



Pensions News 2020

Keeping you
in touch with
your pension
scheme

**Coronavirus
update**
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umss



Chair's welcome

Welcome to your 2020 edition of Pensions News.

It's been a busy year for UMSS. Our full actuarial valuation as at 31 July 2019 is ongoing, and we expect the results will be finalised in autumn of this year. We will send you a separate communication with an update on the results once they're available.

We also launched our new-look modeller in early 2020. This allows you to model your benefits from UMSS and see the effects that changing your retirement date or contributing a bit more every month can have on your benefits when you retire. To find out more, see the article on the right. Why not use this tool to get a clearer picture of your UMSS benefits?

Your contributions to UMSS and those of the University are invested so that we can pay the benefits promised to you. In this issue, we're delighted to include an interview with one of our sustainability investment advisers, Kirsteen Morrison from Impax. Read her article on [page 11](#).

On [page 5](#), you'll also find a reminder that Normal Retirement Age in UMSS is increasing to age 66 from 1 November 2020. Find out in the article what this might mean for you.

As always, I hope you enjoy reading Pensions News and find it helpful. If you have any queries, the Pensions Team is always happy to help, so please get in touch using the contact details on the back page.

Jon Ferns
Chair of the Trustee Board

Have you visited the modeller?

We recently launched our new-look UMSS pension modeller at www.umss.co.uk/modeller

You can use the modeller to:

- calculate your estimated benefits from UMSS
- see the effects of taking different amounts of cash at retirement
- see the effects of choosing a different retirement age
- see what difference paying Additional Voluntary Contributions (AVCs) could make

In the first four days after it launched, more than 1,000 UMSS members visited the modeller to do one or more of the above. Were you one of them?

We sent active members of the Scheme a postcard in January that contained all the information you need to use the modeller. If you didn't receive yours, please contact the Pensions Team using the details on the back page.

You'll also need to know your current salary in order to use the modeller, which you can find on your payslip. If you don't receive a paper payslip, you can check your salary on MyView at www.staffnet.manchester.ac.uk/human-resources/current-staff/pay-conditions/online-payslip/

If you've not tried it yet, give it a go!



What's this?

This is a QR code. To use it, just scan the black and white image with your smartphone's camera. On some models, you might need a QR code reader app. You can then go straight to the modeller.



Pension scams

Pension cold-calling became illegal in January 2019, but the Financial Conduct Authority (FCA) warns that fraudsters still use a range of high-pressure tactics over email and even text message to get their hands on people's pensions.

Maggie's story

Maggie, 48, wanted to support her daughter through university. When a company contacted her offering to help her access her pension early, it seemed like perfect timing. She wasn't going to be pressurised into making such a big decision quickly, so Maggie contacted the FCA.

When the FCA told her the firm wasn't registered, Maggie got in touch with the Pensions Advisory Service. They said that people who access their pensions before 55 are subject to a tax charge of 55% unless there are exceptional circumstances, like ill health. They investigated the company and found out that it was operating without authorisation from the FCA.

Because Maggie had been vigilant, her pension was safe.

Useful information

Read more about staying scam smart at www.fca.org.uk/scamsmart
There's also some useful information at www.thepensionsregulator.gov.uk

Coronavirus update

We are monitoring the situation around COVID-19 and will continue to do so.

We are following the University's advice on this matter, which you can find at www.manchester.ac.uk/ and on StaffNet.

UMSS Protections

We will

- never transfer your benefits out of UMSS without your written consent
- always suggest that you to take financial advice if you are thinking about transferring your benefits out of UMSS
- always check any scheme you want to transfer your UMSS benefits into is registered

NRA in UMSS is increasing

Normal Retirement Age (NRA) is the age at which you will normally take your pension from UMSS. It's currently age 65, but from 1 November 2020, it will increase to age 66.

Why is it increasing?

Like many other schemes, NRA in UMSS is linked to the State Pension age (SPA) and, from October 2020, the government is increasing SPA to age 66.

NRA is currently age 65 for any pension built up before 1 November 2020

This part of your pension is paid in full from age 65, or reduced if it is paid from an earlier age

NRA moves to age 66 for any pension built up after 1 November 2020

This part of your pension is paid in full from age 66, or reduced if it is paid from an earlier age

SPA will increase again to age 67 by 2028. In line with other pension schemes, NRA in UMSS will also increase to age 67 by 2028 for benefits built up after that date.

Example

Mike is 64. Can he still retire in July 2021 when he's 65? Yes, he can, even though NRA in his scheme and the State Pension age will both be age 66 by then.

All that will happen is that any pension Mike builds after 1 November 2020 will be reduced for early retirement. Anything he built up before then will still have an NRA of age 65.

Mike could delay his retirement until he's 66. Any pension he builds up before 1 November 2020 (when NRA was 65) will then be increased for late retirement.

Find out more about the change to NRA at www.umss.co.uk/retiring/planning-your-retirement

We are currently updating the UMSS modeller to include this change to NRA. Don't forget, you can also contact the Pensions Team using the details on the back page if you'd like a retirement quote.

When could I take my pension?

You can take your pension earlier than NRA if you're over age 55. This is known as early retirement. Your pension will be reduced because we expect to pay it to you for longer.



Boost your benefits

Case study

Anne receives the HE national pay award each year. This year she's going to use some of that extra cash to boost her retirement income, so she's decided to start making Additional Voluntary Contributions (AVCs) into her pension.

By using her scheme's modeller, Anne could see what a difference paying just an extra 1% of her salary would make to her retirement income.

Anne decided she wanted to pay AVCs, so she contacted the Pensions Team at work that day. Anne's AVCs started from her next pay day and, because she'd timed them around her national pay award, she didn't even notice the difference to her salary.

Use the modeller

If you'd like to boost your UMSS benefits, why not visit the modeller at www.umss.co.uk/modeller to see the difference that paying AVCs could make to your benefits.

To start, download the AVC form from www.umss.co.uk/about-the-scheme/documents-and-forms

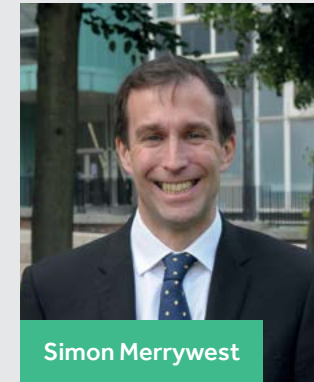
Don't forget, you can also make savings on your National Insurance payments if you make regular AVCs through PensionChoice. Find out more at www.umss.co.uk/paying-in/scheme-benefits/



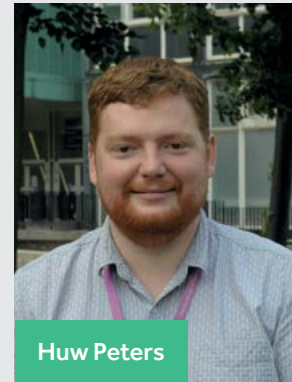
Bill Allan



Tracy Kaar



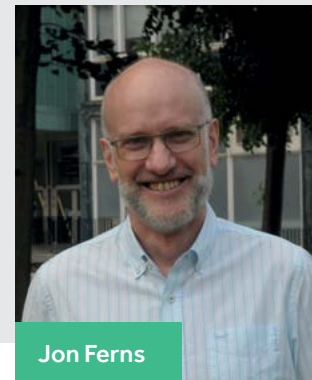
Simon Merrywest



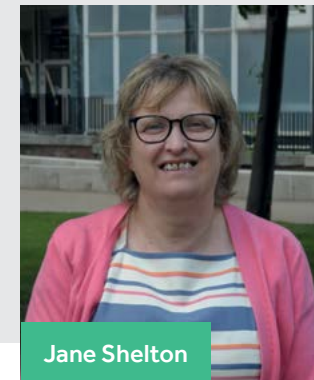
Huw Peters



Kristian McDermott



Jon Ferns



Jane Shelton

Your Trustee Board

The Trustee Board manages UMSS. The Trustees are responsible for looking after UMSS in the best interests of you, its members. The full board comprises four Trustee Directors nominated by members of UMSS (MNDs), and four Trustee Directors nominated by the University. We currently have a vacancy for one MND and one University nominee.

Who's who?

Member Nominated Directors

- Bill Allan
- Kristian McDermott
- Tracy Kaar
- Vacancy for an active member (anyone currently contributing to UMSS)

University Nominated Directors

- Jon Ferns (Chair of the Trustee Board)
- Simon Merrywest
- Jane Shelton
- Huw Peters
- Vacancy for a University-nominated Director (Richard Reece stepped down on 28 February 2020)



The financials

Membership of UMSS

31 July 2019

31 July 2018

9,025 members

9,026 members

3,432 Active

3,568 Active

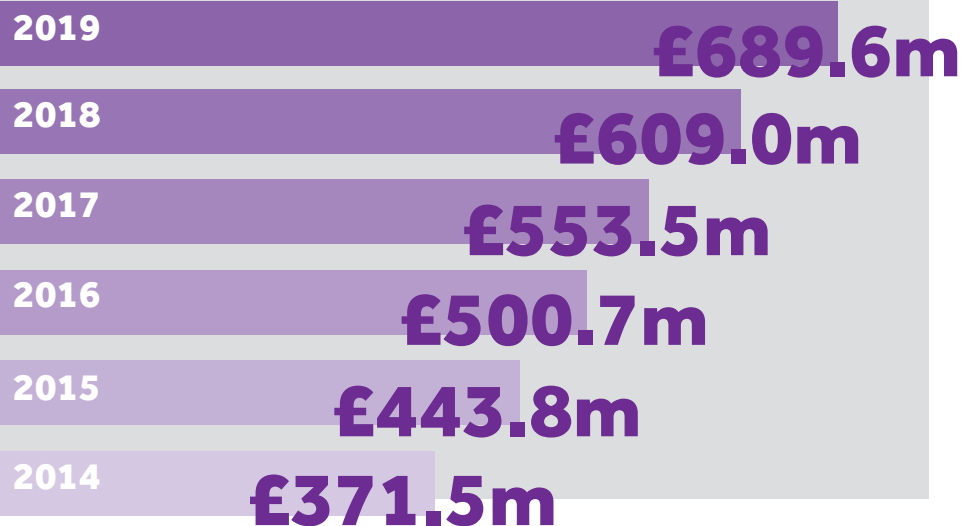
3,257 Deferred

3,152 Deferred

2,336 Pensioner

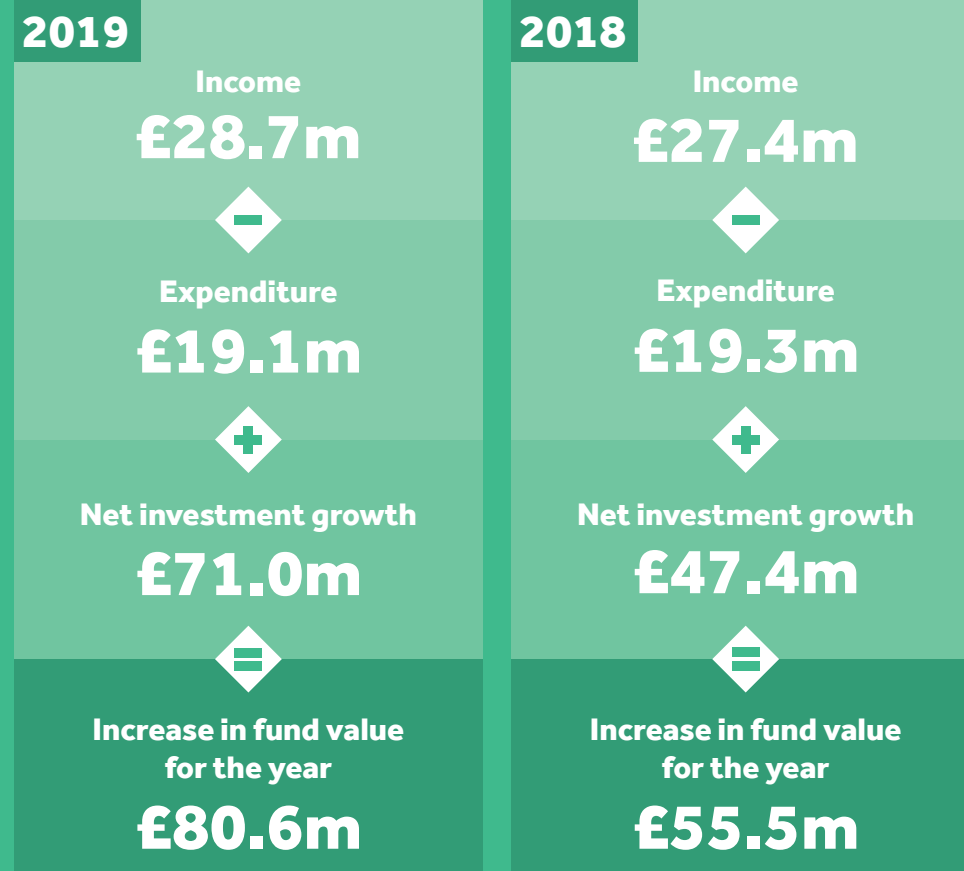
2,306 Pensioner

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:



If you would like a copy of the full report and accounts, please visit www.umss.co.uk/about-the-scheme/documents-and-forms

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 Trustee appoints the Scheme's investment managers 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). In addition to the main portfolio, the total assets also include alternative asset classes. The table below shows the returns to 30 June 2019.

	Fund (% a year)		
	1 year	3 years	5 years
Total assets	9.9	9.9	11.7



Jargon buster

Equities

Shares in companies

Bonds

Loans to companies

LDIs

An investment approach that reduces the risk of a fall in the funding level due to changes in interest rates and expected inflation

Sustainable futures

Investment fund manager **Kirsteen Morrison** works with UMSS to ensure that its investment strategy is sustainable. Here, she outlines what that means.

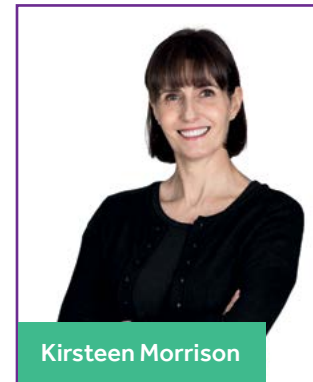
After studying Metallurgy and Science of Materials, I moved into Investment Management in 1987. I lived in Singapore for five years, covering Asian stocks. Seeing the effect of the Asian Financial Crisis up close sparked my interest in Sustainable Investment.

I've worked at Impax Asset Management since 2009. We use a 'Sustainability Lens' to focus our attention on the risks and opportunities of moving towards a more sustainable global economy. We carry out Environmental and Social Governance (ESG) analysis alongside financial analysis. While many other investment managers are just starting to look at ESG or green investment, Impax has been doing this for over 20 years.

Many asset owners – like UMSS – are now actively trying to understand what their investments are financing. There are some interesting investments in UMSS, and we hope that its members welcome the fund's low carbon footprint and its alignment with the United Nations Sustainable Development Goals.

Demographic change, resource scarcity and environmental constraints will progressively drive the move towards a more sustainable global economy and will lead to out-performance for well-positioned companies. These opportunities are the focus of the Impax Global Environmental Opportunities fund in which UMSS has invested.

Companies and investors who are ahead of the curve and already considering sustainability – like UMSS – will have an advantage, while those unwilling or unable to adapt will be left behind.



Kirsteen Morrison

What is ESG?

Environmental and Social Governance is also known as 'sustainable investing'. This takes into account the long-term impact on society and the environment of the business, as well as its financial performance and the likely investment returns.

What are the UN's SDGs?

Find out more about the UN's Sustainable Development Goals at www.un.org/sustainable-development/sustainable-development-goals/



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 most recent full actuarial valuation was as at 31 July 2019 and the results are still being finalised. We'll update you on the results later this year.

In the years when there is not a formal actuarial valuation, we carry out an approximate financial assessment of the Scheme's funding. This is known as a summary funding statement. The results of the assessment as at 31 July 2018 are shown below, alongside the last full actuarial valuation as at 31 July 2016 for comparison.

Funding update – ongoing basis

The table below shows the results of the last full actuarial valuation and the most recent financial assessment. UMSS's funding level had improved since the full actuarial valuation as at 31 July 2016. This was mainly owing to investment returns being better than expected, and the payment of deficit contributions.



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

These figures do not take into account the impact of the recent changes to UMSS benefits. These will be considered in the 31 July 2019 full actuarial valuation, the results of which will be available later in the year.

Wind-up position

At each actuarial valuation, the actuary assesses 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 intends to wind up the Scheme.

The last 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. 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 set up the Pension Protection Fund (PPF) to help pension scheme members if a scheme winds up because it becomes insolvent. 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

The Pensions Regulator's directions

The Pension Regulator (TPR) is a body that protects UK work-based pensions, ensuring all schemes are properly run. As part of this summary funding statement, we are required to tell you whether TPR 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 TPR has not used any of its powers in relation to UMSS.

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



What is an actuary?

You may have seen us refer to 'our actuary' before in Pensions News or on www.umss.co.uk – but what is an actuary and what do they do?

By law, all defined benefit pension schemes like UMSS have to appoint an actuary. Their main duty is to advise UMSS's Trustee Board on 'the funding position' of UMSS. Simply put, this looks at the money coming into UMSS (active members' and employer contributions) and values it against the money going out of UMSS (pensions we're currently paying, pensions we'll be paying in the future, and any other expenses).

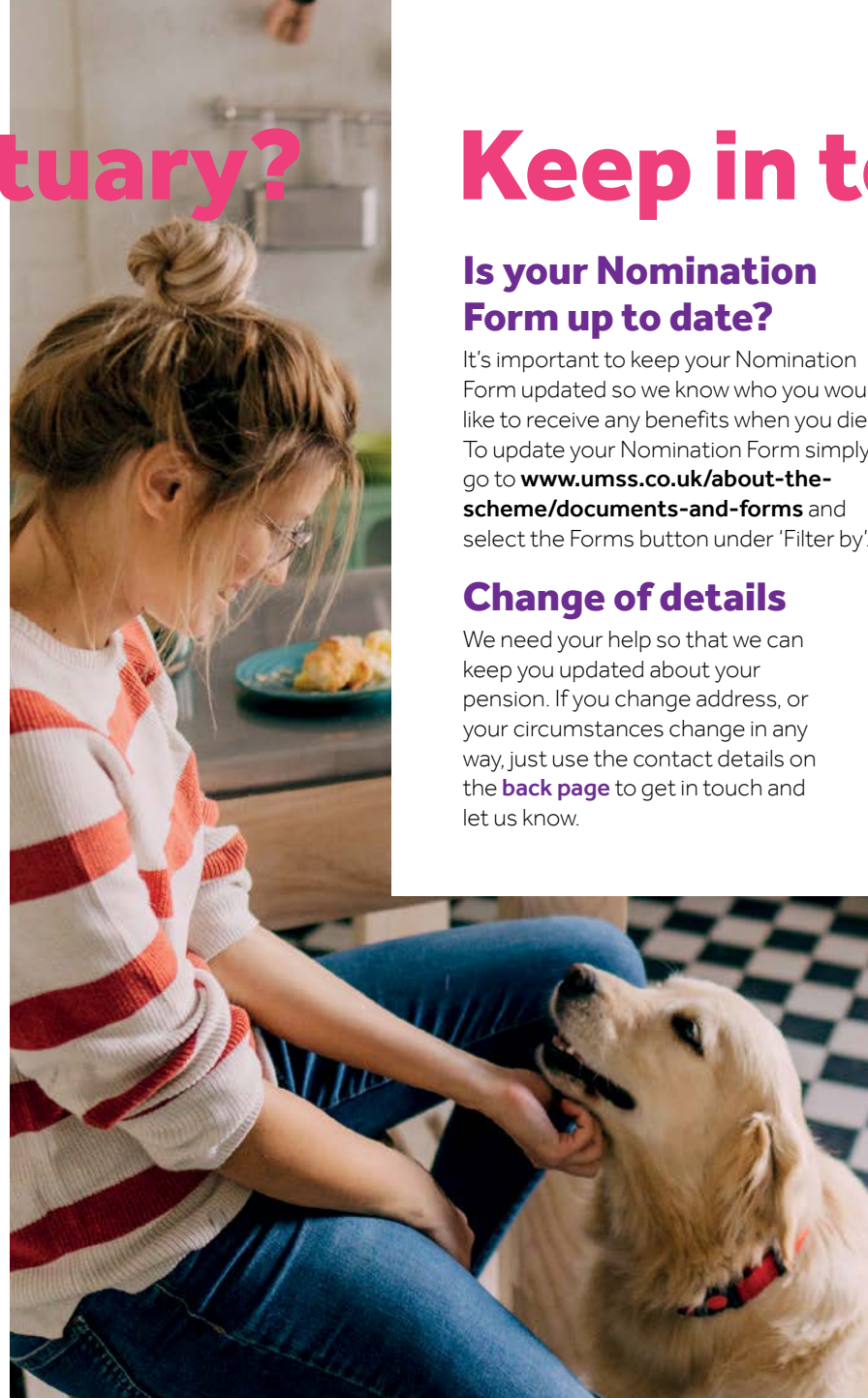
Every three years, the actuary carries out a full valuation of UMSS and this determines our funding position until the next full valuation. If UMSS weren't fully funded, the actuary would work with the Trustee Board to build a 'recovery plan' to make sure that everyone will still receive their pension.

When weighing up if UMSS is in good financial health, the actuary looks at factors like the contribution rate active members and the University are paying in, what investment returns are needed, the life expectancy of members and whether the contribution rate will cover everyone's pension for long enough.

The actuary also carries out an asset liability study. This evaluates whether investments are likely to provide the required returns and what the expected risks might be. This influences the design of UMSS' investment strategy.

So, an actuary's work is very important. It helps us to make sure that there's always enough money in UMSS to cover your pension... whether you're already receiving it, or you've got a few more years until you retire.

To read an interview with the UMSS Scheme Actuary, Charles Cowling, go to www.umss.co.uk



Keep in touch

Is your Nomination Form 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/about-the-scheme/documents-and-forms and select the Forms button under 'Filter by'.

Change of details

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

Pensions Team

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

We are your first port of call for queries about your benefits in UMSS. We can't offer you financial advice, but we'll do all we can to help. To contact us, please use the details on the [back page](#).

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



Contact details



umss@manchester.ac.uk



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Remember...

While the Pensions Team is working remotely, the best way to contact us is by **email**.

Start

