

Chair's statement

Welcome to the annual review of your pension fund, which we hope you will find helpful in understanding how your Scheme is being managed.

The past year has been a particularly challenging one for us all. The war in Ukraine has had and continues to have, profound impacts on us all both from a human perspective, as well as on global markets. Recent economic shocks, particularly the high inflation levels we are experiencing are also very concerning for everyone. Despite these issues, as you can see from the Summary Funding Statement incorporated in this report shows that the estimated funding position at 5 April 2022 has improved since the last formal actuarial valuation as at 5 April 2021, with the funding level increasing from 85% to 88% and the deficit decreasing from £25.2 million to £20.5 million. This is primarily due to a combination of strong returns on the Scheme's investments and the deficit contributions paid by the University.

The Trustee continues to actively monitor the investments and the funding position and the current investment strategy is designed to try to reduce the risk of the funding position getting worse. We value the support of the University who increased their support for the fund this year, despite the financial challenges it faces in a post-Covid world. The Trustee works closely with the University to fully understand its financial strength and is heartened by the support of a world-class, Russell Group University standing behind ERBS.

I hope that you find the information in this report interesting and informative and that you are reassured that your pension savings with ERBS are being looked after well.

Penny Green

Chair of the Trustee Board, October 2022

Trustee board

Appointed by the University:

BESTrustees represented by Penny Green (*Chair*)
Margaret Laithwaite
Ray O'Connell

Nominated by the Members:

Anna Ames
Angelia Elliott

Trustee reappointment

The four year term of appointment of Anna Ames as a Member Nominated Trustee Director (MNTD) came to an end on 28 February 2022. A MNTD nomination exercise was run in early 2022 to seek nominations for this vacancy and one nomination, for Anna, was received. As a result, Anna was duly appointed for a further four year term as a MNTD with effect from 1 March 2022.

For general queries about the Scheme or to obtain formal documents please contact:

Secretary to the Trustee Directors

Phil Farrell
Quantum Advisory, St Mary's Court,
The Broadway, Amersham, Bucks, HP7 0UT
Tel: 020 3008 7197
Email: exeterretirement@quantumadvisory.co.uk

If you have any questions about your benefits or wish to notify change of personal details, please contact:

The ERBS Administration Team Broadstone Consultants & Actuaries Limited

BBS House, 23-25 St George's Road,
Bristol BS1 5UU
Tel: 0117 9378700
Email: erbs@bbs-actuaries.co.uk

Pension scams

Pension scams are on the rise in the UK. The internet and advances in digital communications mean these kinds of scams are getting more common and becoming harder to identify. There are different types of pension scam, but they can all lead to you losing a lifetime's worth of savings in a moment.

There are some common tell-tale signs that you could be targeted by a pension scam:

- Unsolicited approaches by phone, text message, email or in person. Since January 2019, there has been a ban on cold calling about pensions. This means you should not be contacted by any company about your pension, unless you've asked them to contact you.
- When a firm doesn't allow you to call them back.
- Where you're forced to make a quick decision, are pressured into doing so, or are encouraged to transfer your pension quickly and send documents by courier or get a personal representative rushing you. Never be rushed into a decision.
- Where contact details you are given, or on the website, are only mobile phone numbers or a PO box address.
- When they claim they can help you or a relative unlock a pension before the age of 55, sometimes known as 'pension liberation' or 'pension loans'. Only in very rare cases, such as very poor health, is this possible.
- When they claim to know of tax loopholes or promise extra tax savings.
- Offer high rates of return on your investment, but claim it is low risk. Investments can go up as well as down, so if it sounds too good to be true it probably is.
- Offers or mentions of 'one-off investments', 'time-limited offers', 'upfront cash incentives', 'free pension reviews', 'legal loopholes' or 'government initiatives'.
- Claiming to be from legitimate organisations – legitimate organisations will never contact you without your permission first.
- There might be little or nothing in the way of contact names, addresses or phone numbers, but there might also be lots of people or firms involved. The more people involved, the more likely it is to not be legitimate.

A new legal requirement to further safeguard members against pension scams came into force at the end of November 2021, and consequently the Trustee will have to undertake a more detailed assessment of all requests for transfer payments from the Scheme. This means that the Trustee will need to obtain more information from you should you wish to transfer your benefits from the Scheme, and the transfer process could take longer to complete than you might expect.

Learn how to protect yourself from pension scams by visiting [fca.org.uk/scamsmart/how-avoid-pension-scams](https://www.fca.org.uk/scamsmart/how-avoid-pension-scams) If you think you have been scammed or are being targeted by a pension scam, you should contact Broadstone (contact details on the front page) and Action Fraud on 0300 123 2040.

MoneyHelper – a new pension information service

MoneyHelper is an easy way to get free, trusted help for your money and pension choices. The services previously provided by the Money Advice Service, the Pensions Advisory Service and Pension Wise all come under MoneyHelper, bringing everything together in one place.

Offering free, impartial help that's quick to find and easy to use, MoneyHelper is available online or over the phone, providing clear money and pensions guidance, as well as pointers to trusted services, if you need more support. It helps people to clear their debts, reduce spending and make the most of their income to build up savings and pensions and know their options. Go to moneyhelper.org.uk.

Cyber risk

Due to the conflict in Ukraine the National Cyber Security Centre (NCSC) has advised organisations that they face a heightened threat of a cyber security attack. To help mitigate this, the Pensions Administration Standards Association (PASA) and the NCSC recommend organisations complete the "Actions to take when the cyber threat is heightened" checklist.

The NCSC checklist comprises of the following eleven actions for organisations to review and consider:

- Check the system patching;
- Check internet footprint;
- Verify access controls;
- Phishing responses;
- Ensure defences are working;
- Third party access;
- Logging and Monitoring;
- NCSC services;
- Review backups;
- Brief the wider organisation;
- Incident plan.

The Scheme administrator, Broadstone, has confirmed that they have reviewed their cyber security controls in line with the guidance and comply with all of the above recommended actions. Broadstone is both ISO 27001 and Cyber Security Essentials accredited, and the firm takes a risk-based approach to managing information security. This approach is audited externally several times a year.

Broadstone continues to develop its Cyber Security defences to meet the ever-evolving threat landscape.

Summary Funding Statement

Every three years the Scheme Actuary (a financial expert who specialises in estimating how pension funds might develop) carries out a formal check on the Scheme's finances, called a 'valuation' and produces less formal 'updates' in the years between formal valuations.

The Trustee reports the results of these financial checks to you in a 'Summary Funding Statement'. This year we are reporting the results of the latest formal actuarial valuation as at 5 April 2021 and the annual funding update as at 5 April 2022.

Understanding Scheme funding

The ERBS is set up as a shared fund of money to which contributions are paid by the University (and – prior to closure – by you, the members). Your benefits are paid out of this fund. There is no separate account for you. The Trustee is responsible for agreeing a 'funding plan' with the University, with a view to making sure that there is enough money in the Scheme to pay for pensions now and in future. This amount is known as the 'funding target' (the official name for it in the Regulations is the 'technical provisions').

To work out the funding target, the Scheme Actuary looks at the benefits the Scheme is currently paying and estimates how the cost of the benefits might change in the future. The Scheme Actuary uses assumptions (which have been agreed by the Trustee in consultation with the University) in respect of various factors; for example, how long people will live after they retire and how much the cost of living will rise in future.

Then the Scheme Actuary looks at the Scheme's assets which are represented by the money the Scheme has built up to date from contribution income and investment returns and compares the value of those assets at the valuation date with the funding target. If the assets of the Scheme are worth more than 100% of the funding target, the Scheme has a surplus. If the assets are worth less than 100% of the funding target, the Scheme has a shortfall (or deficit).

How well funded is the Scheme?

The table below shows the results of the latest formal actuarial valuation as at 5 April 2021 and the annual funding update as at 5 April 2022:

	Formal Actuarial Valuation	Approximate Annual Update
	5 April 2021	5 April 2022
Funding target	£173.5 million	£169.1 million
Value of Scheme assets	£148.3 million	£148.6 million
Shortfall	£25.2 million	£20.5 million
Funding level	85%	88%

The Scheme's funding position improved over the year from the annual update at 5 April 2020 to the formal actuarial valuation at 5 April 2021, with the funding level estimated to have increased from 82% to 85% and the shortfall estimated to have decreased from £29.5 million to £25.2 million. This is primarily due to a combination of strong returns on the Scheme's equity assets and deficit contributions paid by the University.

Since the formal actuarial valuation at 5 April 2021, the Scheme's funding position has improved, with the funding level estimated to have increased from 85% to 88% over the year to 5 April 2022 and the shortfall estimated to have decreased from £25.2 million to £20.5 million. This again is primarily due to a combination of strong returns on the Scheme's equity assets and deficit contributions paid by the University.

Removing the shortfall

As part of the formal actuarial valuation as at 5 April 2021, the Trustee agreed a Recovery Plan with the University that was designed to bring the Scheme to a fully funded position.

The University agreed to pay contributions at the level of around £2.4 million a year, with additional contributions of around £1 million from 1 January 2025. These contributions are increased each year in line with inflation plus 0.5%. In addition, the University continues to meet the expenses of running the Scheme, and an allowance of around £480,000 a year (also increasing as described above) was agreed with the Trustee.

These contributions, together with anticipated investment returns on the Scheme's assets, were expected to remove the shortfall of £25.2 million at the valuation date by 31 December 2027. The Trustee will consider whether any changes to the current funding plan (including the underlying assumptions used) are required as part of the next formal actuarial valuation at 5 April 2024.

If the Scheme came to an end

The Scheme's funding level is worked out in two ways.

- On an 'ongoing' basis (as shown in this funding statement), which assumes that the Scheme will continue into the future.
- On a 'full solvency' basis, which shows the position if the Scheme had started to 'wind up' at the date of the valuation. If this happened, all members' benefits would have to be secured by buying insurance policies. This would be more expensive than paying the benefits gradually over time so the full solvency position is generally lower than the ongoing position, even for fully funded pension schemes.

At 5 April 2021, the Scheme's full solvency funding level was 68% with an estimated shortfall of £68.7 million.

Please note that we are legally required to report the full solvency position as part of this funding statement. However, the University has no current plans to end the Scheme.

We must also tell you if there have been any payments to the University out of Scheme funds in the last 12 months. There have not been any such payments to the University over that period.

The Pensions Regulator and other useful information

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run though it has not needed to use its powers in this way for our Scheme. You can find out more about the Regulator online at thepensionsregulator.gov.uk

By law, no-one involved in your Scheme can give you advice about your pension arrangements. If you are thinking of making any changes to your pension arrangements at any time, you should obtain as much information as you can and think about obtaining independent financial advice. You can find an adviser in your area by searching the Money Helper directory at moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser.

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised. You can do this online at register.fca.org.uk or by phoning the Financial Conduct Authority helpline on 0800 111 6768.

Annual Report and Accounts

It is the responsibility of the Trustee to keep accurate financial records for the Scheme and to produce an Annual Report and Accounts. The financial information below is an extract from the full statutory accounts for the Scheme year to 5 April 2022 which have been audited by PricewaterhouseCoopers.

The full Annual Report will be made available on the ERBS website exeter.ac.uk/pensions/erbsscheme

Financial summary

Fund at the start of the year **£'000**
148,298

Income for the year	
Contributions received	2,282
Other income	1
Total income	2,283

Expenditure for the year	
Benefits payable – Pensions	4,145
Benefits payable – Lump sums	561
Payments for leavers	262
Administrative expenses	464
Total expenditure	5,432

Net withdrawals from dealings with members (income less expenditure) (3,149)

Returns on investments	
Investment income	57
Change in market value of investments	3,214
Investment management fees	(136)
Net returns on investments	3,083

Net increase in the fund during the year (66)
Fund at the end of the year 148,233

Note that the accounts as summarised above cover the year to 5 April 2022 but investment performance is measured on a quarterly basis and therefore the review against performance targets on the back page covers the 12 months to 31 March 2022.

Membership

During the Scheme year to 5 April 2022, the number of members in the Scheme **decreased** by 40 from **3,236** to **3,196**. Membership at the end of the year was split as follows:



Advisers to the board

Scheme Actuary and Consultant

Jay Harvey (Aon)

Legal Advisers

Aon

Investment Adviser

Aon

Investment Managers

BlackRock Investment Management (UK) Ltd

Investment Custodians

Bank of New York Mellon (International) Ltd

Auditor

PricewaterhouseCoopers LLP

Scheme Administrator

Broadstone Consultants & Actuaries Limited

Covenant Advisers

Aon

Scheme Secretary

Phil Farrell (Quantum Advisory)

Investment matters

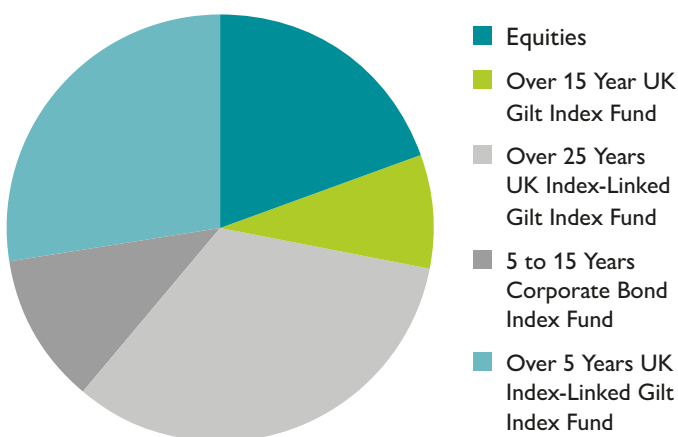
The Trustee is responsible for determining the Scheme's investment strategy (in consultation with the University). The Trustee Directors have agreed a Statement of Investment Principles ("SIP") that governs decisions about the Scheme's investments. The SIP is reviewed on a regular basis and the latest version approved in August 2022 is available on the ERBS website [exeter.ac.uk/pensions/erbsscheme](https://www.exeter.ac.uk/pensions/erbsscheme)

In deciding on the investment strategy, the Trustee Directors consider the level of investment returns they need to ensure benefits can be paid and the amount of risk they believe to be acceptable. The Trustee reviewed the Scheme's investment strategy during the year and decided that the Scheme's holding of corporate bonds should be disinvested and the proceeds used to purchase government bonds ("gilts") in a reconstructed bond portfolio designed to broadly match the Scheme's liabilities (the benefits payable). This change to the Scheme's investment strategy was completed in early May 2022, after the 5 April 2022 Scheme year end.

The Scheme's target asset allocation remains unchanged at 20% equities and 80% bonds.

At 5 April 2022, £31m was held in equities and £116m in the bond portfolio, broadly in line with the target.

Investment portfolio 5 April 2022



Investment performance

At the end of the financial year to 5 April 2022, the Scheme's investment asset portfolio stood at a total of £147m compared with £146m at the same date last year. A total of £2.44m was withdrawn during the year to supplement cash flow for funding future benefit payments.

The target investment return for the Scheme under the Recovery Plan agreed in December 2021 is 1.25% per annum above the return on a portfolio of fixed and index-linked gilts which broadly match the Scheme's liabilities.

The table below shows how the different parts of the Scheme's investment portfolio performed:

Return Period	Equities Per annum	Bonds/gilts Per annum
Over the last 12 months	+12.0%	+1.5%
Over the last 3 years	+12.6%	+2.5%

Increase to Normal Minimum Pension Age (NMPA)

NMPA is the earliest age at which members can access their benefits under a registered pension scheme without incurring an unauthorised payments tax charge, unless they are retiring due to ill-health. NMPA is currently 55.

As previously advised in the 2021 Newsletter, with effect on and from 6 April 2028, the NMPA will increase from age 55 to age 57. This mirrors the increase in state pension age to age 67 which will take effect on and from the same date.

Scheme benefits payable upon your death

The Trustees of the Scheme would like to remind you that the Scheme provides lump sum and pension benefits after your death. Benefits will be payable to your Spouse or Civil Partner (or may be payable to somebody else if it can be demonstrated that they were financially dependent on you). Benefits may also be payable to any eligible children.

It is important to let the Trustees and the Scheme administrator, Broadstone, know of any major changes to your circumstances, such as changing your address. You should also make sure that your Expression of Wish Form is up to date as this lets the Trustee know who you would like to receive any benefits that become available should you die. Whilst the Trustee is not legally bound to follow your wishes, they will always be taken into account.

An Expression of Wish Form can be requested from Broadstone (contact details on the front page).