Every three years our actuary, Simon Corbett of Aon Hewitt, carries out a formal financial health check of the Plan known as a valuation. In between valuations he produces a less formal update based on the most recent valuation’s results. We report the results to you in a ‘summary funding statement’ like this one.

The Plan is set up as a shared fund of money. There are no separate pension accounts for members unless you pay additional voluntary contributions (AVCs). Money comes into this fund from contributions by the University, contributions from members and investment returns. As trustees, we are responsible for managing and investing the money and supervising the paying-out of benefits.

The valuation gives us an assessment of the future cost of paying benefits from the Plan. This assessment helps us to agree the contributions the University will pay to support the Plan.

YOUR SUMMARY FUNDING STATEMENT

<table>
<thead>
<tr>
<th>At 1 August 2013</th>
<th>At 1 August 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>• the value placed on the funding target was £163.8 million; and</td>
<td>• the estimated value placed on the funding target was £170.8 million; and</td>
</tr>
<tr>
<td>• the value of the assets was £173.6 million; so</td>
<td>• the unaudited value of the assets was £181.7 million; so</td>
</tr>
<tr>
<td>• the value of the assets was slightly higher than the funding target (by £9.8 million).</td>
<td>• the value of the assets was still slightly higher than the estimated funding target (by £10.9 million).</td>
</tr>
</tbody>
</table>

Changes in the funding position

The funding position at the 2013 valuation had improved since the previous update at 1 August 2012. This had shown a funding level of 96% with a shortfall of £7.1 million between the value of the assets and the funding target.

At the 1 August 2014 update, the surplus had increased a little but the funding level remained around 106%. This was because the value of the assets had increased (mainly due to good returns on the Fund’s investments) and the estimated funding target had also increased (mainly due to investment conditions).
SUPPORTING THE PLAN

The Plan relies on contributions from the University to meet the cost of future benefits building up, cover the Plan’s administration costs and remove the funding shortfall, if there is one.

The University’s current contributions are equal to around 13.25% of members’ pensionable salaries.

If the assumptions used in the valuation reflect what happens in real life, we expect the Plan to maintain its fully-funded status. However, things like financial markets and life expectancy are very difficult to predict accurately, so we will continue to monitor the funding level carefully. The actuary will look at the contributions again at the next valuation, and let us know if they need to change.

ANOTHER WAY OF LOOKING AT IT

The figures we have looked at so far are on the ‘ongoing’ basis, assuming the Plan continues into the future with the University continuing to provide financial support.

As part of the valuation, the actuary also has to look at the funding level as if the Plan had been wound up at the valuation date – the ‘full solvency’ basis.

Should the Plan be wound up (however unlikely this is) we would need to secure all members’ benefits built up to the winding-up date by buying insurance policies. Insurance policy prices generally include administration costs and a profit margin, making the cost of the benefits - and the funding target – higher. As a result, the funding level on this ‘full solvency’ measure is generally lower than the ongoing level. Even fully funded schemes tend to show a shortfall on this basis.

At 1 August 2013 the full solvency funding level was 56% with a shortfall of around £135 million (in line with most other UK final salary schemes like ours).

IMPORTANT ORGANISATIONS

The Pensions Regulator

The Pensions Regulator is the national ‘watchdog’ for pension schemes. It has the power to change the way future benefits build up in a pension scheme, ask for funding targets to be worked out in a particular way or impose a schedule of contributions on a pension scheme. It has never used these powers on our Plan.

The Regulator also asks us to inform you of any payments from the Plan to the University. There have been none, and this would be an unusual thing to happen.

You can find more information on the website, www.thepensionsregulator.gov.uk.

The Pension Protection Fund

The Pension Protection Fund (PPF) was set up to provide compensation to pension scheme members in danger of losing their pensions because their scheme has wound up and their employer is unable to cover the cost of providing all the benefits. The Plan pays a levy in return for this protection.

You can find more information on the website, www.pensionprotectionfund.org.uk.