SUMMARY FUNDING STATEMENT
as at 31 March 2021

WARWICK
THE UNIVERSITY OF WARWICK

THE UNIVERSITY OF WARWICK PENSION SCHEME (UPS)-DEFINED BENEFIT SECTION

This statement explains the funding that supports benefits in the Defined Benefit Section of The University of Warwick Pension Scheme (UPS) ("the Scheme"). It tells you about the longer-term outlook for the Scheme and the financial support provided by The University of Warwick (Principal Employer). The University of Warwick Science Park Limited is a participating employer in the defined benefit section.

The Actuary provides the Trustee with an approximate update of the latest formal valuation in an annual Actuarial Report. The previous summary funding statement as at 31 March 2020 showed that the Scheme had an estimated funding deficit of £26.5m equivalent to a funding level of 90%.

As at 31 March 2021, the Scheme Actuary found that the deficit had reduced to £16.3m and so the funding level had increased to 94%. It had liabilities of £252.0m - under its technical provisions (the amount prudently calculated to be needed to meet its obligations, i.e. the funding target). It had a portfolio of various investments totalling £235.7m - the value of the Scheme's assets.

The difference results in a deficit of £16.3m or a funding level of 94% derived from the ratio of assets to liabilities, i.e., £235.7m/£252.0m as a percentage.

The table below illustrates how funding levels have changed since the most recent formal valuation of the Scheme as at 31 March 2019.

Year ended 31 March	Funding update 2021	Funding update 2020	Valuation 2019
Value of assets	£235.7m	£237.8m	£221.7m
Value placed on liabilities (on a technical provisions basis)	£252m	£264.3m	£240.3m
Deficit	£16.3m	£26.5m	£18.6m
Funding ratio	94%	90%	92%

The funding ratio at 31 March 2021 of 94% is higher than the 90% figure disclosed at the time of the 2020 actuarial report. This is mainly due to an improvement in financial market conditions compared to 31 March 2020 which coincided with the advent of Covid-19 and its initial impact on economies worldwide.

The Trustee is scheduled to conduct its next formal valuation as at 31 March 2022 and it is expected that the results will be communicated to members in the following year.

Understanding the statement

As Trustees of UPS, we are responsible for developing a funding plan for the Scheme. We set out our aims, the funding target we believe is suitable, and how we plan to achieve this. To work out the funding target, the actuary needs to make a number of assumptions and considers how the outcome could change if any one of these turns out to be too low or too high. We then use our judgement to consider how prudent we want to be in setting the assumptions, and we decide on a suitable safety margin to build into our target.

In the valuation, the actuary works out the amount the Scheme needs to cover its funding target under the technical provisions. In any actuarial valuation, the Trustee puts a value on the liabilities while assuming that the Scheme is ongoing which simply means calculating what assets are expected to be needed to meet these liabilities.

Of course, over time 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. The actuary then compares the value of the Scheme's assets (after making any necessary adjustments relating to the value placed on annuities held by the Scheme) from the audited accounts with the funding target. This gives the funding level as shown in the above calculations, i.e. 94% as at 31 March 2021.

The University's support

The "technical provisions" funding target we agree for the Scheme meets the requirements of the Pensions Act 2004. It aims to produce a prudent reserve of money to hold against the Scheme's future benefit payments and expenses. We have discussed our funding plan with the University, and it has accepted the target and agreed to make the contributions needed. The Scheme relies on the University and its financial support to:

- Pay the expenses of running the Scheme each year.
- Make extra contributions when there is a funding shortfall: and
- Put in more money if the target set for funding the Scheme turns out to be too low.

Following the completion of the 31 March 2019 valuation, it was agreed that from 1 June 2020 the University would pay contributions of £3.29m a year until 31 March 2027 (paid in monthly instalments) to meet the following:

- Ongoing accrual of benefits being earned by current DB Section members
- The deficit identified as at 31 March 2019
- The expenses of running the Scheme
- The Pension Protection Fund levy and other levies collected by the Pensions Regulator

By 1 April 2027 the deficit is expected to have been removed and the University will then meet the cost of future service benefits, the expenses of running the Scheme and any PPF / other levies.

The next valuation of the Scheme is due 31 March 2022 at which point the contributions the University is paying will be reviewed and may change depending on the funding position at that time.

What if the Scheme started to wind up?

As part of the formal valuation, the actuary must every three years also look at the Scheme's solvency position if it started to wind up (come to an end).

The Trustee would like to assure members that there is no intention to wind up the Scheme and the University is committed to maintaining the Scheme; however, we are required by law to provide you with information about what would happen if the Scheme did wind up.

The actuary last looked at whether the Scheme had enough money to buy insurance policies to provide members' benefits at the triennial valuation date (i.e. 31 March 2019). Insurance companies have to invest in low-risk assets, which are likely to give low returns and their policy prices will include administration charges and a profit margin. This means that even if a Scheme is fully funded on its ongoing basis, the solvency figure is likely to be less than 100%.

Therefore, if the Scheme had started winding up on 31 March 2019, the actuary estimates the amount the Scheme needed to ensure benefits were paid in full (the full solvency position) was £293.9m and the assets at the time were £221.8m (this asset value differs very slightly from the one used to compare with the technical provisions quoted in 2019 to reflect the different value placed on the Scheme's existing annuity assets on the solvency basis). On this basis, the Scheme's solvency shortfall at 31 March 2019 was estimated to be £72.1m.

To assist the readers understanding it might be helpful to point out:

- The solvency figure will be updated again following completion of the 2022 actuarial valuation, using an updated asset value.
- The deficit on a solvency basis 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 consideration is that as a commercial organisation, the insurance company will want to make a profit.

The Pension Protection Fund

If the Scheme starts to wind up before you retire, the University must pay whatever the Scheme needs to buy the insurance policies for members. If the University was to become insolvent (very unlikely but we are required to inform you about the PPF), the Pension Protection Fund (PPF) may step in and pay some compensation to members.

There are more details on the PPF website at **www.pensionprotectionfund.org.uk**

Statutory Statement

By law, the Trustee has to tell you the following about the Scheme. Firstly, there has been no payment out of the Scheme's assets to the Scheme's sponsoring employers over the period since the last summary funding statement was provided, nor has this happened previously. Secondly, there has been no intervention from the Pensions Regulator to use its power to modify the Scheme or to impose a direction or schedule of contributions.

Use of personal data

The Trustee holds and uses personal information about UPS members and beneficiaries to meet its legal duties and for other legitimate purposes solely to do with running UPS in line with the General Data Protection Regulations. To prepare this statement, information was shared with the Scheme's actuary and support team at Willis Towers Watson.

The UPS's privacy notice is available on the University of Warwick website **(https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups/gdpr/)**. However, if you have any questions or want to know more about the information the Trustee holds and why, or about the Scheme's data protection arrangements, please contact Joseph Devlin:

Write to: HR Department, University House,
University of Warwick, Coventry, CV4 8UW

Email: **J.devlin.1@warwick.ac.uk**

Any questions?

If you have any questions about UPS or your benefits, please visit the scheme web-site at **https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups**