

University of Reading Employees' Pension Fund

# Your Pension

February 2014

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**Welcome to the newsletter for members of the University of Reading Employees' Pension Fund ('the UREPF'), bringing you up-to-date with what's going on in the UREPF and the wider world of pensions.**

Over the following pages we will help you plan effectively for your retirement. An article on page 2 is all about making sure you get the income you are hoping for when you retire. It helps you think about the main factors that will influence your income, such as when you plan to retire, whether you will have any income from other sources and what your main expenses will be once you have retired.

In our regular 'UREPF noticeboard' section, we outline the proposed changes to the State Pension as a result of the recent Pensions Bill. These changes could have an impact on when you can take your State Pension and how much you will get, so it's important to understand how it will affect you. We have also included a warning about fraudulent Pension Liberation Schemes. These are schemes that attempt to entice people to 'cash in' their pension early, usually resulting in a significant tax charge for the victim.

An election to appoint a new member-nominated Trustee was held in January. We are pleased to announce that Mark Taylor was elected to the position and you can read a short profile about him on page 6.

The regular summary of the UREPF's finances and investments can be found on pages 4 and 5, and you can find out about the people that work behind the scenes to make sure the UREPF runs smoothly on pages 5 and 8.

^  


**Timothy Ford**

Independent Chairman of the Trustees

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

0118 378 7121

[pensions@reading.ac.uk](mailto:pensions@reading.ac.uk)

# Retirement planning takes forward thinking

**No-one likes to think they will not have enough money to enjoy their retirement. So, when planning your retirement there are several key questions you need to ask yourself.**

## What is your target pension?

How much money do you think you'll need for a comfortable retirement? What is the minimum income you'll require to enable you to do all the things you'd like to do?

While you'll probably save on certain items, such as the cost of travelling to work, and you may have paid off your mortgage, you'll still have bills to pay and you need to bear in mind the effects of inflation – the rising costs of goods and services will have an impact on the purchasing power of your savings over time.

## At what age do you want to retire?

You may be thinking about retiring early but you need to remember that the earlier you retire the lower your pension is likely to be. This is because you will complete fewer years of service, which will automatically reduce the amount of pension you can receive. Also, because your pension is likely to be paid for longer, each monthly payment is likely to be lower to help balance out the longer payment period.

## Will you earn any income during retirement?

You may decide to take on some part-time work and the money you earn will help boost your monthly retirement income.

Your University pension may not be your only source of pension income. You should look at the latest statements and illustrations of all your possible pensions, as well as other long-term savings and investments you may have.

The State pension is unlikely to give you enough to live on in retirement, but it will be an extra contribution to your finances. You can ask the Department for Work and Pensions for a forecast of your likely State benefits. This can be done in one of three ways:

- **Online** – visit [www.gov.uk/state-pension-statement](http://www.gov.uk/state-pension-statement)  
Some people will be able to get an online forecast, or you can download paper copies of form BR19 to send by post.
- **By post** – call the Future Pension Centre on 0845 3000 168 for form BR19, or print the online form and return it to the address found on the form.
- **By phone** – call the Future Pension Centre on 0845 300 0168. Lines are open from 8am to 6pm Monday to Friday. A textphone service is also available on 0845 300 0169.

## What impact will retirement have on your family?

If you die while you are in service and making contributions to the UREPF, a lump sum life assurance benefit is payable to your beneficiary(ies). This cover ceases on retirement, but pensions will be paid to your spouse / civil partner / dependant on your death after retirement.

Remember, it's never too early to start planning for your retirement.

# The scheme's financial health

At least every three years the UREPF must have a financial health check – called an actuarial valuation – to check its ability to pay the benefits members have earned. This review is carried out by a specially trained financial expert called an actuary.

The actuary's findings provide a snapshot of the UREPF's financial position and help the actuary to advise the Trustees on how much should be paid into the UREPF so that it can afford to pay members' benefits.

Each year we provide members with information on the financial position of the UREPF to help you understand more about how your pension is paid for and the state of the UREPF's finances. This information is called a 'summary funding statement' and your 2013 statement is enclosed with this newsletter.

## **Why have the Trustees issued this statement?**

The statement gives you a clear view of what the financial figures mean in terms of the UREPF's ability to pay all the benefits that have been promised.

## **What are the key figures that I should be looking at in the statement?**

It's important you read all of the statement carefully, so you can understand what the figures mean and how they are used to assess the financial health of the UREPF.

## **What would happen to my pension if the University goes bust?**

If the UREPF had to be discontinued because the University became insolvent, the Trustees would apply to the Pension Protection Fund (PPF) for help in providing members' benefits – find out more from [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk).

## **Do I need to do anything?**

No. The details in the statement are for your information only and are to help you to keep an annual track of the financial health of the UREPF. You should review your retirement planning regularly in any event and consider whether you can save more towards your pension, either by paying Additional Voluntary Contributions (AVCs) into the UREPF or through some other pension saving option.



# Amounts & accounts

## for the period ended 31 July 2012

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 to 31 July 2012. 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.

This is a summary of the movement of money into and out of the UREPF over the year.

**Total fund as at  
1 August 2011** **106,349**

### Income

|                          |               |
|--------------------------|---------------|
| Investment income        | 3,347         |
| University contributions | 5,471         |
| Employee contributions   | 1,104         |
| Other income             | 303           |
| <b>Total Income</b>      | <b>10,225</b> |

### Expenditure

|                                |                |
|--------------------------------|----------------|
| Pension payments               | (2,906)        |
| Commutation of trivial pension | (6)            |
| Retirement cash                | (871)          |
| Death benefits                 | (1)            |
| Transfers out                  | (118)          |
| Other payments                 | (36)           |
| Investment management fees     | (558)          |
| UREPF administration expenses  | (527)          |
| <b>Total Expenditure</b>       | <b>(5,023)</b> |

### Investment returns

|                                    |       |
|------------------------------------|-------|
| Change in the value of investments | 1,939 |
|------------------------------------|-------|

**Total fund as at  
31 July 2012** **113,490**

**Total membership as at  
1 August 2011** **2,523**

### Employed members

|                                   |     |
|-----------------------------------|-----|
| Employed members at 1 August 2011 | 797 |
| Employed members at 31 July 2012  | 675 |

### Pensioners

|                             |     |
|-----------------------------|-----|
| Pensioners at 1 August 2011 | 871 |
| Pensioners at 31 July 2012  | 912 |

### Deferred members

|                                   |     |
|-----------------------------------|-----|
| Deferred members at 1 August 2011 | 855 |
| Deferred members at 31 July 2012  | 913 |

**Total membership as at  
31 July 2012** **2,500**

Please note that in the table on the left brackets denote a negative figure (i.e. money out of the UREPF).

Totals are rounded to the nearest thousand.

# All about investments

The Trustees have overall responsibility for the investment of the UREPF's assets, but they delegate the day-to-day management to specialist investment managers.

The day-to-day management of the UREPF's portfolio is the responsibility of BlackRock and Sarasin & Partners. The Trustees regularly review both managers' performance.

## Investment performance

The performance of the funds is monitored against a performance target or 'benchmark', which we agree in advance with the investment managers. The table displays how the UREPF's investments have performed over one year and three years to 31 July 2012 compared with the benchmark.

|                                     | 1 year return to 31 July 2012 (%) | 3 years return to 31 July 2012 (% p.a.) |
|-------------------------------------|-----------------------------------|---|
| <b>BlackRock funds</b>              | 5.2                               | 9.9                                     |
| <b>Benchmark</b>                    | 6.1                               | 10.8                                    |
| <b>Sarasin &amp; Partners funds</b> | 3.4                               | n/a                                     |
| <b>Benchmark</b>                    | 6.5                               | n/a                                     |

The Trustees regularly monitor the performance of the investment managers. They also review the investment strategy from time to time to ensure it meets the aims of the Fund.

# Looking after your interests

The UREPF is run by a Board of Trustees, three of whom are nominated by the members of the UREPF. The Trustees are ultimately responsible for looking after the UREPF and making sure it complies with pensions' law and is run in accordance with the rules of the UREPF.

## The Trustees of the UREPF are:

|                 |  |
|-----------------|--|
| Dr T G Ford     | Independent Chairman   |
| Mr J Brady      | Director of Human Resources  |
| Mr D C L Savage | Chief Operating Officer  |
| Mrs S E Mott    | Employed member nominated  |
| Mrs V J Davis   | Pensioner member nominated   |
| Mr R Dwyer      | Vice-President of the Council of the University  |
| Mr M Taylor     | Employed member nominated  |
| Mr K N Hodgson  | University Secretary, is Secretary to the Trustees. Mr Hodgson is supported by Mrs C Hobson, Assistant Pensions Officer. |

We are pleased to welcome Mr Mark Taylor as our new member nominated Trustee, who was elected on 31 January 2014. Find out more about the election on page 6.

# UREPF noticeboard

## Member Nominated Trustee Election

As we had received nominations from two candidates for the vacant Member Nominated Trustee (MNT) position, ballot papers were issued in January. Votes were received from 230 members and Mark Taylor, a Senior Technician in the Teaching and Facilities Group in IT Services, has been elected to the position with effect from 1 February 2014. Mark has been with the University since October 1985 and his main role now is looking after PCs and audio-visual equipment in all centrally booked rooms and other central areas. He also supports the AV requirements for conferences and other events taking place at the University. Mark is looking forward to his new role and is keen to hear from members of the Fund.

He can be contacted on **0118 378 6555** or by email **m.a.taylor@reading.ac.uk**.

## Member Access Website

During the next few months, we will be rolling out access to a website for members of UREPF. Members of the Fund will be able to

- check their personal details (all)
- view benefit statements (active members)
- run retirement calculations (active and deferred members)
- view your payslip history (pensioner members)
- have access to Fund documents such as past issues of this newsletter (all).

Access will be available once you have registered. You will receive letters telling you how to do this and giving you an activation code so that you can logon and get started. It is anticipated that active members will have access in April, with availability being rolled out to pensioner and deferred members from May and June respectively.

## Changes to State Pensions

### Contracting out

Currently, the State Pension is divided into two parts:

- Basic State Pension – a flat-rate amount paid to everyone who has a full National Insurance contribution record (you may get a proportionate amount if you don't have a complete record);
- State Second Pension (S2P) – an additional state pension based partly on your earnings. You may be entitled to a pension from the S2P as well as a Basic State Pension.

As a member of UREPF, you are 'contracted out' of S2P. This means that you will not build up a pension from the S2P, but you will receive an equivalent level of benefits from the UREPF instead. As a result, both you and the University pay lower National Insurance contributions.

If the flat-rate State Pension is introduced as part of the Pensions Bill then S2P will be replaced (see below).

### The flat-rate State Pension

A draft Pensions Bill issued early in 2013 set out plans for a new flat-rate State pension to replace the Basic State Pension and the State Second Pension.

If the Bill is passed as planned then the changes will be implemented in 2016 at the earliest. In summary:

- The full amount of State pension will be £144 (in today's money) a week, increased each year by the average growth in earnings.
- To be eligible for the full amount, you will need a National Insurance contributions record for 35 years. To get the minimum amount, you will need 10 qualifying years.
- People already receiving a State pension when the change takes place will not be affected.

## State Pension Age

All State pensions are payable from your 'State Pension Age' (SPA). This is being changed over the next few decades to 68 for everyone, in a number of stages:

- on 6 April 2010 the SPA for women started to increase to 65, the same as for men; it will reach age 65 by November 2018;
- it will increase to 66 for everyone by October 2020;
- under the terms of the Pensions Bill, it will increase to 67 by 2026 and 68 by 2046. At the time of going to print, this had not been agreed by Parliament and so may change. There is a possibility that, as a result of increasing life expectancy, SPA could rise further in future.

To find your State Pension Age please go to:  
[www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension)

## Auto-enrolment

Auto-enrolment is part of the Government's strategy to encourage more people to make provision for their retirement and not be wholly reliant on state benefits. It is a new legal duty that requires all UK employers to automatically enrol eligible workers into a qualifying pension scheme and pay minimum employer contributions or provide a minimum level of benefits, unless the eligible workers are already an active member of such a scheme or opt out.

For the University, auto-enrolment formally applied from 1 July 2013 but the University deferred its 'Staging Date' until 1 October 2013. If you are an active member of UREPF you will have received a notice about auto enrolment from the University.

## The Annual Allowance and Lifetime Allowance

The Annual Allowance is the maximum amount of tax-free pension savings that you can make each year from all sources, not just the UREPF. It is currently set at £50,000. The Government plans

to reduce the Annual Allowance from the tax year 2014/15 onwards, from £50,000 to £40,000.

The Lifetime Allowance is the maximum amount of tax-free pension savings that you can make in a lifetime from all sources. This is set at £1.5 million for the 2013/14 tax year and is planned to reduce to £1.25 million in April 2014.

It is your responsibility to check your pension savings against the Annual Allowance and Lifetime Allowance.

## Pension liberation schemes

Please be aware and beware of these schemes!

These are offers that claim to be able to provide loans or release tax-free cash from your pension pots before you reach age 55.

The Pensions Regulator and HM Revenue & Customs (HMRC) are concerned about such schemes and have issued warnings to people not to be taken in by website promotions, cold-calls or adverts claiming to be able to free up your pension. These schemes usually work by transferring some of your pension fund into high risk or obscure and expensive investments, frequently based overseas, with no guarantee that you will get your money back if something goes wrong.

By accessing pension savings earlier than the law permits, you will be poorer in retirement and can face substantial tax charges.

We would encourage you to ignore any such offers you receive. These are very risky and have not been approved by the University or the Trustees.

You are strongly recommended to take independent financial advice before making any decisions about your pension savings.

You can find a local independent financial adviser at [www.unbiased.co.uk](http://www.unbiased.co.uk)

# Who to turn to

## The Pensions Office

The team that works in the Pensions Office is there to help you with any general questions you have about the UREPF.

### The Pensions Office team are:

|                   |                            |
|-------------------|----------------------------|
| Stephanie May     | Pensions Officer           |
| Caroline Hobson   | Assistant Pensions Officer |
| Jocelyn Adlington | Pensions Assistant         |
| Jayne Ward        | Pensions Assistant         |

Running the UREPF is a complex business, so to help the Trustees fulfil their duties, they appoint a number of professional advisers, including UREPF administrators, the UREPF Actuary and the investment advisers.

They also work with the Trustees and their advisers to run the UREPF. If you want to contact them you can find their contact details on the front page.

### Below we have listed the team that works with the Trustees and the Pensions Office in the interests of you, the members:

|                     |  |
|---------------------|--|
| Actuary             | John Hemsley, FIA – Mercer Limited (from 1 December 2012)<br>Chris Maggs, FIA – Mercer Limited (to 30 November 2012) |
| Administration      | Capita Employee Benefits Limited (formerly Capita Hartshead Limited)   |
| Auditors            | KPMG LLP   |
| AVC Providers       | Clerical Medical Investment Group Limited<br>The Equitable Life Insurance Society                                    |
| Bankers             | Barclays Bank Plc  |
| Custodians          | BNY Mellon   |
| Investment Advisors | Stanhope Consulting  |
| Investment Managers | BlackRock Investment Management (UK) Limited<br>Sarasin & Partners LLP   |
| Solicitors          | Linklaters LLP   |

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

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