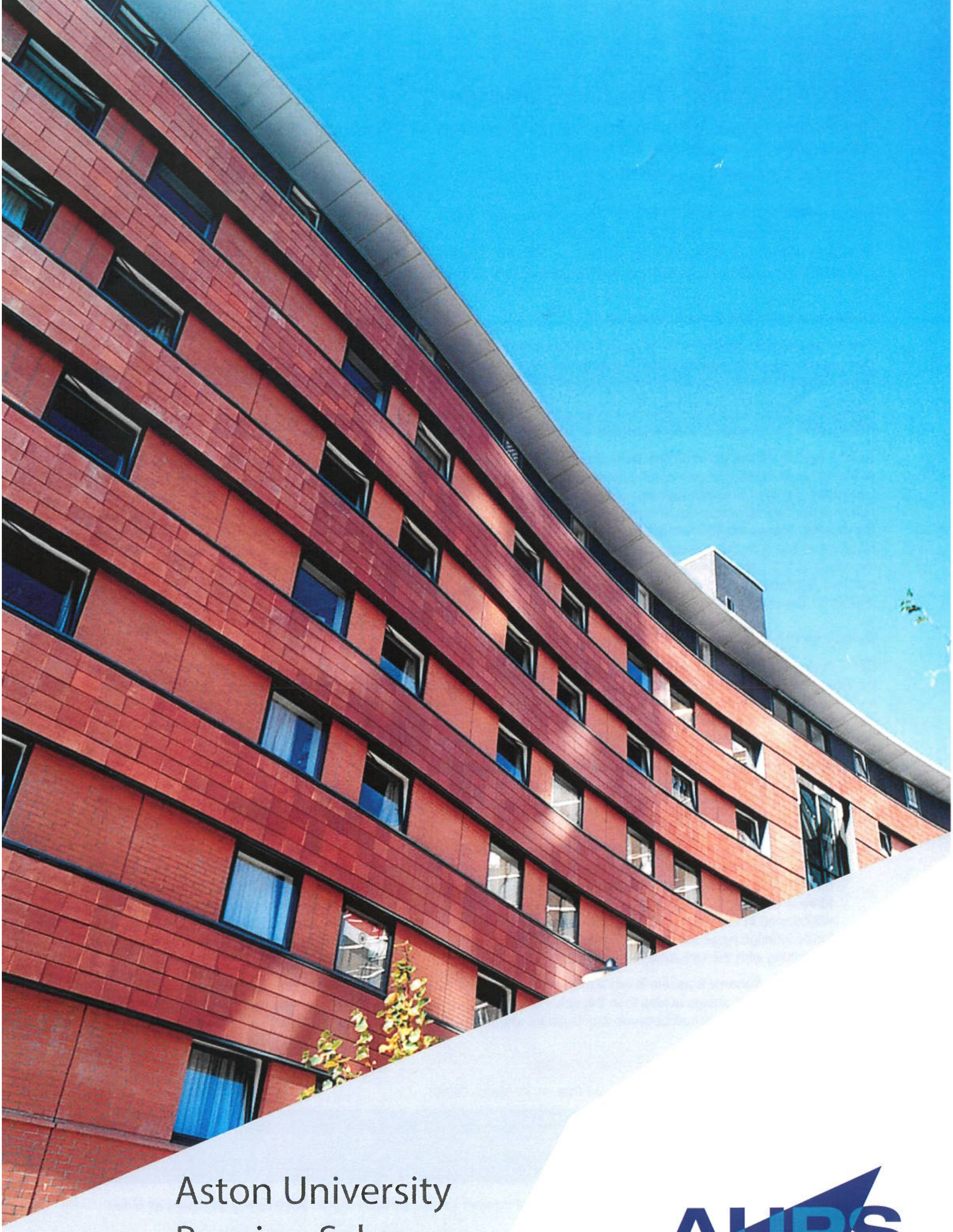


Aston University Pension Scheme

Annual Summary
Funding Statement 2018

AUPS
ASTON UNIVERSITY PENSION SCHEME

Annual Summary Funding Statement 2018

The Trustees are pleased to provide you with your Annual Summary Funding Statement. You may remember that we sent you a similar statement last year.

Within this statement, you will find an explanation of how the Scheme's assets and liabilities are valued as at the Scheme year end date of 31 March 2018. There is a full valuation of the Scheme's liabilities every three years, with the next one due as at 31 March 2019, which takes into account full membership experience as at that date. In the interim years, the liabilities are calculated using the most recent full valuation and approximate experience until that date. This statement provides you with the results of these calculations and the comparison of the Scheme's liabilities to its assets, as well as other information relevant to the financial position of the Scheme.

Headline results and other Scheme news

The latest actuarial report for the Scheme showed that on 31 March 2018:

The value of the Scheme's liabilities was:	**£114.5 million**
The value of the Scheme's assets was:	**£100.0 million**
This means that there was a shortfall of:	**£14.5 million**

As of 1 April 2018 the Scheme has been closed to future accrual. From this date, the University and Employee members of the Scheme no longer pay contributions regarding future benefits. For those members who remain employed by the University, pension accrued before 1 January 2004 will be recalculated at the date the member retires using their final salary at the time of retirement and pension accrued after 1 January 2004 will be increased each year in line with inflation. If a member leaves the University before retirement, their accrued benefit will be treated as a normal deferred benefit and revalued in line with the Scheme rules. Pensions in payment in excess of the Guaranteed Minimum Pension (GMP) are increased by 5% per annum or the rise in the Retail Prices Index (RPI), whichever is lower. Members who joined the Scheme before 1 September 1990 receive an annual increase in payment of no less than 3% of all non-GMP benefits for service prior to 31 December 2003.

Measuring the Scheme's financial security

Every three years, the Scheme's Actuary, a qualified, independent professional, carries out an in-depth financial review of the Scheme. This review is known as an "actuarial valuation" and is used to assess the funding position of the Scheme and help determine what level of future contributions are required to ensure the Scheme's financial security. The Trustees also check the financial security of the Scheme in between the full actuarial valuations. When this is done, the Trustees receive an "actuarial report" summarising the Actuary's conclusions. This report involves the comparison of two figures:

1. **The current value of the Scheme's assets at the valuation date.**
   This is simply the total market value of all of the Scheme's investments and cash at the valuation date. These assets have been built up from previous contributions from members and the University and from investment returns which are all held in a communal fund.
2. **The current value of the Scheme's liabilities at the valuation date.**
   This is an estimate of how much money the Scheme needs to hold at the valuation date in order to cover all of the benefit payments that will be made in the future. At this stage we only consider the benefits that members have already earned, so we know the pension that each member is entitled to. We then make assumptions about what will happen in the future, such as what investment returns we will receive, how long members will live for and what future inflation rates will be. The Trustees set these assumptions after taking advice from the Scheme's Actuary and consulting with the University.

If the value of the Scheme's assets is more than the value of the Scheme's liabilities there is said to be a "surplus". If the value of the Scheme's assets is less than the value of the Scheme's liabilities, there is a "shortfall". If there is a shortfall, an agreement must be reached between the Trustees and the University about how this shortfall will be corrected.

The Scheme's position at the last formal valuation

The last full valuation of the Scheme showed that on 31 March 2016:

The value of the Scheme's liabilities was:	**£93.3 million**
The value of the Scheme's assets was:	**£80.6 million**
This means that there was a shortfall of:	**£12.7 million**

In other words, the Scheme had 86% of the funds that it needed to hold as at 31 March 2016 to pay members all of the benefits that had been earned by that date.

Although there was a shortfall this has not affected the pensions paid from the Scheme and all members who have retired have received the full amount of their pension.

The Scheme's current position

The latest actuarial report for the Scheme showed that on 31 March 2018:

The value of the Scheme's liabilities was:	£114.5 million
The value of the Scheme's assets was:	£100.0 million
This means that there was a shortfall of:	£14.5 million

The funding level of the Scheme has increased by 1% to 87% from 31 March 2016 to 31 March 2018, however the shortfall has increased. Over the period, strong investment performance has increased the value of the assets. However, this was offset by a fall in interest rates and an increase in inflation which led to a significant increase in the value of liabilities. The overall effect is an increase of £1.8 million to the shortfall.

The previous actuarial report for the Scheme showed that on 31 March 2017:

The value of the Scheme's liabilities was:	£111.3 million
The value of the Scheme's assets was:	£95.7 million
This means that there was a shortfall of:	£15.5 million

From 31 March 2017 to 31 March 2018 the funding level of the Scheme increased from 86% to 87% and the shortfall decreased from £15.5 million to £14.5 million. This is due to better than expected returns increasing the value of the assets though this was offset by an increase in liabilities due to deterioration of financial conditions.

You should bear in mind that the results shown in this statement are just a snapshot in time. However, providing sufficient funding so that the Scheme can meet members' benefits requires a long term view to be taken. We expect the Scheme's funding position to go up and down in the shorter term.

The fact that there was a shortfall has not affected the pensions paid from the Scheme and all members who have retired have received the full amount of their pension.

The next Summary Funding Statement will be issued once the 31 March 2019 formal valuation is complete.

Financial support for the Scheme

Following each actuarial valuation, the Actuary estimates the contributions the University needs to pay to cover the cost of benefits now and in the future. We then agree a level of contributions for the Scheme with the University and record this in a document called the Schedule of Contributions. The Trustees review and update the Schedule of Contributions at least each time the Scheme has an actuarial valuation.

As a result of these discussions, with effect from 1 April 2016, the University agreed to make up the shortfall revealed at 31 March 2016 by paying £26,250 each month into the Scheme, for one year, followed by £47,500 each month for ten years. The Scheme has also received a one off lump sum of £570,000 in June 2017.

Prior to the Scheme's closure to future accrual on 1 April 2018, to fund the cost of the benefits that employee members of the Scheme were earning each year, the University made contributions to the Scheme of 19.5% of Pensionable Salaries. Employee members were paying contributions of 6.35% of their Pensionable Salary. From 1 April 2018, the University and Employee members of the Scheme no longer pay these contributions regarding future benefits.

The University continues to contribute the fixed amount of £47,500 each month to make up the shortfall as at the 31 March 2016 formal valuation as well as a fixed sum of £30,000 per month to cover the Scheme's expenses.

The importance of the University's support

The Trustees' aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends on the University's financial position and its ability to continue to contribute.

In the unlikely event of the University experiencing financial difficulties to the extent that it decides to stop contributing to the Scheme, the Scheme may be 'wound-up'. In such circumstances the University could be required to pay additional money to buy all members' benefits from an insurance company.

The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "buy-out position". A scheme's buy-out position will often show a larger shortfall than the standard actuarial valuation as insurers are obliged to take a very cautious view of the future (including the administration costs of paying the benefits) and need to make a profit.

The latest full review of the financial position showed that the Scheme's assets would not have been enough to buy all members' benefits earned to date from an insurance company. The Scheme's buy-out position as at 31 March 2016 was:

Our estimate of the cost of buying benefits with an insurance company was:	£151.8 million
The Scheme's assets were valued at:	£80.6 million
This means that there was a shortfall of:	£71.2 million

The provision of this information is a legal requirement and does not mean that the University is thinking of buying out the Scheme benefits from an insurance company.

The Government has set up the Pension Protection Fund (PPF) to pay benefits to members if the Scheme were wound-up and the Scheme and the University did not have enough money to cover the cost of buying all members' benefits with an insurance company.

The pension you would receive from the PPF would be less than the benefit you have built up in the Scheme. Further information and guidance is available on the PPF website at **www.pensionprotectionfund.org.uk.** Or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

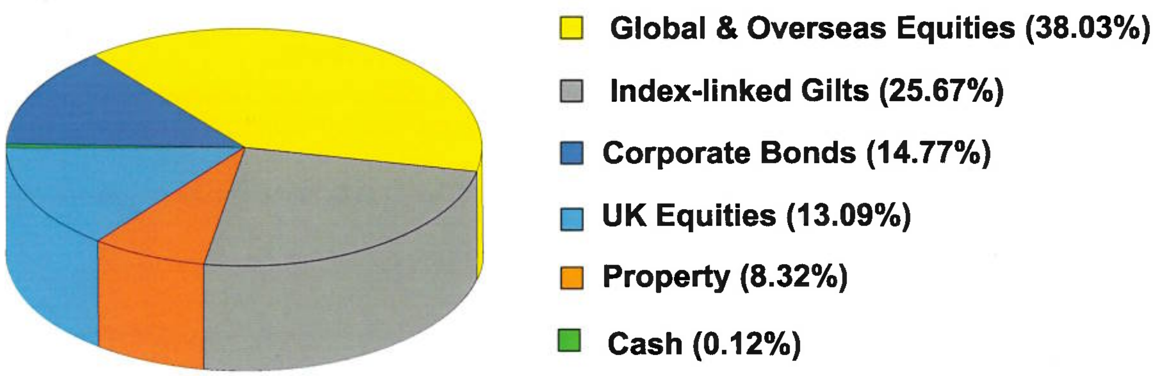
How the Scheme operates

Members of the Scheme are entitled to benefits based on their salary and the number of years of pensionable service. The Trustees are responsible for deciding (after taking advice) how to invest the assets from which these benefits are paid. The combination of the current assets held, investment income and University contributions are then used to pay members' pensions when they retire.

The Scheme is a career average revalued earnings pension arrangement. With this type of scheme, active members and their employers pay contributions. With the help of our investment advisers, we invest these contributions in funds, which are expected to provide income and to increase in value over the long term. Note that the assets are invested in one common fund rather than an individual account for each members' own pension.

Investments

As at 31 March 2018, the Scheme's assets were spread over a range of investments;



Full details of the Trustee's investment strategy can be found in the Scheme's Statement of Investment Principles.

Sources of further information

If you have any questions about the Scheme's funding or would like any more information, please contact AUPS@hymans.co.uk or write to Aston University Pension Scheme, Hymans Robertson, 45 Church Street, Birmingham, B3 2RT.

The Trustees will be sending you a Summary Funding Statement, like this one, each applicable year. If you are not currently employed by the University and you change your address you should inform Hymans Robertson, in writing, so that our records can be updated.

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action.

Additional formal documents available on request from the Pensions Manager

The Statement of Funding Principles
This explains how the Trustees plan to make sure enough money is paid into the Scheme to provide the benefits that members have built up.

The Statement of Investment Principles
This explains how the Trustees invest the money paid into the Scheme.

The Schedule of Contributions
This shows how much money was agreed to be paid into the Scheme by the University and the contributing members following the 31 March 2016 actuarial valuation and includes a certificate from the Actuary showing that it is sufficient.

The Recovery Plan
This sets out the additional contributions the University has agreed to make to correct the shortfall in the Scheme.

The Annual Report and Accounts of the Aston University Pension Scheme
This shows the Scheme's income and expenditure in the year to 31 March 2018.

The Formal Actuarial Valuation Report as at 31 March 2016
This contains the details of the Actuary's financial check of the Scheme's situation as at 31 March 2016.

The Actuarial Report as at 31 March 2018
This contains the details of the Actuary's financial check of the Scheme's situation as at 31 March 2018.

The Aston University Pension Scheme Information Booklet
This is the members' handbook for the Scheme. You should have been given a copy when you joined the Scheme, but extra copies are available.