University of Leicester Pension and Assurance Scheme

Recovery Plan

Introduction

This Recovery Plan has been prepared by the Trustees of the University of Leicester Pension and Assurance Scheme ("the Trustees") to satisfy the requirements of Section 226 of the Pensions Act 2004, after obtaining the advice of J M Harvey, the Scheme Actuary and after consultation with the University of Leicester ("the University").

It follows the actuarial valuation of the Scheme as at 31 July 2016, which revealed a funding shortfall (Technical Provisions minus value of assets) of £54.9M.

Steps to be taken to ensure that the statutory funding objective is met

To eliminate the funding shortfall, the Trustees and the University have agreed that additional contributions (i.e. contributions over and above those needed to cover expenses) will be paid to the scheme by the University as follows:

- £3,100,000 per annum for the period from 1 August 2017 to 31 July 2018, half of which is payable by 31 August 2017 and the other half of which is payable by 28 February 2018;
- £3,350,000 per annum for the period from 1 August 2018 to 31 July 2019, half of which is payable by 31 August 2018 and the other half of which is payable by 28 February 2019; and
- £3,600,000 per annum for the period from 1 August 2019 to 31 July 2029, half of which is payable by 31 August each year and the other half of which is payable by 28 February each year, subject to annual increases of the greater of 3% and the RPI, with the first such increase applying on 1 August 2020 based on the increase in the RPI to the end of May 2020
- £400,000 for the period from 1 August 2029 to 31 August 2029, payable by 31 August 2029.
- The University has informed the Trustees that it is considering the viability of a Flexible Retirement Option (FRO) exercise for the Scheme and will make a formal proposal to the Trustees in this regard in due course.

If the Trustees and University agree, the anticipated University and Trustee expenses of implementing an FRO exercise may be deducted from the contributions to satisfy the recovery plan dated 22 February 2017 set out above.

Any deduction to contributions will be determined by the Trustees having taken advice from the Scheme Actuary such that the Technical Provisions deficit is still expected to be eliminated by the end of the recovery period.

Period in which the statutory funding objective should be met

Under this Recovery Plan, if the assumptions made are borne out in practice the funding shortfall will be eliminated by 31 August 2029, which is a period of 13 years and 1 month from the effective date of the valuation. The assumptions are:

- Technical Provisions will continue to be calculated according to the method and assumptions set out in the Statement of Funding Principles dated 22 February 2017 with financial conditions unchanged from those at 31 July 2016;
- Future scheme experience will be in line with the assumptions underlying the Technical Provisions, except that on both existing assets and future contributions the future investment return during the period will be equal to gilt yields plus 2.8% per annum for the first 5 years after 31 July 2016, tapering down to gilts yields plus 1.2% per annum during the subsequent 10 year period.

This Recovery Plan was agreed by the Trustees.
Signed on behalf of the Scheme's Trustees

Signature: Jane Yardley
Capacity: TRUSTEE
Name: Jane Yardley
Date: 22 February 2017

Signed on behalf of the University of Leicester

Signature: M. Piddleston
Capacity: DIRECTOR OF FINANCE
Name: M. Piddleston
Date: 22 February 2017