

University of Bristol Pension and Assurance Scheme (“UBPAS”) Newsletter to members - 2022

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. A key change over the year has been the transition to a sole Trustee which is covered in more detail below.

The funding level of the Scheme continues to be closely monitored and the three yearly actuarial valuation, which helps us to check on the financial health of the Scheme, has been recently agreed with the University.

I hope that you find this newsletter interesting and useful. Colin Richardson - Trustee Chair

The UBPAS Trustee board and advisers

You should have received a letter in May 2022 to let you know of a change to the structure of the Trustee board. The UBPAS is now governed by an independent Corporate Sole Trustee, Zedra Governance Limited, with Colin Richardson appointed as the lead Trustee Director. A Governance Board (similar to the one operated by the UBGPP scheme) has been set up to facilitate continued member engagement in the running of the scheme.

Zedra Governance Limited has specialised for nearly 30 years in acting as an independent, professional trustee to a wide range of pension schemes. We strive to deliver a pensions governance service that reflects a scheme’s individual requirements, achieve good outcomes for scheme members, and work collaboratively with sponsoring employers. We operate a team based approach, so that while Colin is the lead trustee, he is supported by a dedicated team of experienced professionals with Louisa Harrold and Matt Riley working with UBPAS. Further information can be found on our website at www.zedra.com.

The new Trustee will also continue to be supported by the same specialist advisers that were in place previously. Osborne Clarke provide legal advice, WTW 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.

UBPAS investment update

Following a broad market rally in 2021 that saw asset prices recover from the lows of 2020, markets have endured a challenging 2022. Equities, along with many other growth assets, have suffered falls in market values, whilst other areas of the market, including those that are typically viewed as more defensive such as bonds, also fell sharply in value. The key reasons behind the market falls include high inflation, rising interest rates, and heightened geopolitical tensions. In addition, you may have read news reports of particular strains for pension schemes in September and October 2022. This followed unprecedented volatility in Government bond markets after the Government’s “mini budget” announcement, and led to the Bank of England providing additional support on 28 September to ensure the market continued to function.

Although this backdrop has seen the Scheme’s asset value fall since the start of the year, the Scheme remains in a largely unchanged position in funding level terms which is positive in the context of such volatile market conditions. As such, the Trustee has not felt it necessary to make any significant changes to the Scheme’s investment strategy at this point in time, though continues to monitor and discuss on an ongoing basis with Mercer (the investment adviser to the Scheme).

Over the last few years the Scheme has had to navigate a number of significant events, including the COVID pandemic, and it has been pleasing to see that the Scheme’s investment strategy has weathered the period well and remains in a strong position.

31 July 2021 Actuarial Valuation

Legislation requires that every three years the trustees of pension schemes 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 2021, which showed an £84m deficit and a funding level of 83%, which is a slight deterioration since the previous valuation as at 31 July 2018 which showed a £50m deficit and a funding level of 87%. An interim update carried out as at 31 July 2022 showed a reduction in the deficit of around £12m, although this also corresponded to a slight decrease of the funding level to 82%. Further information on this update can be found in the accompanying Summary Funding Statement.

Following completion of the 2021 Actuarial Valuation, a ‘recovery plan’, involving additional contributions from the University to address the deficit, has been agreed with the University.

Webinar

You are invited to a Webinar for all members to be hosted by the new Trustee. This will give members the chance to meet the Trustee and hear from them about the UBPAS. The date is scheduled to be 2 February at 1-30pm. A separate invite will be issued to confirm further information and how to join.

UBPAS key statistics and finances

	Year to July 2022 (£m)	Year to July 2021 (£m)
Contributions:		
Member contributions	0.0	0.0
University contributions	11.5	8.6
Total contributions	11.5	8.6
Expenditure:		
Benefits paid	11.7	11.6
Payments to and on account of leavers	0.0	0.2
Expenses (e.g. insurance and fees)	0.8	0.8
Total expenditure	12.5	12.6
Assets at year end		
Invested assets	321.0	410.2
Net current assets	13.8	9.2
Total assets	334.8	419.4
Membership		
	July 2022	July 2021
Active	0	0
Deferred members	2,515	2,613
Pensioners and dependants	1,926	1,884
Total members	4,441	4,497

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 categorised as active members on 31 December 2019 and are still employed by the University are included above within the deferred category.

Members who are currently in employment with the University are now enrolled into the University of Bristol Group Pension Plan (UBGPP) 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

Over the last year, inflation has risen beyond levels that would normally be expected. This will impact your benefits, since in this Scheme most benefits are linked to inflation.

RPI increases apply for deferred members' pensions in the period prior to when you start receiving your pension from the Scheme (with a 5% a year cap applying over the total deferred period), and CPI increase apply each year once your pension is in payment.

Therefore, the high levels of inflation will be reflected in your benefits and the next increase you receive will be higher than in recent years. Increases for the scheme are always based on inflation measured over 12 months to each September. Members whose pensions are in payment will receive information on their annual pension increase in their annual pension increase letter in April 2023.

In 2014 the Government announced the intention for the normal minimum pension age (NMPA) to rise to 57 in 2028. This is the earliest age at which members can access their benefits in the Scheme in normal circumstances. In February, the Finance Act 2022 received Royal Assent implementing the legislation to increase the NMPA to 57 on 6 April 2028.

Member self-service portal

You can now register online to view your scheme details, including your pension entitlement.

This online portal is provided by the Scheme administrators Barnett Waddingham and is accessed via the following link: <https://logon.bwebstream.com>

If you need assistance with the online portal please contact Barnett Waddingham using the contact details at the bottom of this page.

Further information about UBPAS can be found online:

- The administrators website (Barnett Waddingham): <https://ubpas.co.uk>
- Self-service portal: <https://logon.bwebstream.com>
- The University website: <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; email BristolUni@Barnett-Waddingham.co.uk; or telephone 0333 11 11 222. This is a local rate number and you will be charged your provider's standard landline rate.



The University of Bristol Pension & Assurance Scheme (“the Scheme”) Summary Funding Statement for the periods ending 31 July 2021 and 31 July 2022

As a person entitled to benefits from the Scheme, the Trustee provides you with a report of the Scheme’s funding position every year. The University pays contributions into the Scheme. All the monies are held in a fund independent of the University and managed by the Trustee. The fund is used to pay the benefits due directly to members.

Actuarial valuation as at 31 July 2021

The Trustee obtains regular formal valuations to estimate how much it will cost to provide all current and future pension benefits and, using this information, agrees with the University the rate of future contributions required for the Scheme to provide these benefits.

The most recent formal valuation was carried out as at 31 July 2021, with the results shown below.

	Valuation £m
Scheme assets	419.4
Amount needed to provide benefits	503.1
Shortfall	83.7
Funding level	83%

The funding level of the Scheme increased to 83% at 31 July 2021, compared with 80% as at 31 July 2020, with the shortfall decreasing from £97.3 million to £83.7 million. This improvement was partly due to the deficit contributions paid into the Scheme by the University of £7.16m, which was a pre-payment of future year’s contributions. The Scheme also benefited from asset returns over the year. The assumptions used to calculate the amount needed to provide benefits were reviewed as part of the actuarial valuation and this resulted in a number of changes, which offset some of the reduction to the deficit.

As required by law, the Scheme Actuary also made an estimate of the amount the University would need to pay to secure all members’ benefits with an insurance company in the event that the Trustee were to decide that the Scheme should be wound up (this measure is sometimes referred to as “full solvency” – see below). The shortfall in funding under this “full solvency” measure at the latest valuation date was approximately £248m.

Contributions agreed following the 31 July 2021 valuation

As part of the 2021 valuation, the Trustee and the University agreed the contributions to be paid to the Scheme.

From 1 August 2022 the University will pay £800,000 a year for the payment of ongoing administrative expenses. The University will also reimburse the Scheme for levies that must be paid to the Government’s Pension Protection Fund – there is more information on this later in this document.

The University also makes further contributions to remove the deficit. The University had already prepaid £7.16m of deficit contributions in respect of the year from 1 August 2021 to 31 July 2021 and agreed to make a further payment of £1.55m by 31 July 2022. The University agreed to make further payments of £8.97m a year, increasing annually by 3%, from 1 August 2022 until 31 July 2031.



The Trustee has also agreed a framework with the University to provide additional protection in the unlikely situation that there is a significant reduction in the strength of the University covenant supporting the Scheme. This framework could lead to additional contributions being paid by the University.

Actuarial reports

In between formal actuarial valuations, the Trustee obtains reports by the Scheme Actuary that estimate how the funding position has changed since the previous valuation. The Trustee obtained an annual update as at 31 July 2022. The actuarial methods and assumptions used were consistent with the Statement of Funding Principles that was agreed in conjunction with the formal valuation report as at 31 July 2021.

Actuarial report at 31 July 2022

	Valuation £m
Scheme assets	334.8
Amount needed to provide benefits	407.0
Shortfall	72.2
Funding level	82%

Over the year to 31 July 2022 the estimated shortfall decreased from £83.7 million to £72.2 million. This change was mainly due to the University paying deficit contributions to the Scheme over the year of £10.52m, including a pre-payment of £8.97m. There was a large reduction in the amount needed to provide benefits due to an increase in expected future investment returns from the Scheme's assets, although this was broadly offset by a reduction in the Scheme's assets over the year as a result of the Scheme's investment hedging strategy, which is designed to protect the Scheme from changes in market conditions.

As a result of the prepayment over the year, no further deficit contributions are due from the University before 31 July 2023.

Why does our funding plan not call for 'full solvency' at all times?

'Full solvency' would mean that the Scheme had sufficient funds to secure all future benefits by buying insurance policies. Insurance companies are obliged to take a very cautious view of the future, as well as including profit margins, and the cost of securing pensions in this way is high. By contrast, The Trustee's funding plan takes into account that the University continues to support the Scheme, and it is therefore not appropriate to fund for 'full solvency'.

The importance of the University's support

The Trustee's main objective is to ensure the Scheme has enough money to pay pensions now and in the future, so that even though the funding level may be below the target, benefits will continue to be paid in full. This does depend on the continuing support of the University in paying in the money required to eliminate any funding shortfall.

Were the Scheme to be wound up at some point in the future, the Trustee would ask the University to pay sufficient funds for the Scheme to achieve full solvency. This would be with the aim of securing members' benefits in full with an insurance company.



The Government's Pension Protection Fund

The introduction by the Government of the Pension Protection Fund ("PPF") has greatly improved the security of benefits for members of all the UK's occupational pension schemes, including the University of Bristol Pension and Assurance Scheme.

It means that members' benefits, to a degree, are guaranteed by the Government via the PPF (Approximately 100% of benefits for those over 65 and 90% of benefits for those who have not yet retired or who retired early and have not reached 65). Further information and guidance is available from the Scheme or from the PPF's website at www.ppf.co.uk. You can also write to the Pension Protection Fund at 12 Dingwall Road, Croydon, Surrey, CR0 2NA if you have any queries. The PPF arrangements mean that in the unlikely event that the University is unable to meet its commitments to the Scheme, and members do not receive their full amount of pension, members may qualify for compensation from the PPF.

However, it should be emphasised that the Trustee has every confidence in the full commitment of the University to the Scheme as demonstrated by the sizeable contributions it has made in the past and has agreed to make in the future.

Regulator's powers

The Pensions Regulator has not exercised its powers to modify the Scheme, give directions in relation to scheme funding or impose a schedule of contributions.

Payments to the University

The Trustee is required by legislation to inform you of any payments made from the Scheme to the University since the date of the last Summary Funding Statement. The Trustee can confirm that no payments have been made.

Where can I get more information?

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

If you have any questions, or would like any more information, please contact the Scheme's administrators at:

University of Bristol Pension and Assurance Scheme
Pension Administration
Barnett Waddingham LLP
Hartwell House
Victoria Street
Bristol
BS1 6AD

Tel: 0333 11 11 222

Email: BristolUni@Barnett-Waddingham.co.uk

Please remember to let the Scheme's administrators know if you change your address.



A list of more detailed documents, which provide further information, can be obtained from the Scheme's administrators.

Additional documents available on request:

- Statement of Funding Principles. This sets out the Trustee's policy for ensuring that the Scheme is properly funded.
- Statement of Investment Principles. This explains how the Trustee invest the funds of the Scheme.
- Schedule of Contributions. This shows how much money is due to be paid into the Scheme.
- Recovery Plan. This explains the steps being taken to eliminate the funding shortfall.
- Annual Report & Accounts of the University of Bristol Pension & Assurance Scheme, which shows the Scheme's income and expenditure over each year.
- The full report on the Actuarial Valuation following the actuary's review of the Scheme's situation as at 31 July 2021.
- Benefit Statement. You should have received a statement of your benefits at your date of leaving – if you have lost this you can request a replacement statement.