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 2010.

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 Baillie Gifford & Co and over the year the total value of the Scheme’s assets increased from £67.6 million to £81.2 million. In October 2010, following the Trustees’ decision to change the investment policy, the management of the fund was moved to Legal and General Investment Management. The Trustees regularly review the performance of the fund managers and will continue to do so.

An Actuarial Valuation of the Scheme was carried out as at 31 July 2010.

Following the year end, the University proposed making changes to the Scheme, including moving to a CARE basis. Consultation took place with members and other interested parties, and the changes will take place from 1 August 2011.

The Trustees have received reassurance that the University 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.

Towers Watson 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 Suzanne Laing 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.
- The University operates Pensions Plus which provides members with a more tax effective way of contributing towards the Scheme.

Pension Increases

In accordance with the Scheme Rules, all pensions in payment in excess of the Guaranteed Minimum Pension (GMP) were increased by 3%. 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 2010</th>
<th>31 July 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active members</td>
<td>742</td>
<td>739</td>
</tr>
<tr>
<td>Pensioners</td>
<td>905</td>
<td>900</td>
</tr>
<tr>
<td>Deferred Members</td>
<td>574</td>
<td>559</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 a money purchase AVC policy with Prudential (Scheme A)

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>67,651,951</td>
<td>71,458,595</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members’ Ordinary Contributions</td>
<td>41,758</td>
<td>66,916</td>
</tr>
<tr>
<td>Members’ Scheme B AVCs</td>
<td>75,822</td>
<td>48,382</td>
</tr>
<tr>
<td>University Contributions</td>
<td>3,631,013</td>
<td>3,426,897</td>
</tr>
<tr>
<td>Transfer Values</td>
<td>81,665</td>
<td>672,775</td>
</tr>
<tr>
<td>Other Income</td>
<td>17,244</td>
<td>22,936</td>
</tr>
<tr>
<td><strong>Total Income (A)</strong></td>
<td>3,847,502</td>
<td>4,237,906</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>2,818,040</td>
<td>2,647,942</td>
</tr>
<tr>
<td>Lump Sums</td>
<td>706,171</td>
<td>555,979</td>
</tr>
<tr>
<td>Transfer Values</td>
<td>652,068</td>
<td>560,661</td>
</tr>
<tr>
<td>Other benefits for leavers</td>
<td>32,335</td>
<td>14,742</td>
</tr>
<tr>
<td>Insurance premiums</td>
<td>118,336</td>
<td>105,493</td>
</tr>
<tr>
<td>Administration charges</td>
<td>337,057</td>
<td>361,902</td>
</tr>
<tr>
<td><strong>Total Expenditure (B)</strong></td>
<td>4,664,007</td>
<td>4,246,719</td>
</tr>
<tr>
<td><strong>Returns on Investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>2,240,653</td>
<td>2,333,843</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>12,442,431</td>
<td>(6,091,817)</td>
</tr>
<tr>
<td>Investment management expenses</td>
<td>(292,531)</td>
<td>(263,142)</td>
</tr>
<tr>
<td><strong>Net returns on investments (C)</strong></td>
<td>14,390,553</td>
<td>(4,021,116)</td>
</tr>
<tr>
<td>Net increase/(decrease) in fund over year (A minus B plus C)</td>
<td>13,574,048</td>
<td>(4,029,929)</td>
</tr>
<tr>
<td><strong>Net assets of Scheme at 31 July</strong></td>
<td>81,225,999</td>
<td>67,651,951</td>
</tr>
</tbody>
</table>
University of Aberdeen Superannuation & Life Assurance Scheme

Trustees’ Short Report 2009-2010

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 “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 £66.5 million as at 31 July 2009 to £80.6 million as at 31 July 2010. The annualised rate of return over the 5 year period to 31 July 2010 was 6.4%pa compared with a benchmark return of 5.5% pa.

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 2010</th>
<th>31 July 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Equities</td>
<td>28.7</td>
<td>24.7</td>
</tr>
<tr>
<td>Overseas Equities</td>
<td>44.1</td>
<td>45.7</td>
</tr>
<tr>
<td>Fixed Interest UK Bonds</td>
<td>12.3</td>
<td>14.1</td>
</tr>
<tr>
<td>Index Linked Bonds</td>
<td>12.0</td>
<td>13.6</td>
</tr>
<tr>
<td>Cash</td>
<td>2.9</td>
<td>1.9</td>
</tr>
</tbody>
</table>
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:-

- Dr Alistair Mair, Independent Chairman
- Mr Steven John Cannon, University Secretary
- Prof Christopher Gane, University Court Member
- Mrs Diane Massie, Elected Member Representative
- Mr Brian Paterson, Elected Member Representative
- 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, nominations were invited from current and employee members, for two member-nominated Trustees (MNTs). Only two nominations were received, for the current MNTs, so they will serve as MNTs for the next three years, until July 2013.

The specialist advisers appointed by the Trustees are:-

- Actuary: Mr David Gordon
- Consultants: Towers Watson Ltd
- Administrators: Xafinity Paymaster
- Auditors: KPMG LLP
- Investment Managers: Baillie Gifford & Co (to September 2010)
  Legal & General Investment Management (from October 2010)
- Legal Advisers: McGrigors LLP
- 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.

Pension Increases

The Government recently announced that the inflation measure used to determine minimum pension increases in payment and deferment will change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). This change will only affect UASLAS pension increases which are linked to statutory minimum provisions.

Q. How do CPI and RPI differ?

A. RPI and CPI are both indices of the changes in prices of a basket of goods. Differences between RPI and CPI calculations arise in three ways:

1. The base of goods and services considered;
2. The weights assigned to the difference elements of the basket;
3. The formula used to combine the different elements of the basket.

Q. How will this change affect my benefits in UASLAS?

A. In UASLAS, the change will affect the following benefits:

1. Increases before retirement for most deferred pensions will be based on CPI instead of RPI from 1 January 2011;
2. Increases after retirement for GMP accrued between 6 April 1988 and 5 April 1997 will be based on CPI rather than RPI when calculating the 1 April 2011 pension increases.

Other elements of pension, which are already higher than the statutory minimum, will not be affected.
Information on Reduced Annual Allowance

A Reduced Annual Allowance (RAA), which will restrict tax relief on pension contributions, will become effective as of 6 April 2011. The Trustees expect that the vast majority of UASLAS members will not be affected by this change in legislation. However, we have provided the following frequently asked questions to provide a summary of the main features of the new rules and what they may mean to you as a member of UASLAS.

Q. What is the RAA amount and how will it be appointed?
A. For the 2011/12 tax year onwards, the RAA has been set at £50,000. This applies to the value of the total pension savings for all UK pension schemes in a tax year. The annual allowance for pensions savings was previously £255,000.

Q. Will these changes affect me personally?
A. We do not expect any UASLAS members’ benefits will be above the RAA. Therefore, being a member of the scheme will not automatically result in your pension provision being subject to an additional tax charge.

Q. Over what period are pension savings assessed against the RAA?
A. Pension savings in the input period for UASLAS (see below) will be tested against the RAA. The Trustees have decided that the input period for UASLAS should now run from 1 August to 31 July – in line with the Scheme year. Other input periods will apply for other arrangements (e.g. if you have your own personal arrangements).

Pension savings in each tax year will be measured as the pension savings over the input period which ends in that tax year (e.g. in the tax year 2011/2012 the input period for UASLAS from 1 August 2010 to 31 July 2011).

Q. Where can I go if I need more information?
A. Further information on how these new tax rules may apply to you is available at the HMRC website: [http://www hmrc.gov.uk/pensionschemes/annual-allowance/](http://www.hmrc.gov.uk/pensionschemes/annual-allowance/). If you think you may be affected and are unsure, you should seek independent financial advice.
Introduction

This is the summary funding statement for 2010 for the University of Aberdeen Superannuation & Life Assurance Scheme (the “Scheme”).

This provides you with updated information about the funding of the Scheme.

Planning for the future

Most members will not retire for some time and, once in payment, pensions may be drawn over many years. This means that the Scheme does not have to pay out on all its commitments straight away and that, in managing the funding of the Scheme, several assumptions have to be made about the future. As time goes by, future experience will differ from those assumptions and we therefore need to be able to adapt to future events to ensure that there are enough assets to cover future pension payments from the Scheme.

How the Scheme operates

The University pays contributions to the Scheme so that it can pay pensions to members when they retire. Members who are still in work at the University also pay contributions through Pensions Plus to the Scheme and these are deducted from gross earnings. The money to pay for members’ pensions is held in a common fund. It is not held in separate funds for each individual.

What is the Scheme invested in?

The Trustees’ policy is to invest in a range of assets. In broad terms, as at 31 July 2010 the assets were allocated as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Shares</td>
<td>72%</td>
</tr>
<tr>
<td>Bonds</td>
<td>24%</td>
</tr>
<tr>
<td>Cash</td>
<td>4%</td>
</tr>
</tbody>
</table>

How is the amount of contributions that the Scheme needs worked out?

The Scheme is subject to a formal assessment (an actuarial valuation) at least once every three years. The most recent actuarial valuation of the Scheme was carried out as at 31 July 2010. As Trustees, we are required to consult the University over the assumptions used to value the Scheme which need to be specific to its circumstances.

As at the 2010 valuation, the Scheme Actuary advised that the Scheme’s assets were not sufficient to cover the target projected to be needed to meet all of the benefits over the long term. This target is known as the Scheme’s Technical Provisions and is assessed on the basis that the Scheme continues. At the end of July 2010, the assets were sufficient to cover 84% of the Technical Provisions, leaving a shortfall of £15.8 million. It is not uncommon for UK pension schemes similar to our own to have such a deficit at this valuation date. The University and Trustees consider the shortfall to be manageable and is being addressed as noted below.
Following each actuarial valuation, the actuary advises us what contributions should be paid into the Scheme so that we can expect to be able to continue to pay members’ pensions. We then agree a level of contribution for the Scheme having consulted the University and record this in a document called the Schedule of Contributions. We review and update this at least each time the Scheme has an actuarial valuation.

As part of the actuarial valuation as at 31 July 2010, the ongoing contribution rate required to meet the cost of each additional year's accrual of pension benefits was assessed. Members contribute 7.05% per annum of their pensionable salary to the Scheme through Pensions Plus, and the University meets the rest of the cost by contributing 15.8% per annum of members' pensionable salaries until 1 August 2010 and 11.7% per annum thereafter, when the scheme moves to the new benefit structure.

Because of the shortfall shown in the Scheme, the Trustees were required to prepare a Recovery Plan in consultation with the University to address the shortfall. This Plan resulted in the University making additional shortfall contributions of 5.8% of pensionable salaries each year with effect from August 2011. The Recovery Plan was anticipated to eliminate the shortfall over an eighteen year period.

**Change in funding position since 2007 actuarial valuation**

The deterioration in the funding position since the 2007 valuation is principally due to investment returns being lower than expected over the period, and the change in mortality and financial assumptions.

The overall funding level will be reviewed in full at the next formal actuarial valuation which is due to be carried out as at 31 July 2013.

**Change in funding position since 2009 actuarial report**

The position of the Scheme was investigated at 31 July 2009 when it was found to be approximately 73% funded. This assessment was not a formal valuation, but measured the position of the Scheme in a manner consistent with that used for the 2007 valuation, taking into account the effect of changes in investment conditions and Scheme membership since 31 July 2007.

The improvement in the funding position since the 2009 update is principally due to investment returns being greater than expected over the period.

**The importance of the University’s support**

The Trustees’ objective is to have enough money in the Scheme to pay pensions now and in the future. The success of that objective relies on the University continuing to support the Scheme because:
the funding level can fluctuate, at times resulting in a funding shortfall;  
the target funding level may turn out not to be enough, requiring more money to be put into the Scheme; and  
the University will be paying the future expenses of running the Scheme on an annual basis.

If the Scheme were wound-up

At 31 July 2010 the Scheme's assets could not have paid for the full benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date (without additional contributions from the University of Aberdeen). This is common for most UK pension schemes. At that date, the Scheme’s assets were estimated to be around 52% of the cost of the associated premium – the University would have been liable for the balance.

Your questions answered

How is the Scheme's financial security measured?

If you are an active member then each year you earn benefits in the Scheme linked to your salary. If you have left the Scheme, you will have earned benefits during your Scheme membership which will be payable on retirement. If you have retired then in general you will be receiving a pension from the Scheme. The estimated cost of providing the benefits earned to date by all the active members and those who have left the Scheme, together with the pension benefits already in payment, are known as the Scheme's liabilities.

Money is collected from active members and the University ('contributions') and then invested to help provide the benefits that are paid out. It is held in a communal fund for all members, not in separate funds for each individual member. The amount of money invested is known as the Scheme's assets.

To check the Scheme's financial security we compare the value of its liabilities to its assets. If the Scheme has fewer assets than liabilities, it is said to have a 'shortfall' or 'deficit'. If the assets are more than the liabilities there is said to be a 'surplus'.

We carry out an in-depth look at the Scheme's finances at least every three years. This is called an actuarial valuation. We ask a qualified, independent professional, known as an actuary, to do this. We also check the financial security of the Scheme more regularly.

What does 'winding up' mean?

Our aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this largely depends on the University continuing to pay contributions. If the University decides to stop paying for the Scheme, it must pay the Scheme enough money to buy all the benefits built up by members from an insurance company. This is known as the Scheme being 'wound-up'.

University of Aberdeen Superannuation & Life Assurance Scheme

Summary Funding Statement 2009-2010
Why have you shown the ‘winding up’ position?

The fact that we have shown this information does not mean that the University is thinking of winding up the Scheme. It is just another piece of information we hope will help you understand the financial security of your benefits.

What would happen if the Scheme were wound-up and there was not enough money to pay for all my benefits?

The Government has set up the Pension Protection Fund (PPF) to pay compensation to members if the Scheme is wound-up when the Scheme and the University do not have enough money to cover the cost of buying all members’ benefits with an insurer. The compensation you would receive from the PPF may be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits are earned.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk. Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

Is any money paid to the University from the Scheme?

We are obliged to tell you whether there have been any “refunds of surplus” payments made out of the Scheme to the University. There have been no such payments and pensions legislation makes such payments unlikely in the future. We also confirm that the Scheme has not been modified by the Pensions Regulator and no directions of Schedules of Contributions have been imposed on the Scheme by the Regulator.

Can I leave the Scheme before I am due to retire?

If you are an active member, you can leave the Scheme before you reach retirement and your pension will be based on your benefits built up at your date of leaving. Your pension benefits may be left paid up in the Scheme to be paid at retirement or transferred to another pension arrangement.

Similarly, if you have already left the Scheme and have paid up benefits, you can if you wish, transfer your benefits to another pension arrangement prior to retirement.

If you are thinking of leaving the Scheme or transferring your pension benefits you should consult a professional adviser, such as an independent financial adviser, before taking any action. The law prevents us from providing you with individual financial advice.
University of Aberdeen Superannuation & Life Assurance Scheme

Summary Funding Statement 2009-2010

Change in Circumstances

If there is any change in your circumstances, including a Civil Partnership or your marital status, please advise the Pensions Administrator, Suzanne Laing, at the Finance Office, King’s College.
Telephone: 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 Funding Principles**: This records the Trustees’ approach towards funding this 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.
- **Recovery Plan**: This shows how a shortfall is to be recovered.
- **Annual Scheme Report and Accounts**: This shows the Scheme’s income and expenditure over the year.
- **Actuarial Reports**: These contain details of the actuary’s update on the Scheme’s financial position as at 31 July 2008 and 31 July 2009.
- **Actuarial Valuation Report**: This contains details of the actuary’s check of the Scheme’s financial security as at 31 July 2010.
- **Explanatory booklet**: This gives a summary of the Scheme benefits for employee members of the University of Aberdeen Superannuation & Life Assurance Scheme.

The above documents are also available to download at: www.aberdeen.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 the Pensions Administrator at the Finance Office, Regent Walk, King’s College, Aberdeen, AB24 3FX  Telephone: 01224 272289 or 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

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.

Department for Work and Pensions (DWP) - [www.dwp.org.uk](http://www.dwp.org.uk)
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](http://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](http://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](http://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](http://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.