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

Summary Funding Statement 31 July 2017

As a person entitled to benefits from the Scheme we are writing to give you an update of the funding position. We will send you a statement like this every three years following the triennial actuarial valuation to provide you with the latest funding information for the Scheme, and will send annual updates in-between these triennial valuations.

Actuarial Valuation at 31 July 2016

The latest actuarial valuation of the Scheme showed that the funding position was as follows:

Actuarial Valuation as at 31 July 2016 (£000s)	
Scheme assets	135,516
Amount needed to provide benefits	158,685
Shortfall **Funding level (%)**	**(23,169)** **85%**

Steps being taken to remove the funding shortfall

As a result of the last valuation, the University of Aberdeen ('the University') has agreed to pay additional contributions of 5.8% of active members' Pensionable Salaries, payable in equal monthly instalments from 1 August 2016 to 31 December 2017 plus £725,000 per annum payable monthly for a period of 11 years and one month from 1 January 2018. This amount is on top of the contributions paid by the University to meet the expenses of running the Scheme.

Payments to the University

There have not been any payments to the University out of Scheme funds since the last statement was issued.

Future service contributions

Following completion of the last valuation, the contributions payable by the University towards future pension provision increased from 11.7% to 18.4% with effect from 1 January 2018. As a result, the University is considering changes to future pensions that would bring its costs back to previous levels. Before any changes to benefits can be made the University must consult with members on the proposed changes for at least 60 days. In addition, if any changes are made, the benefits you have already earned will not be affected.

Change in funding position since previous statement

The following table summarises the most recent funding information for the Scheme:

Actuarial update as at	**31 July 2017 (£000s)**	**31 July 2016 (£000s)**
Scheme assets	149,636	135,516
Amount needed to provide benefits	158,552	158,685
Shortfall **Funding level (%)**	**(8,916)** **94%**	**(23,169)** **85%**

The funding position has improved in the period since the last actuarial valuation as at 31 July 2016. This is due to the additional contributions paid by the University (to reduce the funding shortfall) and higher than expected investment returns from the Scheme assets over the period.

What is the Scheme invested in?

The Trustees' policy is to invest in a broad range of assets to generate long term returns above inflation. The invested assets at 31 July 2016 were as follows (excluding annuity policies);

Approximately 56% in Equities, 25% Index Linked Gilts and 19% in Property and Diversified Funds.

The Trustees continually monitor the Scheme's investments.

Where can I get more information?

If you have any other questions, or would like more information, a list of Scheme documents are available on request from the University of Aberdeen Pension Office. Please help us to keep in touch with you by telling us if you change address.

Address: Pensions Office, Finance Department, University of Aberdeen, King's College, Aberdeen, AB24 3FX
Telephone: 01224 27 22 89
E-mail: pensions@abdn.ac.uk

Yours sincerely
The Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme

University of Aberdeen Superannuation and Life Assurance Scheme (“the Scheme”)
How the Scheme works

How are my benefits paid for?

The University pays contributions to the Scheme which are invested in a common fund to pay benefits to Scheme members and dependants. The money is not held in separate funds for each individual.

How is the amount that the Scheme needs to pay for benefits calculated?

The Trustees agreed a funding plan (the Statement of Funding Principles) with the University which aims to ensure there is enough money in the Scheme to pay for benefits as they fall due. The amount of money which the University pays into the Scheme may go up or down and is monitored by regular updates of the funding position prepared by the Scheme Actuary (known as Actuarial Valuations).

The importance of the University’s support

The Trustees’ objective is to have enough money in the Scheme to pay benefits as they fall due. However, success of the funding plan relies on the University continuing to support the Scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, the University will usually need to put in more money; and
- the target funding level may not be sufficient to pay all future benefits in full and the University may need to put in more money.

Winding-up

Neither the Trustees nor the University are thinking of winding-up the Scheme however we are required to provide this information by law. The estimated amount needed to ensure that all members’ benefits could be fully secured if the Scheme were to be wound up was £254,820k as at 31 July 2016. This, compared with a total asset value of £135,732k, giving a winding-up shortfall of £119,088k.

What would happen if the Scheme were to be wound up?

If the Scheme were to be wound up, you may not get the full amount of your benefits. However, as the University continues to support the Scheme, benefits will continue to be paid in full - even if funding is temporarily below target.

If the Scheme were wound up, the University, if able, would have to pay money into the Scheme to enable members’ benefits to be fully secured with an insurance company. If it is unable to pay the full amount required (for example, if the University became insolvent) benefits may not be paid in full. The Pension Protection Fund (PPF) could be required take over the Scheme to ensure a minimum level of benefits can be paid to members (if the assets are not sufficient to provide a minimum level of compensation).

Further information is available on the PPF’s website at www.pensionprotectionfund.org.uk.

Why does the funding plan not call for full solvency at all times?

The ‘full solvency’ position assumes that all benefits will be secured immediately with an insurance company. Insurers are obliged to take a very cautious view of the future and need to make a profit. This differs to the current practice where benefits are paid out of the Scheme cashflow. The current funding plan assumes that the Employer will continue to support the Scheme and will pay contributions to ensure sufficient funds exist to provide members’ benefits when they retire.

The Pensions Regulator

In certain circumstances the Pensions Regulator can direct how the amount needed to provide benefits must be calculated, can set the period for eliminating any funding shortfall, can specify the level of university contributions to be paid and has the power to modify a pension scheme’s future accrual of benefits. No such circumstances have arisen in relation to the Scheme.

Using your personal information

The Trustees collect personal information about you and use this to calculate and pay your benefits under the Scheme and to administer the Scheme as a whole. The Trustees are required to keep this information secure and to process it in accordance with the data protection laws.

The Trustees may share your information with the University and third parties in relation to the administration of the Scheme, including professional advisers and other service providers. However, it will not be shared with third parties for marketing purposes.

Two letters explaining this have been included with this statement. New legislation requires us to send this detailed information to confirm what data is held in respect of members, but you do not need to take any action.