Summary Funding Statement provided by the Trustees for year ended 1 April 2015

Why have you sent me this Summary Funding Statement?
We, the Trustees of the University of Glasgow Pension Scheme (the “Scheme”), are sending you this statement to tell you about the financial security of the Scheme – you may remember that we sent you a similar statement last year. We recommend you take some time to read it, since the Scheme’s financial security could affect the benefits you will ultimately receive. We will continue to send you a similar statement regularly to update you on this important issue. The content of this statement is set out by law and requires some technical language. If anything is unclear or you have any questions, please contact the Secretary to the Trustees, University of Glasgow Pension Scheme, Finance Office, University of Glasgow, University Avenue, Glasgow, G12 8QQ.

How is the Scheme’s financial security measured?
An in-depth look at the Scheme’s finances is carried out at least every three years. This is called an actuarial valuation and is carried out by the Scheme Actuary who is a qualified, independent professional. We also review the financial security of the Scheme more regularly. When this is done we receive an actuarial report summarising the Actuary’s conclusions.

The estimated cost of providing benefits earned to date by all the active members and those who have left the Scheme, together with the pension benefits already in payment, are known as the Scheme’s liabilities. The value placed on liabilities is compared with the assets of the Scheme to determine whether the Scheme has a surplus or a shortfall.

What is the Scheme’s financial position?
The latest actuarial report of the Scheme showed that on 1 April 2015;

- The value of the liabilities was approximately £414m
- The Scheme’s assets were valued at £340m
- This means that there was a shortfall of £74m
- Funding level 82%

Please note, this position is calculated using assumptions set by the Trustees, with advice from the Scheme Actuary.

It is important to remember that while the University continues to support the Scheme, benefits will continue to be paid in full, even if there is a shortfall. We expect the Scheme’s funding position to go up and down over time and you should bear in mind that the results shown are just a snapshot in time.
How has the Scheme's financial position changed since you last sent me a Summary Funding Statement? Why has the Scheme's financial position changed?

When we last sent you a Summary Funding Statement we reported that the Scheme was estimated to have a shortfall of £67 million at 1 April 2014. The last full actuarial valuation of the Scheme was completed at 1 April 2013. The movement in the shortfall is summarised as follows:

At 1 April 2013 the full actuarial valuation showed a shortfall of £100m
At 1 April 2014 the actuarial report showed a shortfall of £67m
At 1 April 2015 the actuarial report showed a shortfall of £74m

The decline in the Scheme’s financial position since the last Summary Funding Statement is mainly due to the decrease in long dated government bond yields over the year from 1 April 2014 to 1 April 2015, consequently increasing the Scheme’s liabilities. This has been offset to an extent by strong asset performance.

How do the Trustees know what contributions should be paid into the Scheme?

Following each actuarial valuation, the Actuary advises us what contributions should be paid into the Scheme so that we can expect to be able to continue to pay people’s pensions. We then agree a level of contribution for the Scheme with the University and record this in a Schedule of Contributions. We review and update the Schedule of Contributions at least each time the Scheme has an actuarial valuation. The valuation and Schedule of Contributions follow standards we have set out in a Statement of Funding Principles. This document describes how we will manage the Scheme with the aim of being able to continue to pay members’ benefits.

How much money is being paid into the Scheme?

Following the 1 April 2013 actuarial valuation and discussions between the Trustees and the University, it was agreed that from 1 April 2014 the University would pay contributions of 26.15% of pensionable salaries (less members’ contributions of 7.5%) until 31 July 2014 and 30% of pensionable salaries (less members’ contributions of 7.5%) from 1 August 2014 to cover the cost of members’ benefits being built up.

It is important to note that the actuarial valuation relies on assumptions about what will happen in the future including, for example, the future investment return that will be achieved on the Scheme’s assets. Due to the nature of these assumptions, as they will not all turn out to be exactly right, it may be necessary to vary the level of contributions to the Scheme.

Is the shortfall going to be paid off, and if so, how will this be done?

Our aim is for the shortfall to be paid off by 31 March 2034. To calculate the amount of the shortfall, assumptions have to be made about what will happen in the future, for example, the rate at which the Scheme’s assets will grow.

The University shall pay the following deficit reduction contributions:

- One off lump sum payment of £30m made on or before 31 July 2014; and
- £2.5m p.a. with effect from March 2015 to March 2034, increasing at 2.5% per annum. The first payment is to be made no later than 15 March 2015.

The lump sum payment of £30m and the first annual payment of £2.5m have now been received.

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1 Employee contributions can be paid via a salary sacrifice arrangement, whereby the University reduces the members’ salary by an amount equal to the pension contribution they would normally have paid. The University then pays this amount direct to the Trustees along with the normal employer contribution.
If the assumptions do not turn out to be exactly right, it may be necessary for the University to pay additional contributions to the Scheme for the shortfall to be paid off by 31 March 2034.

**What type of assets does the Scheme invest in?**
The Trustees’ policy is to invest in a broad range of assets with an emphasis on company shares (or equities).

The distribution of the Scheme’s assets as at 1 April 2015 was estimated to be as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Equities</td>
<td>16%</td>
</tr>
<tr>
<td>Overseas Equities</td>
<td>31%</td>
</tr>
<tr>
<td>Diversified Growth Fund</td>
<td>21%</td>
</tr>
<tr>
<td>Government and Corporate Bonds</td>
<td>30%</td>
</tr>
<tr>
<td>Cash and other assets</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Is my pension guaranteed?**
Our aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends on the University continuing to support the Scheme. In the unlikely event that the University is not in a position to or decides to stop paying for the Scheme, it would be expected to pay the Scheme enough money to buy all benefits built up by members from an insurance company. This is known as the Scheme being “wound up”. In this unlikely scenario a comparison of the Scheme’s assets to the cost of buying the benefits from an insurance company is known as the “solvency position”.

**Is there enough money in the Scheme to provide my full benefits if the Scheme was wound up?**
The actuarial valuation at 1 April 2013 showed that the Scheme’s assets could not have paid for the benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date.

- The liabilities if the Scheme were to be wound-up were £648 million
- The Scheme’s net assets available (after expenses) were £248 million
- This means that there was a shortfall of £400 million

The fact that we have shown the solvency position does not mean that the University is thinking of winding up the Scheme. It is just another piece of information which we hope will help you understand the financial security of your benefits.

**What happens if the Scheme is wound-up and there is not enough money to pay for all my benefits?**
If the Scheme winds up without enough money to buy all the benefits with an insurer then, unless the University can afford to pay the difference, you are unlikely to receive the full benefits you were expecting. To help members in this situation, the Government set up the Pension Protection Fund (PPF) which came into effect on 6 April 2005. The PPF pays a legally defined level of benefits to members of eligible UK pension schemes which are wound-up when the scheme does not have enough money to cover the cost of buying this level of benefits for members with an insurer and the company is insolvent and so cannot provide extra finance.

If the scheme were to be wound up and go into the PPF, the pension you would receive from the PPF may be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits were earned.
Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk, or you can write to the Pension Protection Fund at: Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

**Can I leave the Scheme before I am due to retire?**

If you are an active member, you can stop paying contributions into the Scheme before you reach retirement and your pension will be based on your service and salary at your date of leaving. Your pension benefits may be retained in the Scheme to be paid at retirement or transferred to another pension arrangement.

Similarly, if you have already stopped paying contributions into the Scheme and have paid-up benefits, you can, if you wish, transfer your benefits to another pension arrangement prior to retirement.

If you are considering either of these options, you should consult a professional adviser, such as an independent financial adviser, before taking any action. The law prevents us from providing you with financial advice.

**Where can I get more information?**

If you have any other questions, or would like any more information, please contact the Secretary to the Trustees, University of Glasgow Pension Scheme, Finance Office, University of Glasgow, University Avenue, Glasgow, G12 8QQ. A list of documents which provide further information is attached. If you want us to send you a copy of any of these documents please let us know.

**Data Controllers and Data Processors**

In order to administer your pension scheme, your personal data is used by the Trustees of the University of Glasgow Pension Scheme and the Scheme Actuary (Hymans Robertson) who both act as Data Controllers. Your personal data is processed by the administrators (Xafinity) who act as a Data Processor. Your personal data will be processed fairly and lawfully in accordance with the principles of the Data Protection Act 1998 solely in connection with your pension scheme. If you have any queries in relation to your personal data please contact the Secretary to the Trustees, University of Glasgow Pension Scheme, Finance Office, University of Glasgow, University Avenue, Glasgow, G12 8QQ.

We will be sending you a Summary Funding Statement each year, so if you change address you should let us know so that we can update our records.

*The Trustees of the University of Glasgow Pension Scheme, June 2015*
Additional documents available on request

**The University of Glasgow Pension Scheme Handbook**
This is the members' handbook for the scheme. You should have been given a copy when you joined the scheme. The current version can be viewed online at [http://www.gla.ac.uk/media/media_115927_en.pdf](http://www.gla.ac.uk/media/media_115927_en.pdf)

**The Statement of Funding Principles**
This explains how we (the Trustees) plan to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.

**The Statement of Investment Principles**
This explains how we (the Trustees) invest the money paid into the Scheme.

**The Schedule of Contributions**
This shows how much money is being paid into the Scheme by the University and the contributing members, and includes a certificate from the actuary showing that it is sufficient to meet the requirements set out by law.

**The Annual Report and Accounts of the University of Glasgow Pension Scheme**
This shows the Scheme’s income and expenditure in the year up to 31 March 2014 and can be viewed online at [http://www.gla.ac.uk/media/media_376797_en.pdf](http://www.gla.ac.uk/media/media_376797_en.pdf)

**The Scheme Actuary’s full report on the actuarial valuation as at 1 April 2013**
This sets out in detail the findings of the Scheme Actuary’s investigations into the finances of the Scheme at the last full actuarial valuation.

**The Actuarial Report as at 1 April 2015**
This provides an approximate update of the funding position of the Scheme as at 1 April 2015.