OXFORD
UNIVERSITY PRESS

OUP Pensions Review

NEWS AND INFORMATION FOR AND ABOUT OXFORD UNIVERSITY PRESS PENSION SCHEME MEMBERS

SUMMER 2009

In this issue...

Financial and membership changes through the year

	£'000	£'000
Value of Fund at 31 March 2008		**229,779**
Contributions and benefits		
Members' contributions	3,658	
Press contributions	11,437	
Other income	89	
Less		
Benefits payable	7,447	
Fees and other payments	749	
Net additions from dealings with members	**6,988**	
Gains on investments		
Investment income	1,339	
Change in market values	(27,959)	
Investment management expenses	(400)	
Total decrease on investments	**(27,020)**	
Net decrease during the year		**(20,032)**
Value of Fund at 31 March 2009		**209,747**

Contributing members			
Contributing members at 31 March 2008			1,528
Plus:	New and returned members		168
			1,696
Less:	Withdrawals on leaving service	165	
	Retirements on pension	14	
	Awaiting decision, defer pension, and deaths	14	
		193	
Total at 31 March 2009			**1,503**
Pensioners			
Pensioners of the Group Scheme			707
Plus:	Surviving beneficiaries		178
Total at 31 March 2009			**885**
Deferred pensions for early leavers at 31 March 2009			**1,740**

Chairman's Report

The twelve months since my last report have seen some of the worst economic conditions since final salary pension schemes became widespread. The collapse of a number of financial institutions, the drying up of credit, and their repercussions on the global economy and on asset values of all kinds have created exceptionally severe conditions in which to maintain pension schemes open. Fortunately, the strategic changes that the Trustees made to their investment strategy during 2008 placed the Scheme in a much stronger position than it would otherwise have been to withstand these pressures. As a result, the Trustees felt able to post a message of re-assurance to members on the website in October 2008; and I am pleased to be able to re-iterate that message now. By the end of the financial year, 31 March 2009, despite the adverse financial environment, the total value of the portfolio had fallen by less than 10% to £208.2m; and the recovery in asset values which we have seen since then means that even that loss of value has, at the time of writing, been eliminated.

The impact on the Fund's deficit, however, is currently uncertain. The formal valuation of the scheme, required for regulatory purposes to be based on 31 March 2009 data, will not be complete for some time. During the course of the year to March 2009, the deficit widened, partly because of the decline in asset values during that period, but mainly because of a significant increase in the estimated value of the scheme's future liabilities. This had very little to do with forward estimates of the sums that the scheme will actually need to pay out in pensions. Rather it reflected the very substantial drop in interest rates that has occurred, as Governments around the world have sought to stop and then reverse the decline in output and incomes. The Trustees have, however, taken steps (liability hedging) to limit this effect; and also have adopted an investment strategy which is designed to earn investment returns substantially above the level of interest rates. These together should keep the current deficit well within manageable bounds. In the light of this it is, I believe, appropriate to offer re-assurance to members that the Scheme is well placed to meet all its liabilities to make pension payments in the future as they fall due.

Two further factors underlying this are, first, the additional contributions which the Press is continuing to pay into the scheme, as part of the recovery plan instituted in 2006. This will be reviewed in the light of the 2009 outcome. Second, there is the strength of the employer's covenant which stands behind the scheme. While this ultimately rests with the University of Oxford, and is therefore rated as one of the strongest in the country, the Press is responsible for ensuring that all pensions can be, and are, paid. The Trustees have therefore also looked at the trading position of the Press; and are confident that it continues to provide a very strong covenant for the scheme.

In January, Jean Crawford let us know that she wished to take early retirement at the end of July once all the year end procedures were completed. Jean has been an outstanding Pensions Manager over a very long period during which the nature of the post and the demands on it changed almost out of recognition. More recently she has been pivotal in the review of all our advisers, in responding to substantial new regulatory legislation, implementing a major revision of our investment policy and, of course, dealing with the pressures brought on by the economic recession. In all this she has remained a calm, professional voice; and the Trustees are all very grateful to her for all her expertise and commitment over the years.

In her last six months, Jean worked on a detailed handover plan, which included ensuring that the Scheme's legal documentation was in order. A new consolidated Trust Deed & Rules was executed just before Jean finished, which incorporates new Rules covering the salary sacrifice arrangement for members' pension contributions which the Press introduced on 1 September 2009.

I am very pleased to welcome Jean's successor, Linda Hughes, who joins the Press from Blackwell where she was Pensions Manager.

Brian Chambers began a new five-year term as a Corby member-nominated trustee after being re-nominated last October. The Trustees' role has become very demanding with progressively more complex issues to consider in testing times, and I would like to take this opportunity to thank all the Trustees for their continued commitment. I would also like to thank Dave Gillard for the time that he has been able to give to Trustee business. The backing that the Press provides for the Scheme on a day-to-day basis; and the excellent relationship between the Press and the Scheme that exists, have been important factors in such turbulent times; and Dave has made a major contribution to this.

Sir Derek Morris
Chairman of the Trustees

Investment Policy

The Trustees' investment policy is guided by an overall objective of maximizing the return of the investments subject to avoiding significant volatility in the contribution rate. The Trustees set their own specific benchmarks and asset allocation policies, to achieve this.

The Trustees' asset allocation at the beginning of the year was as follows:

- 41% of the portfolio was held in equities shared equally between the UK and overseas
- 31% of the portfolio was held in corporate bonds
- 21% of the portfolio was held in index-linked gilts
- 3.5% of the portfolio was held in property
- 3.5% of the portfolio was held in cash

The historically low holding of equities reflected a decision by the Trustees the previous year to switch 20% of the Fund from equity to index linked gilts, to reduce the impact of any fall in stock market prices. It should be recognized that the actual allocations will fluctuate as a reflection of cash flows and market movements.

The assets of the Scheme are regarded as readily marketable. The fee structure is based on the quarterly value of the portfolio. There is no investment in Oxford University Press, and the assets of the Scheme are invested in accordance with the restrictions prescribed by regulations made under section 40 Pensions Act 1995.

The purpose of the Scheme is to make provision for the payment of benefits to members as they fall due. The Trustees' present policy is to insure the Scheme's liability to pay death-in-service benefits, and thus remove the risk of a heavy call on the Fund should a substantial number of deaths occur over a short period.

Investment Performance

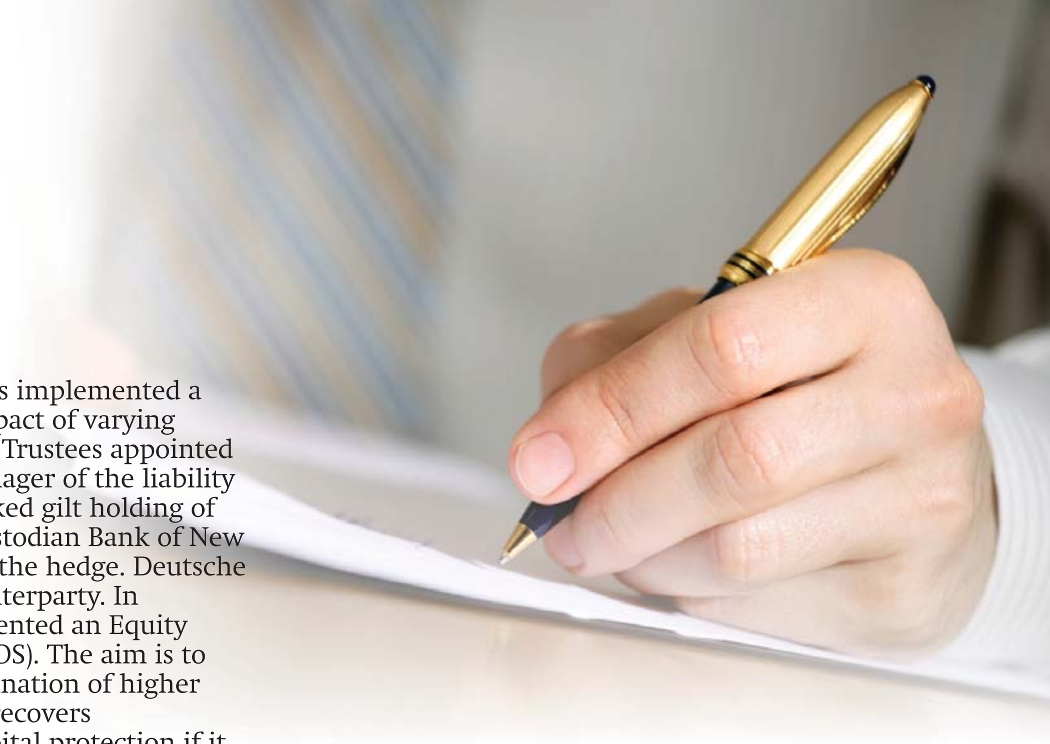
The Trustees monitor the Scheme's investments and regular meetings are held with the investment advisers to review performance and to formulate future investment strategy.

Historic performance figures for each of the funds over the years to 31 March 2008 against the benchmarks and targets for each fund are summarised in the table below.

Year ended 31 March	Fund's return	Benchmark return	Inflation RPI measure
2005	10.4%	10.7%	3.2%
2006	21.5%	23.2%	2.4%
2007	4.6%	4.8%	4.8%
2008	-4.0%	-5.5%	3.8%

In the year to 31 March 2009 significant changes had been made to the investment portfolio, with a number of new funds being introduced during the course of the year. It is therefore not yet possible to make a meaningful comparison of performance with benchmarks for the period.

Investment Strategy Review



The Trustees have a very strong covenant with the Press as employer, behind which stands the University of Oxford and their investment strategy review took this into account. The Trustees have also noted that the Press's primary concern is for the ongoing contribution rate to run the Scheme to be affordable, and that the Press has the ability to see beyond the short term. The Trustees agreed that their decisions on investment strategy should focus on the length of the recovery plan to clear the deficit (see page 8).

Following the strategy review the Trustees' first action last June was to sell £19m of BGI equities to fund a first payment into the Barings dynamic asset allocation portfolio. This was followed by a decision to dispose of the BGI corporate bond holding of £70m for cash. The majority of the bonds were sold, enabling £37.1m to be paid as the second investment into the Barings fund, and £33m paid to Western Asset Management for a broad bonds portfolio. By using a specialist transition manager the costs were reduced.

During August 2008 the Trustees implemented a liability hedge to reduce the impact of varying interest and inflation rates. The Trustees appointed P-Sigma Investments Ltd as manager of the liability hedge. The entire BGI index-linked gilt holding of £50m was transferred to the custodian Bank of New York to be held as collateral for the hedge. Deutsche Bank was appointed as the counterparty. In November the Trustees implemented an Equity Derivative Overlay Strategy (EDOS). The aim is to provide a more attractive combination of higher returns if the UK stock market recovers significantly and substantial capital protection if it falls significantly further.

Stock market volatility since September 2008 has caused widespread concern; however the strategic changes to the investment policy during 2008 have placed the Scheme in a much stronger position than it would otherwise be in. In addition, the implementation of liability hedging means that the Scheme is in a more secure position to meet the liabilities as they fall due.

Investment Principles

The Trustees produce a Statement of Investment Principles which incorporates the investment strategy in accordance with section 35 of the Pensions Act 2005. A copy of the last Trustees' Statement of Investment Principles is available upon request.

State Pension Forecast

Did you know that you can get a State Pension forecast by telephone 0845 3000 168 (textphone 0845 3000 169). Lines are open 8.00 am to 8.00pm Monday to Friday, and 9.00 am to 1.00 pm on Saturdays if you:

- live in the UK and
- are more than 30 days away from State Pension age

You can get a State Pension forecast online if you:

- live in the UK and
- are more than four months away from State Pension age and
- are not widowed or someone whose civil partner has died

www.thepensionservice.gov.uk

Alternatively contact the pensions department for assistance.

Changes to the State Pension Age

The State Pension age is currently 65 for men and 60 for women born on or before 5 April 1950. The State Pension age for women is going to rise to 65 between 2010 and 2020. If you are a woman born between 6 April 1950 and 5 April 1955 the age when you reach State Pension age will depend on your date of birth.

From 6 April 2020 the State Pension age for both men and women will be the same as it currently is for men. It will increase for both men and women from age 65 to 68 between 2024 and 2046 with each change phased in over 2 consecutive years in each decade.

- The first increase from 65 to 66 will be phased in between April 2024 and April 2026
- The second from 66 to 67 will be phased in between April 2034 and April 2036
- The third from 67 to 68 between April 2044 and April 2046.

To get your State Pension age calculated go to www.the pensionservice.gov.uk/state-pension/age-calculator

Annual Summary Funding Statement

Our funding objective is to have enough money to pay all the pension benefits as they fall due. To do this we do rely on the Press's continuing support of the Group Pension Scheme. The Actuary carries out regular funding valuations of the Scheme to examine the financial position of the Scheme relative to its funding objective. A full actuarial funding valuation as at 31 March 2009 is currently being carried out by the Actuary, and we anticipate that the results will be available later this year.

The Scheme's previous full actuarial valuation was carried out as at 31 March 2006. The results of this valuation showed that the Scheme had:

Investments	£217m
Amount needed to provide benefits	£248m
Shortfall or deficit	£31m
Funding level	88%

Given the shortfall the Press and Trustees agreed a package which is aimed at eliminating the deficit by 31 March 2016. The formal Recovery Plan sets out the agreed steps to be taken. In summary, the Press will make additional annual lump sum contributions of £3m for five years (£15m in total). In addition the Press has increased its contribution rate into the Scheme from 18% to 19% from April 2007, and members' contributions will be increased over the next three years according to their accrual rate. These new contribution rates are set out in the Schedule of Contributions (dated 19 June 2007). The Recovery Plan anticipates future returns on the funds invested being in line with the average level of returns historically achieved.

A summary of the statutory valuation, the Recovery Plan, and the Schedule of Contributions were filed with the Pensions Regulator in June 2007.

Following the valuation as at 31 March 2006, the Actuary has carried out two approximate annual actuarial funding reviews at 31 March 2007, and 31 March 2008. The 2008 review showed that the funding level was 78%, and the shortfall or deficit had increased during the year to £63m (from £28m in 2007). This was due to a combination of factors, but the two key ones were, first, that, due to current economic circumstances, the returns on the assets held by the Scheme had fallen; and, second, expectations of future price inflation had risen. The latter meant that the amount needed to provide benefits was greater than it would have been had financial conditions remained unchanged from March 2007. Since the funding review reported a continuing deficit , the Press made its second £3m payment in May 2008 and £3m in April 2009 as agreed in the Recovery Plan. There has been no payment made to the Press out of Group Pension Scheme funds in the last 12 months. Although the funding level is still less than 100%, all pension benefits continue to be paid in full as the Group Pension Scheme is ongoing.

The deficit at 31st March 2009 is currently uncertain. While the scheme's assets are known precisely, and fell during the year, but by less than 10%, the scheme's liabilities depend critically on estimates of long term inflation and on interest rates. During the year, these remained adverse, with markets anticipating a revival of inflation and interest rates falling to exceptionally low levels. However, the trustees have taken a number of steps to minimise the impact of these; and its investment strategy meams that it can use significantly higher return figures than current interest rates would dictate for valuation purposes. As a result, the trustees believe that the deficit figure is likely to remain well within manageable bounds. Moreover, asset values have bounced back strongly in the four months since March 31st. Once this valuation is completed, we will send you an updated statement summarising the results. To ensure that you continue to receive this statement, and any other communications that we send out, it is very important that you keep us informed of any change of address.

In the unlikely event that the Group Pension Scheme were to be wound up then the Press or the University of Oxford would have to pay the shortfall of the cost of providing all the benefits through an insurance company. The Actuary estimated the Group Pension Scheme's funding level on this 'discontinuance' basis to be 53% at 31 March 2008. In the equally unlikely event that the Press or the University of Oxford were insolvent, then the Pension Protection Fund might be able to take over the Group Pension Scheme, and make good some of the shortfall in benefits.

If you have any questions about this statement, or would like any other information about the Group Pension Scheme, please contact the Pensions Dept, Oxford University Press, Great Clarendon Street, Oxford, OX2 6DP, or email pensions@oup.com

Investments and Benefits

INVESTMENTS

On 31 March 2009, the Group Pension Scheme's assets were allocated as follows:

Pooled Investments	
UK equities	£8.5m
World exc. UK equities	£29.1m
Property	£5.1m
Dynamic asset allocation	£54.3m
Broad bonds	£28.5m
UK index linked gilts	£46.4m
UK long corporate bonds	£0.2m
Derivatives	£2.5m
AVCs	£1.3m
Other (includes cash, debtors etc)	£33.9m
Value of total investments	**£209.8m**

BENEFITS £'000

Pensions	
To scheme members	4,781
To surviving beneficiaries	584
Refunds of members' contributions	105
Transfer to other pension arrangements	58
Cash sums	
Retirements	1,502
AVCs	273
On death in service	122
On death before/after retirement	22
TOTAL	**7,447**

Jean Retires

Jean Crawford retired as Pensions Manager at the end of July after 24 years with Oxford University Press.

Jean joined the Press in 1985, initially spending a couple of years in credit control. She transferred into the pensions department, then a team of two, after spotting a job on the notice board. "It caught my eye because it mentioned membership statistics, and my working background was statistics and finance," she says. Fred Butcher, then Pensions Manager, invited Jean for an informal ten-minute chat to discuss the job. An hour later, Jean was hooked. She was quick to learn and enthusiastic, and she and Fred hit it off. "We had such a great time," she recalls. "We shared the same silly sense of humour." Following Fred Butcher's retirement in 1991, Jean was promoted to Pensions Manager.

"In those days things were relatively simple," she says. "But quite quickly we moved into full computerisation and significant legislative changes." When the State Pension was introduced just over 100 years ago the Act was only eight pages long and written in plain English, but something went wrong along the way as the Pensions Act of 1995 was the largest ever single piece of legislation to hit the statute book. This Act was passed as a result of the Robert Maxwell scandal. Two other key legislative milestones were the 1990 landmark European Court judgement that pension benefits had to be equal for men and women, and the introduction of so-called "tax simplification" in 2006 – "a misnomer if ever there was one," Jean says.

"I have never been bored," Jean says. "Variety has been one of the things that I have enjoyed most about my job." My job has switched from the highly technical one minute to the rather mundane the next. Over time, Jean's team grew from two to five people, and the value of the fund grew from £35 million to just short of £210 million today, which Jean balanced to the penny every year. In recent times, much of Jean's time was spent on overseeing the revised investment strategy, decided on by the Trustees, work involved in the Pension Exchange project, and making sure that the Scheme's legal documentation was up to date for her handover.

While quick to laugh, Jean has not been afraid to deal with the sadder side of her role. She has personally visited 30 bereaved families of colleagues who have died before retirement age during her time as Pensions Manager. "If the worst happens, the money can never compensate," Jean says, "but it may help the families going forward."

Jean is one of those lucky individuals who loved their work. "It's been a fantastic job," she says. "I have enjoyed the trust that other people placed in me." She clearly worked enormously hard to build this trust and to engender the respect she enjoyed from her colleagues. Jean leaves her job in the hope that she has made a difference to the members in their understanding of the Scheme, and the benefits it provides, and also supporting

> "Variety has been one of the things that I have enjoyed most about my job."

the Trustees in their very difficult job. They are definitely the unsung heroes of the Group Pension Scheme, and they do a magnificent job, which is in addition to their day job.

Jean says she will definitely miss the people she has worked with, but not her Outlook inbox, nor her daily commute into Oxford along the Botley Road. Her only regret is that she knows no more about publishing now, than the day she joined in 1985, but then as she says you can't have everything.

As someone who has helped others prepare for retirement, Jean is well prepared for her own. "I've seen colleagues younger than I am dying," she says. "You can't leave things. You have to live now". Jean's plans for enjoying her well earned retirement include taking a family trip to Peru this autumn and spending more time indulging in her hobbies which include all types of stitching and photography. "I also have a pile of Oxford Classics I'm planning to read," she laughs.

"It's been a fantastic job…

I have enjoyed the trust that

other people placed in me."

Jean Crawford

Introducing Linda Hughes

Linda joins OUP after being the pensions manager at Blackwells for 10 years. Linda's role at Blackwells was that she was responsible for the inhouse administration department, together with looking after all the compliance and governance of running a final salary scheme. During the handover process Linda and Jean found they had similar approaches to many of the aspects of the job, and we wish Linda every success with the job.

The Trustees and their Advisers

Pensions Department


Linda Hughes


Tracey Ellitson


Caroline Saunders


Linda Ingram


Luke Taylor

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