

University of Reading Employees' Pension Fund

Your Summary Funding Statement

October 2012



Welcome to the latest annual 'Summary Funding Statement', designed to help you understand more about how your pension is paid for and the state of the UREPF's finances.

- The idea of the statement is to give 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.
- It is important that 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.
- **You don't need to do anything. The details in the statement are for your information only and should help you to keep an annual track of the financial health of the UREPF.**

Measuring the UREPF's financial security



For each year you pay contributions to the UREPF, you earn benefits based on your salary. If you have left the UREPF you will have earned benefits during your membership which will be payable on retirement. If you are a former member who has now retired or the widow, widower or registered civil partner of such a member, in general you will now be receiving a pension from the UREPF.

The estimated cost of providing the benefits you and other members have earned to date is known as the UREPF's 'liabilities'. The University pays in contributions, so do those members still employed by the University. These are then invested to help provide members' benefits. All contributions and investment income are held in a communal fund and make up the UREPF's 'assets'.

To check the UREPF's financial security the Trustees compare the value of its liabilities to its assets:

- if the value of the UREPF's assets is less than the value of its liabilities, it is said to have a 'shortfall';
- if the value of the UREPF's assets is more than the value of its liabilities there is said to be a 'surplus'.

We carry out an in-depth look at the UREPF's finances at least once every three years. A qualified, independent professional, the UREPF's Actuary, undertakes this 'actuarial valuation'. We also check the financial security of the UREPF regularly in between the full actuarial valuations.

The position last year

The Summary Funding Statement we issued in October last year showed that the UREPF had a shortfall of £19.5 million at 31 January 2011.

The current position

A full actuarial valuation has been carried out which looks at the UREPF's financial position at 31 July 2011. This shows:

Assets - £106.2 million*

Liabilities - £117.3 million

Shortfall - £11.1 million

*This figure excludes money purchase Additional Voluntary Contributions (AVCs) as these are not used when calculating the funding level of the UREPF.

With effect from 31 July 2011, the UREPF changed to a CARE (Career Average Revalued Earnings) pension scheme. This was the primary reason for the improvement in the funding position since 31 January 2011.

A further actuarial assessment was carried out as at 31 January 2012. This showed that the shortfall had worsened to £26.0 million. The increase was mainly due to a reduction in gilt (government bond) yields, which leads to lower expected investment returns in the difficult financial conditions the economy is facing. This had the effect of increasing the liabilities of the UREPF. A subsequent assessment as at 31 July 2012 indicated that the shortfall had reduced to £18.5 million. This shows how volatile the figures can be over relatively short periods.

Although the UREPF has a shortfall this has not affected the pensions paid and all members who have retired have received the full amount of their pensions.

The Trustees' recovery plan

The Trustees have agreed a plan with the University to improve the UREPF's finances over a 10 year period, from 1 August 2011. Effectively this involves the University continuing to pay the significant annual shortfall contributions that were agreed at the last full valuation. Based on the valuation as at 31 July 2011, the shortfall is expected to be eliminated by 28 February 2017.

The plan goes beyond February 2017 because it also takes into account the results of the funding update as at 31 January 2012.

The University has already paid an annual shortfall contribution (paid on a monthly basis) of £2 million in 2011-12. It is paying £2.25 million in 2012-13. These shortfall contributions, which will be paid on top of the University's regular contributions (see Paying for your pension below), will increase over the 10 year period to £3.02 million in 2020-21.

To calculate the amount of the shortfall, assumptions have to be made about what will happen in the future, for example, the rate at which the UREPF's assets will grow. If the assumptions do not all turn out to be exactly right, it may be necessary to adjust the level of contributions to remove the shortfall.

Paying for your pension

From 31 July 2012 the University's regular contributions to the UREPF each year are as follows:

- 18.2% of members' total Pensionable Salaries for members who do not participate in **Pensions+**.
- 24.45% of members' total Pensionable Salaries for members who participate in **Pensions+**.
- £50,000 per month towards the expenses of running the UREPF.

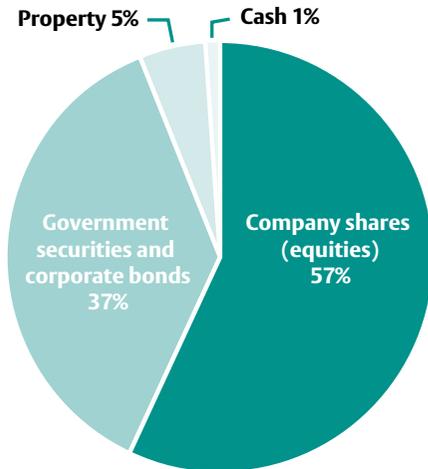
The University also contributes the extra increasing shortfall contributions identified in the recovery plan.

Employed members currently pay contributions of 6.25% of their pensionable salary if they do not participate in **Pensions+**, or no contribution if they do participate in **Pensions+** (see the latest issue of 'Your Pension' for more details).

Changes to the UREPF

Investments held by the UREPF

We invest contributions in a broad range of investment types. The distribution as at 31 July 2011 was roughly as follows:



The Trustees review the UREPF's investment policy from time to time.

Financial support for the UREPF

Following each actuarial valuation, the UREPF's Actuary estimates the contributions the University needs to pay to cover the cost of benefits now and in the future. We then agree a level of contributions for the UREPF with the University and record this in a document called the Schedule of Contributions.

The Trustees review and update the Schedule of Contributions at least each time the UREPF has an actuarial valuation.

Making good any shortfall in the UREPF's financial position is dependent on future investment performance and continuing extra contributions from the University.

If the UREPF had to wind up

Winding up a pension scheme means closing it down altogether and transferring all the assets elsewhere. If the UREPF started to wind up, the University would be required to pay enough money into it to enable members' benefits to be provided instead by an insurance company. Neither the Trustees nor the University has any plans to wind up the UREPF. However, we are required by law to let you know the UREPF's financial position if this were to happen.

The amount needed, in addition to the existing assets of the UREPF, to make sure that all members' benefits could have been paid in full if the UREPF had started winding up on 31 July 2011 was estimated to be £44.8 million.

The Government has set up the Pension Protection Fund (PPF) to pay certain benefits to members if a pension scheme were wound-up, where the scheme and its sponsor do not have enough money to cover the cost of buying at least the PPF level of benefits with an insurance company. A pension from the PPF may be less than the benefit built up in a pension scheme.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk. Or you can write to the Pension Protection Fund at **Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR**.

The cost of winding up assumes that benefits will be paid for by buying insurance policies. Insurance policies include the administration costs of paying the benefits and the insurer's profit up front at the time of buying the policy. By contrast, because we are confident that the University will continue in business and support the UREPF for the foreseeable future, we can take a long-term view in our funding basis.

Can I leave the UREPF before I am due to retire?

If you leave the UREPF before you reach retirement you will be entitled to a pension from the UREPF at Normal Pension Age. This will be based on your CARE pension built up from 1 August 2011 and any pre CARE pension built up before 31 July 2011, revalued to your actual retirement date. After leaving, you will not build up any more benefits under the UREPF.

If you are considering leaving the UREPF for any reason you should consult a professional adviser, such as an independent financial adviser, before taking any action. You should also note that as UREPF is closed to new entrants, you will not be able to re-join. The law prevents us from providing you with financial advice.

Sources of further information

If you have any questions, or would like any more information, please contact the Pensions Office. The details are on the reverse of this booklet.

At the end of this statement is a list of formal documents which provide further information about the UREPF. Copies are available from the Pensions Office.

As part of our commitment to keep you informed about your pension the Trustees will be sending you a Summary Funding Statement, like this one, each year. It is important to keep us informed of address changes to ensure our communications reach you so if you change address you should let us know so that we can update our records. If you are a contributing member employed by the University please log on to Employee Self Service by following the link from the HR home-page (see the website address on the back page). Alternatively, please contact the HR Department using the details on the reverse of this booklet.

Pensioners and members who are no longer employed by the University should send their new address details to Capita Hartshead Limited, the UREPF administrator (quoting your National Insurance number). Contact details can be found on the back of this booklet.

Additional formal documents available on request from the University Pensions Office:

- **The Statement of Funding Principles** – explains how the Trustees plan to manage the UREPF with the aim of being able to continue to provide the benefits that members have built up.
- **The Statement of Investment Principles** – explains how we invest the money paid into the UREPF.
- **The Schedule of Contributions** – shows how much money is being paid into the UREPF. The Actuary has certified that the contributions are sufficient to meet the minimum legal requirements.
- **The Annual Report and Accounts of the UREPF** – shows the UREPF's income and expenditure for the year ending 31 July 2011.
- **The Formal Actuarial Valuation Report as at 31 July 2011** – contains the details of the Actuary's check of the UREPF's financial situation as at 31 July 2011.
- **The Actuarial Report as at 31 July 2012** – contains details of the Actuary's check of the UREPF's financial situation as at 31 July 2012. This will be available to members from November 2012.
- **The members' explanatory booklet** – explains how the UREPF works.

Sources of further information

i Pensioners and members who are no longer employed by the University should send their new address details to Capita Hartshead Limited, the UREPF administrator (quoting your National Insurance number):

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