University of Aberdeen Superannuation & Life Assurance Scheme

(the "Scheme")

Summary Funding Statement February 2021

What's this statement for?

The Trustees are required to provide you with this statement giving you an update about the Scheme's financial security. We hope you find it useful and easy to understand, but if you have any questions please contact the Pensions Office:

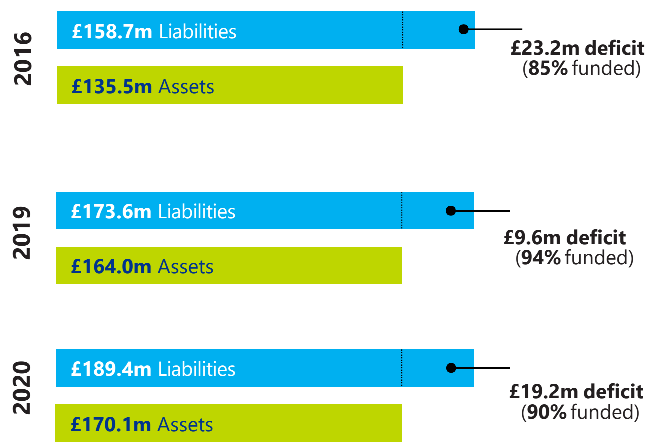
Pensions Office
Finance Department
University of Aberdeen
King's College
Aberdeen
AB24 3FX

The last actuarial valuation at 31 July 2019

An actuarial valuation is an exercise to compare how much money the Scheme has (its 'assets') with how much it needs to be able to pay everyone the benefits they are entitled to (its 'liabilities'). If the Scheme's assets are more than its liabilities, there is a 'surplus'; if they are less, there is a 'shortfall' or 'deficit'. The valuation also looks at how much the University of Aberdeen (the 'University') needs to pay to the Scheme each year to pay for the pension benefits that are earned over that year.

Full valuations usually take place every three years and the last one was on 31 July 2019. The results of this valuation, alongside the results from the previous 31 July 2016 are shown on the right.

The Trustees of the Scheme are also required to undertake an annual funding update in the years between each full valuation. The last one was on 31 July 2020 and the results are also shown on the right.



Summary of the Recovery Plan

Because there was a shortfall at the 2019 valuation, the University has agreed to pay extra contributions of £725,000 every year for 6 years and 6 months. These contributions are on top of the regular amount that the Company pays towards new benefits building up each year. There is no change in the rate paid by members that are still building up benefits.

Change in funding position since previous statement

The funding of the Scheme at 31 July 2019 has improved since the previous full valuation, mainly due to returns on investments being higher than expected and changes made to the demographic assumptions used to value the liabilities. This was offset, to an extent, by worsening financial conditions.

Please note that the asset and liability figures included in this statement include the value of insured annuities in payment.

The funding of the Scheme at 31 July 2020 has deteriorated since the 2019 full valuation.

This is primarily due to worsening financial conditions leading to a reduction in the discount rates used to value the liabilities. This was offset, to an extent, by lower than expected inflation and contributions paid by the University.

Payment to the University

We have to tell you that there has not been any payment made to the University out of the Scheme's assets since the last summary funding statement.

Winding-up

If the Scheme winds up, the duty to pay all members' benefits may be transferred to an insurance company. In the 2019 valuation it was estimated that the amount needed to secure all the Scheme's benefits was £269.6m. The Scheme's assets on this basis are £105.6m lower than this amount so there would have been insufficient assets to secure all members' benefits if the Scheme wound up on 31 July 2019. This is just an indication and it does not mean that the Trustees or University are considering winding up the Scheme.

How the Scheme works

This section has some information about this statement and the Scheme. If you would like any more information about the Scheme or your benefits, please contact the Pensions Office.

How is my pension paid for?

The Scheme is a defined benefit pension arrangement. This means members build up benefits based on length of service and their salary. The Scheme has a pool of money (assets) to pay for these benefits as they become due; it does not hold assets separately for each individual. The Trustees' goal is for the Scheme to have enough money to pay all members their benefits, both now and into the future.

How do you work out how much the Scheme needs?

As part of the three-yearly actuarial valuation, the Trustees agree a funding plan (the Statement of Funding Principles) with the University, which aims to make sure there is enough money in the Scheme to pay for pensions now and into the future. Members who are still building up benefits pay a proportion of their salary towards this cost, and the balance is paid by the University. The University also pays the cost of running the Scheme every year. This is why the Scheme relies on the University's continuing support.

What would happen if the Scheme started to wind up?

Whilst the Scheme is still running, even though funding may temporarily be below target, benefits will still be paid in full. If the Scheme did start to wind up, benefits may be secured with an insurance company. If there weren't enough assets to secure all the benefits, the University would have to make up the difference. You might not get all of the benefits you have built up, especially if the University is not there to pay for any shortfall. In this case, the Pension Protection Fund ('PPF') might be able to take over the Scheme and pay compensation to members. Further information is available at www.pensionprotectionfund.org.uk

Why don't the Trustees aim to have enough money to secure benefits on wind up?

Insurers take a very cautious view of the future and need to make a profit; they will also take into account the future cost of running the Scheme. This means the cost of securing pensions in this way is considerably more expensive than if the Scheme runs normally with the continuing support of the University. Aiming to have enough money to cover that cost would likely mean that the Scheme will have far more than it actually needs if it keeps running.

The Pensions Regulator

In certain circumstances the Pensions Regulator can:

- Direct how the Scheme's liabilities must be calculated
- Set the period for removing any funding shortfall
- Set the level of Company contributions to be paid
- Change the way members build up benefits in the future

None of these things have happened in the Scheme.

How are the Scheme's assets invested?

The Trustees' policy is to invest in a broad range of assets. The splits at 2016 and 2019 are shown below:

	2019	2016
Bonds	46%	25%
Equities	39%	68%
Property	13%	7%
Cash/other	2%	0%

Thinking of leaving the Scheme?

If you are thinking of leaving the Scheme for any reason, you should talk to an independent financial adviser before doing so; you can find one local to you at www.unbiased.co.uk

Stay in touch

If any of your personal details are changing, such as your name or address, please contact the Pensions Office at:

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