

University of Aberdeen Superannuation and Life Assurance Scheme (the "Scheme") Summary Funding Statement 31 July 2018

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 University of Aberdeen Pensions Office at the following 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

The last actuarial valuation at 31 July 2016

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 on 31 July 2016, with a yearly update on 31 July 2017 and 31 July 2018. The results of these valuations are shown below:

£000s	2018	2017	2016
Assets (A)	£156,193	£149,636	£135,516
Liabilities (B)	£163,684	£158,552	£158,685
Surplus / (Shortfall) (A-B)	(£7,491)	(£8,916)	(£23,169)
Funding level (A/B)	95%	94%	85%

Summary of the Recovery Plan

Because there was a shortfall at the 2016 valuation, the University has agreed to pay extra contributions of £725,000 every year for 11 years and one month from 1 January 2018. These contributions are on top of the 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.

Change in funding position since previous statement

The funding of the Scheme has improved since the previous statement, mainly due to positive investment performance, a fall in the outlook for future price inflation which reduces the value placed on the liabilities, and Deficit Reduction Contributions made by the University. These factors have been partially offset by a fall in bond yields which has increased the value placed on the liabilities.

Payment to the University

There has not been any payment made to the University out of the Scheme's assets since the last summary funding statement.

Winding-up

Neither the Trustees nor the University are thinking of winding-up the Scheme, however 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 £254,820k as at 31 July 2016. This, compared with a total asset value of £135,732k, giving a winding-up shortfall of £119,088k.

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. Members who are still building up benefits pay a proportion of their salary towards this cost, and the balance is paid by the University. This is why the Scheme relies on the University's continuing support.

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.

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.

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.

How are the Scheme's assets invested?

The Trustees' policy is to invest in a broad range of assets to generate long term returns above inflation. The invested assets at 31 July 2016 was as follows (excluding annuity policies);

Approximately 56% in Equities, 25% Index Linked Gilts and 19% in Property and Diversified Funds.

The Trustees continually monitor the Scheme's investments.

Protecting your data

New data protection laws came into force in May 2018, and placed new obligations on the Trustees and the Trustees' service providers when collecting and processing your personal data. XPS Pensions and the Scheme Actuary are joint data controllers of your personal data with the Trustees.

Your personal data is collected and processed in order to administer your benefits under the Scheme and will be disclosed to third parties in certain limited circumstances. The Trustees are required to make available to you a detailed explanation about various things, including how it will use your data, the legal basis for having your data and the rights you have in relation to the data held. This is contained in the privacy notice that you received. Copies can be obtained from The Pensions Office.

Thinking of leaving the Scheme?

If you are thinking of leaving the Scheme for any reason, you should talk to an independent financial advisor before doing so; you can find one local to you at www.unbiased.co.uk.

Stay in touch

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