

University of Reading Employees'
Pension Fund (UREPF)



YOUR PENSION

University of Reading Employees' Pension Fund

December 2015



WELCOME

To this year's newsletter for members of the UREPF. In this edition we look at some people changes, provide a snapshot of the accounts at 31 July 2014 and bring you up to date with pension changes going on generally. Active members please make sure you read the section headed 'National Insurance changes' so you know what will be happening in 2016. We have our usual section on 'People', giving details of those who work hard behind the scenes to make sure your Pension Fund is properly managed, and following on from last year when we put the spotlight on the role of the Actuary, this time we are delving deeper into the role of a Trustee.

As it can be a difficult time financially when someone dies, we've explained how Trustees exercise their discretion in deciding who should receive any lump sum death benefits from the Fund and highlighted the importance of keeping your Expression of Wish form current. Please make sure you take a look at this section where we also provide information on whether a lump sum is payable from the Fund on your death.

As mentioned last time, the administration and accounting services were transferred to Barnett Waddingham in Cheltenham from April 2015. The transition of services has gone smoothly and contact details for Barnett Waddingham are given at the end of this Newsletter. Plans are in progress for members to have access to documents, calculation routines and pension payslips via a secure member website and this should become available in the first quarter of 2016. Your Trustees have asked an independent auditor to carry out some calculation checks to make sure that benefits will be paid correctly and access to the website won't be made available until those checks have been completed. Please note that this is not that the Trustees are worried about the ability of Barnett Waddingham to calculate benefits correctly; it is merely a step in the governance process so that the Trustees have additional comfort that the transition has been completed correctly.

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



Keith Hodgson
Independent Chairman of the Trustees

PEOPLE

Your pension fund is looked after by a range of individuals and advisors and here we have a look at some of the changes which have taken place recently.

Trustees

UREPF is set up under a Trust which is looked after by a Board of Trustees. For the year to 31 July 2015 there were 8 Trustees in total: 3 of whom are member elected and 5 of whom are appointed by the University. Your Trustees have been:

Dr Tim Ford (Chair)

Employer nominated

Mr Keith Hodgson

Vice-Chair

Mr Bob Dwyer

Vice-President of the Council of the University

Mr David Savage

Chief Operating Officer

Mr John Brady

Director of Human Resources

Mrs Sue Mott

Member nominated (employed)

Mrs Val Davis

Member nominated (pensioner)

Mr Mark Taylor

Member nominated (employed)

The Trustees are supported by a Secretary to the Trustees, and from 1 October 2014 this position has been filled by Miss Stephanie May ably assisted by Miss Katherine Williams as Assistant Secretary to the Trustees.

Chair of Trustees

For the first time since 2009, 2015 saw a change in the Chair of the Trustees. Tim Ford (an independent Trustee) had been in the Chair since 2009 but his term of office as a Trustee came to an end on 30 September 2015. Although Tim's chairmanship is a hard act to follow, he is succeeded as Chairman by Keith Hodgson, who was appointed as a Trustee in October 2014. Keith will already be a familiar figure to many members of the Fund. Keith joined the administrative staff of the University in 1978 and retired in 2014 having served successively under five Vice-Chancellors as Assistant Registrar, Sub-Dean of two separate Faculties, Academic Secretary, Director of Academic Services, Director of Governance and, for the last six years of his career, as University Secretary. In recognition of his distinguished service, the title of University Secretary Emeritus has been conferred upon him. As a former provider of secretariat services not only to the University's governing body, the Council, but also to the Trustee Board of the UREPF, Keith combines an independent standpoint with an in-depth knowledge of the Fund and looks forward to working in the best interests of members in his new capacity.

At a time when pension scheme governance is very much at the top of the Pension Regulator's agenda, Keith's background in this area makes him an ideal person to lead the Board of Trustees. When not working hard on behalf of the members of the Fund, Keith, who is married with two grown-up children, enjoys having time to travel and is an avid follower of cricket.

Member Nominated Trustees

Three of the Trustees of the Fund are nominated by members of UREPF rather than by the University. Two of these Trustees are current members (Mark and Sue, left) and one is a pensioner member (Val) who is nominated by those Fund members who are in receipt of a pension.

Sue Mott's term of office as a MNT recently came to an end and so members of the Fund were asked to make nominations for someone to occupy the new term of office. We are pleased to report that as Sue had agreed to stand again and as no other nominations were received, she has duly been re-elected as an MNT with her new term of office finishing 31 December 2020.

Role of a Trustee

You know that your Pension Fund is managed by a Board of Trustees. But what does this mean? What do they actually do? Here, we thought we'd explore the role of a Trustee to give you some greater knowledge and understanding of what goes on behind the scenes to make sure your pension scheme is properly managed and well governed. There are several aspects to the role of a Trustee (see opposite page).

The Trustees are there to ensure that the assets of the Fund (ie the investments, cash etc) are held securely and are well managed in order to provide benefits to the beneficiaries of the Trust (not only all members but also potential beneficiaries such as spouses and civil partners) as required under the Fund's Rules. Trustees have a duty to invest the Trust's assets but can delegate the day to day work - such as deciding which company shares to buy - to a specialist fund manager. They have to make sure that all classes of beneficiaries (pensioners, actives and deferred members) are treated equally when making any decisions so have to act impartially. The section below explains more about how and why Trustees make discretionary decisions over the distribution of death benefit lump sum payments.

Although Trustees do not have to be pensions professionals, they do have to acquire the necessary knowledge in order to carry out their role successfully. The Pensions Regulator specifies that Trustees meet its 'Trustee Knowledge and Understanding' requirements and has designed a special online training toolkit to cover all the necessary points. A Training Log, recording all training undertaken by the Trustees (for example, attending seminars or webinars, reading technical update papers) is maintained by the Secretary to the Trustees.

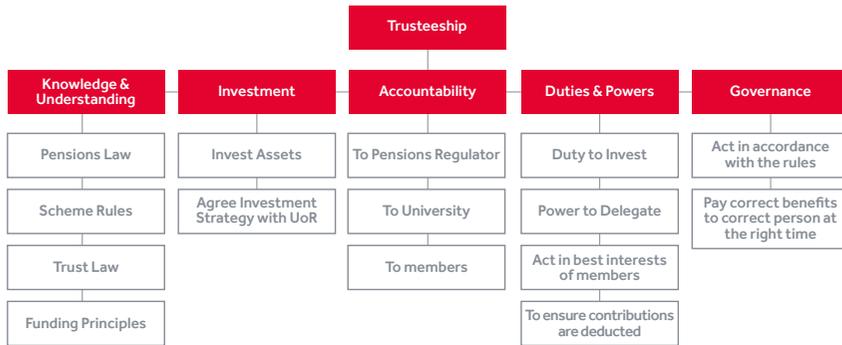
Trustees' Discretion

One of the powers given to Trustees is that of using their discretion. There are many instances where this can be relevant but the most common situation is where a payment of lump sum benefits on the death of a member has to be made. Because these lump sums are paid out of the Trust and only the Trustees can decide upon the recipients, the payment is made

free of tax. It does not count as part of the member's Estate for Inheritance Tax purposes, nor does it rank for income tax in the hands of the recipient. It really is very tax efficient which means that all of the money paid out goes to the benefit of the member's family or other beneficiaries.

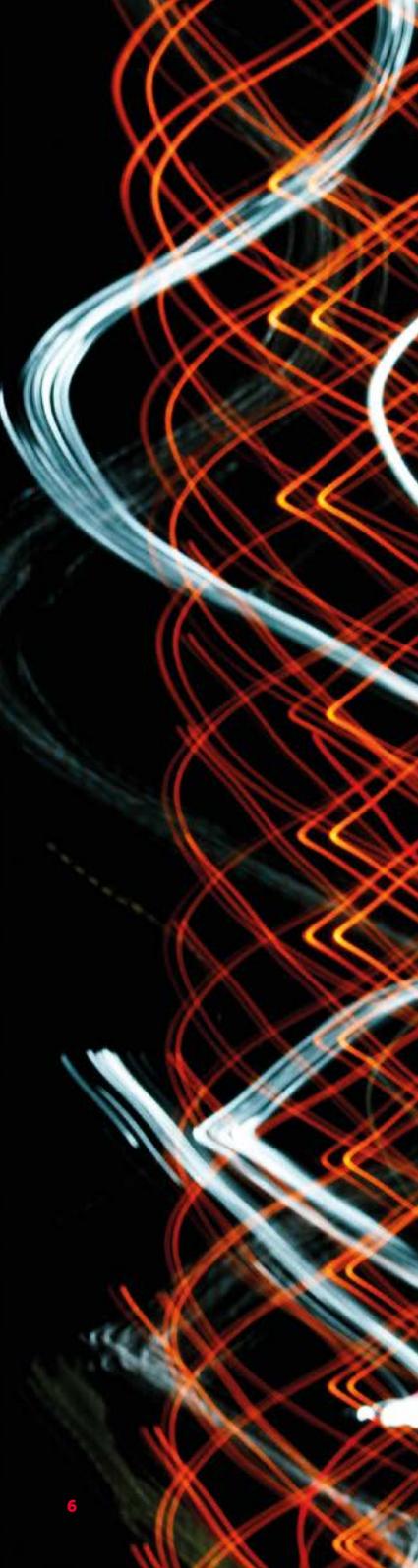
In making their decisions regarding the payment of lump sum death benefits, the Trustees will take into consideration any completed Expression of Wish form that you, the member, may have submitted. However, they will place less importance on a form completed several years ago as they can't be sure if the form is still relevant. This is why it's a really good idea to keep your form up to date – even if you nominate the same person or persons each time. That would demonstrate that you had recently thought about your choice of beneficiary – if you haven't submitted a form recently, the Trustees don't know if your wishes remain the same or if you've simply forgotten to update your form (they do see quite a few such cases!). As part of the decision making process, the Trustees will also require information about your next of kin, your family (for example marital status, children), any dependants you may have and sight of your Will, if you have one. They are keen to ensure they have all relevant details as this allows them to make an informed decision regarding who should receive the lump sum payments.

Not every member of UREPF is entitled to a lump sum payment on death. The table opposite explains further.



Explanation of entitlement to lump sum payments

Type of Member	Explanation	Entitlement to a lump sum
Active	This is a member who is currently contributing to the Fund or who would contribute but for the fact that they are either a participant in the salary exchange arrangement, Pensions+, or they are absent on family or sick leave.	Yes. A lump sum of three times Pensionable Salary is payable along with a return of all the contributions (plus interest) paid into the Fund during their membership (this includes contributions paid by the employer under Pensions+).
Deferred	A deferred member is someone who is no longer contributing to the Fund (or having contributions paid under Pensions+) and has an entitlement to a pension deferred until they reach retirement age because they have left employment, changed to a different pension scheme through a job change or promotion or who has opted out of membership.	Yes. The lump sum due is the total of the contributions (plus interest) paid into the Fund during their membership (this includes contributions paid by the employer under Pensions+).
Pensioner – within 5 years of retirement	Someone who was a member of the Fund in the past but is now in receipt of a pension from the Fund and where the date of commencement of pension was within 5 years of the date of death.	Yes. Members' pensions are guaranteed to be paid for at least 5 years from retirement. So if death occurs within that 5 year period, any instalments remaining to the end of 5 years are paid as a lump sum.
Pensioner – retired more than 5 years ago or is a dependant member.	Someone who was a member of the Fund in the past but is now in receipt of a pension from the Fund and where the date of commencement of pension was more than 5 years before the date of death. Or someone who is in receipt of a pension as a dependant of a former Fund member.	No. Once a pension has been in payment for 5 years, no lump sum is due on the member's death. A pension to a spouse, civil partner, children or dependants may be due depending on personal circumstances. There is no entitlement to a lump sum payment upon the death of a dependant member.



If your Expression of Wish was last filled in more than two years ago, or if your circumstances have changed, you may wish to submit a new one. You can find a form to download from the UREPF pension page on the HR website at www.reading.ac.uk/internal/humanresources/WorkingatReading/Pensions/humres-UREPF.aspx.

Another area where the Trustees often have to exercise discretion is in relation to the payment of pensions to a dependant if the member is not married. Further details will be provided in next year's newsletter. In the meantime, if you would like to notify the Trustees of someone that you would like to receive a pension in the event of your death, please complete a Dependant Nomination Form which can be accessed on the HR webpage (link as for the Expression of Wish form).

Advisors and Providers

The Trustees of the UREPF have overall responsibility for running your scheme but they cannot do this without 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

Investment Managers

BlackRock Investment Management (UK) Limited
Sarasin & Partners LLP

Investment Advisors

Stanhope Consulting

Administration, Pensioner Payroll and Accounting service provider

Capita Employee Benefits Limited (to 31 March 2015)
Barnett Waddingham LLP (from 1 April 2015)

AVC Providers

Clerical Medical Investment Group Limited
The Equitable Life Assurance Society

Legal Advisors

Linklaters LLP

Auditors

KPMG

Bankers

Barclays Bank PLC (to 31 March 2015)
Lloyds Bank PLC (from 1 April 2015)

Custodian of assets

BNY Mellon

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 front page. Set out below is a summary of the information in the Accounts over the year to 31 July 2014.

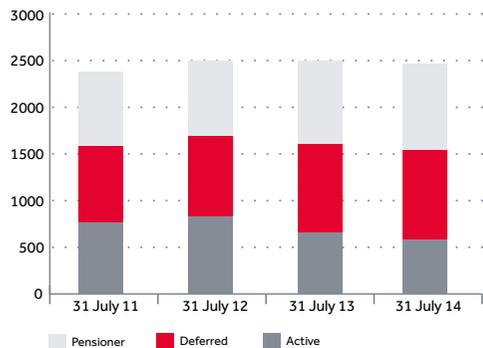
Summary of Income and Expenditure

	£'000
Net Assets 1 August 2013	129,124
Income	
Investment Income and returns	7,870
Employer Contributions*	5,560
Employee Contributions	147
Other Income	-
Total	13,577
Expenditure	
Pensions Payments	3,544
Commutation of Trivial Pensions	-
Retirement Cash	720
Death Benefits	-
Transfer Out	534
Death in Service Insurance Premiums	62
Investment Manager Fees	576
Administrative expenses	422
Total	5,858
Total Net Assets Fund as at 31 July 2014	136,843

*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.

Membership Movements

1 August 2013	
Members	
Active	589
Deferred	936
Pensioner	955
Total	2,480
31 July 2014	
Members	
Active	524
Deferred	939
Pensioner	984
Total	2,447



NEWS/NOTICEBOARD

National Insurance Changes

You may have previously heard that the UREPF has been contracted out of the State Second Pension (S2P) since its inception on 6 April 2002 and contracted out of the State Earnings Related Pension Scheme (SERPS) between 1978 and 2002 but never really understood what this has meant in practice. Essentially, contracting out is where a pension scheme can "opt out" of the second tier of the state pension (S2P or SERPS) for its members subject to the scheme providing benefits to members which are at or above a certain prescribed level. As the UREPF more than met the required levels, the members and the employer have enjoyed paying reduced rates of National Insurance (NI) contributions since April 1978.

However, with effect from 5 April 2016, the State Pension provision will be revised into a single tiered pension rather than one with two tiers of benefits, and so pension schemes will not be able to contract out after 5 April 2016. Sadly, for contributing members of the Fund this means that their NI contributions will increase from April 2016 onwards.

There is some good news, though. Many employers have decided to make changes (for the worse) to pension scheme benefits or increase member contributions to compensate for the higher rate of NI they will also be paying. So for some, it's a double blow with higher NI contributions and lower pension scheme benefits. However, we hope you will be pleased to learn that the University of Reading has reviewed the situation and has confirmed to the Trustees that it will not be seeking to reduce members' benefits or increase member contributions due to the increase in its NI liabilities from this year. You and your Trustees have to be mindful of the fact that this position could change at some time in the future but it's good to know that there are no known plans on the horizon.

If you are not already participating in the salary exchange arrangement, Pensions+, you may wish to think about joining it from April 2016 as this will help to mitigate the increase in NI contributions.

Valuation

In the last newsletter, we advised you that the latest triennial valuation of the Fund's assets and liabilities was underway and that the results wouldn't be known until mid-2015. The process has now been completed and at 31 July 2014, UREPF was 97% funded. The position has changed a little since then and at 31 January 2015, the funding level was estimated to be 92%. A recovery plan has been agreed with the University which will see "deficit repair contributions" of approximately £2.1m per annum (the actual amounts differ a little year on year) being paid into the Fund by the University. This is in addition to the employer contribution rate having changed to 23.8% of Pensionable Salary with effect from 1 August 2015. Member contributions will remain at 6.25 % of Pensionable Salary.

Further information on the UREPF's funding position is given in the accompanying Summary Funding Statement.

Pension Scams

We highlighted the possible problem of pension scams in last year's newsletter and just want to take the opportunity to remind you to be vigilant. Should anyone one approach you with suggestions on how to get your hands on your pension early or have some whizzy investment scheme you could sign up to, please make sure you've checked the information on pension scams. You don't want to be caught out and not only lose your hard earned pension savings but be landed with a tax bill too.

For further information take a look at the infographic opposite and/or the Pension Regulator's website at www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx.

If you have any concerns and want to discuss these, please feel free to contact the Pensions Team or colleagues at Barnett Waddingham. Please note that we cannot give financial advice but can tell you about the facts of when and in which way you can access your benefits.

Are you scammable or scamproof?



Scam: Pension access offered **before age 55** and you are not in ill health

Scam: Offers of a **free pension review**, a one-off investment opportunity, the chance to cash in or release your pension early, pension loans or upfront pension cash





Scam: **Unsolicited contact** via call, text, email or in person claiming to be from The Pensions Advisory Service, Pension Wise or government-endorsed. Such contact would always be initiated by you first, never by those organisations.

Scam: Convincing marketing materials that promise you **guaranteed high returns** on your investment





Scam: **Overseas investment** opportunities in property, green energy plantations, scratchcards where **all your money is in one place**

Scamproof: Arming yourself with the facts at www.pension-scams.com

Scamproof: Taking advantage of free support and guidance offered by The Pensions Advisory Service and Pension Wise




Scamproof your savings
PENSION SCAMS, DON'T GET STUNG
© 2016

Scamproof: Seeking professional **independent** financial advice



Scamproof: Checking a financial adviser is personally **authorised by the FCA** at www.fca.org.uk/register



Scamproof: Check the **list** of known investment scams at www.fca.org.uk/scamsmart

Scamproof: Not allowing yourself to be **rushed into a decision** by time limited offers or delivery of previously unseen paperwork by courier



Scamproof: Not signing anything you don't completely understand



Don't get stung.  www.pension-scams.com

New State Pension

As we mentioned in last year's newsletter, the State Pension moves to a single tier pension from 6 April 2016. The new state pension can be claimed by a man born on or after 6 April 1951 or a woman born on or after 6 April 1953 and to be eligible, you need to have at least 10 qualifying years on your National Insurance (NI) record. These 10 years do not have to be consecutive and to qualify means that you

- were working and paid NI contributions, and/or,
- received NI credits for reasons such as unemployment, sickness, being a parent or carer, and/or
- you were paying voluntary NI contributions.

For anyone with qualifying years completed before April 2016, the calculation of the state pension is quite complicated and there isn't room to go into detail here. However, you can find out further information on the Gov.Uk website at www.gov.uk/new-state-pension/how-its-calculated. For anyone without NI contributions or credits before April 2016 (unlikely for members of UREPF), the state pension will be worked out entirely on the new rules – to get the full amount of £155.65 a week, the individual would need to have 35 qualifying years!

To obtain a statement of your state pension entitlement, go to www.gov.uk/state-pension-statement and follow the instructions for downloading the application form; alternatively there are telephone contact details for the Future Pension Centre.

Pensions News from the political scene

Following the Conservative victory at the General Election earlier in 2015, there has been a change in Pensions Minister. Steve Webb has been replaced by Ros Altmann who was appointed Minister of State for Pensions on 11 May 2015. The Minister is responsible for:

- pensions policy, state pensions and Pension Credit;
- private pensions, automatic enrolment and the National Employment Savings Trust (NEST);

- the Pensions Regulator, Pension Protection Fund, Financial Assistance Scheme, the Pensions Advisory Service and the Pensions Ombudsman;
- 'Fuller Working Lives – a framework for action'. This is a publication which explains the benefits of working longer and how the Government intends to help people have fuller working lives. It can be accessed on the Gov.Uk website: www.gov.uk/government/publications/fuller-working-lives-a-framework-for-action;
- Winter Fuel Payments and Cold Weather Payments;
- child maintenance.

A government consultation has taken place regarding the way in which pension schemes operate with regard to tax. At the moment tax relief is given on contributions paid into schemes but various options are now under consideration and a change to the current practice could mean a major change to the way in which schemes operate and are administered.

The Chancellor's Autumn Statement 2015 was relatively light on pensions issues but some of the areas covered were:

- for those entitled to the full amount, the single tier State Pension will be introduced at the rate of £155.65 a week from April 2016;
- the basic State Pension will be increased by the triple lock to £119.30 a week. The triple lock means the state pension is increased by the higher of inflation, earnings growth or 2.5%;
- the increase in minimum contribution levels for employers and employees required under auto-enrolment has been moved from an October date to align with the tax year. This has no impact for members of UREPF as the Fund is not used for auto-enrolment;
- some changes affecting the Local Government Pension Scheme (LGPS). Although the University doesn't subscribe to the LGPS, there may be a later impact from some consultations due to take place but there is no action needed at present.

ADDRESSES

Please make sure you keep your address details up to date by contacting us using the details provided so we can make sure you don't miss out on any information we need to send you. If you are a current member of staff of the University, you can update your home address using Employee Self-Service.

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

Telephone:

(external) **0118 378 7121**

(internal) **7121** or **6183**

The Pensions Office team

Stephanie May

Pensions Officer

Katherine Williams

Assistant Pensions Officer

Jayne Ward

Assistant Pensions Officer

Jocelyn Adlington

Pensions Assistant

Amy Baatz

Pensions Assistant



PENSIONS ADMINISTRATOR

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

St James's House

St James's Square

Cheltenham, GL50 3PR

reading.uni@barnett-waddingham.co.uk

Tel 01242 538 500