

Trustees' Short Report 2016-2017

Benefits

The Scheme provides defined pension and lump sum benefits for members on their retirement or for their dependants upon the death of the member before or after retirement. The benefits payable are based on the provisions set out in the Scheme's Trust Deed and Rules which are available from the Pensions Office, University of Dundee.

Pension Increases

The Trustees agreed to increase pensions in payment in excess of Guaranteed Minimum Pension in April 2017 by:

3.0%, in respect of pensionable service accrued before 6 April 1997 (for those who have not opted to exchange pension increases for a one off increase in their pension);
3.0%, in respect of pensionable service accrued from 6 April 1997 to 31 July 2009;
2%, in respect of pensionable service accrued from 1 August 2009 to 31 July 2011 and;
0.9%, in respect of pensionable service accrued from 1 August 2011.

Former CNM members receive an increase every August based on the April RPI of that year or a maximum of 5%. This increase is based on their service accrued up to 31 July 2011 and is only paid on benefits in excess of GMP

Pensions are increased in accordance with the provisions set out in the Scheme's Trust Deed and Rules.

Membership

All full or part time employees aged 16 to 74 are entitled to join the Scheme. The membership of the Scheme has increased slightly during the year. The number of pensioners has decreased however the pension benefits paid out have increased.

	31 st July 2017	31 st July 2016
Active Members in Service	1008	967
Deferred Pensions	612	615
Suspended Members	1	1
Pensioners	<u>485</u>	<u>516</u>
Total Membership	<u>2106</u>	<u>2099</u>

Contributions

During the financial year contributions were paid in accordance with the Schedule of Contributions certified by the Actuary on 29 October 2015 which consist of 7.75% employee contributions; 13.8% employer contributions (normal) and 8.3% employer contributions (deficit).

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Freedom and Choice

The Freedom and Choice legislation came into effect from April 2015. Further information can be found on the pensions advisory service website: www.pensionsadvisoryservice.org.uk.

The University of Dundee Superannuation Scheme (UODSS), which is a Defined Benefit (DB) pension scheme, provides:

- A pension based on your earnings and length of membership in the Scheme
- Benefits at retirement that can be taken either as an income or as a tax-free cash lump sum plus an income
- A pension that increases each year to offset the effects of inflation
- A dependant's pension and/or lump sum benefit that may be available in the event of your death
- Benefits that may be paid early should you fall ill before reaching retirement

To access the flexibilities available under the Freedom and Choice legislation, you will need to transfer your UODSS pension to a Defined Contribution (DC) arrangement (such as the National Pension Trust, see below). It should be noted that the benefits provided in UODSS are significant and may include certain guarantees that would be given up if you transfer your benefits out of the Scheme.

National Pension Trust

The National Pension Trust (a DC Mastertrust provided by Xafinity) has been set up by the University. This provides members with easy access to a high quality DC arrangement if they wish to transfer their UODSS benefits to access their pension in a more flexible way. It's likely that only a small number of members will benefit from this option therefore, prior to making a decision to transfer your UODSS pension to a DC arrangement, it is strongly recommended that you obtain independent financial advice (this is a legal requirement if the transfer amount is in excess of £30,000).

Additional Voluntary Contributions

You are able to increase your benefits by paying Additional Voluntary Contributions (AVCs) via the money purchase AVC policy with Prudential.

Further information can be obtained from the Pensions Office.

Members' Nominated Trustees

The Regulator's Code of Practice guidelines in respect of arrangements for the nomination and election of Member Trustees came into force on 22 November 2006. Following due consideration, and consultation with their advisers, the Trustees sent out details of the new process to active members and pensioners in October 2007. This process remains in place.

The framework invited active members and pensioners to demonstrate their support for suitable individuals through a process of nomination and election within their own 'constituency' within the University. Details of the process itself can be obtained from the Pensions Office.

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Summary Funding Statement

This short report usually is issued along with a Summary Funding Statement which provides members with an update of the funding position of the Scheme as at the latest year end. As the triennial funding valuation as at 31 July 2017 is not yet finalised, the Summary Funding Statement will be issued towards the end of 2018.

Further information

If you have any questions in relation to the issues noted above, you may find the information provided in the following link to be helpful:

<https://www.dundee.ac.uk/payroll-pensions/pensions/uodss>

If you still have questions, please contact Marion Imrie, Pensions Office, University of Dundee.

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Income & Expenditure

The following is a short extract from the Annual Accounts

Income

	<u>2017</u>	<u>2016</u>
Members Contributions (including AVCs)	154,898	166,501
University Contributions ⁽¹⁾	5,789,733	5,495,201
Transfers in & reinstatements	72,781	87,216
Death in Service	98,829	31,530
Investment Income	830,834	264,265
Other income	-	1,300
	<u>6,947,075</u>	<u>6,046,013</u>

Expenditure

	<u>2017</u>	<u>2016</u>
Pensions	2,562,638	2,520,149
Lump Sums	1,134,052	635,161
Payments to and on account of leavers	1,041,344	647,162
Benefits Payable on Death	133,179	32,164
Administrative expenses	1,048,976	562,452
Life assurance premiums	100,578	100,577
	<u>6,020,767</u>	<u>4,497,665</u>

Surplus of Income over Expenditure	926,308	1,548,348
Increase/(decrease) in Market Value of Investments	<u>2,656,686</u>	<u>2,048,589</u>
Net increase/(decrease) in fund in year	3,582,994	3,596,937
Net assets of the Scheme at 31 July	<u>100,247,236</u>	<u>96,664,242</u>

⁽¹⁾ Includes contributions paid by the University on behalf of members who contribute to the Scheme via salary sacrifice;

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Scheme Assets

The Trustees have a duty to ensure that the assets of the Scheme are built up so that they are sufficient to meet the liabilities of the Scheme to pay the promised benefits. Assets are built up from both members' and University contributions, from investment income and from capital appreciation.

The assets of the Scheme were managed during the year by Baillie Gifford & Co, Standard Life Investments Limited, Ruffer LLP, Partners Group (Guernsey) Ltd. and Equitable Life Assurance Society. All of the funds are invested in a selection of specific pooled investment funds and insurance policies, other than the investments held with Ruffer, which are in a segregated fund. Ruffer also acts as a Custodian for this segregated fund.

The investment strategy is agreed by the Trustees following appropriate advice, and specifies the desired split of assets in order to meet the defined objectives which are set out in the Statement of Investment Principles. However, day-to-day management of the portfolio including full discretion for stock selection is the responsibility of the investment managers.

The value of the assets of the Scheme as at 31 July 2017 was £100,247,236 which represents an increase of 3.71% over the year (31 July 2016: £96,664,242).

Statement of Investment Principles

The Trustees have produced a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. A copy of the Statement is available on request.

The Trustees' overall investment policy falls into two parts. The strategic management of the assets is the responsibility of the Trustees acting on expert advice and is determined by their investment objectives set out in the Statement of Investment Principles.

The remaining elements of the Trustees' investment policy concerns the day-to-day management of the Scheme's assets. This includes full discretion for stock selection and is the responsibility of the investment managers.

The Statement of Investment Principles is reviewed regularly to ensure the appropriateness of the investment strategy, and that the Trustees' activities adhere to this voluntary code of best practice.

The Trustees seek to mitigate credit risk by investing in a range of actively managed pooled funds with multiple managers, which have different custodians to help safeguard the risk of default by the investment manager.

There were no instances of investments not compliant with SIP during the current or prior year.

There were no employer-related investments during the current year or prior year.

Statutory Funding Objective

Legislation requires the Trustees to adopt conservative methods of funding assessment (known as the "Statutory Funding Objective"). This requirement is designed to encourage pension scheme Trustees and employers to quickly improve the funding position of pension schemes that are in deficit by using conservative future assumptions in actuarial valuations and short periods to eliminate deficits.

The Pensions Regulator requires the Trustees to consider the solvency position of the Scheme, investment strategy and employer covenant when calculating a suitable employer contribution rate. The Pensions Regulator will be monitoring funding targets as part of a wider drive to improve funding within pension schemes.

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The latest valuation of the Scheme under the Statutory Funding Objective had an effective date of 31 July 2014. Following the valuation, the Trustees and the University agreed a Schedule of Contributions which sets out the required level of contributions to fund future benefits and to address the funding shortfall shown. Page 1 of this report sets out the level of contributions which was agreed following the valuation.

A full actuarial valuation is currently being carried out (as at 31 July 2017). This valuation is due to be completed no later than 31 October 2018.

Audit

The Income and Expenditure statement in this Report is a condensed version of the full Accounts of the Scheme. The Income and Expenditure statement forms part of the formal Trustees' Report and the Accounts which were audited, as required by the Regulations, by Deloitte LLP, the appointed auditors.

The formal accounts were prepared under the new Statement of Recommended Practice, which sets out how accounts must be produced. Additional disclosures were required. These included classifying risk levels of assets, stating where these risks lied, and including assets that had not previously been required to be disclosed in the accounts.

Trustees & Advisers

The Trustees responsible for the Scheme during the year were:-

Mrs Christine Blyth (Member nominated)	Mr Ian Ball
Mr Anthony Roncone (Member nominated)	Dr Neale Laker
Ms Fiona Woodward (Member nominated)	Mr Iain Howie – retired 30/04/2017
Mrs Stella Henderson (Member nominated)	Mr Keith Swinley
	Mr Graham McKee – retired 31/12/2016
	Mrs Lesley Sinclair – appointed 15/03/2017

The specialist advisers appointed by the Trustees are:-

Scheme Actuary	Mr Jonathan Seed (Xafinity)
Pension consultants	Xafinity
Administrator	Prudential plc
Auditor	Deloitte LLP
Investment Managers	Baillie Gifford & Co, Standard Life Investments Limited Equitable Life Assurance Society Ruffer LLP Partners Group (Guernsey) Prudential plc (AVCs)
Banker	Royal Bank of Scotland plc

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Nomination Form

If you die in service there is a lump sum benefit payable of 4 times your salary at date of death, plus a return of contributions, plus interest. This payment is normally free of inheritance tax and is payable under the discretionary powers of the Trustees. **It is important to make your wishes known to the Trustees by completing a Nomination of Beneficiaries Form which will give guidance to the Trustees on how this lump sum should be paid on death in service.** These Forms, which can be obtained from the Pensions Office, University of Dundee (or via the link provided below) are held in confidence. **It is important to revise these forms should your circumstances change, for example on marriage or divorce.**

A separate nomination form is available to allow any member to nominate a potential dependant for the purposes of the dependant's pension. You are not required to complete these forms if you are married or in a civil partnership.

More information in relation to the benefits payable in the event of your death can be found in the 'Death Benefits' factsheet available via the link provided below.

Disputes

There is a procedure for dealing with any dispute involving a member of the Scheme and the necessary forms are available from the Pensions Office, University of Dundee. The arbiter appointed to deal with the first stage of any dispute is Miss Marion Imrie.

Some useful sources of information

If you want to find out more about the University of Dundee Superannuation and Life Assurance Scheme you should refer to the Scheme Guide and factsheets available from Marion Imrie in the Pensions Office or online at:

<https://www.dundee.ac.uk/payroll-pensions/pensions/uodss>

There is also a great deal of general information on pensions available from the Internet and the following is a brief list of some of the most useful sites:

The Pensions Regulator (tPR)	www.thepensionsregulator.gov.uk/	The Pensions Regulator is the UK regulator of work-based pension schemes.
Department for Work and Pensions (DWP)	www.gov.uk/government/organisations/department-for-work-pensions	For information and free guides about pension provision, details of stakeholder arrangements and state benefits forecasts
The Pensions Advisory Service (TPAS)	www.pensionsadvisoryservice.org.uk	For free and independent information about any aspect of pension provision.
Money Advice Service	www.moneyadviceservice.org.uk	For more information on where you can obtain independent help with your financial planning
Independent Financial Advice	www.unbiased.co.uk	If you want to review you pension and savings, getting an independent financial adviser (IFA) can be helpful. The site contains a search facility to find an IFA in your areas, and guides to pensions, savings, investments and tax.