REGISTERED NUMBER: 10031805 (England and Wales)

Annual Report for the Year Ended 31 July 2023

for

University of Manchester Superannuation Scheme

Contents of the Annual Report
for the Year Ended 31 July 2023

Trustee and Advisers
for the Year Ended 31 July 2023

TRUSTEE:	UMSS Limited
CHAIR OF TRUSTEE:	Mr J D Ferns
SECRETARY TO THE TRUSTEE:	Mr A Field
PRINCIPAL EMPLOYER:	The University of Manchester Oxford Road Manchester, M13 9PL
ENQUIRIES:	Mr A Field The University of Manchester Pensions Office John Owens Building Oxford Road Manchester, M13 9PL UMSS@manchester.ac.uk
ACTUARY:	Mr C Cowling (FIA) Mercer Limited Belvedere 12 Booth Street Manchester, M2 4AW
AUDITOR:	Grant Thornton UK LLP (*to 31 July 2023*) Landmark, 1 St Peter's Square 1 Oxford Street Manchester, M1 4PB RSM UK Audit LLP (*from 1 August 2023*) Portland 25 High Street Crawley West Sussex, RH10 1BG
SOLICITORS:	Walker Morris LLP 33 Wellington Street Leeds, LS1 4DL CMS Cameron McKenna Nabarro Olswang LLP (*from 1 August 2023*) 1 The Avenue Manchester, M3 3AP
INVESTMENT CONSULTANT:	Mercer Limited Belvedere 12 Booth Street Manchester, M2 4AW
COVENANT ADVISER:	Cardano Advisory Limited 9th Floor, 6 Bevis Marks London, EC3A 7BA
BANKERS:	National Westminster Bank Plc Manchester City Centre (B) Branch 19 Market Street Manchester, M1 1WR

Report of the Trustee
for the Year Ended 31 July 2023

The Trustee presents its report for the year ended 31 July 2023.

This is the formal annual report about the running and finances of the University of Manchester Superannuation Scheme (UMSS or the Scheme) 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.

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, generally 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the Finance Act 2004 and the Trustee (UMSS Limited) knows of no reason why this registration might be prejudiced or withdrawn.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 the 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 selected by the membership of the Scheme (three in relation to active and deferred members and one in respect of pensioner members). All directors are appointed for a term of three years.

A call for member nominated directors has taken place in the past year which has seen the appointment of Mr G R C Hughes in March 2023 to fill the vacancy for active and deferred members, and Mr D Griffiths in January 2024 in respect of pensioner members.

University Nominated Directors	**Member Nominated Directors**
Mr J D Ferns (Chair) (re-appointed 1 June 2021)	Mr T Raworth (appointed 24 May 2021)
Dr S D Merrywest (re-appointed 31 March 2023)	Mr P N Rowbotham (appointed 24 May 2021)
Mrs J N Shelton (re-appointed 31 July 2021)	Mr G R C Hughes (appointed 20 March 2023)
Mr H Peters (re-appointed 1 April 2022)	Mr D Griffiths (appointed 15 January 2024)
Mr K McDermott (appointed 24 May 2021)	

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT MANAGERS

Investment Managers (bold) and Fund	Short name	Address
Schroder Private Equity Fund of Funds II (in liquidation as of 16 July 2019) **Aberdeen Standard SVG**	Aberdeen	31 Gresham Street London EC2V 7QA
Lime Property Fund Unit Trust **Aviva Investors**	Aviva	No 1 Poultry London EC2R 8EJ
BlackRock NTR Renewable Power Fund **BlackRock Investment Management (UK) Ltd**	BlackRock	12 Throgmorton Avenue London EC2N 2DL
Renshaw Bay Real Estate Finance Fund L.P. (in liquidation as of 14 December 2021) **GAM (U.K.) Ltd**	GAM	20 King Street London SW1A 1LY
Private Equity Partners 2004 Offshore L.P. (in liquidation as of 1 July 2022) Vintage VI Offshore L.P. **Goldman Sachs Asset Management L.P.**	GSAM	200 West Street New York New York 10282
Broad Street Real Estate Credit Partners II Offshore Feeder Fund L.P. **Goldman Sachs & Co**.	GS&Co	200 West Street New York New York 10282
ICG – Longbow Real Estate Debt Instruments III (in liquidation December 2021) & V SCSp **ICG – Longbow**	ICG Longbow	Juxon House 100 St Paul's Churchyard London EC4M 8BU
Impax Global Equity Opportunities (Ireland) Fund GBP **Impax Asset Management**	Impax	7th Floor 30 Panton Street London SW1Y 4AJ
LaSalle Real Estate Debt Strategies II GP (in liquidation as of 27 March 2022) **LaSalle Investment Management**	LaSalle	1 Curzon Street London W1J 5HD
Cash Liability Driven Investments (LDI) LPI Income Property Fund Sterling Liquidity Over 15 years Index-Linked Gilts Global Buy and Maintain Credit **Legal & General Investment Management Ltd**	LGIM	One Coleman Street London EC2R 5AA
M&G Real Estate Debt Fund II, III & VI (funds II & III closed as of 30 Sept 2022) M&G Secured Property Income Fund **M&G Investment Management Ltd**	M&G	Governor's House Laurence Pountney Hill London EC4R 0HH
North Haven Credit Partners II **Morgan Stanley Investment Management**	Morgan Stanley	1585 Broadway New York New York 10036
RLPPC UK Corporate Bond Fund **Royal London Asset Management**	RLAM	55 Gracechurch Street London EC3V 0RL
Stewart Investors Worldwide Sustainability Fund **First State Investment Management (UK) Ltd**	Stewart	23 St Andrew Square Edinburgh EH2 1BB
Wellington Multi-Sector Credit Fund **Wellington Management International Ltd**	Wellington	Cardinal Place 80 Victoria Street London SW1E 5JL

Report of the Trustee
for the Year Ended 31 July 2023

PARTICIPATING EMPLOYERS

Employer	Participation began	Members at 31 July 2023
The University of Manchester (UoM)	22 July 1925	1,970
The University of Manchester Innovation Factory Ltd (UMIF)	1 October 2004	10
The University of Manchester Conferences Ltd (UMC)	1 February 2006	78
Total		2,058

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 £222,327 (2022: £204,722). The amount due to the University at 31 July 2023 was £222,327 (2022: £nil) and amounts due from participating employers at 31 July 2023 were £nil (2022: £nil).

The following directors of UMSS Limited are (or were) members of UMSS. These members are entitled to receive benefits on the same basis as all other members: Mr H Peters, Mr K McDermott, Mr T Raworth, Mr P N Rowbotham, and Mr G R C Hughes. Mr D Griffiths is a pensioner member of the Scheme in receipt of a pension from the Scheme.

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.

On 31 July 2023 Grant Thornton UK LLP ceased to act as the Scheme's auditors. In their resignation statement they noted there were no circumstances connected with their resignation which, in their opinion, significantly affect the interests of the members of prospective members of, or beneficiaries under, the Scheme.

ACTUARIAL STATUS OF THE SCHEME
The relevant Actuarial Statements from the valuation conducted as at 31 July 2022 certified by the Scheme Actuary in October 2023, appear on pages 55 and 56 of this Report and Financial Statements.

NOTICE OF LIQUIDATION OF FUNDS
The Trustee has been notified that the following investment funds are currently in the process of being liquidated; Schroder Private Equity Fund of Funds II (July 2019), Renshaw Bay Real Estate Finance Fund L.P. (December 2021), Private Equity Partners 2004 offshore L.P (July 2022) and ICG – Longbow Real Estate Debt Instruments III (December 2021).

Report of the Trustee
for the Year Ended 31 July 2023

MEMBERSHIP

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

Active Members			
At start of year	2,256		
Opt ins (within 6 months of leaving)	1		
Prior year adjustments	1		
		2,258	
Members retiring	(42)		
Deaths in service	(2)		
Members leaving prior to pensionable age	(154)		
Members leaving after pensionable age (preserved pension)	(0)		
Trivial commutation	(0)		
Prior year adjustments	(2)		
		(200)	
At end of year			**2,058**
Pensioners			
At start of year		2,651	
Active members retiring		42	
Flexible retirements		6	
Deferred pensioners reaching pensionable age		121	
Spouses and dependants		33	
Prior year adjustment		4	
		2,857	
Deaths during year		(100)	
Trivial commutation		(7)	
Amalgamated flexible retirement record		(25)	
Prior year adjustment		(0)	
At end of year			**2,725**
Deferred pensioners			
At start of year		3,778	
Deferred pensioners during year		152	
Prior year adjustments (deferred)		2	
Prior year adjustments (preserved refunds)		2	
		3,934	
Deferred members retiring	(121)		
Deaths during year	(4)		
Refunds paid	(2)		
Transfers to other pension scheme	(10)		
Serious ill health	(2)		
Trivial commutations	(61)		
Prior year adjustments (deferred)	(9)		
Prior year adjustments (preserved refunds)	(0)		
		(209)	
At end of year			**3,725**
Total membership at 31 July 2023			**8,508**

The prior year adjustments relate to the timing of the person leaving/ joining the Scheme and when the reports are run. 9 Pensioner members are insured with Aviva (2022: 9) and the Trustee has determined that their benefits are not material.

Report of the Trustee
for the Year Ended 31 July 2023

PENSION INCREASES
Increases were made on 1 April 2023 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 5% for benefits earned before 1 April 2012 and 5% on benefits earned after 31 March 2012. No discretionary increases were awarded in the year.

TRANSFER VALUES
Transfer values paid during the year to other registered schemes 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 out was 10 (2022: 8).

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. The Trustee has consulted with the actuary and has complied with the new regulations from 1 October 2008.

CONTRIBUTIONS
The accumulated 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.

For members who fund their membership via PensionChoice, the salary exchange plan for employees of the University, UMC and UMIF, the contribution rate for members is 0% and the employer contributes 24.6%. For non PensionChoice members, members contributed 6.5% of pensionable salaries, with the University and participating employers paying 18.1% of pensionable salaries. In addition, the University paid £7.5m p.a. towards the deficit in accordance with the Recovery Plan agreed following the 31 July 2019 actuarial valuation.

Post year end the actuarial valuation as at 31 July 2022 was finalised with the University. Within this it was agreed that for members who fund their membership via PensionChoice, the contribution rate for members is 0% and the employer contributes 21.7%. For non PensionChoice members, members contributed 6.5% of pensionable salaries, with the University and participating employers paying 15.2% of pensionable salaries. For both PensionChoice and non PensionChoice members the University also pays an additional 2.9% of Pensionable Salary towards clearing the deficit. In addition it was also agreed that the University will pay £8.384m p.a. (increasing by 3.5% p.a.) towards the deficit in accordance with the Recovery Plan.

Further details in respect of contributions are detailed on page 37 and in note 3.

CHANGE IN THE FUND
At the beginning of the year the total net assets of the Scheme were £646,643,201. As a result of net additions from dealings with members of £1,465,466 and net loss on investments of £208,003,853 the net assets of the Scheme had a market value of £440,104,814 at 31 July 2023. The primary reasons for this were as a result of the significant increase in gilt yields as detailed in the Investment report on pages 12 and 13.

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.

GMP EQUALISATION IMPACT
The estimated GMP equalisation impact for the Scheme is an increase of 0.23% of the total value of the Scheme Funding triennial valuation liabilities as at 31 July 2022, plus a further £345,000 in respect of historic transfer values. The typical range of impacts vary between around 0.2% and 0.3% of the total value of scheme liabilities, based on the initial analysis carried out. This was re-assessed as part of the 2022 actuarial valuation, and the Trustee expects to make significant progress on this exercise during 2023-2024. Any member who requests to transfer their benefits out of the Scheme, or take Trivial Commutation, will have an allowance for GMP Equalisation included in this payment.

Report of the Trustee
for the Year Ended 31 July 2023

BENEFIT RECTIFICATION IMPACT
During the Scheme year the Trustee has continued to consider a number of historic benefit rectification matters. This has primarily related to the correct treatment of members with service between 17 May 1990 and 25 February 1992.

This relates to the 'Barber' High Court ruling on 17 May 1990 which confirmed that men and women had to have equal Normal Pension Ages (NPA). In practice the majority of Schemes at that time, including UMSS, set the NPA equal to the State Pension Age which was age 60 for females and age 65 for males. From 17 May 1990 benefits built up by the disadvantaged sex (i.e. males) had to have the same NPA as females, until the date of a valid amendment to formally equalise benefits. This period is known as the 'Barber Window'. Scheme records indicated that NPA was increased for both sexes to age 65 on 25 February 1992.

Whilst the Scheme was validly equalised from 25 February 1992, the Trustee has determined that the Scheme has not been administered correctly in the calculation of benefits within the Barber Window, particularly in relation to the application of late retirement factors. The matter has been considered in some detail by the Trustee in conjunction with its advisers and post year-end the calculations have been completed, with members written to and pensions adjusted. The Scheme Actuary has included an allowance for this within the actuarial valuation as at 31 July 2022.

CHANGES TO THE SCHEME RULES
During the Scheme year the Trustee signed the following legal documents:

- Deed of Amendment – a tidy up deed in relation to definitions and clauses, largely but not exclusively in relation to ill-health early retirement, spouse's pensions and discretionary pension increases

Furthermore, post year end new solicitors (CMS Cameron McKenna Nabarro Olswang LLP) were appointed by the Trustee to commence work on a benefit specification and consolidated Trust Deed and Rules, with the expectation that these will be finalised in the year to 31 July 2024.

Report of the Trustee
for the Year Ended 31 July 2023

TRUSTEE GOVERNANCE

During the Scheme year the Trustee met on 7 occasions. This consisted of 4 quarterly board meetings, and 3 standalone meetings (2 to consider the actuarial valuation as at 31 July 2022, 1 to consider action required following the 'mini-budget' in September 2022). In addition to its main Board, the Trustee operates a number of sub-committees as follows:

- Investment Sub-Committee (ISC) – Met on 5 occasions
- Governance Sub-Committee (GSC) – Met on 2 occasions
- Administration, Benefits and Communications Sub-Committee (ABCSC) – Met on 3 occasions
- Audit & Finance Sub-Committee (AFSC) – Met on 2 occasions

The membership is set out below (C: Chair):

	J Ferns	S Merrywest	J Shelton	H Peters	K McDermott	T Raworth	P Rowbotham	G Hughes	D Griffiths
ISC	C		x		x		x		
GSC		C		x		x		x	
ABCSC		x		C		x		x	
AFSC			C	x					x

The principal responsibilities of the sub-committees are to:

- ISC
  - Consider investment matters as delegated to it by the Trustee Board (as set out in the Terms of Reference); and
  - Make recommendations, where appropriate, on areas which the Trustee Board retains responsibility for.
- GSC
  - Ensure the Scheme is appropriately governed within the appropriate legislative and regulatory framework and in line with best practice where possible.
- ABCSC
  - Ensure the Scheme is appropriately administered in line with the Scheme's governing documentation (Trust Deed and Rules and related Deeds of Amendment); and
  - Oversee statutory and scheme communications issued to members (including the Scheme website).
- AFSC
  - Lead on approving the Scheme's Annual Report and Accounts and consider the contents of the Audit Findings Report.

Further information is set out in each sub-committee's Terms of Reference.

TRUSTEE UPDATE

During the Scheme year the Trustee has in particular been considering the impact of the 'mini-budget' and the impact on the Scheme and its investment strategy. This has then been incorporated in the negotiations as part of the actuarial valuation as at 31 July 2022 which was agreed and signed post year end in October 2023. Work has also commenced on reviewing the Scheme's Trust Deed and Rules, and reviewing how to resolve the benefit rectification matters as described on page 7. Towards the end of the year (and subsequently post year-end), considerable attention has been spent on the cyber incident as described on page 9.

In respect of the sub-committees, the ISC have been working hard on reviewing its first Carbon Footprinting report, following which a number of actions have been taken. As noted above, the ISC has led the work on reviewing the Scheme's investment strategy and considered the implications of the 'mini-budget' on gilt yields and the Scheme's LDI mandate. The ABCSC have continued to review and work on a wider administration transformation plan, and have also appointed an adviser, The Tracing Group, to assist with address tracing and mortality screening. The GSC has commenced work towards ensuring compliance with the General Code of Practice, which has now been published post year end, and which will see a full review and overhaul of its governance framework. Lastly, aside from its usual work on the Annual Report and Accounts and Audit, the AFSC has led on the appointment of a third party who will provide accounting, treasury and payroll services for the Scheme which will go live in the forthcoming scheme year. In addition, it has also reviewed and changed the Scheme Auditor.

Report of the Trustee
for the Year Ended 31 July 2023

CYBER INCIDENT

The Principal Employer, The University of Manchester, informed the Trustee in June 2023 that it was subject to an ongoing cyber incident which had begun in May 2023. At that stage no information relating to Scheme's membership was thought to have been compromised. However, the Trustee did inform The Pensions Regulator (TPR) and the Information Commissioners Office (ICO) of a potential breach.

Subsequent to the notification the University commenced forensic investigations in partnership with its advisers and thereafter discovered and informed the Trustee in August 2023 that some individuals' personal data had been part of the incident. This was mainly confined to active members as at 31 July 2022, but did also incorporate a small number of deferred and pensioner members. This update was provided to TPR and ICO.

The Trustee has informed members who were affected by the breach and offered all members 12 months' free membership of Experian Identity Plus, to provide identity monitoring, which helps detect possible misuse of the users' personal information and supports identification and resolution of identity theft incidents.

The University has informed the Trustee that they have taken extensive steps to contain the incident. They have appointed an independent cyber security expert who continues to monitor the web to confirm that data compromised as a result of this incident is not available. Although there is no evidence to date that information resulting from this incident has been misused or that it is availably illegally, there is still a possibility that any data compromised in the incident could be used for fraud, identity theft or to send malicious emails. The Trustee has encouraged all members to be vigilant for unusual activity, as well as suspicious emails or calls and other potential scams and/ or fraudulent activity.

The University has confirmed to the Trustee that significant enhancements to their monitoring and detection capabilities and measures have been put in place to mitigate the risk of a similar incident in the future. The Pensions Office continues to remain vigilant for potential fraudulent activity.

The Trustee is continuing to work with the University and its' own advisers to make sure that there is appropriate support and safeguards in place regarding any long-term impact of the incident on the Scheme.

GOING CONCERN STATEMENT

The Trustee has considered several factors in its consideration for going concern. This includes:

- A review of the University's 2023 financial statements and the going concern paper that the University's Board of Governors considered;

- The level of Scheme assets, liabilities and overall funding position, both as at 31 July 2023 and as near a date to signing the financial statements as practically possible;

- That the Pensions Office have now formally adopted the practice of Hybrid working, with pensions continuing to be paid without interruption and benefits processed for leavers, retirees and deaths of members and contributions received from the participating employers within the statutory period;

- Trustee Board meetings have been held throughout the period through a mix of hybrid, fully in person and fully remote;

- The actuarial valuation as at 31 July 2022 has been finalised and signed with the University, with a new Schedule of Contributions and Recovery Plan being agreed; and

- Confirmation received from the University that it does not intend to give notice to cease to pay contributions or to trigger the wind up of the Scheme.

Accordingly, the Trustee has determined that it does not intend to wind up the Scheme and that its financial position, along with that of the University, means that it remains reasonable and appropriate to prepare the financial statements on a going concern basis.

Report of the Trustee
for the Year Ended 31 July 2023

FURTHER SCHEME INFORMATION

Members, and trade unions recognised for the purposes of collective bargaining in relation to members, are entitled to inspect copies of documents giving information about the Scheme. In some circumstances, copies of the documents can be provided but a charge may be made.

To comply with the requirements of the Pensions Act 1995, the Trustee provides a formal Internal Despite Resolution Procedure (IDRP). Anyone requiring information about the Procedure should request details from the Secretary to the Trustee, whose details can be found on page 1. This extends to any general enquiries concerning the Annual Report and Accounts or the Scheme in general.

MoneyHelper

MoneyHelper, part of the Money and Pensions Service (MaPS) is available at any time to assist members and beneficiaries of the Scheme in connection with any pensions query they may have. MoneyHelper can be contacted at:

pensions.enquiries@moneyhelper.org.uk
0800 011 3797

The Pensions Ombudsman

If MoneyHelper cannot solve a pension problem, the Pensions Ombudsman, appointed under the Pension Schemes Act 1993, may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme made or referred to in that Act.

The Pensions Ombudsman has an early resolution service in addition to its formal adjudication process. This aims to provide a quick, informal service to members who wish to discuss a potential complaint. Should a complaint not be resolved using this service, then the expectation is that the formal IDRP is completed ahead of the formal adjudication process starting. The Pensions Ombudsman can be contact at:

10 South Colonnade
Canary Wharf
London, E14 4PU

enquiries@pensions-ombudsman.org.uk
0800 917 4487

Pension Tracing Service

Details of the Scheme, including the address where the Trustee can be contacted have been lodged with the Pension Tracing Service. The Service's prime role is to provide a 'tracing and information service' for former members of pension schemes. They can be contacted at:

The Pension Service
Post Handling Site A
Wolverhampton, WV98 1AF

Registration under Data Protection legislation

The Trustee is responsible for the governance and managed of the Scheme which includes that the Trustee, and any of its advisers and service providers comply with all relevant legislation, including that on data protection. The Trustee's policy on this is set in its Privacy Notice, a copy of which is available on request from the Secretary to the Trustee, contact details on page 1.

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT MANAGEMENT
THE SCHEME (as at 31 July 2022)
The invested assets 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 Scheme to undue risk. This policy gives due emphasis to the spread of the Scheme's assets over various investment categories. It is the Trustee's policy that single investments should not represent a significant proportion of the Scheme's total assets. The Trustee is satisfied that the proportion of the Scheme’s assets in employer-related investments does not exceed 5% of the market value of the Scheme’s assets as at 31 July 2023.

LGIM manages secured property and LDI allocations on behalf of the Trustee. These assets comprised c.45.5% of the Scheme’s assets as at the year-end, which is c.1.4% less than at the beginning of the year as a result of market movements and the Scheme disinvesting from the LGIM corporate bond fund over the year. In October 2022, during the UK gilt market crisis, the target level of hedging provided by the Scheme’s LDI portfolio was reduced from 80% to 50% against movements in interest and inflation rates, of the Technical Provisions liabilities. The decision to reduce the level of hedging was taken following extreme gilt market stress to protect the Scheme from exhausting the level of capital required to maintain the agreed level of hedging. The Trustee is aware that the assets held with LGIM are subject to a floating charge. LGIM have confirmed that this was put in place for all policyholders and the Pensions Regulator is aware and has no objections to it. LGIM have also noted that this method is similar to that adopted by most providers of insured pooled funds.

The Scheme has two active global sustainable equity managers, Stewart and Impax.

The Scheme invests in two other secured property funds (in addition to LGIM), managed by Aviva and M&G.

With regard to the Scheme’s other investments, exposure to private equity is via funds managed by GSAM. The Scheme also invests in renewable energy infrastructure assets via a fund managed by BlackRock. In addition, the Scheme holds shares in a fund managed by Morgan Stanley that invests in private debt; and a multi-asset credit fund managed by Wellington.

Moreover, the Scheme invests in eight real estate debt funds managed by five real estate debt managers. The Scheme is invested in three funds managed by M&G, which have drawn down £37.0m in total out of a commitment of £40.0m; two funds managed by ICG Longbow which have drawn down £34.8m out of a commitment of £40m; the LaSalle fund has drawn down £13.3m out of a commitment of £15.0m; the GAM fund has drawn down £10.8m out of a commitment of £15.0m, the fund went into liquidation in December 2021; and the GS&Co fund has drawn down $17.7m out of a commitment of $20.0m.

The Scheme also invests in a corporate bond mandate with RLAM.

Lastly, UMSS Ltd has delegated power via a Board resolution to the Finance Director of The University of Manchester, to manage those short-term cash deposits on a day-to-day basis that are not held by any of the external investment managers. Detailed consideration of investment matters is delegated to an Investment Committee, which makes recommendations on strategic matters to the Trustee Board for ratification.

Report of the Trustee
for the Year Ended 31 July 2023

STATEMENT OF INVESTMENT PRINCIPLES

UMSS Ltd has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the 1995 Pensions Act ("Investment Principles"), Section 244 of the 2004 Pensions Act, the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation. The Trustee updated the SIP in November 2022, to reflect the reduction in the target level of hedging for the Scheme. The Trustee has made a copy of the SIP available on a publicly accessible website. The latest Statement of Investment Principles can be found here: https://www.umss.co.uk/about-the-scheme/documents-and-forms/sip.pdf

MARKET BACKGROUND

Investment Markets[1]

The 12-month period to June 2023, saw the peak in headline inflation rates in most regions. Developed market central banks began to pause after the fastest rate of interest rate hikes in years. Although there were some signs of higher rates having an impact on the real economy, most notably among US regional banks, major developed economies remained surprisingly resilient. Growth also held up in emerging markets except for China where the hoped for rebound after the end of Covid restrictions was underwhelming. Overall, investors became more optimistic which was reflected in strong equity returns, albeit partly driven by a small number of US stocks and weaker performance for defensive assets.

Inflation and central bank policy continued to drive markets in the third quarter of 2022. Inflation readings in most major regions remained high and rising. Central banks therefore continued to tighten monetary policy and maintained a hawkish outlook, resulting in elevated market volatility. Risk assets rose in July of 2022 on the back of hopes of inflation peaking and the hiking cycle ending, but these hopes were quashed later in the quarter. Furthermore, markets priced in the increasing risk of a recession resulting from the monetary tightening. Therefore, most major asset classes ended the quarter with negative returns. Significant continued weakening in sterling mitigated the drawdown for unhedged UK investors. The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe which exacerbated pressure on energy prices. Volatility spiked in UK markets at the end of Q3 2022 as an unfunded fiscal budget led to a sell-off in government bond markets.

In Q4, developed market central banks continued tightening monetary policy but at a slowing pace. Inflation remained on a downward trend from high levels. In China, an end to all Covid-related restrictions boosted sentiment as investors priced in an economic rebound. The narrative of peaking inflation and resilient economic growth drove positive equity returns during October and November of 2022, but hawkish messaging from central banks in December of 2022 led to a premature end of the "Santa rally" even though the quarter ended with positive equity returns for the first time in a year.

The first quarter of 2023 started with optimism over declining inflation and a hope of an end to monetary tightening. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS's shotgun takeover of Credit Suisse in March were the major events of the quarter that briefly rattled markets until calm returned towards quarter end. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust. Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained elevated.

The second quarter of 2023 saw the orderly resolution of the second largest bank failure in US history and further distress among US regional banks, yet ongoing economic resilience, declining inflation, an equity rally led by eight stocks, and increased geopolitical tensions, including an attempted coup in Russia. Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase the policy rate, but rhetoric remained hawkish. Headline inflation continued to slow and core inflation fell in most regions apart from the UK. Inflation expectations also continued to decline over the quarter.

On a year-on-year basis to 30 June 2023, Sterling returns for developed market equities were positive at 13.5%. Sterling's appreciation reduced equity returns for unhedged UK investors. Emerging markets were also positive but underperformed relative to global equities. Markets have been on a bumpy recovery since the end of September 2022, particularly in the first quarter of 2023, when a select few 'mega-cap' stocks led a narrow market upwards, primarily driven by speculation surrounding AI-themed stocks.

1 Statistics sourced from Thomson Reuters Datastream unless otherwise specified.
2 Statistics sourced from MSCI Investment Property Database.

Report of the Trustee
for the Year Ended 31 July 2023

Investment Markets - Continued

However, this was not the story for the entire twelve-month period as there were extended periods of equities selling off throughout the year. The Fed reiterating hawkish policy in September 2022 and regional banking distress in March 2023 were catalysts for periods of weakness in equity markets.

Elsewhere, positive momentum throughout the year has been driven by lower-than-expected inflation data and better-than-expected earnings and economic activity data, both of which have aided in buoying equity markets. China was the main laggard in emerging markets, where an unexpected de-escalation of COVID restrictions led to initial strong performance for Chinese equities as a strong rebound was priced in. However, the actual rebound disappointed with the economic recovery being weaker than investors thought it may be. As a consequence, China was by far the weakest performing major equity market over the 12-month period to June 2023.

On a year-on-year basis to 30 June 2023, UK government bond returns were deeply negative, -14.5%, as were returns for UK corporate bonds, -7.1%. Inflation-linked bonds also performed poorly over the year, -17.0%.

In September 2022, the UK went through a major government bond (gilt) sell-off after the government announced a mini budget that markets deemed fiscally unsound. In the immediate aftermath following the mini-budget, 10-year yields spiked ~70 bps higher. However, the intra-day volatility was extremely elevated, with 30-50bps intra-day swings in 10-year yields through this period. Two weeks following the announcement despite volatility falling, 10-year yields remained 40 bps higher than they were prior to the announcement. Markets positioned for the Bank of England having to double down on tightening in order to offset the expansionary mini budget. Soaring yields led to a scramble for collateral by UK pension plans who were exposed to leveraged liability hedging strategies. This ultimately led to the Bank of England providing liquidity support at the longer end of the yield curve. However, inflation forced the Bank of England to also continue to raise rates in the third and fourth quarter of 2022, ending the year at a base rate of 3.5%. Bond yields fell slightly through Q1 2023 despite the BOE continued raising rates, with the base rate increasing 0.75%, finishing March 2023 at 4.25%. The BOE continued to hike interest rates in the second quarter of 2023 as well, starting with a 25bps hike in May and then surprising with a 50bps hike in June as inflation remains substantially above target and the highest among other major developed economies. As of 30 June 2023, yields in the UK are back at the level witnessed during the gilt market crisis, an increase by 212 bps for the year which is far above any global government bond market and highlights the underperformance of gilts relative to other markets.

UK real yields rose over the 12 months to June 2023. The gilt-market crisis in September saw a sharp increase in real yields, but after having fallen in November 2022, real yields continued to climb back close to the highs seen in September, persisting through to June 2023. The 10-year real yields rose by 200bps over the 1-year period ending on 30 June 2023. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, rose by 17bps over the 12-month period, reaching 3.87% as of the end of June 2023, which was lower than the peak of 4.4% reached in August 2022. For context, the 5-year high for 10-year UK breakeven inflation was in March 2022, when market-based measures of inflation expectations were 4.64%.

Both investment grade and high yield credit spreads tightened over the 12-month period to June 2023, but the negative impact of increasing yields still led to negative total performance. Non-gilt credit spreads tightened by 17 basis points over the 12-months to June 2023. Credit outperformed equivalent duration government bonds.

The UK, due to its tradition of monthly valuations and deep investor base, once again proved to be the property market globally to be fastest correcting to the change in capital market conditions. At the start of June, the process of value correction appears to be slowing down, suggesting that the end may be in sight. However, the outlook for near-term base rates has increased compared to last quarter, which could push yields up further still.

After a period of nearly a year with predominantly negative capital growth and reaching a low point in Q4 2022, returns appear to have levelled off in the late spring of 2023. The MSCI UK Monthly Property Index showed a total return of 1.7% in the 3-months to May 2023. All property types recorded positive returns with the exception of the office sector. In the 3-months to May 2023; capital growth ranged between -2.9% in office to 4.0% in residential. Although higher interest rates have been heavily negatively affecting the yield side of the returns equation, strong inflation has had a broadly positive impact on rental growth as part of returns over the past year.

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT REVIEW[2] – continued

Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned 13.5%. Meanwhile, a return of -3.2% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 19.6% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 7.9%. The FTSE USA index returned 14.2% while the FTSE Japan index returned 12.6%. The considerable underperformance of UK vs World and US equities is partly attributed to the UK index's large exposure to value sectors that have underperformed growth since the beginning of 2023.

Equity market total return figures are in Sterling terms over the 12-month period to 30 June 2023.

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -14.5%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -24.9% over the year. Yields at the longer end of the nominal yield curve rose less than the shorter end but this was offset by the duration impact on the longer-dated gilt returns. The yield for the FTSE Gilts All Stocks index rose over the year from 2.44% to 4.46% while the Over 15 Year index yield rose from 2.56% to 4.36%.

The FTSE All Stocks Index-Linked Gilts index returned -17.0% with the corresponding over 15-year index exhibiting a return of -26.9%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -7.1%.

Bond market total return figures are in Sterling terms over the 12-month period to 30 June 2023.

Property

Over 12-month period to 30 June 2023, the MSCI UK All Property Index returned -16.9% in Sterling terms. All three main sectors of the UK Property market recorded negative returns over the period (retail: -9.5%; office: -17.0%; and industrial -23.2%).

Commodities

The price of Brent Crude Oil fell 35.2% from $114.93 to $74.51 per barrel over the one-year period. Over the same period, the price of Gold rose 6.0% from $1,806.87 per troy ounce to $1,916.00.
The S&P GSCI Commodity Spot Index returned -27.2% over the one-year period to 30 June 2023 in Sterling terms.

Currencies

Over the 12-month period to 30 June 2023, Sterling appreciated by 4.7% against the US Dollar from $1.21 to $1.27. Sterling appreciated by 11.4% against the Yen from ¥164.99 to ¥183.75. Sterling marginally appreciated against the Euro by 0.3% from €1.16 to €1.17 per the same period.

1 Statistics sourced from Thomson Reuters Datastream unless otherwise specified.
2 Statistics sourced from MSCI Investment Property Database.

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT POLICIES AND OBJECTIVES

The Trustee's primary 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. To help achieve the primary objective, the Trustee adopted a funding target as part of the 2019 actuarial valuation, which was made in conjunction with a reduction in investment risk, whereby the Scheme is targeting to be fully funded on the Technical Provisions basis by 2031. Following the completion of the 2022 actuarial valuation, the investment policies and objectives are currently under review.

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

The objectives set out above and the risks and other factors referenced in this Statement of Investment Principles (November 2022) are those the Trustee determines to be financially material considerations in relation to the Scheme during the year under review.

When designing the investment arrangements, the Trustee considers the requirements of legislation, the funding objectives for the Scheme and their views on the covenant of the Sponsor.

Financially and Non-Financially Material Matters in the Selection, Retention and Realisation of Investments, the Exercising of Rights Attached to Investments and Engagement Activities

In establishing the investment arrangements i.e. the selection, retention and realisation of investments, the Trustee consider what they believe to be financially material matters.

The process for choosing investments is as follows:

- Identify appropriate investment objectives
- Agree the level of investment risk consistent with meeting the objectives set
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk

The Trustee believes that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

The Trustee also considers that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit considerations. The Trustee has taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process. For this reason the Trustee has appointed a mix of Investment Managers that include a strong focus in these areas, including sustainably focused Investment Managers.

The Investment Managers provide the Trustee with regular reports covering ESG issues, and managers are expected to report on their adherence to the UK Stewardship Code on an annual basis.

Due to the use of pooled investment vehicles, the Trustee accepts that the Investment Managers have full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments. However, the Trustee regularly monitors and challenges how the Investment Managers integrate ESG issues within their investment processes and uses the ESG ratings of its Investment Consultant as part of overall Investment Manager monitoring and review. In addition, the Trustee also carries out an annual formal review, with the assistance of its Investment Consultant, of how the appointed Investment Managers integrate ESG issues into their investment processes to assess the effectiveness of the applied approaches.

The Trustee wishes to encourage best practice in terms of activism. The Investment Managers are therefore encouraged to discharge their responsibilities in respect of investee companies in accordance with the Statement of Principles drawn up by the Institutional Shareholders' Committee.

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT POLICIES AND OBJECTIVES – continued

The Trustee accepts that by using pooled investment vehicles for its quoted equity investments, the day-to-day application of voting rights will be carried out by the Scheme's Investment Managers. The Trustee has reviewed the voting policies of their Investment Managers and is comfortable that the Investment Managers will exercise their voting rights with a view to promoting strong corporate governance. The Trustee monitors voting activity to verify that the managers are actively voting in investee companies and engaging with management to encourage strong corporate governance and responsible business behaviour.
The Trustee has not set any investment restrictions on the appointed Investment Managers in relation to particular products or activities, but may consider this in future.

The Trustee does not explicitly consult members when making investment decisions but the Trustee regularly updates members via newsletters and by making a copy of the Statement of Investment Principles and other documentation available on the Scheme website and members have a variety of methods to make their views known to the Trustee. This position is reviewed periodically.

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT MANAGEMENT
INVESTMENT STRATEGY AND IMPLEMENTATION

All investments have been managed during the year under review by the investment managers and there is a degree of delegation in respect of investment decision making.

The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the Scheme that should be invested in the principal market sectors, the day-to-day management of the Scheme's asset portfolio, including full discretion for stock selection, is the responsibility of the investment managers.

The Trustee have implemented the following investment strategy with the aim of helping them achieve the investment objectives:

Asset Class	Strategic Allocation (%)*
Equities	10.0
Growth Fixed Income Assets	25.0
Matching Assets	65.0
Total	**100.0**

** Due to the illiquid nature of some of the Scheme's investments, full implementation of the target allocations is expected to take several years to be completed. In particular, the Scheme will continue to have exposure to Real Estate Debt and other Private Credit until the respective funds wind down.*

The current strategy is to hold broadly:

- 10.0% 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.

- 25.0% Growth Fixed Income Assets (or cashflow generative assets) are those that typically generate cashflows, some of which are inflation-linked, similar to the Scheme's liabilities, but also offer a yield above gilts. These include high yield bonds, emerging market debt, private debt, loans, and secured income property. The Scheme accesses a range of these underlying asset classes through its Multi-Asset Credit allocation.

- 65.0% Matching Assets (or defensive assets) are those that share some characteristics with the Scheme's liabilities. These include liability driven investments (LDI), corporate bonds and cash.

The investment managers and providers are regulated by the relevant regulatory body in their home jurisdiction.

The Trustee regards all the investments of the Defined Benefit Section as readily marketable other than the private equity, infrastructure, private debt and real estate debt funds as detailed below:

- The public equity funds, multi-asset credit fund and corporate bond fund are daily priced and traded;
- The Secured Property funds are monthly priced and traded, except the LGIM secured property fund which is weekly priced and traded;
- The LDI (including cash fund) are weekly priced and traded.
- The private equity, infrastructure, private debt, and real estate debt funds are quarterly priced. These funds are closed and therefore not readily realisable.

The actual allocations will vary from the strategic allocation above due to market price movements.

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT MANAGEMENT – continued
ASSET ALLOCATION

The Trustee invests in pooled investment vehicles.

The tables below show the distribution of the invested assets as at 31 July 2022 & 31 July 2023, first by manager and then by asset class.

Manager	Market Value 31 July 2022 (£000's)	Market Value 31 July 2023 (£000's)	Market Value 31 July 2023 (%)
LGIM (All mandates)	288,906	199,915	46.4
Aviva	20,264	16,663	3.9
GSAM, GS&Co	4,721**	3,821*	0.9
Impax	39,545	22,221	5.2
Stewart	35,686	21,364	5.0
M&G	48,779**	36,353*	8.4
Wellington	84,861	23,661	5.5
ICG Longbow	18,416	24,794	5.8
BlackRock	352**	-*	0.0
LaSalle	1,270**	217*	0.1
GAM	75*	75*	0.0
Morgan Stanley	7,530	6,240	1.4
RLAM	81,975	75,250	17.5
Schroder	94	94	0.0
Total	**632,474**	**430,638**	**100.0**

Source: Investment Managers. Figures may not sum due to rounding.

** Assets values shown as at 31 March 2023 and 30 June 2023 (allowing for subsequent cashflows) due to infrequency of valuations of illiquid assets. All foreign currencies converted to sterling as at 31 July 2022 and 31 July 2023 rates respectively.*

*** Assets values shown as at 31 March 2022 and 30 June 2022 (allowing for subsequent cashflows) due to infrequency of valuations of illiquid assets. All foreign currencies converted to sterling as at 31 July 2021 and 31 July 2022 rates respectively.*

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT MANAGEMENT – continued
ASSET ALLOCATION

Asset Class	Market Value 31 July 2022 (£000's)	Market Value 31 July 2023 (£000's)	Market Value 31 July 2023 (%)
Global Equities	75,230	43,585	10.1
LDI	178,529	177,301	41.2
Multi-Asset Credit	84,861	23,661	5.5
Secured Income Property	90,522	56,809	13.2
Private Equity	4,046**	3,197*	0.7
Private Debt	7,531**	6,240*	1.4
Real Estate Debt	36,786**	42,723*	9.9
Cash / Money Market ***	2,684	1,872	0.4
Infrastructure	352**	-*	0.1
Corporate Bonds	151,933	75,250	17.5
Total	632,474	430,638	100.0

Source: Investment Managers. Figures may not sum due to rounding.
** Assets values shown as at 31 March 2023 and 30 June 2023 (allowing for subsequent cashflows) due to infrequency of valuations of illiquid assets. All foreign currencies converted to sterling as at 31 July 2022 and 31 July 2023 rates respectively.*
*** Assets values shown as at 31 March 2022 and 30 June 2022 (allowing for subsequent cashflows) due to infrequency of valuations of illiquid assets. All foreign currencies converted to sterling as at 31 July 2021 and 31 July 2022 rates respectively.*
**** Cash includes Trustee Bank Account, which accounts for the difference in valuation between the manager table and the asset class table.*

INVESTMENT PERFORMANCE[3]

Net of Fees

	Last Year to 30 June 2023 (% p.a)	Last 3 Years to 30 June 2023 (% p.a)	Last 5 Years to 30 June 2023 (% p.a)
Total Assets	-27.3	-15.5	-5.5

Figures shown are based on performance provided by the Investment Managers, Mercer estimates and Refinitiv

Whilst the majority of the underlying assets are freely marketable, a number of the unitised investments (private equity, infrastructure, private debt and real estate debt) are not readily marketable. Individual performance figures for those mandates are not included in this document.

LGIM manages LDI and cash on behalf of the Scheme. Over the 12 months to 30 June 2023, the LDI funds returned -62.1%.

The Scheme's property funds Aviva Lime, M&G Secure Property Income and LGIM LPI Property returned -14.8%, -18.6% and -18.0% respectively over the 12 months to 30 June 2023 and the Scheme's multi-asset credit fund, held with Wellington, returned 7.1% over the 12 months to 30 June 2023 (all net of manager fees - source: Investment Managers / Mercer calculations).

1 Statistics sourced from Thomson Reuters Datastream unless otherwise specified.
2 Statistics sourced from MSCI Investment Property Database.

Report of the Trustee
for the Year Ended 31 July 2023

INVESTMENT MANAGEMENT – continued
CUSTODIAL ARRANGEMENTS

The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments.

For the Scheme's pooled fund investments, the Trustee has no direct ownership of the underlying assets of the pooled funds.The safekeeping of the assets within the pooled funds is performed by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager. The current custodians are shown in the table below.

Manager*	**Custodian**
Stewart	Bank of New York Mellon
Impax	J.P Morgan Administration Services (Ireland) Limited
GSAM	State Street Bank and Trust Company, Boston
BlackRock	Bank of New York Mellon
LGIM	HSBC for UK, Citi N.A. for Overseas, and Northern Trust Fiduciary Services (Ireland) Limited for liquidity assets
Aviva(1)	RBC Fund Administration (CI) Limited
M&G	For Secured Property fund: Northern Trust (Guernsey) Limited, For Real Estate Debt Funds: Sanne
Wellington	State Street
MSIM	Citibank
ICG	Intermediate Capital Group
GAM	State Street Trustees Limited
RLAM	HSBC

Source: Investment Managers.
**Pooled funds have no direct custody arrangements in place, the custodians shown are appointed by the investments managers.*
(1)Administrator of the fund

RBS, has been appointed by the Trustee as administrator of trustee bank account of the Scheme and is responsible for the safekeeping of these holdings.

Report of the Trustee
for the Year Ended 31 July 2023

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement

Introduction

This Annual Engagement Policy Implementation Statement (the Statement) sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (SIP) produced by the Trustee has been followed during the year to 31 July 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

'The Trustee's primary 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.

To help achieve the primary objective, the Trustee has adopted a revised funding target as part of the 2019 actuarial valuation, which was made in conjunction with a reduction in investment risk, whereby the Scheme is targeting to be fully funded on the Technical Provisions basis by 2031.

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.'

Policy on Environmental, Social & Governance (ESG) issues, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on ESG issues, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This Statement sets out how, and the extent to which, the Engagement Policy has been followed during the year to 31 July 2023 with respect to the SIP.

The Trustee considers that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration.

Report of the Trustee
for the Year Ended 31 July 2023

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement – continued

Statement on ESG, Stewardship and Climate Change	Comments
Ongoing Monitoring	
The Trustee regularly monitors and challenges how the investment managers integrate ESG issues within their investment processes and uses the ESG ratings of its Investment Consultant as part of overall investment manager monitoring and review.	The Investment Sub-Committee (ISC), a sub-set of the Trustee, receives quarterly ESG ratings from its Investment Consultant on each investment manager. If a manager is not highly rated from an ESG perspective the ISC challenges managers to encourage continued progress.
Monitoring of the existing investment managers is undertaken on a regular basis and this makes use of the Investment Consultant's ESG ratings.	The Trustee considers the mandates in place over the year to have been generally above average in terms of ESG integration in the investment process. The Trustee notes that in fixed income assets, due to the nature of the asset class, it is harder to engage with the issuer of debt and therefore a higher ESG rating is more difficult to achieve. The ISC met with LGIM in May 2023, where the ISC received an update on the manager's integration of ESG matters. In addition, the presentation included details of the LGIM Future World Net Zero Corporate Bond Fund, a fund aligned with the Paris Agreement. Post Scheme year end, the Scheme made an allocation to this ESG aligned fund.
Voting and Engagement	
The Trustee monitors voting activity to verify that the managers are actively voting in investee companies and engaging with management to encourage strong corporate governance and responsible business behaviour.	As the Scheme invested solely in pooled funds over the Scheme year, the Trustee required its investment managers to engage with investee companies on its behalf. Investment managers provide reporting on a regular basis, at least annually, including stewardship monitoring results. These are reviewed by the Trustee (see voting activity below). The voting activity section provides information to show how actively the managers have exercised their voting rights over the Scheme year, in particular, how the managers have exercised their voting rights in relation to the Trustee definition of a 'significant vote'. The Trustee is comfortable with the way managers have voted and engaged with investee companies during this Scheme year.
UK Stewardship	
Managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis.	All of the Scheme's investment managers confirmed that they are signatories of the current UK Stewardship Code. See below a link to the Financial Reporting Council's website where all signatories to the code can be found. Mangers' submissions can also be viewed on this site. Financial Reporting Council's Website.

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement – continued

Manager arrangement policies

Section 12 of the SIP details the Trustee's policies as regards the arrangements with the Scheme's asset managers:	
1. How the arrangements with the investment managers incentivise the managers to align their investment strategy and decisions with the Trustee's policies.	1. Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage. As part of this, to maintain alignment of the investment manager's investment strategy and decisions with the Trustee's own policies, the ISC undertakes due diligence ahead of investing, and on an ongoing basis to ensure it is aware of the: − underlying assets held and how they will allocate between them; − risks associated with the underlying mix of assets and the steps the investment manager takes to mitigate them; − expected return targeted by the investment managers and details around realisation of the investment; and − impact of financial and non-financial factors, including but not limited to ESG factors and climate change, on the investments over the long term.
2. How the arrangements incentivise the manager to make decisions based on assessments of medium to long-term performance of an issuer and to engage with the issuer of debt or equity in order to improve their performance in the medium to long-term.	2. The ISC meets with each investment manager as deemed appropriate, to discuss performance and other investment related matters (including integration of ESG and climate change considerations into the investment process and voting and engagement activities). As part of this, the ISC will challenge decisions that appear out of line with the Scheme's stated objectives and/or policies. The ISC monitors the extent to which its pooled investment managers: − make decisions based on assessments about medium to long-term performance of an issuer of debt or equity; and − engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
3. How the method (and time horizon) of the evaluation of the manager's performance and the remuneration for asset management are in line with the policy of the Trustee.	3. The ISC receives reports on investment manager performance on a quarterly basis, which present performance information over a range of time periods. The ISC reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and performance against the manager's stated target (over various time periods), on a net of fees basis. The ISC's focus is primarily on long-term performance but short-term performance is also reviewed. The investment managers levy fees based on a percentage of the value of the assets under management. In addition, some of the investment managers also levy a performance related fee element.

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement – continued

4. How the Trustee monitors portfolio turnover costs and how they define and monitor it.	4. Over the year to 31 July 2023 portfolio turnover and associated costs were monitored amongst investment managers. Turnover is the rate of buying and selling securities in the portfolio. A fund or portfolio that changes securities in the portfolio frequently is said to have a high turnover. As a result, turnover and associated costs for private market managers were immaterial due to the nature of the funds, with majority of managers encountering no turnover (or costs) in their funds. The ISC monitors investment manager performance net of all fees, including transaction costs. These costs are implicitly monitored as part of the ongoing performance monitoring of investment managers against their stated benchmarks. The most significant turnover within the Scheme was with respect to the Wellington Multi-Asset Credit Fund that produced a c. 87.3% turnover over the year to 31 July 2023 with associated turnover costs of 0.24%. A level of turnover is to be expected within Multi-Asset Credit Funds due to the nature and objective of the strategy. The trading activity of the strategy has been demonstrated to add value given the net performance of the strategy over the year was 7.1%.
5. Duration of arrangement with Managers	5. As the Trustee is a long-term investor, it appoints investment managers with an expectation of a long-term partnership. The focus of performance assessments is on longer-term outcomes so the Trustee would not ordinarily expect to terminate a manager’s appointment based purely on short-term performance. The legal terms will vary from manager to manager. Where the Scheme invests with a manager, the Trustee expects to retain the manager unless: – There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager; – The manager appointed has been reviewed and the Trustee has decided to terminate the mandate. For investment in a closed-ended vehicle with an investment manager, the Scheme is invested for the lifetime of the strategy (which is disclosed to the Trustee at point of investment).

Report of the Trustee
for the Year Ended 31 July 2023

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement – continued

Engagement Activity
The Trustee has delegated engagement with equity and debt issuers to the Scheme's investment managers, through owning units in pooled funds.

The ISC monitors engagement carried out on the Trustee's behalf during meetings with the Scheme's investment managers. During the year, the ISC met with LGIM. Examples of engagements that the ISC considered to be significant are provided below.

Stewart

Stewart engaged across environmental, social and governance issues over the year to 31 July 23. Examples of these engagement are detailed below:

Environmental

- Climate change reporting and disclosure with regards to a computer automated design software company
- Supply chain sustainability with regards to personal hygiene company

Social

- Gender pay dispute with regards to one of the world's largest producer of industrial enzymes
- Modern slavery with regards to one of the world's largest independent semiconductor foundries

Government

- Remuneration and incentives with a global leader in engineering simulation and software company
- Gender diversity with a market leading supplier of precision test and measurement instrumentation company

Impax

Impax have been involved in collaborative engagements and joint representations with other institutions and investors are an important part of their stewardship work.

Examples of Impax's collaborative engagement activity include;

ShareAction's Health Markets Initiative (HMI) – This coalition helps investors collectively engage with companies to promote and support healthier consumer diets and sustainable company growth.

ShareAction – Outreach to chemicals industry on decarbonisation coordinated by ShareAction

Finance Sector Deforestation Action (FSDA) – Consumer staples industry outreach on deforestation coordinated by the Finance Sector Deforestation Action.

The Institutional Investors Group on Climate Change (IIGCC) – Coordinated Net Zero Engagement Initiative – outreach on net zero transition planning.

Cost-of-Living – Letter sent to obtain companies views and to initiate a dialogue on companies' efforts to support employees in the current environment of higher inflation and for many lower income employees – a cost-of-living crisis.

Collaborative Nature Action 100 – Letter signed by Impax, sharing investor expectations for companies to address nature loss.

Report of the Trustee
for the Year Ended 31 July 2023

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement – continued

RLAM

RLAM have continued their work with their collaborative engagements including gender diversity in Japan, Farm Animal Investment Risk and Return Initiative (FAIRR) - waste and pollution, cybersecurity, Churches, Charities and Local Authorities (CCLA) corporate mental health and access to medicines. This included engagement with 44 companies as part of their Net Zero Asset Managers initiative (NZAM)

Voting Activity

The Trustee has delegated its voting rights to the Scheme's equity investment managers, through owning units in pooled funds.

For the purpose of this Statement, the Trustee has requested that the Scheme's investment managers report their voting behaviour and the impact this has had on the Scheme over the year to 31 July 2023. The key voting activity by the investment managers on behalf of the Trustee is summarised in the table below.

Voting data to 31 July 2023	Stewart	Impax
No. resolutions eligible to vote	645	664
% resolutions voted on where eligible	100%	100%
Of resolutions voted, % with management	94.0%	90.7%
Of resolutions voted, % against management	5.9%	8.0%
Of resolutions voted, % abstained	0.2%	1.4%
Of resolutions votes, % withheld	0.0%	0.0%

Stewart

Stewart use Glass Lewis as a third-party provider to assist with proxy voting operations. Voting decisions are not outsourced to a third party or separate department, instead, Glass Lewis provide proxy research and voting solutions in a centralised online platform which Stewart uses to collate all ballot information applicable to a company meeting. Stewart also use the centralised platform to instruct Glass Lewis on how they wish to vote in particular company meetings. Glass Lewis then distributes how Stewart have elected to vote to the relevant sub-custodians across all their eligible funds. Over the year to 31 July 2023, Stewart voted on 100% of the 645 resolutions that they were eligible to vote on. Of the resolutions voted on, Stewart voted against management 38 times (5.9%) and abstained from voting once (0.2%).

Impax

Impax uses Glass Lewis as a research tool and its viewpoint as the platform for proxy voting. Impax has used Glass Lewis as its proxy voting service provider since March 2019.
Over the year to 31 July 2023, 664 proposal votes were cast across underlying companies in the fund. Impax voted against management 53 times (8.0% of votes), abstained from voting 9 times (1.4% of votes).

Report of the Trustee
for the Year Ended 31 July 2023

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement – continued

Significant votes

Following the Department for Work and Pensions' (DWP) consultation response and outcome regarding Implementation Statements on 17 June 2022 *("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non Statutory Guidance")* updated guidance was issued regarding the definition of a significant vote.

Following consultation with Mercer, the Trustees decided that the following areas, based closely on the UN Sustainable Development Goals ("SGDs"), which is one of the areas of focus in the Scheme's Responsible Investment Policy, as fulfilling the criteria of a significant vote:

Environment:

- **Climate Change**: Low carbon transition and physical damages resilience.
- **Pollution and Natural Resource Degradation**: Air, water, land (forests, soils and biodiversity).

Social:

- **Human Rights**: Modern slavery, pay & safety in workforce and supply chains and abuses in conflict zones.

Governance:

- **Diversity, Equity and Inclusion (DEI):** Inclusive & diverse decision making.

Report of the Trustee
for the Year Ended 31 July 2023

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement – continued

Stewart

Manager / Fund	Significant votes
Stewart Investors Worldwide Sustainability Strategy	**A.O Smith Corp.** **Shareholder Resolution** - "Shareholder Proposal Regarding Report on Racism in Company Culture" **Date of vote:** 4 November 2022 **Voting:** Against **Manager Rationale:** "Stewart believe the company is committed to diversity and inclusion as reflected in its Board, which is 50% female and/or from underrepresented racial/ethnic groups. The company began tracking racial diversity in leadership roles in 2021, has enhanced its inclusivity training for leaders and continues to promote and discuss the topic heavily." **Vote Outcome:** Resolution failed **Criteria that this vote meets:** Governance
Stewart Investors Worldwide Sustainability Strategy	**Texas Instruments** **Shareholder Resolution** - "Shareholder Proposal Regarding Report on Customer Due Diligence" **Date of vote:** 27 April 2023 **Voting:** For **Manager Rationale:** "Stewart supported shareholder proposals relating to Texas Instruments which requested the company report on its process for customer due diligence, by outlining sanctions and export control compliance, risks associated with Russia's invasion of Ukraine, more information on the know-your-customer due diligence process, and an assessment of legal, regulatory and reputational risks to the company." **Vote Outcome:** Resolution failed **Criteria that this vote meets:** Social
Stewart Investors Worldwide Sustainability Strategy	**Weg S.A.** **Shareholder Resolution** - "Election of Supervisory Council" **Date of vote:** 25 April 2023 **Voting:** Abstain **Manager Rationale:** "Stewart abstained from voting on the election of the supervisory council as they preferred to support the minority candidate." **Vote Outcome:** Resolution passed **Criteria that this vote meets:** Governance
Stewart Investors Worldwide Sustainability Strategy	**Weg S.A.** **Shareholder Resolution** - "Approve Recasting of Votes for Amended Supervisory Council Slate" **Date of vote:** 25 April 2023 **Voting:** Against **Manager Rationale:** "Stewart voted against WEG's request to recast votes for the amended supervisory council slate, as they preferred to vote in favour of the female candidate nominated by minority shareholders and who has been on the fiscal council for two years." **Vote Outcome:** Resolution passed **Criteria that this vote meets:** Governance

Report of the Trustee
for the Year Ended 31 July 2023

University of Manchester Superannuation Scheme – UK Pension Scheme: Annual Engagement Policy Implementation Statement – continued

Impax

Manager / Fund	Significant votes
Impax Global Opportunities Strategy	**Cintas Corporation** **Shareholder Resolution** - "Elect Joseph Scaminace" **Date of vote:** 25 October 2022 **Voting:** Against **Manager Rationale:** "Vote against nominating committee members when there are less than three women on the board of directors, unless more than 30% of the directors are women. Director is Chair of the NomCom." **Vote Outcome:** 92.22% votes FOR **Criteria that this vote meets:** Governance
Impax Global Opportunities Strategy	**Microsoft Corporation** **Shareholder Resolution** - "Shareholder Proposal Regarding Report on Hiring Practices" **Date of vote:** 13 December 2022 **Voting:** For **Manager Rationale:** "Stewart would expect to see this issue further addressed in the company's forthcoming racial equity audit (results due in 2023) and hence support this resolution." **Vote Outcome:** 10.8% votes FOR **Criteria that this vote meets:** Governance
Impax Global Opportunities Strategy	**Boston Scientific Corp.** **Shareholder Resolution** - "Elect Edward J. Ludwig" **Date of vote:** 4 May 2023 **Voting:** Against **Manager Rationale:** "Vote against nominating or governance committee members when there are less than three women on the board of directors, unless more than 30% of the directors are women." **Vote Outcome:** 96.23% votes FOR **Criteria that this vote meets:** Governance

This report can also be found here: UMSS | Documents and forms

Report of the Trustee
for the Year Ended 31 July 2023

Signed on behalf of the Trustee:

…………………………………………………………………	…………………………………………………………………
Jane Shelton	Ash Field
Trustee Director	Company Secretary

Date: ……………………………………………………

Summary of Contributions Payable
During the Scheme Year Ended 31 July 2023

Contributions payable under the Schedule of Contributions

	£
Employer	
Normal	971,502
Deficit Funding	7,531,671
PensionChoice	13,188,678
Additional Contributions to cover Scheme Expenses	1,700,000
Employee	
Normal	347,890
Total contributions payable under the Schedule	23,739,741
Other contributions	
Additional voluntary contributions	113,467
Total contributions payable to the Scheme	23,853,208

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 23 October 2020 in respect of the Scheme year ended 31 July 2023. The Scheme auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

As at 31 July 2023, 90% 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 certified by the actuary on 23 October 2020.

Signed on behalf of the Trustee:

………………………………………………………………… ………………………………………………………………

Jane Shelton
Trustee Director

Ash Field
Company Secretary

Date: ………………………………………………………

Trustee's Responsibilities Statement
for the Year Ended 31 July 2023

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

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year, and
- contain the information specified in Regulation 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE UNIVERSITY OF MANCHESTER SUPERANNUATION SCHEME

Opinion

We have audited the financial statements of the University of Manchester Superannuation Scheme for the year ended 31 July 2023 which comprise the Fund Account, the Statement of Net Assets (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 July 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Scheme's trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme's trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Report of the Independent Auditor to the Trustee of
University of Manchester Superannuation Scheme

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 32, the trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

Report of the Independent Auditor to the Trustee of
University of Manchester Superannuation Scheme

The extent to which the audit was considered capable of detecting irregularities, including fraud continued:

We performed audit procedures to inquire of management and those charged with governance whether the Scheme is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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

Use of our report

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

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date

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

Statement about contributions payable under schedule of contributions

We have examined the summary of contributions payable to the University of Manchester Superannuation Scheme on page 31, in respect of the scheme year ended 31 July 2023.

In our opinion the contributions for the scheme year ended 31 July 2023 as reported in the attached summary of contributions on page 31 and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 23 October 2020.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 31 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of trustees and auditor

As explained more fully on page 32 in the Trustees' Responsibilities Statement, the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

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

Use of our statement

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

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date

Fund Account
for the Year Ended 31 July 2023

	Notes	2023 £	2022 £
CONTRIBUTIONS AND BENEFITS			
Employer contributions		**23,391,851**	28,422,897
Employee contributions		**461,357**	468,663
Total contributions	3	**23,853,208**	28,891,560
Transfer in	4	**-**	5,588,487
Other Income	5	**116,531**	81,067
		23,969,739	34,561,114
Benefits paid or payable	6	**(19,953,477)**	(17,262,710)
Payments to and on account of leavers	7	**(356,130)**	(682,023)
Other payments	8	**(170,486)**	(162,426)
Administrative expenses	9	**(1,832,709)**	(1,690,868)
		(22,312,802)	(19,798,027)
Net additions from dealings with members		**1,656,937**	14,763,087
RETURNS ON INVESTMENTS			
Investment Income	10	**4,240,144**	5,667,415
Change in market value of investments	12	**(211,533,186)**	(179,757,202)
Investment management expenses	11	**(902,284)**	(1,098,805)
Net returns on investments		**(208,195,326)**	(175,188,592)
NET (DECREASE) IN THE FUND DURING THE YEAR		**(206,538,389)**	(160,425,505)
NET ASSETS OF THE SCHEME AT 1 AUGUST		**646,643,203**	807,068,708
AT 31 JULY		**440,104,814**	646,643,203

The notes on pages 39 to 53 form part of the financial statements.

Statement of Net Assets Available for Benefits
31 July 2023

	Notes	2023 £	2022 £
INVESTMENT ASSETS			
Pooled investment vehicles	14	**430,637,511**	632,474,316
Cash	12	**912,233**	2,702,936
Other investment balances		**177,043**	501,022
		431,726,787	635,678,274
Current assets	18	**9,401,616**	11,674,586
Current liabilities	19	**(1,023,589)**	(709,657)
NET ASSETS OF THE SCHEME AT 31 JULY		**440,104,814**	646,643,203

The notes on pages 39 to 53 form part of the financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. 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 page 55 and these financial statements should be read in conjunction with that Report.

These financial statements were approved by the Trustee and authorised for issue on 27 February 2024.

Signed on behalf of the Trustee:

………………………………………………………………… …………………………………………………………………

Jane Shelton
Trustee Director

Ash Field
Company Secretary

Date: ……………………………………………………

Notes to the Financial Statements
for the Year Ended 31 July 2023

1. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme can be found on the General Information on page 1.

2. 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 2018).

Going Concern
The financial statements are prepared on a going concern basis. The Trustee believes this is appropriate as they have a reasonable expectation that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months from the date of the approval of the financial statements.

Pensions have been paid without interruption and benefits processed for leavers, retirees and deaths of members and contributions received from the participating employers within the statutory period. The Trustee has received a detailed review from its covenant adviser in the Scheme year as part of the actuarial valuation as at 31 July 2022, which post year end has been finalised and signed with the University, with a new Schedule of Contributions and Recovery Plan agreed. This has taken into account the fall in the Scheme's funding position as a result of the significant changes in the level of gilt yields.

The Trustee has noted that the University's 2023 financial statements confirm reasonable expectation that the University has adequate resources to continue in operational existence for the going concern period.

Contributions
Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer.

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 Trustee.

Additional funding contributions are accounted for on the dates that the University has agreed to make these payments.

Special employer contributions are accounted for on the dates that the University has agreed to make these payments.

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 Trustee of their 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.

Notes to the Financial Statements
for the Year Ended 31 July 2023

2. ACCOUNTING POLICES – continued

Transfers In and Out

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

Group transfers are accounted for in accordance with the terms of the transfer agreement.

Expenses

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

Investment income

Income from pooled investment vehicles which is reinvested is accounted for when declared by the fund manager.

Income from pooled investment vehicles which is received as a cash receipt 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

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. Unitised Pooled Investment Vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles provided by the pooled investment manager. Royal London Asset Management is valued by a single swinging price.

iv. The following investments have a valuation date of 30 June 2023 (unless otherwise stated) ICG Longbow Real Estate Investment V (March 2023), La Salle Real Estate Strategies II, M&G Real Estate Debt Finance VI DAC, Goldman Sachs Vintage Fund VI & Private Equity (March 2023)(in liquidation), and Goldman Sachs Broad Street Real Estate (March 2023). This is the most available data at year end and any transactions after these dates have been included in the valuation of the assets.

The following investment, North Haven Credit Partners II Offshore Feeder II (June) had cash movements from the latest available statement to 31 July 2023 which has been included in the final valuation figure.

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.

Critical accounting assessment and judgements

The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimate and assumption that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included above.

Notes to the Financial Statements
for the Year Ended 31 July 2023

3. CONTRIBUTIONS

	2023	2022
	£	£
Employer contributions		
Normal	**971,502**	1,641,363
Special Contributions	-	4,655,513
Deficit Funding	**7,531,671**	6,797,181
Additional Contributions	**1,700,000**	1,700,000
PensionChoice	**13,188,678**	13,628,840
	23,391,851	28,422,897
Employee Contributions		
Normal	**347,890**	359,410
Additional voluntary contributions	**113,467**	109,253
	461,357	468,663
Total Contributions	**23,853,208**	28,891,560

PensionChoice contributions are made under the salary exchange arrangement introduced on 1 June 2009. Further details are provided on pages 6 & 31 of this Annual Report.

The Recovery Plan agreed at the 31 July 2019 actuarial valuation and agreed under the Schedule of Contributions signed 23 October 2020, set out the amount of deficit contributions as follows –

£6.489 million per annum payable quarterly in arrears by each 31 January, 30 April, 31 July and 31 October, from 1 November 2020 to 30 November 2031. These contributions will increase each 1 August in line with the latest annual change in the April Retail Prices Index (RPI) (with the first increase on 1 August 2021). Post year-end a revised Schedule of Contribution and Recovery Plan have been signed, details of which are on page 54.

4. Transfer In

	2023	2022
	£	£
Transfer In from Other Schemes	-	5,588,487

The transfer in was a group transfer that has been transferred by the Students' Union Superannuation Scheme (SUSS). Total transfer value was paid by cash.

5. OTHER INCOME

	2023	2022
	£	£
Claims on term insurance policies	**116,531**	81,067

Notes to the Financial Statements
for the Year Ended 31 July 2023

6. BENEFITS PAID OR PAYABLE

	2023	2022
	£	£
Pensions	**14,946,104**	13,930,839
Lump sum death benefits	**116,531**	81,067
Lump sums on retirement	**4,890,842**	3,250,804
	19,953,477	17,262,710

Lump sums on retirement also includes payments to the value of £607,346 (2022: £250,488) for trivial commutations.

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023	2022
	£	£
Refunds of contributions in respect of non-vested leavers	**52,758**	47,336
Individual transfers out to other schemes	**303,372**	634,413
Income tax on refunds to members	**-**	274
	356,130	682,023

8. OTHER PAYMENTS

	2023	2022
	£	£
Premiums on term insurance policies	**170,486**	162,426

9. ADMINISTRATIVE EXPENSES

	2023	2022
	£	£
Administration and processing	**222,327**	204,722
Actuarial fee	**557,659**	364,145
Audit fee	**53,718**	60,380
Legal fees	**34,850**	180,650
Investment consultancy fees	**253,735**	417,802
Computer costs	**174,316**	115,677
PLSA subscriptions	**2,574**	2,197
PPF Levy	**270,777**	587,158
Pensions Regulator Levy	**37,532**	52,189
Covenant Services	**28,721**	40,077
Bank charges	**96**	128
Communication consultancy	**115,752**	23,217
Currency (Gain)/Losses	**60,840**	(360,222)
Miscellaneous	**19,812**	2,748
	1,832,709	1,690,868

Currency (gains)/losses contains elements of the unrealised gains and losses of the conversion of the USD account on the 31st July. Released gains and losses from exchange differences are also included in this area.

Notes to the Financial Statements
for the Year Ended 31 July 2023

10. INVESTMENT INCOME

	2023	2022
	£	£
Income from pooled investment vehicles	**4,230,847**	5,666,284
Interest on cash deposits	**9,297**	1,131
	4,240,144	5,667,415

11. INVESTMENT MANAGEMENT EXPENSES

	2023	2022
	£	£
Administration, management and custody	**902,284**	1,098,805

12. RECONCILIATION OF INVESTMENTS

	Value at 1/8/22	Purchases at cost	Sales proceeds	Change in market value	Value at 31/7/23
	£	£	£	£	£
Pooled investment vehicles	632,474,316	849,200,993	(839,504,612)	(211,533,186)	430,637,511
Cash	2,702,936				912,233
Other investment balances	501,022				177,043
	635,678,274				431,726,787

13. TRANSACTION COSTS

Indirect transaction 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 current and prior year have not been disclosed as they are not readily available. There are no direct costs attributed to the Scheme.

Notes to the Financial Statements
for the Year Ended 31 July 2023

14. POOLED INVESTMENT VEHICLES

	2023	2022
	£	£
Global Equity	**43,585,157**	75,230,370
LDI	**177,301,401**	178,529,134
Multi-Asset Credit	**23,660,518**	84,860,689
Secured Income Property	**56,808,652**	90,521,655
Private Equity	**3,197,128**	4,046,849
Private Debt	**6,239,593**	7,531,009
Real Estate Debt	**42,722,766**	36,785,908
Cash/Money Market	**1,872,381**	2,684,167
Infrastructure	**-**	351,833
Corporate Bonds	**75,249,915**	151,932,702
	430,637,511	632,474,316

15. CONCENTRATION OF INVESTMENTS

Following investments account for more than 5% of the Scheme's net assets at 31 July 2023.

	2023	% of Net Assets	2022	% of Net Assets
	£		£	
Wellington Multi-Sector Credit Fund	**23,660,518**	5.4	84,860,689	13.1
ICG Longbow UK Real Estate Investment V	**24,793,751**	5.6	17,550,450	2.8
Royal London Asset Management	**75,249,915**	17.1	81,975,426	12.7
LGIM - CAAG- Buy & Maintain Credit	**-**	-	69,957,275	10.8
Stewart Investors Worldwide	**21,363,977**	4.9	35,685,508	5.5
Impax Investments	**22,221,179**	5.0	39,544,862	6.1
M&G Secured Property Income Fund	**19,433,645**	4.4	32,522,406	5.0
LGIM Property – LPI Income Property Fund	**20,742,279**	4.7	37,735,275	5.8
LGIM – FABN – 2068 Leveraged Gilt Fund	**6,344,525**	1.4	40,671,993	6.3
LGIM – FB – 2035 Index Linked Gilt	**29,766,598**	6.8	-	-
LGIM – RAAP – Leveraged Ind Linked Gilt Plus	**-**	-	32,523,643	5.0

Notes to the Financial Statements
for the Year Ended 31 July 2023

16. FAIR VALUE HIERARCHY

The fair value of financial instruments has been disclosed 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 2023			
	Level 1	Level 2	Level 3	Total
Pooled investment vehicles	**-**	**361,845,296**	**68,792,215**	**430,637,511**
Cash	**912,233**	**-**	**-**	**912,233**
Other investment balances	**177,043**	**-**	**-**	**177,043**
	1,089,276	**361,845,296**	**68,792,215**	**431,726,787**

	31 July 2022			
	Level 1	Level 2	Level 3	Total
Pooled investment vehicles	-	563,494,743	68,979,573	632,474,316
Cash	2,702,936	-	-	2,702,936
Other investment balances	501,022	-	-	501,022
	3,203,958	563,494,743	68,979,574	635,678,274

Notes to the Financial Statements
for the Year Ended 31 July 2023

17. INVESTMENT RISK DISCLOSURES

FRS 102 requires the disclosure of information in relation to certain investment risks. 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 comprises the following elements:

- 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 of currency risk) whether those changes are caused by factors specific to the individual financial instrument of its issuer, or factors affecting all similar financial instruments traded in the market.

UMSS Limited ("the Trustee") has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995. A copy of the SIP 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 in line with the investment managers' respective policy documents 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 as these are not considered significant in relation to the overall investments of the Scheme.

The Scheme's invested assets as at 31 July 2022 and 31 July 2023 are detailed in the table below.

Notes to the Financial Statements
for the Year Ended 31 July 2023

17. INVESTMENT RISK DISCOSURES – continued

Asset Class	Market Value 31 July 2023 (£m)	Market Value 31 July 2022 (£m)
Equities	**47.0**	**79.6**
Global Equities	43.6	75.2
Private Equity*	3.2	4.0
Infrastructure*	0.2	0.4
Growth Fixed Income Assets	**129.3**	**219.7**
Secured Income Property	56.8	90.5
Multi-Asset Credit	23.6	84.9
Secured Loans and Private Debt*	6.2	7.5
Real Estate Debt*	42.7	36.8
Matching Assets	**254.3**	**333.1**
Liability Driven Investments (LDI)	177.3	178.5
Cash/Money Market	1.8	2.7
Corporate Bonds	75.2	151.9
Total	**430.6**	**632.4**

Source: Investment Managers. Figures may not sum due to rounding.
*Asset values shown as at 31 March 2023 or 30 June 2023 (allowing for subsequent cash flows) due to infrequency of valuations of illiquid assets. All foreign currencies converted to sterling as at 31 July 2022 and 31 July 2023 rates respectively. 2022 figures stated as at 31 July 2022. Asset values for the prior year are shown as at 31 March 2022 or 30 June 2022 due to infrequency of valuations of illiquid assets.

Investment Strategy

The Scheme's investment strategy (the targeted 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 primary 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.

The objectives set out above and the risks and other factors referenced in this Statement are those the Trustee determines to be financially material considerations in relation to the Scheme.

Subject to complying with the agreed strategy, the day-to-day management of the Scheme's assets is delegated by the Trustee to professional investment managers. The objectives set out above and the risks and other factors referenced in this Statement are those the Trustee determines to be financially material considerations in relation to the Scheme. Given the investment objectives, the Trustee has agreed to implement an investment strategy that allocates around **10% to Equities, 25%** to **Growth Fixed Income Assets** and **65%** to **Matching Assets** as detailed in the table below.

Notes to the Financial Statements
for the Year Ended 31 July 2023

17. INVESTMENT RISK DISCOSURES – continued

Asset Class	Strategic Allocation* (%)	Normal Ranges (%)
Equities	10.0	5.0 – 15.0
Growth Fixed Income Assets	25.0	20.0 – 30.0
Matching Assets	65.0	60.0 – 70.0
Total	**100.0**	

** Due to the illiquid nature of some of the Scheme's investments, full implementation of the target allocations is expected to take several years to be completed. In particular, the Scheme will continue to have exposure to Real Estate Debt and other Private Credit until the respective funds wind down. During the intervening period, the Scheme will be overweight Growth Fixed Income Assets and underweight to Matching Assets*

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 cashflows, some of which are inflation-linked, similar to the Scheme's liabilities, but also offer a yield above gilts. These include high yield bonds, emerging market debt, private debt, loans, and secured income property. The Scheme accesses a range of these underlying asset classes through its Multi-Asset Credit allocation.

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

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the Scheme and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles ("SIP") with details of any changes during the year included in the Trustees' report.

Credit Risk

The Scheme is subject to credit risk arising from investments in pooled investment vehicles such as open ended investment companies, close-ended investment companies and unit-linked insurance contracts. As a result, the Scheme is directly exposed to credit risk in relation to these pooled investment vehicles and also via the Trustee bank account balances held with Royal Bank of Scotland. Additionally, the Scheme is also indirectly exposed to credit risks arising from some financial instruments held within pooled investment vehicles managed by the Investment Managers.

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. In regard to the direct credit risk arising from the Trustee cash account balances held part of Royal Bank of Scotland, Royal Bank of Scotland has an investment grade credit rating and risk is further mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight.

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.

Notes to the Financial Statements
for the Year Ended 31 July 2023

17. INVESTMENT RISK DISCOSURES – continued
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, multi-asset credit, private debt, corporate bonds and real estate debt.

Within the Growth Fixed Income portfolio, 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 Matching portfolio, credit risk is reduced by investing in government bonds, where the credit risk is minimal, investing in diversified portfolios of predominantly investment grade corporate bonds and through the use of collateral arrangements for non-physical exposures.

As at 31 July 2023, these mandates represented 71.2% (2022: 72.4%) of the total investment portfolio.

- The credit risk from Sovereign Government bonds held indirectly is considered to be minimal. These assets are primarily held for risk management purposes.

- The credit risk from corporate (investment grade) bonds held indirectly is mitigated by investing in a diversified mix of (predominantly) investment grade rated bonds. These assets are held for income and return generating as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk.

- The credit risk from corporate (sub-investment grade) and other bonds held indirectly is mitigated via diversification to minimise the impact of default by any one issuer. These assets are held for return generating purposes, and the expected return from these assets is considered appropriate for the associated risk.

- Over The Counter ("OTC") derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps and/or repurchase agreements is reduced by collateral arrangements Credit risk also arises on forward currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

- Pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk.

A summary of the pooled investment vehicles by type of arrangement is shown below.

Investment Type	2023 (£ms)	2022 (£ms)
Unit Linked Insurance Contracts	275.2	370.9
Authorised Unit Trusts	36.1	52.8
Open Ended Investment Companies	67.2	160.1
Shares Of Limited Liability Partnerships	52.2	48.7
Total	**430.7**	**632.5**

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.
Valuations are based on Bid prices where available otherwise mid/single price values are used.

Notes to the Financial Statements
for the Year Ended 31 July 2023

17. INVESTMENT RISK DISCOSURES – continued

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, multi-asset credit, private debt, corporate bonds and real estate debt funds with underlying investments denominated in foreign currencies.

The Scheme's multi-asset credit allocation and overseas currency denominated corporate bonds are currency hedged. Currency risk remains unhedged on other asset class exposures.

As at 31 July 2023, 29.4% (2022: 33.0%) of the total investment portfolio had exposure to currency risk. However, the multi-asset credit and corporate bond exposures are hedged back to sterling, and so the net currency exposure is 9.9% (2022: 11.9%).

Interest rate risk

The Scheme is subject to interest rate risk via its Liability Driven Investment ("LDI") and bond holdings, via pooled investment vehicles.

The Trustee has set a benchmark of 25% of the total investment portfolio for growth fixed income assets, which comprises of higher yielding assets (such as secured income property, multi-asset credit, private debt and real estate debt) and a benchmark of 65% for matching assets which comprises LDI, corporate bonds and cash. All these assets are sensitive to changes in interest rates to some degree. For each of the above named investments, if interest rates fall, the value of investments will rise, similarly, if interest rates rise, the above named investments will fall in value. In October 2022, during the UK gilt market crisis, the target level of hedging provided by the Scheme's LDI portfolio was reduced from 80% to 50% against movements in interest and inflation rates, of the Technical Provisions liabilities, to stabilise the Scheme's funding level. As at 30 June 2023, the Scheme's matching assets hedge ratio was 52% (30 June 2022: 76%) of the Scheme's liability against movements in interest rates when measured on the Scheme's Technical Provisions basis.

The Trustee employs the LDI manager's Enhanced Service whereby the manager 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 2023, growth fixed income assets represented 29.4% (2022: 34.0%) and matching assets represented 59.9% (2022: 53.0%) of the total investment portfolio respectively.

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 and secured income property portfolios are exposed to inflation risk. If actual or expected future inflation increase, the value of the LDI portfolio will rise to help match the increase in actuarial liabilities arising from the increase. Similarly, if actual or expected future inflation expectations fall, these assets will fall in value, as will the actuarial liabilities. As at 31 July 2023, the Scheme's matching assets hedge ratio was 48% of the Scheme's liability against movements in inflation when measured on the Scheme's Technical Provisions basis.

As at 31 July 2023, secured income property represented 12.9% (2022: 14.3%) and LDI assets represented 40.3% (2022: 27.7%) of the total investment portfolio respectively.

Notes to the Financial Statements
for the Year Ended 31 July 2023

17. INVESTMENT RISK DISCOSURES – continued
Other price risk

Other price risk arises principally in relation to the Scheme's global equity, private equity, infrastructure, real estate debt, private debt, secured income property, corporate bonds and multi-asset credit, held through underlying investments in pooled investment vehicles.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

As at 31 July 2023, these assets represented 57.2% (2022: 70.6%) of the total investment portfolio. The below table represents price risk at each asset class:

	2023 (£ms)	2022 (£ms)
Global Equity	43.6	75.2
Private Equity	3.1	3.8
Infrastructure	0.0	0.4
Private Debt	6.2	7.4
Property	56.8	90.5
Multi-Asset Credit	23.7	84.9
Real Estate Debt	42.7	36.8
Corporate Bonds	75.2	151.9
Total	**251.3**	**450.9**

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.
Valuations are based on Bid prices where available otherwise mid/single price values are used.

Notes to the Financial Statements
for the Year Ended 31 July 2023

18. CURRENT ASSETS

	2023	2022
	£	£
Contributions due – employer	**80,037**	79,761
Contributions due – employee	**28,451**	28,465
Cash balances	**8,082,294**	10,141,700
Contributions due – PensionChoice	**1,059,745**	1,092,757
Contributions due – AVC's	**9,422**	9,321
Contributions due – additional contributions	**141,667**	141,667
Sundry Debtors	-	170,915
Contributions due – employer deficit	-	10,000
	9,401,616	11,674,586

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

19. CURRENT LIABILITIES

	2023	2022
	£	£
Unpaid benefits	**576,743**	373,365
Pensions payable	**507**	1,678
Accrued expenses	**398,182**	334,564
Sundry creditors	**-**	50
Refund of Contributions	**5,698**	-
Transfers out of Scheme	**42,459**	-
	1,023,589	709,657

20. CONTINGENT LIABILITIES

In October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes with further judgments given in November 2020. The judgments concluded the schemes should be amended to equalise pension benefits for men and women in relation to GMP benefits. The issues determined by the judgments arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will affect the Scheme and will be considering this and the decisions that will need to be taken as to the next steps.

The estimated GMP equalisation impact for the Scheme is an increase of 0.23% of the total value of the Scheme Funding triennial valuation liabilities as at 31 July 2022. The typical range of impacts vary between around 0.2% and 0.3% of the total value of scheme liabilities, based on the initial analysis carried out. In addition, a further liability of £345,000 has been estimated in respect of historic transfer values.

Formal calculations have not been carried out as yet and as such no accrual has been included. The Trustee is still in the process of progressing this. However, any member who requests to transfer their benefits out of the Scheme, or take Trivial Commutation, will have an allowance for GMP Equalisation included in this payment.

Further information is set out on pages 6 and 7.

Notes to the Financial Statements
for the Year Ended 31 July 2023

21. CAPITAL COMMITMENTS

At the year end, the Scheme had the following outstanding capital commitments to purchase investments.

Investment Manager	2023 £	2022 £
BlackRock Investment Management	-	1,203,451
Goldman Sachs Asset Management L.P	**3,794,623**	6,878,801
Goldman Sachs & Co.	**575,556**	1,970,838
ICG – Longbow (ICG Longbow Real Estate Debt Instruments III currently in liquidation)	**208,471**	6,136,880
M&G Investment Management Ltd	**9,811,539**	10,543,575
Morgan Stanley Investment Management	**7,151,210**	7,109,694
	21,541,399	33,843,239

22. RELATED PARTY DISCLOSURES

The University of Manchester (the Principal Employer) pays the pensions on behalf of the Scheme. These are recharged to the Scheme. As at 31 July 2023 there were no outstanding charges (2022: £nil)

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 2023 was £222,327 (2022: £204,619). There were no outstanding charges as at 31 July 2023 (2022: £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 H Peters, Mr K McDermott, Mr T Raworth, Mr P N Rowbotham, Mr G R C Hughes and Mr D Griffiths. Mr D Griffiths is in receipt of a pension (2022: nil).

The following directors of UMSS Limited are in receipt of an Honoraria in respect of their work as Chair of UMSS Limited: Mr J Ferns. The charge for the year ended 31 July 2023 was £27,328 (2021: £26,532).

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 2022 to be met by the end of the period specified in the recovery plan dated (i.e. signed on behalf of the trustee on)

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)

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:	24 October 2023
Name:	Charles Cowling	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Belvedere 12 Booth Street Manchester M2 4AW	Name of employer:	Mercer Limited

Report on Actuarial Liabilities
(forming part of the Report of the Trustee)
for the Year Ended 31 July 2023

The Trustee's sole funding objective is the statutory funding objective. The statutory funding objective is defined in Section 222 of the Pensions Act 2004 and states that a scheme must have sufficient and appropriate assets to cover its technical provisions.

The technical provisions are an estimate, made using actuarial principles, of the assets needed at any particular time to make provision for benefits already accrued under the scheme. These include pensions in payment (including those payable to survivors of former members) and benefits accrued by members which will become payable in the future.

The most recent full actuarial valuation of the scheme was carried out on 31 July 2022. This showed that on that date:

The value of the technical provisions was: £722,900,000.

The value of the assets at that date was: £646,600,000.

This corresponds to a deficit of £76,300,000 and a funding level of 89%

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.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the appendix to the statement of funding principles:

Method
The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method with a one year control period.

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 1.11% per annum.

Future service discount interest rate: set by reference to the gilt yield at the valuation date plus 1.5% 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 until 2030 and without adjustment after 2030.

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

The maximum and minimum are calculated cumulatively over the period between date of leaving and retirement for each member and compared with actual RPI/CPI increases over that period.

Pension increases: Pension increases will be calculated using the Black-Scholes stochastic model applying any applicable maximum and/or minimum rates, the RPI/CPI inflation assumption and an assumed inflation volatility of 1.75%. The model is applied to the RPI/CPI inflation for each term in the curve.

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

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

The basis adopted for the valuation was:
Base mortality table: 97% of the mortality rates in S3PMA_H for males and 105% of S3PFA_H 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 and a smoothing parameter (Sk) of 7.0 (CMI_2022 [1.50%,S=7]), using a year of birth approach.

The S3PMA_H/S3PFA_H identify a mortality assumption for each member which reflects his or her individual mortality characteristics.

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.

GMP Equalisation: Please note that based on the liabilities calculated for the accounting disclosures as at 31 July 2022 the increase in liability would be £345,000.