

University of Reading Employees' Pension Fund

# Your Summary Funding Statement

October 2011



**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 last year showed that the UREPF had a shortfall of £26.1million at 31 January 2010.

## The current position

A more recent update has been carried out which looks at the UREPF's financial position at 31 January 2011. This shows that the UREPF's finances have improved slightly and the shortfall has fallen to £19.5 million.

The improvement in the Scheme's funding position since 31 January 2010 was mainly due to better than assumed investment returns and the increased shortfall contributions paid to the UREPF by the University over this period.

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 next full actuarial valuation is currently underway to assess the position as at 31 July 2011 and we will give you details of the results once the valuation has been completed.

## The Trustees' recovery plan

The Trustees have agreed a plan with the University to improve the UREPF's finances over a period of time, with the aim of removing the shortfall by 31 July 2021. The plan takes into account the increase in the shortfall of the UREPF to £27.8 million as at 31 January 2009. The University agreed to increase the extra contributions it is currently paying into the UREPF. It will pay £2 million in 2011–12. Payments in future years are due to increase until they reach just over £3 million in 2021 (subject to review as part of the current valuation).

These increasing extra 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 next full actuarial valuation is now underway to assess the position as at 31 July 2011. It will take a few months to reach a conclusion, at which time future contribution levels from the University will be reviewed.

## Paying for your pension

From 1 August 2009 the University increased its regular contributions to the UREPF each year to 24.1% of members' total pensionable salaries. It also contributes the extra increasing payments identified in the recovery plan.

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

Over the last eight 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.

# Changes to the UREPF

From 1 August 2011, the University has made some changes to the benefit structure of the UREPF. The pension that contributing members build up in the UREPF is still based on 1/60th of Pensionable Salary, but it is no longer linked to final salary. Instead, the pension built up each year is revalued according to an inflation-linked formula. This is commonly known as a career average revalued earnings (CARE) arrangement. Members still contribute at 6.25%.

The University has made this change to ensure that the scheme remains sustainable and affordable in the future. Following increased financial pressure on the University, and a number of changes that have increased the cost of the scheme significantly (such as increasing life expectancy), the UREPF was no longer manageable as a final salary scheme. The changes will help the University's aim to provide increased security for members' pension savings by removing the shortfall in the UREPF, while also ensuring that contributions are still affordable for employees.

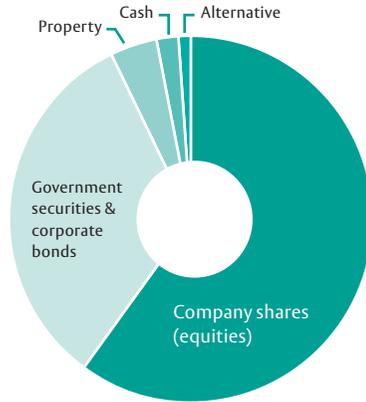
## Financial support for the UREPF

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.

## Investments held by the UREPF

We invest contributions in a broad range of investment types. The distribution as at 31 December 2010 was roughly as follows:



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

## 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 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. Insurance policies include the administration costs of paying the benefits and the insurers 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.

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 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 end of this statement). Alternatively, please contact the HR Department (contact details on the reverse of this statement).

## Additional formal documents available on request from the University Pensions Officer:

- **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 2010.
- **The Formal Actuarial Valuation Report as at 31 July 2008** – contains the details of the Actuary's check of the UREPF's financial situation as at 31 July 2008.
- **The Actuarial Report as at 31 July 2010** – contains details of the Actuary's check of the UREPF's financial situation as at 31 July 2010.
- **The members' explanatory booklet** – explains how the UREPF works (for contributing members, a new booklet is enclosed).

## 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):

University of Reading Employees' Pension Fund  
PO Box 2822

Bristol, BS1 9EB

Tel 0844 39 12 414

Fax 0844 3911 999

[uor@pensionoffice.com](mailto:uor@pensionoffice.com)

**i** Pensions Office

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

Tel 0118 378 7121

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

[www.reading.ac.uk/humanresources](http://www.reading.ac.uk/humanresources)