

## University of Oxford Staff Pension Scheme ('OSPS' or 'the Scheme')

# Scheme facts and figures

**This document contains key figures illustrating the development of our Scheme over the year that ended on 31 March 2021.**

## Defined Benefit (DB) section – Summary Funding Statement

This statement gives you an update of the financial position of the Defined Benefit (DB) Section of the Scheme as at 31 March 2021.

### Background




The Trustee obtains regular actuarial valuations – or financial health checks – of the Scheme. These take place every three years, with the Scheme actuary providing approximate updates in the intervening years. The valuation involves comparing the market value of the assets held by the Scheme at the valuation date with the estimated amount it will need to pay the benefits built up to that date, worked out using assumptions about future unknown events (the 'technical provisions'). In practice, the Trustee, after taking the advice of the Scheme's actuary, comes to an agreement with the University on both the assumptions to use to work out the Scheme's technical provisions and the level of contributions to be paid to the Scheme in the future as a result.

By law, the Trustee must report the results of these valuations, and the approximate annual updates, in a 'summary funding statement'. The last statement set out the results of the actuarial valuation as at 31 March 2019 and the subsequent annual update as at 31 March 2020 and was in the annual report to members issued in Autumn 2020.

As part of the summary funding statement we must tell you whether any payments have been made from the Scheme's assets to the University or the other participating employers since the last summary funding statement. There have been no such payments other than the fees paid to the University's Pensions Office for their role as the Scheme's administrator. We must also tell you whether the Pensions Regulator has used its powers to change the Scheme's benefits or direct the outcome of the actuarial valuation or the contributions to be paid to the Scheme. We are pleased to confirm that, to date, the Regulator has never used any of these powers on OSPS.



## Results snapshot

	Valuation at 31 March 2019	Update at 31 March 2020	Update at 31 March 2021
<b>Value of OSPS's assets</b>	<b>£735.3 million</b>	<b>£727.3 million</b>	<b>£910.7 million</b>
<b>Funding target</b>	<b>£848.1 million</b>	<b>£893.9 million</b>	<b>£926.9 million</b>
<b>Shortfall</b>	<b>£112.8 million</b>	<b>£166.6 million</b>	<b>£16.2 million</b>
			
<b>Funding level</b>	<b>87%</b>	<b>81%</b>	<b>98%</b>

### 2021 annual update

The actuary's update at 31 March 2021 showed that, at that date, the Scheme's assets had grown to around 98% of the estimated value of the liabilities. In pound terms, this means that the shortfall is estimated to have decreased from £166.6 million to £16.2 million over the year to March 2020 – a reduction of around £150 million. This update used assumptions in line with those used for the 31 March 2019 valuation and 31 March 2020 update, but it does not take into account any changes that may be agreed if a full valuation was taking place.

The main reason that the funding position improved over the year to 31 March 2021 has been the significant increase in the value of the Scheme's assets, as markets bounced back strongly following the significant falls experienced at the start of the global COVID-19 pandemic.



## Recovery plan

The University and the other participating employers continue to pay contributions at the rate of 19% of members' pensionable salaries (across both DB and DC members) in line with the recovery plan agreed following the 31 March 2019 valuation. At the time, this was expected to be enough to make up the shortfall by 31 January 2028, as well as meeting the cost of the future accrual of benefits and the expenses of administering the Scheme, taking into account anticipated future investment returns.

Whilst the Scheme's funding position at 31 March 2021 is much better than expected, investment markets remains volatile and the recovery plan will be reviewed as part of the next full valuation at 31 March 2022.

## Winding up

As part of the Scheme's full valuation we are required to consider the position if the Scheme was to wind up (that is, close down completely) even though the University and the other participating employers have no intention to do this.

Had the Scheme been wound up on 31 March 2019, then the additional assets required to meet all members' benefits in full were estimated to be around £499 million – on this basis the Scheme was around 60% funded. This represented a significant improvement from 42% at the previous actuarial valuation.

This calculation assumes that all benefits would be secured with an insurance company, and insurance companies are obliged to take a very cautious view of the future as well as making a profit. For these reasons it is common practice for pension schemes such as OSPS to target a lower level of funding than the amount needed to secure all benefits with an insurance company.

## Future “health checks”

The Trustee's aim is to have enough money in the Scheme to pay pensions now and in the future. However, the success of the Scheme relies on the continuing support of the University and the other participating employers. The next formal actuarial valuation of the Scheme will be as at 31 March 2022, when the Trustee and the University will consider whether any changes to the contribution rate are needed.



# From the accounts

This section includes a summary of the Scheme accounts from our formal Annual Report for the year ending on 31 March 2021. Our auditors, Grant Thornton UK LLP, have approved the full accounts.

If you would like to see the full Annual Report & Financial Statements, please visit the 'Documents' section of the OSPS website at: <https://finance.admin.ox.ac.uk/osps-documents>

	DB section	Investment Builder section	Total
	£000s	£000s	£000s
<b>Income</b>			
Employers' contributions (including salary sacrifice)	24,620	5,829	30,449
Members' ordinary contributions	2,526	747	3,273
Members' additional voluntary contributions	148	93	241
Transfers in	-	238	238
Investment income	6,947	-	6,947
<b>Total income</b>	<b>34,241</b>	<b>6,907</b>	<b>41,148</b>
<b>Expenditure</b>			
Pensions	17,052	-	17,052
Cash sums paid when members retired or died	5,198	141	5,339
Payments for members leaving OSPS	558	272	830
Administration and investment management fees	3,630	357	3,987
<b>Total expenditure</b>	<b>26,438</b>	<b>770</b>	<b>27,208</b>
<b>Value of the Scheme's assets at 31 March 2020</b>	<b>729,665</b>	<b>7,722</b>	<b>737,387</b>
The difference between income and expenditure	7,801	6,137	13,938
The change in the market value of the Scheme's investments	175,736	1,988	177,724
<b>Value of the Scheme's assets at 31 March 2021</b>	<b>913,202</b>	<b>15,847</b>	<b>929,049</b>



## Member numbers

	CARE section	Investment Builder section	Total 2021	Total 2020
Active members – currently contributing and building up benefits	3,272	2,593	5,865	6,096
Deferred members – no longer contributing, but with benefits in the Section to take at retirement	6,651	1,396	8,047	7,551
Pensioners (including dependants of members who have died) – now receiving their benefits	4,313	-	4,313	4,203
<b>Total</b>	<b>14,236</b>	<b>3,989</b>	<b>18,225</b>	<b>17,850</b>

# Investment update

## DB (CARE) section

As part of our ongoing investment approach, we are continually aiming to keep risk to the section's assets to a minimum, while still giving them the opportunity to grow at a good rate. You may recall that one way of managing risk in this way is 'diversification' – by spreading the assets across a range of funds, locations and managers, it limits the impact on the whole section if one of them goes through a period of poor performance.

This year we have diversified further into 'illiquid' investments, reducing the equity allocation from 40% to 60%, to 30% to 50% of the assets, and introducing an allocation to illiquid credit. 'Illiquid' refers to investments that can take time to buy or sell, such as property and infrastructure. The pattern of returns for these investments tends to be somewhat different from that of the stock market, so they can reduce the variability of the Scheme's overall returns.

	Asset type	% range of overall assets
<b>Growth investments</b> – funds which are expected to deliver relatively high returns, but also carry a higher risk.	Equities (or company shares).	30% to 50%
	Property	5% to 15%
	Illiquid credit	5% to 15%
	Other illiquid investments (such as infrastructure)	0% to 10%
<b>Protection investments</b> – funds which are expected to be more stable than growth investments and change value broadly in line with the cost of providing pensions.	Credit (including corporate bonds)	15% to 25%
	Matching assets (currently gilts, which are bonds issued by the Government)	10% to 15%
	Cash	0% to 5%



The actual investment spread as at 31 March 2021 shows the assets moving towards these new ranges.

Type of investment	At 31 March 2021
<b>Growth investments</b>	
Global equities (shares in companies worldwide, including the UK and emerging markets)	54.6%
Commercial property (offices and retail)	7.0%
Illiquid credit	9.0%
Infrastructure (transport and information networks, utilities, renewable power)	4.2%
<b>Protection investments</b>	
Index-linked gilts (loans to the Government with returns linked to inflation)	10.9%
Corporate bonds (loans to companies, paying interest) and inflation opportunities (investments that generate income linked to inflation)	14.2%
Cash and other investments (including cash held by the fund managers and amounts to be re-invested)	0.1
<b>Total</b>	<b>100%</b>

The table below shows the current spread of investment managers and the investments they hold. We have not made any manager changes since our last issue.

Manager	Type of investment held
Acadian Asset Management	Global equities
Baillie Gifford	Global equities
BlackRock Advisors (UK) Limited	Corporate bonds
Columbia Threadneedle Portfolio Services Limited	Property
DIF Management BV	Infrastructure
Generation Investment Management LLP	Global equities
M&G Investment Management	Inflation opportunities
Macquarie Investment Management (UK) Limited	Infrastructure
Sands Capital Funds	Emerging market equities
State Street Global Advisors	Index-tracking equities and bonds

## Investment performance

We measure the performance of both the individual managers and the Fund overall against benchmarks. Benchmarks are measures of the performance of the underlying markets where the scheme's assets are invested. In 2019/20, following the impact of COVID-19, benchmark returns were negative. In the latest tax year, it is the opposite situation – with easing of restrictions during 2020, the economy went through a period of recovery, so the Scheme's returns (alongside the benchmark over the same period) were strongly positive. The table below shows the whole DB section's investment performance, compared to its benchmark, over one, three and five years ending on 31 March 2021.

At 31 March 2021	Scheme	Benchmark
Over one year	24.8%	20.1%
Yearly average over three years	9.5% a year	8.1% a year
Yearly average over five years	10.3% a year	8.8% a year

## Investment Builder section

Over the year to 31 March 2021, many of the Pathway funds achieved significantly high returns. As outlined above, this reflects the economy recovering throughout much of 2020 following the initial damage done by COVID-19.

Log into 'Manage your account' on the pension website, to see the latest returns on all the Pathway funds.