Superannuation & Life Assurance Scheme
Trustees’ Short Report 2006-2007

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 2007.

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. 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 Baillie Gifford & Co and over the year the total value of the Scheme’s assets increased from £69.7 million to £75.7 million. The Trustees regularly review the performance of the fund managers and will continue to do so.

Over recent months the Trustees have been considering the initial results of the actuarial valuation. Further details of the Scheme’s financial position will be set out in a special update to members later in 2008.

The Trustees have received reassurance that the University remains committed to the continuance of the Scheme in its present form.

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.

Watson Wyatt are the consultants to the Scheme and Mr David Gordon is the Scheme Actuary.

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

Dr Alistair Mair
Chairman of Trustees
Benefits

- The Scheme provides defined pension and lump sum benefits for members on retirement, or for their dependants on death before or after retirement.
- No changes were made to the benefit structure of the Scheme during the year.

Pension Increases

In accordance with the Scheme Rules, all pensions in payment in excess of the Guaranteed Minimum Pension (GMP) were increased by 3.6%. Additional increases were also paid as necessary to bring the overall increase on each member's pension in payment up to 3%.

Membership

Any full or part-time employee aged between 18 and 60 is eligible to join the Scheme. The membership of the Scheme is summarised in the following table:

<table>
<thead>
<tr>
<th></th>
<th>31 July 2007</th>
<th>31 July 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active members</td>
<td>661</td>
<td>656</td>
</tr>
<tr>
<td>Pensioners</td>
<td>864</td>
<td>852</td>
</tr>
<tr>
<td>Deferred Members</td>
<td>507</td>
<td>494</td>
</tr>
<tr>
<td>Rejoined members</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

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 17.1% of pensionable salaries plus the death-in-service premium.

Additional Voluntary Contributions

You may improve your benefits by paying Additional Voluntary Contributions (AVCs) to either of:

- Scheme A – a money purchase AVC policy with Prudential
- Scheme B – an added years AVC incorporated in the main Scheme Benefits

Members with maturing Scheme A benefits can defer the purchase of an annuity to a date later than the date they take their main scheme benefits, although an annuity must be purchased by age 75. The Pensions Office can provide full details.

It is now also possible to effect, within certain limits, a Stakeholder Pension concurrently but it is recommended that Independent Financial Advice is taken when considering this option.
## Income and Expenditure

This is a short extract from the Annual Accounts:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets of Scheme at 1 August</strong></td>
<td>69,729,429</td>
<td>62,658,190</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members' Ordinary Contributions</td>
<td>804,346</td>
<td>745,573</td>
</tr>
<tr>
<td>Members' Scheme B AVCs</td>
<td>38,564</td>
<td>34,774</td>
</tr>
<tr>
<td>University Contributions</td>
<td>2,058,849</td>
<td>2,338,599</td>
</tr>
<tr>
<td>Transfer Values</td>
<td>199,583</td>
<td>279,766</td>
</tr>
<tr>
<td>Other Income</td>
<td>72,741</td>
<td>88,473</td>
</tr>
<tr>
<td><strong>Total Income (A)</strong></td>
<td>3,174,083</td>
<td>3,487,185</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>2,355,668</td>
<td>2,253,530</td>
</tr>
<tr>
<td>Lump Sums</td>
<td>455,366</td>
<td>526,842</td>
</tr>
<tr>
<td>Transfer Values</td>
<td>268,936</td>
<td>136,272</td>
</tr>
<tr>
<td>Other benefits for leavers</td>
<td>23,328</td>
<td>24,417</td>
</tr>
<tr>
<td>Insurance premiums</td>
<td>91,286</td>
<td>80,771</td>
</tr>
<tr>
<td>Administration charges</td>
<td>220,570</td>
<td>190,110</td>
</tr>
<tr>
<td><strong>Total Expenditure (B)</strong></td>
<td>3,415,154</td>
<td>3,211,942</td>
</tr>
<tr>
<td><strong>Returns on Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>1,825,340</td>
<td>1,733,233</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>4,702,235</td>
<td>5,332,764</td>
</tr>
<tr>
<td>Investment management expenses</td>
<td>(285,349)</td>
<td>(270,001)</td>
</tr>
<tr>
<td><strong>Net returns on investments (C)</strong></td>
<td>6,242,226</td>
<td>6,795,996</td>
</tr>
<tr>
<td>Net increase in fund over year (A minus B plus C)</td>
<td>6,001,155</td>
<td>7,071,239</td>
</tr>
<tr>
<td><strong>Net assets of Scheme at 31 July</strong></td>
<td>75,730,584</td>
<td>69,729,429</td>
</tr>
</tbody>
</table>
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 Baillie Gifford & Co.

The Trustees have established a revised "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.

Baillie Gifford's performance is compared over 5 year rolling periods. Over the Scheme year the assets managed by Baillie Gifford increased in value from £69.7 million as at 31 July 2006 to £75.6 million as at 31 July 2007. The annualised rate of return over the 5 year period to 30 June 2007 was 9.5% pa compared with a benchmark return of 9.4 pa%.

As at 30 November 2007 the value of the fund had increased to £76.3m.

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.

<table>
<thead>
<tr>
<th></th>
<th>31 July 2007</th>
<th>31 July 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Equities</td>
<td>33.1</td>
<td>34.2</td>
</tr>
<tr>
<td>Overseas Equities</td>
<td>38.4</td>
<td>36.8</td>
</tr>
<tr>
<td>Fixed Interest UK Bonds</td>
<td>13.6</td>
<td>13.1</td>
</tr>
<tr>
<td>Index Linked Bonds</td>
<td>13.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Cash</td>
<td>1.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>
Scheme Funding

The most recent actuarial valuation of the Scheme is well under way. Later in the year you will receive a Summary Funding Statement showing the funding position of the Scheme as at 31 July 2007 and an indication of the Scheme's financial security.

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 PricewaterhouseCoopers LLP, the appointed auditors.

Trustees & Advisers

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

Dr Alistair Mair Independent Chairman
Mr Steven John Cannon University Secretary
Prof Christopher Gane University Court Member
Miss Margaret Main Elected Member Representative (retired 1 August 2007)
Mrs Diane Massie Elected Member Representative
Mr Brian Paterson Elected Member Representative (appointed 1 August 2007)
Ms Irene Bews Director of Finance

Reappointment of Trustees

The arrangements for appointing membership representatives comply with the Member Nominated Trustee requirements of the Pensions Act 2004. During the year an election was held to appoint two member-nominated trustees from among the employee and pensioner members. The next elections are due to be held in July 2010.

The specialist advisors appointed by the Trustees are:-

Actuary Mr David Gordon
Consultants Watson Wyatt Ltd
Administrators Hazell Carr Pension Consulting
Auditors PricewaterhouseCoopers LLP
Investment Managers Baillie Gifford & Co
Legal Advisers Mcgrigors
Bankers Bank of Scotland PLC
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, has been introduced. Details can be found in the members booklet.

Both forms are available on the University's pension website www.abdn.ac.uk/finance/pensions, 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.
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Change in Circumstances

If there is any change in your circumstances, including a Civil Partnership, please advise the Pensions Administrator, Ms Michelle Slater, at the Finance Office, King’s College. Michelle’s telephone number is 01224 272289 or email: pensions@abdn.ac.uk.

Some useful sources of information

There are a number of documents available about the Scheme.

- **Statement of Investment Principles**: This explains how the Trustees invest the money paid into the Scheme.
- **Schedule of Contributions**: This shows how much money is being paid into the Scheme by the University and active members.
- **Annual Scheme Report and Accounts**: This shows the Scheme’s income and expenditure over the year.
- **Explanatory Actuarial Valuation Report**: This contains details of the actuary’s check of the Scheme’s financial security as at 31 July 2004.
- **Explanatory booklet**: This gives a summary of the Scheme benefits for employee members of the University of Aberdeen Superannuation & Life Assurance Scheme. A revised booklet is due to be issued early in 2008.

The above documents are also available to download at: [www.abdn.ac.uk/finance/pensions](http://www.abdn.ac.uk/finance/pensions)

- **Annual Benefit Statement**: If you are not getting a pension from the Scheme (and you have not received a benefit statement in the last 12 months) you can ask for a statement that provides an illustration of your likely pension.

Alternatively, if you want us to send you a copy of any of these documents, or you have a question about the Scheme or the information in this statement, please contact Miss Michelle Slater at the Pensions Office, University Office, King’s College, Aberdeen, AB24 3FX Tel: 01224 272 289 Email: pensions@abdn.ac.uk.

There is also a great deal of general information on pensions available from the Internet and the following is a brief list of some of the most useful sites:

**University of Aberdeen Pensions** – [www.abdn.ac.uk/finance/pensions](http://www.abdn.ac.uk/finance/pensions)
The University’s own website dedicated to pensions, including many useful links to related websites.

**The Pensions Advisory Service (OPAS)** - [www.opas.org.uk](http://www.opas.org.uk)
For free and independent information about any aspect of pension provision.

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For information and free guides about pension provision, details of stakeholder arrangements and state benefits forecasts.

Financial Services Authority (FSA) – www.fsa.gov.uk/consumer
For more information on where you can obtain independent help with your financial planning.

IFA Promotion – www.unbiased.co.uk
The site helps you to find independent financial advice. If you want to review your pension and savings, getting an independent financial adviser (IFA) can be helpful. The site contains a search facility to find an IFA in your area, and guides to pensions, savings, investments and tax.

The Financial Times – www.ftyourmoney.com
If you are already aware of some pension issues and want to know more, the Pensions & Retirement section of this site (look for button on the left hand side of screen) offers news and features on pension issues.

Plain English Campaign – www.plainenglish.co.uk/PensionsA-Z.html
Pensions jargon can make even some of the straightforward issues around pensions difficult to understand for the layperson. This guide to pensions in plain English could help you to get to grips with some of the pension terms you come across.