

University of Reading Employees' Pension Fund

Your Pension

October 2011

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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:

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Welcome to your 2011 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.

From 1 August 2011 the basis of the pension in-service members build up under the UREPF changed to career average revalued earnings (CARE). It was necessary to make changes to the UREPF to ensure it remains sustainable for the future and to protect the benefits that members have already built up to date. Those members affected received full details of the changes during the consultation process that took place earlier this year. It is important to remember that if you are a contributing member of the UREPF, you still continue to earn pension benefits that are calculated on a defined formula – so the UREPF continues to be a 'defined benefit' scheme.

When it comes to planning for retirement there are several different ages that you need to be aware of that are either set by the Government or by the UREPF Rules, which affect when you can take your State and UREPF benefits. On page 2 we look at four of the key ages that you need to take into account for your retirement planning.

In the last issue of the newsletter we looked in detail at what the Trustees have been doing to improve the policies and procedures in place for managing the UREPF. In this issue we take a brief look at the new strategic objectives the Trustees are working to – see page 3.

As usual we give a summary of our full Annual Report and Accounts and information on how the UREPF's investments have been doing. There are also some important notices on page 6, including clarification on increases to pensions in payment and to pensions in deferment, following recent changes in legislation, and information on a change of name for the UREPF's administration provider.

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Timothy Ford
Independent Chairman of the Trustees

Planning ahead – the key ages of retirement

There are various ages that have to be considered when thinking about when you can take your UREPF and State pension benefits, and several changes have been made to legislation over the last couple of years that affect when you can take your pension benefits. But what are the key ages that you need to bear in mind when planning ahead to retirement?

The UREPF's Normal Pension Age

Your 65th birthday is the date the UREPF Rules say you would normally start to receive your pension benefits. You do not have to take your pension at this age but it is the age around which the UREPF's benefits are based. Some members with Pensionable Service going back before April 1988 have the right to take their UREPF pension at age 60.

Default retirement age

The default retirement age of 65 is the age at which employees could be required by their employer to retire from work, but from October 2011 this will no longer be allowed. By removing the default retirement age the Government's intention is for employees to have more choice on whether to retire upon reaching pensionable age (either State pension age or their scheme's normal pension age) or to continue working.

Therefore it will no longer be the case that employees are automatically expected to retire at age 65, and you will need to advise the University and the Trustees of when you wish to retire. Although you only have to give notice in accordance with your contract of employment, it is recommend that you give six months' notice in advance of your intended retirement date to ensure there is ample time to complete all the necessary pensions administration. You can do this by contacting the Pensions Office with regard to your pension and your manager to give official notice of your intention to retire.

State pension age

On 6 April 2010, the State pension age for women started to increase from 60 to 65. It was originally intended that State pension ages would be equalised for men and women at age 65 by 2020. However, the Government has announced its intention that the State pension age for women will reach age 65 by November 2018 and will then increase to 66 for both men and women by April 2020. The Government has longer term plans to then increase this to 67 for those born after 5 April 1969, and subsequently to 68 for those born after 5 April 1978 (although these plans may also be brought forward).

Minimum retirement age

This is the earliest age at which you can take your pension benefits from an occupational pension scheme, such as the UREPF, and this is now age 55 (except in the case of ill-health).

There is a lot more scope these days for when you choose to retire and the University is looking into ways that it can offer flexible or partial retirement. But remember, it's important to plan ahead.

Managing the UREPF

The Trustees' strategic objectives

In the last issue of Your Pension we looked at the role of the Trustees in managing the UREPF, and we gave you an update on what the Trustees have been doing to improve the policies and procedures (governance) in place for managing the UREPF.

As part of our commitment to keeping you updated on what the Trustees are doing to ensure the effective management of the UREPF, here we briefly outline the Trustees' strategic objectives. These objectives will be reviewed at least every three years and are supported by an Operating Plan, which sets out the Trustees' annual plan and regular activities that will support the strategic objectives.

Statutory Funding Objective

**The Pensions Act 2004 requires that a defined benefit pension scheme, such as the UREPF, must have sufficient assets to cover its technical provisions or 'liabilities' (future payments to members).*

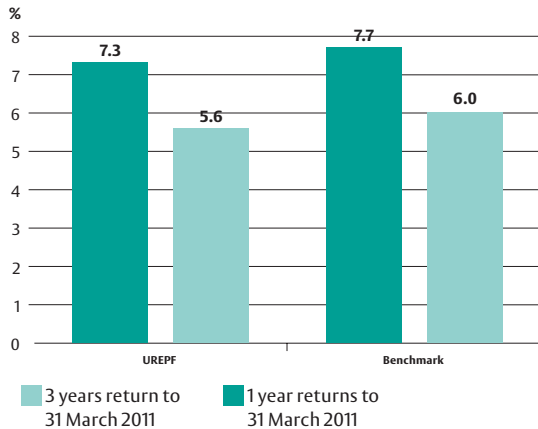
To provide effective stewardship of the UREPF:

- Maintain a financially sustainable scheme in the context of an ongoing sponsor – traditionally, the University covenant (i.e. the University's willingness and ability to support the UREPF financially) has been strong but the Trustees keep this under review. The Trustees will work with the University to ensure a sustainable funding and investment programme within the context of the Statutory Funding Objective* but mindful of the University's financial constraints.
- Commit to comply with good practice in governance standards – the Trustees have committed to identify best practice governance standards and evolve the UREPF's governance standards in line with emerging best practice, in a proportionate manner to the resources of the UREPF.
- Further develop effective working relationships with key stakeholders – developing and maintaining effective working relationships with key stakeholders is fundamental to the effective stewardship of the UREPF, notably the members, the University, advisers and providers. The Trustees will actively engage with the University to understand its objectives, and work collaboratively with the University.
- Ensure good quality operations to support timely and accurate payment of benefits – the Trustees understand the members' entitlement to accurate and timely communications and payment of benefits. The Trustees believe that this must be efficient and cost-effective. The Trustees will work to ensure that the UREPF operations are designed to deliver this.

All about investments

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

The Trustees then measure the performance of the UREPF by comparing the returns achieved by these managers to a performance target or 'benchmark'.



Investment performance

The performance for the UREPF is shown in the graph above, and is compared with the performance of its benchmark.

The investment performance figures to 31 March 2011 show that the UREPF's investments have risen by 7.3% over the year to 31 March 2011 compared to the benchmark which rose by 7.7%. Over the three year period ended 31 March 2011, the total return on the UREPF's investments on an annualised basis was 5.6% compared to the benchmark performance of 6.0%.

The Trustees monitor the performance of the investment managers at least every quarter and review the investment strategy from time to time to ensure the UREPF's assets are invested appropriately. The investment strategy will be considered in detail as part of the 2011 actuarial valuation process and we will update you on any changes in the next issue of Your Pension.

Amounts & accounts

for the period ended 31 July 2010

In this section of your newsletter we give you a brief summary of the full Annual Report and Accounts, which if you'd like a copy, is available on request – see the front page for whom to contact.

**Total fund as at
1 August 2009** **81,140,679**

Income

Investment income 3,068,664

Employer contributions 5,411,349

Employee contributions 1,122,693

Other income 407,215

Total income 10,009,921

Expenditure

Pension payments (2,404,909)

Payments to leavers (24,162)

Commutation of trivial pension (22,097)

Retirement cash (1,181,731)

Death benefits (73,323)

Transfers out (247,825)

Other payments (71,936)

Investment management fees (363,976)

UREPF administration expenses (525,876)

Total expenditure (4,945,835)

Investment returns

Change in the value of investments 7,229,105

**Total fund as at
31 July 2010** **93,433,870**

**Total membership as at
1 August 2009** **2,342**

Employed members

Employed members at 1 August 2009 795

Employed members at 31 July 2010 752

Pensioners

Pensioners at 1 August 2009 766

Pensioners at 31 July 2010 820

Deferred members

Deferred members at 1 August 2009 781

Deferred members at 31 July 2010 816

**Total membership as at
31 July 2010** **2,388**

Please note that in the table to the left, brackets denote a negative figure

UREPF noticeboard

Death-in-service life cover

Under the Rules of the UREPF, if a contributing member dies there is a lump sum payment of three times Pensionable Salary. The Trustees have agreed with their legal adviser that they should introduce a discretionary power allowing this payment to be reduced in certain extreme circumstances. The extreme circumstances would have to involve an event resulting in the deaths of a number of members which would seriously jeopardise the solvency of the UREPF if the full payments were made. Naturally, it is very unlikely that the Trustees would ever have to use this power but it has been introduced to protect the membership as a whole.

Pension increases

Last year, the Government announced that it would be using the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as its primary measure of inflation. In July, the Pensions Act 2011 incorporated this change into the statutory minimum requirements for pension schemes. What does this mean for members of the UREPF?

Pensions in payment

The change does not affect pension increases on pension earned by service up to 31 July 2011. So for anyone who retired or left the UREPF before that date your whole pension* will continue to be linked to RPI inflation, subject to a maximum of 6% in any one year when in payment. The UREPF Rules have been changed from 1 August 2011, so that pension earned for service from that date will, when in payment, be linked to CPI inflation, subject to a maximum of 5% in any year.

Pensions in payment

*Some members with pension related to service before April 1997 have special increase rules that apply to their GMP (this stands for Guaranteed Minimum Pension and is related to the way the UREPF was contracted-out of part of the State Pension arrangements). In future, GMP increases in payment will be based on CPI rather than RPI.

Pensions in deferment

If you have left the UREPF but not started to receive your pension, your deferred benefits are revalued in line with statutory requirements. The change from RPI to CPI does apply in this case. From 2011, all statutory revaluation under the UREPF on pension excluding the GMP is based on CPI rather than RPI. GMP revaluation is not affected.

UREPF administrators

On 5th August 2011, Capita Hartshead Limited completed the purchase of Northgate Arinso's Pensions Division business, who are the providers of pensions administration services to the UREPF.

Whilst this will result in a name change for our administration provider to Capita Hartshead Limited we do not expect there to be any changes in the resources or the location of those resources. Capita Hartshead Limited have confirmed that they expect our services to be provided on a 'business as usual' basis.

Keep us informed

Don't forget that it is important you keep us informed about any changes to your personal circumstances, such as a new marriage or divorce or a change of address.

The Trustees decide who receives any lump sum death benefit paid from the UREPF although generally they will follow your wishes, as long as they have been notified of them beforehand. The benefit is arranged like this so that normally no inheritance tax is paid. This means that you need to nominate the people you would like to receive the benefit, which you can do by filling in an Expression of Wish form. If you haven't done so already or you would like another form please see the back page for whom to contact.

Looking after your interests



Tony Downes

Tony Downes, who had been a Trustee for six years, resigned from the Board of Trustees on 1 July. We are pleased to announce that John Brady has taken up the role as the new University appointed Trustee from 1 July 2011.

In July we sent a letter to all pensioners requesting nominations for a new pensioner member nominated Trustee (MNT), as Beti Wilkins' term of office was due to end on 30 September 2011. We received one nomination for the role and we are pleased to announce that Valerie Davis has become the new pensioner MNT, to serve for a term of five years, from 1 October.

We would like to thank Tony and Beti for the valuable contributions they have made to the running of the UREPF and we wish them both all the best for the future.

The Trustees of the UREPF are:

Dr T G Ford	Independent Chairman
Mr J Brady	Director of Human Resources
Mr D C L Savage	Director of Finance and Corporate Services
Mr M E Heaps	Employed member nominated
Mrs S E Mott	Employed member nominated
Mrs E Wilkins	Pensioner member nominated (to 30 September 2011)
Mrs V J Davis	Pensioner member nominated (from 1 October 2011)
Mr R Dwyer	Member of the Council of the University

Mr K N Hodgson University Secretary and Head of the University's Governance Directorate, Secretary to the Trustees, supported by Claire Eckett, HR Manager (Pay and Reward).

Who to turn to

The Pensions Office

The Pensions Office works closely with the Trustees, its advisers and members to help ensure the smooth-running of the UREPF. Members can contact the Pensions Office with any general queries about the UREPF – see contact details on the front page.

Although the Trustees make decisions which affect the day to day running of the UREPF, they do so with the help and support of a team of professional advisers.

Investment managers, actuaries, lawyers, auditors and administrators are some of the professionals that work alongside the Trustees. Their information, advice, recommendations, calculations and financial risk assessments are all part and parcel of the regular materials the Trustees consider at their Trustee meetings.

The Pensions Office team are:

Stephanie May	Pensions Officer
Caroline Hobson	Assistant Pensions Officer (part time)
Pauline Hornsby	Assistant Pensions Officer (part time)
Jocelyn Adlington	Pensions Assistant
Jayne Ward	Clerical Pensions Assistant (part time)

Details of the Trustees' current advisers are shown below:

Actuary	C Maggs-Mercer Ltd
Administration	Capita Hartshead Ltd
Auditors	KPMG LLP
AVC Providers	Clerical Medical Investment Group Ltd
Bankers	Barclays Bank Plc
Custodians	Bank of New York Europe Ltd
Investment Advisors	Stanhope Jewson Associates Ltd
Investment Managers	Blackrock Investment Management (UK) Ltd Sarasin & Partners LLP
Solicitors	Linklaters

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

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