

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

## Summary Funding Statement

### What's this statement for?

The Trustees are required to provide you with this statement giving you an update about the Scheme's financial security. We hope you find it useful and easy to understand, but if you have any questions please contact the Pensions Office:-

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

**Tel:** 01224 272289

**Email:** pensions@abdn.ac.uk

## Overview from the Scheme Trustees

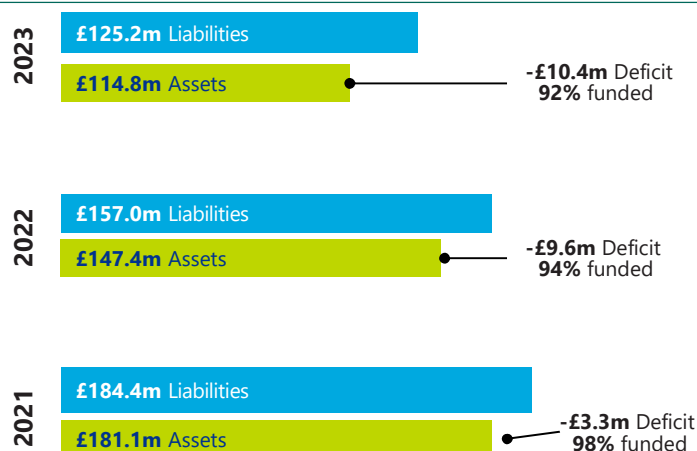
As we have all experienced, the last few years have presented some extreme challenges: The impact of the global pandemic, the resurgence of high inflation, a war in Eastern Europe and a crisis in the normally staid world of government bonds (gilts) had the potential to bruise many pension schemes. Our Scheme has not been immune from these external forces and indeed the funding level has technically slipped back a little. However, the Trustees want to highlight to members that the funding of our Scheme has proven fairly resilient throughout this exceptionally challenging period.

In addition to the health of our Scheme is of course the standing of the Scheme's sponsor, The University. The financial health – or covenant - of The University was independently assessed in 2023 by a third party expert who advised the Trustees that the covenant remain positive. Indeed, on the back of the most recent 2022 scheme valuation, the Trustees successfully negotiated with The University and as a result The University is now paying more money into the Scheme and has extended the term of the special security that effectively underwrites the deficit of the Scheme. In summary, the Trustees would like to reassure members that the position of the Scheme remains in a good place to offer members continued security of their benefits.

### The last actuarial valuation at 31 July 2022

An actuarial valuation is an exercise to compare how much money the Scheme has (its 'assets') with how much it needs to be able to pay everyone the benefits they are entitled to (its 'liabilities'). If the Scheme's assets are more than its liabilities, there is a 'surplus'; if they are less, there is a 'shortfall' or 'deficit'.

Full valuations usually take place every three years and the last one was at 31 July 2022, with a yearly update on 31 July 2023. The results of these valuations are shown on the right alongside the position at 31 July 2021 (the position shown on your last statement).



### Change in funding position since previous statement

As the graphic above shows, the funding of the Scheme has slipped back since the previous statement at 31 July 2021. This is mainly due to lower than expected investment returns and higher than expected inflation. The deterioration was offset, to some extent, by contributions from the University and more favourable market conditions leading to lower liabilities.

### Summary of the Recovery Plan

Because there was a shortfall at the 2022 valuation, the University has agreed to continue to pay annual contributions of £725,000 until 31 July 2033. These contributions are on top of the increased regular amount that the University pays towards new benefits building up each year. There is no change in the rate paid by members that are still building up benefits.

### Payment to the University

We are obliged to tell you and happy to confirm that – as you might expect - there has not been any payment made to the University out of the Scheme's assets since the last summary funding statement.

# How the Scheme works

This section has some information about this statement and the Scheme. If you would like any more information about the Scheme or your benefits, please contact the Pensions Office.

## How is my pension paid for?

The Scheme is a defined benefit pension arrangement. This means members build up benefits based on length of service and their salary. The Scheme has a pool of money (assets) to pay for these benefits as they become due; it does not hold assets separately for each individual. The Trustees' goal is for the Scheme to have enough money to pay all members their benefits, both now and into the future.

## How do you work out how much the Scheme needs?

As part of the three-yearly actuarial valuation, the Trustees agree a funding plan (the Statement of Funding Principles) with the University, which aims to make sure there is enough money in the Scheme to pay for pensions now and into the future. The University also pays the cost of running the Scheme every year. This is why the Scheme relies on the University's continuing support.

## Winding-up

If the Scheme winds up, the duty to pay all members' benefits may be transferred to an insurance company. In the 2022 valuation it was estimated that the amount needed to secure all the Scheme's benefits was £207.0m, which was £59.6m more than the Scheme's assets. This is just an indication and is required under legislation, it does not mean that the Trustees or University are considering winding up the Scheme.

### How are the Scheme's assets invested?

The Trustees' policy is to invest in a broad range of assets. The asset split at 31 July 2022 was broadly as follows (excluding annuity policies):

Return-seeking	59%
Matching	41%

## The Pensions Regulator

### In certain circumstances the Pensions Regulator can:

- Direct how the Scheme's liabilities must be calculated
- Set the period for removing any funding shortfall
- Set the level of University contributions to be paid
- Change the way members build up benefits in the future



*None of these things have happened in the Scheme.*

## Why don't the Trustees aim to have enough money to secure benefits on wind up?

Insurers take a very cautious view of the future and need to make a profit; they will also take into account the future cost of running the Scheme. This means the cost of securing pensions in this way is considerably more expensive than if the Scheme runs normally with the continuing support of the University. Aiming to have enough money to cover that cost would likely mean that the Scheme will have far more than it actually needs if it keeps running.

## What would happen if the Scheme started to wind up?

Whilst the Scheme is still running, even though funding may temporarily be below target, benefits will still be paid in full. If the Scheme did start to wind up, benefits may be secured with an insurance company. If there weren't enough assets to secure all the benefits, the University would have to make up the difference. You might not get all of the benefits you have built up, especially if the University is not there to pay for any shortfall. In this case, the Pension Protection Fund ('PPF') might be able to take over the Scheme and pay compensation to members. Further information is available at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

It is only if the University became insolvent and assets available to the Scheme were insufficient to secure PPF level benefits that the Scheme would apply for entry to the PPF.

## Thinking of leaving the Scheme?

If you are thinking of leaving the Scheme for any reason, you should talk to an independent financial adviser before doing so; you can find one local to you at [www.unbiased.co.uk](http://www.unbiased.co.uk)

## Stay in touch

If any of your personal details are changing, such as your name or address, please tell the Pensions Office.