

THE RETIREMENT BENEFITS PLAN OF THE QUEEN'S UNIVERSITY OF BELFAST

SUMMARY FUNDING STATEMENT - 2019

Introduction

A Summary Funding Statement is sent to you annually by the Trustees of the Retirement Benefits Plan of the Queen's University of Belfast (the 'RBP'), and provides members with an update on the funding position of the RBP.

How is the RBP funding position measured?

Members of the RBP receive pension benefits (lump sum and annual pension) from the RBP when they retire. The cost of providing all the RBP members with the pension benefits that have been earned to date, is known as the liabilities of the RBP.

In order to build up retirement benefits in the RBP, members make contributions during their employment with the University and, in addition, the University also pays contributions on behalf of the members. All the contributions are held in a communal fund (except members Additional Voluntary Contributions), and invested by the Trustees in order to pay pensions as they become due. The total invested contributions are the assets of the RBP.

The funding position of the RBP is measured by comparing the value of the liabilities with the value of the assets. If liabilities are higher than assets the RBP will have a funding shortfall, and if assets are higher than liabilities the RBP will have a funding surplus.

An independent professional, known as an Actuary, determines the funding position of the RBP by carrying out a detailed valuation every 3 years (the 'Actuarial Valuation') – most recently at 31 March 2017. Between each Actuarial Valuation the Actuary also provides the Trustees with less detailed annual updates on the funding position (a 'funding update').

What is the funding position of the RBP?

The results of the RBP Actuarial Valuation as at 31 March 2017 and the funding updates at 31 March 2018 and 31 March 2019 are provided in Table 1, below.

Table 1: RBP Funding Position

	Actuarial Valuation as at 31 March 2017 £m	Funding update as at 31 March 2018 £m	Funding update as at 31 March 2019 £m
Value of RBP liabilities	206.0	209.5	223.0
Value of RBP assets	197.4	202.8	213.8
Funding level	95.83%	96.80%	95.87%
Funding shortfall	(8.6)	(6.7)	(9.2)

Table 1 outlines that the RBP has a funding shortfall, which has increased from £6.7m (31 March 2018) to £9.2m (31 March 2019). The deterioration of the Scheme's financial position is mainly due to a decrease in gilt yields which has resulted in an increase in the liabilities. However, higher than expected investment returns combined with deficit contributions over the 12 months to 31 March 2019 partially offset this increase.

It is important to note that the value put on the RBP funding position is a measurement at a particular point in time, and will vary over time depending on a range of underlying financial factors and demographic factors.

We are required to inform you whether a payment has been made to the University, as permitted under the Pensions Act 1995, since we last sent you a Summary Funding Statement. We can confirm that no such payment has been made.

Is the RBP funding shortfall going to be paid off, and if so, how will this be done?

As noted above, an Actuarial Valuation is undertaken every 3 years. If the Valuation determines that the RBP has a funding shortfall, the Trustees and the University discuss how the shortfall will be addressed, and the outcome is documented in the Recovery Plan. The level of contributions required to eliminate the shortfall is also discussed, and is documented in the Schedule of Contributions.

The Actuarial Valuation, the Recovery Plan, and, the Schedule of Contributions all adhere to standards that are set out in the Statement of Funding Principles, which describes how the Trustees will manage the RBP with the aim of being able to continue to pay members' benefits.

Following the most recent Actuarial Valuation, as at 31 March 2017, the Trustees and the University agreed to target elimination of the £8.6m funding shortfall over a 13 year recovery period. This agreement is formalised in the 2017 Recovery Plan, which outlines that, if actuarial assumptions are borne out, a combination of contributions to the RBP and growth in the RBP's assets will be expected to lead to a fully funded RBP in 13 years. The Schedule of Contributions outlines that, under the 2017 Recovery Plan, contributions to the RBP will remain unchanged at 28% of pensionable earnings (member contribution rate 9% and University contribution rate of 19%).

It should be noted that during any valuation and funding update, when calculating the RBP funding position the Actuary is required to make assumptions about what will happen in the future. These assumptions include, for example, an estimate of the rate at which the RBP's assets will grow, how interest rates will vary, and how long members will live after they have retired. The values which are derived from these assumptions will vary over time and, therefore, the RBP funding position will also vary over time. Accordingly, following each Actuarial Valuation, every 3 years, the Recovery Plan and Schedule of Contributions may require to be updated.

Following an Actuarial Valuation, the Pensions Regulator has legal powers to give direction as to:

- The level of benefits available from the RBP going forward;
- The method or assumptions used to calculate the liabilities, or the length and structure of the RBP Recovery Plan;
- The RBP contributions that should be paid under the Schedule of Contributions.

Following submission to the Pensions Regulator of the RBP Actuarial Valuation and 2017 Recovery Plan, the Regulator has not sought to use these powers.

Is my pension guaranteed?

Although there was a shortfall of £8.6m as at 31 March 2017 (the most recent Actuarial Valuation), all members should still receive the full amount of their pension.

A key aim of the Trustees is to ensure, as far as possible, that there is enough money in the RBP to pay pensions now and in the future, but this depends on the University carrying on in business and continuing to make contributions to the RBP. The Trustees have reviewed information in relation to the University's financial position, plans for the future, and commitment to the RBP, and are satisfied that it is financially secure, can continue to pay the agreed level of contributions to the RBP, and intends to do so. This will continue to be kept under review.

If the University decided to stop supporting the RBP it would be required to pay sufficient money to an insurance company in order for all the benefits built up by RBP members to be fully paid. This is known as the RBP being "wound-up". The comparison of the RBP's assets to the cost of buying the benefits from an insurance company is known as the "solvency position". As at 31 March 2017, the estimated cost of securing benefits with an insurance policy was £404.8m and the RBP's assets were 49% of this amount. The RBP's assets could not have paid for the full benefits of all members to be provided by an insurance company and, therefore, the University would have been required to contribute a further £207.4m to the RBP if it were being wound up at that date. The solvency position is provided for information only, and the University has no intention at present for the RBP to be wound up.

Can I leave the RBP before I am due to retire?

If you are an active member, you can leave the RBP before you reach retirement and, in this case, your pension will be based on your service and salary at your date of leaving. Your pension benefits may be left in the RBP to be paid at retirement, or transferred to another pension arrangement.

Similarly, if you have already left the RBP and have deferred pension benefits, you can, if you wish, transfer your benefits to another eligible pension arrangement prior to retirement.

If you are thinking of leaving the RBP for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action. We are legally prevented from providing you with financial advice.

Pension Protection

The Pension Protection Fund (PPF) was set up in April 2005 to help protect your pension benefits. The PPF pays a legally defined level of benefits to members of eligible UK pension schemes which are wound-up. This occurs where the scheme does not have enough money to cover the cost of buying this level of benefits for members with an insurer and the sponsoring employer is insolvent and so cannot provide extra finance. If the RBP were to be wound up and go into the PPF, the pension you would receive from the PPF may be less than the full benefit you have earned in the RBP, depending on your age and when your benefits were earned.

Further information and guidance is available on the PPF's website at www.ppf.co.uk or you can write to the PPF at PPF Member Services, Pension Protection Fund, PO Box 254, Wyndham, NR18 8DN.

Additional Information

If you have any other questions, or would like any more information, please contact us at the following address:

The Trustees of the Retirement Benefits Plan of the Queen's University of Belfast
c/o Mrs Ciara Smyth
Secretary to the Trustees of the Retirement Benefits Plan
Queen's University of Belfast
University Road
Belfast
BT7 1NN

A list of documents which provide further information is shown below, and if you would like a copy of any of these documents please contact the Secretary to the Trustees:

Member Booklet

The booklet is intended to provide you with an overview of the benefits available to you as a member of the RBP.

The Statement of Funding Principles

This explains how we (the Trustees) will manage the RBP with the aim of being able to continue to provide the benefits that members have built up.

The Statement of Investment Principles

This explains how we (the Trustees) invest the money paid into the RBP.

The Schedule of Contributions

This shows how much money is being paid into the RBP by the University and the contributing members, and includes a certificate from the Actuary showing that it is sufficient to meet the requirements set out by law.

The Annual Report and Accounts of the RBP

This shows the RBP's income and expenditure each year.

The Formal Actuarial Valuation Report as at 31 March 2017

This contains the details of the Actuary's check of the RBP's funding position as at 31 March 2017.

The Actuarial Report as at 31 March 2018 and 31 March 2019

This contains the details of the Actuary's check of the RBP's funding position as at 31 March 2018 and 31 March 2019.

Please note - you will receive a Summary Funding Statement each year, so if you change address you should write to the Secretary to the Trustees in order that your details can be updated.