

umss

Trustee Special 2018



Keeping you in touch with your
pension scheme.





WELCOME

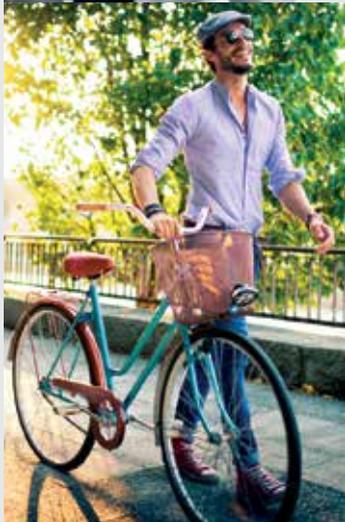
Welcome to the Trustee Special Newsletter.

In light of the recent UMSS consultation, this is an opportunity for us to update you on the funding position of The University of Manchester Superannuation Scheme (UMSS), as well as important information regarding UMSS.

As you will be aware The University of Manchester (the University) have consulted with active members, eligible employees and the campus trade unions about changing the benefits in UMSS. The consultation ended on 11 September 2018. The University is now considering all feedback it has received and will make a decision on the outcome. Should the University decide to proceed with changes to UMSS, it will inform the Trustee and ask it to implement these changes. The University will then inform those it consulted with of the outcome.

Yours sincerely

Jon Ferns
Chairman – UMSS Ltd



INTRODUCTION

Every three years a formal actuarial valuation of UMSS is carried out by an actuary, who measures the full financial health of UMSS.

The last formal actuarial valuation was as at 31 July 2016 and we shared the results with you in our latest newsletter. An interim valuation was completed at 31 July 2017 and the results are shown over the next few pages.

How is UMSS's financial security measured?

UMSS's financial security is measured by comparing the difference between its assets and liabilities. The actuary assesses UMSS's assets by valuing them at their current market price but assesses the liabilities by making assumptions about future life expectancy, inflation, and expected investment returns. It is worth noting that the liabilities figures are estimates based on assumptions which might change in the future.

A shortfall occurs when a scheme's total liabilities are greater than its total assets. The 2016 formal valuation showed that UMSS has a shortfall of £207.4 million. The 2017 valuation indicated a shortfall of £196.7 million.

“UMSS's financial security is measured by comparing the difference between its assets and liabilities.”

Assets

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

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.

Shortfall

When there are not enough assets to cover liabilities.

UMSS'S FINANCIAL POSITION

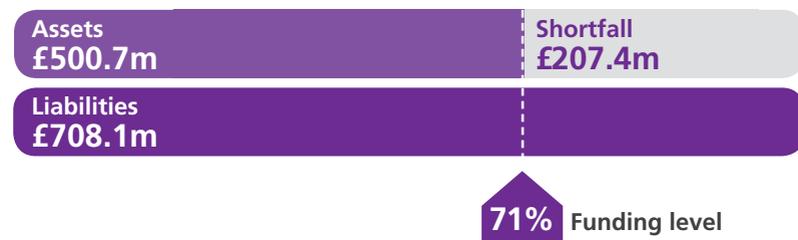
Below are the results of the most recent interim valuation at 31 July 2017, compared with the formal actuarial valuation as at 31 July 2016.

Details of the interim valuation at 31 July 2018 will be included in Pensions News next year. The results below show UMSS's funding level on an 'ongoing basis', which assumes that UMSS will continue as it is now and makes no allowance for the proposed benefit changes.

Interim valuation at 31 July 2017



Formal actuarial valuation as at 31 July 2016



Explanation of the change in funding level

The interim valuation at 31 July 2017 showed that the funding level has improved since the formal valuation as at 31 July 2016. This is in line with the Recovery Plan that was agreed between the Trustee and the University. The change in the funding level from July 2016 to July 2017 shows an increase in the value of the liabilities, offset by better than assumed investment performance, favourable scheme experience and the payment of deficit contributions by the University. The aim of the Recovery Plan is to eliminate the shortfall by 31 January 2035. This is being achieved through annual inflation-linked payments from the University which started at £6 million from 1 August 2017, with the expectation that investment returns will also help to eliminate the shortfall.

A **Recovery Plan** is usually only revised at each formal actuarial valuation and considers the financial strength of the University to ensure a reasonable repayment period. This is outlined in the Statement of Funding Principles, Recovery Plan and Schedule of Contributions. These documents can be accessed at www.umss.co.uk/documents

What would happen if UMSS needed to wind up?

It is a legal requirement for us to inform you of what would happen if UMSS was to wind up – this does not imply that the University has any intention to wind up UMSS.

The formal valuation as at 31 July 2016 showed that UMSS's assets could not fully cover the benefits of all members if UMSS wound up on that date. The funding level on this basis was 44% and the additional amount needed to secure members' benefits was £664.3 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.

If UMSS were to terminate, the law requires the University to pay sufficient money to the Trustee so that we can purchase the full benefits built up in UMSS with an insurance company. It may be, however, that the University would not be able to pay this full amount. If the University became insolvent, the Pension Protection Fund (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

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
- Set a deadline for making good the shortfall
- Set the future level of contributions

Such a course of action is rare, and 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.



Who have you nominated?

It's important to keep your Nomination Form up to date 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.

"It's important to keep your Nomination Form updated..."

Visit www.umss.co.uk/documents - select the forms tab, and then Nomination Form to complete your form today.

Have you recently moved house?

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

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