University of Aberdeen Superannuation and Life Assurance Scheme
(the "Scheme")

Summary Funding Statement
For year ending 31 July 2024

What's this statement for?

The Trustees are required to provide you with this statement giving you an update about the Scheme's financial security. We hope you find it useful and easy to understand, but if you have any questions please contact the Pensions Office:

Address: Pensions Office, Finance Department, University of Aberdeen, King's College, Aberdeen. AB24 3FX

Tel: 01224 272289

Email: pensions@abdn.ac.uk

Overview from the Scheme Trustees

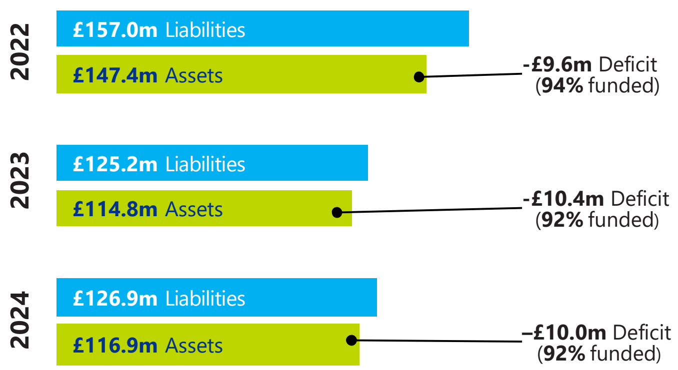
As we have all experienced, the last few years have presented some extreme challenges: The impact of the global pandemic, the resurgence of high inflation, a war in Eastern Europe and a crisis in the normally stable world of government bonds (gilts) had the potential to bruise many pension schemes. Whilst our Scheme has not been immune from these external forces, the Trustees want to highlight to members that the funding of our Scheme has proven resilient throughout this exceptionally challenging period.

In addition to the health of our Scheme, of course the standing of the Scheme's sponsor, The University, is very important. The financial health – or covenant - of The University will be independently assessed by an external accounting firm in 2025 as part of the Trustees' preparation for the Scheme's next scheduled triennial valuation in July next year.

The last actuarial valuation at 31 July 2022

An actuarial valuation is an exercise to compare how much money the Scheme has (its 'assets') with how much it needs to be able to pay everyone the benefits they are entitled to (its 'liabilities'). If the Scheme's assets are more than its liabilities, there is a 'surplus'; if they are less, there is a 'shortfall' or 'deficit'. The valuation also looks at how much the University of Aberdeen (the 'University') needs to pay to the Scheme each year to pay for the pension benefits that are earned over that year.

Full valuations usually take place every three years and the last one was on 31 July 2022, with a yearly update on 31 July 2023 and 31 July 2024. The results of these valuations are shown on the right.



Summary of the Recovery Plan

Because there was a shortfall at the 2022 valuation, the University has agreed to pay annual contributions of £725,000 until 31 July 2033. These contributions are on top of the regular amount that the University pays towards new benefits building up each year. There is no change in the rate paid by members that are still building up benefits.

Change in funding position since previous statement

The funding level of the Scheme has remained consistent since the previous statement. The main factors impacting the funding position of the Scheme since the previous statement were payments from the University, changes in global financial market conditions and the return on Scheme assets being lower than expected due to external factors.

Payment to the University

We have to tell you that there has not been any payment made to the University out of the Scheme's assets since the last summary funding statement.

How the Scheme works

This section has some information about this statement and the Scheme. If you would like any more information about the Scheme or your benefits, please contact the Pensions Office.

How is my pension paid for?

The Scheme is a defined benefit pension arrangement. This means members build up benefits based on length of service and their salary. The Scheme has a pool of money (assets) to pay for these benefits as they become due; it does not hold assets separately for each individual. The Trustees' goal is for the Scheme to have enough money to pay all members their benefits, both now and into the future.

How do you work out how much the Scheme needs?

As part of the three-yearly actuarial valuation, the Trustees agree a funding plan (the Statement of Funding Principles) with the University, which aims to make sure there is enough money in the Scheme to pay for pensions now and into the future. The cost of running the Scheme is included in the contributions paid by the University. This is why the Scheme relies on the University's continuing support.

Winding-up

If the Scheme winds up, the duty to pay all members' benefits may be transferred to an insurance company. In the 2022 valuation it was estimated that the amount needed to secure all the Scheme's benefits was £207.0m, which was £59.6m more than the Scheme's assets. This is just an indication and is required under legislation, it does not mean that the Trustees or University are considering winding up the Scheme.

How are the Scheme's assets invested?

The Trustees' policy is to invest in a broad range of assets. The asset split at the last full valuation date of 31 July 2022 was broadly as follows (excluding annuity policies):

Return-seeking	59%
Matching	41%

The Pensions Regulator

In certain circumstances the Pensions Regulator can:

- Direct how the Scheme's liabilities must be calculated
- Set the period for removing any funding shortfall
- Set the level of University contributions to be paid
- Change the way members build up benefits in the future

None of these things have happened in the Scheme.

Why don't the Trustees aim to have enough money to secure benefits on wind up?

Insurers take a very cautious view of the future and need to make a profit; they will also take into account the future cost of running the Scheme. This means the cost of securing pensions in this way is considerably more expensive than if the Scheme runs normally with the continuing support of the University. Aiming to have enough money to cover that cost would likely mean that the Scheme will have far more than it actually needs if it keeps running.

What would happen if the Scheme started to wind up?

Whilst the Scheme is still running, even though funding may temporarily be below target, benefits will still be paid in full. If the Scheme did start to wind up, benefits may be secured with an insurance company. If there weren't enough assets to secure all the benefits, the University would have to make up the difference. You might not get all of the benefits you have built up, especially if the University is not there to pay for any shortfall. In this case, the Pension Protection Fund ('PPF') might be able to take over the Scheme and pay compensation to members. Further information is available at www.pensionprotectionfund.org.uk

It is only if the University became insolvent and assets available to the Scheme were insufficient to secure PPF level benefits that the Scheme would apply for entry to the PPF.

Thinking of leaving the Scheme?

If you are thinking of leaving the Scheme for any reason, you should talk to an independent financial adviser before doing so; you can find one local to you at www.unbiased.co.uk

Stay in touch

If any of your personal details are changing, such as your name, address or nominated beneficiaries, please tell the Pensions Office.