property Assets
The Scheme's property funds Aviva Lime, M&G Secure Property Income and LGIM LPI Property returned 8.3%, 8.6% and 8.5% respectively over the twelve months to 30 June 2018 (all net of manager fees - source: Investment Managers / Mercer calculations).

Alternative Assets
The secured loans fund managed by M&G returned 1.9% and the emerging markets debt fund managed by Pictet returned -4.4% over the same period (again, both net of fees).

RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

The Trustee believes that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment returns. The Trustee has given the investment managers full discretion when evaluating ESG issues and in exercising right and stewardship obligations attached to the Scheme's investments.

Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Equity managers who are regulated by appropriate UK (or other relevant) authorities are expected to report on their adherence to the UK Stewardship Code on an annual basis.

VOLUNTARY CODE OF BEST PRACTICE

The Myners principles codify best practice in investment decision-making. Whilst compliance with the principles is voluntary, pension fund trustees are expected to consider their applicability to their own fund and report on a 'comply or explain' basis how they have used them.

The principles were initially published in 2001 following a Government sponsored review of institutional investment by Paul Myners, which found shortcomings in the expertise and organisation of investment decision-making by pension fund trustees.

In March 2008 the Government consulted on proposals to update the Myners principles. This led to the publication of a revised set of six principles for Defined Benefit (DB) schemes in October 2008, together with the establishment of an Investment Governance Group (IGG) to oversee the industry-led framework for the application of the principles.

While there are now only six DB principles, in place of the original ten, their scope is largely unchanged. The principles continue to emphasise the essentials of investment governance, notably the importance of effective decision-making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the Statement of Investment Principles and report periodically to members on the discharge of these responsibilities.

The Trustee, together with its professional advisers, regularly reviews how it stands in relation to the revised Myners principles.

Summary of Contributions Payable
During the Scheme Year Ended 31 July 2018

	£
Contributions payable under the Schedule of Contributions	
Employer	
Normal	2,624,194
Deficit funding	6,120,000
PensionChoice	17,486,583
Employee	
Normal	807,006
Total contributions payable under the Schedule	27,037,783
Other contributions	
Additional voluntary contributions	42,854
Total contributions payable to the Scheme	27,080,637

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 31 October 2017 in respect of the Scheme year ended 31 July 2018. The scheme auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

As at 31 July 2018, 85% of members used PensionChoice to fund their membership of UMSS.

In all material respects, contributions payable were paid in accordance with the Schedule of Contributions dated 31 October 2017.

Signed on behalf of the Trustees:

....
UMSS Limited

Date: ....

Trustees' Responsibilities Statement for the Year Ended 31 July 2018

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the trustees. Pension scheme regulations require, and the trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and

- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

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

Report of the Independent Auditors to the Trustees of University of Manchester Superannuation Scheme

Opinion

We have audited the financial statements of University of Manchester Superannuation Scheme (the 'scheme') for the year ended 31 July 2018 which comprise the Fund Account, the Net Assets Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the scheme during the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Account Practice;
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of trustees

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Report of the Independent Auditors to the Trustees of University of Manchester Superannuation Scheme

Use of our report

This report is made solely to the scheme's trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (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 a Report of the Auditors 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's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
Greater Manchester
M3 3EB

Date: ....

Independent Auditors Statement about Contributions to the Trustees of University of Manchester Superannuation Scheme

We have examined the summary of contributions to the University of Manchester Superannuation Scheme (the 'scheme') for the scheme year ended 31 July 2018 which is set out in the trustees' report on page 11.

In our opinion, contributions for the scheme year ended 31 July 2018 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 31 October 2017.

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 an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of trustees and the auditor

As explained more fully in the statement of trustees' responsibilities set out on page 12, the trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.
It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. 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 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 trustees as a body, for our work, for this statement, or for the opinions we have formed.

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
Greater Manchester
M3 3EB

Date: ....

Statement of Changes in Net Assets Available for Benefits for the Year Ended 31 July 2018

	Notes	2018 £	2017 £
CONTRIBUTIONS AND BENEFITS			
Employer contributions		**26,230,777**	25,405,015
Employee contributions		**849,860**	852,737
Total contributions	2	**27,080,637**	26,257,752
Transfers in	3	-	132,754
Other income	4	**271,069**	216,728
		27,351,706	26,607,234
Benefits paid or payable	5	**(14,492,701)**	(13,323,253)
Payments to and on account of leavers	6	**(3,115,363)**	(1,737,160)
Other payments	7	**(302,684)**	(684,589)
Administrative expenses	8	**(1,367,519)**	(1,189,465)
		(19,278,267)	(16,934,467)
Net additions from dealings with members		**8,073,439**	9,672,767
RETURNS ON INVESTMENTS			
Investment income	9	**7,438,735**	10,342,289
Change in market value of investments	11	**41,646,955**	35,072,414
Investment management expenses	10	**(1,673,017)**	(2,278,676)
Net returns on investments		**47,412,673**	43,136,027
NET INCREASE IN THE FUND DURING THE YEAR		**55,486,112**	52,808,794
NET ASSETS OF THE SCHEME AT 1 AUGUST 2017		**553,502,951**	500,694,157
AT 31 JULY 2018		**608,989,063**	553,502,951

Statement of Net Assets Available for Benefits

31 July 2018

	Notes	**2018** £	2017 £
INVESTMENT ASSETS	11		
Pooled investment vehicles	13	**578,887,436**	533,564,134
Cash		**12,723,211**	7,708,593
Other investment balances		**342,600**	638,399
		591,953,247	541,911,126
Current assets	16	**18,514,145**	13,121,884
Current liabilities	17	**(1,478,329)**	(1,530,059)
NET ASSETS OF THE SCHEME AT 31 JULY 2018		**608,989,063**	553,502,951

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 28-29 and these financial statements should be read in conjunction with that Report.

These financial statements were approved by the Trustees on ....

Signed on behalf of the Trustees:

....
UMSS Limited

Notes to the Financial Statements
for the Year Ended 31 July 2018

1. **ACCOUNTING POLICIES**

Basis of preparing the financial statements
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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and with the guidelines set out in the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised November 2014).

Contributions
Employee contributions, including AVCs, are accounted for by the Trustees when they are deducted from pay by the Employer, except for the first contribution due where the employee has been auto-enrolled by the Employer, in which case it is accounted for when received by the scheme.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employee contributions, in accordance with the Schedule of Contributions in force during the year.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and the Trustees.

Employer S75 debt contributions are accounted for when a reasonable estimate of the amount due can be determined.

Payments to members
Pensions in payment are accounted for in the period to which they relate.

Benefits are accounted for in the period in which the member notifies the Trustees of his decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.

Opt-outs are accounted for when the Scheme is notified of the opt-out.

Individual transfers in and out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is received or paid.

Expenses
Administrative and Investment management expenses are accounted for on an accruals basis.

Investment income
Income from pooled investment vehicles is accounted for when declared by the fund manager.

Change in market value of investments
The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments
Foreign currencies
Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction.

Differences arising on translation in respect of investments are accounted for in the change in market value of investments during the year.

Investments
i. Investments are included at market value at the latest available date.

ii The majority of listed investments are stated at the bid market price or the last trade price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

iii. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.

iv. Unquoted securities are included at fair value estimated by the Trustee based on advice from the investment manager.

v. Pooled Investment Vehicles are included at the bid price.

2. CONTRIBUTIONS

	2018	2017
	£	£
Employer contributions		
Normal	2,624,194	2,636,500
Deficit funding	6,120,000	6,120,000
PensionChoice	17,486,583	16,648,515
	26,230,777	25,405,015
Employee contributions		
Normal	807,006	816,295
Additional voluntary contributions	42,854	36,442
	849,860	852,737
Total contributions	27,080,637	26,257,752

PensionChoice contributions are made under the salary exchange arrangement introduced on 1 June 2009. Further details are provided on pages 6 & 11 of this Annual Report.
The Schedule of Contributions and Recovery Plan in force at the start of the 2017/18 year were those agreed at the 31 July 2013 valuation with the Recovery Plan effective from 1 August 2014.
The 31 July 2016 valuation agreed a new Statement of Contributions and Recovery Plan both of which are effective from 1 August 2017.
Deficit contributions continued at the existing rate of £6m pa for 2017/18, and then inflation linked from 1 August 2018.

Contributions of £120,000 (2017: £120,000) were made during the year by Graduate Prospects.

3. TRANSFERS IN

	2018	2017
	£	£
Individual transfers in from other schemes	-	132,754

4. OTHER INCOME

	2018	2017
	£	£
Claims on term insurance policies	271,069	216,728

5. BENEFITS PAID OR PAYABLE

	2018	2017
	£	£
Pensions	11,289,968	10,717,326
Lump sum death benefits	279,852	216,728
Lump sums on retirement	2,922,881	2,389,199
	14,492,701	13,323,253

6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2018	2017
	£	£
Refunds of contributions in respect of non-vested leavers	76,573	100,229
Individual transfers out to other schemes	3,023,700	1,623,866
Income tax on refunds to members	15,090	13,065
	3,115,363	1,737,160

Notes to the Financial Statements for the Year Ended 31 July 2018

7. OTHER PAYMENTS

	2018 £	2017 £
Premiums on term insurance policies	**272,050**	574,759
State scheme premiums	**30,634**	109,830
	302,684	684,589

8. ADMINISTRATIVE EXPENSES

	2018 £	2017 £
Administration and processing	**179,169**	189,097
Actuarial fee	**119,380**	132,598
Audit fee	**24,920**	22,880
Legal fees	**51,018**	9,540
Investment consultancy fees	**265,739**	137,717
Computer costs	**64,651**	94,888
PLSA subscriptions	**1,964**	2,515
PPF levy	**584,178**	529,726
Pensions regulator	**29,564**	28,773
Bank charges	**441**	699
Communication consultancy	**45,864**	34,996
Miscellaneous	**631**	6,036
	1,367,519	1,189,465

9. INVESTMENT INCOME

	2018 £	2017 £
Income from pooled investment vehicles	**7,423,040**	10,316,516
Interest on cash deposits	**15,695**	25,773
	7,438,735	10,342,289

10. INVESTMENT MANAGEMENT EXPENSES

	2018 £	2017 £
Administration, management and custody	**1,673,017**	2,278,676

11. RECONCILIATION OF INVESTMENTS

	Value at 1/8/17 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31/7/18 £
Pooled investment vehicles	**533,564,134**	**119,929,876**	**(116,253,529)**	**41,646,955**	**578,887,436**
Cash	**7,708,593**				**12,723,211**
Other investment balances	**638,399**				**342,600**
	541,911,126				**591,953,247**

Notes to the Financial Statements
for the Year Ended 31 July 2018

12. TRANSACTION COSTS

Costs are borne by the Scheme in relation to the transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer price spread of these investments and are not therefore separately identifiable. The transaction costs for the prior year have not been disclosed as they are not readily available.

13. POOLED INVESTMENT VEHICLES

	2018	2017
	£	£
Equity	**214,828,894**	190,782,288
Bonds	**20,548,292**	20,002,050
Property	**107,100,298**	108,410,343
Hedge funds	**-**	10,955
Other	**66,390,098**	60,825,763
Liability Driven Instruments (LDI)	**147,326,789**	143,325,070
Cash Instruments	**22,693,065**	10,207,665
	578,887,436	533,564,134

14. FAIR VALUE DETERMINATION

Early adoption:
The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1	The unadjusted quote price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included with Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The scheme's investment assets have been fair valued using the above hierarchy levels as follows:

31 July 2018

	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Pooled investment vehicles	**-**	**578,887,436**	**-**	**578,887,436**
Cash	**12,723,211**	**-**	**-**	**12,723,211**
Other investment balances	**342,600**	**-**	**-**	**342,600**
	13,065,811	**578,887,436**	**-**	**591,953,247**

31 July 2017

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	533,564,134	-	533,564,134
Cash	7,708,593	-	-	7,708,593
Other investment balances	638,399	-	-	638,399
	8,346,992	533,564,134	-	541,911,126

15. **INVESTMENT RISK DISCLOSURES**

Financial Reporting Standard ("FRS") 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. These risks are set out by FRS 102 as follows:

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

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

- Inflation rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in actual or expected levels of inflation.

- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995. A copy of the Statement can be downloaded from www.umss.co.uk and is available on request. A key objective of the Trustee is to invest the Scheme's assets such that members' benefits under the Scheme are met as they fall due. To achieve this in a risk controlled way, the Scheme's investments are diversified, both by type of investment (equities, bonds, property etc), geography and by exposure to different investment management firms.

The Scheme has exposure to the above risks because of the investments it makes to implement its investment strategy. The Trustee manages its investment risks taking into account the Scheme's strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management, credit and market risk is set out below. This does not include the legacy insurance policies nor AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

Notes to the Financial Statements for the Year Ended 31 July 2018

15. **INVESTMENT RISK DISCLOSURES - continued**

Investment strategy

The Scheme's invested assets as at 31 July 2018 and 31 July 2017 are detailed in the table below.

	31 July 2018 (£M)	31 July 2017 (£M)
Equities	**239.6**	**216.5**
Global Equities	214.8	190.8
Private Equity	7.8	9.7
Infrastructure	16.9	16.1
Growth Fixed Income Assets	**169.3**	**163.5**
Secured Income Property	71.8	66.9
Hedge Funds	-	-
High Yield Bonds	20.5	20.0
Emerging Market Debt	17.9	12.4
Secured Loans and Private Debt	23.7	22.7
Real Estate Debt	35.3	41.5
Matching Assets	**170.0**	**153.5**
Liability Driven Investments (LDI)	147.3	143.3
Cash/Money Market	22.7	10.2
Total	**578.9**	**533.6**

Source: Investment Managers. Figures may not sum due to rounding. Some illiquid holdings are not valued monthly; as a result assets values as at 30 June / 31 March (allowing for subsequent cashflows) have been due to infrequency of valuations of illiquid assets. All foreign currencies converted to sterling as at 31 July FX rates.

Investment Strategy

The Scheme's investment strategy (the target proportions of the Scheme to be invested across the principal market sectors of equities, bonds etc) is agreed by the Trustee after taking appropriate advice, and is set with the aim of meeting the Scheme's investment objectives.

The Trustee's objective is to invest the Scheme's assets in the best interests of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.

Within this framework, the Trustee is aiming to generate an investment return, over the long term, above that of the actuarial assumptions under which the funding plan has been agreed.

Subject to complying with the agreed strategy, the day-to-day management of the Scheme's asset portfolio is delegated by the Trustee to professional investment managers.

Given the investment objectives the Trustee has agreed to implement an investment strategy that allocates around **35%** to **Equities**, **35%** to **Growth Fixed Income Assets** and **30%** to **Matching Assets** as detailed in the table below.

	Target Allocation %	Normal Ranges %
Equities	35	25-45
Growth Fixed Income Assets	35	25-45
Matching Assets	30	20-40
Total	**100**	

Equities (or growth assets) are assets that generate expected returns above risk free rates through holding shares in listed and unlisted companies. These include public and private equities, and infrastructure.

Growth Fixed Income Assets (or cashflow generative assets) are those that typically generate inflation-linked cashflows, similar to the Scheme's liabilities, but also offer a yield above gilts. These include high yield bonds, emerging market debt, private debt, secured loans, real estate debt, and secured income property.

Matching Assets (or defensive assets) are those that share some characteristics with the liabilities. These include liability driven investments (LDI) and cash.

15. **INVESTMENT RISK DISCLOSURES - continued**

Credit risk

The Scheme is subject to credit risk as the Scheme invests in pooled investment vehicles, such as open ended investment companies, close ended investment companies and unit linked insurance contracts, and is therefore directly exposed to credit risk in relation to these pooled investment vehicles. The Scheme is also subject to credit risk from its cash balances that it holds with NatWest. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by pooled investment vehicles.

Direct Credit Risk

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

The Trustee carries out due diligence checks on the appointment of any new pooled investment managers and monitors any changes to the regulatory and operating environment of the pooled managers.

Indirect Credit Risk

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles which invest in a variety of debt related instruments, including Liability Driven Investments, high yield bonds, private debt, secured loans, real estate debt and emerging market debt.

The Trustee invests in pooled funds which hold credit related instruments with a view to adding value and indirect credit risk is mitigated through diversification of underlying security, investment manager and credit issuer to minimise the impact of default by any one issuer. Within the Liability Driven Investments portfolio, credit risk is reduced by investing in government bonds, where the credit risk is minimal, and through the use of collateral arrangements for non?physical exposures.

As at 31 July 2018, these mandates represented 42.3% (2017: 45.0%) of the total investment portfolio.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are denominated in overseas currencies via pooled investment vehicles. The Trustee operates a policy of hedging a portion of non-sterling currency exposure as appropriate, where it is possible to do so and where this risk is judged to be material. Currency hedging is carried out via pooled investment vehicles and the management of currency risk is delegated to the appointed managers and is managed within each manager's overall risk framework.

The Scheme is exposed to currency risk via its investment in pooled investment vehicles which invest in global equity, private equity, infrastructure, high yield bonds, emerging market debt, private debt, secured loans as well as real estate debt funds with underlying investments denominated in foreign currencies.

The Scheme hedges half of the currency risk present in the allocation to global equity, the currency risk from the holdings of the high yield bond fund are predominately hedged back to sterling and currency risk remains unhedged on other asset class exposures.

As at 31 July 2018, 53.6% (2017: 53.5%) of the total investment portfolio had exposure to currency risk. However, half of the global equity exposure is hedged back to sterling, and so the net currency exposure is 35.6% (2017: 35.2%).

Notes to the Financial Statements for the Year Ended 31 July 2018

15. **INVESTMENT RISK DISCLOSURES - continued**

Interest rate risk
The Scheme is subject to interest rate risk because some of the Scheme's investments are sensitive to changes in interest rates.

The Trustee has set a benchmark of 35% of the total investment portfolio for growth fixed income assets which comprises higher yielding assets (such as high yield bonds, emerging market debt, private debt, secured loans, real estate debt, and secured income property) and a benchmark of 30% for matching assets which comprises LDI and cash. All of these assets are sensitive to changes in interest rates to some degree. As at 31 July 2018 the Scheme's liability driven investments mandate hedges c.50% of the Scheme's liability against movements in interest rates and inflation when measured on the Scheme's Technical Provisions basis.

For each of the above named investments, if interest rates fall, the value of investments will rise to help offset the increase in the present value of the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the above named investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The Trustee monitors the level of assets available within the LDI portfolio for use as collateral and operates a framework to ensure that if gilt yields rise then additional cash can be provided in a timely manner, should it be required.

As at 31 July 2018, growth fixed income assets represented 29.2% (2017: 30.6%) and matching assets represented 29.4% (2017: 28.8%) of the total investment portfolio respectively.

Other price risk
Other price risk arises principally in relation to the Scheme's global equity, private equity, infrastructure and secured income property, held through underlying investments in pooled investment vehicles.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. As at 31 July 2018, these assets represented 53.8% (2017: 53.1%) of the total investment portfolio.

Inflation rate risk
The Scheme is subject to inflation rate risk because some of the Scheme's investments are sensitive to changes in actual or expected future inflation rates.

The LDI portfolio and the secured income property portfolio are exposed to inflation risk. If actual or expected future inflation increase, the value of these assets will rise to help match the increase in actuarial liabilities arising from the increase. Similarly, if actual or expected future inflation expectations fall, the LDI portfolio and the secured income property portfolio will fall in value, as will the actuarial liabilities. As at 31 July 2018 the Scheme's liability driven investments mandate hedges c.50% of the Scheme's liability against movements in interest rates and inflation when measured on the Scheme's Technical Provisions basis.

As at 31 July 2018, secured income property represented 12.4% (2017: 12.5%) and LDI assets represented 25.5% (2017: 26.9%) of the total investment portfolio respectively.

16. **CURRENT ASSETS**

	2018	2017
	£	£
Contributions due - employer	**180,227**	177,001
Contributions due - employee	**63,698**	61,442
Cash balances	**16,755,705**	11,472,045
Contributions due – PensionChoice	**1,470,028**	1,384,876
Contributions due - AVC's	**4,559**	1,725
Prepayments	**19,928**	24,795
Accrued Deficit Contribution	**20,000**	-
	18,514,145	13,121,884

All contributions receivable at the year-end were paid at least in accordance with the Schedule of Contributions.

Notes to the Financial Statements for the Year Ended 31 July 2018

17. **CURRENT LIABILITIES**

	2018	2017
	£	£
Unpaid benefits	**1,211,106**	1,076,348
Accrued expenses	**267,223**	413,990
Sundry creditors	-	39,721
	1,478,329	1,530,059

18. **RELATED PARTY DISCLOSURES**

The University of Manchester (the sponsoring employer) pays the pensions on behalf of the Scheme. These are recharged to the Scheme.

The University also charges an administration fee which represents that portion of staff costs relating to the administration of the Scheme. The charge for the year ended 31 July 2018 was £179,169 (2017: £189,097).

19. **EVENTS AFTER THE REPORTING PERIOD**

Following the financial year end, the High Court ruled that pension schemes that were formerly contracted-out of the state second pension scheme/SERPS must take action to address inequalities in Guaranteed Minimum Pensions (GMPs) earned by members. The trustees, with their advisors, are considering the different options available to them to comply with this ruling.

Following the financial year end, the following changes were made to the Scheme with effect from 1 January 2019:

- Close the Final Salary section to all members
- All Final Salary and CARE members are moved to a new CARE section with a pension accrual rate of 1/100 and lump sum of 3 x pension.
- The contribution rate for all members is 6.5%
- Any existing Final Salary AVC contracts in force at 31 December 2018 are not affected by the closure of the Final Salary section.
- Any transfers in to the Final Salary section that gave additional service are not affected by the closure of the Final Salary section.
- UMSS is closed to new members after 31 December 2018.

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

UNIVERSITY OF MANCHESTER SUPERANNUATION SCHEME

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that –

   the statutory funding objective could have been expected on 31 July 2016 to be met by the end of the period specified in the recovery plan dated (i.e. signed on behalf of the Trustee on) 31 OCTOBER 2017.

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 (i.e. signed on behalf of the Trustee on) 31 OCTOBER 2017.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:		Date:	31 OCTOBER 2017
Name:	Charles Cowling	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	St James's Tower 7 Charlotte Street, Manchester, M1 4DZ	Name of employer:	JLT Benefit Solutions Limited

Report on Actuarial Liabilities
(forming part of the Report of the Trustees)
for the Year Ended 31 July 2018

As required by Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the statutory funding objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the trustees and the employer and set out in the statement of funding principles, which is available to scheme members on request.

The most recent full actuarial valuation of the scheme was carried out on 31 July 2016. This showed that on that date:

The value of the technical provisions was: £708,100,000.

The value of the assets at that date was: £500,700,000.

This corresponds to a deficit of £207,400,000 and a funding level of 71%.

There has since been an updated valuation carried out as at 31 July 2018 which showed that the accumulated assets of the scheme now represent 77% of the technical provisions at this date.

The value of the technical provisions is based on pensionable service to the valuation date and assumptions about various factors that will influence the scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live.

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

Significant actuarial assumptions
Note, the "gilt yield" referenced in the discount rate assumptions below refers to the annualised yield on the FTSE Actuaries' Government Securities 20 Year Fixed Interest Yield Index rounded to the nearer 0.1% per annum.

Past service discount interest rate: set by reference to the gilt yield plus 1.4% per annum decreasing linearly to the gilt yield plus 1.0% per annum over 20 years.

Future service discount interest rate: set by reference to the gilt yield at the valuation date plus 1.6% per annum.

Future Retail Price inflation (RPI): calculated using the Bank of England's implied inflation spot curve at a term of 20 years, rounded to the nearer 0.1% per annum, less a deduction of 0.1% per annum to reflect the "inflation risk premium" for fixed interest gilts and the high demand/low supply of index linked gilts relative to fixed interest gilts.

Future Consumer Price inflation (CPI): calculated from the assumption for RPI less an adjustment equal to 1.0% per annum.

Deferred pension revaluation: elements of pension in deferment which have future revaluation in line with RPI subject to a maximum of 5% per annum will be calculated as revaluing at the assumed rate of RPI inflation, subject to a minimum assumption of 0% per annum and a maximum assumption of 5% per annum.

Elements of pension in deferment which have future revaluation in line with CPI subject to a maximum of 5% per annum will be calculated as revaluing at the assumed rate of CPI inflation, subject to a minimum assumption of 0% per annum and a maximum assumption of 5% per annum.

Pension increases: elements of members' pensions which increase in payment in line with RPI subject to a maximum of 5% per annum will be taken to increase at the assumed rate of RPI growth, subject to a minimum assumption of 0% per annum and a maximum assumption of 5% per annum.

Report on Actuarial Liabilities
(forming part of the Report of the Trustees)
for the Year Ended 31 July 2018

Pensions which increase in payment in line with CPI subject to a maximum of 5% per annum will be taken to increase at the assumed rate of CPI growth, subject to a minimum assumption of 0% per annum and a maximum assumption of 5% per annum.

Pensions which increase in payment in line with CPI subject to a maximum of 3% per annum will be taken to increase at the assumed rate of CPI growth, subject to a minimum assumption of 0% per annum and a maximum assumption of 3% per annum.

Pay increases: the rate of pensionable salary increase (inclusive of promotional increases) will be calculated in line with the RPI assumption plus 0.75% per annum.

Mortality: no allowance will be made for pre-retirement mortality.

The basis adopted for the valuation in respect of post retirement mortality was: Base mortality table - 100% of the mortality rates in the standard tables S2PMA for males and S2PFA for females, projected to the valuation date in line with the approach below.
Allowance for future improvements: CMI core projection model with a 1.5% per annum long term projected rate of improvement (CMI_2016 [1.5%]), using a year of birth approach.

Withdrawals: allowance will be made for members leaving the scheme.

Ill health early retirements: allowance will be made for active members to retire early from the scheme due to ill health.