

2018/2019



**MEMBERS' REPORT  
AND SUMMARY FUNDING**  
The University of Edinburgh Staff Benefits Scheme

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## Chair's Welcome

This year's annual members report includes details of the results of the 31 March 2018 formal valuation of the Scheme (which is an appraisal of the fund's assets and liabilities) as well as the position over the year to 31 March 2019.

Active members will be aware the formal valuation at 31 March 2018 revealed a continued shortfall in the assets of the scheme over the liabilities. The cost of continuing to provide benefits at the current level has also increased and the University, in consultation with the active membership, has introduced new contribution rates to share this increase in cost going forward. The change in contribution rate for active members and the University, which were implemented at 1 August 2019 were:-

Employee contribution to 31 July 2019	Employer contribution to 31 July 2019	Employee contribution from 1 August 2019	Employer contribution from 1 August 2019
8%	16.2% plus £1million per annum (plus CPI increases)	9.1%	19.8% plus £1million per annum (plus CPI increases)

## The Trustee Board

The Board of Trustees run the Scheme on behalf of members. The Board is an independent body made up of both University appointed and member nominated trustees.

Appointed by the University	Trustee Advisers
<p>Mr Alan Johnston – Chair, appointed by the University Court 16th September 2013.</p> <p>Professor Jane Norman (resigned 1 June 2019)</p> <p>Mr Richard Davidson, appointed 1st January 2015</p> <p>Ms Doreen Davidson, appointed 1 August 2017</p> <p>Dr Bruce Nelson, appointed 1 June 2019</p> <p><b>Member Trustees</b></p> <p>Mrs Celia (Tzyvia) Rye, Member Nominated Trustee</p> <p>Mr Khushaal (Khush) Joshi, Member Nominated Trustee</p>	<p><b>The Scheme Administrators</b> are Hymans Robertson LLP</p> <p><b>The Scheme Actuary</b> is Mr John Porteous, Mercer</p> <p><b>The Investment Adviser</b> is Mr Andy Green, Hymans Robertson</p> <p><b>The Solicitors</b> are Shepherd &amp; Wedderburn, Edinburgh</p> <p><b>And the Scheme's external Auditor</b> is Ernst &amp; Young LLP</p>

## Scheme Membership



## Summary of accounting

The following information is a summary of the financial information taken from the Scheme's formal Report and Accounts for the year to 31 March 2019

Our independent auditor, Ernst & Young, has reviewed the accounts, and they confirm they show a true and fair view of the Scheme's financial transactions.

<b>Value of the Scheme's assets on 31 March 2018</b>	<b>£412,893,871</b>
<b>Total money coming in for the year</b>	<b>+£10,693,543</b>
<b>Total money going out for the year</b>	<b>-£16,663,821</b>
<b>Net increase in investments</b>	<b>+£27,643,978</b>
<b>Value of the Scheme's assets on 31 March 2019</b>	<b>£434,567,571</b>

**If you would like to see a copy of the full Accounts, please call the Pensions Team on 0131 650 8051.**

## Scheme year to 31 March 2019

The value of the Scheme's assets increased over the year from £412,893,871 at 31 March 2018 to £434,567,571 at 31 March 2019. This represents a 6.1% return (net of fees) over the period, which was primarily due to the growth assets delivering strong returns.

There were a number of transitions over the 12 months to 31 March 2019, mostly related to the Scheme's hedging increase programme announced last year which is to achieve 40% hedging across interest rates and inflation. More detail of the transactions can be found in the full Report & Accounts document available online at <https://www.ed.ac.uk/finance/pensions/scheme-details/sbs> or from the pensions office on 650 8051.

The Trustees are responsible for investing the Scheme's assets so that there is enough money in the Scheme to pay pensions to members now and in the future. Taking professional investment advice, and in consultation with the University, the Trustees have

prepared a Statement of Investment Principles (SoIP) which sets out their investment strategy.

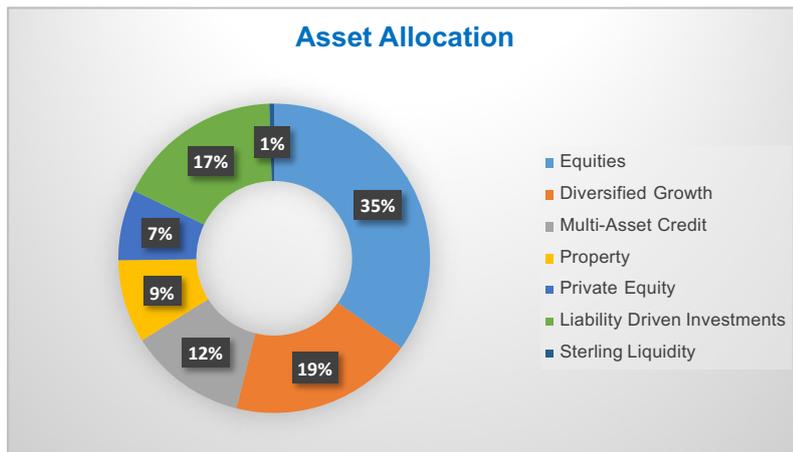
The day to day management of the assets is delegated to the Scheme's investment managers who work in accordance with the SoIP.

### Investment Managers

The Scheme's investments are managed by:

- Baillie Gifford & Co
- Barings LLC
- Legal and General Investment Management
- Morgan Stanley Investment Management Ltd
- Columbia Threadneedle

At 31 March 2019, the Scheme's assets were invested in the following asset classes:-



The Trustees continue to review investment managers and investment performance on a regular basis, focusing on results over a three to five year time horizon.

## News

We know that your pension is one of the most highly regarded benefits we offer, and the external administrators, Hymans Robertson, have a dedicated website where you can access quick and easy information about the Scheme, make basic changes to your personal details, and access your annual benefit statement. Active members of the Scheme can also perform “what if” retirement calculations to allow for retirement planning. If you have not already done so, please register for the online service at <https://www.uoesbspensions.co.uk>

### Expression of wishes form

Please remember to keep your expression of wishes form up to date. You can download a form from the following website, fill it in and return it to the pensions team either at the University or to the Scheme’s administrators, Hymans Robertson.

[www.ed.ac.uk/finance/pensions/scheme-details/sbs/sbs-forms](http://www.ed.ac.uk/finance/pensions/scheme-details/sbs/sbs-forms)

### Pension Increases

The April 2019 pension increase for those pensions where the level of increase is linked to the Consumer Prices Index (CPI) inflation was 2.4%. For benefits earned between 1 January 2011 and 31 December 2016, where the increase is linked to the Retail Prices Index (RPI), the increase for the year was 3.3%.

### Pensions freedoms

We remind you that although SBS is a defined benefit scheme (DB), members can transfer the value of their SBS benefit into an approved DC arrangement to take advantage of the new pensions freedoms. Members should consider such an option very carefully and take appropriate financial advice before choosing to transfer benefits out of SBS. You can find an independent financial adviser at [www.unbiased.co.uk](http://www.unbiased.co.uk)

### Lifetime Allowance increases

The Lifetime Allowance (LTA) is the maximum amount of pension savings that you can have at retirement from all your pension schemes (excluding the State pension) without incurring a tax charge. The LTA increased by the increase in the Consumer Prices Index (CPI) in April 2019 from £1million to £1,055,000.

### Additional Voluntary Contributions (AVCs)

Active members of the Scheme can save more for their retirement by contributing to the Scheme’s Standard Life AVC plan. AVCs receive the same tax relief benefits as normal member contributions so are a good tax efficient way to save more towards your pension. If you would like to find out more or would like to start contributing to the Standard Life AVC plan please contact the pensions office at [pensionsmanager@ed.ac.uk](mailto:pensionsmanager@ed.ac.uk).

### Help and information

The Trustees and the University are both committed to ensuring that the pension scheme is governed and managed to the highest possible standard. As the world of pensions becomes increasingly more complex, an important part of these responsibilities is to ensure that members of the scheme are fully informed of all the developments that affect it. This report provides you with general information about the Scheme. Other important documents of which you can obtain copies from the Pensions Office include:

- The Statement of Funding Principles sets out formally the assumptions and method the Trustees have adopted having consulted the University as part of the 2018 actuarial valuation.
- The Recovery Plan that sets out the way that the shortfall in assets compared with the Technical Provisions is to be met.
- The Schedule of Contributions showing how much money is paid into the Scheme.
- The full report on the Actuarial Valuation following the Actuary’s check of the Scheme’s situation as at 31 March 2018.
- The Statement of Investment Principles explaining how we invest the money paid into the Scheme.
- The Annual Report and Accounts that shows the Scheme’s income and expenditure over each year.
- The Explanatory Booklet for active employee members of the Scheme
- A copy of your Annual Benefit Statement. You can access your statements online at <http://www.uoesbspensions.co.uk/uoel>. You will need to log in to your online account. If you have not yet registered for an online account please follow the instructions on how to register for online access.

In order for us to be able to keep in touch with you, please inform us if you change address.

### Independent Advice

If you would like financial advice, you should contact an Independent Financial Adviser (IFA), as the Trustees, by law, are unable to provide this. To find an IFA near you, visit [www.unbiased.co.uk](http://www.unbiased.co.uk)

TPAS helps members and beneficiaries of pension schemes with any pension questions they may have and any difficulties they have failed to sort out with the trustees or administrators. You can contact a local TPAS adviser through your Citizens Advice Bureau or by:

Tel: 0845 601 2923  
 Email: [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)  
 Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)  
 Post: 11 Belgrave Road  
 London  
 SW1V 1RB

If TPAS fails to resolve your issue, you can contact the Pensions Ombudsman. The Ombudsman can help investigate complaints and disputes of fact or law connected with pension schemes. You can contact the Ombudsman at the same address as TPAS. However, it has a different phone number, email and website address:

Tel: 020 7834 9144  
 Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
 Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

If you have lost track of previous pension benefits, you can contact the Pension Tracing Service. It will give you an up-to-date address of the trustees of pension schemes.

Tel: 0845 600 2537  
 Email: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)  
 Post: The Pension Tracing Service  
 The Pension Service  
 Tyneview Park  
 Whitley Road  
 Newcastle-upon-Tyne  
 NE98 1BA

## SUMMARY FUNDING STATEMENT 2019

**This is an important document as it lets you know how the Scheme is doing financially.**

### Why is it important?

Aside from the legal requirement to provide this information, the Scheme's financial health could affect the benefits you ultimately receive.

The Scheme 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. As Trustees of the Scheme, we send you a summary funding statement to tell you about the results of these financial checks and updates.

### How is the Fund doing?

The last full valuation, which has recently been completed, looked at the funding position as at 31 March 2018 (the "2018 valuation"). The last annual funding update took place as at 31 March 2019 (the "2019 update") and is shown for comparison.



#### Assets

The money the Scheme has now.

2018 valuation  
**£ 412.6m**

2019 update  
**£ 433.7m**



#### Liabilities

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

2018 valuation  
**£ 457.3m**

2019 update  
**£ 485.8m**

The calculation of the liabilities assumes that the Scheme will continue until all future benefits due are paid.

It's an estimate because it depends on assumptions about what will happen in the future, such as the investment return that will be earned on the Scheme's assets and how long members will live for.



#### Surplus/(deficit)

The assets minus the liabilities.

2018 valuation  
**£ (44.7m)**

2019 update  
**£ (52.1m)**

As part of the 2018 valuation, the Trustees and the University agreed the contributions needed to pay for benefits building up, make good the shortfall and cover the costs involved in running the Scheme.

To fund the shortfall, the University will pay £1.03m each year (increasing in line with Consumer Price Inflation) up to 31 March 2029 (or until the shortfall is paid off, if sooner).



#### Funding level

The assets as a percentage of the liabilities.

2018 valuation  
**90%**

2019 update  
**89%**

This means the Scheme's funding situation has worsened slightly since 31 March 2018.

This is due to an increase in the value placed on the liabilities as a result of lower future investment returns and higher future inflation expectations.

This has been offset partially by the contributions being paid by the University, together with positive returns on the assets.

The Trustees have confidence in the University's financial strength and its ability to make these additional contributions, and indeed to pay more in the future if required. In addition to the cash contributions, the University continues to provide the Trustees with contingent security over University property that will be made available in extreme circumstances; this was most recently valued at £119 million.

## Another legal requirement for the Scheme...

As part of the valuation, the actuary also has to work out the funding level assuming the Scheme doesn't continue and all the promised benefits are secured by transferring them to an insurance company. The law requires us to provide this information to you, it doesn't mean the Trustees or the University have any intention of winding-up the Scheme.

This kind of funding level (called the solvency funding level) is usually significantly lower than funding level worked out if we assume the Scheme 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 Scheme has now.

**2018 valuation**  
**£ 412.6m**



### Buy-out cost

The cost of securing benefits with an insurance company.

**2018 valuation**  
**£ 741.1m**

The calculation estimates the cost of providing the promised benefits if the Scheme ended on 31 March 2018 and the responsibility of paying the benefits was transferred to an insurance company.



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

The assets minus the buy-out cost.

**2018 valuation**  
**(£ 328.5m)**

The assets are less than the buyout cost. This is in common with most other pension schemes and the Trustees and the University are not intending to wind up the Scheme.



### Solvency funding level

The assets as a percentage of the buy-out cost.

**2018 valuation**  
**56%**

## 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 Scheme was wound-up without enough money to buy-out all the benefits with an insurer, then, unless the University 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 is available on the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) - or you can write to the Pension Protection Fund at:

Including this information doesn't mean that the Trustees or the University are planning to wind up the Scheme. 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 Scheme to the University 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.

Please note: Benefits are determined by the Rules of the Scheme. 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 the Pensions Department at the address above.

### 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 Department via: [pensions@ed.ac.uk](mailto:pensions@ed.ac.uk)

We'll send you a summary funding statement when we have updated information on the Scheme's finances to share with you – if you change address, please let us know by contacting the Pensions Department.

## The Pensions Advisory Service

TPAS helps members and beneficiaries of pension schemes with any pension questions they may have and any difficulties they have failed to sort out with the trustees or administrators. You can contact a local TPAS adviser through your Citizens Advice Bureau or by:

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Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)  
Post: 11 Belgrave Road  
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SW1V 1RB

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Whitley Road  
Newcastle-upon-Tyne  
NE98 1BA