This Plan financial health check report gives you the results of the most recent formal Plan valuation at 1 August 2016, along with the less formal update at 1 August 2017.

A formal check

Every three years we commission a formal check of the Plan’s financial health, known as a valuation. This check is carried out by our actuary, Simon Corbett of Aon Hewitt. It reviews the balance between the money building up in the Plan – its assets – and an assessment of the value of the benefits the Plan is paying and will need to pay in the future – its funding target.

If the value of the assets is greater than the funding target, the Plan has a surplus. If the value of the funding target is greater than its assets, it has a shortfall. Based on the results, we discuss future financial support for the Plan with the University and make decisions about the investment strategy.

A less formal update

In between formal valuations, the actuary produces a less formal update by projecting the valuation results forward a year and factoring in current economic conditions at that date.

YOUR SUMMARY FUNDING STATEMENT

<table>
<thead>
<tr>
<th>At 1 August 2016</th>
<th>At 1 August 2017</th>
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<tbody>
<tr>
<td>• the value placed on the funding target was £214 million; and</td>
<td>• the value placed on the funding target was £230 million; and</td>
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<tr>
<td>• the value of the assets was £227 million; so</td>
<td>• the value of the assets was £249 million; so</td>
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<tr>
<td>• the value of the assets was higher than the funding target by £13 million.</td>
<td>• the value of the assets was higher than the funding target by £19 million.</td>
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Funding level 106% 0% 100%

Funding level 108% 0% 100%
Changes since the last valuation

The Plan’s funding position has remained steady for some time. The previous update, at 1 August 2015, found the funding level was 106% with a surplus of £11.9 million. The 1 August 2013 valuation had also found the funding level was 106% with a surplus of £9.8 million.

In other words, although the funding level has remained steady the surplus has increased.

Between the 2016 valuation and the 2017 update the surplus increased further, and the funding level also rose to 108%. Changes in market conditions increased the value of the funding target, but the value of the assets also increased by more than enough to offset this increase. This was mainly due to good returns on the Plan’s investments.

An alternative view

The figures on the front page show the ‘ongoing’ funding position. This assumes the Plan will continue into the future and carry on paying out benefits, even if the funding level falls below 100%.

As part of a valuation, the actuary must also take an alternative view – the ‘full solvency’ funding position. This assesses the cost of providing all the benefits at once by buying insurance policies if the Plan came to an end at the valuation date.

Doing this tends to be more expensive than providing benefits gradually into the future. Among other reasons, insurance policies tend to have administration costs and a profit margin included in their prices. As a result, the full solvency funding position is generally likely to be lower than the ongoing level, and is likely to show a shortfall – even for schemes that are fully funded on the ongoing basis.

Using this different measurement, at 1 August 2016 the Plan’s funding level was 40% with a shortfall of £336 million. This is lower than the full solvency funding level found at the 2013 valuation, which was 56% with a shortfall of around £135 million.

The University’s support

The University’s financial support is essential to the Plan. It is currently paying contributions of around 13.25% of members’ pensionable salaries to support future benefits building up and cover the Plan’s administration costs. We expect these contributions to maintain the current funding level. The Plan actuary will review the contributions at the next valuation in 2019, and will let us know if they need to change.

There have been no payments from the Plan to the University, other than to reimburse the University for any expenses it has incurred on the Plan’s behalf.

The Pensions Regulator

The Pensions Regulator is the national ‘watchdog’ for pension schemes. It has a number of powers that include:

■ directing how a pension plan’s funding target is worked out
■ asking for a particular level of contributions to be paid, or
■ changing the way future benefits build up.

The Regulator has never used any of these powers on our Plan.

www.thepensionsregulator.co.uk