

Trustees' Short Report 2015-2016

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 2016 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;
0.8%, in respect of pensionable service accrued from 1 August 2009 to 31 July 2011 and;
0%, 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 and the benefits paid out has also continued to increase.

	31 st July 2016	31 st July 2015
Active Members in Service	967	966
Deferred Pensions	615	558
Suspended Members	1	1
Pensioners	<u>516</u>	<u>507</u>
Total Membership	<u>2099</u>	<u>2032</u>

Contributions

The University paid contributions until 31 October 2015 in accordance with the Schedule of Contributions certified by the Actuary on 26 September 2012. Following the valuation as at 31 July 2014 a new Schedule of Contributions was certified on 29 October 2015. Under both Schedule of Contributions the total contributions payable by the University amount to 22.1% of Pensionable Salaries. The University's current contribution to the Scheme consists of two elements: 13.8% of Pensionable Salaries in respect of future accrual and an additional 8.3% aimed at reducing the deficit revealed as part of the 31 July 2014 valuation.

Employees contribute to the Scheme at the rate of 7.75% of Pensionable Salaries.

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Freedom and Choice

The new 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 (UDSS), which is a 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 UDSS pension to a money purchase arrangement. It should be noted that the benefits provided in UDSS are significant and may include certain guarantees that would be given up if you transfer your benefits out of the Scheme.

Partial Transfers

Following a recent change to the UDSS Rules, members may, if they wish, transfer part of their benefits out of the Scheme. For example, if transferring via the Public Sector Transfer Club due to a promotion, your final salary benefits could be transferred to your new scheme with CARE¹ benefits retained in UDSS if, after receiving Independent Financial Advice, you decided this would be beneficial.

It is recommended that you seek independent financial advice before considering a transfer out of UDSS. In certain cases, for example transfers in excess of £30,000 to money purchase arrangements, you may be asked to provide a copy of independent financial advice received before you can transfer your benefits. This is to ensure that you can make an informed choice about transferring your benefits, and are aware of the potential risks involved. Please note that neither the Trustees nor the University can provide you with this advice. You may find the information at the end of this document of use should you need to speak with an IFA.

¹Career Average Revalued Earnings

New anti-scam service

The introduction of the Freedom and Choice legislation has increased the prevalence of pension scams. The Trustees' priority is the security of members' benefits in the Scheme and, to help protect members from pension scams, the Trustees have introduced a new 'anti-scam' service in conjunction with the Trustees' actuarial advisor, Xafinity. This service will help protect members from scam activity when transferring their benefits out of the Scheme.

This anti-scam service will automatically be used when any member wishes to take a transfer value of more than £30,000. Once a member requests such a transfer, Xafinity will contact the member by telephone to run through some questions designed to identify scam activity.

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Additional Voluntary Contributions

You are able to increase your benefits by paying Additional Voluntary Contributions (AVCs). These may be made as follows:-

Scheme A - a 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.

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.

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:

<http://www.dundee.ac.uk/finance/our-services/pensions/superannuation-schemes/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>2016</u>	<u>2015</u>
Members Contributions (including AVCs)	166,501	183,070
University Contributions ⁽¹⁾	5,495,201	5,590,702
Transfers in & reinstatements	87,216	70,734
Death in Service	31,530	50,388
Investment Income	264,265	275,223
Other income	<u>1,300</u>	<u>0</u>
	<u>6,046,013</u>	<u>6,170,117</u>

Expenditure

	<u>2016</u>	<u>2015</u>
Pensions	2,520,149	2,361,742
Lump Sums	635,161	795,513
Payments to and on account of leavers	647,162	183,343
Benefits Payable on Death	32,164	115,368
Administrative expenses ⁽²⁾	562,452	520,488
Life assurance premiums	<u>100,577</u>	<u>128,389</u>
	<u>4,497,665</u>	<u>4,104,843</u>
Surplus of Income over Expenditure	1,548,348	2,065,274
Increase/(decrease) in Market Value of Investments	<u>2,048,589</u>	<u>6,876,983</u>
Net increase/(decrease) in fund in year	3,596,937	8,942,257
Net assets of the Scheme at 31 July	<u>96,664,242</u>	<u>93,067,305</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.

Management of the assets has been delegated by the Trustees to Baillie Gifford and Company, Standard Life Investments Limited, Ruffer LLP, Equitable Life and Prudential (AVCs). The funds are invested in a selection of specific pooled investment funds and Insurance Policies. Full details are available in the main Report which can be obtained on request from the Pensions Office, University of Dundee.

The value of the assets of the Scheme as at 31 July 2016 was £96,664,242 which represents an increase of 3.86% over the year (31 July 2015: £93,067,305).

Statement of Investment Principles

The Trustees have produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995. The statement also takes into account the Myners report on institutional investment, which recommended ten principles that trustees should use when managing their investment policies. A copy of the current 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 concern 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 Trustees have also complied with the requirement for the defining of clear objectives for the Scheme and making strategic asset allocation decisions. Specifically the Trustees have put in place a strategy designed to realign the asset mix in such a way as to better match the liability profile of the Scheme over a period of time. The Trustees have agreed explicit mandates, appropriate benchmarks and performance targets with each manager and these are reviewed on a regular basis.

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' current strategy is to invest 86% of the Scheme assets in diversified growth funds which are intended to generate additional returns over the longer term.

The remainder of the Scheme's assets is invested in bonds, which are intended to provide a broad match for a proportion of the Scheme's liabilities.

The Trustees are currently changing the investment strategy, and these changes will be reflected in a revised Statement of Principles once the changes are complete later this year.

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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.

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.

Further information in relation to the actuarial valuation as at 31 July 2014 is provided in the latest Summary Funding Statement which is appended to this report.

The next full actuarial valuation is due as at 31 July 2017. That valuation is due to be completed no later than 31 October 2018.

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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 for the first time this year 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
Mrs Stella Henderson (Member nominated)	Mr Keith Swinley
	Mr Graham McKee

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 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:

<http://www.dundee.ac.uk/finance/our-services/pensions/superannuation-schemes/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.