

# YOUR PENSION

University of Reading Employees' Pension Fund

June 2018





# WELCOME

In this year's newsletter, continuing our focus on Trusteeship, we take a look at the role of the Member Nominated Trustee. Member Nominated Trustees (or MNTs) have an important role to play in the running of a pension scheme as they are members of the Fund themselves. They thus have a vested interest in making sure that the Fund is managed and governed correctly and provide a helpful conduit between the Trustee Board and the members.

The latest actuarial valuation of the Fund is currently being carried out with regard to the valuation date of 31 July 2017. On page 9 we take a look at the progress.

In the latter part of 2017, your Trustee Board made the decision no longer to allow members to start paying Additional Contributions to the money purchase arrangement in place with Clerical Medical. Some further information including an overview of the background to this decision is given on page 8.

As the existing contract for the provision of investment advice was coming to an end, during 2017, the Trustees carried out a tender process for an Investment Consultant. Following the evaluation of the tender responses, three consultants were interviewed with the result that Tegs Harding from Mercer Limited was appointed as the new consultant. You can find out more about Tegs on page 7.

This new appointment coincided with the Fund becoming "cashflow negative" so a new Investment Strategy has been agreed by the Trustees. To find out more about this, please see our "Focus on Investment" section on page 6.

If you have any topics you would like to see covered in future editions of your newsletter, please get in touch with Stephanie May, Pensions Manager via [pensions@reading.ac.uk](mailto:pensions@reading.ac.uk) or by telephoning 0118 378 6191.



**Keith Hodgson**  
Chairman of the Trustees

# PEOPLE

Your pension fund is looked after by a range of individuals and advisers and details of these are given on this page.

## Trustees

Your Trustees have been:

**Mr Keith Hodgson (Chair)**  
Employer appointed

**Mr David Savage**  
Chief Operating Officer (UoRM)

**Mr John Brady**  
Director of Human Resources

**Mr Steve Sherman**  
Member of Council

**Mrs Sue Mott**  
Member nominated (deferred)

**Mrs Val Davis**  
Member nominated (pensioner)

**Mr Mark Taylor**  
Member nominated (deferred)

The Trustees are supported by a Secretary to the Trustees, Miss Stephanie May, ably assisted by Mrs Katherine Kitt as Assistant Secretary to the Trustees.

## Advisers and Providers

The Trustees of the UREPF have overall responsibility for running the scheme but in order to do this efficiently and correctly, they have the help of professional advisers and service providers to whom most of the day to day work is delegated. The table below sets out the advisers and service providers currently appointed by the Trustees:

### Actuary

Mr John Hemsley, FIA, Mercer Limited

### Pension Consultants

Mercer Limited

### Investment Managers

BlackRock Investment Management (UK) Limited  
Sarasin & Partners LLP

### Investment Advisers

Mercer Limited (from 1 August 2017)  
Stanhope Consulting (to 31 July 2017)

### Administration, Pensioner Payroll and Accounting service provider

Barnett Waddingham LLP

### AVC Providers

Clerical Medical Investment Group Limited  
The Equitable Life Insurance Society

### Legal Advisers

Linklaters LLP

### Auditors

KPMG

### Bankers

Lloyds Bank PLC

### Custodian of assets

BNY Mellon

# MEMBER NOMINATED TRUSTEES (MNTs)

In last year's newsletter, under the theme of Trusteeship, we looked at both the Role of the Secretary to the Trustees along with what happens at a typical meeting of the Board of Trustees. This time, we thought readers might like to find out a bit more about being a Member Nominated Trustee and, in particular, hear what one of the current MNTs thinks about the role. To start, we have a reminder of what the MNT role entails followed by an interview with Sue Mott who has been a MNT since 1 August 2005.

## Why do we have MNTs?

From its inception in October 1961, until 2005, the University was the sole Trustee of the UREPF and acted as a Corporate Trustee. During this time, the Trustee's function was carried out by the Pension Fund Management Committee (PFMC) and this Committee always included members' representatives by way of Union representatives. However, all this changed with effect from 1 August 2005 when the University was removed as the sole Trustee and named individuals were appointed as Trustees of the Fund instead. Since that time, at least one third of the Board has been made up of member appointed Trustees. Legislation dictates that a minimum of one third of the Board must be MNTs. At present, there are 3 MNTs out of a total of 7 Trustees.

## How are MNTs appointed?

The Board of Trustees records its requirements regarding MNTs in a document called "UREPF MNT Rules". This document is reviewed by the Trustees every few years to ensure that the Rules for appointing MNTs remain relevant and valid.

MNTs are appointed for a period of office of 5 years (although this can be terminated in various ways, such as the individual choosing to resign from the appointment or ceasing to be eligible to act as a Trustee). There are currently two constituencies from which MNTs are drawn and appointed: 1 MNT is to be a pensioner member of the Fund and is elected by the pensioners, and 2 MNTs are either active or deferred members of the Fund and are elected by the active and deferred member constituency.



## Interview with Mrs Sue Mott

### **What made you decide to become a Trustee – and what keeps you as a Trustee?**

I decided to offer myself for election as a Member Nominated Trustee quite a time ago and have been fortunate enough to serve for several consecutive terms. I have considerable experience of being a Trustee of several charities so thought that my knowledge and experience might be of use to the Pension Fund. My decision to stand for the Pension Fund was however shadowed by the fact that my Father had had his occupational pension misappropriated in a notorious case in the 1990s, just as he was due to retire and there was no pension for him. So what keeps me as a Trustee is the chance to do my best for the membership of the fund, and to ensure that there is no foul play. I must state there is no evidence of such behaviour by the current Board of Trustees of this pension fund!

### **What do you enjoy most about being an MNT?**

Enjoyment comes from working with a very diverse group of individuals who have been drawn together with the common purpose of doing our best to ensure that member benefits are maintained and ready for payment each month

### **What is the least enjoyable aspect of being an MNT?**

The sheer volume of papers which have to be read through and understood is not a wholly enjoyable experience. We are required to undergo regular training sessions too and these can be quite a challenge. Keeping everything in mind when discussing an important topic requires dedication to detail and thorough preparation ahead of each meeting

### **What would you say to someone who was considering putting themselves forward as an MNT?**

Don't be afraid to offer yourself for election. There are helpful colleagues with whom you can talk through your intention. Listen to what they have to say. It is an absorbing and fascinating role to undertake, and you have the great satisfaction of knowing that you are doing your best to help others. The training is given and you will soon feel that you are truly involved in helping to make decisions of real importance to people's lives.

### **What do you find the most challenging about being a Trustee?**

It is a challenge to comprehend some of what we are given to read through for each meeting, but that said, we have a raft of expert professionals who act as our advisers and they are only too happy to answer questions, however basic you may feel them to be, in a kindly and instructive manner. I never feel that I am not up to the challenge, but sometimes I do have to ask quite a few questions to help me understand fully.

### **Do you find you are conflicted in your role as a Trustee given that you are also a Fund member at the same time? And how do you deal with that conflict?**

I do not feel conflicted in my role as a Trustee for several reasons: firstly we are not paid, this is a purely voluntary role and as such one has complete freedom of thought and to take any action required. If I feel that because I am also a member of the fund and a decision is required where an outsider might consider there is cause for conflict I simply declare an interest, which is then minuted, or one can withdraw from that part of the meeting. One can in effect stand aside in one's own mind, acting purely for the common good and never for one moment being tempted to put forward anything which might bring personal gain - it is simply not an option for a Trustee who is elected to serve and represent others. All Trustees are equal on the Board, whether they are a Member Nominated or Employer Nominated Trustee, they have the same voting rights and each of us can challenge any item should we feel the need so to do. Fairness is enshrined by our open and transparent operating procedures.

# FOCUS ON INVESTMENTS

The Board of Trustees regularly reviews its professional advisers and in 2017, it was the turn of the Investment Consultant to be reviewed. Given the level of the contract, a tender process was followed with the help of the University's Procurement Department. This provided an open competition such that any company offering the services set out in the specification could submit a response to the Invitation to Tender. Submissions from several companies were received which were then narrowed down via an evaluation process to a final three for the interview stage. Following a thorough assessment of the capabilities and experience of the final three, and taking into account costs, Mercer Ltd was appointed to provide investment consultancy services to the Trustees with effect from 1 August 2017. The lead Mercer Consultant is Mrs Tegolin (known as Tegn) Harding and she is ably assisted by Mr Tom Bacon. You can find out more about Tegn on page 7.

## Why does the Fund need an Investment Consultant?

As you can see from the overview of the accounts, the Fund was valued at £186.02m at 31 July 2017 with the funds split between two investment managers, BlackRock Limited and Sarasin & Partners LLP, in a ratio of approximately 80:20. None of the Trustees have a professional investment background, nor are they expected to have this sort of detailed knowledge as they only have to act as a "prudent man" would act. It is thus vital that professional advice be provided to ensure that the assets of the Fund are invested in the most appropriate way to enable members' benefits to be paid when they fall due.

The Trustees hold investment management agreements with the above investment managers, and these agreements set out what asset classes the funds should be invested in etc. It is the role of the Investment Consultant to advise the Trustees regarding

- Investment strategy: is the strategy appropriate for the current and future requirements?
- The selection of investment managers: do we have the right managers in place to meet the agreed strategy?
- The choice of asset classes in which the investments should be held;
- The validity and appropriateness of the investment management agreements;
- The levels of risk associated with different investments.

## Negative Cashflow

The appointment of the new consultant coincided with the Fund moving into what is known as a "cashflow negative" position. This means that the amount of money being paid into the Trustees' bank account each month (by the University and from active members' own contributions) is now less than the money needed to pay all the pensions for members who have already retired and costs of running the Fund for that month. There is absolutely no need to be worried though, as this is a perfectly natural part of a maturing pension scheme's life cycle. As the number of active members reduces, it is clear that the contributions each month will decrease as time goes on, and so there are ways in which this can be addressed through a rethink of the Investment Strategy.

## Investment Strategy

Hitherto, the investment strategy has been focussed on growth. It has been all about increasing the value of the assets of the Fund – and if you look back over the total fund values for the last several years, you will see that this has been achieved. However, given the new cashflow negative environment, a new strategy is required. The Trustees are being ably guided in this respect by Tegs and Tom and this new strategy will be implemented gradually over the next 12 to 18 months. Meanwhile, steps have been taken to address the cashflow position. Firstly, some disinvestments have been made to make sure there are no issues with meeting the monthly outgoings. And secondly, the investment managers have received some revised instructions to enable cash derived from transactions to be paid straight into the Trustees' bank account.

Broadly, the aim of the new strategy is to rearrange the Fund's investments such that some monies are invested in income producing assets. In other words, the idea is to invest money where there is a regular cash return. For example, property which produces rental income is an ideal investment. The Fund is itself not big enough to purchase such property outright but there are ways and means of investing in arrangements for pension funds of our size. Other new asset classes are being considered and the Trustees will be going through a detailed and thorough training programme to ensure they fully understand the suggested changes to the investment strategy. It is important that the Trustees are in a position to make informed decisions, and not just to rely on the professional advice provided, so the training being implemented gives them the knowledge and tools to make the required decisions.

## Introducing Tegs Harding

As investment is seen by many to be a bit of a "dark art", we thought you might like to meet our new Investment Consultant and find out a bit about why she has followed this career path. Here are some questions we posed along with her responses.

### **Tell us a little of your background**

I studied Economics at University and I am an Actuary by training. I have had quite a varied career, working in Banks, Insurance Companies and now for Mercer as an investment consultant. I have worked for Mercer for 8 years and specialise in helping pension scheme clients with their strategic decisions. Outside of work I enjoy aerial circus and walking with my dog (Gracie).

### **Why / how did you become an investment consultant?**

Prior to becoming an investment consultant I was involved in asset modelling, which is a very technical job and involved spending a lot of time in the office basement, waiting for computer simulations to run. A big driver for wanting to become a consultant was to get out of the office and talk to people (and to get back into the daylight!).

### **What do you find challenging about your role?**

At times, people expect investment advisers to be able to see the future, to know exactly when and how the next market crash is coming. In reality markets are unpredictable and no-one knows with certainty what will happen. The role of investment consultant is about making sure there is a sensible long term plan in place and that risks being run are proportionate and suitable for the pension scheme's circumstances. However this doesn't stop people asking me when the next crash is coming!

### **What is the most enjoyable part of your role?**

Definitely talking to people and going to clients' offices, learning how different companies work.

### **How do you view your role as an investment consultant to the UREPF Trustees?**

I view my role with the UREPF very much as a partnership. I am there to assist the Trustees in their decision making and make that process as straightforward as possible. Ultimately the Fund's assets are there to do one job and that is pay members their pensions! Pensions can be quite a complex area but I am a big fan of taking a step back and making every investment decision in this context.



# NEWS/NOTICEBOARD

## Data Protection Update

You may have heard that the data protection laws are changing. The new law, called the General Data Protection Regulation (GDPR), applies from 25 May 2018.

Trustees of the University of Reading Employees' Pension Fund (UREPF) use your personal data to (amongst other reasons) communicate with you, record and pay benefits to you or your beneficiaries, administer the Fund, and meet regulatory or other legal obligations.

We share your personal data with third parties, such as our administrators (currently Barnett Waddingham), the University of Reading, and other suppliers who provide services to us (such as for IT, communication or tracing reasons).

You have a right of access to and rectification of your personal data as well as, in certain circumstances, a right of erasure, restriction of processing, data portability and a right to object to other forms of processing. For exercise of those rights or for more detailed information on how we use and disclose your personal data, the protections we apply, the legal basis for our use of your data and your data protection rights under the GDPR, please visit [reading.ac.uk/internal/humanresources/WorkingatReading/Pensions/humres-UREPF.aspx](http://reading.ac.uk/internal/humanresources/WorkingatReading/Pensions/humres-UREPF.aspx). If you would like a copy of the privacy notice to be sent to you by post, please contact Miss Stephanie May, the Secretary to the Trustees at University of Reading, PO Box 217, Whiteknights, Reading, RG6 6AH or via email at [s.a.may@reading.ac.uk](mailto:s.a.may@reading.ac.uk).

As it is important that the data held by the Trustees is correct and relevant, you are urged to log on to your record held by Barnett Waddingham on their administration system BWebstream. If you did not register for access when the registration keys were originally distributed, you will now need a new key in order to do this as the original one will have expired. Please contact Barnett Waddingham directly (details given on the back of this newsletter) for a new Registration Key or indeed if you have any other queries regarding your access to this website.

## Clerical Medical AVCs

Having looked at all the options available to them with regard to the provision of an Additional Voluntary Contribution arrangement, the Trustees took the decision to close access to the Clerical Medical facility for new contributors with effect from 1 November 2017. Anyone who was making monthly contributions at that time can continue to contribute but new applications will no longer be accepted.

## Money Purchase AVCs

Active members of the UREPF can usually only take payment of their retirement benefits if they either leave their job with the University or take retirement under the flexible retirement arrangements. However, in the light of the pension flexibilities introduced into UK law in 2014, the Trustees have now agreed that any member who has AVCs with either the Clerical Medical (CM) or Equitable Life (ELAS) can choose to take those AVCs in cash (subject to HMRC limits) at any point from age 55 onwards. The only stipulations are that if such AVCs are being deducted, future contributions must cease and that the CM or ELAS pension pot must be completely cleared.

## Pensions News

The Government has recently issued a White Paper on "Security and Sustainability in DB Pension Schemes". UREPF is, of course, a DB (Defined Benefit) Scheme. One of the main themes addressed in this document is that of protecting members from "unscrupulous" employers. To that end, increased powers for the Pensions Regulator are proposed including

- punitive fines on employers who deliberately put their pension scheme at risk;
- powers to impose scheme funding standards and
- a new criminal offence of committing wilful or grossly reckless behaviour in relation to a pension scheme and stronger processes for disqualifying company directors who commit these offences.

The Government will also legislate for DB schemes to appoint a Chair of Trustees and for them to submit a Chair's Statement alongside each triennial actuarial valuation. The UREPF Board of Trustees already has an appointed Chair, Mr Keith Hodgson, so the first part of this requirement has already been met.

Over the last few years we have highlighted the issue of pension scams, urging you to be vigilant as there are people out there who want to scam you out of your pension. You may be interested to know, therefore, that according to one recent survey, 14% of over 50s have been targeted by scammers. Our last few issues of "Your Pension" contain helpful information and advice to help you beat these fraudsters or you can take a look at the Pension Regulator's website for further information: <http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx>.

According to new research, people actually live longer than they think they will. Apparently, people in their 50s and 60s underestimate their chances of reaching age 75 by around 20% and their likelihood of living to age 85 by between 5-10%. However, this changes as individuals get older as they start overestimating their chances of living to 90, 95 and above.

This demonstrates the importance of planning ahead

for retirement, particularly for anyone who was late in joining a pension scheme.

The 2017 Autumn Budget had little impact in the world of pensions. For the higher earners out there, there was an increase to the Lifetime Allowance for the first time in eight years, increasing the 2017/18 figure of £1,000,000 to £1,030,000 from 6 April 2018. The Lifetime Allowance (or LTA) is the maximum capital value of all of an individual's pensions (excluding the State Pension) over their lifetime which can be built up free of tax. For those in receipt of a State pension, under the triple lock, both the new State Pension and the Basic State Pension increased by 3% to £164.35 and £125.95 per week respectively (for those entitled to the full amount).

## New telephone number for Barnett Waddingham

Full contact details are given on the back page of this newsletter but readers should note that the telephone number for Barnett Waddingham is now 0333 1111 222.

## 2017 Valuation

You may recall from the February 2015 issue of "Your Pension" that the UREPF is required to undergo a financial health check, known as an Actuarial Valuation, every three years. This is where the Fund's Actuary looks at all of the Fund's assets (investments etc) and then works out the liabilities of the scheme (pensions and other benefits due to be paid to members) to work out if the Fund is in credit or in deficit. In other words, are assets sufficient to meet the liabilities?

The latest valuation of the Fund, with an effective date of 31 July 2017, is currently underway. The Trustees, having taken advice from the Actuary, are in discussion with the University regarding the valuation results and what, if any, changes need to be made to future contributions. An update on the outcome of the valuation will be given in the next Summary Funding Statement.

# ACCOUNTS

The Trustees prepare an Annual Report and Accounts, which gives full details of all the financial transactions that have taken place within the UREPF over the year.

A copy of the full Annual Report and Accounts is available on request – contact the Pensions Office using the contact details on page 12.

## Summary of Income and Expenditure

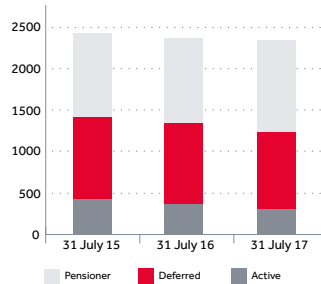
Set out below is a summary of the information in the Accounts over the year from 1 August 2016 to 31 July 2017

<b>Income</b>	
Investment Income and retrns	19,378
Employer Contributions*	4,681
Employee Contributions	85
Other Income	-
<b>Total</b>	<b>24,144</b>
<b>Expenditure</b>	
Pension Payments	4,047
Commutation of Trivial Pensions and Retirement Benefits	727
Death Benefits	16
Transfers Out	162
Death In Service Insurance Premiums	20
Investment Manager Fees	559
Administrative expenses	341
Tax	4
<b>Total</b>	<b>5,876</b>
<b>Total Net Assets Fund at financial year end</b>	<b>186,020</b>

## Membership Movements

### Members

Active	313
Deferred	945
Pensioner	1,097
<b>Total</b>	<b>2,355</b>



\*As most members' contributions are paid by the employer via the Salary Exchange arrangement (Pensions+), these are included in the employers' contributions figure. The arrangement provides a National Insurance saving to the member and the University.



# WHO TO CONTACT

The team that works in the Pensions Office is there to help you with any general questions you have about the UREPF. If you have any questions about the topics covered in this issue or would like copies of any of the UREPF's governing documents, you should contact:

**Pensions Office, University of Reading, Whiteknights,  
PO Box 217, Reading, RG6 6AH**

Email: [pensions@reading.ac.uk](mailto:pensions@reading.ac.uk)

Phone: (external) 0118 378 7121 (internal) 7121 or 6183

The Pensions Office team are:

Stephanie May	Pensions Manager
Katherine Kitt	Assistant Pensions Officer
Heike Burnell	Assistant Pensions Officer
Jocelyn Adlington	Pensions Assistant
Amy Baatz	Pensions Assistant



## PENSIONS ADMINISTRATOR

**i** If you have any queries which relate specifically to your own benefits, or your personal circumstances change, please contact the administrator:

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