

UNIVERSITY OF YORK PENSION FUND

Contributing Members' Annual Report
Year-end 2024



WELCOME!

Welcome to the Contributing Members' Annual Report.

This has been a very busy year for the Fund and there is much change to tell you about in this year's report. The 2023 valuation was concluded, showing a healthy surplus in the scheme, and benefit improvements are being made as a result of this. Big changes have happened to the administration of the Fund, which has now been transferred to an external company, ending over 60 years of the Fund being administered by the University.

As well as these developments, this year's Report provides the usual updates on the governance and investment activities of the Fund. There's also a summary of the Fund's accounts for the financial year ending 2024 as well as the latest Summary Funding Statement.

Please visit the Fund's website for the latest information. The website is regularly updated, and you'll find a number of important documents there, including:

- Statement of Investment Principles
- Statement of Funding Principles
- Documents from the last triennial valuation
- Schedule of Contributions
- Privacy Statement

The following documents are also available, but are not routinely published on the Fund's website:

- The shorter Actuarial Report as at 31 July 2024
- The Trustee's Annual Report and Accounts

If you would like to see or receive a copy of a document which is not on the Fund's website, have any questions about any aspects of the Fund, or would like further information on accounts or rules please contact the Pensions Team.

We welcome your feedback on all areas of the Fund, so if you have suggestions for improvements or would like to see more information available on certain areas, please do get in touch and let us know.

Best wishes,

Gillian Hamilton
Company Secretary



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All information contained within this booklet is correct at time of going to press, but may be subject to change. In the event of any discrepancy between the information contained in this booklet and the overriding legislation that governs pensions or the Trust Deed and Rules of the University of York Pension Fund, the Trust Deed and Rules and overriding legislation will apply. The University of York Pension Fund and its administrators are not authorised to give financial advice. Members requiring financial advice may wish to speak to an independent financial adviser.

CONTENTS

Welcome!	3
Fund governance	6
Board of Directors	6
Professional advisers and service providers	9
Administration report	10
Changes to the rules	10
Outsourcing of pensions administration	11
Money purchase AVCs	11
Pensions Dashboard	11
Minimum pension age / early retirement	12
Nomination forms	12
Moving beyond Grade 5	12
GMP equalisation	12
Lasting Power of Attorney	13
Pension scams	13
The State Pension	14
Lost pensions	14
Tax Help for Older People	14
The taxation of pension savings	15
The tax-free lump sum limit	15
Limits to pension savings	15
<i>The annual allowance</i>	15
<i>The money purchase annual allowance</i>	15
Lifetime allowance protections and enhancements	15
Investment and financial report	16
Asset allocation	16
Membership	17
Income and expenditure	18
The University of York Pension Fund Summary Funding Statement July 2024	19
Introduction	19
Funding position as at 31 July 2024	19
The Fund's finances	20
Assets	21
Winding up the Fund – the buy-out position	22
Additional protection	22

FUND GOVERNANCE

Board of Directors

The University of York Pension Fund is administered by the University of York Pension Trust Company Limited. Trustee meetings are held both online and in person. The Trustee Company has nine directors, who for the year have been:

INDEPENDENT CHAIR		
Director	Appointed	Resigned
BESTrustees (represented by Mrs Ann Rigby)	1 December 2019	

EMPLOYER NOMINATED DIRECTORS – APPOINTED BY THE COUNCIL OF THE UNIVERSITY OF YORK		
Director	Appointed	Resigned
Professor Duncan Bruce, Chemistry	15 May 2024	
Mr John Lister, previous Lay Member of University Council	13 March 2017	
Mr Adrian Murgatroyd, Finance	29 September 2017	
Mrs Iona Rodger, Human Resources	17 December 2021	23 January 2024
Mr Paul Bushnell, DTEF	3 March 2021	

MEMBER NOMINATED DIRECTORS – NOMINATED AND ELECTED BY THE FUND MEMBERS

Director	Appointed	Resigned
Mr James Coates, Retired (ex-Library and Archives)	13 March 2016	
Mr Timothy Franklin, Retired (ex-Registrar’s and Planning)	13 March 2016	
Mr Michael Hodgkinson, Biology	1 August 2017	
Mr Stephen Bradley, Human Resources	26 July 2023	

The Member Nominated Directors are elected by Fund members. Following a recent change, the standard term of appointment was increased from four to five years. Member Nominated Directors retire by rotation and may be re-elected.

The Secretary to the Trustee is Miss G Hamilton, who was supported by Mr P Lee of First Actuarial LLP.

PROFESSIONAL ADVISERS AND SERVICE PROVIDERS

Actuary	K Hulme-Vickerstaff, FIA, First Actuarial LLP
AVC Provider	Aegon & Scottish Equitable Pensions & Bonds
Banks	HSBC plc Lloyds Banking Group
Fund Administrator	First Actuarial LLP
Independent Auditor	BHP LLP
Investment Managers	Legal & General Investment Management Schroder Investment Management Limited Alcentra Limited Aberdeen Standard Investments Macquarie Global Investments Standard Life Investments
Investment Adviser	Isio Ltd (previously known as Deloitte Total Reward and Benefits Ltd)
Investment Custodian	J P Morgan (for Schroder Investment Management Limited)
Legal Adviser	Walker Morris LLP
Life Assurance Company	MetLife Europe d.a.c

ADMINISTRATION REPORT

Changes to the rules

The update to the Trust Deed and Rules implementing the changes to the Fund’s structure that took effect from 1 April 2022 will be finalised and available online shortly. As a reminder, you can find a summary of the changes introduced [here](#).

Following the conclusion of the 2023 valuation which showed a very positive funding position, it has been agreed that the Rules will again be changed to deliver a

package of improvements to the benefits. Broadly speaking, these improvements were:

- An increase in the accrual rate in Tier 1 from 1/85th to 1/72nd, effective from 1 April 2025
- Maintaining the revaluation and pensions increase cap at 5% instead of it reducing to 3% from 1 August 2023 (effective retrospectively)
- A reduction in contributions from 1 November 2024 as shown below:

	Prior to changes	From 1 November 2024
Tier 1 member	7%	6.50%
Tier 1 employer	16%	14.50%
Tier 2 member	6%	5%
Tier 2 employer	13%	10.40%

Affected members have been written to directly about the changes.



Outsourcing of pensions administration

Members may recall our correspondence in November 2024 setting out that the Fund’s administration would be outsourced to First Actuarial LLP during 2025. This has now taken place with effect from 1 March 2025.

The transfer to First Actuarial is expected to yield lots of benefits for members. Members have provided feedback over recent years that they would like more online access, and to be provided with pensions information more quickly. Members have also asked about being able to have access to a modeller so that they can gain a better understanding of their potential future benefits. These benefits can be provided by an outsourced provider such as First Actuarial LLP. There will also be more resilience in being supported by a larger team.

Contributing members should continue to contact the University’s in-house Pensions Team. They can be reached using the following contact details:

Email: pensions@york.ac.uk
Phone: 01904 324 805

The University’s in-house Pensions Team will liaise with First Actuarial LLP on your behalf for any information you require.

Money purchase AVCs

Members can pay extra contributions to their Fund pension in the form of additional voluntary contributions (AVCs). The Trustee has recently been undertaking a review of its AVC facility with Aegon. As a result of this, the Trustee temporarily suspended accepting new applications for AVCs, although those members who already had an AVC policy could continue to make payments into it. The Trustee has now concluded its review and expects to be able to inform members of the outcomes shortly. We currently anticipate being able to start accepting applications for new AVC payers during the summer.

Pensions Dashboard

The Government has recognised that it is more important than ever for people to understand their pensions and prepare for financial security in later life. This is why the Pension Schemes Act 2021 has laid the groundwork for the implementation of Pensions Dashboards. Pensions Dashboards will enable individuals to access all of their pension information securely online, to better support them in planning for retirement.

The **Pensions Dashboards Programme** is run by the Money and Pensions service and the team are responsible for developing the Pensions Dashboards ecosystem. Dashboards are expected to be fully operational during next year.

Minimum pension age / early retirement

The normal minimum pension age is the minimum age at which most pension savers can access their pensions. This is due to increase from the current age of 55 to 57 from 6 April 2028.

Nomination forms

Copies of nomination forms are available for you to download from the Fund's **website**. Completing a nomination form allows you to let the Trustee know your wishes for who you would want to receive any lump sum that would be payable in the event of your death.

Completing a form only takes a few minutes but can make the process of administering an Estate much easier on those left behind. If you haven't completed a nomination form within the last **three years**, please complete a nomination form. If you don't have internet access or access to a printer, please contact the Pensions Team using the details at the start of this booklet, and we'll send a paper copy out to you.

Moving beyond Grade 5

For employees of the University of York, membership of the Fund is generally only available whilst you remain employed at Grade 5 or below. If you are promoted or successfully apply for a job above Grade 5, you will no longer be able to contribute to the Fund.

There is an exception to this for a small number of members whose roles were graded higher than Grade 5 at the time of the Framework agreement. These members are allowed to remain in the Fund in their higher graded roles, as long as their Grade does not change. If they subsequently change Grade, they will also be required to leave the Fund (unless their Grade reduces to Grade 5 or below).

These limits do not apply for employees of York Commercial Limited (YCL) or YHEC.

GMP equalisation

On 26 October 2018, the High Court ruled that pension benefits accrued on and between 17 May 1990 and 5 April 1997 should be equalised in order to alter the impact of Guaranteed Minimum Pensions (GMPs), which accrued differently for men and women, and which were payable from different ages. The Trustee has begun to equalise transfer values payable, and benefits paid when a member passes away. It

is considering its response for other benefits, including historic transfer values and pensions in payment.

Lasting Power of Attorney

A Lasting Power of Attorney (LPA) for Property and Financial Affairs allows the Fund's administrators to deal with someone else about your pension on your behalf if you are unable to manage your finances, either temporarily (for example, if you have to have an extended hospital stay) or permanently. If you lose capacity and do not already have an LPA in place, the Fund's administrators will not be able to deal with anyone else on your behalf about your pension, unless they apply for a court order to be able to do so, which can be a long and expensive process.

You are only able to set up an LPA whilst you have the mental capacity to do so. If you become ill suddenly, you may find that you are no longer able to take out an LPA. Even if you are still well enough to implement an LPA, it can take several weeks or months for them to be registered, meaning your attorneys can't access your pension or make decisions about it during that time.

You can set up an LPA at any age. To find out more about putting an LPA in place, visit the government's **website**.

Pension scams

The Trustee wants to alert you to the risk from pension scams and remind you to take care to protect your pension from scammers. Unfortunately, many scammers are increasing their activities at the moment, knowing that people are more worried and vulnerable than usual.

If you receive a call out of the blue about the chance to transfer your benefits out of the Fund, or if someone calls you saying they represent the Fund, University or the Trustee, but you were not expecting the call, the safest thing to do is to ignore it – cold calling about pensions is illegal and it is probably a scam. If you are unsure, please check with the Pensions Team on 01904 32 4805 before doing anything further.

Offering you access to your pension before age 55, offering exceptional returns or suggesting you transfer your money outside of the UK are all typical of scamming offers, as is an individual seeking to exert timing pressure on you. To make sure that anyone offering you advice or other financial services is authorised by the Financial Conduct Authority you can check the **Financial Services Register**.

To help you spot the warning signs of a pension scam and what to do about it, the Financial Conduct Authority has released a **ScamSmart Guide**. There are also safeguards in place for people with defined benefit pensions, such as the benefits you have built up in the Fund. The Trustee Directors are required to check that anyone wishing to transfer their defined benefit pension to another arrangement where the transfer value is £30,000 or more has obtained advice from an independent financial adviser. The adviser must be authorised by the Financial Conduct Authority to advise on pension transfers.

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

The State Pension

To check when you can receive your State Pension and how much it might be, go to the **website**.

Lost pensions

If you have lost track of any pension savings built up elsewhere, there is a **free tracing service** available.

Tax Help for Older People

Tax Help for Older People is a charity which provides free independent help and advice for people in the UK who cannot afford to pay for professional tax advice. In order to access their service, you must be age 60 or more and have a total income of less than £20,000 a year. You can find out more about their services by visiting their **website**. You can also ring 01308 488 066 during office hours.

THE TAXATION OF PENSION SAVINGS

The tax-free lump sum limit

Most people can choose to receive part of their pension benefits as a tax-free lump sum once they start drawing their pension. The maximum amount most members can take across all of their pension savings is called the “Lump Sum Allowance” (LSA), and the LSA is set at **£268,275**.

There is also a further limit to the tax-free lump sum allowance an individual is entitled to, called the Lump Sum and Death Benefit Allowance (LSDBA). The LSDBA combines lump sums that count towards the LSA, plus eligible serious ill-health and death benefits. The LSDBA is set at **£1,073,100**.

Further information on these allowances can be found **here**.

Limits to pension savings

The annual allowance

The pension savings you can make tax free within a year are limited to the Annual Allowance (AA). The standard AA is **£60,000** per year, unless your “adjusted income” exceeds £260,000 a year, in which case the AA is reduced on a tapered basis to a minimum of £10,000 per year for those earning £360,000 or more. However, the taper doesn’t

apply to individuals with a “threshold income” of less than £200,000 a year. More information about these definitions of income, and how the tapered annual allowance works, can be found **here**.

The money purchase annual allowance

If you have a money purchase pension and access it using the “Pension Freedoms”, there is a limit of **£10,000** per year on the amount of contributions that you can subsequently make tax-free to a money purchase arrangement.

Lifetime allowance protections and enhancements

As the Lifetime Allowance (LTA) has now been replaced by the LSA, HMRC has removed the ability for pension scheme members to apply for Fixed Protection 2016 and Individual Protection 2016. These protections were introduced in 2016 when the LTA was reduced from £1.25m to £1m.

INVESTMENT AND FINANCIAL REPORT

The Trustee is responsible for the Fund’s investment strategy, acting on the advice of its investment advisor. In taking decisions regarding the Fund’s investment strategy, the Trustee considers the membership profile and the structure and duration of the Fund’s liabilities.

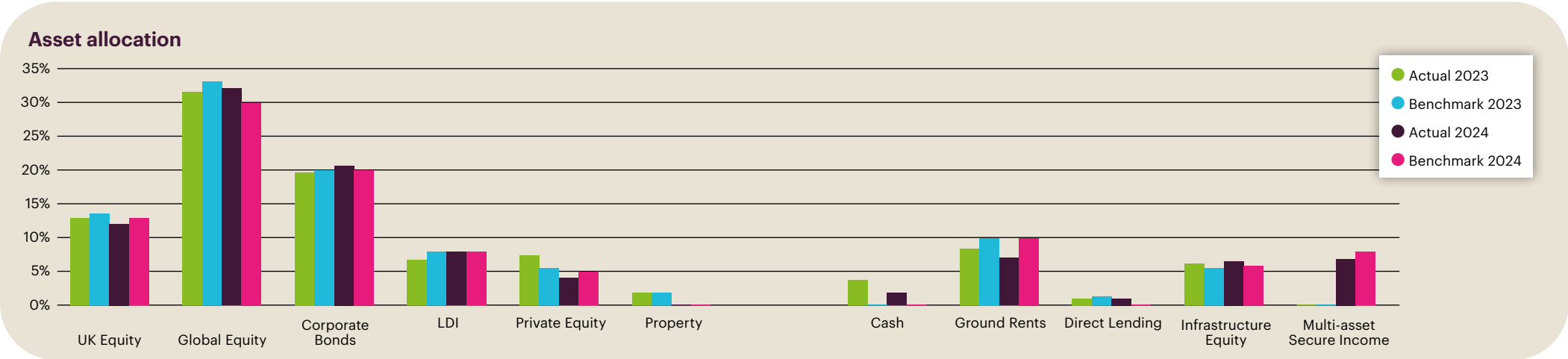
The Trustee has delegated the day-to-day management of the Fund’s asset portfolio, which includes full discretion for stock selection, to the external investment managers listed earlier on in the report.

As at 31 July 2024, the largest allocations of the Fund are its

equity investments, split between UK and global equity, with both managed by LGIM. The Fund’s other investments include an investment grade corporate bond fund, a multi-asset secure income fund, a liability driven investment (LDI) portfolio and a cash fund, all held with LGIM. The Fund also invests in a property fund, a private equity fund and cash investments held with Schroders. In addition, the Fund holds allocations to another private equity fund with Patria, a ground rents fund with Aberdeen, a direct lending fund with Alcentra, and an infrastructure equity fund with Macquarie.

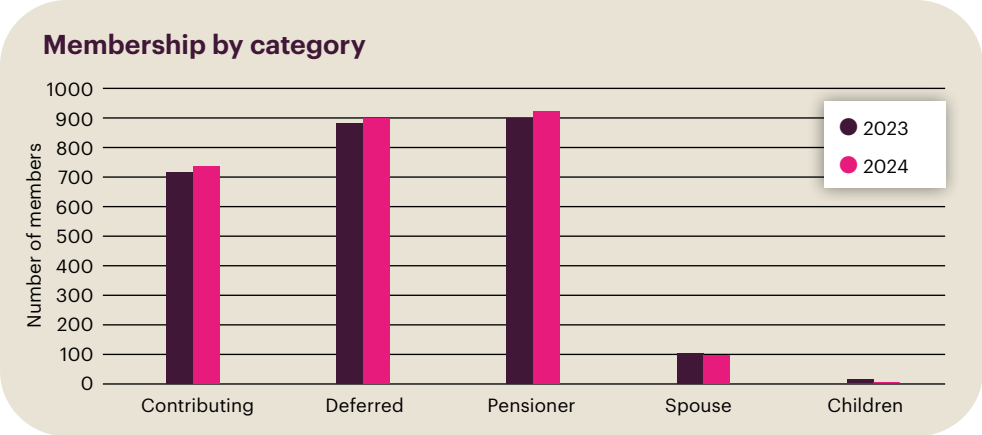
Asset allocation

The asset allocation of the fund for the current and prior period are compared against the long-term strategic benchmark in the chart below.



Membership

Membership movements are shown in the chart below. Recent years have shown a maturing of the Fund, however, this year’s chart shows that, whilst the number of deferred and pensioner members has continued to grow, there has also been a small increase in the number of contributing members.



Income and expenditure

Detailed below is an abridged version of the income and expenditure of the Fund to 31 July 2024. Full details are published in the Fund's Annual Report and Accounts, which is available to members upon request.

	2023	2024
Income (excluding investment income)		
Employer contributions	£3,860,734	£4,096,995
Employee contributions	£401,887	£450,685
Transfers in	£0	£0
Other income	£144,718	£176,592
Total income (excluding investment income)	£4,407,339	£4,724,272

Expenditure

Benefits paid or payable	(£6,465,593)	(£6,970,526)
Payments to and on account of leavers	(£97,030)	(£200,101)
Administrative expenses	(£486,772)	(£531,741)
Other payments	(£112,514)	(£121,055)
Total expenditure	(£7,161,909)	(£7,823,423)

Return on investments

Investment income	£529,825	£558,865
Change in market value of investments	(£1,429,957)	£20,965,962
Investment management	(£330,677)	(£346,856)
Net return on investments	(£1,230,809)	£21,177,971

Net assets of the scheme

At 1 August	£222,901,883	£218,916,504
At 31 July	£218,916,504	£236,995,324

THE UNIVERSITY OF YORK PENSION FUND SUMMARY FUNDING STATEMENT JULY 2024

Introduction

This statement gives you an update on the estimated financial position of The University of York Pension Fund (the "Fund").

The Fund is a Defined Benefit Scheme. This means that it gives you an income for life, calculated on your service and pay in the Fund.

The Trustee Directors use the assets of the Fund to pay pensions

to Fund members. The assets are held separately from the University. Assets can only be returned to the University if they are more than is needed to arrange for an insurance company to pay all benefits. No such payment to the University has been made since the date of the last statement, and the Trustee Directors would tell you if the Fund was ever able to make such a payment.

Funding position as at 31 July 2024

Assets	£236.5m
Money needed to pay benefits	£180.2m
Surplus	£56.3m
Funding level	131%

The latest actuarial valuation of the Fund as at 31 July 2023 showed a surplus of £45.3m and a funding level of 126%. As at 31 July 2024, the Fund was estimated to be 131% funded with a surplus

of £56.3m. The funding position has therefore improved since 31 July 2023. The main reason for the improvement in the funding position was higher than expected returns on the Fund's investments. In addition, the contributions paid into the Fund by the University (which have been higher than the contributions required to meet the cost of benefits accrued) and changes in financial markets over the period have also contributed to the improvement.

The Fund's finances

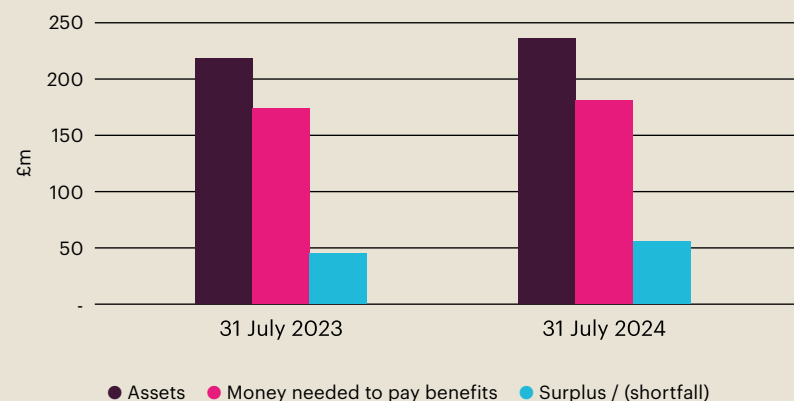
Working out the value of the benefits promised to members – how much money is needed to pay all the members' pensions – is not an exact science. It depends on several things, including inflation, investment returns and how long members live.

A valuation is carried out by the Scheme Actuary every three years. As part of the valuation, the Scheme Actuary estimates whether the assets are worth more than the amount needed to pay members' benefits. If that is not the case, then the Trustee Directors and University will agree what action needs to be taken.

The value of the Fund's assets and the money needed to pay benefits, measured at 31 July 2023 and 31 July 2024 are shown below. The next valuation will be as at 31 July 2026 and could take up to 15 months to complete.

The latest actuarial valuation, carried out as at 31 July 2023, showed a surplus of £45.3m and a funding level of 126%. Therefore, the assets of the Fund were more than the estimated amount needed to pay all benefits to members, based on the assumptions used.

Funding position

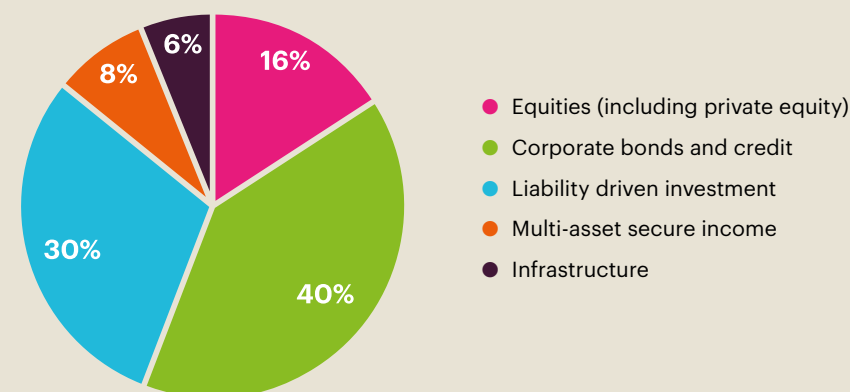


The previous Summary Funding Statement, issued towards the end of 2023, showed that the Fund was estimated to be 126% funded with a surplus of £46.1m as at 31 July 2022. The funding positions as at 31 July 2023 and 31 July 2022 were therefore very similar.

An approximate funding update was carried out as at 31 July 2024 which showed a surplus of £56.3m and a funding level of 131%. The funding position has therefore improved between 31 July 2023 and 31 July 2024. The main reason for the improvement in the funding position was higher than expected returns on the Fund's investments. In addition, the contributions paid into the Fund by the University (which have been higher than the contributions required to meet the cost of benefits accrued) and changes in financial markets over the period have also contributed to the improvement.

Assets

The Trustee Directors' long-term investment strategy for the Fund is to hold the following investment classes:



Within each investment category, the Trustee Directors aim to hold a mixture of assets. The Trustee Directors regularly review the Fund's investment strategy to ensure it is appropriate for the Fund.

Winding up the Fund – the buy-out position

If the University wants to pass on its responsibility for the Fund to an insurance company, the Fund will be wound up. This is known as “buying-out” the benefits. The University would have to pay a one-off contribution to the Fund to bring the assets up to the level at which an insurance company would be willing to take on the responsibility of the Fund. If this had happened at 31 July 2023, it is estimated that the University would not have been required to pay a contribution, as the Fund held sufficient assets.

Additional protection

If an employer becomes insolvent, the **Pension Protection Fund** can pay compensation to members in certain circumstances.

The Pensions Regulator looks after work-based pension schemes and has certain powers it can use if it has concerns about a scheme. It has not used any of these powers in relation to the Fund.



ALTERNATIVE FORMATS

If you require this document in an alternative format, please call us on 01904 32 4805. We are able to supply large print, braille and spoken word tapes and CDs of all our documents.



york.ac.uk/pensions
pensions@york.ac.uk