The benefits of being a plan member

A warm welcome to this latest issue of Pension Matters, your yearly newsletter telling you about developments in the University of Newcastle upon Tyne Retirement Benefits Plan (the ‘Plan’). Inside, we report on the 12-month period that ended on 31 July 2013.

This year, alongside the usual updates, we focus on the real value of your Plan membership. We all lead busy lives and often have to juggle priorities at home and at work. With so much going on, it’s easy to forget just how important being a member of the Plan really is.

As a Plan member, the contributions you make automatically benefit from tax relief. And if you’re a Pensions+ member, you’ll be making an extra saving on the amount of National Insurance you pay. Consider too that pension plans such as ours, which is arranged on a ‘final salary’ basis, are becoming a rare thing.

You can read just how valuable your Plan membership might be on page 4. And you can feel reassured that the University is committed to supporting the Plan and providing employees with retirement benefits. For our part, as your Trustees, we continue to manage the Plan with the best interests of all members in mind.

Our appointed actuary, Simon Corbett, is currently working on the Plan’s three-yearly valuation. This is its full financial health check and the results will give us a good indication as to how well it is faring. This work is ongoing, so we’re not able to tell you this year’s funding position.
The membership

There were 3,833 members in the Plan at 31 July 2013. The table below shows how many of each type of member there were in the Plan at 31 July 2012 and 2013.

<table>
<thead>
<tr>
<th>Type</th>
<th>31 July 2013</th>
<th>31 July 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>1,556</td>
<td>1,461</td>
</tr>
<tr>
<td>Deferred</td>
<td>1,055</td>
<td>1,029</td>
</tr>
<tr>
<td>Pensioner</td>
<td>1,222</td>
<td>1,176</td>
</tr>
<tr>
<td>Total</td>
<td>3,833</td>
<td>3,666</td>
</tr>
</tbody>
</table>

Active members are employed by the University, Students Union or NUINTO, and are building up benefits in the Plan.
Deferred members are no longer building up benefits in the Plan, but have left them in the Plan to take at retirement. They may or may not be employed by the University, Students Union or NUINTO.
Pensioner members, including the dependants of members who have died, are receiving a pension from the Plan.

The benefits of being a plan member

To give you some idea, we have included last year’s Summary Funding Statement on pages 5 and 6. We will report on the outcome of the valuation next year.
You can find the usual round-up of the Plan’s accounts on page 7, and read how the Plan’s investments performed over the reporting year on pages 8 and 9.
If you are a deferred or pensioner member, you are probably aware that your benefits in the Plan are increased each year to protect their value against the rising cost of living. However, different parts of your benefits increase in different ways, according to when they were built up. We summarise the differences for you on page 11.

We report on wider pensions news on pages 12 and 13, including plans to simplify the State pension system and contracting-out of the State Second Pension coming to an end in 2016.

There were a number of changes to the Trustee Board during the year and we introduce you to the full team on page 14. We profile your new Trustees, Nick Swales and Peter Johnson, and include a feature on Richard Burrow, who has worked tirelessly as Secretary to the Trustee since the current structure was set up. His involvement with the Plan goes back some 27 years!

I hope you can make the time to read through this issue, and that you find the information we provide useful. We try to strike the right balance between the headlines and the finer detail to help you make the most of your membership. If you would like to find out more about the Plan, or indeed, if you have a question about anything we cover inside, please contact Val Wall. Her details are on the back page.

Margaret Levy
Chair of the Trustee

Keep us posted

Your contact details

It is important that we have your correct details on file so that we can contact you about the Plan and your benefits. Please remember to keep us updated if there is a change to your name or address.
If you are a pensioner member, please let us know if you change your bank or building society account to avoid any delay in you receiving your payments.
For active members

Your benefit statement

Look out for your annual benefit statement in the new year and please take the time to read it through carefully. The statement will outline what income you can expect to receive from the Plan when you retire, and what level of benefits your dependants might receive when you die. Use your benefit statement to help you plan your retirement effectively.

AVCs

If you think your predicted retirement income will not support the lifestyle you would like when you stop work, you may top up your benefits by making Additional Voluntary Contributions (AVCs). There are lots of good reasons for doing so.

- It’s up to you how much extra you contribute.
- Any AVCs you make receive full tax relief.
- You can choose to make regular AVCs via Pensions+. This way, you’ll make an extra saving on the amount of National Insurance you pay.
- You can start, stop or change your AVCs at any time.
- Any AVCs you make build up to form your own AVC account. You can then take these benefits alongside your main Plan benefits when you retire, or wait until a later date (but no later than your 75th birthday).

You should bear a few things in mind if you are considering AVCs:

- AVCs are long-term savings just like your main Plan contributions – you cannot access your savings until you retire.
- The total increase in the value of your pension must not be more than the Annual Allowance or you will face a significant tax charge. The Annual Allowance is £50,000 for the 2013/14 tax year, but it is reducing to £40,000 from 2014/15 (see page 13).

When you first arrange to pay AVCs, you will need to decide how you want to invest your AVC account. You can choose to invest in either the Default Investment Fund, which follows an automatic lifestyle investment approach, or in one or a combination of the With Profits Fund and the Deposit Fund. For details of these funds, read the guide ‘Boosting your Plan benefits’, available from the Finance and Planning Office (see below) and on the University intranet.

If you would like to start paying AVCs, or make a change to the level of any AVCs you currently pay, please complete the AVC application form and return it to the address below.

Payroll Section
Finance and Planning Office
Newcastle University
King’s Gate
Newcastle upon Tyne
NE1 7RU
Phone: 0191 208 6496
Email: pensions-enquiries@ncl.ac.uk

Your nominations for death benefits

It is your responsibility to nominate the person, people or organisation/s you would like to receive any benefits that are due if you were to die before you retire, or within five years after your retirement. You do this using an Expression of Wish form.

As the Plan’s Trustees, it is our responsibility to decide who any such payments go to, but we would usually follow your wishes unless there was a good reason not to. We would always refer to your most recent form.

For these reasons, it is important that you update your Expression of Wish form if your circumstances or dependants change (for example if you (re)marry or become a parent), or if you simply want to change your nominations.

To update your form, print one via the University’s intranet – www.ncl.ac.uk/hr/benefits/pensions/rbp-scheme – or ask for one from the Finance and Planning Office (see opposite).
In focus: how much does your pension cost you?

There is no doubt that the Plan provides a great way for employees to save for retirement and represents excellent value for members. The University and participating employers pay the vast majority of the costs that are needed to provide your pension from the Plan. It also helps to protect members from the risk and volatility associated with many other types of saving.

We have put together an example here, to show you just how valuable your Plan membership is. Let’s suppose:

Mary is 40 years old and married. Her pensionable salary is £20,000 and she pays a regular contribution of 6.75% of that amount into the Plan each year, or £1,350.

The Plan is contracted-out of the State Second Pension so Mary pays a reduced level of National Insurance. She gets tax relief on her contributions, and makes them via Pensions+ so she makes a further saving on National Insurance too.

If we imagine that Mary’s pensionable salary and level of contribution remain unchanged until her normal retirement date (her 65th birthday), she will pay a total of £33,750 into the Plan during that time.

For a cost of less than £34,000, Mary would receive a yearly pension of more than £8,300 for the rest of her life. This amount would also increase each year, to protect its value against the rising cost of living. Consider too, that if Mary’s spouse survives her, he would receive a pension equal to half Mary’s pension, including annual increases, for life.

We would work out her pension from the Plan as follows:

\[
\frac{1}{60} \times £20,000 \times 25 = £8,333
\]

Is this a good deal? The answer is a resounding ‘yes’ and there are a number of reasons why:

- The actual cost to provide Mary’s pension would be much more than the £33,750 she paid into the Plan during her career.
- The majority of the cost is met by the University and by the Plan’s investment returns.
- For Mary to buy a yearly pension of £8,333 from an insurance company, she would need funds of at least £215,000 (assuming she chooses to include a spouse’s pension of 50% and annual increases). That’s more than six times as much as Mary’s total payments into the Plan. Although she has saved a significant overall sum for her retirement (over £33,000), it would not be nearly enough to secure the pension she’ll receive from the Plan.

This is a basic example, but it shows the real value of your membership, the University’s contributions and the need for a long-term investment strategy.

Plan membership is a valuable benefit and evidence of the importance the University places on supporting its employees.
Your funding update

The Plan’s three-yearly valuation is underway. It will be based on the Plan’s position at 1 August 2013. With this in mind, the Trustees and the University have formed a Valuation Sub-Committee to consider the approach. There are a number of stages to go through for the Sub-Committee and the Trustees, but we expect that the valuation will be finalised in time for us to report on it in next year’s Pension Matters.

Last year we reported on the results of the 2012 funding update. Given that the Plan is undergoing its full valuation, there is no 2013 funding update to report on. However, to remind you of the Plan’s position, we include the 2012 funding update for you here.

Summary funding statement

This report summarises the actuary’s latest update on the Plan’s funding position, which was carried out using information at 1 August 2012. It also looks at how the funding position has changed since the 2011 update, and the most recently completed valuation at 1 August 2010.

<table>
<thead>
<tr>
<th></th>
<th>Update 1 August 2012</th>
<th>Update 1 August 2011</th>
<th>Valuation 1 August 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount needed to provide members’ benefits in full (the funding target or ‘technical provisions’)</td>
<td>£158.2 million</td>
<td>£147.2 million</td>
<td>£136.3 million</td>
</tr>
<tr>
<td>The value of the Plan’s assets</td>
<td>£151.1 million</td>
<td>£142.5 million</td>
<td>£129.0 million</td>
</tr>
<tr>
<td>The funding position</td>
<td>Shortfall of £7.1 million</td>
<td>Shortfall of £4.7 million</td>
<td>Shortfall of £7.3 million</td>
</tr>
</tbody>
</table>

Note: the value of the Plan’s assets shown above do not include members’ Additional Voluntary Contributions which are invested separately.

2012 funding update

As you can see from the charts above, the funding level had dropped slightly when compared to the 2011 funding update – from 97% to 96%. However, it remained higher than it was at the 2010 valuation. In addition, while the funding deficit had risen since 2011, it had reduced by £200,000 when compared with the more in-depth valuation in 2010. Given the volatility of the financial markets, this was encouraging news.

Making up the difference

There has been no change to the schedule of contributions.

- The University and participating employers are contributing 13.25% of active members’ Pensionable Salaries each year. 2.1% of this goes towards making up the deficit identified at the 2010 valuation.
- Active members are contributing 6.75% of Pensionable Salaries each year.

The 2013 valuation will show whether the University’s deficit contributions are on track to remove the shortfall as planned by 2026.
And finally…

There are a number of items we must include as part of this report.

• The full solvency position

When calculating the Plan’s funding position, the actuary assumes that the Plan will carry on into the future and continue to pay members’ benefits. This is known as the ‘ongoing’ basis. By law, the actuary must also work out the funding level if the Plan were to end, otherwise known as the ‘full solvency’ basis. To clarify – this does not mean that the University is considering ending the Plan.

The full solvency funding level is almost always lower than the ‘ongoing’ funding level. This is because if the Plan did wind up, all members’ benefits would need to be purchased from an insurance company in one fell swoop, rather than be paid gradually over time. In addition, when working out the cost to provide policies, insurance companies add in their own profit margin and administrative costs.

If the Plan had started to wind up at 1 August 2010, the estimated full solvency funding level was 51%.

• Protecting your benefits

In an extreme situation – such as the Plan winding up because the University went out of business – the Pension Protection Fund (PPF) provides protection to members of pension schemes such as the Plan, and may compensate some or all of the members’ benefits. You can read more about the PPF online at www.pensionprotectionfund.org.uk.

The Pensions Regulator, the watchdog of UK workplace pension schemes, has the authority to make changes to how the Plan is run, and even impose a schedule of contributions, if it feels the need arises. We can confirm that the Regulator has not needed to intervene in this way for our Plan. To read more about the Regulator’s work, go to www.thepensionsregulator.gov.uk.

• Payments to the University

Lastly, we also have to let you know if the Plan has made any payments to the University in the previous 12 months. It has not. Indeed, such payments are extremely unusual and have never occurred in the Plan.
The year at a glance

This table shows the main figures from the Plan’s accounts for the reporting year that ended on 31 July 2013. The accounts have been checked by the Plan’s auditors, PricewaterhouseCoopers LLP. We have included last year’s figures so you can see how the Plan is developing. The value of the Plan increased by £22,482,454 over the year, from £152,291,114 to £174,773,568.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Value of Plan on previous 1 August</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of Plan on previous 1 August</td>
<td>152,291,114</td>
<td>143,772,817</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employers’ contributions</td>
<td>3,146,190</td>
<td>3,064,944</td>
</tr>
<tr>
<td>Additional Employers’ payments</td>
<td>623,456</td>
<td>639,127</td>
</tr>
<tr>
<td>Member contributions arranged through Pensions+</td>
<td>1,664,326</td>
<td>1,673,567</td>
</tr>
<tr>
<td>Member contributions outside Pensions+, including Additional Voluntary Contributions</td>
<td>381,474</td>
<td>310,682</td>
</tr>
<tr>
<td>Transfers in from other pension plans</td>
<td>212,156</td>
<td>40,743</td>
</tr>
<tr>
<td>Insurance policy claims</td>
<td>76,284</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>6,103,886</td>
<td>5,729,063</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>5,020,935</td>
<td>4,648,790</td>
</tr>
<tr>
<td>Cash lump sums on death</td>
<td>64,495</td>
<td>10,205</td>
</tr>
<tr>
<td>Cash lump sums on retirement</td>
<td>1,263,137</td>
<td>1,450,907</td>
</tr>
<tr>
<td>Payments for leavers</td>
<td>1,041,547</td>
<td>339,283</td>
</tr>
<tr>
<td>Group life assurance premiums</td>
<td>180,084</td>
<td>294,715</td>
</tr>
<tr>
<td>Administrative fees and expenses</td>
<td>696,048</td>
<td>511,617</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td>8,266,246</td>
<td>7,255,517</td>
</tr>
<tr>
<td><strong>Investment returns</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>2,543,646</td>
<td>2,772,734</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>22,905,322</td>
<td>7,982,101</td>
</tr>
<tr>
<td>Investment management expenses</td>
<td>(804,154)</td>
<td>(710,084)</td>
</tr>
<tr>
<td><strong>Net investment returns</strong></td>
<td>24,644,814</td>
<td>10,044,751</td>
</tr>
<tr>
<td><strong>Value of Plan on 31 July</strong></td>
<td>174,773,568</td>
<td>152,291,114</td>
</tr>
</tbody>
</table>
**Investment news**

Investment plays an important part in maintaining the Plan’s financial health. As Trustee Directors, or ‘Trustees’, we are responsible for ensuring that contributions to the Plan are invested wisely to provide growth (to support the pension benefits building up into the future and increases to pensions being paid) and income (to help cover the cost of pensions being paid out).

To ensure our investment decision-making is as efficient as possible we have an Investment Sub-Committee which meets regularly to discuss investment-related matters.

We would like to welcome Nick Swales, one of our new Trustees, as the chair of this Committee. Here, Nick comments on the global investment markets for the reporting year. You can also read a brief introduction to Nick on page 15.

“Over the year to 31 July 2013, the global economy witnessed a number of economic and political difficulties, as central bank intervention and austerity measures across the globe took centre stage. Quantitative Easing (‘QE’) programmes were expanded within the US and UK to support these economies and the European Central Bank bailed out peripheral countries, such as Greece and Cyprus. Even the UK’s AAA credit rating was downgraded in February by Moody’s – for the first time since 1978 – on the back of the UK’s poor growth outlook and its high debt burden.

That being said, later in the year there were some tentative signs of economic recovery in some countries such as the UK and Japan; however, growth in some of the larger emerging economies slowed.

Despite these economic and political difficulties, global equity returns were strong over the 12 months to 31 July 2013. Bond yields fell over the year with gilt yields reaching record low yield levels in the summer of 2012. However, speculation over the end of QE in both the UK and US put upward pressure on bond yields towards the end of June 2013.”

**Nick Swales, Chair of Investment Sub-Committee**

**Our investment strategy**

The Trustee agrees an investment strategy for the Plan and appoints investment managers to manage the Plan’s assets across a range of investments. We have produced a Statement of Investment Principles which sets out details of the investment strategy, the managers and their fees. You can find a copy of this statement on the University intranet (see page 16).

Our current investment strategy aims to maximise the growth of the funds in the Plan, but also spread the risk of the investments via ‘diversification’. Diversification aims to reduce the risk from any one manager or type of investment performing less well than the others. We do this by investing in a range of asset classes.

The table below shows the current investment managers, their investments and the benchmark percentages we have allocated to them as at 31 July 2013.

<table>
<thead>
<tr>
<th>Manager</th>
<th>Type of investment</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majedie</td>
<td>UK equities (excluding tobacco)</td>
<td>32.5%</td>
</tr>
<tr>
<td>Legal &amp; General</td>
<td>Overseas equities (excluding UK equities)</td>
<td>7.5%</td>
</tr>
<tr>
<td></td>
<td>Emerging markets equities</td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td>Emerging markets bonds (local currency)</td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td>Corporate bonds</td>
<td>21.0%</td>
</tr>
<tr>
<td></td>
<td>Index-linked bonds</td>
<td>14.0%</td>
</tr>
<tr>
<td>Standard Life</td>
<td>Absolute return</td>
<td>7.5%</td>
</tr>
<tr>
<td>Threadneedle</td>
<td>Property</td>
<td>5.0%</td>
</tr>
<tr>
<td>Global Infrastructure Partners</td>
<td>Infrastructure</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
We monitor the investment managers’ performance against agreed benchmarks. The table below shows the investment returns the managers achieved over periods to 31 July 2013 where applicable. We have included the total Plan performance; however, the figures shown are for periods to 30 June 2013 in line with the quarterly reporting of total Plan performance. Due to the nature of the Global Infrastructure Partners investment, we don’t yet have a full year’s performance. These will be reported in future years.

<table>
<thead>
<tr>
<th></th>
<th>1 Year (%)</th>
<th>Benchmark return (%)</th>
<th>3 Years (%) pa</th>
<th>Benchmark return (%)</th>
<th>5 Years (%) pa</th>
<th>Benchmark return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Majedie</strong></td>
<td>36.3</td>
<td>25.5</td>
<td>18.4</td>
<td>12.5</td>
<td>14.6</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Legal &amp; General</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas equities (excluding UK equities)</td>
<td>26.6</td>
<td>26.5</td>
<td>13.6</td>
<td>13.5</td>
<td>10.7</td>
<td>10.5</td>
</tr>
<tr>
<td>Emerging markets equities</td>
<td>1.7</td>
<td>1.6</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Emerging markets bonds (local currency)</td>
<td>-0.4</td>
<td>-0.4</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3.1</td>
<td>2.6</td>
<td>10.3</td>
<td>9.3</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Index-linked bonds</td>
<td>3.1</td>
<td>3.0</td>
<td>10.2</td>
<td>9.9</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Standard Life</strong></td>
<td>8.2</td>
<td>7.4*</td>
<td>6.6</td>
<td>5.5*</td>
<td>9.1</td>
<td>7.4*</td>
</tr>
<tr>
<td><strong>Threadneedle</strong></td>
<td>1.9</td>
<td>1.6</td>
<td>3.5</td>
<td>4.6</td>
<td>-0.4</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total Plan</strong></td>
<td><strong>15.1</strong></td>
<td><strong>11.4</strong></td>
<td><strong>12.1</strong></td>
<td><strong>9.9</strong></td>
<td><strong>9.6</strong></td>
<td><strong>7.1</strong></td>
</tr>
</tbody>
</table>

*These figures are for the Fund’s target of LIBOR +5% pa.

Over the year, the Investment Sub-Committee has considered a number of investment products that look to take advantage of possible market opportunities. In December 2012, the Trustee appointed Legal & General to manage a portfolio consisting of ‘emerging markets’ equities and local currency debt (in countries such as China and Brazil amongst others). This allocation was funded by reducing the Plan’s exposure to Legal & General’s overseas equity portfolio. The emerging markets investments will be managed on a passive basis and therefore aim to track the relevant market indices. The rationale for including an allocation to emerging markets was based on our view that emerging markets will offer significant growth opportunities that exceed developed markets over the longer term. For example, emerging markets are projected to contribute around 75% of global growth (as measured by Gross Domestic Product) by 2020 due to the expected expansion in consumer spending, infrastructure and demographic changes of these countries.

We reduced Majedie’s investments in UK equities over the year, and moved the resulting assets into the Standard Life ‘absolute return’ fund. ‘Absolute return’ means the manager can use any type of investment and change the investments at any time to achieve their target investment returns. This helped to ‘lock in’ the strong investment gains achieved by Majedie over the year, whilst also protecting these assets from future short-term equity market falls.

We are gradually increasing our investment in infrastructure (assets including ports, oil and gas pipelines, and airports) with Global Infrastructure Partners. The allocation is currently at around 2% of the total Plan assets; however we will increase this gradually over time towards the 7.5% benchmark shown opposite. Meanwhile, the Trustee has agreed to hold any assets earmarked for Global Infrastructure Partners within the Standard Life absolute return fund. In the latter part of 2013, the Trustee has been considering methods of better managing the Plan’s exposure to changes in interest rates and inflation. We hope to provide an update on progress next year.
Plan developments

There have been a number of recent changes to some of the details surrounding the Plan. We outline these for you here.

Removal of cap on pensionable service

Having consulted with the trade unions representing active members, the University has decided to remove the 40-year cap that applied to pensionable service. This change reflects the fact that life expectancy and State Pension age are increasing. Members may now continue to build up benefits throughout their employment with the University or the associated employers, even if they choose to continue working beyond the Plan’s Normal Pension Date (your 65th birthday), subject to the statutory restrictions and tax limits (see ‘Reduced pension allowances coming in 2014’ on page 13).

Small pension for cash

Members who build up only a small amount of benefits in the Plan (known as a ‘trivial pension’) can now exchange the whole value of those benefits for a cash sum when they retire. This might happen, for example, if a member changes employer soon after joining the Plan. The cash sum would be subject to income tax.

To find out more, please use the contact details on the back page.

Auto-enrolment update

We reported on automatic enrolment last year and it came into effect for the University from 1 May 2013. It means that the University has to regularly assess every worker’s eligibility under the auto-enrolment rules. The new rules mean that the University has to regularly look at those workers who are not saving in a qualifying pension plan, and arrange for them to join one if they meet certain eligibility criteria. The Plan is a qualifying pension arrangement, so as a member, auto-enrolment does not affect you. You are already building up retirement benefits that are considerably more valuable than the statutory minimum required by the auto-enrolment legislation.
Once you are receiving your pension from the Plan, it will increase each year to help protect its value against the rising cost of living. The details are set out in the Plan rules and are summarised below.

Depending on when you joined the Plan, elements of your pension may increase at different levels according to when they were built up. The increases that will apply from 1 April 2014 are:

- Plan pension built up after 5 April 2005 will increase by the September 2013 increase in the Consumer Price Index (CPI), up to a maximum of 2.5%. As the September 2013 increase in the CPI exceeded 2.5%, this is the increase that will apply.
- Plan pension built up after 5 April 1997 and up to 5 April 2005 will increase by the September 2013 increase in the CPI up to a maximum of 5%. As the September 2013 increase in the CPI was 2.7%, this is the increase that will apply.
- Plan pension built up before 6 April 1997, over and above any Guaranteed Minimum Pension (GMP – see below), will increase by the September 2013 increase in the Retail Prices Index (RPI), up to a maximum of 3%. As the September 2013 increase in the RPI exceeded 3%, this is the increase that will apply.
- GMP built up since 1988 will increase by the September 2013 increase in the CPI up to a maximum of 3%. As the September 2013 increase was 2.7%, this is the increase that will apply.

What is GMP?

When the State Earnings Related Pension Scheme (SERPS) was introduced in 1978, there was an option for occupational pension plans to ‘contract out’, which meant that members would not build up any SERPS pension over and above their occupational plan benefits. Instead, the occupational plan had to ‘guarantee’ that members would be paid a certain ‘minimum’ amount of pension from the plan.

Annual increases to GMP are not simple – they vary depending on when the GMP was built up and what pension increase law was in place at that time. Also, for any GMP built up before April 1988, annual increases are paid with State pension and not occupational pension payments. You can read more about GMP increases in a government paper at: www.gov.uk/government/publications/increases-on-a-guaranteed-minimum-pension-23412013

If you are already receiving a Plan pension

The annual increases relating to the dates shown on your payslip are outlined in the table below.

<table>
<thead>
<tr>
<th>Term shown on pension payslip</th>
<th>Pension element – as explained left</th>
<th>Pension increase from 1 April 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post 5/4/05</td>
<td>Pension built up from 6 April 2005</td>
<td>2.5%</td>
</tr>
<tr>
<td>Post 5/4/97</td>
<td>Pension built up after 5 April 1997 and up to 5 April 2005</td>
<td>2.7%</td>
</tr>
<tr>
<td>Pre 6/4/97</td>
<td>Pension built up before 6 April 1997, over and above any GMP</td>
<td>3.0%</td>
</tr>
<tr>
<td>Post 88 GMP</td>
<td>GMP from 6 April 1988</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Pension ‘payslips’ showing these increases will be issued at the end of March 2014. You will receive another payslip at the end of April 2014, which will reflect any change to your tax code or allowance. Otherwise, you will not receive a payslip unless there is a change of £5 or more (either increase or decrease) in the amount of your monthly pension.
News round-up

Warning: pension liberation fraud

Pension liberation is a potentially fraudulent way of accessing pension savings early (i.e. before the age of 55) and The Pensions Regulator's publicity campaign is helping to raise awareness.

Pension liberation (also known as ‘pension unlocking’ or ‘pension loans’) can leave you with little or no pension. It involves transferring pension savings into a policy that will allow you to access the funds before age 55. However, accessing pension savings before minimum pension age is usually only possible in rare cases such as serious ill health.

Unscrupulous financial organisations are targeting pension plan members claiming that they can help them release some or all of their pension benefits early. This can result in significant charges and tax penalties – of more than half the value of a member’s pension savings. Needless to say, those being targeted are usually not being told about these potential charges. What’s more, once a pension is ‘liberated’, there will be little or no income from it at retirement.

We urge you not to be tempted by promotions, cold-calls or adverts encouraging you to transfer your existing pension savings into a different arrangement for you to access a cash payment or loan.

For more information, The Pensions Regulator has published a booklet, ‘Predators stalk your pension’, as part of its campaign. You can download this from their website: www.thepensionsregulator.gov.uk.

If you think you have been approached and offered a form of pension liberation, please contact ActionFraud on 0300 123 2040. Please provide as much information as you can about the services offered and the companies involved.

If you would like advice about your retirement savings, please talk to an authorised independent financial adviser – see opposite.

Single-tier State Pension brought forward

Earlier this year, the Government confirmed its plans to simplify the current two-tier State Pension arrangement. Originally, a single-tier system was planned to be introduced in April 2017, however, this was brought forward by a year, to 6 April 2016.

From this date, the State Pension will provide a weekly amount of £144 (plus any inflation rises between now and 6 April 2016) for those with a complete record of National Insurance contributions or credits.

Transitional arrangements mean that some people approaching State Pension age shortly after 6 April 2016 may receive more or less than £144 a week, although a check will be done to ensure they are no worse off than they would be under the current system.

If you are already receiving State Pension, or if you reach State Pension age before April 2016, you will be unaffected by the change and receive your State Pension benefits under the existing two-tier system.
Financial advice

The law does not allow anyone involved with running the Plan or employed by the University to give you financial advice. If you would like to speak with an expert about your pension arrangements, consider talking to an independent financial adviser (IFA).

If you do not have an appointed IFA, the Financial Conduct Authority (FCA) website provides some helpful tips on how you can find an adviser. Go to: www.fca.org.uk/consumers/financial-services-products/investments/financial-advice/finding-an-adviser.

Before you appoint an IFA, we recommend that you check they are suitably qualified and authorised to give you financial advice. You can do this on the same website at www.fca.org.uk/firms/systems-reporting/register, or by phoning the FCA helpline which is 0800 111 6768.

The latest on increasing State Pension age

The Government wants a regular review of the State Pension age to ensure it reflects the fact that on average, people are living for longer. This will help to make the State Pension system affordable in the long term.

To address the issue, the State Pension age is rising in stages. The current timetable for the rise, according to the Chancellor’s Autumn Statement 2013, is as follows:

• to age 65 for all women by 2018 (changes apply to men and women after this);
• to age 66 by 2020;
• to age 67 by 2028; and
• to age 68 by the mid 2030s.

If you are unsure when you will be eligible to start receiving the State Pension, there is a State Pension age calculator on the Government’s website, www.gov.uk/calculate-state-pension.

Reduced pension allowances coming in 2014

There is no limit to the amount of pension savings you can make, but there are limits on the amount that qualifies for tax relief and these will reduce from the start of the 2014/15 tax year.

The Lifetime Allowance, the value of the overall pension benefits you can build up during your working lifetime and receive full tax relief on, will reduce from £1.5 million to £1.25 million from 6 April 2014. And from the same date, the Annual Allowance, the maximum value of yearly pension benefits that receive tax relief, will also reduce, from £50,000 to £40,000.

If your pension benefits go above either allowance, you will face a tax charge on the excess. The allowances limit the tax-free savings of high earners, but they will affect more people when they reduce next year.

It is your responsibility to check how close you are to either allowance, so if you are unsure of your position, consider talking to an IFA (see above).

Contracting-out to end from April 2016

Creating a single-tier system will effectively signal the end of contracting-out of the State Second Pension (S2P). The option for ‘defined benefit’ plans (such as ours) to contract-out will end on 5 April 2016. (For ‘defined contribution’ pension plans, it ended on 5 April 2012.)

Contracting-out of the S2P is a way for an employer and its employees to save on National Insurance Contributions. In exchange, the employer’s pension plan guarantees to provide members with at least as much in retirement benefits as they would have received if the plan was contracted-in to the S2P.

The end of contracting-out will mean that the University (and members of the Plan) will no longer make the associated National Insurance saving. However, the new single-tier State Pension will include the value of any S2P you would have built up. The University and the Trustees will work together in the build up to 2016 to understand the detailed impact on the Plan and will keep you informed.
The Plan is managed by a Trustee company: Newcastle University Pension Trustee (1971) Limited. The Trustee is led by a team of Trustee Directors or ‘Trustees’ and together, we share a number of responsibilities:

- Deciding on the Plan’s investment strategy;
- Ensuring members’ benefits are paid correctly and on time;
- Appointing expert advisers to help us run the Plan;
- Ensuring that the relevant Plan reports are produced on time and made available to all members.

As Trustees we must manage the Plan in line with its own Rules and the law, with the best interests of all members in mind. We met three times during the reporting year. As well as the full Board of directors, the Trustee includes three Sub-Committees, each of which focuses on a particular aspect of the Plan:

- Investment;
- Administration; and
- Communications.

As well as the full Board of directors, the Trustee includes three Sub-Committees, each of which focuses on a particular aspect of the Plan:

These teams also meet throughout the year, and report back to the Board.

There are nine Trustee Directors on the Board. The law states that at least one third of a Trustee Board must be voted for by members of the pension plan. As you can see below, our line-up meets this obligation. Three Trustee Directors have been nominated by Plan members and six have been appointed by the University.

Your Trustee Directors

Member-nominated
Ross Avis
Margaret Levy (Chair)
Martin Robertson

University-appointed
Mary Coyle
Wayne Connolly
Peter Johnson
Veryan Johnston
Nick Swales
Simon Wilmot

Meet the Trustees

From left to right: Martin Robertson, Veryan Johnston, Simon Wilmot, Peter Johnson, Margaret Levy, Mary Coyle, Nick Swales. Wayne Connolly was absent.

Changes to the Board

We want to thank Michael Bird, Mike Buckley and Richard Warhurst for their hard work and commitment towards running the Plan during their terms of office.

We welcome Nick Swales and Peter Johnson to the Trustee Board, and you can find out a bit more about our two newest Board members opposite.

As well as his wider role as a Trustee, Nick is also a member of the Investment Sub-Committee.

Recently, we held an election for a member-nominated Trustee to replace Richard Warhurst. Thank you to all members who participated by making nominations. We are pleased to announce that Ross Avis has been appointed. All of the Trustees welcome Ross to the Board and we will include a profile of his background in the next edition of Pension Matters.
Way back in 1984 when I was recruited into the University, I found that I had time on my hands. Things were very different then!

Pensions, like many other things, ran almost on auto-pilot. The Plan had a professional Trustee from the same company that provided the administration and consultancy services.

I became involved as the Plan was clearly an immense employee benefit, but it had little visibility and there was a low awareness of its value among our staff. With the introduction of personal pensions by the Thatcher government it became important that our staff understood better the value offered by the Plan.

In those days there was often a surplus! Legislation at the time required that a surplus could not be allowed to build up indefinitely – so improvements to benefits and ‘contribution holidays’ were discussed. The trade unions were involved in these discussions.

Legislation also required the inclusion of Member Nominated Trustees, following the Maxwell scandal, so the University needed to take a more active role – and as no-one else demonstrated much interest, it fell to me to support the newly-constituted Trustee Board which quickly took on its current form.

Fortunately, there has always been a very effective Trustee Board, which has played a large role in steering the Plan through to the successful and stable position that it currently enjoys, supported by the University and providing excellent retirement benefits to its members.

I have enjoyed happy and productive relationships with the various Chairs of the Board over this time. I have also benefited from a high level of support and co-operation from the University Payroll & Pensions Team, especially Val Wall.

Professional advisers are also essential to the Plan’s operation, and for the last 13 years, I have been ably assisted by advisers from Aon Hewitt.

Some of the challenges we have faced include:

• The introduction of personal pensions;
• Changing Administrators;
• Re-writing the Trust Deed & Rules;
• Automatic enrolment; and
• Changing benefit structures – increasing contribution rates, harmonising pension ages, and reducing early retirement practices.

I enjoy supporting the Trustee Board very much. It is a hugely demanding role, but satisfying in equal measure!

Richard Burrow
Secretary to the Trustee

Peter Johnson
Peter is a Chartered Accountant and was a Partner at KPMG until his retirement in September 2000.
He served as Honorary Treasurer at the University until July 2013, and prior to that, was on the University Council for three years.
He has recently been re-elected onto the University Court and currently holds two non-executive directorships – with Bellway plc and Sunderland Marine Mutual Insurance Company.

Nick Swales
After graduating from Newcastle University with a degree in Politics and Economics, Nick followed his ambition to become a Stockbroker and started his career at Wise Speke in Newcastle.
After gaining his professional qualification he was made a member of The London Stock Exchange and is now a Fellow of The Chartered Institute for Securities and Investment (CISI). Nick is also a Board member of CISI and Chairs both its Education and Investment sub-committees.

Nick is currently Regional Director for the investment management company Rathbones, which he joined after spells at major international banks, Merrill Lynch and UBS.
Nick has advised clients on investment for over 27 years. He has been a Trustee of another ‘final salary’ scheme and a Board Member of a sponsoring Employer.
Outside of work, Nick is Chairman of the Percy Hedley Foundation, a large charity in the Northeast of England providing educational, vocational and residential care opportunities for disabled people.
Points of contact

If you would like to find out more about the Plan, or if you have a general question about your benefits, the University’s intranet is your first port of call.

Go to: www.ncl.ac.uk/hr/benefits/pensions/rbp-scheme

From here you can download previous issues of Pension Matters, as well as the Plan’s formal reports (see below) and the relevant forms you need as a member.

Alternatively, if you would prefer to contact someone directly, please get in touch with Val Wall.

Email: val.wall@newcastle.ac.uk
Phone: 0191 208 5102
Or write to: Payroll Section
Finance and Planning Office
Newcastle University
King’s Gate
Newcastle upon Tyne
NE1 7RU

For more information

Plan documents

If you want to find out more about the Plan, you can access the Plan’s formal documents via the University’s intranet. The documents include:

- the Statement of Funding Principles which explains the arrangements that are in place for funding the Plan;
- the Statement of Investment Principles which details how the Trustee invests the money paid into the Plan;
- the Annual Report and Accounts for the year that ended on 31 July 2013;
- the Valuation Report at 1 August 2010;
- the Recovery Plan which sets out the steps that we have agreed with the University in order to clear the shortfall that was identified in the latest valuation; and
- the Trust Deed and Rules which governs how the Plan is run.

Online reading

The University intranet includes all sorts of information relating to the Plan.

www.ncl.ac.uk/hr/benefits/pensions/rbp-scheme

And if you would like more general information about pensions and saving for retirement, try the following websites.

www.pensionsadvisoryservice.org.uk
Offers independent guidance on all types of pensions.

www.moneyadviceservice.org.uk
Provides impartial advice on all money matters including how to find an IFA.

www.gov.uk
The Government’s website features a section ‘Working, jobs and pensions’.

www.newcastle.gov.uk
Includes information on a range of money issues via the ‘Benefits and Council Tax’ tab.