

# Pensions News 2018



Keeping you in touch with your pension scheme.



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## CHAIRMAN'S WELCOME

Welcome to your 2018 edition of *Pensions News*.

This year we're able to update you on the latest actuarial valuation of the University of Manchester Superannuation Scheme (UMSS). It's an important three-yearly financial health check that tells us if UMSS can meet the cost of providing benefits to members in the future, and allows us to look at how we can make sure we achieve full funding.

The valuation showed that the costs for the University have risen sharply from those shown at the previous actuarial valuation in 2013. The University has agreed to meet these additional costs but is considering what other options there are for UMSS in the future. In the meantime, UMSS continues as normal.

"In the next few weeks we are expecting to issue benefit statements for current contributing members."

Either we or the University will communicate further with you if changes are formally proposed by the University so please look out for this.

We hope you take time to read the valuation update (pages 8-11) to understand more about this.

In addition, you'll find an update on the annual financials and investments on pages 4-7.

In the next few weeks we are expecting to issue benefit statements for current contributing members, which set out details of your own benefit entitlements that have been built up to 31 March 2018.

We've also included an update for you about the new General Data Protection Regulation (GDPR) as well as the ongoing concerns surrounding pension scams.

As always, we want you to know who is on the Trustee Board and who is part of the Pensions Team so meet us on pages 14 and 15.

**Jon Ferns**  
Chairman – UMSS Ltd

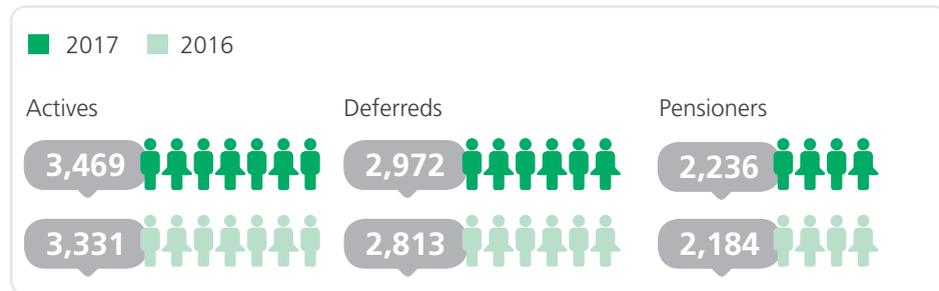


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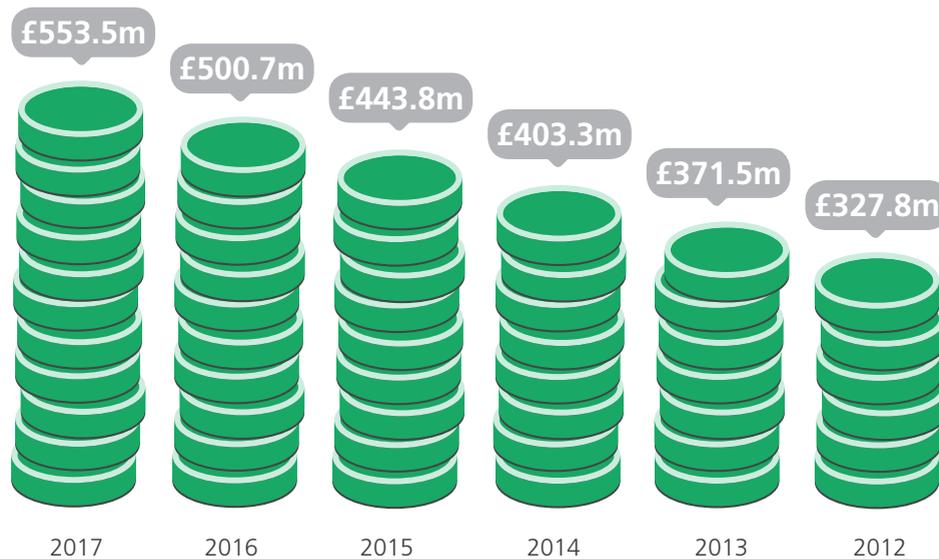
# THE FINANCIALS

## Membership

At 31 July 2017, UMSS had 8,677 members, compared with 8,328 members at 31 July 2016.



## Value of the fund



# INCOME AND EXPENDITURE

A summary of UMSS's income (money paid in) and expenditure (money paid out) is shown below.

## Summary (shown in £m)

■ 2017 ■ 2016

### Income



### Expenditure



### Net investment growth



### Increase in fund value for the year



If you would like a copy of the full report and accounts, please visit [www.umss.co.uk/documents.html](http://www.umss.co.uk/documents.html) or you can request a copy from the pensions team (details on the back page).

# INVESTMENTS

The Trustee has an investment strategy, which aims to make sure UMSS is well funded so there is sufficient money to pay members' benefits. The day-to-day management lies with the investment managers who are appointed to help meet the Trustee's objectives.

## Investment performance

The Trustee reviews the return of UMSS's investments on a quarterly basis and normally meets the managers at least annually.

The investment growth of the main investment portfolio (equities, bonds, LDI and cash) and the total assets (main portfolio plus other assets) over one, three and five years to 30 June 2017 is set out below:

	One year %	Three years %	Five years %
Main portfolio	14.8%	9.3%	9.9%
Total assets	12.8%	9.2%	9.3%

## Sustainable investment

The Trustee wants UMSS to invest in responsible companies when it comes to environmental, social and governance (ESG) issues as we believe they can have an impact on investment returns.

Our investment managers evaluate ESG, such as issues like the company's energy use; environmental impact; business relationships; working conditions; accounting methods and even political contributions.

## Equities

Investments include equities, which means UMSS buys and owns shares in companies. As the share prices in those companies increase, so does the amount of money in UMSS. The value of shares can go down as well as up so it's important they manage the funds day-to-day.

See opposite for the top 10 equities and the value held in each.

## Top 10 equities

Holding	Value (£000s)
1. Apple	3,866.9
2. Alphabet	2,806.9
3. Microsoft	2,721.2
4. Facebook	1,966.8
5. Amazon	1,957.4
6. Johnson & Johnson	1,785.6
7. Exxon Mobil	1,690.1
8. Berkshire Hathaway	1,680.3
9. JPMorgan Chase	1,623.0
10. Nestlé	1,298.4
<b>Total</b>	<b>21,396.6</b>



Every three years, an actuary carries out a full 'financial health check' of UMSS, known as a formal actuarial valuation.

The latest valuation as at 31 July 2016 is now complete and over the next few pages, we outline the results and set out the measures that have been agreed to help UMSS achieve full funding in the future.

## How is UMSS's financial security measured?

UMSS's funding position is measured by calculating the difference between its assets (money UMSS has, for example in cash and investments) and its liabilities (money UMSS is going to need to pay out now and in the future to provide benefits to members).

The actuary assesses UMSS's assets by valuing them at their current market price, but estimates the liabilities by making assumptions about future life expectancy (how long members might live), inflation (as this affects pension increases) and investment returns.

It's worth noting that the funding position of UMSS is a snapshot at a given point in time. It's based on what is known now and assumptions about what might happen in the future (such as how long people will live, projected inflation rates, and estimated investment returns).

### Liabilities

The estimated current cost of providing the benefits earned to date by active members and those who have left UMSS, together with the pension benefits already in payment.

### Assets

The funds built up from monies invested, together with returns on UMSS's investments.

### Shortfall

When there are not enough assets to cover liabilities.

### Wind up

The closure of a scheme and the distribution of benefits.

## Valuation results – ongoing basis

Below are the results of the most recent actuarial valuation, compared with the previous valuation. The results show UMSS's funding level on an 'ongoing basis'. This assumes that UMSS will continue as it is now.

### 31 July 2016



### 31 July 2013



UMSS's funding position has reduced from 75% in 2013 to 71% in 2016. This is largely because there has been a fall in gilt yields on UK Government bonds. A fall in yields means that the estimated cost of providing benefits has increased.

### How will the shortfall be met?

As at 31 July 2016, the shortfall was £207.4m. In order to meet the shortfall, a Recovery Plan has been agreed with the University. The Recovery Plan aims to make sure there is enough money in UMSS to pay for benefits now and in the future. The level of contributions will be reviewed at the next formal valuation.

## Shortfall contributions

Under the Recovery Plan, the University agreed to make annual inflation linked payments which started at £6 million from 1 August 2017, aiming to eliminate the shortfall by 31 January 2035. We have considered the financial strength of the University in drawing up the Recovery Plan and concluded that a repayment period to 2035 is reasonable.

For further information, please see the Scheme Funding Report 2016, which is available at [www.umss.co.uk](http://www.umss.co.uk)

## The Pensions Regulator's Directions

We are required to tell you whether The Pensions Regulator has used its legal powers (provisions of the Pensions Act 2004) to make directions as to:

- Change the rate at which members earn benefits
- The way that the pension scheme values members' benefits
- Setting the future level of contributions
- A date when a shortfall has to be met

We can confirm that The Pensions Regulator has not used any of its powers in relation to UMSS.

## Is there anything else I need to know?

Regulation also requires us to confirm if the University has taken any money out of UMSS. We can confirm that this has not occurred.



## What would happen if UMSS needed to wind up?

As part of the actuarial valuation, the actuary must assess UMSS's funding position if it were to wind up.

The valuation as at 31 July 2016 showed that if UMSS had wound up on that date UMSS's funding level would have been 44%, and the additional amount needed to secure members' benefits would have been £644.3 million.

The assessment assumes that, in the event of a wind up, members' benefits would be paid in full through an insurance policy. As insurers must take a cautious view of the future, the estimated money required to secure benefits through an insurance company is much more than is shown in the ongoing funding level.

The Government has set up the Pension Protection Fund (PPF) to help pension scheme members in the event of a wind up. If the University became insolvent and there were insufficient assets in UMSS to provide all benefits, the PPF might be able to take over UMSS and pay compensation to members. Further information and guidance is available on the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

It is a legal requirement to tell you this information and does not imply that the University has any intention to wind up UMSS.

## The importance of the University's support

Our objective is to have enough assets to pay pensions that have built up, both now and in the future. However, the success of the funding plan relies on the University continuing to support UMSS. We believe that the University will continue to exist and provide the financial support UMSS may need.

## Any questions?

If you have any questions about this statement or would like further information, please contact the pensions team (details on the back page).

# WHAT'S NEW?

## Don't get stung

Pension scams are sadly still making headlines, with almost £200m stolen by investment scammers, according to the Times newspaper. Recent research by the Pensions and Lifetime Savings Association (PLSA) has also shown that even simple tricks are working in the scammers' favour.

### Tips to help you avoid being stung by scammers:

- If you aren't expecting a message, don't respond to it, as it could be a scam;
- Don't give financial details over the phone;
- Only transfer benefits out of UMSS if you've spoken to a verified Independent Financial Adviser (IFA). To find an IFA in your local area, visit [www.unbiased.co.uk](http://www.unbiased.co.uk);
- Use complicated passwords online and keep anti-virus software on your computer up to date.

For more information on scams, please visit [www.thepensionsregulator.gov.uk/pension-scams](http://www.thepensionsregulator.gov.uk/pension-scams)

“Only transfer benefits out of UMSS if you've spoken to a verified Independent Financial Adviser (IFA).”



## Looking after your data

The General Data Protection Regulation (GDPR) comes into force on 25 May 2018, replacing the Data Protection Act 1998. Although much remains the same, GDPR contains more specific requirements for the use of and protection of data.

Though it may sound complex, it's important to understand. Without the security of regulations to protect personal data, your personal details and pension could be at risk. This is why we're making sure that we comply with GDPR.

### What this means for you

GDPR gives control of your personal data back to you. It means you can ask any company what information they hold about you. You can also ask them to amend or delete everything they have that identifies you.

“GDPR gives control of your personal data back to you. It means you can ask any company what information they hold about you.”

### How we'll handle it

We'll only collect and process data that we need to run UMSS – we don't, and won't, share personal data for marketing purposes.

We will be updating you separately with more information on GDPR as part of our compliance with the new rules and regulations. As we finalise our privacy and other policies, we'll also post them on the website.

# WHO LOOKS AFTER UMSS?

UMSS is managed by the Trustee Board. It's currently made up of nine directors - five are nominated by the University and four are elected by you, members of UMSS.

Our Member Nominated Directors are from each of the three main categories of staff: administrative, manual and technical employees; plus one pensioner member. They're elected for an initial term of three years.

## Who's who?

### University Nominated Directors



Jon Ferns  
(Chairman)



Clive Agnew



Simon  
Merrywest



Jane Shelton



Huw Peters

### Member Nominated Directors



Bill Allan



Peter Leigh



Mark Mullin



Kristian  
McDermott

# YOUR PENSIONS TEAM

The UMSS Pensions Team is responsible for the day-to-day management of UMSS.

The team is your first point of contact if you have any queries regarding UMSS. The team can't offer financial advice, but they can help with administration questions or UMSS queries.

### The members of the Pensions Team are:

**Heather Mawson**  
Head of Pensions

**Andy Taylor**  
Senior Pensions Assistant

**Alice Smart**  
Pensions Administrator

**Karen Wright**  
IT Coordinator

**Simon Ogden**  
Pensions Assistant

**Anna Burns**  
Clerical Assistant

## Keeping in touch

### Make sure your Nomination Form is up-to-date

It's important to keep this updated so that in the event of your death we know who you would like to receive any lump sum death benefits. If you've received your pension for more than five years you don't need to update your form.

Visit [www.umss.co.uk/documents](http://www.umss.co.uk/documents) - select the forms tab, and then Nomination Form if you want to update it.

### Change of details

We need to know if your details or circumstances change, such as your address, so we can keep you updated about your pension. Use the contact details on the back page to let us know.

# CONTACT DETAILS

All members, whether active, deferred or pensioner, are welcome to make an appointment with a member of the Pensions Team. To make an appointment, you can contact us in the following ways:



umss@manchester.ac.uk



Internal: 52043

External: 0161 275 2043



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