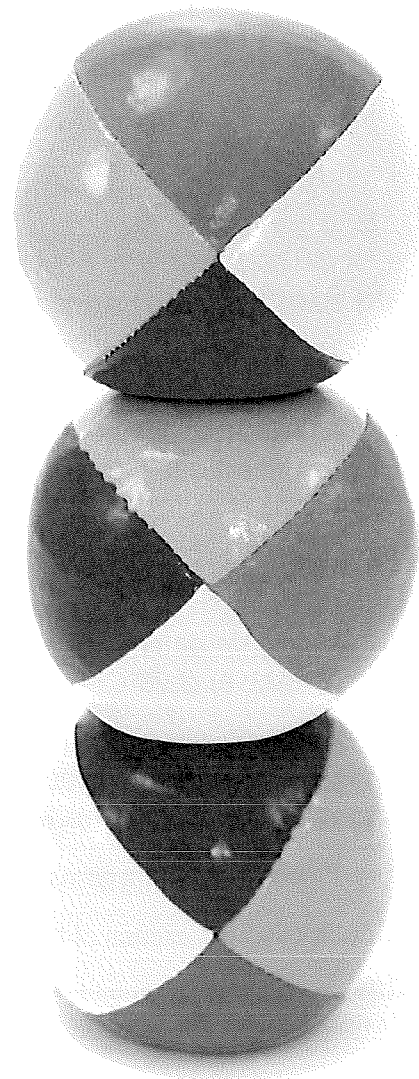




University of Aberdeen
Superannuation and Life Assurance
Scheme

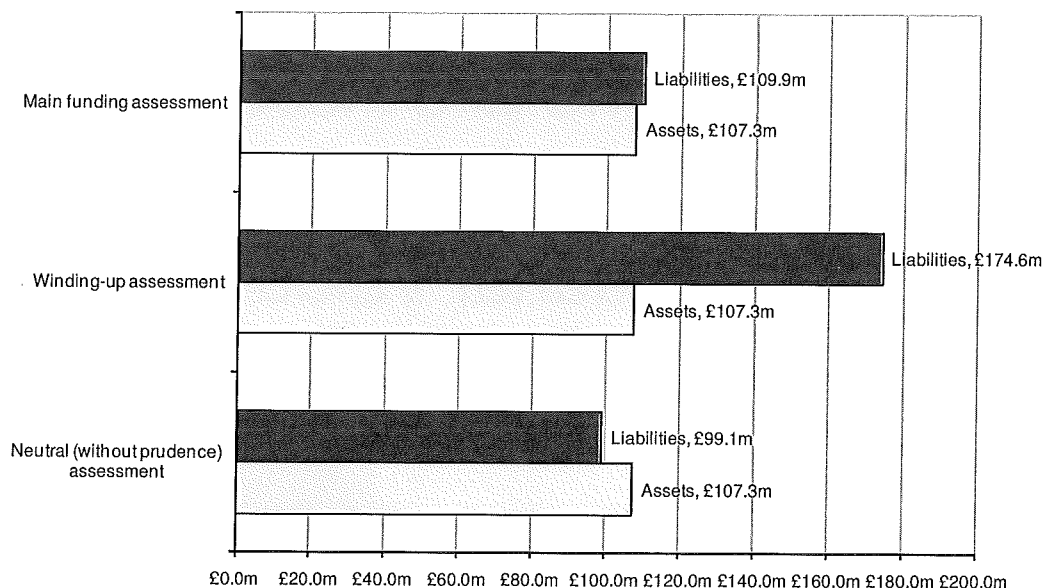
Report on the Actuarial Valuation as
at 31 July 2013



Executive Summary

The Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme have recently completed a valuation of the Scheme as at 31 July 2013. This report sets out the approach adopted by the Trustees, the results obtained and the actions taken in the light of those results.

The key results are as follows.



Main funding assessment

In funding the Scheme, the Trustees' key objective is to ensure that there will be sufficient assets to meet all benefit payments as they fall due. With this in mind, the Trustees have set a target reserve for the Scheme based on a prudent estimate of the amount needed to meet all payments in respect of the benefits earned up to the valuation date.

The funding assessment gives a target reserve of £109,873,000 as at 31 July 2013. This compares with an asset value at the same date of £107,270,000. Thus, there was a funding deficit of £2,603,000 and a funding level (assets as a percentage of the target reserve) of 98%.

The previous valuation was undertaken as at 31 July 2010. That valuation revealed a funding deficit of £15,800,000. The key influences on the funding position between the two valuations were as follows:

- Significant investment gains;
- Contributions in excess of the cost of accrual;
- Changes in the financial assumptions used to value the liabilities.

Executive Summary

In order to address the funding shortfall, the Employer has agreed a recovery plan with the Trustees. The aim of the recovery plan is for the funding shortfall to be removed over a period of 4 years from the valuation date. The agreed additional Employer contributions will be at a rate of 5.8% of pensionable salary per annum.

To fund the continuing benefits, the Employer will contribute 11.7% of members' pensionable salaries. This is in addition to the contributions under the recovery plan. The Employer contribution includes an allowance for the expenses of administering the Scheme.

In respect of salary sacrifice members, the Employer will contribute a further 7.05% of pensionable salaries. Non-salary sacrifice members will also contribute 7.05% of pensionable salaries.

Neutral assessment

In addition to the main funding assessment, I have completed calculations using what I consider to be a 'neutral' set of assumptions. The approach is similar to that taken by the Trustees for the main funding assessment, except that the neutral assumptions do not contain any margins for prudence. Under my neutral assumptions, the value placed on the Scheme's liabilities resulted in a surplus on that assessment of £8,200,000.

Winding-up assessment

I have also completed a winding-up assessment of the Scheme. This determines the extent to which the Scheme's assets would be sufficient to secure members' benefits by the purchase of insurance policies if the Scheme were to be closed and wound up. The winding-up assessment places a value on the Scheme's liabilities of £174,581,000, compared with the asset value of £107,270,000. This gives a winding-up funding level of 61%.

The winding-up liabilities are much higher than the ongoing funding liabilities because the estimated cost of purchasing insurance policies to secure the benefits is significantly higher than the anticipated cost of providing the benefits from the Scheme's assets.

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This work comes under the scope of the Technical Actuarial Standards on Reporting Actuarial Information, Data, Modelling and Pensions, issued by the Financial Reporting Council. I confirm that my work complies with those standards.

This report is solely for the purposes outlined above. It should not be relied upon for any other purpose and it should be noted that neither I nor Xafinity Consulting Limited accept liability to any third party in respect of the contents.

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1. Introduction

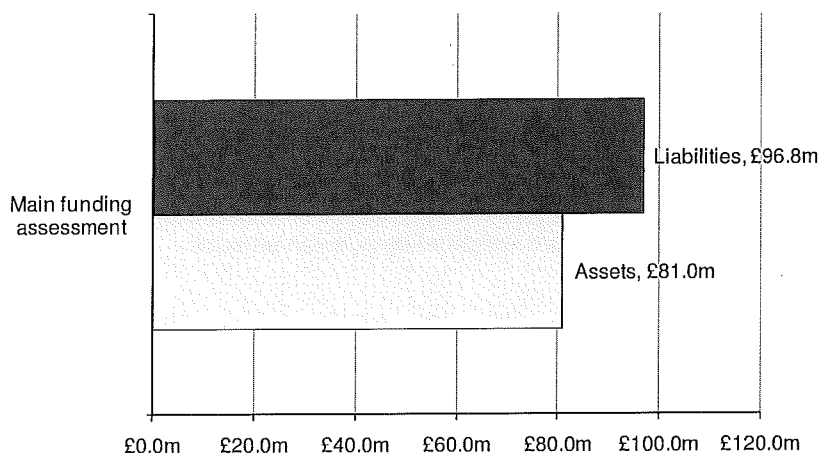
Background and purpose

- 1.1 The Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme ('the Scheme') have carried out a formal valuation of the Scheme as at 31 July 2013.
- 1.2 The purpose of this report is to provide a record of the results of the valuation, including the approach adopted by the Trustees, the results obtained and the actions to be taken as a result.
- 1.3 The report is addressed to the Trustees. Legislation requires the Trustees to make it available to the Employer¹ within 7 days of receipt.

The previous valuation

- 1.4 The previous valuation was undertaken with an effective date of 31 July 2010. That valuation revealed a funding deficit of £15,800,000.

The result of the Scheme Funding Assessment at 31 July 2010



Significant events since the previous valuation

- 1.5 Since then there have been a number of events which have had an impact on the Scheme. The foremost among these are as follows.
 - From 1 August 2011, future benefit accrual has been based on Career Average Revalued Earnings (CARE).
 - Benefits accrued up to 1 August 2011 will continue to be linked to the members' Final Pensionable Salary.

¹ The University of Aberdeen.

2. Membership, Benefits and Assets

Membership data

- 2.1 I have been provided with membership data by the Scheme administrators, Prudential. I have performed a number of checks on the data and I am satisfied that it is sufficiently accurate for the purposes of this valuation.
- 2.2 A brief summary of the data used is set out in the table below. More details may be found in Appendix A.

	Valuation as at 31 July 2013	Valuation as at 31 July 2010
Active members		
Number	694	759
Average age (weighted by salary)	46.8	47
Pensionable salaries (£m)	13.67	14.64
Deferred pensioners		
Number	623	557
Average age (liability weighted)	52.2	49*
Accrued pensions at date of exit (£m)	0.93	0.76
Pensioners		
Number	955	902
Average age (liability weighted)	69.6	72*
Pensions in payment at valuation date (£m)	3.69	3.11

*figures from previous valuation are weighted by pension amount

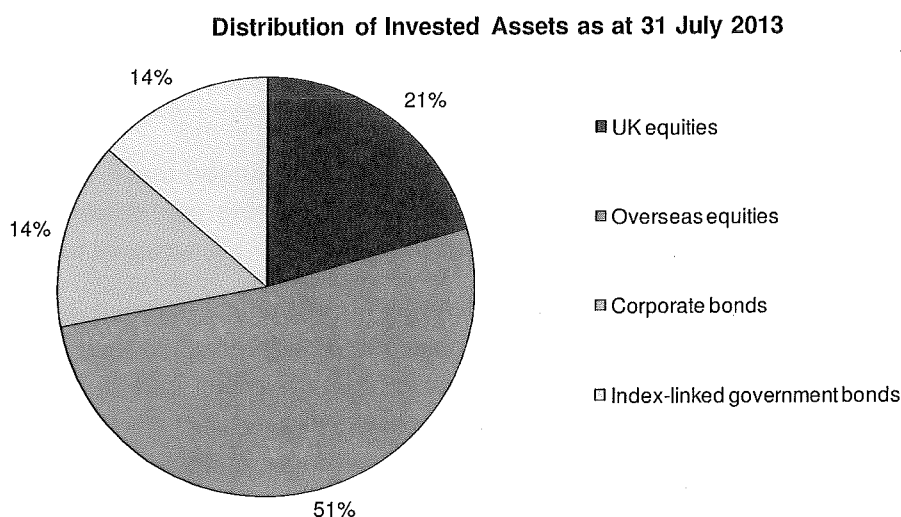
Benefits

- 2.3 I have valued the benefits set out in the Rules of the Scheme dated December 2009, as amended by various deeds. The Scheme guide and factsheets available to members provide a summary of the benefits valued.
- 2.4 No allowance has currently been made to equalise the accrual of GMPs for males and females, in line with the majority of contracted-out pension schemes. There is currently considerably debate about what exactly the law requires by way of equalisation. The financial impact of equalising GMPs is therefore uncertain.
- 2.5 The Scheme does not have a recent history of awarding discretionary benefits to members. Accordingly, I have made no allowance in my calculations for the granting of such benefits.

2. Membership, Benefits and Assets

Assets

2.6 I have taken the value of the Scheme's assets from the Trustees' final Report and Accounts as at 31 July 2013. The accounts state that at that date the Scheme had invested assets of £106,918,878 (excluding AVCs). The following chart illustrates how those assets were invested.



2.7 The distribution of assets at the valuation date reflects the Trustees' stated strategy of investing approximately: 70% equities (20% invested in the UK and 50% overseas) and 30% bonds (split equally between UK index-linked gilts and corporate bonds). Further details may be found in Appendix B.

2.8 In addition to the assets set out above, the accounts show that there were net current assets of £351,125. This gives a total asset value (excluding AVCs) of £107,270,003 for use in my assessment, as follows.

	Assets as at 31 July 2013 £'000s	Assets as at 31 July 2010 £'000s
Invested assets (other than AVCs)	106,919	80,600
Net current asset / (liability)	351	400
Total available assets	107,270	81,000

2.9 A number of Scheme pensions are paid from annuity policies held in the name of the Trustees. These pensions have been excluded from the valuations.

3. The Funding Approach and Assumptions

The funding objective

- 3.1 The Trustees' key funding objective is to ensure that there will be sufficient assets to meet all benefit payments as they fall due.
- 3.2 With this in mind, the Trustees have a funding target for the Scheme based on a prudent estimate of the amount needed to meet those payments.

Methodology

Benefits already accrued

- 3.3 In funding the Scheme, the Trustees have assumed that it will continue in its current form in the long term, with benefits being paid directly from Scheme assets. They have also adopted the Projected Unit actuarial funding method.
- 3.4 The valuation calculations determine the assets needed to meet benefit payments in this way. The calculations include an allowance for the invested assets to grow between the valuation date and the time that the benefits are paid. Under the projected unit method, they also include an allowance for growth in members' pensionable salaries between the valuation date and their leaving the Scheme.

Future benefit accrual

- 3.5 Under the projected unit method the level of contributions required to fund the accrual of further benefits is assessed over the 'control period', which in this case is 1 year.

Funding assumptions

- 3.6 Placing a value on the Scheme's liabilities requires a number of assumptions to be made about the future. Such assumptions include how long members might live after retiring and the return that will be generated by the Scheme's assets.
- 3.7 After taking advice from the Scheme Actuary the Trustees have adopted what they consider to be 'prudent' funding assumptions, having regard to the Employer's covenant and to financial market conditions. The Trustees' assumptions are prudent in that they are deliberately cautious about the future. Using such assumptions increases the target funding reserve and reduces the risk that the combination of the accumulated assets and future contributions will prove to be inadequate.

Neutral assumptions

- 3.8 Although funding requires the use of prudent assumptions, it is instructive to compare the Trustees' prudent funding assumptions with what I consider to be 'neutral' assumptions - that is, with assumptions which do not contain any deliberate margins for prudence.

3. The Funding Approach and Assumptions

3.9 Some of the key assumptions selected by the Trustees are set out in the following tables, alongside the assumptions adopted for the previous valuation and my neutral assumptions. A more extensive summary is set out in Appendix D, while full details may be found in the Trustees' Statement of Funding Principles.

Financial assumptions

3.10 The financial assumptions are based on financial market statistics, in particular the yields on index-linked government bonds. A fall in index-linked gilt yields over the intervaluation period has meant that the assumption for future inflation has increased

	Funding Assumptions at 31 July 2013	Neutral Assumptions at 31 July 2013	Funding Assumptions at 31 July 2010
Discount rate before retirement	5.75%	6.30%	5.80%
Discount rate after retirement	5.75%	6.30%	5.80%
Future price inflation (RPI)	3.50%	3.50%	3.10%
Future price inflation (CPI)	3.00%	2.80%	2.60%

Demographic assumptions

3.11 The most important demographic assumption is that for the future life expectancy of members. As part of the valuation process the Trustees reviewed the prospects for members' life expectancies. The Trustees have continued to use the S1 "all pensioners" table but have adopted the most up-to-date projections, CMI_2013. Sample assumed life expectancies are set out in the table below, along with some of the other key demographic assumptions.

3. The Funding Approach and Assumptions

	Funding Assumptions at 31 July 2013	Neutral Assumptions at 31 July 2013	Funding Assumptions at 31 July 2010
Sample life expectancies			
- Male currently age 65	21.9	21.9	21.8
- Female currently age 65	24.5	24.5	24.6
- Male currently age 45	23.6	23.6	23.6
- Female currently age 45	26.4	26.4	26.5

Commutation for cash lump sum on retirement

- 3.12 10% of the member's lifetime pension is assumed to be commuted for an additional lump sum at retirement, based on the Scheme's commutation rates.
- 3.13 This approach towards this assumption remains unaltered since the previous valuation. This approach was also adopted for the Neutral Basis.

Retirement

- 3.14 Employees and deferred pensioners who joined the Scheme after 31 July 1994 are assumed to retire at age 65. For members in this category, benefits derived from Pensionable Service completed between 1 August 1994 and 22 March 1995 inclusive are treated as having normal pension age 60.

Employees in Pensionable Service on 31 July 1994 are assumed to retire at age 62 with unreduced benefits (with the exception of males in this category whose benefits derived from Pensionable Service completed before 17 May 1990 are reduced for early repayment).

Deferred pensioners with Pensionable Service over the period 17 May 1990 to 31 July 1994 are assumed to retire at age 60 with unreduced benefits (with the exception of males in this category whose benefits derived from Pensionable Service completed before 17 May 1990 are reduced for early repayment).

Deferred pensioners whose Pensionable Service ceased before 17 May 1990 are assumed to retire at age 60 (females) or age 65 (males).

- 3.15 This approach towards this assumption remains unaltered since the previous valuation. This approach was also adopted for the Neutral Basis.

3. The Funding Approach and Assumptions

Other considerations

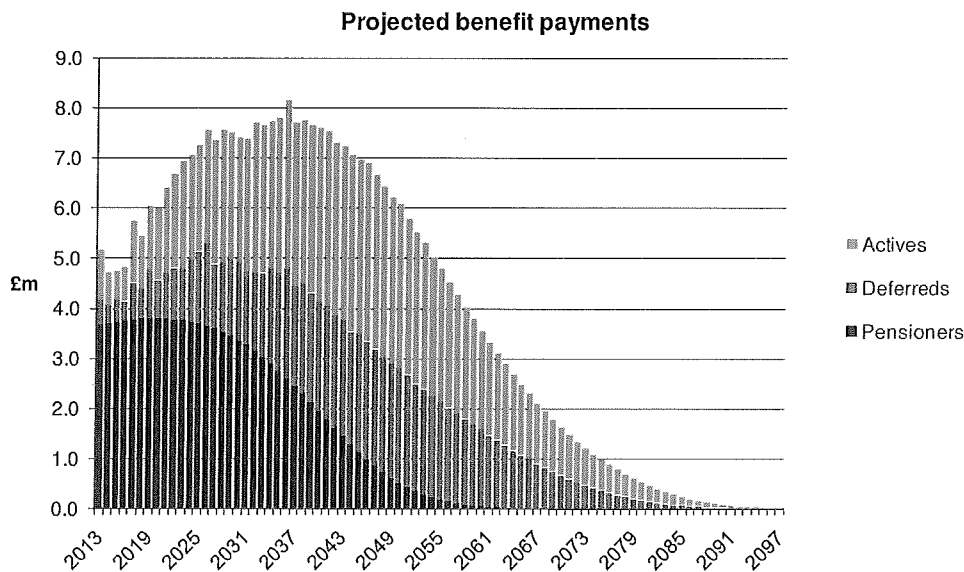
- 3.16 A number of pensions are paid using the proceeds of insurance policies held in the name of the Trustees. As the proceeds from these policies will generally match the associated benefits these have been excluded from my assessment, they could equally have been shown as both a liability and an asset to the Scheme.
- 3.17 Whilst the Scheme is continuing, an allowance for expenses, including statutory levies, is included in the Employer contribution rates.
- 3.18 The salary-related lump sum benefit payable on the death of an active member is insured. This benefit is excluded from the accrued liabilities. The costs will be met by explicit additional Employer contributions, as those benefits arise.

4. Results

Benefits accrued before the valuation date

Projected benefit payments

- 4.1 I have used the Trustees' assumptions about the future to project the benefits that will be paid to all members. The following chart sets out the total benefits that are projected to be paid over the remaining lifetime of the Scheme in respect of service accrued to the valuation date.



- 4.2 The chart shows that the Scheme will be making significant benefit payments for decades to come, with the projected peak coming in 2037 and the final payments not occurring until towards the end of the century.
- 4.3 Although the projection gives an idea of how benefit payments will progress, the amounts and timing are not certain. For example;
- The timing and amount of benefit payments will depend heavily on the take-up of member options and on how long members live after retiring.
 - The level of benefit payments to active members will depend on salary growth before they retire and on price inflation after they have retired.
 - The level of benefit payments to current and deferred pensioners will depend on price inflation both before and after they have retired.

4. Results

The funding position

4.4 The Trustees' funding target, known in legislation as the 'technical provisions', is the amount needed at the valuation date to meet the projected benefit payments as they fall due. The funding target and the current funding position are as follows:

	Funding Assessment as at 31 July 2013 £000s	Funding Assessment as at 31 July 2010 £000s
Past service liabilities		
- Active members	35,745	35,800
- Deferred pensioners	21,907	16,600
- Current pensioners	52,221	44,400
Total past service liabilities (L) (Funding target or 'technical provisions')	109,873	96,800
Assets		
- Total invested assets	106,919	80,600
- Net current asset	351	400
Total assets (A)	107,270	81,000
Funding surplus or (deficit) (A minus L)	(2,603)	(15,800)
Funding level (A as a percentage of L)	98%	84%

Reconciliation with the results of the previous valuation

4.5 Clearly, the funding position has improved since the previous valuation was undertaken. I have analysed the reasons for the change and my findings are set out below. It should be noted that many of the factors influencing the results are fundamentally interconnected. As such, the financial impact ascribed to each individual factor will necessarily be approximate.

4.6 The most significant influences on the funding position have been as follows:

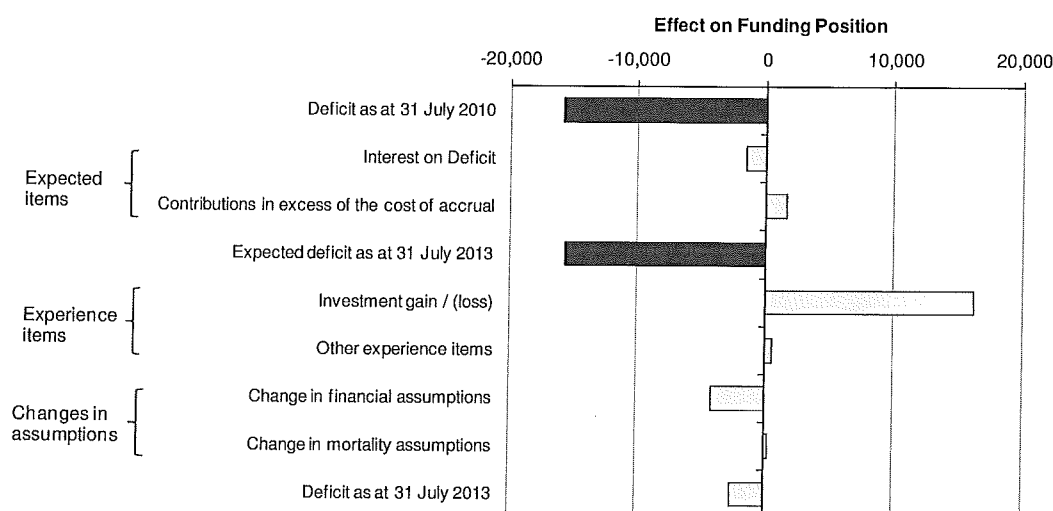
- Strong investment growth;
- Contributions in excess of the cost of accrual;
- Changes in the financial assumptions used to value the liabilities.

4. Results

4.7 A more detailed reconciliation is set out in the following chart. Within the chart, I have grouped the items into:

- Those items which would have been expected if experience since the previous valuation had been in line with the assumptions;
- Those items due to experience differing from the assumptions made at the previous valuation;
- Those items due to changes in assumptions.

Reconciliation of the Positions at 31 July 2010 and 31 July 2013



4.8 Further information on the investment returns and the contributions paid in the period between the two valuations may be found in Appendix C.

Addressing the deficit

4.9 In order to address the deficit the Trustees and the Employer have established a recovery plan. The aim of the recovery plan is for the deficit to be removed over a period of 4 years from the valuation date. The agreed additional Employer contributions will be at a rate of 5.8% of pensionable salary per annum.

4.10 The recovery plan will be regularly monitored by the Trustees and will be reviewed at the time of the next valuation, to ensure that it remains sufficient to address the funding shortfall.

4. Results

Future service results

4.11 In addition to assessing the position in relation to benefits already accrued, I have assessed the contributions required to fund further benefits. The results are as follows:

	% Pensionable Salaries
Contributions to fund the accrual of further benefits	17.25%
Allowance for expenses, including levies	1.50%
Less member contributions	7.05%
Employer's future service contribution rate to the next valuation	11.70%

Funding risks and the sensitivity of the results to the assumptions

4.12 In funding the Scheme the Trustees will face a number of risks that may affect their ability to meet their funding objective. For example, investment returns might fall short of the levels assumed or the Employer might become less able to make further contributions to the Scheme.

4.13 The extent of some of these risks can be illustrated by varying some of the valuation assumptions. A summary of some of the main funding risks, along with an illustration of the effects of changing some of the key valuation assumptions, is set out in Appendix E.

Neutral assessment

4.14 To give the Trustee an insight into the degree of prudence in the funding target, I have also valued the Scheme using neutral assumptions – that is, using assumptions which in my opinion contain no margins for adverse experience. The chart below sets out the results of my assessment alongside the funding results.

	Neutral Assessment as at 31 July 2013 £m	Funding Assessment as at 31 July 2013 £m
Total past service liabilities (L)	99.1	109.9
Total assets (A)	107.3	107.3
Funding surplus or (deficit) (A minus L)	8.2	(2.6)
Funding level (A as a percentage of L)	108%	98%

5. Winding-Up Assessment

Background

- 5.1 The results set out in Section 4 of this report are based on the assumption that benefits will continue to be paid from the Scheme for the remainder of its lifetime.
- 5.2 In addition to providing those 'ongoing' results, I am also required to assess the funding position of the Scheme if it were to close immediately, with all benefits being secured by the purchase of insurance policies. Providing this winding-up or "solvency" assessment is a statutory requirement; it does not imply that the Scheme is to be wound up.
- 5.3 Providing benefits by purchasing insurance policies is typically much more expensive than providing benefits directly from Scheme assets. This is partly because insurers include margins for profit and operating expenses in their prices, but is mainly because insurers provide guaranteed benefits and are required to follow conservative investment strategies.

Approach taken

- 5.4 The only accurate way to assess the true cost of winding up would be to obtain quotations from a number of insurance companies. I have not done this, but instead have estimated the cost using principles similar to those adopted by insurers when pricing annuities. Clearly, this approach will not be as accurate as obtaining actual quotations, but I am satisfied that it is sufficient for the present purpose. Full details of the approach taken are set out in Appendix D.

Results

	Winding-up Assessment as at 31 July 2013 £000's
Winding-up liabilities	
Active members	57,194
Deferred pensioners	42,248
Current pensioners	70,962
Expense allowance	4,177
Total winding-up liabilities (L)	174,581
Assets	
Invested assets	106,919
Net current assets	351
Total assets (A)	107,270
Winding-up surplus or (deficit) (A minus L)	(67,311)
Winding-up funding level (A as a % of L)	61%

5. Winding-Up Assessment

- 5.5 The funding level on winding-up (61%) is much lower than the ongoing funding level set out in Section 4 of this report (98%). This is due to the difference between the anticipated cost of providing the benefits from the Scheme and the cost of guaranteeing those benefits through the purchase of insurance policies.

Winding up on the insolvency of the employer

- 5.6 If a pension scheme sponsor fails at a time when there are insufficient assets to secure all benefits with an insurer, the shortfall becomes a debt due from the employer to the scheme. The extent to which any or all of that debt can in practice be recovered by the trustees will depend on the value that can be realised from what remains of the sponsor's assets and the priority given to other creditors.
- 5.7 If the debt is not recovered in full, the assets will not be sufficient to secure all benefits. In such cases, current legislation aims to ensure that members receive at least a specified proportion of their entitlements. This may be through the trustees purchasing insurance policies, where possible, or may be through the government's pensions lifeboat, the Pension Protection Fund (PPF).
- 5.8 The "compensation" paid by the PPF is based on the benefits accrued by each member within their own pension scheme, but with some adjustments. For example;
- Pensions are restricted so that they are no greater than a limit set by the PPF.
 - Members yet to reach their Normal Pension Age have their benefits reduced by 10%.
 - No increases are applied to pension accrued before April 1997.
 - Increases to pension accrued after April 1997 are limited to a maximum of 2.5% each year (or the increase in the Consumer Prices Index if lower).
- 5.9 If a pension scheme does not have sufficient funds to secure the equivalent of PPF compensation then it is likely to enter the PPF. If, on the other hand, the assets are sufficient to secure PPF compensation then the scheme's trustees must first apply the available assets according to the order set out in legislation, and then any balance in accordance with their trust deed.
- 5.10 At 31 July 2013, the Scheme did not have sufficient assets to secure the equivalent of PPF benefits. If the Employer had become insolvent at that time, and if no additional funds were secured, the Scheme would have been likely to enter the PPF and members would have received the benefits described in paragraph 5.8.

6. Projected Results

The next actuarial valuation

6.1 The future is uncertain and it is inevitable that the true position will differ from my projections. In particular, financial market conditions can be very volatile, especially over short periods. This could mean that the actual asset and liability values turn out to be substantially higher or lower than the projected values. One of the key purposes of these regular actuarial valuations is to identify these variations and so adjust the funding arrangements.

Method of projection

6.2 In order to produce the projection I have assumed that over the period to the next valuation:

- Future contributions will be in line with the newly agreed schedule of contributions
- Other items of experience will be in line with the assumptions for each assessment
- There will be no change to the funding principles established in the course of the present valuation
- The terms available in the insurance market will continue to be as set out in Appendix D.

6.3 Please note in particular that I have not made allowance for changes in financial conditions between the valuation date and the date of this report.

Projected results – main funding assessment

6.4 The results of my projection of the main funding position are as follows.

	Projection as at 31 July 2016 £000	Valuation as at 31 July 2013 £000
Total past service liabilities (L)	126,256	109,873
Total assets (A)	125,881	107,270
Ongoing surplus or deficit (A minus L)	(375)	(2,603)
Ongoing funding level (A as a percentage of L)	100%	98%

6. Projected Results

6.5 My projection shows a substantial improvement in the funding position. This improvement is principally due to:

- * The deficit reduction contributions due to be paid under the agreed recovery plan.

Projected results – winding-up

6.6 The results of my projection of the winding-up position are as follows.

	Projection as at 31 July 2016 £000	Valuation as at 31 July 2013 £000
Total past service liabilities (L)	193,762	174,581
Total assets (A)	125,881	107,270
Winding-up surplus or (deficit) (A minus L)	(67,881)	(67,311)
Winding-up funding level (A as a percentage of L)	65%	61%

6.7 My projection shows an improvement in the winding-up position in terms of the funding level but broadly unchanged in terms of the deficit.

7. Next Steps and the Next Valuation

Next Steps


- 7.1 The statutory deadline for completing this valuation is 31 October 2014.
- 7.2 The signing of this document concludes the valuation formalities. The details of the valuation will be submitted to the Pensions Regulator on behalf of the Trustees.

The next actuarial valuation

- 7.3 The next formal valuation of the Scheme is due to take place as at a date not later than 31 July 2016.
- 7.4 The Trustees should consider bringing forward the due date if events occur that make it inappropriate to rely on the current valuation as a basis for the Employer contributions to be paid.

Between now and the next valuation

- 7.5 Between now and the next valuation I will provide annual reports to the Trustees, setting out how the funding position has evolved and the key reasons for any changes.
- 7.6 These reports, along with quarterly updates, will enable the Trustees to monitor the funding of the Scheme. If it appears to them that the recovery plan is no longer likely to meet the funding objective, they should consider what remedial actions might be taken.

Signature:		Date:	2 July 2014
Name:	Jonathan Seed	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Scotia House Castle Business Park Stirling FK9 4TZ	Employer:	Xafinity Consulting Limited

Appendix A – Membership Data

In this appendix I present a summary of the membership data used in my assessment and how this data compares with that used for the previous valuation.

Active members

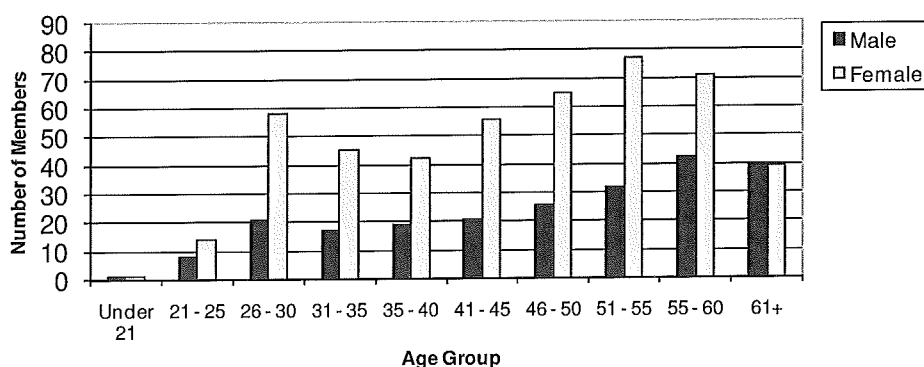
Basic data

	Current Valuation as at 31 July 2013			Previous Valuation as at 31 July 2010		
	Number	Pensionable Salaries (£m)	Average Age	Number	Pensionable Salaries (£m)	Average Age
Males	226	5.08	49	236	5.29	50
Females	468	8.59	46	523	9.35	46
Total	694	13.67	47	759	14.64	47

Average ages are weighted by salary.

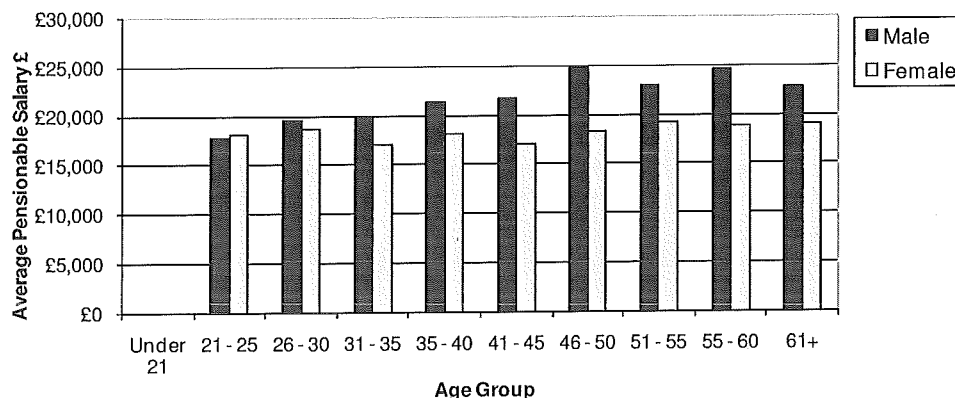
Member distribution by age

Number of Active Members at each Age Range



Salaries by age range

Average Salaries within each Age Range



Appendix A – Membership Data

Please note that as there is only 1 male and 1 female member under the age of 21, their salaries have been omitted from the above graph so that their salaries are unable to be identified.

Deferred pensioners

	Current Valuation as at 31 July 2013			Previous Valuation as at 31 July 2010		
	Number	Deferred Pensions (£m)	Average Age	Number	Deferred Pensions (£m)	Average Age
Males	157	0.31	50	153	0.28	52
Females	466	0.62	48	404	0.48	48
Total	623	0.93	48	557	0.76	49

Deferred pensions above are at date of leaving the Scheme. Average ages are weighted by deferred pension amount

Pensioner members

	Current Valuation as at 31 July 2013			Previous Valuation as at 31 July 2010		
	Number	Pensions in payment (£s)	Average Age	Number	Pensions in payment (£m)	Average Age
Males	317	1.62	73	293	1.37	74
Females	638	2.07	72	609	1.74	71
Total	955	3.69	73	902	3.11	72

Average ages are weighted by pension amount.

Appendix B – Assets and Investment Strategy

Assets held at the valuation date

The Scheme's assets are invested with Legal & General, who manage the Scheme's UK equity, overseas equity and bond portfolios.

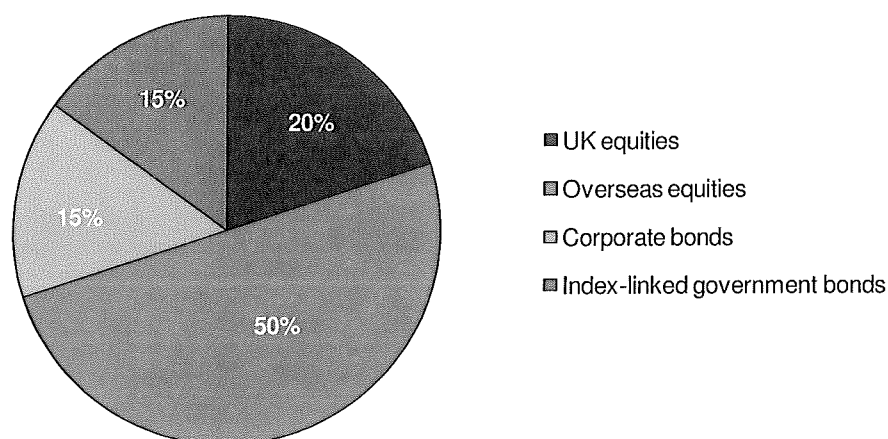
The following table summarises the assets held at the valuation date.

	31 July 2013 £'000s
UK equities	22,075
Overseas equities	54,911
Fixed interest government bonds	-
Index-linked government bonds	14,591
Fixed interest corporate bonds	15,342
Property	-
Cash	-
Total invested assets	106,919
AVCs	-
Net current assets / (liabilities)	351
Total assets in Scheme accounts	107,270

The investment strategy

The assets held at the effective date of the valuation broadly reflected the Trustees' investment strategy, as set out in the Trustee's statement of investment principles.

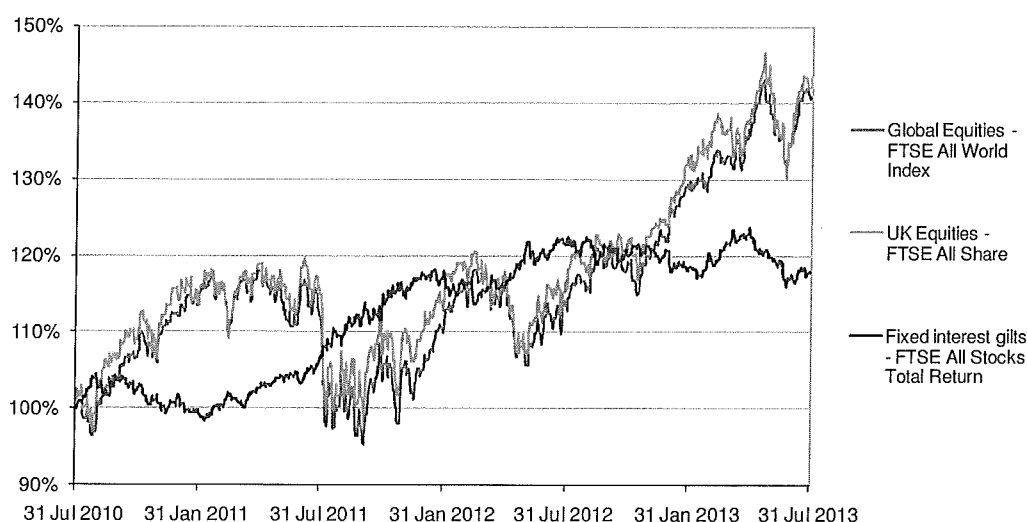
Investment Strategy at 31 July 2013



Appendix C – Experience since the Previous Valuation

Financial market conditions

In the period between 31 July 2010 and 31 July 2013 financial markets generally experienced growth. The following chart sets out how total returns on some of the key asset classes evolved over that time.



It can be seen that;

- Equity values grew by approximately 40% between 31 July 2010 and 31 July 2013; with a general upward trend from 31 July 2011.
- Bond values grew by approximately 20% between 31 July 2010 and 31 July 2013; with relative stability from 31 January 2012.

The returns on the market as a whole translated into relatively high returns on the Scheme's investments. The following table sets out the approximate return on the Scheme's investments between the two valuations.

Year Ending	Approximate Return on Whole Portfolio
31 July 2011	12.8%
31 July 2012	6.5%
31 July 2013	18.1%

Appendix C – Experience since the Previous Valuation

Contributions paid to the Scheme

Following the completion of the 31 July 2010 valuation, the Trustees agreed a recovery plan with the Employer. That plan required additional contributions from the Employer. The funding shortfall was to be met by the additional contributions of 5.8% of Pensionable Salary with effect from 1 August 2011.

The contributions actually paid between the two valuations were as follows.

Year Ending	Employee Contributions		Employer contributions		Total
	Normal contributions £000's	AVCs £000's	Normal contributions £000's	Deficit reduction contributions £000's	
31 July 2011	20	77	3,116	167	3,380
31 July 2012	33	38	2,405	718	3,194
31 July 2013	67	61	2,469	748	3,345
Total	120	176	7,990	1,633	

The auditors have confirmed that the contributions paid were in line with the schedules of contributions in force over the period. The Employer's normal contribution above include contributions for death in service benefits, in respect of salary sacrifice members, and additional contributions to fund early retirement.

Appendix D – Assumptions

Key financial assumptions

	Funding Assumptions at 31 July 2013	Winding-up Assumptions at 31 July 2013	Neutral Assumptions at 31 July 2013	Funding Assumptions at 31 July 2010
Discount rate before retirement	5.75%	3.20%	6.30%	5.80%
Discount rate after retirement	5.75%	3.35%	6.30%	5.80%
Future price inflation (RPI)	3.50%	3.45%	3.50%	3.10%
Future price inflation (CPI)	3.00%	3.45%	2.80%	2.60%

Pension increase assumptions

	Funding Assumptions at 31 July 2013	Winding-up Assumptions at 31 July 2013	Neutral Assumptions at 31 July 2013	Funding Assumptions at 31 July 2010
Final Salary Benefits				
▪ Pensionable Salary increases	4.50%	n/a	3.55%	4.60%
▪ Increases to pensions in deferment	3.00%	3.45%	2.80%	2.60%
▪ Pension increases (in excess of GMP)	3.50%	3.45%	3.50%	3.30%
CARE Benefits				
▪ Revaluation whilst in service	3.00%	3.45%	2.80%	2.50%
▪ Revaluation in deferment	2.50%	2.50%	2.50%	2.50%
▪ Pension Increases	3.00%	3.45%	2.80%	2.60%

Appendix D – Assumptions

Demographic assumptions

	Funding Assumptions at 31 July 2013	Winding-up Assumptions at 31 July 2013	Neutral Assumptions at 31 July 2013	Funding Assumptions at 31 July 2010
Mortality				
Base table	S1PXA	PCXA00	S1PXA	S1PXA
Adjustment to base table	105% for males; 100% for females.	100% for males; 100% for females.	105% for males; 100% for females.	105% for males; 100% for females.
Projection	2013 CMI with long term improvement of 1.25% p.a.	MC with minimum improvements of 1.5% / 1.0% p.a.	2013 CMI with long term improvement of 1.25% p.a.	2009 CMI with long term improvement of 1.25% p.a.
Commutation	10% of pension commuted	Assumed to cost neutral	10% of pension commuted	10% of pension commuted
Retirement from active service	Employees who joined after 31 July 1994 are assumed to retire at age 65. Employees in Pensionable Service on 31 July 1994 are assumed to retire at age 62			
Retirement from deferred status	Deferred pensioners with Pensionable Service over the period 17 May 1990 to 31 July 1994 are assumed to retire at age 60 with unreduced benefits (with the exception of males, whose benefits pre 17 May 1990 will be reduced for early payment). Deferred pensioners whose Pensionable Service ended before 17 May 1990 are assumed to retire at age 60 (females) or age 65 (males)			

For more details of the assumptions please refer to the Trustees' Statement of Funding Principles dated June 2014.

Appendix E – Risks and Sensitivity

Funding risks

There are a number of funding risks which might ultimately affect the Trustees' ability to pay benefits to members. Foremost among these are the risks relating to;

- **Funding shortfalls** – If experience turns out to be less favourable than was assumed for the funding assessment, the funding level will be lower than anticipated. In that event additional contributions would be required from the Employer.
- **Employer covenant** - The Employer may become less able or less willing to continue to make contributions to the Scheme.

Key factors which could cause a funding shortfall

- **Investment performance** – investment returns below those assumed will cause a shortfall to emerge. This risk is greatest in pension schemes with a high proportion of assets invested in more volatile assets such as equities.
- **Changes in bond yields** – the discount rates used in the valuation are based on yields on government bonds. In the event that the yields on these bonds fall, the discount rates will fall also. This increases the funding target, worsening the funding position.
- **Life expectancies** – if members live longer than has been allowed for, then benefits will need to be paid for a longer period, worsening the funding position.
- **Weakened covenant** – if the Employer's covenant weakens, greater prudence will be needed in the funding assumptions and that will lead to higher liabilities.

Risk mitigation measures

The Trustees have taken a number of actions to mitigate the risks. These include:

- Funding
 - The assumptions used in the funding assessment have been chosen prudently, making it less likely that experience will turn out to be worse than assumed.
- Investment
 - The Trustees have invested some of the Scheme assets in bonds. Movements in the value of these assets act to partially offset movements in the funding target when bond yields change.
- Monitoring
 - Regular updates are received by the Trustees to keep abreast of any changes in the funding position.

Appendix E – Risks and Sensitivity

Despite these risk mitigation measures, substantial funding risk remains. In future the Trustees may wish to consider further measures to reduce risk, such as Employer covenant monitoring.

Funding level sensitivity

To give the Trustees an idea of the extent of some of the key risks, I set out below the sensitivity of the funding level to market movements and to the assumptions made. Please note that these calculations are approximate and intended for illustration only.

Sensitivity to investment performance – sudden market movements

	Equity markets 20% lower £000	Asset value at valuation date £000	Equity markets 20% higher £000
Assets	£91,874	£107,270	£122,666
Liabilities	£109,873	£109,873	£109,873
Surplus or (deficit)	(£17,999)	(£2,603)	£12,793

Sensitivity to assumptions – investment returns

	Discount rate 5.25% £000	Discount rate 5.75% £000	Discount rate 6.25% £000
Assets	£107,270	£107,270	£107,270
Liabilities	£118,635	£109,873	£102,219
Surplus or (deficit)	(£11,365)	(£2,603)	£5,051

Sensitivity to assumptions - future inflation

	Future inflation RPI – 3.00%p.a. CPI – 2.50%p.a. £000	Future inflation RPI – 3.50%p.a. CPI – 3.00%p.a. £000	Future inflation RPI – 4.00%p.a. CPI – 3.50%p.a. £000
Assets	£107,270	£107,270	£107,270
Liabilities	£105,643	£109,873	£118,736
Surplus or (deficit)	£1,627	(£2,603)	(£11,466)

Sensitivity to assumptions – life expectancies


	Life expectancies 1 year lower £000	Valuation assumptions £000	Life expectancies 1 year higher £000
Assets	£107,270	£107,270	£107,270
Liabilities	£107,141	£109,873	£112,580
Surplus or (deficit)	£129	(£2,603)	(£5,310)

Appendix F – Certification of Technical Provisions

University of Aberdeen Superannuation and Life Assurance Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 July 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated June 2014

Signature:		Date:	2 July 2014
Name:	Jonathan Seed	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Scotia House Castle Business Park Stirling FK9 4TZ	Employer:	Xafinity Consulting Limited