

## The State Pension

You may have read that the government has removed the previous two-tier State Pension system (Basic State Pension plus Additional State Pension) and replaced it with a system that was supposed to provide a single, flat-rate amount to everyone. Not surprisingly there is a little more detail to be aware of so we set out below some essentials.

- ▶ Anyone reaching State Pension Age on or after 6 April 2016 will get the new State Pension, which is currently worth a maximum of £159.55 per week. However, you will only get the full amount if you have at least 35 years of full National Insurance contributions (NICs). If you have less than 35 years of NICs, you won't get the full amount.
- ▶ It's very important to understand that if you have fewer than 10 years of NICs, you won't get anything at all from the new system.
- ▶ If you were contracted-out of the Additional State Pension at any time, the amount you receive under the new State Pension will be reduced in certain circumstances.
- ▶ The DC section has always been contracted-in and the defined benefit section was contracted-out until April 2010.

### How do I find out about my State Pension?

To find out more please go online at [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension)

## Tracing a lost pension

It is estimated that nationally around £400 million lies unclaimed in people's pension pots. People have on average 11 jobs during their working life, so it's all too easy to lose track of your former employers' pension schemes, especially as administrators may change their name or get bought out.

A new website has been launched by the Pension Tracing Service to help people more easily and quickly find any lost pension savings.

[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

The service is free to use and, although it cannot tell you whether you have benefits in that scheme or how much they are worth, it will provide you with the contact details so you can get in touch and find out.

For more information about Pensions:  
Go online to:



## Membership as at 31 March 2017

Defined Benefit section	31 March 2017	31 March 2016	Defined Contribution section	31 March 2017	31 March 2016
Active	579	617	Active	1,501	1,319
Deferred	870	892	Deferred	321	165
Pensioner	956	925	Pensioner	n/a	n/a

## Directors of the trustee company as at 31 August 2017

### Appointed by the University of Warwick

Professor Emeritus Stuart Palmer (Chair)  
Professor Saul Jacka  
Mr James McMeehan Roberts  
Mr James Hunt (appointed 26 June 2017)

### Appointed by the membership

Mr Quentin Compton-Bishop (appointed 19 October 2016)  
Ms Nina Song (appointed 19 January 2017)  
Ms Lauren Smalley (appointed 19 January 2017)

## Keeping in touch

If you are a member of staff and have a query please e-mail [hr.pensions@warwick.ac.uk](mailto:hr.pensions@warwick.ac.uk)

If you are a pensioner or have left and yet to receive your benefits and have a query about your benefits please e-mail Barnett Waddingham (the scheme administrators) at [WarwickUniTEAM@barnett-waddingham.co.uk](mailto:WarwickUniTEAM@barnett-waddingham.co.uk)

University of Warwick Pension Scheme (UPS)-(DB)

Autumn 2017

# Members' Report

## Welcome

The University and the Directors of UPS Pension Trustee Limited (the "Trustee") believe that UPS is an extremely valuable way to save for your retirement. This update focuses mainly on the defined benefit element of the scheme (where benefits are derived from a formula using service and salary history). Members of the defined contribution section where benefits are based on contributions paid and investments earned net of charges with Zurich, the pension provider, will receive a separate report. You could if you have had more than one employment, have benefits arising from both sections in which case you will be provided with two reports.



The Trustee has undertaken its formal valuation of the scheme's funding position as at 31 March 2016. This has involved a fundamental review of the scheme's financial assumptions, based on the Trustee view of future investment returns, having taken appropriate specialist advice, along with updated information on how long people are expected to live. The longer people are expected to live the longer the pension will be in payment and so the greater the cost of providing the benefit. In contrast if the outlook is for better future investment

**WARWICK**  
THE UNIVERSITY OF WARWICK

## WHAT'S INSIDE?

### Contents

Summary Funding Statement 2017 .....	2
Summary of the scheme accounts.....	4
The State Pension.....	5
Tracing a lost pension ....	5
Membership as at 31 March 2017 .....	6
Your trustee board as at 31 August 2017 .....	6
Keeping in touch .....	6

returns then less money is needed to be put aside to provide the promised benefits, so reducing costs.

In the last year we have been very busy on a number of fronts not least refreshing the composition of the trustee board and details of the Trustee composition is set out later in this report. Graham Canham stepped down as a Member Nominated Director (MND) on 20 October 2016 and Jo Horsburgh resigned with effect from 9 June 2017. I would like to thank them for their work as Trustee Directors.

We have three new MNDs namely Quentin Compton-Bishop, Lauren Smalley and Nina Song. Lauren and Nina work in the pensions department so you may see them at some stage when you have a query. Quentin works in the department for Warwick Ventures. The University has recently appointed Mr James Hunt as a Trustee Director. James was formerly a Finance Director at the university.

I hope that you find this year's Members' Annual Report helpful.

**Professor Stuart Palmer**  
Chair

## Summary Funding Statement 2017

### How is the financial position of the scheme measured?

The most recent formal valuation of the scheme was undertaken as at 31 March 2016. It was agreed by the University and Trustee and signed on 31 March 2017. Since then, an actuarial report as at 31 March 2017 has been carried out, providing an update on the scheme's funding position.

In any actuarial valuation, the Trustee puts a value on the liabilities which assumes that the scheme is ongoing (you will see this referred to as the "technical provisions") which simply means what assets are expected to be needed to meet these liabilities. Of course as time goes on these figures change so this is why we have valuations to ensure that we are putting sufficient monies aside to meet these benefits which are expected to be paid over many decades.

In addition to this, the Trustee is also required by law to value these liabilities assuming those liabilities are bought out with an insurance company i.e. the sum of money that an insurance company might expect in order to take over the responsibility for paying all benefits. This is normally much higher than the technical provisions because unlike the Trustee, the insurance company would not be able to ask the University for more money once the "buy-out" is completed so the assumptions it makes are very conservative. Another factor being that as a commercial organisation, the insurance company wants to make a profit.

### Overview

Each year the Trustee provides members with a summary of the scheme's funding position through its Summary Funding Statement. In assessing the scheme's funding position, the Trustee compares the value of the assets in the scheme (i.e. the investments) with an estimate of the value of the scheme's liabilities (pensions and other benefits already built up by members) at a point in time, normally the end of the scheme year, on 31 March.

## What was the funding position at the 31 March 2016 actuarial valuation and updated figures as at 31 March 2017?

### The funding ratio at the 31 March 2016 valuation is set out below:

Assets		£177.1m
Value placed on the scheme liabilities		£202.9m
Deficit		£25.8m
Funding ratio		87%

The funding ratio is the assets as a percentage of liabilities "technical provisions". In contrast the funding ratio on a "buy-out" basis was 65% reflecting the comments made earlier. There are no plans at this time to undertake a buy-out.

You may notice that the funding ratio of 87% is lower than the 93% figure posted at the time of the 2013 scheme valuation. The reason being that the Trustee has on the advice of the scheme actuary, set more conservative assumptions than last time, reflecting an expectation that investment returns will be lower than previously thought together with a shortening of the timeframe agreed between the Trustee and the University to reach full funding on a low risk measure. Trustees are required to be prudent when setting their assumptions. Had they used the same assumptions and method of calculating as those in 2013 then the funding ratio would have been 96%.

The funding ratio as at 31 March 2016 showed a worsening from the position shown in the 2015 Summary Funding Statement. This was due to the impact of adverse changes in economic conditions taken together with the changes to the calculations as mentioned above. This outweighed the impact of deficit contributions, some positive investment returns and scheme experience since 31 March 2015.

The 31 March 2017 update projects forward the method of calculation used for the 2016 actuarial valuation, i.e. it does not involve the same detailed review of the underlying assumptions that takes place at the three yearly actuarial valuation but allows for changes in market conditions since the date of the full valuation. Having said that the Trustee does monitor the scheme's funding ratios on an ongoing basis.

### The funding ratio for the 31 March 2017 actuarial report is set out below:

Assets		£210.4m
Value placed on the scheme liabilities		£235.5m
Deficit		£25.1m
Funding ratio		89%

You may notice that, whilst there has been much volatility in markets over the last year, unlike many other schemes there has not been much change in the funding ratio. This is because the Trustee has undertaken a lower risk investment policy that aims for the assets to move better in line with changes to interest rates and expected price inflation, hence there should be less volatility in the scheme's funding ratio. This is called "hedging" and the Trustee employ Willis Towers Watson to manage these investments on its behalf.

The funding ratio has slightly improved over the year to 31 March 2017. This is due to the deficit reduction contributions paid into the scheme by the University and better than expected investment returns outweighing adverse changes in economic conditions.



## Recovery Plan

As shown in the table on page 3, the assets held at the most recent actuarial valuation (31 March 2016) were insufficient, on the assumptions adopted, to cover the amount needed to provide the scheme's benefits. The Trustee and University have therefore agreed a recovery plan expected to remove the shortfall by 31 March 2027, with the University paying additional contributions to the scheme.

The University has agreed to pay a flat rate of £3.29m per annum until 31 March 2027 to cover the cost of providing future benefits and to reduce the deficit.

## Summary of the scheme accounts

The scheme's income is derived from member and employer contributions, along with returns from the scheme's investments. Throughout the year the scheme makes payments to its pensioners and their beneficiaries, as well as outgoing transfer payments. Those members of the defined contribution section may in limited circumstances qualify for a refund of contributions or instigated a transfer into their Personal Account. A summary of the scheme's income and expenditure is shown below.

Income for the year	£m	Expenditure for the year	£m	Return on investments	£m
Contributions from members and employers (including transfers into the Heritage section)	5.8	Benefits paid including pensions	(5.0)	Investment income	14.5
		Life cover premiums	(0.1)	Change in market value of investments	22.5
		Administration costs	(0.8)	Investment management expenses	(0.5)
<b>Total income</b>	<b>5.8</b>	<b>Total expenditure</b>	<b>(5.9)</b>	<b>Total return on investments</b>	<b>36.5</b>
Fund as at 31 March 2016	181.9			Fund as at 31 March 2017	218.3