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, University of Reading, Whiteknights, PO Box 217, Reading RG6 6AH or send an e-mail to **pensions@reading.ac.uk** or telephone 0118 378 7121.

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 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 the UREPF administrator (quoting your National Insurance number):

Barnett Waddingham
The University of Reading Employees' Pension Fund
St James' House, St James' Square
Cheltenham, GL50 3PR

Additional formal documents available on request from the 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 2014.
- The Formal Actuarial Valuation Report as at 31 July 2014 – contains the details of the Actuary's check of the UREPF's financial situation as at 31 July 2014.
- The Actuarial Report as at 31 July 2015 – contains details of the Actuary's check of the UREPF's financial situation as at 31 July 2015.
- The members' explanatory booklet – explains how the UREPF works.

PENSIONS OFFICE

For more information, please contact:

Human Resources

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

pensions@reading.ac.uk
Tel (0118) 378 7121

www.reading.ac.uk/humanresources

The Queen's Anniversary Prizes 2011

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University of Reading Employees' Pension Fund (UREPF)

University of Reading

SUMMARY FUNDING STATEMENT

University of Reading Employees' Pension Fund

December 2015

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 wits 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 Scheme 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 February 2015 showed that the UREPF had an estimated shortfall of £10.6 million as at 31 July 2014.

The 2014 actuarial valuation

In February 2015, we also told you that the Fund was currently carrying out an Actuarial Valuation as at 31 July 2014. This updated the assumptions used to work out the financial position of the UREPF and how much money the Fund will need to meet members' benefits over the course of its life.

Over the three years since the previous valuation (31 July 2011), the Fund's assets had grown from £106.2m to £136.7m at 31 July 2014. Unfortunately, the liabilities of the Fund had also increased from £117.3m to £141.1m. As you can see, although the Fund is still in deficit, the amount of the shortfall had decreased from £11.1m to £4.4m. This means that the Fund was 97% funded at 31 July 2014, while in 2011 the Fund was 91% funded. As a result of the updated assumptions and more accurate calculations, the actual shortfall at 31 July 2014 was lower than the estimated shortfall communicated previously.

We told you last year that the declines and increases in the funding positions were mainly due to changes in gilt (Government bond) yields. In the current economic environment, these gilt yields can fluctuate dramatically. These fluctuations can lead to lower expected investment returns in the Fund causing an increase in the value of the liabilities. They can also increase the expected investment returns and decrease the value of the liabilities. Fairly small changes in the gilt yields can affect the Fund liabilities dramatically. Gilt yields are also at historic low rates as a result of the current economic environment. When these two effects are combined, it means that the Fund needs more money now to invest, so that it can ensure that it can pay pensions to all members over all of their lives.

Unfortunately, gilt yields value have decreased since the last Valuation as at 31 July 2011 and this has increased the value of the liabilities. Fortunately, the Fund's assets have performed better than expected and combined with the University's contributions to reduce the shortfall, the funding position had improved to 97% at 31 July 2014.

The Trustees and the University have also been tracking the effect that the changes in market conditions, particularly gilt yields, have had on the Fund. From the 31 July 2014 Valuation to 31 January 2015, the changes in market conditions had increased the shortfall to £13.9m. The Trustees and the University have agreed that it is prudent to target a recovery plan for this shortfall of £13.9m, rather than the 31 July 2014 valuation shortfall of £4.4m.

The current position

A more recent funding update estimated the shortfall to be £12.1m as at 31 July 2015. The increase in the shortfall over the year to 31 July 2015 was as a result of gilt yields having fallen further (increasing the value placed on the Fund's liabilities as noted earlier). Some of the adverse impact of this change was offset by the contributions paid by the University into the Fund together with strong investment returns achieved by the Fund's assets over the year.

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

Following the 2014 valuation, the Trustees agreed a plan with the University to improve the UREPF's finances over a 5 year period, from 1 August 2015. Effectively this involves the University paying revised annual shortfall contributions. Based on the funding position as at 31 January 2015, the shortfall is expected to be eliminated by 31 March 2020.

The University has already paid annual shortfall contributions (paid on a monthly basis) of £2.42 million in 2014/15 and has agreed to pay £1.94 million in 2015/16, £2.04 million in 2016/17, £2.13 million in 2017/18, £2.24 million in 2018/19 and £1.56 million in 2019/20. These shortfall contributions will be paid on top of the University's regular contributions (see Paying for your pension below).

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.

The Pensions Regulator has legal powers to make any directions following a valuation as to:

- The level of benefits available from the Fund going forward.
- The method or assumptions used to calculate the liabilities or the length and structure of the recovery plan.
- The contributions that should be paid under the schedule of contributions.

However, the Regulator has never had to use these powers in respect of the Fund.

Paying for your pension

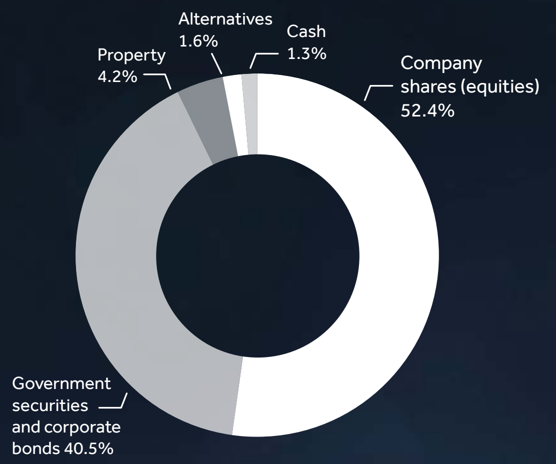
From 1 August 2015 the University's regular contributions to the UREPF each year are as follows:

- 23.8% of members' total Pensionable Salaries for members who do not participate in Pensions+.
- 30.05% 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 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 contributions if they do participate in Pensions+. This is because under Pensions+, the University deducts the value of your contributions from your Reference Salary and you are paid a correspondingly lower salary, so that you (and the University) make savings on tax and national insurance. As such, the University makes all of the due contributions as Employer Contributions.

Investments held by the UREPF

We invest contributions in a broad range of investment types. The distribution as at 30 June 2015 was roughly as follows:



As the valuation as at 31 July 2014 was recently completed, the Trustees will be looking at the Investment Strategy of the Fund. We will write to you in the future when this project has been completed.

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. We also agree a funding plan with the University, called a Statement of Funding Principles. This sets out how we will manage the Fund to ensure that it has enough money to pay members' benefits.

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 2014 was estimated to be £48.9 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 Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA or contact by telephone on 0845 600 2541

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.