Your Summary Funding Statement

Cardiff University Pension Fund

April 2022

Welcome to your "**Summary Funding Statement**" of the Cardiff University Pension Fund ("the **Fund**")

This statement is designed to update you on the funding position of the Fund. You do not need to do anything as a result of this statement. It is for your information only.

We also wish to notify you of the forthcoming **Member Open Meeting** on **Wednesday 18 May from 12-1pm**. This year's meeting will be a virtual one (on Zoom), but there will be an opportunity for you to ask questions in advance and for answers to be provided during the meeting.

You will be able to log-in to the meeting using the following details:
https://cardiff.zoom.us
Meeting ID: 898 3850 3261
Passcode: 898564

If you would like to submit a question for the panel, please email this to pensions@cardiff.ac.uk by 11 May.

The Fund's Financial Security

How is the Fund's financial security measured?

To check the Fund's financial security, the Trustees compare the value of its liabilities to its assets.

The assets comprise of the contributions paid into the Fund, the investment returns and any assets transferred in.

The value of the liabilities represents the amount that is estimated to be needed to provide all of the Fund benefits earned to date by:

- those who are currently employed by Cardiff University ("the University") but have not yet started to receive their benefits;
- those who were in employment with the University but have not yet started to receive their benefits; and
- the Fund's existing pensioners.

The assets are held in a communal fund, not in separate funds for each individual. If the Fund's assets are less than its liabilities, it is said to have a "shortfall". If the assets are more than the liabilities there is said to be a "surplus".

The Trustees carry out an in-depth look at the Fund's finances at least every three years. This is called an actuarial valuation. A qualified, independent professional known as an actuary does this. The Trustees also review the financial security of the Fund more regularly.

Summary Funding Statement as at 31 July 2021

What is the Fund's financial position?

The Scheme Actuary has completed an annual actuarial report which shows the updated funding position of the Fund at 31 July 2021 ("the 2021 Annual Report").

This valuation compares the value of the Fund's assets with the amount required to provide the benefits accrued at that date. This amount assumes that the Fund will continue to operate on the current basis and is known as the 'Technical Provisions'.

At 31 July 2021, the Fund's Technical Provisions amounted to £301.8m and the Fund's assets amounted to £270.5m. This means the Fund had a funding level of 90% at this date.

Has there been a change in the funding level?

The last formal actuarial valuation of the Fund had an effective date of 31 July 2019 ("the 2019 Valuation"). At this date, the Fund's Technical Provisions amounted to £264.6m and the Fund's assets amounted to £229.6m. This means the Fund had a funding level of 87%.

A summary of the assets and Technical Provisions as at 31 July 2021 and 31 July 2019 is shown in the table below:

£'m	**2021 Annual Report** 31 July 2021	**2019 Valuation** 31 July 2019
Technical Provisions	301.8	264.6
Asset Value	270.5	229.6
Surplus/(Shortfall)	(31.3)	(35.0)
Funding Level	90%	87%

The funding level increased between the 2019 Valuation and the 2021 Annual Report. This was largely due to:

- deficit contributions paid by the University;
- higher than assumed investment returns; and
- inflationary increases being lower than assumed.

The impact of the above factors was partially offset by changes in financial conditions which led to an increase in the Technical Provisions. It is natural for the Fund's funding level to fluctuate over time, reflecting changes in the financial markets. The Trustees will monitor the Fund's funding position and work with the University to ensure the security of members' benefits.

COVID-19 pandemic

Since the 2019 Valuation, the Covid-19 pandemic has resulted in significant market volatility. This has affected both asset values and market yields, and in turn the funding level of the Fund.

The Trustees are monitoring the situation closely (in relation to the funding level, the University's support of the Fund and the ongoing operation of the Fund) in conjunction with the Fund's advisors.

Scams

Members should be aware of the risk of scams especially at the current time. You should be particularly wary if you are contacted out of the blue in relation to a pension opportunity, tempted by high sounding investment returns or if you are put under any pressure to make a decision quickly regarding your pension. Please visit www.fca.org.uk/scamsmart for further information.

The Pensions Regulator has recently published new guidance with the aim of protecting pension scheme members from scams. This relates to members who wish to transfer their benefits to another pension arrangement. The Fund's administrators have updated their procedures in light of this new guidance.

The Fund's Financial Security

How much money is paid into the Fund each year?

After the completion of the 2019 Valuation, the Trustees and the University agreed a new Schedule of Contributions and Recovery Plan in order to fund the ongoing accrual of benefits and to seek to restore the funding level to 100%.

As part of this, the University agreed to pay ongoing contributions at a rate of 26.2% per annum of pensionable salaries. This rate is inclusive of CARE and non-CARE member contributions of 6.5% and 7.5% per annum of pensionable salaries respectively.

A new benefit structure was introduced from 1 January 2022, impacting the way active members of the Fund accrue future benefits. From this date, the University will pay ongoing contributions at a rate of 22.7% per annum of pensionable salaries (inclusive of member contributions which remain unchanged).

An allowance of 1.50% per annum is included in the University's contributions in respect of Fund expenses.

Under the Recovery Plan, from 1 August 2021 the University has agreed to pay contributions to remove the funding shortfall of 8.2% per annum of total pensionable salary plus £1,000,000 per annum.

The University will pay any contributions required to meet any benefit augmentations granted or benefit improvements as agreed with the Scheme Actuary.

The Trustees are required to inform you whether a payment has been made to the University, as permitted under the Pensions Act 1995, since the Trustees of the Fund last sent you a summary funding statement. The Trustees can confirm that no such payment has been made to the University.

What types of assets does the Fund invest in?

The Fund's assets were invested with Legal and General Investment Management, Newton Investment Management, M&G Investments, Partners Group (UK) Limited and Insight Investment Fund Management at 31 July 2021. The asset split for the Fund's invested assets at 31 July 2021 was 34% in diversified growth funds, 23% in equities, 21% in liability driven investments, 12% in private markets, and 10% in corporate bonds. The Fund also holds a proportion of its assets in cash.

Is my pension guaranteed?

The Trustees' aim is for there to be enough money in the Fund to pay pensions now and in the future, but this depends on the University carrying on in business and continuing to pay for the Fund.

If the University goes out of business or decides to stop paying for the Fund, it is required to pay the Fund enough money to buy all the benefits built up by members from an insurance company. This is known as the Fund being "wound-up".

The comparison of the Fund's assets to the cost of buying the benefits from an insurance company is known as the "solvency position". If the "solvency position" is not fully met, then the Fund may not be able to pay full benefit.

Is there enough money in the Fund to provide my full benefits if the Fund was wound-up?

The funding levels referred to on page 2 are based on a funding target that assumes the Fund will continue. This funding target is less than the amount that would be needed to guarantee all benefits by purchasing insurance policies. This is known as the buy-out liability and is used to measure the solvency level that would apply if the Fund had to wind up.

The cost of securing benefits immediately with insurance policies is generally much higher than the amount needed to pay benefits as they fall due in the future. Consequently the vast majority of pension Funds are not fully funded on this basis.

The 2019 Valuation showed that the Fund's assets could not have paid for all members to be provided with their full benefits by an insurance company if it had wound-up at that date.

Actuarial valuation (£'000)	**2019 Valuation**
Liabilities if the Fund was to be wound up:	484.5
Fund Assets:	229.6
Surplus/(Shortfall) if the Fund was to be wound up:	(254.9)
Funding Level if the Fund was to be wound up:	47%

The fact that Trustees have shown the solvency position does not mean that the University is thinking of winding up the Fund and should the University choose to wind up the Fund (and the University is not insolvent), the University would need to pay an additional amount to the Fund to remove any shortfall on winding up.

What happens if the Fund is wound-up and there is not enough money to pay for all my benefits?

If the Fund winds up without enough money to buy all the benefits with an insurer then, unless the University can afford to pay the difference, you are unlikely to receive the full benefits you were expecting. To help members in this situation, the Government set up the Pension Protection Fund ("PPF") which came into effect on 6 April 2005. The PPF pays a legally defined level of benefits to members of eligible UK pension schemes which are wound-up when a pension scheme:

I. does not have enough money to secure full benefits with an insurer; and
II. the employer is insolvent and cannot provide extra finance.

If the Fund 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 Fund, depending on your age and when your benefits were earned. Further information and guidance is available on the PPF website: www.pensionprotectionfund.org.uk.

Or you can write to the Pension Protection Fund at: Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

There is currently no expectation that the Fund will be wound up or be forced to enter the PPF.

The Pensions Regulator's powers

The Trustees are required to tell you whether the Pensions Regulator has used its legal powers to make directions as to:

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

The Regulator has not used its powers in relation to the Fund and therefore the Fund is not subject to any directions from the Pensions Regulator.

Leaving the Fund

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

Yes, if you are not in receipt of a pension in the Fund you can, if you wish, transfer your benefits to another pension arrangement. This is known as taking a Cash Equivalent Transfer Value from the Fund.

If you are thinking of leaving the Fund for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action. You can find an independent financial advisor local to you at www.unbiased.co.uk.

Keeping us updated

Expression of Wish Form

Please remember that it is important to keep your Expression of Wish Form up to date. This Form will assist the Trustees in reaching a decision regarding the payment of any lump sum benefits that your dependants/beneficiaries may be eligible for under the Rules of the Fund in the event of your death. The Trustees are not bound by your wishes but need to consider all of the information available before making a decision.

Please contact us if you would like an Expression of Wish form. If you have previously completed an Expression of Wish form, you do not need to submit this form again. However, if you have never completed this form, or if you would like to update this form due to a change in circumstances, please contact us so we can provide you with a blank form.

Please also contact us if you are unsure on whether you have previously submitted this form or if you have any other questions.

Change to personal information

In order to keep you up to date with information regarding your pension, please remember to let us know of any changes to your personal information, such as a change of address.

GDPR

The Trustees of the Fund recognise their responsibility in managing Personal Data and are committed to protecting and respecting your privacy through compliance with the Data Protection Act (GDPR).

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Your Data

Deloitte and the Trustees are "data controllers in common" of personal data that is held to administer the Fund.

As a data controller, the Trustees hold personal data about you, as a Fund member, and possibly the personal data of your dependents. The Trustees hold and process this data to properly administer the Fund, to comply with the law and to ensure you receive your Fund benefits.

This type of personal data the Trustees may hold will include: date of birth, national insurance number and postal address.

We will handle and protect your personal information with the utmost consideration for its confidentiality and your privacy.

For more information, please visit https://www2.deloitte.com/uk/en/misc/dtrb-dpsp-privacy-statement.html

Complaints

Internal Disputes Procedure

Trustees of all occupational pension Funds are required to establish and operate a procedure attempting to resolve any complaint or dispute which may arise.

Complaints or disputes concerning the Fund are rare and will be often be resolved informally by the Fund's administrator. In the unlikely event that your complaint has not been dealt with to your satisfaction, you may use the Fund's internal dispute resolution procedure (the "IDRP"). The Fund's IDRP will ensure that the matter is considered by the proper person and, if necessary, is also considered by the Trustees.

Finding out more

The Trustees are required to complete an actuarial valuation every three years. The next actuarial valuation of the Fund will have an effective date of 31 July 2022. The Trustees will issue a summary of the results of this valuation after it has been completed, which must be no later than 31 October 2023.

Additional formal documents available on request from the Fund's administrators (there may be a charge to cover the cost of providing this information):

The Statement of Funding Principles
This explains how the Fund is managed to be able to provide members with the benefits they have built up in the Fund.

The Statement of Investment Principles
This explains how the money is invested in the Fund.

The Schedule of Contributions
This shows how much money is being paid into the Fund.

The Recovery Plan
The shows the amount of deficit contributions payable by the University.

The Fund's latest Annual Report and Accounts
This shows the Fund's income and expenditure.

The latest full Actuarial Valuation Report
This contains the details of the Scheme Actuary's check of the Fund's financial situation as at 31 July 2019.

Where can I get further information?

The Fund is administered by Deloitte. If you require any further information about the Fund, or wish to update your contact details, please contact:

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You can also write to Deloitte at: Deloitte Total Rewards Limited
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