

University of Bristol Pension and Assurance Scheme (“UBPAS”)

Newsletter to members

Welcome to the annual newsletter from the UBPAS Trustee. It contains a summary of what has been happening with the pension scheme over the past year, information about the Trustee, and other updates.

The funding level of the Scheme continues to be closely monitored, the results of which are summarised in the Summary Funding Statement accompanying this newsletter.

I hope that you find this newsletter interesting and useful. **Jonathan Lord - Trustee Chair**

The UBPAS Trustee board and advisers

The UBPAS is governed by a Trustee board comprising:

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| 1 Independent Trustee Director nominated by the University: | 3 Trustee Directors nominated by the University: |
| <ul style="list-style-type: none"> • Jonathan Lord - the chairman | <ul style="list-style-type: none"> • Len Hall • Jason Smerdon • Jayne Oram |
| 3 Member Nominated Trustee Directors (“MNDs”): | |
| <ul style="list-style-type: none"> • Tony Macdonald • Pat French • Matti Punt | |

At the end of December 2019 Mick Axtell stepped down as a Trustee and Jayne Oram joined the Trustee board as his replacement. We would like to thank Mick for his contributions to the board over his time as a Trustee.

The board takes advice from specialist advisers. Osborne Clarke provide legal advice, Willis Towers Watson are the Scheme’s Actuary and also provide covenant advice, Mercer manage and advise on the Scheme’s investments and Barnett Waddingham are administrators to the Scheme. All advisers are present at the quarterly Trustee meetings. A sub-committee of the Trustee considers investment decisions alongside the main board and reports at Trustee meetings.

A summary of key UBPAS activities over the year

Active members have stopped building up benefits

From 31 December 2019, UBPAS closed to future accrual of benefits for active members at that time, as mentioned in last year’s newsletter. From 1 January 2020, members who were accruing benefits in UBPAS were enrolled into University of Bristol Group Pension Plan (“UBGPP”) for future accrual of benefits.

University contributions

As part of the July 2018 actuarial valuation, a payment schedule was agreed that is intended to eliminate the funding shortfall of the Scheme. The University have paid the contributions due this year under the schedule, and in July 2020 the University also made a pre-payment of £6.7m in respect of payments that were due at a later time in the schedule.

UBPAS investment update

Investment markets generally delivered positive returns throughout 2019 and early 2020. However, due to Covid-19 and the impact it has had on the global economy, the second half of February and March 2020 proved far more challenging, with the majority of asset classes falling in value and market volatility increasing substantially. The yield on UK government bonds decreased which has had the effect of increasing the estimated value placed on the Scheme’s liabilities.

Although the pandemic still has a long way to run, markets have bounced back well since the end of March and the heightened market volatility has subsided. The yields on UK government bonds remain low.

Since the summer of 2018, the Scheme’s investments have been managed by Mercer according to a de-risking strategy set by the Trustee. The strategy seeks to ensure the Scheme is well positioned to navigate the type of market volatility we have witnessed over recent months, and also capture investment opportunities as they arise. In addition, a number of pre-agreed “triggers” have been set such that investment risk can be reduced as the funding position improves. This is done by reducing the allocation to “growth” assets such as equities in favour of “matching” assets which are typically UK government bonds. Since the strategy was implemented in 2018, the Scheme has hit a number of triggers and therefore has de-risked from an initial allocation to growth assets of 70% to 63.3% as at 31 July 2020.

The investment strategy and de-risking framework is reviewed annually with our advisers. The next review is due to take place in November 2020.

UBPAS key statistics and finances

	Year to July 2020 (£m)	Year to July 2019 (£m)
Contributions:		
Member contributions	0.0	0.2
University contributions	16.3	4.8
Total contributions	16.3	5.0
Expenditure:		
Benefits paid	11.3	11.3
Payments to and on account of leavers	0.5	0.1
Expenses (e.g. insurance and fees)	0.8	1.2
Total expenditure	12.5	12.6
Assets:		
Assets at start of year	355.3	332.1
Purchases	388.7	354.6
Sales/ withdrawals	(394.3)	(366.0)
Change in market value	23.0	34.6
Assets at end of year	372.7	355.3

Membership	July 2020	July 2019
Active members	0	760
Deferred members	2,729	2,075
Pensioners and dependants	1,824	1,768
Total members	4,553	4,603

**Please note, the above figures may not sum to the total due to rounding*

The Scheme closed to future accrual of benefits for active members on 31 December 2019, therefore there are no longer any active members. Members that were an active member on 31 December 2019 and are still employed by the University are included above within the deferred category.

Members are now enrolled onto the University of Bristol Group Pension Plan to build up future pension.

Please note, the above figures are based on the unaudited Report and Accounts and therefore may be subject to change once the audit has been finalised.

Developments in pensions

Covid-19 has presented new challenges for pension schemes, from the investment market volatility mentioned above, to having to quickly adapt to remote working practices. Please be assured that the Trustee and our advisers have worked hard to respond to the challenge, following industry guidance that has been issued by the Pensions Regulator. In particular the pension administrator (Barnett Waddingham) has fully adapted to the situation. Pensions continue to be paid on time and member service has remained fully operational. We believe that any adverse impacts on you and other members have been kept to a minimum and thank you for your patience during these unprecedented times.

In March 2020, the UK Government and the UK Statistics Authority (UKSA) launched a consultation on potential future changes to the RPI measure of inflation. One of the proposals being consulted on is whether to change RPI to be the same as the CPIH measure of inflation from the year 2030, which has historically been lower than RPI. In UBPAS, some of the benefits increase in line with RPI prior to retirement, so any change to RPI could affect benefits paid in the future. The outcome of the consultation is not yet known.

UBPAS actuarial valuation

Legislation requires that every three years the Trustee must commission an Actuarial Valuation to assess the value of the benefits promised to be paid out of the Scheme in the future and compare this to the value of the assets held.

The most recent Actuarial Valuation was completed as at 31 July 2018, which showed a £50m deficit and a funding level of 87%, which is an improvement on the previous valuation as at 31 July 2015, which showed a £66m deficit and a funding level of 79%. An interim update carried out as at 31 July 2020 showed a decrease of the funding level to 80%. Further information on this update can be found in the accompanying Summary Funding Statement.

Following completion of the 2018 Actuarial Valuation, a 'recovery plan', involving additional contributions from the University to address the deficit, has recently been agreed with the University.

Further information about UBPAS can be found online at: <http://www.bristol.ac.uk/directory/finance/pensions/ubpas/>

If you have any queries please contact University of Bristol Pension and Assurance Scheme, Pension Administration, Barnett Waddingham LLP, Hartwell House, Victoria Street, Bristol, BS1 6AD or telephone 0333 11 11 222. This is a local rate number and you will be charged your provider's standard landline rate.