Imprint

OSPS

February 2024

A newsletter from your Trustees

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

Welcome to this year's pension update.

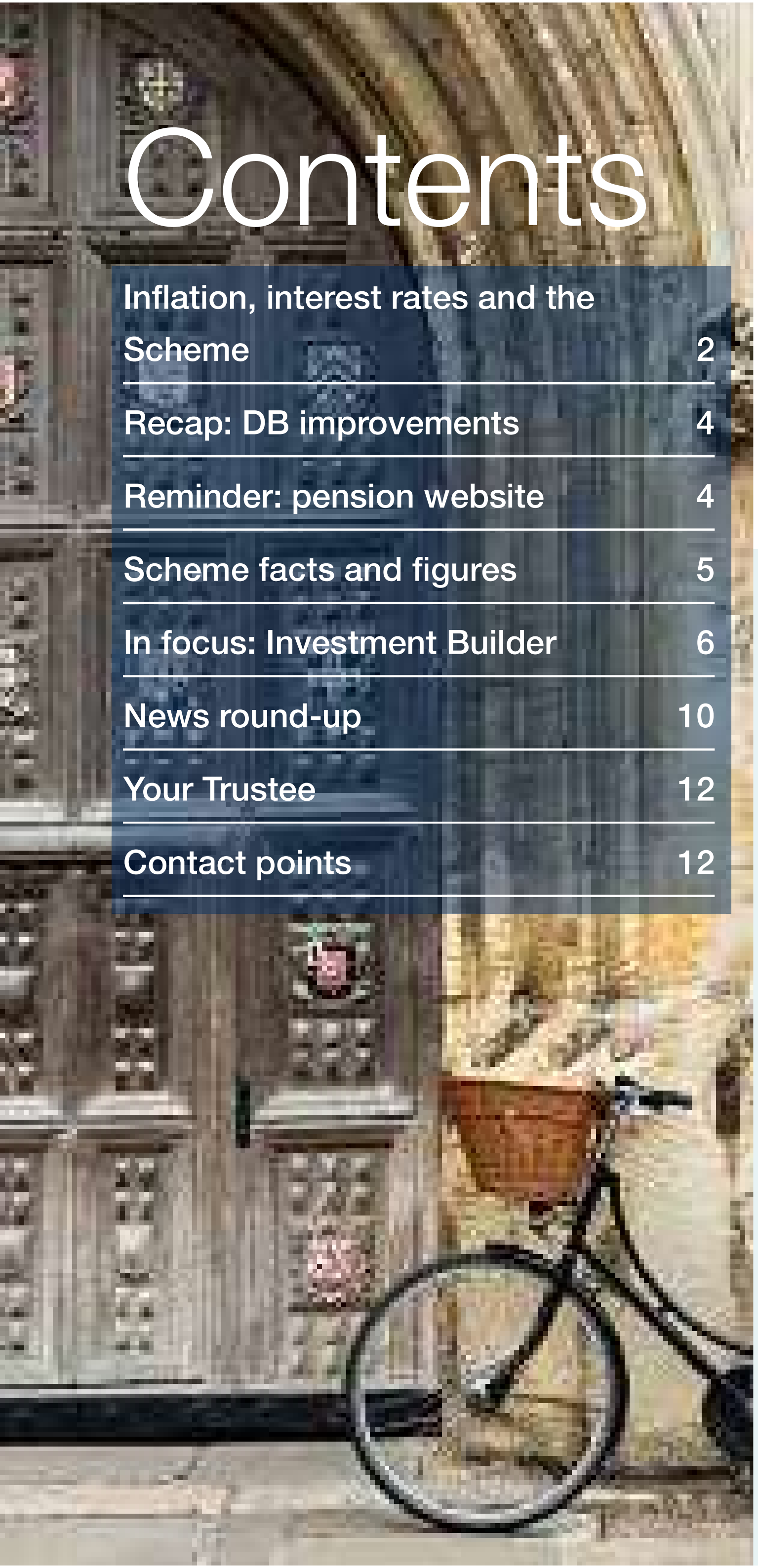
It has been a difficult year for many people's everyday finances, with high inflation and high interest rates putting pressure on household budgets. I hope you are managing your finances during this time. Meanwhile, the investment markets are volatile, creating uncertainty in the economy. That said, the Scheme's diverse, resilient investment strategy has helped to improve the Scheme's financial position.

If you are a member of the DB section, you will have received our summary funding statement last year. The headline from that is the Scheme had a significant funding surplus of £120.7 million at 31 March 2023, equal to a funding level of 116%. This means that the DB section is in a strong financial position, with assets worth more than enough to pay all members' benefits. You can access a digital copy of the report on the pension website (see page 4).

In this issue:

- We look in more detail at how high inflation and high interest rates affect the Scheme.
- We recap on the improvements we have made to the DB section's contribution rates and pension increases. (If you are affected, you will have received separate communications from your employer with full details.)
- We focus on the key features of Investment Builder, including improved employer contribution rates.
- We show the headline numbers from the Scheme's annual accounts.
- We include a round-up of wider pensions news, which may be relevant to you.

Continued overleaf



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Welcome continued

As always, if you would like more detail about the Scheme's development over the past year, we have prepared a 'Scheme facts and figures' supplement, which you can access on the pension website (see page 4).

I hope you find this year's newsletter interesting.

Nick Sykes
Chair of the Trustee

Inflation, interest rates and the Scheme

In the past year, UK inflation – or the increase in the 'cost of living' – rose to its highest level in decades, with the prices of food, energy, and fuel soaring. At the time of writing, inflation has fallen significantly from its peak, but it still has a long way to go to meet the Bank of England's target rate of 2%.

When inflation rises like this, typically, the Bank of England's policy response is to raise interest rates. This has the effect of increasing the costs of borrowing, particularly mortgage payments. The aim of this is to reduce overall public spending, thereby reducing demand and gradually reducing inflation.

Interest rates had been below 1% for over a decade, but are now over 5%, which is a significant change. This has had a major effect on the financial world, including pensions. **For the Scheme, the changes have improved its financial position.**

The main reason for this is that the increase in long-term interest rates means the Scheme needs to hold less money today in order to pay a given liability in the future. Therefore, in today's terms the total value of the Scheme's liabilities has fallen, and a funding surplus has arisen.

Higher interest rates also affect the Scheme in other ways:

- **Lower transfer values**

At any time before retirement, members of the DB section have the option to transfer out of the Scheme and into a suitable alternative arrangement (to access more flexible retirement options for example). Transfer values are based on a number of assumptions, including future inflation, future interest rates and average life expectancy. This means they can change regularly, sometimes significantly.

The current high level of interest means that transfer values have reduced compared to the levels they were at a year or so ago.

- **Higher annuity rates**

If you are an Investment Builder member, one of your options when you retire, is to buy a guaranteed income with your account. You would do this by buying an insurance policy (known as an ‘annuity’) from a provider of your choice.

Annuity rates are closely linked to interest rates – when they are high, annuity prices typically improve. In other words, the current high level of interest means that generally, annuities bought now will provide a higher income than they would have done a year or so ago.

Example

- In November 2020, £100,000 of pension savings would have provided an annuity income of £4,800 per year (based on a 65 year old, single-life pension with no increases in payment).
- In November 2023, the same amount of pension savings will provide an annuity income of £6,800 per year.

(Source: Legal & General)

Important

You should consider the impact of higher interest rates more broadly as part of your overall financial planning and consider taking impartial financial advice at retirement to help you make fully informed decisions. MoneyHelper can help you find a financial adviser (see page 11).

Picture your future

Ahead of retirement, it’s a good idea to know broadly what level of retirement income you’re likely to achieve – or if you need to make any changes to your retirement planning to achieve a better outcome.

The Retirement Living Standards framework provides a guide to how much you might need each year in retirement based on the standard of living you might be aiming for – broadly, a ‘minimum’, ‘moderate’ or ‘comfortable’ lifestyle.

The Pensions and Lifetime Savings Association (PLSA) has recently updated the Standards’ figures to reflect higher inflation and the current cost-of-living crisis.

You can find details on the types of lifestyles, along with an indication of what amount of income is now likely to be needed to meet them, on the PLSA website.

Go to **www.retirementlivingstandards.org.uk**

Recap: improvements to the DB section

We have already touched on the significant improvement in the Scheme's funding position and, as mentioned, you can get more detail on this from our recent summary funding statement, which is available on the pension website.

This change allowed us and the University to agree a package of contribution and benefit improvements. You will have received full details of these from your employer earlier in the year, but here is a reminder:

- Contribution rates will reduce with effect from 1 April 2024 – both for members who are still paying into the DB section and for the relevant employers.
- The cap on annual increases to pensions built up from 1 April 2018 will increase from 5% to 8%. (Annual increases apply to pensions in service, deferment and payment, and remain linked to the Consumer Prices Index.) This means that any pension you built up from 1 April 2018 may increase more quickly in the future.

We also agreed improvements to the Investment Builder employer contribution rates. You can read about these on page 6.

Reminder: pension website

If you need to find any further information about the Scheme, please check the OSPS website.

https://finance.admin.ox.ac.uk/osps

The site includes lots of useful information about both sections – the section and Investment Builder.

You can also link straight through to Legal & General's Investment Builder website, which is where you can Manage Your Account. Or the direct link is below.

www.legalandgeneral.com/osps

Scheme facts and figures

Here we show headline figures from the Scheme's Annual Report for the year ending 31 March 2023.

Remember: you can find a more detailed breakdown in the 'Scheme facts and figures' document in the 'Documents' section of the pension website.

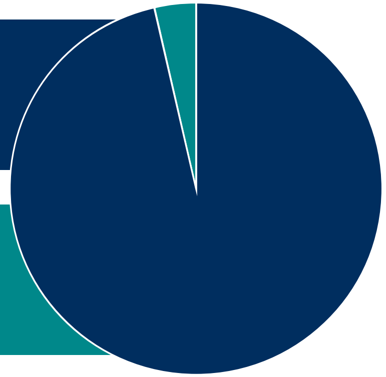
Between 1 April 2022 and 31 March 2023, the value of the Scheme reduced by

£59.4 million

This reduction is largely due to the rise in interest rates (as referenced on page 2) and is good news, increasing the Scheme's overall financial strength. You can also refer to our recent summary funding statement for more details, available on the pension website.

DB section
£895.1 million

Investment Builder section
£33.5 million



On 31 March 2023 the Scheme's total value was

£928.6 million

Between 1 April 2022 and 31 March 2023 the Scheme paid out

£26.1 million

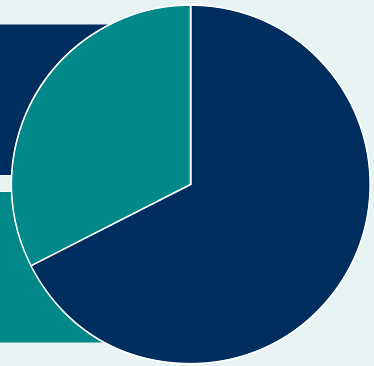
in pensions and benefits

At 31 March 2023 the Scheme had

20,663 members

DB section
13,973

Investment Builder section
6,690



In focus: Investment Builder

If you are in Investment Builder (that is, if you joined the Scheme on or after 1 October 2017), you have flexibility with your contributions and how your account is invested. We've summarised the key features for you here, along with some new improvements.

New: improved contribution rates

From 1 October 2023, the employer contribution rates increased by 4%. This means that your account is automatically growing more quickly (compared to the old rates), whatever tier you are on.

There are three tiers of contributions available. The tier you choose affects how much your employer pays in and, in turn, the total amount going towards your pension savings.

Which tier are you on? You will have been automatically enrolled at Tier 2 if you joined after 1 October 2020 (or Tier 1 if you joined before this date).

If the tier you are on does not suit your circumstances, you can move to a different tier within three months of joining. If you wish to do this, please contact your employer (the Pensions Office if you work for the University). You can also change tier every April and October. The Pensions Office will remind you about this nearer the time.

	Percentage of your pensionable salary		
	Member contribution rates	**Employer contribution rates from 1 October 2023 (an increase of 4%)**	**Total contribution**
Tier 1	4%	10%	14%
Tier 2	6%	12%	18%
Tier 3	8%	14%	22%

You can make regular additional contributions via payroll. Please contact the Pensions Office if you would like to do this.

Contributing more is likely to be the best way to improve your future retirement income from the Investment Builder section.

Tax relief

You receive tax relief on your contributions, so they cost you less than you might think. For every £100 you personally contribute, your take-home pay will reduce by £80 if you're a basic rate taxpayer.

Absence from work

If you're absent from work on reduced pay due to sick leave, you can choose to pause your contributions until you return to work, with the agreement of the Trustee. When you return to work, you may then have the option to pay your missing contributions.

This may also include receiving your employer contributions.

If you go on any form of parental leave, your employee contributions will continue based on the pay you receive and your employer will make up any difference.

Investing to build

The savings you build up in Investment Builder are invested for you in line with your instructions. There are two investment approaches available: Target Date Funds or Self-Select. We use a Target Date Fund as the Scheme's 'default' option – that is, if you don't make a clear investment choice yourself, you're placed in this one until you instruct us otherwise.

Target Date Funds

The Target Date Funds aim to match your investment strategy to your target retirement date. While you are early on in your career, they mostly place your savings in 'growth' investments aiming for higher returns. These investments often carry a relatively high level of risk and can rise and fall sharply in value. However, this risk is managed by spreading your savings across a range of investments, including equities (company shares), bonds and cash. This 'diversification' means that if one type of asset goes through a period of poor performance, it need not affect the rest of the overall savings.

As you approach the age you plan to retire, a Target Date Fund option will gradually move your savings automatically into investments that aim to protect the value of your fund.

The Target Date Funds can be a good option if you don't want to re-visit your investment decisions and make fund choices at intervals throughout your membership.

A Target Date Fund may not suit everyone, so you should make sure you understand all the options available to you.

Self-Select

Self-Select allows you to choose your own individual funds from the range available. This will give you more flexibility and control. However, you will need to keep a regular eye on your savings and investment returns and take active decisions about changing your fund choices as and when you see fit.

For more details about the two approaches and the funds available, read the Investment Guide on the pension website: **www.legalandgeneral.com/workplace/u/university-of-oxford/helpful-resources/document-library-page/**

We encourage you to review your investments regularly and make any changes you feel are necessary.

Continued overleaf

New: reduced member charges

We're pleased to confirm that we've negotiated a reduction in the charges members of Investment Builder pay from their funds. This will reduce the annual management charge from 0.3% to 0.27% with effect from 1 November 2023. This, combined with the increase in employer contributions, will improve retirement outcomes for members.

New: voting tool

If you're interested in how Legal & General votes as a shareholder of the companies it invests your pension savings in, Legal & General have partnered with Tumelo to give members more detailed information on the companies the Target Date Funds invest in. This also allows members to have a say on how they would vote on shareholder votes at these companies' AGMs.

Go to the investments page on Manage Your Account to find the link to the Tumelo site.

www.legalandgeneral.com/osps

Managing your account

You can check the value of your pension savings and review your fund(s) at any time by going to the website and logging in to Manage Your Account. The Legal & General OSPS website address is **www.legalandgeneral.com/osps**

New: changes to annual benefit statements

The rules about how your pension savings are projected in annual benefit statements have changed, to make it easier for you to compare one pension with another. This means the projected benefits shown in your Investment Builder annual benefit statement from Legal & General in April 2024 will look quite different to previous years. Legal & General will provide further details with your annual benefit statement.

When to access your savings

You can access your savings at any time from age 55, though this national minimum retirement age will rise to 57 from April 2028 (see page 10).

The Scheme's normal retirement age is the later of age 65 and your State Pension Age (which you can check online at **www.gov.uk/state-pension-age**). However, you can change your chosen retirement age at any time via Manage Your Account (see left).

You should think carefully about when you retire. The earlier you retire, the longer your savings will need to last. The later you retire, the more time your savings will have to grow. You'll receive a detailed retirement pack four months before your chosen (or the Scheme's normal) retirement age.

Retirement options

As you approach retirement, you'll have a range of options to consider for how you access your savings. In summary:

- **Take it all as cash.** You can take the whole of your account as immediate cash. 25% would be tax-free. You would pay tax on the rest, which could push you into a higher tax bracket for the year.
- **Drawing income from your pension savings.** You could transfer out of the Scheme and into an arrangement that provides 'income drawdown'. This enables you to take an income of your

choice as and when you wish while continuing to invest the balance of your account. You should get independent financial advice (see page 11) if you want to explore this option.

- **Buy a pension.** You can buy an insurance policy (known as an 'annuity') that will provide you with a pension for life. There are lots of different types and you can 'shop around' for the best deal. With this option you can also choose to take up to 25% of your account as a tax-free cash sum (which would reduce the pension you receive).
- **Tax-free cash.** If you're a member of the DB section who has AVCs in Investment Builder, you can take some (or possibly all) of your Investment Builder account as a tax-free cash sum, depending on the total value of your Scheme benefits.

Remember

- Under OSPS rules, you must leave your job before you can start to receive all your benefits – reaching minimum retirement age on its own is not sufficient.
- When considering when to retire and how to access your savings, don't forget to factor in any other pension savings you have (in the Scheme and/or with other employers) and your State Pension entitlement.

For further details on all features of Investment Builder, please refer to the OSPS Member Guide in the Document library of the pension website: **www.legalandgeneral.com/workplace/u/university-of-oxford/helpful-resources/document-library-page/**

News round-up

Minimum retirement age

Applies only to members who joined on or after 6 April 2006. Members who joined the Scheme before that date have – and will keep – the right to draw their Scheme benefits from age 50.

Currently, the earliest you can retire and start drawing your pension is age 55 (unless you are forced to stop work earlier because of ill health.) However, the Government has confirmed that it will raise this minimum age to 57 from April 2028, when the State Pension Age is due to increase to 67.

After that, the Government is likely to keep the minimum retirement age at 10 years below the State Pension Age, so there could be a further increase in the future if the State Pension Age rises to 68.

If you are due to turn 55 during 2028, this may affect your retirement plans.

Protect yourself from pension scams

Recent events – from the coronavirus pandemic to the cost-of-living crisis – have influenced how people handle their finances. Many people are having to pay closer attention to their saving and budgeting, while more and more transactions are taking place online.

Sadly, these developments create more opportunities for scammers, whether trying to take advantage of the vulnerable, or attempting to get hold of savers' personal and financial information.

Beware of any approach – by email, post or phone – that asks you to supply details you would normally keep secure or tries to steer you towards a quick financial decision.

Be equally careful whether it seems to come from a source you know, or it arrives 'out of the blue'. For example, your bank will never ask you to send them confidential information over email – although a scammer might send you a message that looks genuine at first glance.

You can find lots of useful information online to help you spot and avoid pension scams:

- Visit the MoneyHelper website at **www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam**
- Visit the ScamSmart area of the Financial Conduct Authority's website: **www.fca.org.uk/scamsmart**

Pensions Dashboards delayed

In last year's issue, we reported on the Government's Pensions Dashboard Programme – an industry-wide project to develop an online 'dashboard' portal which anyone could use to keep track of all their pension savings on one secure site.

Due to the size and complexity of the task – which will involve all UK pension schemes linking to the system – the Government has extended the project's timetable.

Previously, the intention was to onboard groups of schemes in stages, with the largest first. There is now a single deadline for all schemes to connect: 31 October 2026 (a year later than planned).

Individual schemes will still be given guideline connection dates to aim for in the meantime.

For more information about the pension dashboard, visit **www.pensionsdashboardsprogramme.org.uk**.

Changes to the pension tax allowances

The Spring Budget included sweeping changes to the pension tax allowances which are aimed at high earners.

The annual allowance increased from £40,000 to £60,000 with effect from 6 April 2023. This is the maximum amount your pension savings can increase in a year (through contributions and investment growth) without incurring a tax charge. However, you can 'carry forward' any unused annual allowance from the previous three tax years.

The 'money purchase annual allowance' increased from £4,000 to £10,000 from 6 April 2023. This works in a similar way to the annual allowance, but only applies if you access defined contribution (DC, or 'money purchase') savings and continue to build up DC pension benefits.

The lifetime allowance – the total amount of pension savings you can build up during your life without incurring a tax penalty – is being removed in two stages:

- From April 2023, the lifetime allowance tax charge on any benefits above the allowance stopped. Instead, you would pay tax on your normal highest rate on the 'extra' benefits.
- From April 2024, the lifetime allowance is due to be abolished – although further details are likely to emerge about what measures may still apply to pension benefits (if any) or what might replace the current allowance.

It's your responsibility to monitor your position against the pension tax allowances. For more information about the allowances, go to **www.gov.uk/tax-on-your-private-pension**.

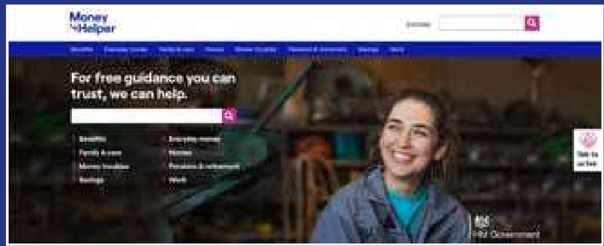
MoneyHelper

If you need help or guidance with any money matters, visit the MoneyHelper website.

The site features a 'Pensions & retirement' section as well as a directory of regulated impartial financial advisers.

If you are age 50 or over, you can also book a free guidance session on your retirement options.

www.moneyhelper.org.uk



Your Trustee

The Trustee board is usually made up of 11 Directors. Currently, there is one 'open' vacancy on the board while the term of Lucille Savin has been extended until a replacement for her is appointed.

Your current Trustee Directors

University-appointed	
Mr Nick Sykes	Independent Chairman
Mr Charles Alexander	Merton College
Mr Nick Badman	Exeter College
Professor Gordon Clark	Smith School of Enterprise and the Environment
Mr Jamie Clark	Hertford College
Mr Dan Snape	Saïd Business School

Member-nominated	
Mrs Margaret Hauser	Pensioner
Ms Kate Kele	Estates Services
Ms Lucille Savin	Merton College
Mr Kevin Valentine	Department of Chemistry
Vacancy	

Contact points

Pensions Office

If you have a query about the Scheme or your benefits and you can't find the answer on the pension website, you can contact the Pensions Office directly:

Email: **OSPS@admin.ox.ac.uk**

Telephone: **01865 616020**

Post: **Pensions Office**
University of Oxford
23-38 Hythe Bridge Street
Oxford
OX1 2ET

Legal & General

If you're an Investment Builder member and you have a query:

Email: **employerdedicatedteam@landg.com**

Telephone: **0345 070 8686 (Monday to Friday 8.30am to 7.00pm, Saturday 9.00am to midday)**

Post: **Legal & General**
Workplace DC Pensions
10 Fitzalan Place
Cardiff
CF24 0TL

SB8069