

umss

Pensions News 2017



Keeping you in
touch with your
pension scheme.



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CHAIRMAN'S STATEMENT

Welcome to this year's edition of *Pensions News*.

It's been a busy year for the Trustee with two major areas of activity to mention.

In July we began working on the latest full valuation of the University of Manchester Superannuation Scheme (the Scheme). The valuation is an important event that brings the Scheme's financial situation into focus. It tells us whether the Scheme can meet the cost of providing benefits to members in the future. It also allows us to find out how we can improve and maintain the Scheme's funding position. The valuation is ongoing, and we will be working closely with the University. We will keep you updated on the outcome over the next few months.

"The valuation is an important event that brings the Scheme's financial situation into focus."

Where the Scheme is invested plays an important part in helping ensure its funding remains strong. We need to take steps to increase the value of investments, and balance the risk that values might fall from time to time. With this in mind, the second main area of work is to control some of the investment risks that could affect investment values in the future. In doing this, we have been careful to keep in mind the long-term nature of investments. The investment strategy is reviewed regularly and we've provided you with details on the current investments on pages 10 and 11.

As always, pensions never seem to be out of the general press. So, we've provided a quick round up of recent pension news on pages 4 and 5 that should bring you up-to-date with some of the recent news articles.

We hope you find this edition of *Pensions News* useful and we look forward to sharing the full results of the recent valuation with you later in the year.

Jon Ferns
Chairman – UMSS Ltd

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WHAT'S NEW?

The State Pension

Last year, changes to the State Pension came into effect. This means anyone who reaches State Pension age on or after 6 April 2016 will receive the new State Pension of up to £155.65 a week. The amount of State Pension you actually receive will depend on your National Insurance record and whether you have been a member of a contracted-out pension scheme such as UMSS before April 2016.

Find out how much State Pension you could receive by visiting www.gov.uk/check-state-pension

“The amount of State Pension you actually receive will depend on your National Insurance record...”

! Pension scams

Pension scams remain commonplace so please continue to be aware of anyone who makes direct contact with you offering you help with your pension savings, such as transferring your benefits out of a pension scheme or promising you early access to your savings.

It's likely that you won't have met this person before. The scammers can contact you over the phone, online or in person, with some requesting personal details. The deals they offer can seem too good to be true, and often are, resulting in you losing money.

If you are considering transferring your benefits, you should speak to a financial advisor. You can find one by visiting www.unbiased.co.uk

Find out more about pension scams at: www.thepensionsregulator.gov.uk/pension-scams

Brexit

The vote to leave the European Union in June 2016 resulted in a great deal of volatility in financial markets. This impacted investment performance for a short period and is likely to have a future effect as well. In these times of ongoing economic uncertainty, the Trustee closely monitors investment performance and will continue to do so in the future, doing all they can to secure the Scheme's financial position.

“...the Trustee closely monitors investment performance and will continue to do so...”

Financial guidance services to merge

Currently, financial guidance is available through a number of government-sponsored channels, including:

- Money Advice Service (MAS);
- the Pensions Advisory Service (TPAS); and
- Pension Wise.

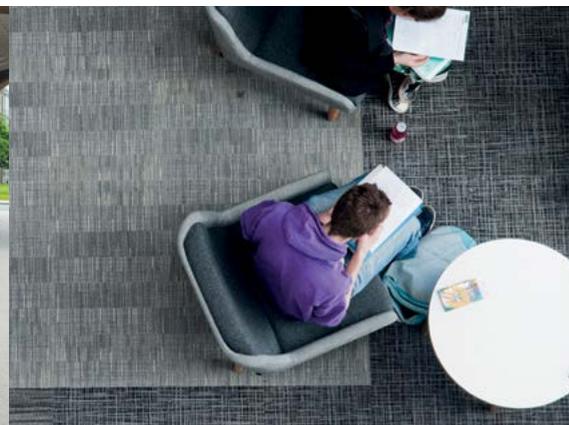
The government has now announced it will develop a single guidance body which would contain frontline advice on all aspects of personal finance, from debt to pensions.

It is thought that by replacing the current services with a single body, the public will be able to get the help they need to make the right financial decisions more quickly and easily.

It is unlikely that the new service will be up and running before at least 2018, so we will keep you updated on the government's plans for the service in future editions of the newsletter.



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MEET THE TRUSTEE BOARD

Financials
inside

The Scheme is managed by the Trustee Board. Currently, there are nine directors on the Board, five nominated by the University and four elected by members.

Who's who?

Following the recent request for nominations to the Trustee Board, Kristian McDermott has been appointed for administrative and clerical members. Welcome to the Board Kristian. Peter Leigh continues as trustee for technical members.

University Nominated Directors



Jon Ferns
(Chair)



Clive Agnew



Simon
Merrywest



Jane Shelton



Huw Peters

Member Nominated Directors



Bill Allan



Peter Leigh



Mark Mullin
(term ended on
24th April 2017)



Kristian
McDermott

We need you!

We will shortly have a vacancy for a Member Nominated Director on the Trustee Board. We will be requesting nominations from members who are employed in a manual capacity.

If you're interested in this position, please contact the Pensions Team using the details on the back page.

MEET THE PENSIONS TEAM

The UMSS Pensions Team is responsible for the day-to-day management of the Scheme. The team is your first point of contact should you have any queries regarding UMSS. While the team can't offer you financial advice, they can provide you with personal information about your benefits in UMSS and help with other Scheme queries. Turn to the back page for contact details.

The members of the Pensions Team are:

Heather Mawson
Head of Pensions

Andy Taylor
Senior Pensions Assistant

Tracy Kaar
Pensions Administrator

Karen Wright
Pensions Administrator

Simon Ogden
Pensions Assistant

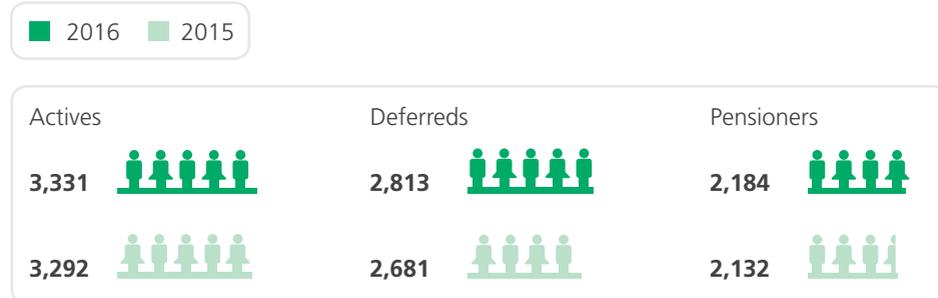


THE FINANCIALS

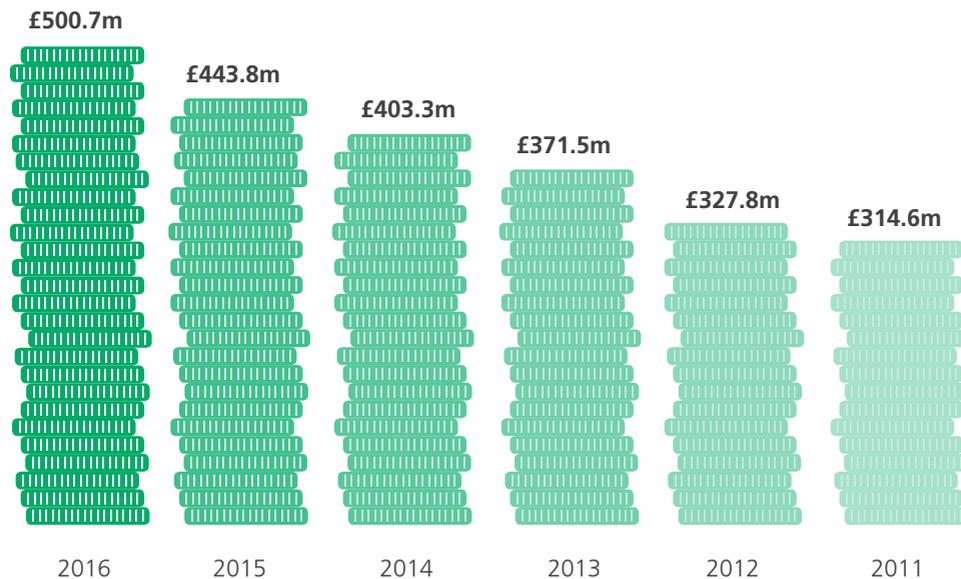
Membership

At 31 July 2016, the Scheme had 8,328 members, compared with 8,105 members at 31 July 2015.

960 people joined the Scheme, compared with 463 the previous year.



Value of the fund



INCOME AND EXPENDITURE

A summary of the Scheme's income (money paid in) and expenditure (money paid out) is shown below.

Summary (shown in £m)

2016 2015

Income

£26.3

£25.6

Expenditure

£16.1

£15.9

Net return on investments

£46.7

£30.8

Increase in fund value for the year

£56.9

£40.5

Where to get the Report and Accounts

If you would like a copy of the full Report and Accounts, please visit www.umss.co.uk/documents.html or you can request a copy from the Pensions Team (details on the back page).

INVESTMENTS

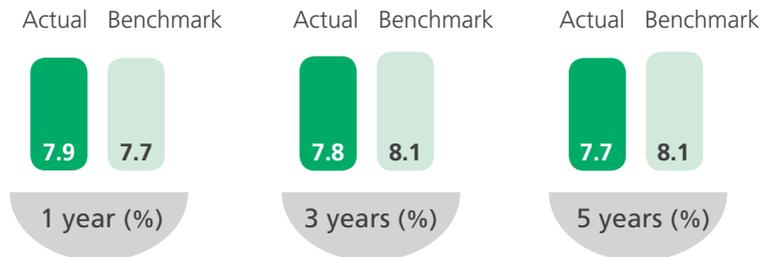
The Trustee has an investment strategy, which aims to ensure the Scheme is well funded.

The money in the Scheme is invested to make sure that there are sufficient funds available to pay members' benefits. The day-to-day management of the investments lies with the investment managers who are appointed to help meet the Trustee's objectives.

Investment performance

The Trustee reviews the performance of the Scheme's investments on a quarterly basis and normally meets the investment managers at least annually.

The performance of the main portfolio (equities, bonds and cash) compared with the benchmark over 1, 3 and 5 years to 30 June 2016 is set out in the diagram below:



What is a benchmark?

A benchmark is a target against which the performance of investments is measured.

Sustainable investment

The Trustee believes that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment returns. The Trustee has given investment managers full discretion when evaluating ESG issues and in exercising right and stewardship obligation attached to the Scheme's investments.

Liability matching

In July last year, the Scheme was in the process of introducing its liability driven investment strategy. This aims to match 40-50% of the Scheme's liabilities against movements in interest rates and inflation.

“The strategy will try to minimise the impact of fluctuating rates...”

The strategy will try to minimise the impact of fluctuating rates, so if actual or expected future inflation increases, the value of the liability driven assets will also increase to help match the increase in actuarial liabilities. Similarly, if actual or expected future inflation expectations fall, the liability driven investment portfolio will also fall in value, as will the actuarial liabilities.

Top ten equities

Holding	Value (£000s)
1. Apple	2,727.1
2. Microsoft	2,064.6
3. Exxon Mobil	1,762.0
4. Johnson & Johnson	1,642.4
5. Amazon.com	1,382.8
6. General Electric	1,380.5
7. Facebook	1,301.1
8. AT&T	1,277.6
9. Nestlé	1,181.9
10. Wells Fargo & Co	1,159.0
Total	15,879.0



Andrew Swan is our manager at M&G Investments, who look after the second largest group of funds in UMSS. The value of assets held by M&G at 31 July 2016 was £48.4m, which equates to approximately 10% of the total funds. The Scheme has holdings in several M&G investment funds with different strategies.

In this section we ask Andrew about his role at M&G Investments.

What do you enjoy doing outside of work?

I like to keep active. I walk every day, play 5-a-side football every week and golf and tennis in the summer.

Why did you become an Investment Manager?

I took out a loan to do a Master's degree in 1982. The interest rate was 18% which gave me a heightened awareness of debt management. So I applied for a few jobs at banks and I was offered a position as a bond dealer and I have been involved in fixed income investments ever since.

How does what you do influence the Scheme?

My role is to manage M&G's relationship with UMSS and monitor the investments. The Scheme invests in three of our fixed income funds and notwithstanding the odd hiccup in global markets, such as Brexit, all of them are performing exactly as intended. I also keep the Scheme informed of any new opportunities that might be of interest.

Fixed income funds

These are investments where we know in advance what the return or payments back to the investors will be.

We deliver fixed income for UMSS from three of our funds:

- Loans to small employers via the European Loan Fund,
- Loans to companies to develop property (Real Estate Debt Funds); and
- Holding properties such as supermarkets or student residences which are rented to tenants (Secure Property Income Fund).

How has the Brexit vote impacted investments, and what might happen in future?

Brexit caused markets to trade in a volatile fashion for a short while. The impact on the areas where the Scheme invests was short-lived as the markets have now returned to more normal levels of activity. This year is likely to remain volatile as there are several large political events on the horizon. There is also plenty of unpredictability around the Trump presidency and US official interest rates potentially rising. Our approach to all of these is not to predict the future, but to wait patiently for market changes and identify good investment opportunities for the Scheme.

Every three years, the Scheme undergoes a formal actuarial valuation or 'financial health check'.

The actuarial valuation is conducted by a qualified actuary who carries out a detailed financial review of the Scheme. They make assumptions about how factors, such as life expectancy, inflation and investment returns, can impact the Scheme's funding position. The last three-yearly review was carried out as at 31 July 2016 and we'll update you later in the year on the results.

Why are valuations important?

The valuation enables the Trustee to assess the Scheme's overall 'funding position'. It is very important to know if the Scheme is appropriately funded. The results of the valuation form the grounding for future decisions about the levels of contributions required in order to ensure the Scheme is well funded. If the Scheme has a funding shortfall (i.e. its assets are less than its liabilities) the Trustee will come to an agreement with the University on the appropriate level of future contributions to be made.

"The valuation enables the Trustee to assess the Scheme's overall 'funding position'."



ATTEND A RETIREMENT SEMINAR



The University runs seminars for employees who are considering retiring; many employees who have attended one recommend doing so around five years before retirement.

Topics covered include money management, budgeting, tax, investment choices and social aspects such as adjusting to your new life when you retire.

You can register for the next seminar via the training catalogue on StaffNet at www.staffnet.manchester.ac.uk/employment/training/

“You can register on StaffNet...”

KEEPING US UPDATED

Have you completed a Nomination Form?

It's important to keep this updated so that in the event of your death we know who you would like to receive any lump sum death benefits. If you've been receiving your pension for more than five years you don't need to update your Nomination Form.

Where do I get one from?

Visit www.umss.co.uk/documents.html and select Nomination Form from the forms tab.

Change of details form

Please remember that if your details or circumstances change, for example if you change your address, you will need to let us know so we'll be able to keep you updated about your pension.

Would you rather receive communications by email?

If you are a deferred or pensioner member, any non-personalised communications, like Pensions News, can be received online rather than by post. To do this, you will need to complete and return the 'Email Communications Opt-in Form' which can be found at: www.umss.co.uk/documents.html

CONTACT DETAILS

All members, whether active, deferred or pensioner are welcome to make an appointment with a member of the Pensions Team. To make an appointment, you can contact us in the following ways:



umss@manchester.ac.uk



Internal: 52043

External: 0161 275 2043



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