



# Pensions News 2019

Keeping you  
in touch with  
your pension  
scheme

umss



# Chair's welcome

## Welcome to your 2019 edition of Pensions News.

You'll notice that your Pensions News looks slightly different this year. Following the recent changes to the University of Manchester Superannuation Scheme ('UMSS' or 'the Scheme'), we have freshened up the look and feel of all our communications to you. We hope you like it and continue to find the content useful and informative.

The latest report and accounts showed that the Scheme's value continues to grow. We do, however, also have to consider the cost of providing the Scheme's benefits. The general trend for some years has been that these costs have been rising too. We will be examining the effect of both the good asset returns we have seen and also rising costs when we carry out our next regular three-yearly actuarial valuation of the Scheme. The overall position will be measured as at 31 July this year, with work on the valuation carrying on into next year.

I will provide you with an update on this in next year's Pensions News, but we are likely to know the final outcome of the valuation in the autumn of next year. For now, we will continue to review the performance of our investments with our investment managers. You can find more detail on the Scheme's financials and investments on [pages 8 to 11](#).

This issue of Pensions News also includes an update on the Scheme and the recent changes, along with a reminder to stay vigilant about pension scams.

We also think it's important that you know who's on your Trustee Board and Pensions Team, so turn to [page 7](#) and [page 15](#) to find out more about us.

In the next few weeks, we'll issue personalised benefit statements for active members. These will set out details of the benefits you have built up to 31 March 2019 and will be the first to include your contributions since the changes to UMSS (see opposite for a reminder of the changes).

In the coming months we'll be updating the UMSS website as part of the UMSS refresh. In the meantime, you can still visit [www.umss.co.uk](http://www.umss.co.uk) to access information about the Scheme, plus a library of Scheme documents.

**Jon Ferns**  
Chairman – UMSS Ltd



## Pension changes at 1 January 2019

Following last year's consultation between the University and active members of the Scheme, changes were made to the structure of UMSS.

Both the Final Salary and CARE 1/80th sections were closed to future accrual on 31 December 2018.

If you are an active member, any benefits previously built up as a member of either section will be added to the benefits you earn from 1 January 2019. These are building up on a CARE 1/100th basis.

All active members will have recently received a new Scheme Guide. The guide provides an overview of your membership in UMSS.

If you were a deferred or pensioner member at 31 December 2018, these changes do not affect you.



# Keep your future safe

The pensions transfer business is worth billions of pounds, making it very attractive to scammers. The Financial Conduct Authority (FCA) estimates that each person who falls victim to a pension scam loses an average of £91,000 – so it's vital to remain vigilant.

Here are some tips to help you spot scams:

- Cold calling with offers to re-invest or transfer your pension is illegal
- Be wary of anyone offering you higher returns or early access to your pension
- Nobody should ask you to give out any financial details over the phone or by email
- Do you know who's contacting you? Check their details against the FCA register at [register.fca.org.uk](https://register.fca.org.uk)
- Check any links aren't taking you to a copycat website that's been built to look like a genuine site – make sure you check the web address. Official sites will have an address ending in **.gov.uk**
- Don't trust anyone you can't find full contact details for – a mobile or PO Box number isn't enough
- Use strong passwords and keep your anti-virus software up to date.

Remember, do not transfer your pension savings out of UMSS until you have spoken to an independent financial adviser. You can find one in your area at [www.unbiased.co.uk](https://www.unbiased.co.uk)

You can find out more about scams at [www.thepensionsregulator.gov.uk/pension-scams](https://www.thepensionsregulator.gov.uk/pension-scams) or [www.pensionwise.gov.uk/scams](https://www.pensionwise.gov.uk/scams)

## State Pension Age increases

The Government is making changes to the State Pension Age (SPA). From 2020, the SPA will rise from 65 to 66 years, and to 67 years between 2026 and 2028.

Because the Normal Retirement Age (NRA) in UMSS is linked to the SPA, your NRA will be adjusted to reflect this. So, from 1 November 2019 the Scheme's NRA will rise to 66 years. By 2028, it will rise to 67 years.

You will still be able to take your benefits from age 65, but an element would be reduced to reflect the early payment as your pension would be expected to be paid for longer.

# Boost your retirement income

If you'd like to increase your retirement income, why not think about saving a little extra now to provide you with more later?

You can do this by making Additional Voluntary Contributions (AVCs), which provide you with extra pension benefits for your retirement.

Making AVCs is easy – just choose how much you'd like to pay in AVCs, and whether you would prefer to make a regular payment

or a one-off payment. Regular AVCs are deducted directly from your salary, like your pension contributions. When you make AVCs, you benefit from tax relief. If you're paying through PensionChoice, you also make National Insurance savings.

Find out more about boosting your retirement income with AVCs by contacting the Pensions Team.

# Keep in touch

## Make sure your Nomination Form is up to date

It's important to keep your Nomination Form updated so we know who you would like to receive any benefits when you die.

To update your Nomination Form simply go to [www.umss.co.uk/documents.html](http://www.umss.co.uk/documents.html) and select the Forms tab.

## Change of details

We need your help so that we can keep you updated about your pension. If you change address or phone number, or your circumstances change in any way, just use the contact details on the back page to get in touch and let us know.

# Your Trustee Board

UMSS is managed by the Trustee Board. The Trustee Board is currently made up of nine directors – five are nominated by the University and four are selected by the members of UMSS.

Clive Agnew stood down as a Trustee director in March 2019. Clive has been a valuable director of the Trustee Board since his appointment in 2009. We thank him for his contribution and would like to wish him all the best.

## Who's who?

### Member Nominated Directors

- Bill Allan
- Peter Leigh
- Kristian McDermott
- Vacancy

### University Nominated Directors

- Jon Ferns (Chair)
- Richard Reece
- Simon Merrywest
- Jane Shelton
- Huw Peters



Three of our Member Nominated Directors (MNDs) are currently selected from the active membership, which is made up of University staff in administrative, manual and technical roles, and employees from other companies who have access to UMSS. In addition there is one pensioner MND. Each MND is appointed for an initial term of three years.

**Are you an active member of UMSS?** Did you know that you can put yourself forward to be an MND – [see the enclosed MND information to find out more.](#)



# The financials

## Membership of UMSS

31 July 2018

**9,026** members

**3,568** Active

**3,152** Deferred

**2,306** Pensioner

31 July 2017

**8,677** members

**3,469** Active

**2,972** Deferred

**2,236** Pensioner

## Value of the Fund

2018 **£609.0m**

2017 **£553.5m**

2016 **£500.7m**

2015 **£443.8m**

2014 **£371.5m**

## Income & expenditure

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

2018

Income

**£27.4m**



Expenditure

**£19.3m**



Net investment growth

**£47.4m**



Increase in fund value  
for the year

**£55.5m**

2017

Income

**£26.6m**



Expenditure

**£16.9m**



Net investment growth

**£43.1m**



Increase in fund value  
for the year

**£52.8m**

If you would like a copy of the full report and accounts, please visit  
[www.umss.co.uk/documents.html](http://www.umss.co.uk/documents.html)

You can also request a copy from the Pensions Team (see [back page](#) for contact details).



# Investment update

The Trustee's investment strategy aims to ensure UMSS is well funded so there is enough money to pay members' benefits. The Scheme's investment managers are appointed by the Trustee to manage UMSS's investments on a day-to-day basis.

The Trustee reviews the investments at least quarterly, including the Scheme's investment portfolio and returns.

The main portfolio includes equities, bonds, cash and liability-driven investments (LDIs). The total assets also include alternative asset classes, in addition to the main portfolio. The table below shows the returns to 30 June 2018:

	Fund (% a year)		
	1 year	3 years	5 years
Main portfolio	7.4	10.0	9.1
Total assets	7.1	9.6	9.6



## Equities in detail

UMSS invests in equity (also called stocks or shares) funds with Legal & General Investment Management Ltd which hold shares in and track the returns from global stock markets. If the share price in a company increases, so does the amount of money in UMSS. The investment managers closely monitor the equities as share prices can fluctuate.

The top five equities that UMSS invests in and the value held in each at 31 July 2018 are:

Holding	Value (£000s)
1. Apple	4,740.8
2. Microsoft	4,074.2
3. Alphabet	3,741.3
4. Amazon	3,644.2
5. Facebook	2,074.6
<b>Total</b>	<b>18,275.1</b>

## Sustainable investment

The Trustee believes that good stewardship and environmental, social and governance (ESG) issues have a positive material impact on investment returns. The investment managers evaluate ESG values as a matter of course. They review sustainable energy use, environmental impact, business relationships, working conditions, accounting methods and even political contributions.

With this in mind, since July 2018, the Trustee has appointed two new equity managers who invest in companies chosen on sustainability grounds.

To find out more about investments, see the full report and accounts at [www.umss.co.uk/documents.html](http://www.umss.co.uk/documents.html)

# Summary funding statement

Every three years an actuary carries out a full 'financial health check' of UMSS. This is known as a formal actuarial valuation. The last full actuarial valuation was as at 31 July 2016 so the next one will take place as at 31 July 2019.

Between these full valuations, we carry out an approximate financial assessment of the Scheme's funding. The most recent assessment's results are shown below and are as at 31 July 2018.

## Funding update – ongoing basis

The table below shows the results of the latest financial assessment compared with the valuation as at 31 July 2016:

	31 July 2018	31 July 2016
Assets	£608.4m	£500.7m
Liabilities	£785.4m	£708.1m
Shortfall	£177.0m	£207.4m
<b>Funding Level</b>	<b>77%</b>	<b>71%</b>

\*Please note that these figures do not take into account the impact of recent benefit changes. Any impact these changes have had will be taken into account in the 31 July 2019 actuarial valuation.

UMSS's funding level has improved since the actuarial valuation as at 31 July 2016, increasing by 6%. This has mainly been due to investment returns being better than expected and the payment of deficit contributions.

## Helpful definitions

### Assets

The funds built up from money invested, together with returns on UMSS's investments.

### Liabilities

The estimated current cost of providing the benefits earned to date by active members and those who have left UMSS, together with the pension benefits already in payment.

### Shortfall

When there are not enough assets to cover liabilities.

### Wind-up

The closure of a scheme and the distribution of benefits.



## How will the shortfall be met?

The last full actuarial valuation showed a shortfall of £207.4 million. In order to meet this shortfall, a recovery plan was agreed with the University. This plan aims to make sure there is enough money in UMSS to pay for benefits now and in the future by 31 January 2035.

To help achieve this aim, the University has agreed to pay contributions of £6 million into the Scheme each year. These contributions will increase each 1 August in line with the Retail Prices Index (RPI) and the first contribution was made on 1 August 2017. The recovery plan will be reviewed at each full actuarial valuation.

## The Pensions Regulator's directions

As part of this summary funding statement, we are required to tell you whether The Pensions Regulator has used its legal powers to make directions to:

- Change to the rate at which members earn benefits
- Change the way that a pension scheme values members' benefits
- Set the future level of contributions
- Set a date when a shortfall has to be met

We can confirm that The Pensions Regulator has not used any of its powers in relation to UMSS.

## Is there anything else I need to know?

Regulations also require us to confirm whether or not the University has taken any money out of UMSS. We can confirm that this has not occurred.

## What would happen if UMSS needed to wind up?

At each actuarial valuation, the actuary must assess UMSS's funding position if the Scheme were to wind up. As part of this financial update, we must provide information on the Scheme's wind-up position – this does not mean that the University has any intention to wind up the Scheme.

The most recent full valuation, as at 31 July 2016, showed that if UMSS had wound up on that date, its funding level would have been 44%. This means that the additional amount needed to secure members' benefits would have been £644.3 million.

The assessment assumes that, in the event of a wind-up, members' benefits would be paid in full through an insurance policy. However, as insurers must take a cautious view of the future, the estimated money required to secure benefits through an insurance company is much more than is shown in the ongoing funding level.

The Government has set up the Pension Protection Fund (PPF) to help pension scheme members in the event of a wind-up. Therefore, if the University became insolvent and there were insufficient assets in UMSS to provide all benefits, the PPF might be able to take over UMSS and pay compensation to members.

Further information and guidance is available on the PPF website at [www.ppf.co.uk](http://www.ppf.co.uk)



## The importance of the University's support

Our aim is to have enough assets to pay members' benefits both now and in the future. In order to be able to achieve this aim, we rely on the continued support of the University.

Here's why:

- The funding level can fluctuate and where there is a funding shortfall, the University will usually need to put in more money.
- The target funding level may turn out to not be enough and so the University may need to put in more money.
- The University will be paying the future expenses of running the Scheme on an annual basis.

# Pensions Team

The UMSS Pensions Team is responsible for the day-to-day management of UMSS.

Whether you're still saving for your retirement or you're a pensioner member, we are your first port of call for any queries about UMSS or its administration. We can't offer any financial advice.

The Pensions Team are:

**Heather Mawson** Head of Pensions

**Andy Taylor** Senior Pensions Assistant

**Alice Smart** Pensions Administrator

**Karen Wright** IT Coordinator

**Jack McCafferty** Pensions Assistant

**Anna Burns** Clerical Assistant

Our contact details are on the [back page](#) – get in touch!





## Contact details



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