



## **Superannuation & Life Assurance Scheme Trustees' Short Report 2014-2015**

### **CHAIRMAN'S STATEMENT**

Dear Member

I have pleasure in presenting the Trustees' Annual Short Report which informs members of the key issues relating to the University of Aberdeen Superannuation and Life Assurance Scheme for the year ending 31 July 2015.

Specifically the Report is a shortened version of the full Trustees' Report and includes details of membership, the financial position of the Scheme and investment performance. It also incorporates the annual Scheme Summary Funding Statement which provides an indication of the Scheme's financial security. A copy of the full Trustees' Report is available on request from the Pensions Office in the Finance Section.

During the year the Trustees met on five occasions. The Scheme's assets are managed by Legal & General Investment Management and over the year the total value of the Scheme's assets increased from £111.1 million to £121.3 million. The Trustees regularly review the performance of the fund managers and will continue to do so.

The University continues to give assurance that it remains committed to the continuance of the Scheme.

Your pension benefits do not change as a result of investment performance, but are based on your service and pensionable salary. Any cost of those benefits in excess of your contributions is met by the University.

Included in this report are details of some external sources of useful information relating to pensions. Scheme specific information can be obtained from the University's Pensions Office.

Ms Jacquelynn Craw  
Chair of Trustees

# University of Aberdeen Superannuation & Life Assurance Scheme

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## Trustees Short Report 2014-2015

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### Benefits

- The Scheme provides defined pension and lump sum benefits for members on retirement, or for their dependants on death before or after retirement.
- The University operates Pensions Plus which provides members with a more tax effective way of contributing towards the Scheme.

### Pension Increases

All pensions in payment were increased with effect from 1 April 2015. In respect of benefits attributable to service to 31 July 2011, the increase was the higher of 3% or RPI and in respect of benefits attributable to service from 1 August 2011, the increase was the lower of CPI or 5%. All the figures are guaranteed by Scheme rules.

### Membership

Any full or part time employee aged between 16 and 75 is eligible to join the Scheme. The membership of the Scheme is summarised in the following table:

The membership statistics are:-

	31 July 2015	31 July 2014
Active members	662	671
Pensioners	981	969
Deferred Members	668	660

### Contributions

During the Scheme year, contributions were paid in accordance with Scheme Rules. The employee contribution rate is 7.05%, and the University's contribution rate is 17.5% of pensionable salaries plus the death-in-service premium.

### Additional Voluntary Contributions

The Scheme's Additional Voluntary Contributions (AVC) arrangement is no longer open to new members.

If you are not already paying AVCs to the UASLAS AVC arrangement (the AVC arrangement) then you may choose to pay AVCs to a Free Standing AVC arrangement, usually provided by an insurance company of your choice. You can also pay into a 'stakeholder' or personal pension plan while a member of UASLAS.

If you wish to contribute to one of these, you must make your own arrangements with an authorised provider. Please consider taking independent financial advice if you wish to supplement your UASLAS benefits.

# University of Aberdeen Superannuation & Life Assurance Scheme

## Trustees Short Report 2014-2015

### Income and Expenditure

This is a short extract from the Annual Accounts: The full Trustees Report and Accounts are available on the University's pension website. [www.abdn.ac.uk/staffnet/working-here/uaslas-210.php](http://www.abdn.ac.uk/staffnet/working-here/uaslas-210.php)

	<u>2014/2015</u>	<u>2013/2014</u>
<b>Net assets of Scheme at 1 August</b>	<b>111,050,582</b>	<b>107,559,120</b>
<u>Income</u>	<u>2014/2015</u>	<u>2013/2014</u>
Members' Ordinary Contributions	61,920	45,165
Members' Scheme B AVCs	34,684	58,868
University Contributions	3,419,337	3,456,602
Transfer Values	-	74,111
Other Income	52,584	106,190
<b>Total Income (A)</b>	<b>3,568,525</b>	<b>3,741,936</b>
<u>Expenditure</u>	<u>2014/2015</u>	<u>2013/2014</u>
Pensions	3,853,926	3,614,101
Lump Sums	1,872,498	829,423
Transfer Values	924,318	888,459
Other benefits for leavers	28,933	43,118
Insurance premiums	84,437	100,424
Administration charges	299,732	290,349
<b>Total Expenditure (B)</b>	<b>7,063,845</b>	<b>5,765,874</b>
<u>Returns on Investments</u>	<u>2014/2015</u>	<u>2013/2014</u>
Change in market value of investments	13,942,372	5,665,058
Investment management expenses	(182,563)	(149,658)
<b>Net returns on investments (C)</b>	<b>13,759,809</b>	<b>5,515,400</b>
Net increase/(decrease) in fund over year (A minus B plus C)	10,264,489	3,491,462
<b>Net assets of Scheme at 31 July</b>	<b>121,315,071</b>	<b>111,050,582</b>

# University of Aberdeen Superannuation & Life Assurance Scheme

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## Trustees Short Report 2014-2015

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### Scheme Assets

The Trustees are obliged by law to manage the assets of the Scheme in such a way as to ensure they will be sufficient to meet the increasing liabilities now and in the future. The assets accrue in three principal ways: contributions from the members and the University, investment income and capital appreciation. The day-to-day management of the assets has been delegated to Legal & General Investment Management.

The Trustees have established a "Statement of Investment Principles" in accordance with the guidelines set by the Myners Code of UK institutional investment. This Code is a voluntary statement of best practice and is a set of investment principles for pension funds. It covers such key areas as decision-making procedures, the fund's objectives, asset allocation, adequate expert advice, fund managers' mandates, appropriate benchmarks and performance measurement and transparency of reporting.

The Trustees have procedures in place to review and update the Statement if appropriate, at least once a year. A copy of the full Statement of Investment Principles is available from the Pensions Office on request.

The assets of the Scheme are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

Legal & General's investment objective is to maintain the Scheme's distribution close to the benchmark and within the stated ranges.

### Investment Strategy

One of the key duties of the Trustees is to set the ongoing investment strategy of the Scheme and ensure that it remains appropriate. It is important that a balance is set between retaining investment stability and long-term growth potential against taking unnecessary risk for short-term gain. To help the Trustees achieve this balance, they work closely with their professional investment managers who implement all day-to-day investment decisions, and monitor their performance on an ongoing basis.

The table below summarises the overall spread of investments.

	31 July 2015	31 July 2014
UK Equities	15.0	19.8
Overseas Equities	40.0	50.1
Index Linked Bonds	25.0	14.9
Property	7.5	-
Diversified Fund	12.5	-
Corporate Bonds	-	15.2

# University of Aberdeen Superannuation & Life Assurance Scheme

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## Trustees Short Report 2014-2015

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### Auditors

The Income and Expenditure statement in this Short Report is an abbreviated version of the full Accounts of the Scheme. These form part of the formal Trustees' Report and the accounts were audited as required by the Regulations by KPMG, the appointed auditors.

### Trustees & Advisers

The Trustees responsible for the Scheme at the end of the year were:-

Ms Jacquelynn Crow	Independent Chairman
Mrs Caroline Inglis	University Secretary
Mr David Beattie	Director of Finance
Mr Mark Whittington	University Court Nominated
Mrs Diane Massie	Elected Member Representative
Mr David Walton	Elected Member Representative

In addition, Professor Alexander Kemp attends the Trustee meetings as an expert adviser.

### Appointment of Trustees

The arrangements for appointing membership representatives comply with the Member Nominated Trustee requirements of the Pensions Act 2004. The current member-nominated trustees have been elected to serve for the three year period to July 2016 and July 2017 respectively.

The specialist advisers appointed by the Trustees are:-

Actuary	Mr Jonathan Seed
Consultants	Xafinity Consulting
Administrators	Equiniti Pension Solutions
Auditors	KPMG LLP
Investment Managers	Legal & General Investment Management
Legal Advisers	Pinsent Masons LLP
Bankers	Bank of Scotland PLC

# University of Aberdeen Superannuation & Life Assurance Scheme

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## Trustees Short Report 2014-2015

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### **Nomination Forms**

If you die in service there is a lump sum benefit of 3 times your salary at date of death, plus a return of contributions, plus interest. This payment is normally free of inheritance tax and is payable under the discretionary powers of the Trustees. You are recommended to make your wishes known to the Trustees by completing a Nomination Form which will give guidance to the Trustees on how this lump sum should be paid on death in service. The Forms are held in confidence and may be lodged in a sealed envelope. The Form can be revised from time to time if your circumstances change.

As the Trustees have now expanded the definition of "dependant" to cover partners (of either sex) a second Nomination Form, called the Potential Dependant Nomination Form is available. Details can be found in the members' Scheme Guide.

Both forms are available on the University's pension website <http://www.abdn.ac.uk/staffnet/working-here/uaslas-210.php>, or from the Pensions Office. It is important that these forms are kept up to date.

### **Disputes**

There is a procedure for dealing with any dispute involving a member of the Scheme and the necessary forms are available from the Pensions Office in the Finance Section. The arbiter appointed to deal with the first stage of any dispute is Mrs Margaret Stevenson. There were no disputes during the Scheme year.

### **Auto Enrolment**

Starting in October 2012, new regulations require every employer in the UK to automatically enrol the vast majority of their employees into a suitable pension arrangement. There are a number of requirements which must be met including scheme design and regulation.

This Scheme meets or exceeds the requirements and is therefore a "qualifying" scheme.

### **Members' Guide**

A Guide for Members and a set of Factsheets are available on the University's pension website.

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# University of Aberdeen Superannuation and Life Assurance Scheme ('the Scheme')

## Summary Funding Statement 31 July 2015

As a person entitled to benefits from the Scheme we are writing to give you an update of the funding position. We will send you a statement like this each year to provide you with the latest funding information for the Scheme.

### Actuarial Valuation at 31 July 2013

The latest actuarial valuation of the Scheme showed that the funding position was as follows:

Actuarial Valuation as at 31 July 2013	
Scheme assets (£m)	107.3
Amount needed to provide benefits (£m)	109.9
Shortfall (£m)	2.6
Funding level (%)	98%

### Steps being taken to remove the funding shortfall

As a result of the last valuation, the University of Aberdeen ('the University') agreed to continue to pay additional contributions of 5.8% of members' pensionable salaries to 31 July 2017 with the aim of removing the shortfall. There was no change in the rate of active members' contributions which is 7.05% of pensionable salaries.

### Winding-up

Neither the Trustees nor the University are thinking of winding-up the Scheme. We are required to provide this information by law. The estimated amount needed to ensure that all members' benefits could be fully secured if the Scheme were to be wound up was £174.6m at the date of the last valuation. This, compared with a total asset value of £107.3m, means there was a winding-up shortfall of £67.3m.

### Change in funding position since previous statement

The following table summarises the most recent funding information for the Scheme:

Actuarial Update as at	31 July 2015 (£m)	31 July 2014 (£m)
Scheme assets	120.8	110.6
Amount needed to provide benefits	131.6	116.0
Shortfall	10.8	5.4
Funding level	92%	95%

The funding position has worsened in the period since the previous statement (based on funding information to 31 July 2014). This is mainly due to changes in market conditions which have led to an increase in the value of the amount needed to provide the benefits. The increase in this amount was partially offset by contributions paid by the University (to reduce the funding shortfall), and higher than expected investment returns from the Scheme assets over the period\*.

### Payments to the University

There have not been any payments to the University out of Scheme funds since the last statement was issued.

### Where can I get more information?

Further information regarding the calculation of the Scheme's funding level can be found in the 2015 Annual Actuarial Report, which you can request from the Pensions Office. If you have any other questions, please contact the Pensions Office (contact details are provided below). Please help us to keep in touch with you by telling us if you change address.

Address: Pensions Office, Finance Department, University of Aberdeen, King's College, Aberdeen, AB24 3FX.

Telephone: 01224 27 22 89

Email: [pensions@abdn.ac.uk](mailto:pensions@abdn.ac.uk)

Yours sincerely

**The Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme**

# University of Aberdeen Superannuation and Life Assurance Scheme ('the Scheme')

## How the Scheme works

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### How are my benefits paid for?

The University and active members pay contributions to the Scheme which are invested in a common fund to pay benefits to Scheme members and dependants. The money is not held in separate funds for each individual.

### How is the amount the Scheme needs to pay benefits calculated?

The Trustees agreed a funding plan (the *Statement of Funding Principles*) with the University which aims to ensure there is enough money in the Scheme to pay for benefits as they fall due. The amount of money which the University pays into the Scheme may go up or down and is monitored by regular updates of the funding position prepared by the Scheme Actuary (known as actuarial valuations).

### The importance of the University's support

The Trustees' objective is to have enough money in the Scheme to pay benefits as they fall due. However, success of the funding plan relies on the University continuing to support the Scheme because:

- the University pays the expenses of running the Scheme on an annual basis;
- the funding level can fluctuate, and when there is a funding shortfall, the University will usually need to put in more money; and
- the target funding level may not be sufficient to pay all future benefits in full and the University may need to put in more money.

### What would happen if the Scheme were to be wound up?

If the Scheme were to be wound up, you may not get the full amount of benefits you have built up. However, as the University continues to support the Scheme, benefits will continue to be paid in full - even though funding can temporarily be below target.

If the Scheme were wound up, the University, if able, would have to pay money into the Scheme to enable members' benefits to be fully secured with an insurance company. If it is unable to pay the full amount required (for example, if the University became insolvent) benefits may not be paid in full. The Pension Protection Fund (PPF) could be required

take over the Scheme to ensure a minimum level of benefits can be paid to members (if the assets are not sufficient to provide a minimum level of compensation).

Further information is available on the PPF's website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk).

### Why does the funding plan not call for full solvency at all times?

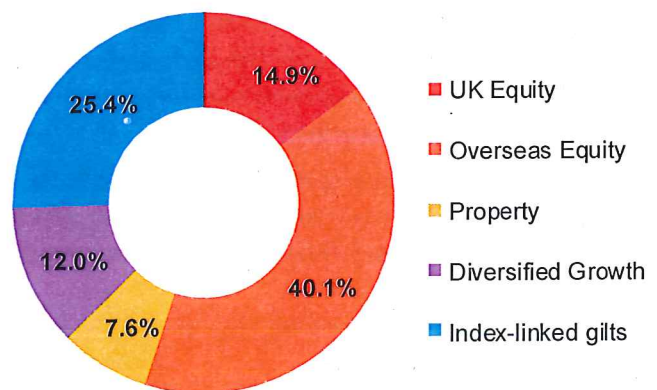
The 'full solvency' position assumes that benefits will be secured with an insurance company. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administering the Scheme. By contrast, the current funding plan assumes that the University will continue to support the Scheme and the corresponding cost of providing benefits as they fall due is lower.

### The Pensions Regulator

In certain circumstances the Pensions Regulator can direct how the amount needed to provide benefits must be calculated, can set the period for eliminating any funding shortfall, can specify the level of employer contributions to be paid and has the power to modify a pension scheme's future accrual of benefits. No such circumstances have arisen in relation to the Scheme.

### What is the scheme invested in?

The Trustees' policy is to invest in a broad range of assets. The asset split at 31 July 2015 was as follows:



The above excludes bank balances and annuity policies.