University of Dundee Superannuation and Life Assurance Scheme (‘the Scheme’)

2018 Summary Funding Statement

As a person entitled to benefits from the scheme we are writing to give you an update of the Scheme’s funding position. We will send you a statement like this each year to provide you with the latest funding information for the Scheme.

Actuarial Valuation as at 31 July 2017

The latest actuarial valuation of the Scheme showed the funding position was as follows:

Actuarial Valuation as at 31 July 2017	
Assets (£m)	100.6
Liabilities (£m)	145.5
Shortfall (£m)	44.9
Funding level	69%

Steps being taken to remove the funding shortfall

As a result of the 2017 valuation, the University agreed to pay additional contributions of £1.9 million per annum (increasing at 3% each year) until 31 July 2031 with the aim of removing this shortfall.

These additional contributions are greater than those promised after the 2014 valuation.

An additional one-off lump sum of £5 million will also be paid by the University prior to 31 October 2018.

There was no change in the rate of active members’ contributions which is 7.75% of pensionable salaries.

What is the Scheme invested in?

The Trustees’ policy is to invest in a broad range of assets to generate long term returns above inflation.

The invested assets were held in diversified growth funds at 31 July 2017. In addition, the Trustees hold a with-profits policy with Equitable Life (1% of total assets) and cash (1% of total assets), to meet short term obligations.

Change in funding position since the previous statement

You were last sent a statement in the spring of 2017 which showed a funding shortfall of £62.4m as at 31 July 2016. The funding position has improved since then, with the deficit falling by £17.5m between then and 31 July 2017.

Change in funding position since the 2017 valuation

The following table summarises the most recent funding information for the Scheme:

Actuarial Update	31 July 2018	31 July 2017
Assets (£m)	102.7	100.6
Liabilities (£m)	153.9	145.5
Shortfall (£m)	51.2	44.9
Funding level	67%	69%

The position has worsened since the 2017 valuation.

This is due to a fall in bond yields and poor investment performance over the year to 31 July 2018, with asset returns being lower than those assumed at the 2017 valuation.

The increase in this amount was partially offset by additional contributions paid by the University (to reduce the funding shortfall).

Payments to the University

There have not been any payments to the University out of Scheme’s funds since the last statement was issued.

Where can I get more information?

If you have any other questions, or would like more information, please contact Marion Imrie at:
University Pensions Office, University of Dundee, Dundee, DD1 4HN.

Further information on the Scheme can be found in the Pensions Pack on the UODSS website which is given below:
www.dundee.ac.uk/finance/our-services/pensions/superannuation-schemes/uodss/

Yours sincerely,
The Trustees of the University of Dundee Superannuation and Life Assurance Scheme

University of Dundee Superannuation and Life Assurance Scheme ('the Scheme')

How the Scheme works

How are my benefits paid for?

The University and active members pay contributions to the Scheme which are invested in a common fund to pay benefits to Scheme members and dependants. The money is not held in separate funds for each individual.

How is the amount the Scheme needs to pay benefits calculated?

The Trustees have agreed a funding plan (the *Statement of Funding Principles*) with the University which aims to ensure there is enough money in the Scheme to pay for benefits as they fall due. The amount of money which the University pays into the Scheme may go up or down following regular funding checks by our actuary (called actuarial valuations).

The importance of the University's support

The Trustees' objective is to have enough money in the Scheme to pay benefits as they fall due. However, success of the plan relies on the University continuing to support the Scheme because:

- The funding level can fluctuate, and when there is a funding shortfall, the University will usually need to put in more money; and
- The target funding level may not be sufficient to pay all future benefits in full and the University may need to put in more money.

Winding up

Neither the Trustees nor the University are thinking of winding-up the Scheme however we are required to provide this information by law. The estimated amount needed to ensure that all members' benefits could be fully secured if the Scheme were to be wound up was £270.5m as at 31 July 2017. This, compared with a total asset value of £100.7m, means there was a winding up shortfall of £169.8m.

What would happen if the Scheme were to be wound up?

If the Scheme were to be wound up, you may not get the full benefits you have built up. However, as the University continues to support the Scheme, benefits will continue to be paid in full – even though funding can temporarily be below target.

If the Scheme were wound up, the University, if able, would have to pay money into the Scheme to enable members' benefits to be fully secured with an insurance company. If it is unable to pay the full amount required (for example, if the University became insolvent) benefits may not be paid in full. The Pension Protection Fund (PPF) could be required to take over the Scheme to ensure a minimum level of benefits can be paid to members (if the assets are not sufficient to provide a minimum level of compensation).

Further information is available on the PPF's website at www.pensionprotectionfund.org.uk.

Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured with an insurance company. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administering the Scheme. By contrast, our funding plan assumes that the University will continue to support the Scheme and the corresponding cost of providing benefits as they fall due is lower.

The Pensions Regulator

In certain circumstances the Pensions Regulator can direct how the amount needed to provide benefits must be calculated, can set the period for eliminating any funding shortfall, can specify the level of employer contributions to be paid and has the power to modify the Scheme's future accrual of benefits. No such circumstances have arisen in relation to the Scheme.

Your options

If you are considering leaving the Scheme, we strongly advise that you first consider obtaining independent financial advice before taking any action.
A list of funding and related documents are available from the University Pension Office.