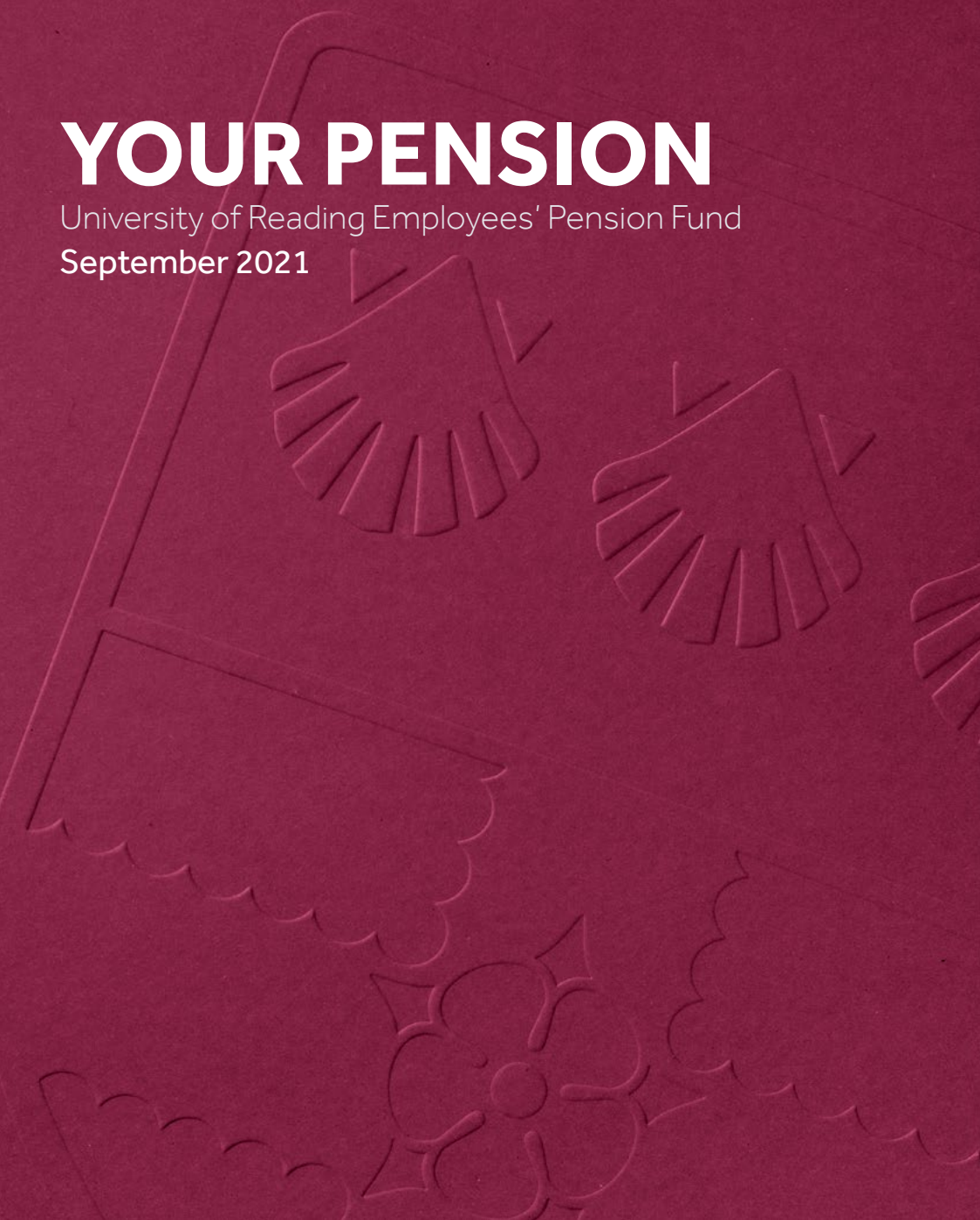


YOUR PENSION

University of Reading Employees' Pension Fund
September 2021



WELCOME

... to this year's newsletter for members of the UREPF.

In this year's newsletter, we continue to look at the Investment Strategy, explain the changes to the Member Nominated Trustee Rules, take a look at the role of a pension scheme auditor and much more!

Last time we took a look at the new Investment Strategy agreed by the Trustees. In this edition we provide an update on how the implementation of the new strategy has progressed, how ESG (environmental, social and governance) factors are taken into account and explain where you can view the Statement of Investment Principles.

If you have any topics you would like to see covered in future editions of your newsletter, please get in touch with Stephanie May, Pensions Manager via pensions@reading.ac.uk or by telephoning **0118 378 6191**.

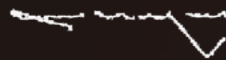
Farewell from me

As I prepare to retire as Chair of Trustees for the University of Reading Employees' Pension Fund at the end of September 2021, I reflect on the fact that my formal association with the Fund began during 2008 and is thus bookended by an international financial crisis and a global pandemic!

I took on the role of Chair of Trustees six years ago and throughout that period it has been my pleasure and privilege to work with a talented team who have pulled together to ensure the best possible outcomes for our members. The dedication of my fellow Trustees, the professionalism of our advisers and providers and the expertise and resourcefulness of the University's Pensions Office, so ably led by Stephanie May, has been remarkable and I pay fulsome tribute to them all.

Through a combination of agility where necessary and cool heads throughout, the Board of Trustees has ridden the storms afflicting the world's economies, endeavoured by means of a dynamic investment strategy to smooth the volatility experienced within all financial markets and emerged well-funded relative to the vast majority of its peers in the higher education sector. A refreshingly open and mutually supportive relationship with the University, our 'sponsoring employer', has prevailed and I have every confidence that this will continue.

I wish all members of the Fund future success and happiness.



Keith Hodgson
University Secretary Emeritus

PEOPLE

Your pension fund is looked after by a range of individuals and advisers and details of these are given on this page.

Trustees

Your Trustees have been:

Mr Keith Hodgson (Chair)

Employer appointed

Mr John Brady

Director of Human Resources

Mr Steve Sherman

Employer appointed

Mrs Val Davis

Member nominated

Mrs Sue Mott

Member nominated

Mr Mark Taylor

Member nominated

The Trustees are supported by a Secretary to the Trustees, Miss Stephanie May, assisted by Mrs Heike Burnell as Assistant Secretary to the Trustees.

Advisers and Providers

The Trustees of the UREPF have overall responsibility for running the scheme but in order to do this efficiently and correctly, they have the help of professional advisers and service providers to whom most of the day-to-day work is delegated. The table below sets out the advisers and service providers currently appointed by the Trustees:

Actuary

Mr John Hemsley, FIA, Mercer Limited

Pension Consultants

Mercer Limited

Investment Managers

BlackRock Investment Management (UK) Limited

Sarasin & Partners LLP (until August 2018)

Legal & General Investment Management (from August 2018)

Invesco (from December 2018)

Investment Advisers

Mercer Limited

Administration, Pensioner Payroll and Accounting service provider

Barnett Waddingham LLP

AVC Providers

Clerical Medical Investment Group Limited

Equitable Life Insurance Society

(to 1 January 2020)

Utmost Life and Pensions

(from 1 January 2020)

Legal Advisers

Linklaters LLP

Auditors

KPMG (until July 2019)

Mazars (from August 2019)

AUDITOR APPOINTMENT

You may have noticed that the Trustees have appointed a new auditor, Mazars, to replace KPMG. KPMG had provided the audit services to the Trustees for many years and in keeping with best practice, the Trustees decided to go out to tender for an auditor. This was not because they were unhappy with the way in which KPMG has carried out the audits over the years: it was just that all advisers are reviewed on a regular basis with an open competition being held on occasion. This is to ensure that the Trustees continue to get value for money from their service providers.

Although KPMG were most welcome to submit a tender response, they decided not to do so on this occasion. Five companies submitted responses to the tender, three were invited to interview and once the combined scores for quality and cost had been finalised, Mazars were the standout winner. The Secretary to the Trustees and her team have worked closely with Mazars to make the transition from KPMG and the implementation go as seamlessly as possible.

With the appointment of the new auditor, we thought it a good opportunity to find out a bit more about what a pension scheme auditor actually does and what sort of steps they take to audit the annual accounts and make sure that all is in good order. Our new Audit Partner is Tara Wooton so we posed some searching questions to her.

Interview with Tara Wooton

Tell us a little of your background

I started work at Deloitte (then Touche Ross) in 1991 within the accounts department working solely on the accounts of a local development corporation. An internal opportunity arose to move to the audit department a few years later. I passed my ACCA exams in 1999 and moved to Baker Tilly (now RSM). In 2002 I went on secondment to Baker Tilly Gibraltar for 2 years, but extended that for a further 3 years. Whilst there I worked mainly as an auditor of companies in the online gaming industry, being a relatively new but highly regulated industry it was a challenging yet exciting time. I joined Mazars in 2008 with a variety of clients before concentrating purely on pension scheme audits. In 2017 I took over as head of the pension sector within Mazars and part of my role is to ensure quality and technical standards are maintained amongst the team.

I am a member of PRAG (The Pensions Research Accountants Group) and the PRAG Pension Audit Technical Discussion Group and chair the PRAG working party on GDPR and Cyber security.

Why/how did you become an auditor?

I followed an opportunity that arose early in my career and realised that it is something I enjoy.

What exactly does a Scheme Auditor do?

Hopefully the end result of a Scheme audit will provide the Trustees and Members with some comfort that the numbers reported in the scheme accounts are correct. This is done mainly by looking at the largest balance in the scheme accounts, investments / scheme assets and also contributions, in particular that deficit contributions are being paid in accordance with the Schedule of Contributions.

Movement in scheme assets will be verified against other known movements i.e. contributions investment and significant balances disinvested i.e. transfers out.

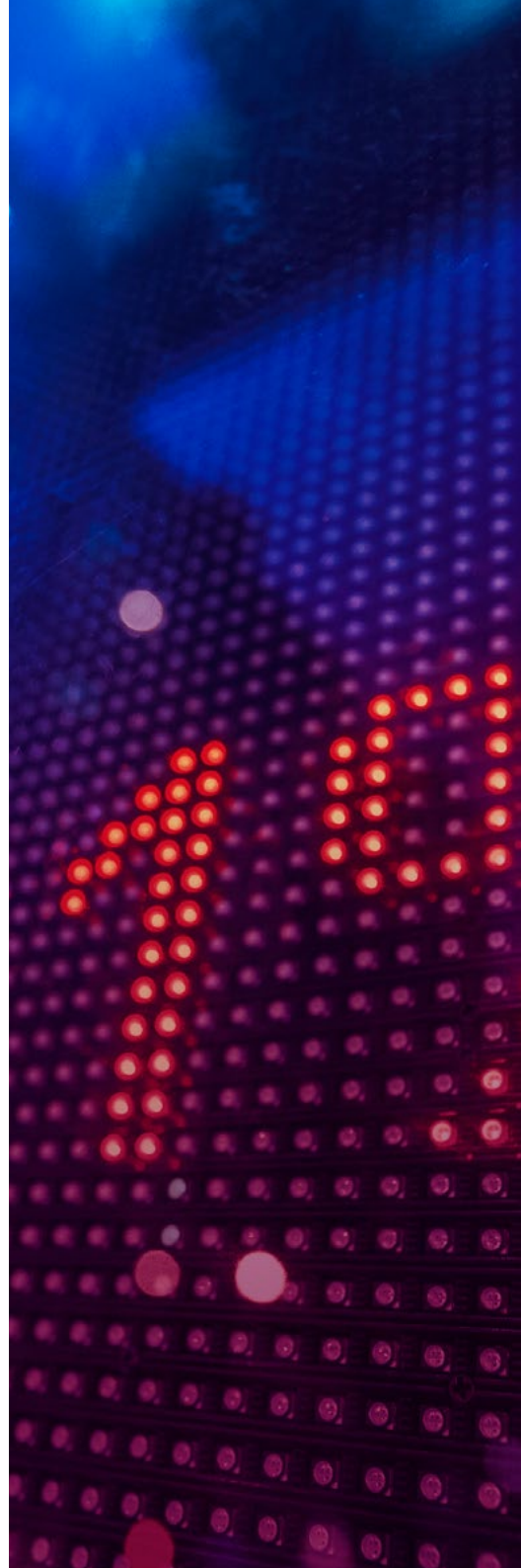
A scheme auditor will also look at scheme governance and internal controls and report back to the trustees with any issues / potential issues identified.

What do you find challenging about your role?

Obtaining the required information on time so that deadlines can be met and also dealing with situations where auditor and client may disagree with the approach or treatment.

What is the most enjoyable part of your role?

Variety. Whilst my clients are all pension schemes, each scheme is different and the sponsoring employers are in a different sectors and locations.



FOCUS ON INVESTMENTS

Investment Strategy Update

As we reported in our last newsletter, the Fund is now in a "cashflow negative" position meaning that the incoming contributions each month are insufficient to cover the monthly outgoings (pensioner payments, retirement lump sums, fees and so on). This is perfectly normal for a scheme like the UREPF at this point of its lifecycle as the active member numbers diminish.

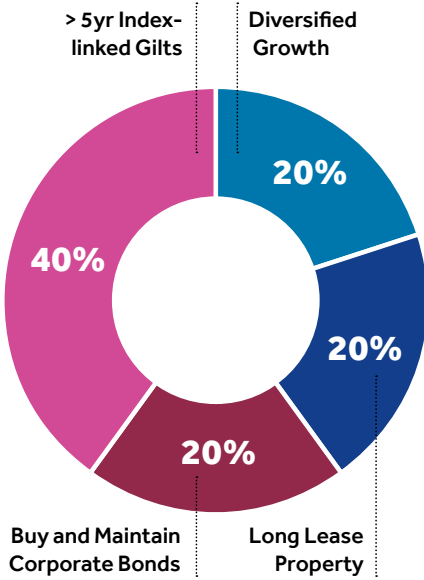
Over the last 5-10 years, the Fund has benefitted materially from its investments in equities (shares) as the value of these investments increased. However, equities are a volatile investment, and given the improved funding position of the Fund, as well as the negative cashflow position, it was felt that these strong returns provided the opportunity for the Trustees to reduce the level of downside risk to which the Fund is exposed. This has been achieved by reducing the Fund's allocation to equities and investing in lower risk investments that deliver regular income that can be used to meet pensions and other cashflows out of the Fund. Given that at the time of writing, the Fund is fully funded, the Trustees' focus is on maintaining this strong position whilst ensuring investments generate the required returns to meet monthly outgoings.

One aspect of this investment de-risking journey was the investment of 20% of Fund assets into the LGIM LPI Property fund. This particular fund has a focus on investing in high quality property investment opportunities with long term leases to typically "investment grade" tenants. Given property mandates are less liquid than some other asset classes, it took several years for this investment to be completed in full; however the investment was successfully completed in 2020. The investment now provides regular inflation linked income to the Trustees' account.

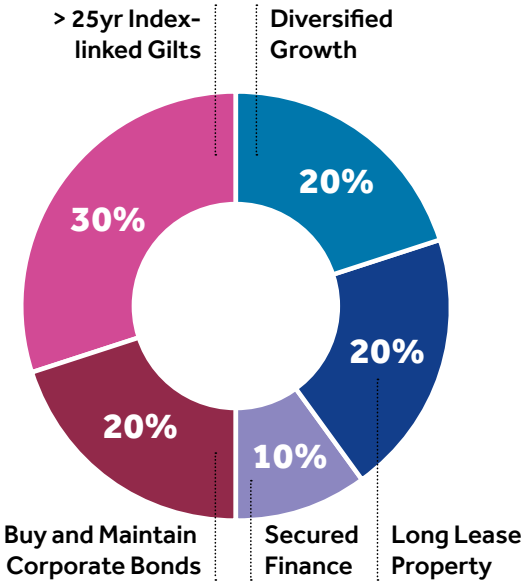
A further change to the investment strategy that has been taking place during 2021 was an investment of 10% of the Fund's assets into Secured Finance. This investment was completed in early August 2021. This mandate is expected to provide the Fund with additional income, whilst delivering the required returns to meet benefits as they fall due. At the same time as this investment, the Fund's defensive allocation to index-linked gilts were restructured in order to ensure they continue to offer the level of downside protection required.

The following charts show the Fund's investment strategy pre and post the latest investment strategy review.

31 December 2020



31 July 2021



ESG

ESG stands for Environment, Social and Governance and is currently a key topic in the pensions arena. Historically, ethical and ESG investing has not formed part of many pension schemes' fund selections, largely due to concerns over the ability of funds with high ESG standards to achieve good returns. How ESG factors align with the Trustees' investment duties was another common concern, particularly within defined benefit schemes where sufficient funding is one of the Trustees' key responsibilities. However, over recent years, there has been growing evidence that suggests that incorporating ESG factors could now offer potential long-term performance and/or risk advantages. As risks from changes in environmental considerations, social changes and governance factors continue to increase, ESG is likely to become ever more important in the effective running of pension schemes and their underlying investments.

What has happened so far?

The Fund's investment strategy is set by the Trustees after taking appropriate independent advice. This continues to be the case, although the Trustees now also consider ESG factors when making investment decisions. This means that they need to make sure they are assessing the risk that environmental factors, such as climate change, may present to investments within the Fund.

The Trustees have, following training on this topic from their appointed Investment Consultant, therefore made changes to the Statement of Investment Principles (SIP) to include their policies on:

- financially material considerations, including ESG considerations such as climate change
- stewardship of investments, such as exercising rights (including voting rights) and engaging with activities in respect to the investments
- the extent to which non-financial matters, such as members' views on ethical or environmental matters, are considered when planning investments

The Trustees recently undertook a review of the Fund's investments from an ESG perspective and were comfortable with the ESG ratings provided by the Investment Consultant.

What is else is due to happen?

The ESG investment landscape is likely to change materially in the next few years as ESG considerations play a bigger role in society as a whole, and hence manager selection and monitoring. As part of this, regulations now require the Trustees to produce an annual Implementation Statement that contains the following information:

- Confirmation of how, in the opinion of the Trustees, the Trustees' policy (included in the SIP) on the exercise of the rights relating to the Fund's investments, and on undertaking engagement activities, has been followed during the year.
- A description of the voting behaviour by, or on behalf of, Trustees during the year.

Statement of Investment Principles (SIP) & Implementation Statement

As mentioned on the previous page, the Trustees have updated the SIP to reflect all the recent changes to the investment strategy and have published their first Implementation Statement detailing how the SIP has been followed during the year. The Implementation Statement covers the Fund year to 31 July 2020.

Both of these documents (and updated versions in the future) can be found on the UREPF page of the HR website and can be found at:
www.reading.ac.uk/human-resources/working-at-reading/pensions/university-of-reading-employees-pension-fund-urepf.

If you need a hard copy of either document, please contact pensions@reading.ac.uk.

GUARANTEED MINIMUM PENSION (GMP)

Towards the end of 2018, the High Court ruled on a case concerning the equalisation of Guaranteed Minimum Pension (GMP) benefits between men and women. In this section we explain

- what a GMP is
- why GMPs aren't equal
- what the Trustees are doing about it
- who might be impacted by this.

What is a GMP?

GMPs first came into existence in April 1978 when the Government introduced the new two-tier state pension. GMP was built up between April 1978 and 1997 when good quality pension schemes could elect to "contract out" of the second tier of this scheme (known as SERPS or the State Earnings Related Pension Scheme). Contracting out meant that both members and employers paid a lower rate of National Insurance.

If you were a contributing member of the Fund between 1978 and 1997, the GMP forms part of your overall pension. The ability to build up a GMP eventually came to an end on 5 April 1997 so anyone whose membership of UREPF started after that date will not have any element of GMP as part of their UREPF pension.

Why aren't GMPs equal?

The way in which a GMP is calculated is set out in legislation and payment is linked to an individual's historic State Pension Age (SPA) as well as being built up at a different rate between men and women. Although SPAs are now equalised between men and women, when GMPs first came into being in 1978, a woman's State Pension Age was 60 and a man's was 65.

As a result of GMPs being unequal, some people may have earned higher or lower overall pension benefits as a result of their sex, even where the pension scheme trustees had taken action to equalise their pension scheme's normal pension age.

What happened?

The High Court ruled in October 2018 that all UK pension schemes must take steps to equalise pension benefits for both men and women in relation to any GMP built up between 17 May 1990 and 5 April 1997. The Fund is affected by this ruling as are the vast majority of other UK pension schemes.

What are the Trustees doing about it?

There are a number of options for how pension schemes can equalise these benefits and the Trustees of the Fund are currently working with their advisers and the University to decide on the best approach. No matter which method is chosen, the Trustees have to carry out a thorough investigation of the historical membership data used to calculate members' benefits. Work on this is in progress but this is by no means a simple or quick process.

Who will be impacted?

As this project is concerned with GMP benefits built up between 17 May 1990 and 5 April 1997, any members who were not members of the Fund during that period will not be impacted. For other members, there may well be small adjustments to your benefits payable from the Fund but the Trustees wish to stress that no benefits will be reduced as the equalisation has to be upwards so pensions will either remain unchanged or members may see a small increase.

The Trustees will write to you with an update once more information is available. In the meantime, if you have any questions about GMP Equalisation, please contact the Fund administrator (contact details can be found on [page 16](#)).



NEWS / NOTICEBOARD

BWebstream

BWebstream is Barnett Waddingham's (the Scheme Administrator) secure, easy to use, fully integrated online tool for company pension schemes. As a member of the Fund you can currently access your account to view your personal details and update personal information and run retirement "what if" calculations. Pensioner members can view their payslips.

If you have not yet registered for access, or perhaps need help getting back online, please contact Barnett Waddingham on **0141 447 0799** for assistance.

Normal Minimum Pension Age

This is the minimum age at which members of workplace pension schemes can access their benefits. Access is only available earlier than this if the individual is doing so on the grounds of ill health.

The government has confirmed that it intends to raise the normal minimum pension age from age 55 (as it is now), to age 57 and that this will take effect from 6 April 2028. The government is currently consulting on how to implement this change (which coincides with the increase in State Pension Age) so full details are not yet known. However, for younger members of the Fund, it is worth keeping this change in mind when planning for your retirement.

Chair of Trustees

As you will have read elsewhere, Keith Hodgson's term of office as Chair of the Board of Trustees ends on 30 September 2021. A recruitment and selection process is underway to find and appoint a new Chair of UREPF. The appointee will also be Chair of the University's other pension scheme, the University of Reading Pension Scheme.

MNT Rules

The Trustees of UREPF periodically review the manner in which the three Member Nominated Trustees (MNTs) are appointed to the Board of Trustees in order to ensure that the process remains appropriate and relevant.

Such a review was undertaken in July 2020 and the Trustees decided to amend several aspects of the process. The key changes made are as follows:

	2016 Process	2020 Process	Reasoning
Term of Office	<p>5 years</p> <p>If someone ceased to be an MNT before the end of the term, their replacement was appointed for the balance of the outstanding term</p>	<p>5 years</p> <p>When someone ceases to be an MNT before the end of their term of office, the new MNT will be appointed for a full 5 years</p>	<p>The replacement MNT could potentially have been appointed for a very short term if the vacancy occurred toward the end of the original MNT's term of office.</p> <p>This does not give the new MNT enough time to settle into the role and become an effective Trustee within the appointment term.</p>
Constituencies	<p>There were two constituencies: one covered in-service and deferred members, the other covered pensioner members</p>	<p>Constituency boundaries have been removed</p> <p>All members are in a sole constituency irrespective of membership status</p>	<p>As the Fund is closed to new entrants, there has been a decrease in the number of in-service members</p> <p>Pensioner members now make up over half the membership so the MNT arrangements need to reflect this where possible</p>

	2016 Process	2020 Process	Reasoning
Selection Process	<p>Constituency members nominated themselves</p> <hr/> <p>If the number of nominations was greater than the number of vacancies, all constituency members voted</p>	<p>Members apply to become an MNT</p> <hr/> <p>A selection panel made up of the Chair of Trustees, an Employer Nominated Trustee, an MNT and the Secretary to the Trustees reviews the applications, measuring against the role description and person specification</p> <hr/> <p>The selection panel interviews the candidates to ensure they meet the requirements to be a Trustee</p> <hr/> <p>Members then vote to choose their favourite from the candidates deemed suitable by the selection panel</p>	<p>Introduction of a selection process allows the Pension Regulator's requirements to be taken into account</p> <hr/> <p>Use of a role description and person specification makes the requirements clear to candidate</p> <hr/> <p>Fitness and propriety can be assessed to ensure new MNTs are appropriate appointment</p> <hr/> <p>Trusteeship is an important role so it is appropriate to ensure appointees meet the role requirements</p>

Further information on MNTs and the appointment process can be found at www.reading.ac.uk/urepf-mnt.

MNT Appointment

Members will have recently received information and details of how to apply to become an MNT in respect of the vacancy created following the completion of Mrs Val Davis' term of office. After serving 10 years as a Trustee, Val decided the time was right to allow another member to fill this role. The Board of Trustees would like to thank Val for her dedication and work during her MNT appointment.

One application was received by the closing date and following a screening interview, we are pleased to announce that Dr Kris Hamer will take up the role from 1 October 2021. Details of how to contact Kris will be published on the UREPF MNT page (see above) in due course.

Covid-19

When lockdown was announced in March 2020, the Trustees of UREPF undertook to seek assurances from its service providers (e.g. Barnett Waddingham as administrator), the University’s pensions team and the University itself that service would not be adversely impacted due to the pandemic and lockdown. Assurances were duly received and throughout the pandemic the Trustees have kept in close contact with all related parties to ensure that members’ benefits continue to be paid on time, including pensions in payment, and that contributions from the University continue to be deducted from staff salaries and paid over to the Trustees’ bank account within the timescales set by the Pensions Regulator.

The day-to-day business and management of the Fund has continued throughout the lockdowns with all Trustee meetings switching from in-person meetings to online via a video conferencing platform. This was a new way of holding meetings for all concerned and it was soon evident that the meetings could be held successfully with no detriment to the proceedings. If anything, it has allowed meetings to be more focussed but this does rely on participants taking the time to read meeting papers and preparing questions in advance where possible.

Equitable Life

The financial troubles of Equitable Life have received a lot of press coverage over the years. A small number of UREPF members had AVCs invested with Equitable Life. As part of the final wind down of Equitable Life these AVCs have been transferred to a new provider, Utmost. Affected members have been written to.

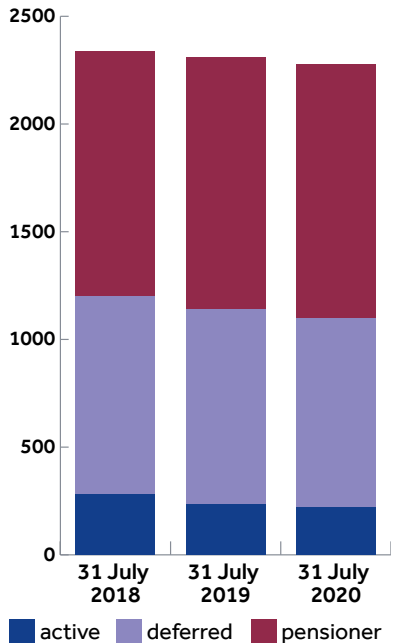
ACCOUNTS

The Trustees prepare an Annual Report and Accounts which gives full details of all the financial transactions that have taken place within the UREPF over the year.

A copy of the full Annual Report and Accounts is available on request – contact the Pensions Office using the contact details on the back page.

Members

	31 Jul 2018	31 Jul 2019	31 Jul 2020
Active	281	235	220
Deferred	919	905	877
Pensioner	1,137	1,168	1,180
Total	2,337	2,308	2,277



Summary of Income and Expenditure

Set out below is a summary of the information in the Accounts over the years 1 August 2017 to 31 July 2018, 1 August 2018 to 31 July 2019 and 1 August to 31 July 2020.

Income	31 July 2018	31 July 2019	31 July 2020
Investment Income and returns	13,778,536	13,207,078	7,852,866
Employer Contributions*	4,621,071	2,897,250	2,632,672
Employee Contributions	61,699	45,527	40,186
Total	18,461,306	16,149,855	10,516,910
Expenditure			
Pension Payments	4,238,180	4,547,785	4,752,083
Commutation of Trivial Pensions and Retirement Benefits	825,131	1,127,672	736,369
Death Benefits	36,147	46,221	8,765
Transfers Out & Other Payments relating to Leavers	41,853	81,971	215,493
Death In Service Insurance Premiums	26,244	18,685	18,287
Investment Manager Fees	687,017	306,771	387,845
Administrative expenses	186,145	206,606	200,521
Actuarial Fees	169,243	107,374	119,699
Audit Fees	33,866	9,000	13,397
Legal & Other Professional Fees	31,534	47,860	14,467
Other Fees & Expenses	4,662	2,174	1,893
Tax	6,384	-	-
Total	6,286,406	6,335,097	6,319,363
Total Net Assets Fund	198,195,382	207,843,118	211,900,023

* As most members' contributions are paid by the employer via the Salary Exchange arrangement (Pensions+), these are included in the employers' contributions figure. The arrangement provides a National Insurance saving to the member and the University.

WHO TO CONTACT

The team that works in the Pensions Office is there to help you with any general questions you have about the UREPF. If you have any questions about the topics covered in this issue or would like copies of any of the UREPF's governing documents, you should contact:

Pensions Office,
University of Reading,
Whiteknights,
PO Box 217,
Reading,
RG6 6AH

Email: pensions@reading.ac.uk

Phone: (external) 0118 378 7121
(internal) 7121 or 6184

The Pensions Office team are:

Stephanie May	Pensions Manager
Heike Burnell	Assistant Pensions Manager
Tracey Timms	Assistant Pensions Manager
Jocelyn Adlington	Pensions Assistant
Linda Salmon	Pensions Assistant

i If you have any queries which relate specifically to your own benefits, or your personal circumstances change, please contact the administrator:

The University of Reading Employees' Pension Fund

Barnett Waddingham LLP

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St James's Square
Cheltenham
GL50 3PR

Tel: 0333 1111 222

Email: reading.uni@barnett-waddingham.co.uk