Annual Actuarial Report at 31 March 2021

The University of Oxford Staff Penison Scheme

Prepared for: OSPS Trustee Limited

Prepared by: Jay Harvey FIA

Date: 28 October 2021

QAS Institute and Faculty of Actuaries ®
Quality Assurance Scheme

AON

Introduction

Why bring you this report?

This is the Annual Actuarial Report required by legislation. Its purpose is to provide an approximate update of the assets and technical provisions of the Scheme on the anniversary of the last valuation.

This report is also intended to be used by the Jay Harvey as the basis of the Summary Funding Statement which needs to be provided to members.

Next steps

A copy of this report must be made available to the sponsor **within seven days** of receiving it and to members **within two months** of request.

J.M. Harvey.

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Funding position at 31 March 2021

Funding level

98.2%

31 Mar 2021

▲ **12%**
vs 31 Mar 2019

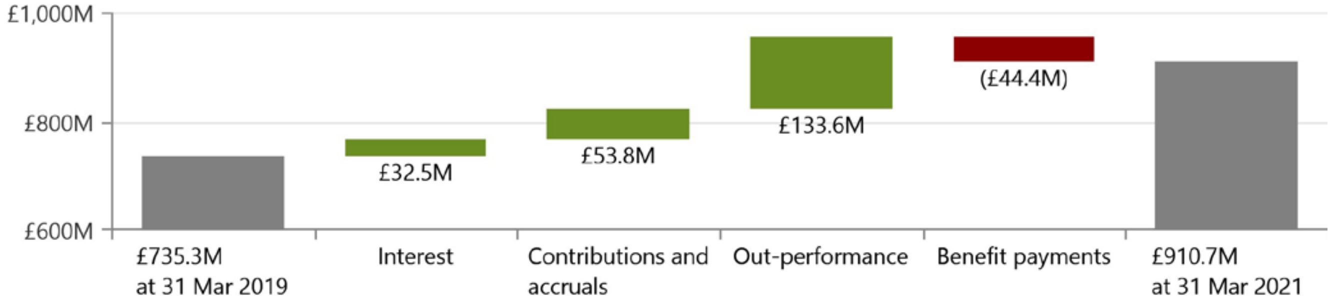
Deficit

£16.2M

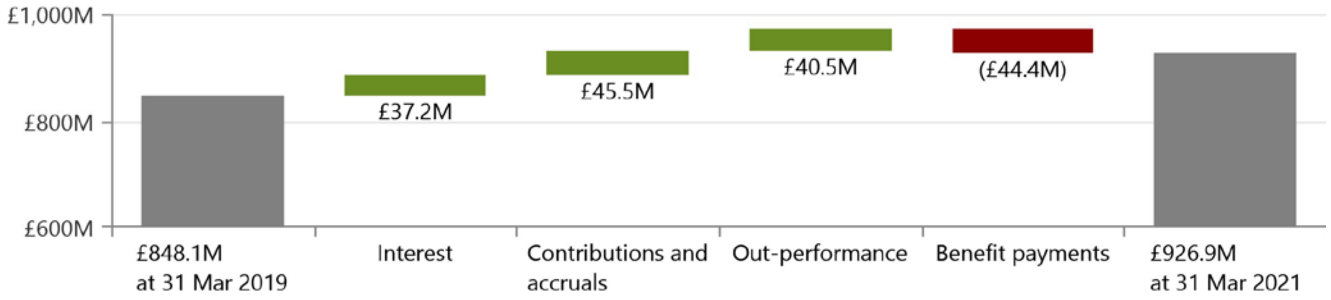
31 Mar 2021

▼ **£97M**
vs 31 Mar 2019

Change in asset value since 31 March 2019



Change in liability value since 31 March 2019



Basis	Technical Provisions
Effective date	31 March 2021

Comments

Since the valuation at 31 March 2019 the Scheme's technical provisions funding level has improved and the deficit has decreased by around £97M on a 'like-for-like basis'.

The improvement in the funding position has been driven by a combination of strong returns on the assets and contributions made by University into the Scheme.

Changes since the last Annual Actuarial Report

Basis	Technical Provisions
Effective date	31 March 2021

Change in funding level

17%

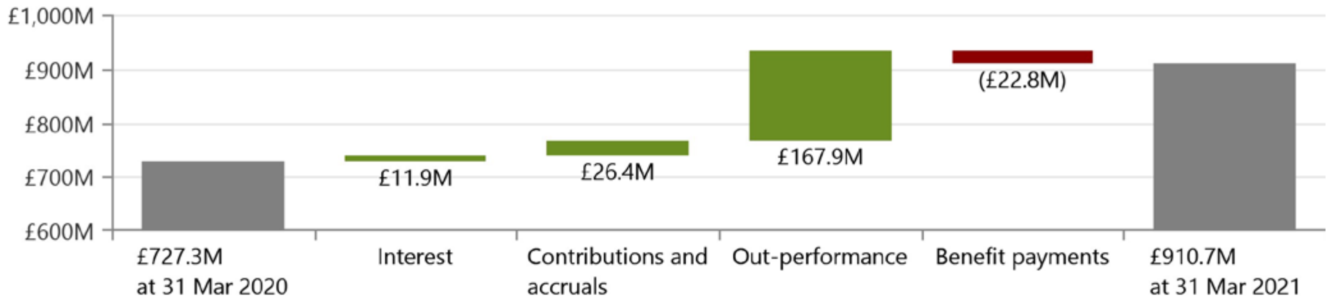
Change between
31 Mar 2020 and 31 Mar 2021

Change in Deficit

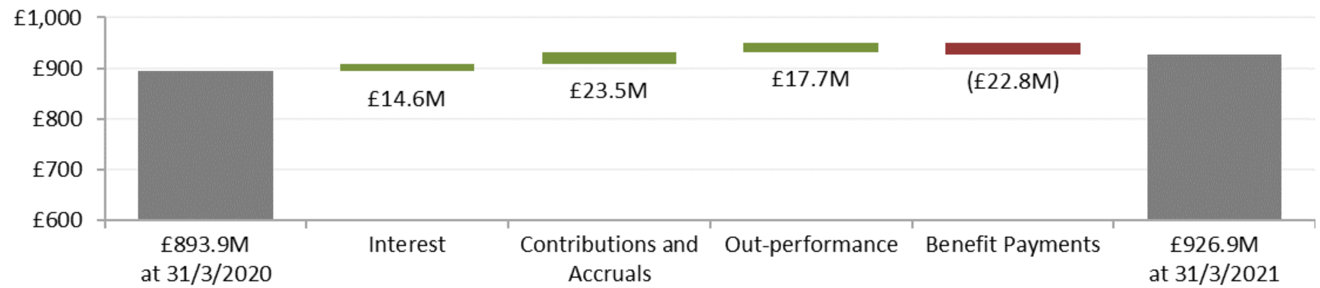
£150M

Change between
31 Mar 2020 and 31 Mar 2021

Change in asset value since 31 March 2020



Change in liability value since 31 March 2020



Comments

Since the previous Annual Actuarial Report at 31 March 2020 the Scheme's technical provisions funding level has improved and the deficit has decreased by around £150M on a 'like-for-like' basis.

The improvement in funding position has been driven by a combination of strong returns on the assets and contributions made by University into the Scheme.

Cost of benefit accrual

At 31 March 2021

29.5%

of Pensionable Salaries

At 31 March 2019

26.6%

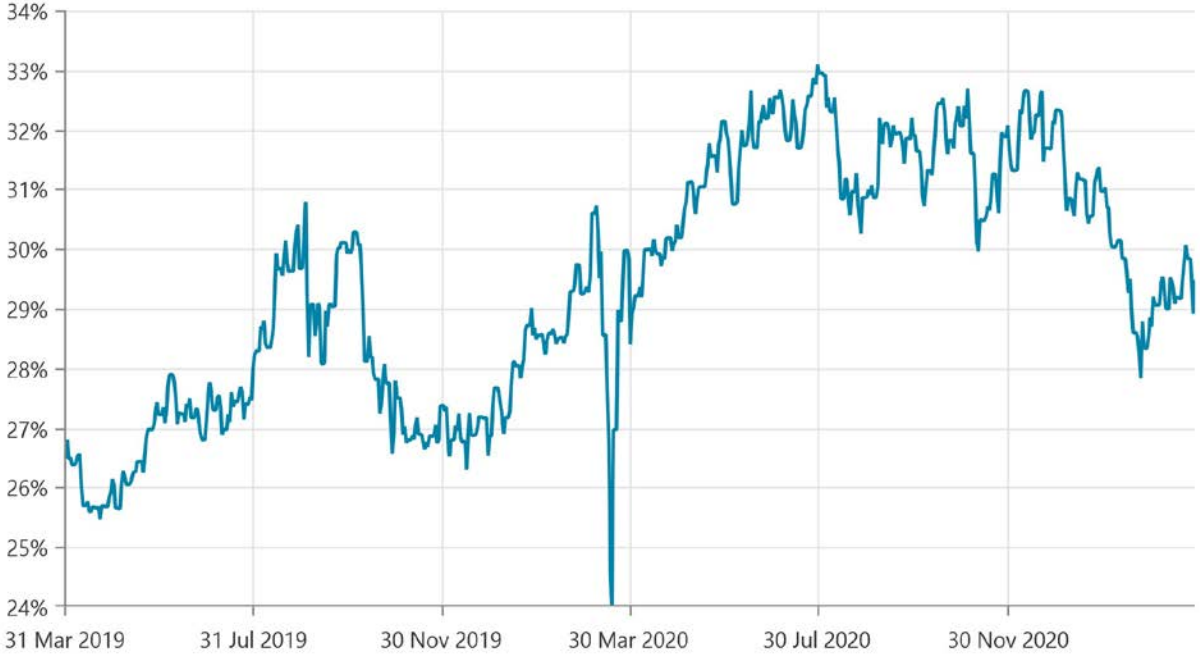
of Pensionable Salaries

Basis	Technical Provisions
Effective date	31 March 2021

Comments

The Scheme’s benefit accrual cost on the technical provisions basis has increased since the valuation at 31 March 2019 due to a fall in the net discount rate.

Change to cost of accrual since 31 March 2019



Method

Liabilities

This Annual Actuarial Report is consistent with the technical provisions calculations for the formal actuarial valuation at 31 March 2019. The assumptions used have been modified only insofar as is necessary to maintain consistency with the Statement of Funding Principles dated 19 June 2020, reflecting the change in the effective date and in relevant market conditions.

In line with the statement of funding principles, no allowance has been made for GMP equalisation.

The liabilities are projected from the results of the formal actuarial valuation at 31 March 2019 and are therefore approximate. Since the liabilities are not based on up-to-date membership data, they become more approximate the longer the period of time that has elapsed since the last actuarial valuation.

The liabilities take account of the following over the period since the last formal actuarial valuation:

- Cashflows into and out of the Scheme; and
- Actual price inflation and its impact on benefit increases.

Demographic experience since the last formal actuarial valuation has been assumed to be in line with the Statement of Funding Principles.

This update is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.

It does not reflect any changes to assumptions which would be made if a full actuarial valuation were to be carried out to reflect, for example, changes to the covenant of the sponsoring employer, investment strategy or economic outlook.

Assets

For the purpose of this report, I have used an un-audited value of the assets at 31 March 2021 taken from the Scheme’s draft trustee report and accounts.

The asset values exclude AVCs and DC investments, which are invested separately.

TAS compliance

This report has been prepared in accordance with the framework below.

This report has been requested by OSPS Trustee Limited. It has been prepared under the terms of the Scheme Actuary Agreement between the Trustee and me on the understanding that it is solely for the benefit of the addressee.

This document, and the work relating to it, complies with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' ('TAS 100') and 'Technical Actuarial Standard 300: Pensions' ('TAS 300')

The compliance is on the basis that OSPS Trustee Limited is the addressee and the only user and that the document is only to be used to form the basis of the Summary Funding Statement for members and to help the Trustee decide whether an out of cycle actuarial valuation needs further consideration.

This report should be read in conjunction with:

- The report on the most recent actuarial valuation of the Scheme dated 19 June 2020.
- The Statement of Funding Principles dated 19 June 2020.

If you require further copies of any of these documents, please let me know.

Glossary

General terms

Funding level / ratio

The ratio of the value of assets to the value of liabilities.

Surplus / Deficit

The value of assets less the value of liabilities. If the value of the liabilities is greater than the value of the assets, then the difference is called a deficit.

Technical provisions

The funding target for a scheme, agreed as part of the actuarial valuation.

Chart labels

Interest

The asset and liability values are assumed to increase at the discount rate used to value the liabilities.

Contributions & accrual

The expected increase in assets and liabilities due to contributions and new benefit accruals.

Outperformance

Actual returns achieved on assets over and above the assumed discount rate and the impact on liabilities of a change in market conditions.

Benefit payments

The expected decrease in assets and liabilities due to benefit payments (including transfers out) during the period.

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