University of Dundee Superannuation and Life Assurance Scheme ('the Scheme')
Summary Funding Statement 31 July 2016

As a person entitled to benefits from the Scheme we are writing to give you an update of the funding position. We will send you a statement like this each year to provide you with the latest funding information for the Scheme.

Actuarial Valuation at 31 July 2014

The latest actuarial valuation of the Scheme showed that the funding position was as follows:

Actuarial Valuation as at 31 July 2014	
Scheme assets (£m)	84.7
Amount needed to provide benefits (£m)	108.9
Shortfall (£m)	24.2
Funding level (%)	78%

Steps being taken to remove the funding shortfall

As a result of the last valuation, the University of Dundee ('the University') agreed to pay additional contributions of 8.3% of members' pensionable salaries to 31 October 2024 with the aim of removing the shortfall. There was no change in the rate of active members' contributions which is 7.75% of pensionable salaries.

What is the Scheme invested in?

The Trustees' policy is to invest in a broad range of assets to generate long term returns above inflation. The asset split at 31 July 2016 was as follows (excluding annuity policies);

86% Diversified Growth Funds; 14% Index Linked Gilts.

The Trustees continually monitor the Scheme's investments.

Change in funding position since previous statement

The following table summarises the most recent funding information for the Scheme:

Actuarial Update as at	31 July 2016 (£m)	31 July 2015 (£m)	31 July 2014 (£m)
Scheme assets	97.2	93.6	84.7
Amount needed to provide benefits	159.7	132.7	108.9
Shortfall	62.4	39.1	24.2
Funding level	61%	71%	78%

The funding position has worsened in the period since the valuation and the last actuarial update. This is due to a sharp fall in long term interest rates which has led to an increase in the amount needed to provide the benefits. The increase in this amount was partially offset by contributions paid by the University (to reduce the funding shortfall), and higher than expected investment returns from the Scheme assets over the period.

Payments to the University

There have not been any payments to the University out of Scheme funds since the last statement was issued.

Where can I get more information?

If you have any other questions, or would like more information please contact Marion Imrie (contact details are provided below). Please help us to keep in touch with you by telling us if you change address. Alternatively, further information can be found in the Pensions Pack on the UODSS website which is given below.

Address: Marion Imrie, University Pensions Office, University of Dundee, Dundee, DD1 4HN.
www.dundee.ac.uk/payroll-pensions/pensions/uodss

Yours sincerely
The Trustees of the University of Dundee Superannuation and Life Assurance Scheme

University of Dundee Superannuation and Life Assurance Scheme ('the Scheme')
How the Scheme works

How are my benefits paid for?

The University and active members pay contributions to the Scheme which are invested in a common fund to pay benefits to Scheme members and dependants. The money is not held in separate funds for each individual.

How is the amount the Scheme needs to pay benefits calculated?

The Trustees agreed a funding plan (the *Statement of Funding Principles*) with the University which aims to ensure there is enough money in the Scheme to pay for benefits as they fall due. The amount of money which the University pays into the Scheme may go up or down and is monitored by regular updates of the funding position prepared by the Scheme Actuary (known as actuarial valuations).

The importance of the University's support

The Trustees' objective is to have enough money in the Scheme to pay benefits as they fall due. However, success of the funding plan relies on the University continuing to support the Scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, the University will usually need to put in more money; and
- the target funding level may not be sufficient to pay all future benefits in full and the University may need to put in more money.

Winding-up

Neither the Trustees nor the University are thinking of winding-up the Scheme however we are required to provide this information by law. The estimated amount needed to ensure that all members' benefits could be fully secured if the Scheme were to be wound up was £172.4m as at 31 July 2014. This, compared with a total asset value of £84.7m, means there was a winding-up shortfall of £87.7m.

What would happen if the Scheme were to be wound up?

If the Scheme were to be wound up, you may not get the full amount of benefits you have built up. However, as the University continues to support the Scheme, benefits <u>will</u> continue to be paid in full - even though funding can temporarily be below target.

If the Scheme were wound up, the University, if able, would have to pay money into the Scheme to enable members' benefits to be fully secured with an insurance company. If it is unable to pay the full amount required (for example, if the University became insolvent) benefits may not be paid in full. The Pension Protection Fund (PPF) could be required to take over the Scheme to ensure a minimum level of benefits can be paid to members (if the assets are not sufficient to provide a minimum level of compensation).

Further information is available on the PPF's website at www.pensionprotectionfund.org.uk.

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

The 'full solvency' position assumes that benefits will be secured with an insurance company. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administering the Scheme. By contrast, the current funding plan assumes that the University will continue to support the Scheme and the corresponding cost of providing benefits as they fall due is lower.

The Pensions Regulator

In certain circumstances the Pensions Regulator can direct how the amount needed to provide benefits must be calculated, can set the period for eliminating any funding shortfall, can specify the level of employer contributions to be paid and has the power to modify a pension scheme's future accrual of benefits. No such circumstances have arisen in relation to the Scheme.

Your options

If any Scheme members are considering leaving the Scheme, we strongly advise that they first consider obtaining independent financial advice before taking any actions.

A list of funding and related documents are available on request from the University's pension office.