UASLAS
University of Aberdeen Superannuation & Life Assurance Scheme

AGM – Scheme update and the impact of Freedom & Flexibility

9 June 2015
An overview of UASLAS
UASLAS benefits

- UASLAS provides a pension for life and cash lump sum at retirement
- The pension receives increases in retirement in line with inflation
- For service before 1 August 2011, members earned ‘Final Salary’ benefits. This means that benefits earned before August 2011 at retirement are based on Final Salary
- For service from 1 August 2011, members earn ‘Career Average’ benefits. This means that benefits are built up each year based on salary in that year and are then adjusted in the period to retirement with inflation
UASLAS benefits (continued)

- If you die a pension will be payable to your spouse
- If you are an active member, your dependants will also receive a lump sum equal to 3 x Pensionable Salary
- The current member contribution rate is 7.05% of Pensionable Salaries
- The University pays the balance of the cost of providing benefits in the scheme, including contributions towards funding shortfalls plus the expenses of running the scheme
Membership over recent years

<table>
<thead>
<tr>
<th>Year ending 31 July</th>
<th>Active 742</th>
<th>Deferred 574</th>
<th>Pensioner 905</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,221</td>
<td>905</td>
<td>1,316</td>
</tr>
<tr>
<td>2011</td>
<td>2,180</td>
<td>947</td>
<td>1,233</td>
</tr>
<tr>
<td>2012</td>
<td>2,200</td>
<td>955</td>
<td>1,245</td>
</tr>
<tr>
<td>2013</td>
<td>2,281</td>
<td>945</td>
<td>1,336</td>
</tr>
<tr>
<td>2014</td>
<td>2,300</td>
<td>969</td>
<td>1,331</td>
</tr>
</tbody>
</table>

- Active
- Deferred
- Pensioner
Financial history (£m)

- The chart below illustrates the key financial contributors to the change in fund value in the last 5 years:
Financial history (£m)

- The chart below illustrates how the fund has grown in the last 5 years:
Administration update

- UASLAS is administered by Prudential
- During 2015, Prudential will move their pension payroll services to teams located in Reading and Stirling
- It is anticipated that this will lead to an improvement in the service delivered to pensioner members
Freedom & Flexibility in pensions
Freedom & flexibility

- It was announced in the 2014 Budget that members (from age 55) could use their Defined Contribution (DC) funds as they wish from April 2015.
- This removed a previous requirement to purchase an annuity (secured income) at retirement.
- There are now three clear possibilities for these members at retirement (UASLAS not affected directly):
  - Take fund as a cash lump sum
  - Purchase an annuity
  - Make multiple withdrawals from their fund (drawdown)
How does this affect me?

- Members with Defined Benefits, such as UASLAS members, may be able to transfer their benefits to a DC arrangement to take advantage of the additional flexibilities.
- However, it may not be in the best interests of UASLAS members to do so.
- From April 2015, members must receive Independent Financial Advice before they can transfer their benefits to a DC arrangement (if the transfer value exceeds £30k).
Key **risks** – investment returns

+ In UASLAS, if investment returns are lower than expected, the University will fund the shortfall to ensure you receive your full pension

- In a DC arrangement, if investment returns are lower than expected, this will directly affect the value of your fund and the level of income you may receive
Key risks – life expectancy

+ In UASLAS, if you live for longer than expected, the Scheme will continue to pay your pension until you die, when benefits may be payable to your dependants

- In a DC arrangement, unless you purchase an annuity (secure income) which can be costly, your fund could run out before you die
Key risks – inflation

+ In UASLAS, your pension is linked to inflation in payment and so is expected to keep up with increases in the cost of living

- In a DC arrangement, unless you purchase an annuity with inflation protection (potentially costly) your income and the value of your fund may not keep up with increases in the cost of living
Key risks – scams

- Illegitimate companies may be targeting members with Defined Benefits to encourage them to transfer.
- In UASLAS, a robust process is in place for dealing with transfers including:
  - checks that financial advice has been received (if required)
  - checks that advice has been provided by a legitimate firm
- The Trustees encourage members to be vigilant and ignore fishing calls
- If a firm calls you then it is most likely in their interest for you to transfer and not yours!
Key **benefits** – flexibility

- The additional flexibility offered via money purchase arrangements may be attractive to some members.
- However, members should think carefully about the options available and take advice before making a decision.
- Independent Financial Advice is both required and recommended to ensure members can make informed decisions about their retirement.
How are the assets invested?
The Trustees have recently reviewed the investment strategy and agreed to diversify the portfolio:

**Before**
- Equities: 70.0%
- Diversified funds: 15.0%
- Property: 15.0%
- Corporate bonds: 25.0%
- Inflation-linked Government bonds: 7.5%

**After**
- Equities: 55.0%
- Diversified funds: 25.0%
- Property: 12.5%
- Corporate bonds: 7.5%
- Inflation-linked Government bonds: 15.0%
Where are the assets invested?

- The assets are invested with Legal & General
- A recent statement at 18 May 2015 reveals a total asset value of £122.4m (excluding bank balances)
- This figure can be broken down as follows:
  - Equities £68.4m (56%)
  - Diversified funds £14.9m (12%)
  - Property £8.8m (7%)
  - Government bonds £30.3m (25%)
How is UASLAS funded?
How is UASLAS funded?

- Contributions received from members and the University are held in a common fund (the assets) and used to pay for benefits as they fall due
- Liabilities are the amount that would need to be set aside now to pay for all future benefit promises
- Every three years, the assets are compared with the liabilities to check if there is a shortfall in funding
- The University’s contribution rate is reviewed as part of this process and a funding plan agreed to set out how any shortfall will be removed
What are the liabilities?

- Liabilities represent the amount of money the Trustees would need to hold now to be confident of paying benefits as they fall due.
Funding plan – recap

University will continue to pay:
- 5.8% of pensionable salaries towards shortfall
  – Target full funding by 2017
- 11.7% of pensionable salaries for future service benefits
- Next triennial review
  – 31 July 2016
Ongoing monitoring

- Quarterly monitoring by Trustees
  - Funding and investment

- Annual funding updates
  - Summary funding statement to members

- Next full triennial review
  - 31 July 2016
Q & A