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UMSS Valuation Special 2014



Inside: Keeping you up to date on your pension scheme's funding position.



WELCOME FROM THE TRUSTEES

Welcome to your 2014
Valuation Special newsletter.

Valuation

As mentioned in the July issue of Pensions News, the latest three-yearly actuarial valuation (financial health check) for the University of Manchester Superannuation Scheme (UMSS or the Scheme) is now complete. This newsletter gives the results of the valuation and sets out the measures that have been put in place to help the Scheme achieve full funding in the future.

MND election results

In the last issue of Pensions News, we mentioned that Bill Allan's current term of office was coming to an end for his position as Member Nominated Director (MND) on the Trustee Board. We are pleased to announce that Bill has been re-elected as an MND and will continue to represent members on the Board. We would like to thank everyone who participated in the elections.





Keeping your data safe

The Trustee takes its responsibilities in relation to the handling and processing of Scheme member data very seriously. As the Trustee holds and processes personal information about members, it is what is known as a 'data controller' in relation to the Data Protection Act 1998 (the Act).

Following new guidance issued by the Information Commissioner's Office, the Scheme Actuary is also considered to be a joint 'data controller' with the Trustee, because the Actuary is providing a highly specialised professional service to the Scheme and is bound by legal, professional and ethical standards. We are required to inform members that the Scheme Actuary is officially registered as a 'data controller' and is handling and processing member data in line with the legal requirements.

Finally, if you have any queries about your UMSS pension please contact the Pensions Office (see back page for contact details).

The Trustees – UMSS Ltd

It is with great sadness that we, the Trustees, must report the death of Don Hanson, Chair of the UMSS Board.



Don died in October after a short illness and our thoughts are with his family and loved ones at this time.

Don had a long association with the University, initially on the Audit Committee of the Victoria University (VUM) and subsequently as Chair of the UMSS Management Committee. In 1996, UMSS was set up as a distinct activity from the University. Don was asked at this time, by the University Council of VUM, to take on the position of Chair of the Trustee Board and he continued to act for members and the Scheme in that role until very recently.

He skilfully guided the Scheme and Trustee Board through much transition, both within the University and externally with the rafts of pension and investment regulations. Unusually for such a role, Don did all of this without taking any remuneration. We will miss his expert knowledge and the calm manner with which he dealt with the ups and downs of the world economy.

He was recognised by VUM in 2004 with an Honorary Companionship and in 2008 with the University's Medal of Honour.

We want to pay tribute to Don for his dedication and commitment to UMSS. He will be sorely missed by all who knew him.

From your Trustee Board:

Clive Agnew, Simon Merrywest, Jane Shelton, Catherine Tansey, Peter Leigh, Bill Allan, Huw Peters, Mark Mullin.



VALUATION RESULTS

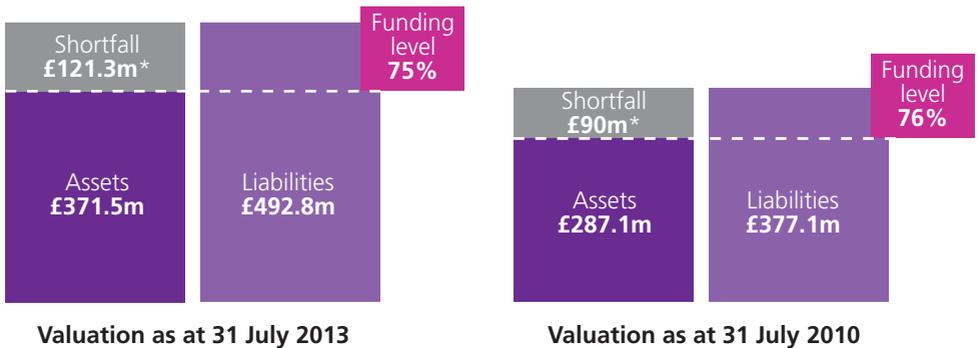
What do we mean by the Scheme's funding position?

Put simply, the Scheme's funding position is the difference between the Scheme's assets (i.e. the money available in the Scheme) and its liabilities (i.e. the money the Scheme will need to pay members' benefits both now and in the future).

The Scheme's funding position can only be a 'snap-shot', based on what is known now and assumptions about what might happen in the future (such as how long people will live, what inflation will be and what investment returns will be).

How well funded is the Scheme?

There are many ways of measuring the Scheme's funding position. Each makes different assumptions about what will happen in the future. The most relevant measure to members is the 'ongoing basis', which assumes the Scheme continues in the same way as it does now. The ongoing funding position at 31 July 2013 compared with the previous valuation is shown below:



*The shortfall takes into account the Scheme's future liabilities, but not any future funding. The necessary funding will be reviewed as part of the Recovery Plan outlined on the next page.



Jargon Buster

Scheme liabilities are the estimated cost of providing the benefits earned to date by all the active members and those who have left the Scheme, together with the pension benefits already in payment.

Scheme assets are the funds built up from monies invested, together with returns on the Scheme's investments.

Shortfall is when there are not enough assets to cover liabilities.

Ongoing basis for a valuation assumes that contributions will continue to be made and benefits will continue building up.

Wind up is the closure of a scheme and the distribution of benefits.

How will the shortfall be met?

A Recovery Plan has been agreed between the University and Trustee which aims to eliminate the shortfall by 30 September 2028. This is being achieved through an increase in shortfall contributions from £4.5 million to £6.0 million a year, together with a monitoring of investment returns.

“This is being achieved through an increase in shortfall contributions from £4.5 million to £6.0 million a year, together with a monitoring of investment returns”

The Trustee has a funding plan (the Statement of Funding Principles) agreed with the University that aims to make sure there is enough money in the Scheme to pay for pensions now and in the future. The amount of money that the University pays into the Scheme may go up or down following regular funding checks by the actuary. Following each actuarial valuation, the Trustee comes to an agreement with the University on future contributions, which allow for making good any shortfall over an agreed time scale. These are documented in the Schedule of Contributions, a copy of which is available on request.

VALUATION RESULTS

continued



What if the Scheme started to wind up?

This information has been provided for legislative purposes and does not mean that either UMSS or any of the Employers are considering winding up the Scheme.

The valuation as at 31 July 2013 showed that if the Scheme had wound up at that date, the assets could not have paid for the full benefits of all members to be provided by an insurance company. The funding level on this basis was 59%. The estimated additional amount needed to ensure that all members' benefits could be paid in full if the Scheme had started winding up was £262.1 million.

In the event of a wind up, it may be that the University and the Employers are unable to pay the full amount required by an insurance company to pay members' benefits. The Pension Protection Fund (PPF) has been set up by the Government to help protect members' pensions where a company becomes insolvent. If the Scheme became insolvent, the PPF might be able to take over and pay compensation to members. However, it does not guarantee to pay member benefits in full.

Further information is available on the PPF's website at www.pensionprotectionfund.org.uk. You can also write to the Pension Protection Fund at: 12 Dingwall Road, Croydon, Surrey CR0 2NA.



The importance of the University's support

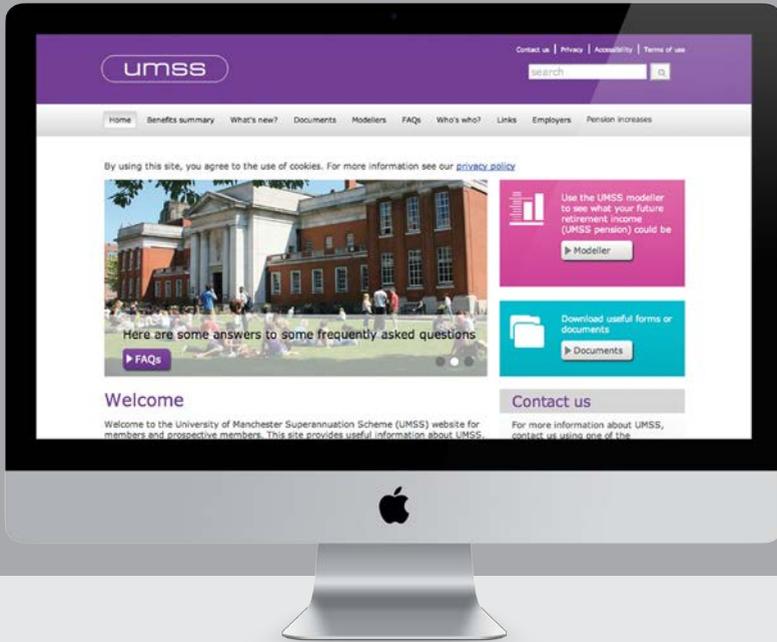
The Trustee's objective is to have enough assets to pay pensions now and in the future. However, success of the funding plan relies on the University continuing to support the Scheme because:

- The University will be paying the future expenses of running the Scheme.
- The funding level can fluctuate and the University will need to make good any shortfall.
- The target funding level may not be enough and the University may need to contribute more.



Is there anything else I need to know?

Regulations require the Trustee Board to confirm if the University has taken any money out of the Scheme, or if the Pensions Regulator has had to use its powers to intervene in the running of the Scheme in the last 12 months and we are happy to confirm that neither of these have occurred.



WHERE CAN I GET FURTHER INFORMATION?

If, after reading this newsletter, you have any questions or would like further information, please contact the Pensions Office.

Important: If you are thinking of leaving the Scheme for any reason the Trustee recommends you take financial advice before taking any action.

Contact us

The Pensions Office is located in the University's Directorate of Human Resources in the John Owens Building. If your enquiry is confidential or will take a little more time, please make an appointment. You can contact us in the following ways:

Email: umss@manchester.ac.uk

Call: Internal: 52043 **External:** 0161 275 2043

Write to: Pensions Office, John Owens Building, The University of Manchester, Oxford Road, Manchester, M13 9PL

