



# Superannuation & Life Assurance Scheme Trustees' Short Report 2012-2013

## CHAIRMAN'S STATEMENT

Dear Member

I have pleasure in presenting the Trustees' Annual Short Report which informs members of the key issues relating to the University of Aberdeen Superannuation and Life Assurance Scheme for the year ending 31 July 2013.

Specifically the Report is a shortened version of the full Trustees' Report and includes details of membership, the financial position of the Scheme and investment performance. It also incorporates the annual Scheme Summary Funding Statement which provides an indication of the Scheme's financial security. A copy of the full Trustees' Report is available on request from the Pensions Office in the Finance Section.

During the year the Trustees met on six occasions. The Scheme's assets are managed by Legal & General Investment Management and over the year the total value of the Scheme's assets increased from £92.5 million to £107.6 million. The Trustees regularly review the performance of the fund managers and will continue to do so.

The University continues to give assurance that it remains committed to the continuance of the Scheme.

Your pension benefits do not change as a result of investment performance, but are based on your service and pensionable salary. Any cost of those benefits in excess of your contributions is met by the University.

Included in this report are details of some external sources of useful information relating to pensions. Scheme specific information can be obtained from the Pension Office.

Dr Alistair Mair  
Chairman of Trustees

# University of Aberdeen Superannuation & Life Assurance Scheme

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### Benefits

- ❑ The Scheme provides defined pension and lump sum benefits for members on retirement, or for their dependants on death before or after retirement.
- ❑ The University operates Pensions Plus which provides members with a more tax effective way of contributing towards the Scheme.

### Pension Increases

All pensions in payment were increased with effect from 1 April 2013. In respect of benefits attributable to service to 31 July 2011, the increase was the higher of 3% or RPI and in respect of benefits attributable to service from 1 August 2011, the increase was the lower of CPI or 5%. All the figures are guaranteed by Scheme rules.

### Membership

Any full or part time employee aged between 16 and 75 is eligible to join the Scheme. The membership of the Scheme is summarised in the following table:

The membership statistics are:-

|                  | <b>31 July 2013</b> | <b>31 July 2012</b> |
|------------------|---------------------|---------------------|
| Active members   | 698                 | 632                 |
| Pensioners       | 945                 | 955                 |
| Deferred Members | 638                 | 613                 |

### Contributions

During the Scheme year, contributions were paid in accordance with Scheme Rules. The employee contribution rate is 7.05%, and the University's contribution rate is 17.7% of pensionable salaries plus the death-in-service premium.

### Additional Voluntary Contributions

You may improve your benefits by paying Additional Voluntary Contributions (AVCs) to a money purchase AVC policy with Prudential.

Members with maturing AVC policy benefits can defer the purchase of an annuity to a date later than the date they take their main scheme benefits, although an annuity must be purchased by age 75. The Pensions Office can provide full details.

It is now also possible to effect, within certain limits, a Stakeholder Pension concurrently but it is recommended that Independent Financial Advice is taken when considering this option.

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### Income and Expenditure

This is a short extract from the Annual Accounts: The full Trustees Report and Accounts are available on the University's pension website. [www.abdn.ac.uk/staffnet/working-here/uaslas-210.php](http://www.abdn.ac.uk/staffnet/working-here/uaslas-210.php)

|  | <u>2012/2013</u>   | <u>2011/2012</u>  |
|--|--------------------|-------------------|
| <b>Net assets of Scheme at 1 August</b>                      | <b>92,482,500</b>  | <b>88,795,030</b> |
| <br>   |                    |                   |
| <u>Income</u>  | <u>2012/2013</u>   | <u>2010/2011</u>  |
| Members' Ordinary Contributions                              | 66,951             | 33,144            |
| Members' Scheme B AVCs                                       | 61,188             | 37,963            |
| University Contributions                                     | 3,217,116          | 3,122,826         |
| Transfer Values  | 188,078            | 57,841            |
| Other Income   | 65,592             | 34,301            |
| <b>Total Income (A)</b>                                      | <b>3,598,925</b>   | <b>3,286,075</b>  |
| <br>   |                    |                   |
| <u>Expenditure</u>   | <u>2012/2013</u>   | <u>2011/2012</u>  |
| Pensions   | 3,435,957          | 3,266,585         |
| Lump Sums  | 595,446            | 485,545           |
| Transfer Values  | 503,097            | 875,730           |
| Other benefits for leavers                                   | 15,114             | 16,547            |
| Insurance premiums   | 93,600             | 93,600            |
| Administration charges                                       | 273,962            | 296,445           |
| <b>Total Expenditure (B)</b>                                 | <b>4,917,176</b>   | <b>5,034,452</b>  |
| <br>   |                    |                   |
| <u>Returns on Investments</u>                                | <u>2012/2013</u>   | <u>2011/2012</u>  |
| Change in market value of investments                        | 16,532,729         | 5,555,538         |
| Investment management expenses                               | (137,858)          | (119,691)         |
| <b>Net returns on investments (C)</b>                        | <b>16,394,871</b>  | <b>5,435,847</b>  |
| <br>   |                    |                   |
| Net increase/(decrease) in fund over year (A minus B plus C) | 15,076,620         | 3,687,470         |
| <b>Net assets of Scheme at 31 July</b>                       | <b>107,559,120</b> | <b>92,482,500</b> |

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### Scheme Assets

The Trustees are obliged by law to manage the assets of the Scheme in such a way as to ensure they will be sufficient to meet the increasing liabilities now and in the future. The assets accrue in three principal ways: contributions from the members and the University, investment income and capital appreciation. The day-to-day management of the assets has been delegated to Legal & General Investment Management.

The Trustees have established a "Statement of Investment Principles" in accordance with the guidelines set by the Myners Code of UK institutional investment. This Code is a voluntary statement of best practice and is a set of investment principles for pension funds. It covers such key areas as decision-making procedures, the fund's objectives, asset allocation, adequate expert advice, fund managers' mandates, appropriate benchmarks and performance measurement and transparency of reporting.

The Trustees have procedures in place to review and update the Statement if appropriate, at least once a year. A copy of the full Statement of Investment Principles is available from the Pensions Office on request.

The assets of the Scheme are invested in an insurance policy with Legal & General Assurance (Pensions Management) Limited, part of the Legal & General Group, which is one of the largest financial institutions in the United Kingdom.

Legal & General's investment objective is to maintain the Scheme's distribution close to the benchmark and within the stated ranges.

### Investment Strategy

One of the key duties of the Trustees is to set the ongoing investment strategy of the Scheme and ensure that it remains appropriate. It is important that a balance is set between retaining investment stability and long-term growth potential against taking unnecessary risk for short-term gain. To help the Trustees achieve this balance, they work closely with their professional investment managers who implement all day-to-day investment decisions, and monitor their performance on an ongoing basis.

The table below summarises the overall spread of investments.

|                    | <b>31 July 2013</b> | <b>31 July 2012</b> |
|--------------------|---------------------|---------------------|
| UK Equities        | 20.6                | 19.8                |
| Overseas Equities  | 51.4                | 49.9                |
| Corporate Bonds    | 14.4                | 7.8                 |
| Index Linked Bonds | 13.6                | 14.7                |
| Fixed Interest     | -                   | 7.8                 |

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### **Auditors**

The Income and Expenditure statement in this Short Report is an abbreviated version of the full Accounts of the Scheme. These form part of the formal Trustees' Report and the accounts were audited as required by the Regulations by KPMG, the appointed auditors.

### **Trustees & Advisers**

The Trustees responsible for the Scheme at the end of the year were:-

|                     |                               |
|---------------------|-------------------------------|
| Dr Alistair Mair    | Independent Chairman          |
| Mrs Caroline Inglis | University Secretary          |
| Mrs Diane Massie    | Elected Member Representative |
| Mrs Vicky Munro     | Elected Member Representative |
| Ms Irene Bews       | Director of Finance           |
| Prof Angela Black   | University Court Nominated    |

### **Appointment of Trustees**

The arrangements for appointing membership representatives comply with the Member Nominated Trustee requirements of the Pensions Act 2004. The current member-nominated trustees have been elected to serve for the three year period to July 2016.

The specialist advisers appointed by the Trustees are:-

|                     |                                       |
|---------------------|---------------------------------------|
| Actuary             | Mr Jonathan Seed                      |
| Consultants         | Xafinity Consulting                   |
| Administrators      | Xafinity Paymaster                    |
| Auditors            | KPMG LLP                              |
| Investment Managers | Legal & General Investment Management |
| Legal Advisers      | Pinsent Masons LLP                    |
| Bankers             | Bank of Scotland PLC                  |

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### **Nomination Forms**

If you die in service there is a lump sum benefit of 3 times your salary at date of death, plus a return of contributions, plus interest. This payment is normally free of inheritance tax and is payable under the discretionary powers of the Trustees. You are recommended to make your wishes known to the Trustees by completing a Nomination Form which will give guidance to the Trustees on how this lump sum should be paid on death in service. The Forms are held in confidence and may be lodged in a sealed envelope. The Form can be revised from time to time if your circumstances change.

As the Trustees have now expanded the definition of “dependant” to cover partners (of either sex) a second Nomination Form, called the Potential Dependant Nomination Form, has been introduced. Details can be found in the members’ booklet.

Both forms are available on the University’s pension website [www.abdn.ac.uk/staffnet/working-here/uaslas-210.php](http://www.abdn.ac.uk/staffnet/working-here/uaslas-210.php) or from the Pensions Office. It is important that these forms are kept up to date.

### **Disputes**

There is a procedure for dealing with any dispute involving a member of the Scheme and the necessary forms are available from the Pensions Office in the Finance Section. The arbiter appointed to deal with the first stage of any dispute is Mrs Margaret Stevenson. There were no disputes during the Scheme year.

### **Auto Enrolment**

Starting in October 2012, new regulations require every employer in the UK to automatically enrol the vast majority of their employees into a suitable pension arrangement. There are a number of requirements which must be met including scheme design and regulation.

This Scheme meets or exceeds the requirements and is therefore a “qualifying” scheme.

### **Members’ Guide**

During the year a revised Guide for Members was produced, along with a set of Factsheets. These documents are available on the University’s pension website.