

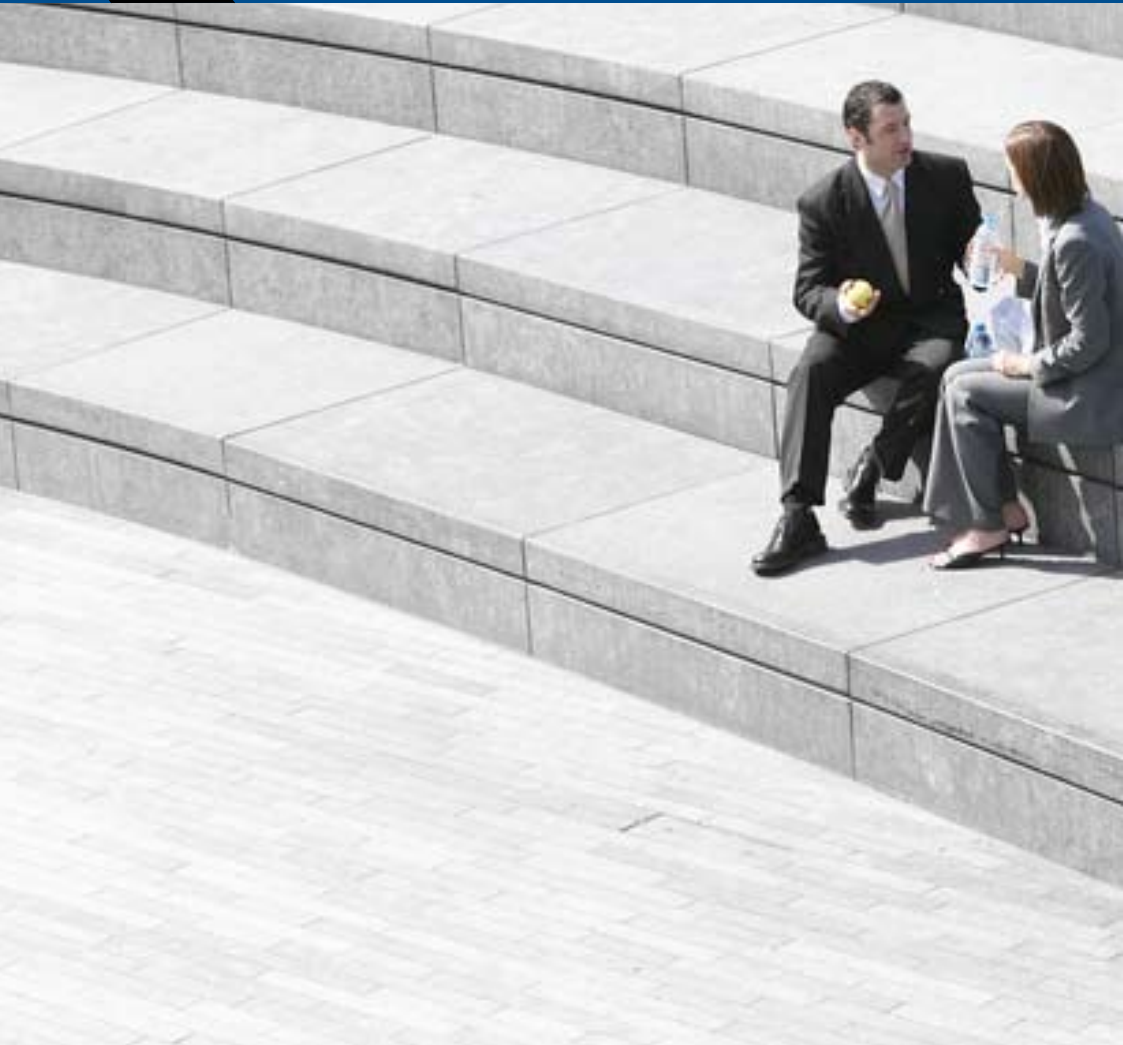
University of Reading Employees' Pension Fund

# Your Summary Funding Statement



University of  
Reading

June 2009



## Your Summary Funding Statement

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 Fund's finances.

The idea of the statement is to give you a clear view of what the financial figures mean in terms of the Fund's ability to pay all the benefits that have been earned during the period of your membership.

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 Fund.

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 Fund.

## Measuring the Fund's financial security

For each year you pay contributions to the Fund, you earn benefits that are linked to your salary. If you have left the Fund 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 Fund.

The estimated cost of providing the benefits you and other members have earned to date is known as the Fund's 'liabilities'. The University pays in contributions, as 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 Fund's 'assets'.

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

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

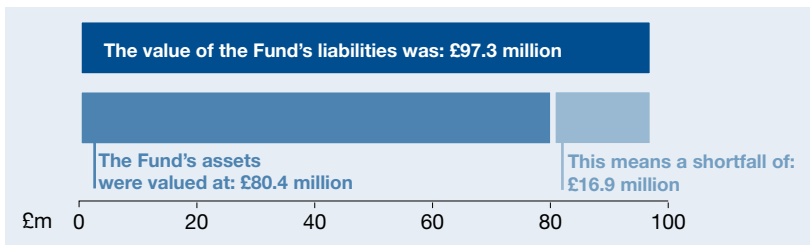
We normally carry out an in-depth look at the Fund's finances once every three years. A qualified independent professional, the Fund Actuary, undertakes this 'actuarial valuation'. We also check the financial security of the Fund regularly in between the full actuarial valuations.

## The position last year

The Summary Funding Statement we issued last year showed that the Fund was estimated to have a shortfall of £14.1 million at 31 January 2008. As part of a recovery plan aimed at making up the shortfall in funding identified at the 2005 valuation, the University has been paying an extra £1 million a year into the Fund since 2007.

## The position this year

A new full actuarial valuation of the Fund has been carried out and the results showed that on 31 July 2008:



Unfortunately, this means that the shortfall in the Fund's finances has increased from the £14.1 million revealed at 31 January 2008.

Since 31 July 2008 a more recent financial health check has shown that the financial position of the Fund has deteriorated further and at 31 January 2009 the shortfall had increased to £27.8 million.

The value of the Fund's assets has been increased by the University paying in higher contributions. However, like most UK pension schemes, the Fund's financial position has been severely affected by the global economic recession and resulting poor investment performance. The main influence on the level of the Fund's shortfall has been the sharp fall in global share values which has significantly reduced the Fund's asset values.

Although the Fund 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

Following the financial update as at 31 January 2009 the Trustees have agreed a new plan with the University to improve the Fund's finances over a period of time, with the aim of removing the shortfall by 31 July 2021. To do this, the University has agreed to increase the extra contributions it is currently paying into the Fund. These extra payments will be made over the next 12 years and the amount the University pays will increase each year, starting with £1.5 million and reaching £3 million eventually.

These increasing extra contributions will be paid on top of the University's regular contributions (see 'Paying for your pension' on page 4).

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 Fund'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.

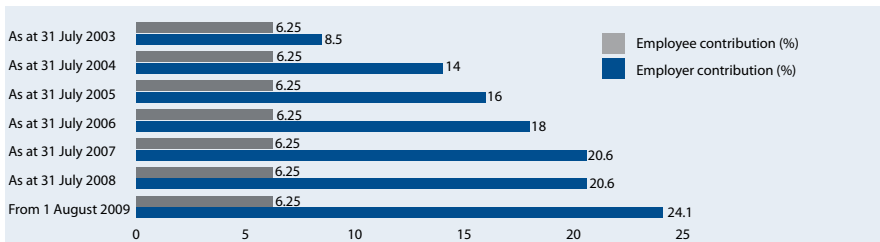
The next full actuarial valuation is scheduled for 31 July 2011 and, in the light of the financial position this reveals, future contribution levels from the University will be reviewed.

## Paying for your pension

The University currently pays regular contributions to the Fund each year of 20.6% of members' total pensionable salaries, as well as the extra increasing payments identified in the recovery plan. The University will increase its regular contributions to 24.1% of pensionable salaries from 1 August 2009.

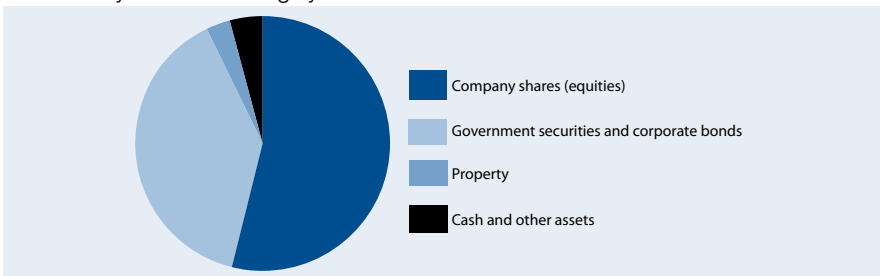
Employed members currently pay contributions of 6.25% of their pensionable salary.

Over the last six years the University's contributions have risen steadily, from 8.5% of pensionable salaries in 2003. During this time, members' contributions have remained at the same level of 6.25% of pensionable salary.



## Assets held by the Fund

We invest contributions in a broad range of assets. The distribution as at 31 January 2009 was roughly as follows:



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

## Financial support for the Fund

The Government has introduced new rules for calculating the Fund's liabilities. Under these rules the Trustees have prepared a funding plan called a Statement of Funding Principles as part of the Fund's 2008 actuarial valuation.

Following each actuarial valuation, the Fund 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 Fund 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 Fund has an actuarial valuation.

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

## If the Fund had to wind up

If the Fund 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 Fund. However, we are required by law to let you know the Fund's financial position if this were to happen.

The amount needed, in addition to the existing assets of the Fund, to make sure that all members' benefits could have been paid in full if the Fund had started winding up on 31 January 2009 was estimated to be £49.2 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](http://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. Insurers are obliged to take a very cautious view of the future (including the administration costs of paying the benefits) and need to make a profit. By contrast, under the current funding position we assume that the University will continue in business and support the Fund.

## Can I leave the Fund before I am due to retire?

It is possible to leave the Fund before you reach retirement and you will be entitled to a pension from the Fund at Normal Pension Age. This will be based on your length of pensionable service and salary at the date you left the Fund. You will not build up any more benefits under the Fund.

If you are considering leaving the Fund for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action. The law prevents us from providing you with financial advice.

## Sources of further information

If you have any other questions, or would like any more information, please contact the Pensions Office using the details at the end of this page.

At the end of this statement is a list of formal documents which provide further information about the Fund. Copies are available from the pensions team.

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 homepage (see the website address at the bottom of this page). Alternatively, please contact the HR Department. Pensioners and members who are no longer employed by the University should send their new address details to NorthgateArinso, the Fund administrator (quoting your National Insurance number):

The University of Reading  
Employees' Pension Fund,  
PO Box 2822, Bristol, BS1 9EB

Tel: 0844 39 12 414

Fax: 0844 39 11 999

Email: [uor@pensionsoffice.com](mailto:uor@pensionsoffice.com)

Additional formal documents available on request from the University

Pensions Officer:

- [The Statement of Funding Principles](#) – explains how the Trustees plan to manage the Fund 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 Fund.
- [The Schedule of Contributions](#) – shows how much money is being paid into the Fund. The Actuary has certified that the contributions are sufficient to meet the minimum legal requirements.
- [The Annual Report and Accounts of the Fund](#) – shows the Fund's income and expenditure for the year ending 31 July 2008.
- [The Formal Actuarial Valuation Report as at 31 July 2008](#) – contains the details of the Actuary's financial check of the Fund's situation as at 31 July 2008.
- [The members' explanatory booklet](#) – explains how the Fund works (you should have been given a copy when you joined but we can let you have another copy).

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