

OXFORD
UNIVERSITY PRESS

OUP Pensions Review

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

SUMMER 2011

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Financial and membership changes through the year

	£'000	£'000
Value of Fund at 31 March 2010		279,882
Contributions and benefits		
Members' contributions	417	
Press contributions	15,246	
Other income	117	
Less		
Benefits payable	9,681	
Fees and other payments	709	
Net additions from dealings with members	5,390	
Gains on investments		
Investment income	1,447	
Change in market values	22,729	
Investment management expenses	(910)	
Total increase on investments	23,266	
Net increase during the year		28,656
Value of Fund at 31 March 2011		308,538

Contributing members		
Contributing members at 31 March 2010		1,524
Plus: New and returned members		184
		<hr/>
		1,708
Less:		
Withdrawals on leaving service	96	
Retirements on pension	25	
Awaiting decision	13	
Defer pension/Deaths	1	
		<hr/>
		135
Total at 31 March 2011		1,573
Pensioners		
Pensioners of the Group Scheme		775
Plus: Surviving beneficiaries		184
Total at 31 March 2011		959
Deferred pensions for early leavers at 31 March 2011		1,810
Deferred pensions beyond normal retirement date		19



Chairman's Report

As you might expect the world of pensions is a complex place and this year has been no exception with the Trustees, Press and administration team kept busy with investment, administrative and governance issues high on our agenda.

The Trustees have continued to review their investment strategy and are looking to diversify as much as possible without lowering returns; and protect the funding level as far as possible. With this in mind since last year the Trustees have transferred a total of £34.8 million to Nuveen Tradewinds Global All-Cap Fund which was partly funded by the sale of all our UK and Overseas Equity holdings in BlackRock and redesigned the Scheme's liability hedging. In view of these changes a revised investment objective is to produce a return of 3% p.a. in excess of a new benchmark return which more closely reflects the liabilities we need to meet. The Trustees also conducted a review of the AVC providers (BlackRock and Prudential) and we are pleased to report that there are no concerns as to the suitability of the funds.

The annual update conducted at 31 March 2011 revealed further improvement in our position since last year; with our investments increasing from £280m to £307m whilst our liabilities increased from £301m to £321m resulting in a reduction to the deficit from £21m to £14m which equates to a funding level of 96%.

On other matters, the Trustees have decided to appoint the Occupational Health Specialist "Medigold" to provide advice when considering applications for ill-health retirement. Meanwhile, a review of the actuarial factors used to determine the Scheme's liabilities resulted in no change other than to transfer values, which increased in value for younger members but generated little difference for others.

The Trustees are continually assessing not only investment risks but other risks such as fraud as part of their overall risk assessment and to remove the risk of fraudulent cheques the Pensions team have successfully introduced internet banking enabling electronic payments to be sent to members and suppliers, with the first payment being made in November. The Pensions Department received a seal of approval from the Press's internal audit team following an assessment into the effectiveness of its procedures and controls in place to prevent fraud and error.

As you will know, the Government has reduced the amount that individuals can contribute to registered pension schemes without attracting a tax charge. Although this has and will continue to create additional work for the Pensions team it is not expected to impact on a significant number of members; however it does mean that members may need to exercise more oversight of their pension throughout their lifetime at work than has previously been the case.

The Government's decision to change the index used to calculate statutory pension increases (using the Consumer Prices Index rather than the Retail Prices Index) and the fact that the Trust Deed and Rules expressly refer to this statutory index resulted in the scheme automatically adopting the same index. The Press adopted a CPI related increase this year, but has yet to finalize a long term policy on this issue.

It is with sadness that we have to say goodbye to Alan Hughes who retired as a Trustee on 6 May 2011 having served the membership, since 1984, with integrity, commitment and professionalism. Alan has kindly provided an insight into his time as a Trustee which is included in the review.

I would like to welcome James Cunningham who was appointed as a Member Nominated Trustee on 6 May 2011.

I would like to take this opportunity to thank Dave Gillard, who has been the lynchpin in continuing to ensure that the Trustees and the Press are both fully informed about each others' approach, policies and major decisions, to the benefit of all involved; and to Linda Hughes and her team – Tracey Ellitson, Caroline Saunders, Luke Taylor and Nichola Reid – whose professionalism and dedication, as ever, do so much to keep every aspect of the Scheme running smoothly.

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 undue risk and significant volatility in the contribution rate. To meet this objective the Trustees set their own specific benchmarks and asset allocation policies. It should be recognized that actual asset allocations will fluctuate as a reflection of cash flows and market movements.

Investment	31 March 2010	31 March 2011
Global equities	19.8%	26.2%
Property	1.8%	1.7%
Bonds	16.5%	16.2%
UK Index Linked Gilts	28.9%	24.5%
Derivatives	5.0%	3.8%
Cash	1.4%	0.6%
Dynamic Asset Allocation Fund*	26.6%	27.0%

*The Dynamic Asset Allocation Fund's mandate is to provide diversification across different asset classes, providing consistent returns through the rotation of asset allocation weights as economic and market conditions change.

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 over the years to 31 March 2011 against the benchmarks are summarised in the table below.

Year ended 31 March	Fund's return	Benchmark return	Inflation RPI measure
2007	4.6%	4.8%	4.8%
2008	-4.0%	-5.5%	3.8%
2009	-12.2%	*	-0.4%
2010	33.1%	9.8%	3.4%
2011	9.2%	7.8%	5.3%

*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 last 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 adopt a medium to long term financial perspective. The Trustees took this into account when determining the length of their recovery plan to eliminate the deficit.

The Trustees have made changes to the investment strategy of the Scheme over the year in order to manage risk more effectively within the portfolio. The changes reflect a further diversification of assets as well as a closer matching of assets to liability risks. The aim of increasing the diversification of the underlying assets is to continue to reduce the concentration of investment risk and reduce overall volatility of the Scheme's assets.

The Trustees have also implemented a decision to restructure their strategic allocation to UK and Overseas Equities in terms of a more global and "active" approach, whilst at the same time seeking to increase exposure to Emerging Markets. The first part of this restructure was implemented towards the end of the last Scheme year with the appointment of Skagen as a fund manager. The second part of the restructure was implemented in May 2010 with the Trustees' decision to further diversify the assets by transferring monies to the Nuveen Tradewinds Global All-Cap Fund. This was funded by full disinvestment from BlackRock UK and Overseas Equity (Passive) Funds and partial disinvestment from P-Solve Investment Limited Gilt Portfolio.

Tradewinds is a value manager, seeking to identify and, where possible, buy companies for less than their intrinsic worth. The manager believes that by investing in high quality, undervalued companies, they can add value and outperform the market. Tradewinds seeks to add value by building a globally diversified portfolio of attractively-valued opportunities.

In October 2010 the Trustees decided to change the targets for the Scheme's inflation and interest rate hedges to 50% of the inflation risk and 25% of the interest rate risk. The design of the interest rate hedge was also adapted to take account of the most recent cash-flows provided by the Scheme Actuary.

Following the changes outlined above, the Trustees have also set a revised outperformance objective for the Scheme based on a benchmark which they believe more closely matches the liabilities of the Scheme. This benchmark is based on a "basket" of five specific Index-Linked Gilts and one Fixed Interest Gilt, whose maturity profile more closely reflects that of the Scheme. The revised objective is to produce a return 3% p.a. in excess of this benchmark.

The strategic changes to the investment policy during 2010 mean that, in the Trustees' opinion, the Scheme is now in a stronger position. The changes made aim to provide capital preservation of the Scheme's assets during turbulent times. In addition, the continued application of liability hedging means that the Scheme is significantly protected from fluctuations in interest and inflation rates, two key determinants over which the Trustees have no control.

Investment Principles

The Trustees have produced a Statement of Investment Principles, which incorporates the investment strategy, in accordance with section 35 of the Pensions Act 1995. The Statement has been redrafted to reflect the changes made during the year. A copy of the last Trustees' Statement of Investment Principles is available on request.



Ending 26 Years as a Trustee of OUP's Pension Scheme



The Group Pension Scheme was set up in 1978, with trustees to administer it and look after its assets. One of the member-elected trustees of that first board was Nick Wilson, then a young editor in the Clarendon Press. In 1984 Nick stood down, so that there was a vacancy for a member-elected trustee from the publishing side (at that time there were also trustees from the printing business). The trade unions were able to make nominations, and ASTMS, the union for publishing staff, nominated two candidates, of whom I was one. I won the election, and my first trustee meeting was on 20 December 1984. The term of office was five years, but I won subsequent elections, so that my role as a trustee of the pension scheme has lasted over 26 years without a break. The value of the pension fund in 1984 was about £2 million. It is now north (as they say) of £300 million.

The chairman then (appointed by the Press from outside the business) was an economics fellow of the university, now deceased. He was academic in more than one sense of the word, and not especially at ease dealing with guests such as investment managers. It often fell to Clive Moody (Personnel Director), who was a trustee for a long time until he retired, unobtrusively to steer the meetings and host the guests.

For many years being a trustee was not especially onerous. We would meet once a month, discuss investment reports from our investment managers, monitoring reports on their performance, actuarial reports on the fund, and so on. The legal context was simple, the regulatory framework virtually non-existent. But this was to change. When Robert Maxwell died, in 1991, it was found that he had

embezzled money from his companies' pension funds to use as financial support for his company, Mirror Group Newspapers. This led to public interest in company pensions, not to say worry and even panic. It led to the Pensions Act 1995, which among other things required company pension schemes to have member-nominated trustees (which the OUP scheme always has had), and the setting up of a regulatory body. All very good and necessary; but as time went on, more legislation was passed, and more regulatory requirements were laid upon pension scheme trustees and administrators. I am grateful that in Jean Crawford and her successor Linda Hughes, the trustees have had the support and guidance of pension managers who are always cheerfully on top of such matters.

I have thoroughly enjoyed my life as a trustee. I recall the trustees' going to London on one occasion to visit Mercury Asset Management, our fund managers at the time. As we were led to our meeting room, our guide introduced a passing lady; it was Carol Galley, a Mercury director who (Wikipedia says) was regarded as the most powerful woman in the City in the 1990s, and is now worth £80 million. In 1995 we changed to M & G as our fund manager. One of the M & G managers who came to report on our account was Michael McClintock. He has ended up as Chief Executive of the M & G Group. For my own part, it has been enjoyable dealing with numbers (which I love) in my role as a trustee, when my day job, as it were, has been with words (which I also love); and I have enjoyed working with successive trustee boards who have never been other than pleasant and congenial colleagues.

Alan Hughes

Annual Summary Funding Statement

The Scheme's 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 Scheme Actuary carries out regular funding valuations of the Scheme to assess the financial position of the Scheme relative to its funding objective. The results of the latest full actuarial funding valuation as at 31 March 2009 and the previous full actuarial funding valuation at 31 March 2006 are detailed below together with the results of the annual funding reviews at 31 March 2010 and 31 March 2011:

	31/03/2006	31/03/2009	31/03/2010	31/03/2011
Investments	£217m	£208m	£280m	£307m
Amount needed to provide all future benefits	£248m	£272m	£301m	£321m
Shortfall or deficit	£31m	£64m	£21m	£14m
Funding Level	88%	76%	93%	96%

As previously highlighted in the Pensions Review the deterioration in the funding position between 2006 and 2009 was due to a combination of factors, but the key ones were, first, that, due to economic circumstances, the returns on the assets held by the Scheme fell; second, expectations of future price inflation rose; and third, interest rates fell to an exceptionally low level. The latter two meant that the amount needed to provide benefits was greater than it would have been had financial conditions remained unchanged from March 2006. However, the trustees took a number of steps to minimise the impact of these factors; and the funding deficit, measured in the usual prudential fashion, has now reduced to 4%. More recently, since the last full valuation in 2009, liabilities have risen by £49 million, but assets by £99 million.

The Press and the Trustees have agreed that the additional contributions set out in the previous recovery plan dated 19 June 2007 of £3m payable each year until the end of April 2011, giving £15m in total will continue i.e. comprising two payments of £3m in April 2010 and April 2011 (the latter was actually paid in March 2011). A further contribution of £3m will be payable by the Press, at a date to be agreed between the Press and the Trustees during 2012, should the Trustees, acting on the reasonable advice of the Scheme Actuary, anticipate that the 31 March 2012 actuarial valuation will reveal a deficit.

In addition, the Trustees and Press have agreed that the additional security over unencumbered Press assets of up to £50m, put in place following the 31 March 2006 actuarial valuation, will remain in place.

The last scheduled increase to member contributions was implemented in April 2010 for those members on enhanced accrual rates. To fund future pension payments, the annual Press contribution rate, in addition to members' normal contributions, is required to be at least 15.3% of employed members' Pensionable Salaries. However, the Press will, for the present, continue to pay contributions at the rate of 19% of Pensionable Salaries, which it has been paying since the 2006 actuarial valuation. The Trustees will review the rate payable by the Press during 2011, in consultation with the Press. These contribution rates are set out in the Schedule of Contributions (dated 11 December 2009).

A summary of the statutory valuation, the Recovery Plan, and the Schedule of Contributions were filed with the Pensions Regulator in December 2009.

The main reason for the improvement in the funding position is that the Fund's investments have achieved better than expected returns.

No payments have been 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.

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 50% at 31 March 2011. In the remote possibility that both the Press and 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. Further information and guidance is available on the PPF's website at www.pensionprotectionfund.org.uk. Alternatively you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

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.

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 e-mail pensions@oup.com

A Reminder About Other Developments During the Year

Reduction to Annual and Lifetime allowances

The Government has reduced the amount of tax relief which is available on pension savings paid by or in respect of an individual to a registered pension scheme in any tax year. This means the Annual Allowance has reduced from £255,000 to £50,000 from 6 April 2011.

The Government has also reduced the total amount of tax advantageous pension savings which individuals can build up in their lifetime, known as the Lifetime Allowance. This will reduce from its current level of £1.8m to £1.5m from 6 April 2012 which means the maximum pension you can accrue, without incurring a tax charge has reduced from £90,000 (£1.8m/20) to £75,000 (£1.5m/20).

Change to the Pension Input Period

One of the key features of the tax system is the annual reference period over which the pension built up by an individual is measured. This reference period is known as the "Pension Input Period (PIP).

As previously advised the PIP has been amended and backdated to be in line with the Scheme year. This means that the first PIP will have run from 6 April 2006 to 1 April 2007, and all future PIPs ran, and will continue to run, from 2 April to 1 April each year.

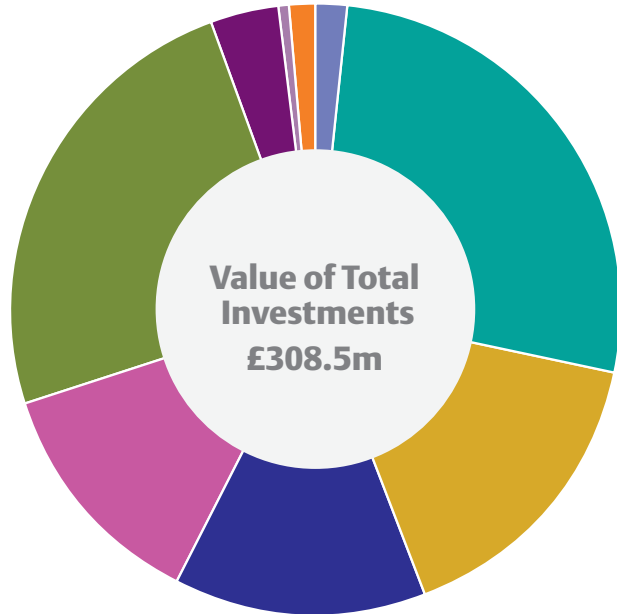
Change to how pensions are increased

The Government changed the way in which it measures inflation for the purposes of the minimum pension increases required under legislation. Previously, the Government has used the annual change in the Retail Prices Index or (RPI). However, from 1 April 2011, it will use the annual change in the Consumer Prices Index (CPI).

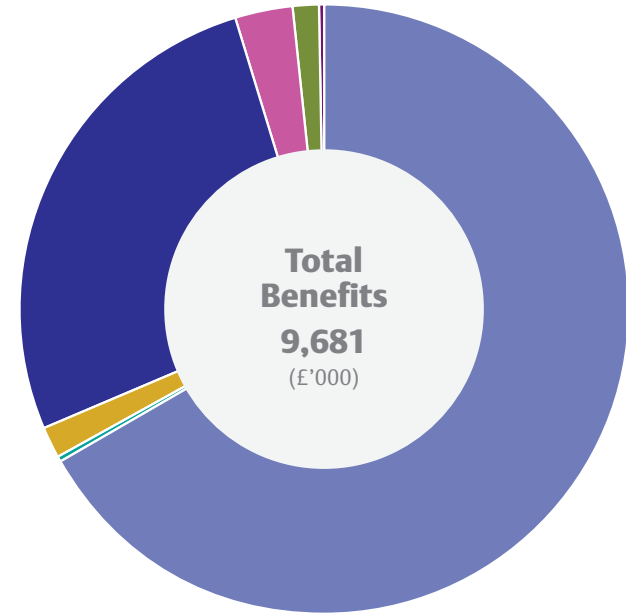
The Press applied a CPI-related value in respect of the discretionary element of pension increases this year, but does not have a long term policy in respect of these discretionary increases.

The Press retains the right to decide how much, if any, discretionary award will be given each year. This relates to any pension built up to 5 April 1997 and any award above statutory caps.

Investments and Benefits



- UBS Triton**
 - Property £5.3m
- Barings Asset Management**
 - Dynamic asset allocation £82.3m
- Western Asset Management**
 - Broad bonds £49.2m
- Skagen**
 - Global equities £41.4m
- Nuveen Tradewinds**
 - Global equities £38.6m
- Bank of New York Mellon**
 - UK index gilts £74.6m
- PSigma Investments**
 - Derivatives £11.7m
- AVCs**
 - AVCs £1.7m
- Other**
 - Other (includes cash, debtors etc) £3.7m



- Pensions**
 - To scheme members & beneficiaries 6,473
- Refunds of members' contributions**
 - 30
- Transfer to other pension arrangements**
 - 154
- Cash sums**
 - Retirements 2,588
 - AVCs 285
 - On death in service 135
 - On death before/after retirement 16

Introduction of Flexible Retirement

If you have reached age 55 and the Press agrees, you may now draw your pension benefits from the Scheme whilst still in Press employment. Your benefits would then be reduced to reflect that they are being paid for longer. This is subject to the Rules of the Scheme at that time and such terms and conditions as the Press may from time to time determine.



Useful Pension Links

www.direct.gov.uk - In the 'Pensions and Retirement Planning' section, this Government website provides information about pensions and pensioner benefits for those planning for the future, about to retire or already retired.

You can also find the Pension Tracing Service on this site who will help you to trace any pension schemes you may have been a member of in the past.

www.hmrc.gov.uk - HMRC was formed on the 18 April 2005, following the merger of Inland Revenue and HM Customs and Excise Departments. This site provides information on tax and National Insurance contributions.

www.pensionsadvisoryservice.org.uk - The Pensions Advisory Service is an independent organisation that provides free information, advice and guidance on pensions covering State, company, personal and stakeholder schemes.

www.moneydeclar.fsa.gov.uk/pensions - A Financial Services Authority (FSA) website providing further information about pensions.

www.thepensionsregulator.gov.uk - The website for the UK regulator of work-based pension schemes.

www.pensionsombudsman.org.uk - The website for the Pensions Ombudsman who investigates and decides complaints and disputes about the way that pension schemes are run.

The Trustees and their Advisers



INDEPENDENT CHAIRMAN

- 1 Sir Derek Morris**
– Provost of Oriol College, Oxford
– Appointed Chairman in 2006

PRESS-APPOINTED TRUSTEES

- 2 Malcolm Fairbrother**
– Supply Chain Manager
– Trustee since 1999
- 3 Andrew Wigmore**
– Tax, Treasury and UK Finance Director
– Trustee since 1999
- 4 Caroline James-Nock**
– UK HR Director,
– Trustee since 2008

TRUSTEES ELECTED BY MEMBERS

- 5 Brian Chambers**
– Systems Analyst, Kettering
– Trustee since 1998
- 6 Richard Hodson**
– Business Director, Trade and Children's, Oxford
– Trustee since 2008
- 7 James Cunningham**
– International Finance Director, Oxford
– Trustee since 2011

Actuary:
Rashpal Bhabra

Auditor:
Ernst & Young

Banker:
Barclays Bank plc

Custodian of Securities:
Bank of New York Mellon

Investment Consultant:
P-Solve Asset Solutions

Investment Managers:
Barings Asset Management
PSigma Investments
Nuveen Tradewinds
Skagen
UBS Global Asset Management
Western Asset Management
Prudential (AVCs)
BlackRock (AVCs)

Legal Advisers:
Sacker & Partners

Secretary and Pensions Manager:
Linda Hughes

Pensions Department



Linda Hughes



Tracey Ellitson



Caroline Saunders



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