

SUMMARY FUNDING STATEMENT 2019

If you're a member of the University of Reading Employees' Pension Fund (the "Fund"), then you're in the right place. This funding statement is just for you!

This is an important document and it lets you know how the Fund is doing financially.

Why is it important?

Because the Fund's financial health could affect the benefits you receive. And it's also a legal requirement.

The Fund must have a full financial check (called a valuation) from an independent expert (called an actuary) at least every three years. The actuary also has to carry out annual funding updates. We, the Trustees of the Fund, send you a summary funding statement to tell you about the results each year. This statement is, unfortunately, being issued later than usual due to the unusual circumstances of the last year.

How is the Fund doing?

The last full valuation looked at the funding position as at 31 July 2017 (the "2017 valuation"). The last annual funding update took place as at 31 July 2019 (the "2019 update") and is shown for comparison. The next full actuarial valuation is taking place as at 31 July 2020 and the Trustees will update you again when this has been completed.

Assets: The money the Fund has



2019 update **£ 207.4m**

2017 valuation **£ 185.9m**

The value of the Fund's assets has increased since the valuation due to better than assumed investment returns (an overall return of around 6.7% p.a. over the two-year period).

Liabilities: The estimated cost of providing the promised benefits – now and in the future



2019 update **£ 194.8m**

2017 valuation **£ 169.7m**

Over the 2 years since the valuation, gilt yields have decreased and the long-term inflation/pension increase assumptions have increased slightly, both of which place a higher value on liabilities.

Surplus/(deficit): The assets minus the liabilities



2019 update **£ 12.6m**

2017 valuation **£ 16.2m**

Although the Fund remains in surplus, the University continues to pay contributions into the Fund at the previously agreed rate.

Funding level: The assets as a percentage of the liabilities



2019 update **106%**

2017 valuation **110%**

The funding level has remained comfortably above 100%.

Another legal requirement for the Fund...

As part of the valuation, the actuary also has to work out the funding level assuming the Fund doesn't continue and all the promised benefits are secured ("bought out") by transferring the obligation to pay them to an insurance company.

This kind of funding level (called the solvency funding level) is usually significantly lower than funding levels worked out if we assume the Fund carries on. This is because insurance companies have to invest in "low risk" assets and they also have to hold reserves to demonstrate they have enough money to pay out the benefits. This makes buying-out benefits expensive.

Assets:

The money the Fund has



2017 valuation **£ 185.9m**

Surplus/(deficit) assuming a "buy out":

The assets minus the buy-out cost



2017 valuation **(£ 59.3m)**

Buy-out cost:

The cost of securing benefits with an insurance company*



2017 valuation **£ 245.2m**

Solvency funding level:

The assets as a percentage of the buy-out cost



2017 valuation **76%**

*The calculation estimates the cost of providing the promised benefits if the Fund ended on 31 July 2017 and the responsibility for paying the benefits was transferred to an insurance company.

So how secure is my pension?

The Trustees aim to have enough money to pay pensions and other benefits to members as they are due.

However, in the event the Fund was wound-up without enough money to buy all the benefits with an insurer, then, unless the Employer could afford to pay the difference, it's unlikely you'd receive the full pension benefits you were expecting.

To help members in this situation, the Government set up the Pension Protection Fund (PPF) in 2005. The pension you would receive from the PPF depends on your age and when your benefits were earned. Further information and guidance are available on the PPF website at pensionprotectionfund.org.uk – or you can write to the Pension Protection Fund at:

Renaissance, 12 Dingwall Road, Croydon CR0 2NA

Including this information doesn't mean that the Employer or the Trustees are planning to wind up the Fund. We are required by law to give you this information.

We are also required to tell you if there have been any surplus payments from the Fund to the Employer since the last funding statement, or whether the Pensions Regulator has intervened to change the way benefits build up, the way valuations are worked out, or the way any funding shortfall is being met.

In each instance, the answer is no.

WHERE CAN I GET MORE INFORMATION?

If you have any other questions about this funding statement, or would like any more information about the Fund, please contact:

The Pensions Office
University of Reading
Room 110
Whiteknights House
Reading RG6 6UR
Email: pensions@reading.ac.uk

We'll send you a summary funding statement when we have updated information on the Fund's finances to share with you – if you change address, please contact Barnett Waddingham (the Administrator) so that your records can be updated:

Barnett Waddingham LLP
St James' House
St James Square
Cheltenham
GL50 3PR
Telephone: **0333 11 11 222**

Please note: Benefits are determined by the Rules of the Fund. If there is any conflict between any information in this Summary Funding Statement and the Rules, the Rules (as amended from time to time) will be overriding. If you have any questions or would like a copy of the Rules, please contact us at the address above.