CARTWRIGHT

# CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

## Actuarial Valuation as at 31 March 2023

## Scheme Funding Report

Prepared for the Management Committee acting as the Trustee of the Cambridge Colleges' Federated Pension Scheme

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# 1. EXECUTIVE SUMMARY

## 1.1 Introduction

This report sets out the results of the actuarial valuation of the Cambridge Colleges' Federated Pension Scheme ("the Scheme") as at 31 March 2023.

## 1.2 Prudence and Covenant

The Trustee has assessed that the Colleges' Covenants continue to be strong. It has therefore agreed that for this valuation the level of prudence in the assumptions be unchanged from the previous valuation, and the results set out in this Report have been calculated accordingly.

## 1.3 Current Funding Level

The Scheme's funding level on the Statutory Funding Objective at the valuation date was 86%, equivalent to a deficit of £33.2 million. At the previous valuation the ongoing funding level was 78%. The main reasons for the improvement are changes in the valuation basis (principally the adoption of a higher assumption for future investment return) and the deficit reduction contributions paid by the Colleges. This has been partly offset by lower than assumed investment returns and higher than assumed inflation.

## 1.4 Future Service Cost

The average ongoing joint (College plus members) contribution rate for future service benefits, ignoring the past service position, is 26.94% of Contribution Pay. This rate includes member contributions and an allowance for current premiums for death in service costs. It excludes allowances for expenses and for the premiums for Group Income Protection.

This compares with the comparable current contribution rate at which joint contributions are being paid of 35.54% of Pensionable Salaries, before the adjustment for the previous deficit. The main reasons for the reduction are changes in the valuation assumptions, in particular the adoption of a higher assumption for future investment return.

## 1.5 Solvency Position

The solvency position of the Scheme has been measured by reference to the estimated cost of buying out the benefits with an insurance company. As at the valuation date the solvency funding level of the Scheme was 63%.

If the Scheme was fully funded on the Statutory Funding Objective the solvency funding level would be 73%.

## 1.6 PPF Section 179 position

The PPF Section 179 position of the Scheme has been measured in line with the prescribed assumptions and benefits as laid down by the PPF Board. At the valuation date the Section 179 funding position was 79%.

This funding level for each College is used by the PPF Board to help it determine the risk based portion of the PPF levy.

## 1.7 CETVs

I recommend that the Trustee consider whether Cash Equivalent Transfer Values should be reduced to reflect the degree of underfunding in the Scheme.

I recommend that the CETV basis be reviewed following completion of this valuation.

## 1.8 Factors

The actuarial factors used in individual member calculations were reviewed in July 2023, i.e. post valuation date, and are appropriate for current economic and demographic conditions

## 1.9 Timescale and future valuation requirements

The next triennial valuation is due to take place as at 31 March 2026. As some of the College Sections within this Scheme have more than 100 members , interim actuarial reports will be required as at 31 March 2024 and 31 March 2025 for these Sections.

For those College Sections which have a Recovery Plan, a summary of this valuation report plus copies of the Recovery Plan and Schedule of Contributions needs to be sent to TPR within 10 working days of this report being signed.

Finally a Summary Funding Statement should then be sent to members updating them on the Scheme's funding position. This should be issued by 30 September 2024.

# 2. INTRODUCTION

## 2.1 Background

This report on the actuarial valuation of the Cambridge Colleges' Federated Pension Scheme ("the Scheme") as at 31 March 2023, was commissioned by and is addressed to the Management Committee acting in its capacity as Trustee of the Scheme. It has been prepared under Clause 18.2 of the Trust Deed & Rules dated 9 March 2004 and Section 224 of the Pensions Act 2004. These state that the Trustee is required to obtain an actuarial valuation at least every three years. Actuarial reports in intervening years are required for those College Sections with more than 100 members.

## 2.2 Purposes

The purposes of the valuation are:

- to review the Scheme's funding position relative to its funding target;
- to determine contribution rates for funding Scheme benefits;
- to assess the Scheme's solvency position; and
- to satisfy statutory requirements.

## 2.3 Previous valuations

The Scheme was last valued as at 31 March 2020 and the results were contained in my report dated 21 May 2021.

## 2.4 Inter-valuation review

The previous valuation recommended joint (College plus members) contributions to the Scheme at an average rate of 35.54% of members' Contribution Pay inclusive of allowance for member contributions and death-in-service insurance premiums. Allowances for expenses and the premiums required for the Group Income Protection (GIP) benefit were payable separately in addition to these amounts. Recovery Plans were agreed individually between the Trustee and each College for whom the valuation showed a shortfall.

The Scheme auditors have confirmed that College contributions have been paid in line with the agreed rates. Member contributions have been paid in accordance with the Rules of the Scheme.

The rates of investment return earned in each of the inter-valuation years were as follows:

| Year ending 31 March | 2023 | 2022 | 2021 |
|---|---|---|---|
| Return (%) | (25.4%) | 11.1% | 13.8% |

## 2.5 References for earlier advice on this valuation

An earlier document, the Report on the Proposed Assumptions on the actuarial valuation dated 26 May 2023, set out my initial advice to the Trustee regarding the commencement of the valuation process and the purpose of this process. It included drawing the Trustee's attention to the different funding methods that are available to them and how they may choose a set of assumptions.

Initial results of the funding valuation were addressed to the Trustee and were set out in my Summary of Initial Results report dated 25 September 2023.

The above advice was reviewed by the Trustee, and following discussion with the Colleges, the agreed assumptions to be used are set out in Appendix E.

## 2.6 Third Party Statement

The calculations in the report use methods and bases appropriate for the purpose described above. Figures required for other purposes, such as Colleges' accounting, should be calculated in accordance with the specific requirements for such purposes and it should not be assumed that the figures contained in this report are appropriate. The report may be provided to the Colleges and to Scheme members in accordance with the disclosure legislation and regulations, but may only be disclosed to other parties with our consent. The report does not grant any rights to Scheme members or other third parties and may not necessarily cover all the implications for a third party. I and Cartwright Group Ltd do not accept any liability to any third parties in respect of the contents of this report.

## 2.7 Reporting requirements

This report, when read in conjunction with the reference material set out above, is compliant with the following Technical Actuarial Standards (TAS) issued by the Financial Reporting Council:

- TAS 100 – General Actuarial Standards; and
- TAS 300 – Pensions.

The calculations undertaken to produce this report have complied with the above TAS.

The actuarial information contained in this report has been peer reviewed in accordance with Actuarial Profession Standards (APS) X2 – Review of Actuarial Work.

# 3. BACKGROUND

## 3.1 The Scheme

The Scheme is deemed to be a registered pension scheme under the terms of Schedule 36 of the Finance Act 2004.

There are 25 Participating Colleges in the Scheme, each with their own segregated Section. Of the 25 College Sections, currently:

- 2 of the College Sections remain open to new entrants;
- 17 College Sections are closed to new entrants; and
- 6 Sections are closed for all accrual.

## 3.2 Core benefits under Rules

We have valued the Scheme benefits set out in the Definitive Trust Deed and Rules of the Scheme dated 9 March 2004 together with subsequent Deeds of Amendment. We have been provided with a conformed copy of the Trust Deed & Rules incorporating Deeds of Amendment dated 31 March 2004, 2 December 2009, 29 January 2010, 2 December 2013, 19 June 2015, 31 March 2016, 29 September 2016, 28 February 2017, 30 March 2017, 30 April 2019, 30 June 2019, 1 August 2019 and 30 September 2019. References to Contribution Pay in this report have the same meaning ascribed to them as in the above documents. A summary of the benefits valued is set out in Appendix C, although it should be borne in mind that in the event of any discrepancy between that summary and the Rules, the Rules will prevail.

Members may pay Additional Voluntary Contributions (AVCs) to purchase added years' service and hence increase benefits payable from the Scheme. Liabilities and assets shown in this report include those derived from AVCs.

## 3.3 Allowance for discretionary benefits

The Scheme Rules allow discretionary benefits to be provided to members.

In 2022 some Colleges authorised a discretionary increase to pensions in payment, and these increases have been taken into consideration for this valuation. No allowance has been made for any future discretionary increases in benefits. It is therefore assumed that the funding of any such increases will be considered at the time.

## 3.4 Allowance for insured benefits

The Trustee maintains insurance policies to cover the liability for the lump sum and spouse's pension benefits provided on death in service. We have allowed for the premiums payable under these policies within the contribution rate recommended. The allowance is based on the current premium rates shown on the existing Schedules of Contributions.

Pensions in payment are not insured, being wholly paid by the Scheme.

## 3.5 Allowance for member options

Allowance has been made for Members commuting some of their pension for cash at retirement, and for an assumed pattern of early retirements.

## 3.6 Allowance for GMP equalisation

Because some College Sections were contracted-out of the State Earnings-Related Pension Scheme (SERPS) between 1990 and 1997, the benefits for individuals who were members of these Sections between these dates include a 'Guaranteed Minimum Pension' (GMP). In broad terms, this replicates the pension that the member would otherwise have earned under SERPS. Reflecting the structure of the State Pension Scheme at the time, GMPs accrued at different rates for men and women and are payable at different ages (65 for men, 60 for women).

In general, occupational pension schemes have had to provide equal benefits for men and women since the 'Barber' case on 17 May 1990. However, because GMPs replicate State benefits (which were exempt from the Barber judgment), there has been considerable uncertainty as to whether this equalisation requirement extends to GMPs. As a result, the majority of occupational pension schemes have not yet taken any action on GMP equalisation.

We have followed the same approach to allowing for GMP equalisation as was adopted in the 2020 triennial valuation, as set out in the 2020 Scheme Funding Report.

## 3.7 Scheme changes since previous valuation

There have been no changes to the Scheme's benefits since the previous valuation. However, as noted in the Report on Proposed Assumptions, some College member contribution rates have been amended and some Colleges have closed to new entrants with two more Colleges now closed to all accrual.

## 3.8 Legislative changes since previous valuation

There have been no recent legislative changes since the previous valuation that have materially impacted on Scheme benefits or Scheme funding.

## 3.9 Membership data

The data for the valuation was provided by Pensions Administration Office on behalf of the Trustee. Whilst we have taken reasonable steps to satisfy ourselves that the data provided is of adequate quality for the purposes of the valuation, ultimately we have relied on the accuracy of the information provided. The membership data covered details of 522 active members, 861 deferred pensioners, 1,493 pensioners and 17 pending members. A more detailed summary is provided in Appendix A of this report.

We carried out the following data checks:

Full reconciliation of membership numbers with the previous valuation and with the Pensions Administration Office:

- Comparison and reconciliation with previous valuation data and accounting data; and
- Missing data and full consistency checks on an item by item basis.

All queries were resolved quickly and satisfactorily.

The membership statistics we have in our data extract differ from those set out in the Scheme accounts due to timing differences in the extractions. However, we have reconciled the numbers with the Pensions Administration Office and would like to thank them for their very helpful assistance.

## 3.10 Asset data

The audited Scheme accounts show that the market value of the Scheme's assets at 31 March 2023 amounted to £207,396,070. This includes assets in relation to members' AVCs, which relate to added years' service credits. There are no money purchase related assets or insured pensioners. Appendix B provides a more detailed breakdown of the Scheme's assets.

## 3.11 Material post valuation date events

We are not aware of any material events that have occurred after the valuation date which would affect the results set out in this report.

We have however noted and taken account of two Colleges that have reduced Member contributions from 1 July 2024.

# 4. FUNDING PRINCIPLES

## 4.1 Statutory funding objective

The Statutory Funding Objective is set out in the Statement of Funding Principles dated 31 May 2024 included as Appendix D to this report.

Under Rule 3.10 of the Scheme's Trust Deed & Rules dated 9 March 2004, the rate at which each College makes contributions to the Scheme is determined by the Trustee, after taking actuarial advice and after consulting the College. In accordance with the Pensions Act 2004, the Trustee has sole responsibility for preparing the Statement of Funding Principles.

## 4.2 Agreed funding target

The agreed funding target for the Scheme is the Technical Provisions. I would stress that achieving this target may mean that other targets may still not be met. In particular, in current market conditions if the Scheme were to be 100% funded on the Technical Provision, it would only be 73% funded on the Solvency target, i.e. Technical Provisions are not the same as wind up costs. Unless further funds were to be available, on a winding-up of the Scheme it would not be possible to secure members' benefits in full.

## 4.3 Funding objectives

Based on the Technical Provisions as a funding target, the currently agreed funding objectives are as follows:

- to assume that the Scheme will invest in a range of assets and credit should be taken for the assumed long term out-performance of these assets relative to gilts equivalent to 1.4% per annum;
- subject to the above, to adopt a set of assumptions which is prudent;
- not to make any allowance for any mis-matching of assets and liabilities;
- not to make any allowance for discretionary benefit increases;
- to eliminate any deficit relative to the funding target by increases in the rate of contributions over a period which does not exceed 20 years from the valuation date; and
- in terms of overall prudence, the Trustee takes into account their assessment of the strength of covenant of the sponsoring Colleges, the risks inherent in the Scheme's investment strategy and the Scheme's solvency position.

## 4.4 Changes to funding objectives

The Trustee agreed to amend the long term investment out performance rate over gilt yields to 1.4% per annum from the previous assumption of 1.9% per annum following changes to the investment strategy since the previous valuation.

## 4.5 Funding implications on stability of contribution rate

The funding objective includes allowance for investment in equity type assets, and makes no allowance for the mis-matching of assets and liabilities. Since the returns on equities can be volatile over even relatively short periods of time, this means that the contribution rate will be less stable than would apply were these factors not included.

## 4.6 Funding implications for paying CETVs in full

The funding objective adopted is such that if the Scheme meets its objective there will be more than sufficient assets to pay unreduced transfer values.

# 5. VALUATION METHOD AND ASSUMPTIONS

## 5.1 Funding method

Different funding methods were adopted for different College Sections, depending on College status and College choice in some cases. The methods adopted were:

- Projected Unit Method (PUM)
- Attained Age Method (AAM)
- Defined Accrued Benefit Method (DABM)

These methods differ in how the future service contribution rate is determined.

## 5.2 Future Service Contribution Rate

### Projected Unit Method (PUM)

Under this method, the capital value of the benefits accruing over the year following the valuation date, based on members' Pensionable Salaries projected to the date of their retirement, death or earlier exit, is expressed as a percentage of the total current Contribution Pay, to give the future service contribution rate.

### Attained Age Method (AAM)

Under this method, a capital value is placed on the benefits which will accrue to the present active members after the valuation date, based on their service after that date and Pensionable Salaries projected to the date of their retirement, leaving service or death. A capital value is also placed on the total projected Contribution Pay for the members throughout their expected future membership, and the ratio of these two values then gives the future service contribution rate, expressed as a percentage of Contribution Pay.

### Defined Accrued Benefit Method (DABM)

This method is used only for Sections which are closed to all accrual, so that no calculation of a future service contribution rate is required.

## 5.3 Allowance for new entrants

### Projected Unit Method

The PUM will result in a relatively stable future service contribution rate provided the profile of the active membership, by age, sex and salary, does not change significantly between actuarial valuations. There is therefore an implicit assumption that there are new entrants to the Section concerned. If the Section is closed to new entrants, the future service contribution rate will therefore be expected to rise in the future as the active membership ages.

Colleges whose Section is closed to new entrants, but whose Section is funded on this basis, are aware of this issue.

### Attained Age Method

Under the AAM, no allowance is made for new entrants; the contribution rate is determined solely on the basis of current members. This method therefore anticipates the ageing effect for a closed Section, where the active membership is expected to age between actuarial valuations.

### Defined Accrued Benefit Method

Under the DABM no allowance is made for new entrants as the Section has closed to future benefit accrual. As there is no future benefit accrual there is no need to calculate a future service contribution rate.

## 5.4 Previous funding method

For both this valuation and the previous valuation, the Trustee decided to give those Colleges whose Section is closed to new entrants the choice of adopting either the AAM or the PUM, after considering the possible impact on future contribution rates.

The following College Sections are closed to new entrants and the table indicates the method chosen for the 2023 valuation and any change from 2020.

| College | 2023 Method | 2020 Method |
|---|---|---|
| Clare Hall | PUM | PUM |
| Corpus Christi | PUM | PUM |
| Gonville & Caius | PUM | PUM |
| Murray Edwards | PUM | PUM |
| Newnham | PUM | PUM |
| Selwyn | AAM | PUM |
| St Catharine’s | PUM | PUM |
| St John’s | AAM | PUM |
| Trinity Hall | PUM | PUM |
| Wolfson | PUM | PUM |

Other Colleges with Sections closed to new entrants have adopted the AAM method, whilst those College Sections which remain open to new entrants have continued to use the PUM.

## 5.5 Factors to consider in choosing funding method

Under the Code, the Trustee is required to consider the following factors (inter alia) when choosing a funding method:

- the ability and willingness of the Colleges to make advance provision for future events; and
- the likely number of new entrants to the Scheme in future.

We have not provided any advice to the Trustee in connection with these factors. The Trustee has satisfied itself that the chosen funding method is appropriate bearing in mind the above factors.

## 5.6 Valuation assumptions

The valuation assumptions are given in Appendix E. Details of how they were derived are set out in the Trustee's Statement of Funding Principles included in Appendix D.

Note that the Trustee has considered each assumption individually. They have not adjusted any assumption as a proxy to compensate for shortfalls in another assumption.

## 5.7 Assets

As for the previous valuation, we have used a market-related basis to value both the assets and liabilities of the Scheme. Assets are included at their market value, whilst liabilities are valued using financial assumptions based on the yields implied by these market values. This does lead to a degree of volatility in the valuation results from one valuation to the next but I believe it ensures that a compatible and consistent approach is adopted to valuing both assets and liabilities, and that it will provide a more appropriate estimate of the cost of the Scheme benefits in current market conditions.

## 5.8 Recovery Plan

The Statement of Funding Principles describes a Recovery Plan for removing any funding deficit. The Recovery Plan for each College Section requires the deficit to be removed by fixed additional annual contributions payable over an agreed period.

Under TPR's Code of Practice on scheme funding, the Trustee should aim for any shortfall to be eliminated as quickly as the Colleges can reasonably afford. What is possible and reasonable, however, will depend on the Trustee's assessment of the Colleges' covenant.

When considering the structure of the Recovery Plan and the contribution required, the Trustee has taken into account the following matters:

- the Colleges' business plans and the likely effect any potential recovery plan would have on the future viability of the Colleges.
- the Scheme's membership profile. A longer recovery period may be more appropriate in a scheme where most members have many years to go before retirement than in one where the vast majority are already receiving pensions.
- the ability of the Trustee to pursue a College to make good a deficiency in the event of a scheme wind-up.
- the Colleges' expenditure commitments.
- the value of any contingent security provided by the Colleges bearing in mind both the term and enforceability.
- whether there are any impending member movements which would have a potentially significant effect on funding, such as major retirements or bulk transfer (in or out); and
- the anticipated level of the risk-based element of the Pension Protection Fund levy, year on year, over the course of the recovery period and how this is met by the Colleges.

# 6. FUNDING VALUATION RESULTS

## 6.1 Results

The following Section summarises the results of the valuation on the Scheme's funding objective using the basis described in Section 5 and Appendix E.

## 6.2 Past service position/technical provisions

| | | £000's |
|---|---|---|
| Value of benefits in respect of service before 31 March 2023: | | |
| • Active Members | | 65,145 |
| • Deferred Pensioners | | 46,100 |
| • Current Pensioners | | 129,323 |
| Technical Provisions | (A) | 240,568 |
| Market Value of Scheme Assets | (B) | 207,396 |
| Past Service Surplus/(Deficit) | (B-A) | (33,172) |
| Level of Funding of Past Service Benefits | (B/A) | 86% |

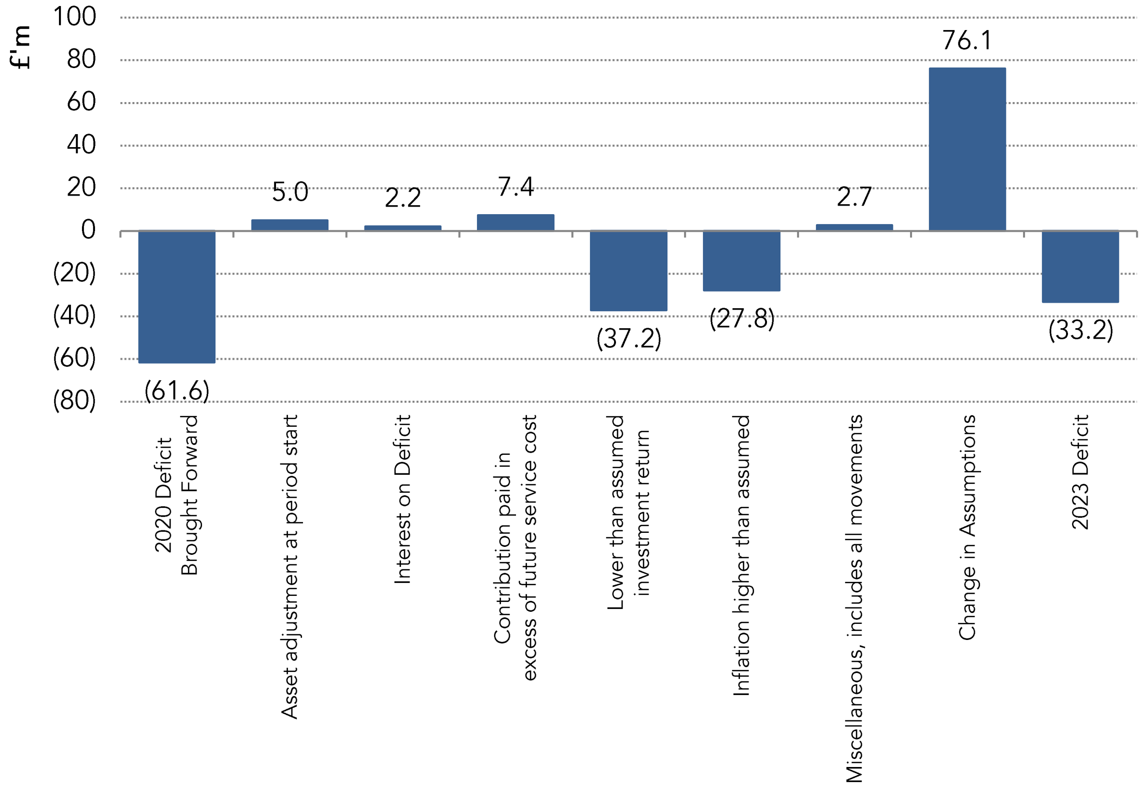
The appropriate actuarial certification of the Scheme's Technical Provisions is included as Appendix F to this report.

The Trustee and the Colleges should be aware that the Technical Provisions are not the same as the cost of winding up the Scheme. This is shown in Section 9 of the report.

The past service deficit of £33.2 million compares to the deficit disclosed by the previous valuation of £61.6 million. An approximate analysis of the principal factors affecting the level of deficit since the last valuation is given below.

The miscellaneous item in the analysis includes, for example, the effects of variations over the inter-valuation period between actual experience and the assumptions made for expenses, mortality, retirements and withdrawals used in the previous valuation.

| | £m's |
|---|---|
| **Surplus/(Deficit) as at 31 March 2020** | **(61.6)** |
| Asset adjustment | 5.0 |
| **Surplus/(Deficit) as at 31 March 2020 (restated)** | **(56.6)** |
| Interest on Surplus/(Deficit) | 2.2 |
| Value of Excess contributions paid | 7.4 |
| **Expected (deficit)/surplus as at 31 March 2023** | **(47.0)** |
| Investment returns lower than assumed | (37.2) |
| Inflation higher than assumed | (27.8) |
| Change in Assumptions | 76.1 |
| Miscellaneous | 2.7 |
| **Actual Surplus/(Deficit) as at 31 March 2023** | **(33.2)** |



## 6.3 Significant variations

The most significant variations in the analysis are as a result of:

- Investment returns were lower than expected over the 3 year period;
- Higher than assumed inflation over the 3 year period; and
- Changes in the valuation basis, mainly as a result of higher assumed future investment returns due to the significant rise in gilt yields.

## 6.4 Future service cost

The average ongoing joint (College plus members) future contribution rate for future service benefits, ignoring the past service position, is 26.94% of Contribution Pay. This rate includes member contributions and an allowance for current premiums for death in service costs. It excludes allowances for expenses and for the premiums for group income protection. Further details are shown below:

| | % of Contribution Pay |
|---|---|
| Total Average Joint Contribution Rate (excluding expenses and GIP costs) | 24.68 |
| Death in Service Insurance Premium allowance (based on current premium rates) | 2.26 |
| Total Joint Contribution Rate | 26.94 |
| Average Member Contributions | (9.06) |
| Average College Contribution Rate | 17.88 |

This compares with the current average contribution rate at which joint contributions are being paid of 35.54% of Contribution Pay, before the adjustment for the previous deficit. The main reason for the decrease in the contribution rate is the higher discount rate in the valuation assumptions, which reflects the rise in market gilt yields over the period.

## 6.5 Deficit funding contribution

All College Sections (with two exceptions) have a funding deficit. The Trustee has agreed with each College the term over which the deficit should be repaid. In each case a fixed monetary amount is payable. The details of the agreements are set out in Appendix F.

The assumptions used in drawing up the Recovery Plans are those defined in the Statement of Funding Principles as set out in Appendix D.

## 6.6 Expenses

I have reviewed the above allowances for the ongoing expenses of the Scheme and compared them to recent actual inter-valuation experience.

Over the previous 3 years, the ongoing expenses excluding PPF levies and investment advisor professional fees have averaged £737,000 p.a., a large increase since the previous review in 2020 when they averaged £554,000 calculated on a consistent basis.

I recommend that the expense allowances continue to be expressed as a per member charge plus a per College Section charge, the latter reflecting those expenses which are independent of membership numbers.

The Trustee agreed the following expenses to be paid into the Scheme by the Employers:

| Per Member Charges £ p.a. | | Per College Section Charge £ p.a. |
|---|---|---|
| Active: | 337.24 | 3,000 |
| Deferred: | 128.77 | |
| Pensioner: | 251.40 | |

**Note that the directly attributable PPF expenses should also be paid on top of the above rates by the individual Colleges.**

## 6.7 Future progression and material developments

Based upon the above total contributions and assuming that experience matches the adopted assumptions for the funding calculations the above funding level is expected to improve to 92% over the period to the next actuarial valuation.

## 6.8 Cash Equivalent Transfer Values (CETVs)

As the Scheme has a funding deficit, the Trustee is permitted, should it so decide, to consider offering reduced Cash Equivalent Transfer Values (CETVs) to members asking for a transfer value quotation, to reflect the level of underfunding.

When assessing the level of reduced transfer values, it is appropriate to have regard to the order of priority for securing the members' liabilities should the Scheme be wound up.

If the Trustee wishes to reduce transfer values to reflect the degree of underfunding in the Scheme, we would be pleased to calculate the appropriately reduced amounts, taking into consideration the priority order of liabilities. This would need to be calculated separately for each College.

I recommend that the CETV basis be reviewed following completion of this valuation.

## 6.9 Scheme factors

The actuarial factors used in individual member calculations were reviewed in July 2023 and are appropriate for current economic and demographic conditions.

# 7. FUNDING RISKS AND SENSITIVITIES

## 7.1 Funding Risks

There are risks inherent with any funding objective, even if the funding target is met, and the following risks should be appreciated and where possible mitigated.

## 7.2 Sponsor risk

If the Colleges become insolvent or are otherwise unable to meet the contribution rate set then the risk is that members may not receive all benefits they expect. The Trustee takes a prudent approach to funding to mitigate this risk to some extent.

## 7.3 Investment return

If the assets under-perform the returns assumed in setting the funding target then additional contributions may be required at subsequent valuations.

## 7.4 Investment matching risk

The Scheme invests significantly in equity type assets, whereas the solvency target is closely related to the return on bonds. If the Scheme were to wind-up when these equity type assets have fallen in value relative to the matching assets of bonds, members may not receive their full expected benefits. If the Scheme were not to wind-up, additional contributions may be required.

## 7.5 Longevity risk

If future improvements in mortality exceed the assumptions made then additional contributions may be required. The Trustee has taken a prudent approach to possible future improvements in longevity to help mitigate this risk.

## 7.6 Solvency risk

As the funding target is not a solvency target, and the investment strategy does not follow that required for a solvency target, the assets of the Scheme may not be sufficient to provide all members with the full value of their benefits on a Scheme wind-up.

## 7.7 Inflation risk

Some Scheme benefits are linked to inflation (RPI/CPI). If actual inflation is higher than expected or if future inflation expectation increases then additional contributions may be required at subsequent valuations.

## 7.8 Concentration of assets

If the Scheme invests a significant proportion of its assets in one class of investments for example UK equities, or in one specific investment it is exposed to an increased risk from falls in that investment. This may reduce the level of funding and require additional contributions to correct. The Trustee has no such investment.

## 7.9 Self-investment risk

If the Scheme invests in the Colleges in any form it is at risk that the value of this investment will fall if the Colleges performs badly. This will coincide with the time the Colleges are least able to make additional contributions to correct the situation. The Trustee does not invest in the Colleges to help avoid this risk.

## 7.10 Member option risk

If members of the Scheme exercise options allowed by the Scheme on a scale which is sufficient to lead to an increase in costs, the Scheme funding position may worsen. The Trustee has taken a prudent approach to allowing for member options to help mitigate this risk.

## 7.11 Climate related risk

The world's climate is changing and this poses risks to the provision of benefits for members. These could arise from:

- Physical risks – the risks arising from potential degradation to physical assets; e.g. property damage, disruption of resource availability, due to extreme weather events such as flooding and in the longer-term from changes to rainfall patterns affecting land use and the movement of populations reducing local workforce availability.

- Transition risks – depending on the nature and speed of mitigation and adaptation policies and requirements by governments and regulators related to climate change, transition risks may pose varying levels of financial and reputational risk to pension funds from the potentially rapid reduction in the market value of, or income generated by, assets.

- Liability impacts – extreme hot or cold weather might impact death rates, whereas generally warmer winters might improve life expectancy and so longevity improvement trends.

Investment management is delegated to managers who will be aware of this risk in their portfolio construction. It is difficult to predict the impact on life expectancy for members largely based in the UK. Furthermore, the Trustee should consider the extent to which climate change may impact businesses (and so College covenants).

It is difficult to quantify any specific impact at this point in time – the Trustee should keep this under review as more evidence develops.

## 7.12 Summary

The above list is not exhaustive but covers the main risks for the Scheme. Some of the risks can be reduced by adjusting the funding strategy, for example investment matching risk. Other risks cannot be removed, for example longevity risk, and the Trustee must be aware of these risks and monitor them closely.

## 7.13 Sensitivities

I have undertaken various sensitivity analyses, so that the Trustee can assess the impact of varying the assumptions used to value the liabilities. The figures shown below should enable the Trustee to assess the impact of changes in the various assumptions.

The sensitivity analysis has generally been performed assuming that one, and only one, of the key assumptions is changed at any one time unless otherwise stated. The results are as follows:

- If the discount rate is reduced by 0.5% p.a., the Technical Provisions increase by approximately 7.0%;
- If the inflation rate increases by 0.5% p.a. the Technical Provisions increase by approximately 5.9%;
- If the allowance for the future long term rate of mortality improvements is increased by 0.25% p.a., the Technical Provisions increase by approximately 0.6%.
- Where retirement ages are assumed to be under age 65, if they are assumed to be increased by 1 year for males and females the Technical Provisions would reduce by approximately 0.8%; and
- If cash commutation is not allowed for, then Technical Provisions would increase by approximately 1.7%.

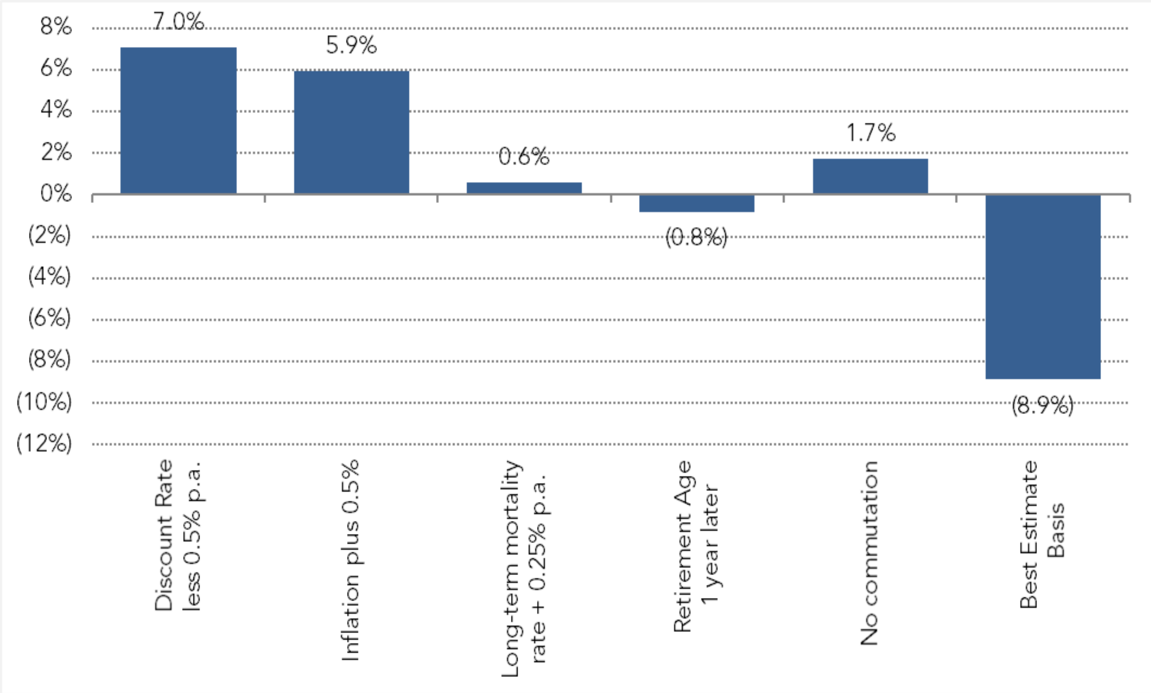
If the assumptions were to be moved in the opposite direction the impact would be reversed in a similar way to that shown here.

We have also included a 'best estimate' valuation with the following margins removed from the assumptions:

- 0.7% from the investment return; and
- removing the future additional mortality improvement rate.

The impact of these changes is to reduce the value of the liabilities by 8.9%.

The results are illustrated in the following chart:




The chart shows that the discount rate and inflation assumptions have the greatest impact on the size of the Scheme's liabilities. As a result the Scheme's funding position is likely to deteriorate significantly if the Scheme's assets do not attain the real investment returns assumed.

# 8. PENSION PROTECTION FUND – SECTION 179 VALUATION

## 8.1 Background

Since April 2005 the Scheme has been required to pay levies to the Pensions Protection Fund (PPF). The PPF provides a minimum level of benefit for members of pension schemes that wind-up in deficit.

In order to assess the appropriate levy the PPF require pension schemes to submit Section 179 valuations at least every three years. The section 179 valuation requires the Scheme Actuary to value the PPF level of benefits using a method and assumptions defined by the PPF board, and detailed on their website.

| | | £000's |
|---|---|---|
| Value of benefits in respect of: | | |
| • Active Members | | 77,262 |
| • Deferred Pensioners | | 54,570 |
| • Current Pensioners | | 124,228 |
| • Expenses of benefit installation | | 2,163 |
| • Expenses of winding up | | 5,716 |
| Total Section 179 liabilities | (A) | 263,939 |
| Market Value of Scheme Assets | (B) | 207,396 |
| Section 179 Surplus/(Deficit) | (B-A) | (56,543) |
| Level of Section 179 Funding | (B/A) | 79% |

## 8.2 Changes since previous valuation

The previous valuation followed guidance G8 and used assumptions A9. In accordance with the requirements of the PPF these have been updated to guidance G9 and assumptions A10 for this valuation.

The PPF funding level has improved since the last valuation from 52% to 79%, mainly as a result of:

- higher investment return assumptions placing a lower value on PPF liabilities; and
- deficit funding contributions paid by the Colleges.

## 8.3 Additional information

These results will need to be supplied to the Pensions Regulator and the PPF Board via the Pensions Regulator's online Exchange system. When submitting information on the Exchange the following additional information is required:

- Section 179 guidance used — G9
- Section 179 assumptions used — A10

Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value recorded in the relevant Scheme accounts: 0%

The percentage of liabilities shown above that are matched by insured annuity contracts for:

- Active members 0%
- Deferred members 0%
- Pensioner members 0%

The proportion of liabilities which relate to each period of service:

| | Pre-6 April 1997 | 6 April 1997 to 5 April 2009 | Post-5 April 2009 |
|---|---|---|---|
| Active members | 4% | 31% | 65% |
| Deferred members | 10% | 55% | 35% |
| Pensioners | 23% | 77% | |

Number of members and averages ages:

| | Number of Members | Average Age |
|---|---|---|
| Active members | 522 | 55 |
| Deferred pensioners | 861 | 54 |
| Pensioners | 1,493 | 71 |

The average age shown is weighted by PPF liabilities as at the effective date of this valuation, for each member type, and rounded to the nearest whole year.

## 8.4 Development of future PPF funding level

The future PPF funding level can be expected to decrease as members pass Normal Retirement Age and so become entitled to a higher level of compensation from the PPF. Against this, any deficit recovery contributions will improve the funding level. Investment returns in excess of those assumed to be achieved will also improve the funding level.

Member movements will also have an effect, though these are expected to be less material than the above factors. In practice, the position can be expected to be volatile.

# 9. SOLVENCY POSITION

## 9.1 Solvency

We have separately considered the solvency position, assuming that the Scheme was wound-up at the valuation date and members' accrued benefits were secured by the purchase of deferred and immediate annuity policies issued by an insurance company.

This is an approximation only as the true cost can only be provided by approaching an insurance company directly for a quotation

## 9.2 Summary of Assumptions

The key assumptions adopted for the solvency valuation are shown below. The equivalent assumptions for the solvency valuation at the previous valuation are also shown for comparison:

| | Solvency valuation | Previous solvency valuation |
|---|---|---|
| Pre-retirement return | Yield curve – 0.2% | 0.60% |
| Post-retirement return – deferred members | Yield curve – 0.2% | 0.60% |
| Post-retirement return - pensioners | Yield curve | 0.80% |
| RPI | BoE Inflation curve | 2.90% |
| CPI | BoE inflation curve – 0.6% | 2.1% |
| Mortality post-retirement | S3PA CMI_2022 with long term improvement of 1.5% p.a. for males and 1.25% for females, plus 0.5% p.a. additional improvement rate with standard smoothing factor (7.0) | S3PA CMI_2019 with long term improvement of 1.25% p.a. for males and females, plus 0.5% p.a. additional improvement rate with standard smoothing factor (7.0) |
| Proportions married | 80% for all | 80% for all |

## 9.3 Expenses

We have included an estimate of the expenses associated with organising a wind-up equal to 2% of the liabilities. The true cost of winding-up the Scheme may be higher or lower than this estimate.

## 9.4 Summary

On this basis the solvency position of the Scheme at the valuation date is shown below:

| | | Solvency valuation £000's | Previous solvency valuation £000's |
|---|---|---|---|
| Value of benefits in respect of: | | | |
| • Active Members | | 103,066 | 195,197 |
| • Deferred Pensioners | | 66,966 | 122,090 |
| • Current Pensioners | | 151,512 | 162,801 |
| • Expenses | | 6,431 | 9,602 |
| Total solvency liabilities | (A) | 327,975 | 489,690 |
| Market Value of Scheme Assets | (B) | 207,396 | 221,932 |
| Solvency Surplus/(Deficit) | (B-A) | (120,579) | (267,758) |
| **Level of Solvency Funding** | **(B/A)%** | **63%** | **45%** |

## 9.5 Changes since previous valuation

The solvency level has improved significantly from 45% to 63% since the last valuation, mainly as a result of:

- higher investment return assumptions; and
- deficit funding contributions paid by the Colleges.

## 9.6 Expected solvency level at next triennial valuation

Assuming that all actuarial assumptions in this Section are borne out in practice and that the Recovery Plan adopted is to repay the funding deficit as set out in the agreed Recovery Plans, then I expect the solvency level to improve to 66% by the next valuation.

## 9.7 Comparison with scheme funding

If the Scheme's funding objective had been met in full the level of solvency funding would have increased to 73%.

The Solvency basis places a higher value on the Scheme liabilities than the Funding basis. This is due to different assumptions adopted under this basis. This basis provides a useful reference point for the Trustee and Colleges when considering the adequacy of the Technical Provisions.

## 9.8 Debt on Colleges

Under current legislation if the Scheme were to be wound-up the deficit on the solvency basis would be imposed as a debt due from the Colleges. If the Colleges are unable to pay the debt in full, then the liabilities would be met in the order of priority set out in the Scheme's Trust Deed and Rules as overridden by the Pensions Act 1995 and subsequent Regulations.

## 9.9 Priority order

The cover, on the solvency basis, of the Scheme benefits using the order of priority which would apply as at the date of signature of this report is as follows:

| Liability | Cover |
|---|---|
| Expenses and money purchase benefits | 100% |
| Benefits provided by the Pensions Protection Fund | 78% |
| Benefits in excess of those provided by the Pensions Protection Fund | 0% |

This table shows that at the valuation date the benefits provided by the Pensions Protection Fund (PPF) were not covered in full. Therefore at this date if the Scheme had wound up without receiving additional funds it would have entered the PPF. This would have resulted in members' benefits being reduced below their full entitlements.

## 9.10 Future progression and material developments

Based upon the assumptions adopted for the solvency calculations, payments of College contributions at the rate detailed in Appendix F are projected to be more than sufficient to fund on the solvency basis. Therefore the above solvency position is expected to improve over the period to the next actuarial valuation.

College contributions at the rate detailed in Appendix F are also likely to improve the level of coverage on the current order of priorities. However in the period to the next valuation the change is unlikely to be significant.

# 10. INVESTMENT STRATEGY

## 10.1 Background

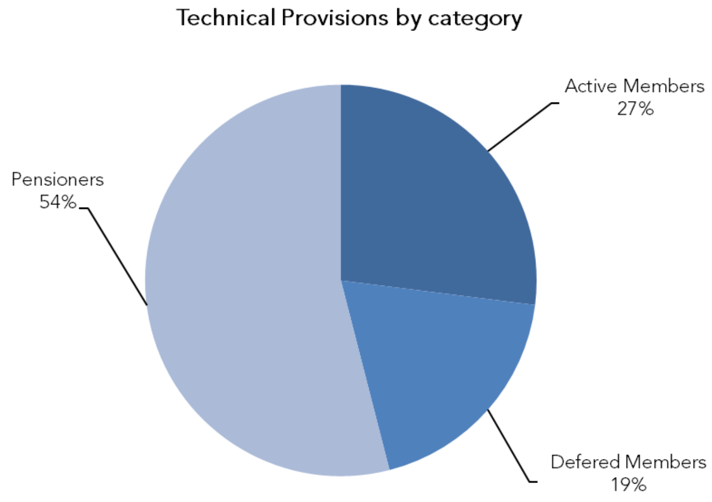
The Pensions Act 1995 requires the Trustee to regularly review their Statement of Investment Principles to ensure that it is consistent and compliant with Section 36 ("Choosing Investments"). We have therefore set out below some comments on the nature of the Scheme's liabilities to assist in this review.

## 10.2 Asset split

Appendix B provides details of the Scheme's assets at the valuation date. At that time approximately 60% of the assets were invested in equities, hedge funds and property assets, which provide unknown future returns. The remainder of the assets were invested in gilts, corporate bonds and cash, which, if held until maturity, provide known returns assuming that there are no defaults.

## 10.3 Liability split

The chart below shows the breakdown of the Scheme's Technical Provisions by membership category.




Equities and property assets are typically assumed to provide some level of out-performance, but their returns are volatile. Therefore, any scheme that includes assets of this type and uses investment return assumptions allowing for out-performance will experience a more volatile funding level.

In many schemes pensioner members are often matched by the scheme holding gilts and/or bonds because these provide a known return and their values will change in a similar way when interest rates change. The other scheme liabilities are matched by more volatile out-performance assets.

## 10.4 Comparison

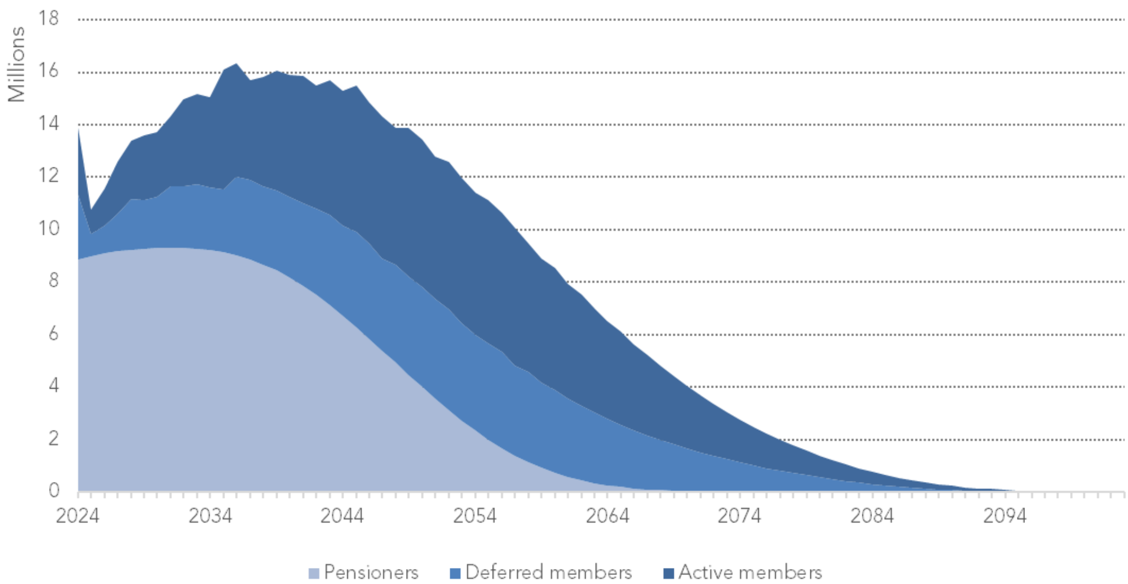
Looking at the chart, the Scheme has a significant proportion (54%) of its liabilities directly related to pensioners. The Scheme assets are only 40% invested in bonds, cash and derivatives, however Schroders have confirmed in their 2023 Q1 report that hedging against interest and inflation is approximately 80%, which should help reduce the volatility of the funding level as the assets and liabilities will change value in a similar way for a given change in interest rates or inflation.

## 10.5 Recovery Plan

The Trustee has agreed to use a best estimate rate of investment return of 5.9% per annum in the calculation of the contributions to be paid under the Recovery Plans. The best estimate rate of return is based on investment advice from their investment consultants.

## 10.6 Scheme Cash Flows

The chart below shows the anticipated future cash flows of the Scheme based on the assumptions underlying the Scheme Funding basis.




## 10.7 Recommendation

There are a number of different funding measures the Scheme can match against in order to reduce risk with respect to the funding measure.

Alternatively, the Trustee might wish to accept a certain degree of mismatching in the expectation of higher investment returns. I understand that the Trustee have reviewed their investment policy and appreciate the risks associated with this element of mismatching. Given the strength of the Colleges covenant this does not appear to be an unreasonable approach.

# 11. CONCLUSIONS

## 11.1 Funding level and Recovery Plan

The Scheme's funding level on the Statutory Funding Objective at the valuation date was 86%, equivalent to a deficit of £33.2 million. At the previous valuation the ongoing funding level was 78%. The main reasons for the improvement are changes in the valuation basis and deficit reduction contributions paid by the Colleges. The former is principally due to the adoption of a higher assumption for future investment return driven by higher gilt and bond yields. This has been partly offset by lower than assumed investment returns and higher than assumed inflation.

The ongoing future joint contribution rate for the Colleges and members is 26.94% of Contribution Pay including an allowance for death in service costs but excluding allowances for expenses and the premiums for income protection.

The Trustee has agreed to the recommended update to the allowances for Scheme expenses based on the average of the last 3 years' Scheme experience.

There are a variety of options that have been adopted to fund the deficits in individual College Sections. The final positions are set out in Appendix F.

## 11.2 Solvency and PPF Section 179 funding level

The solvency position of the Scheme has been measured by reference to the estimated cost of buying out the benefits with an insurance company. As at the valuation date the solvency funding level of the Scheme was 63%.

The PPF funding level, based on the PPF Board benefits and assumptions, was 79%.

## 11.3 CETVs

I recommend that the CETV basis be reviewed following completion of this valuation.

## 11.4 Factors

The actuarial factors used in individual member calculations were reviewed in July 2023 and are appropriate for current economic and demographic conditions.

## 11.5 Timescale and future valuation requirements

The next triennial valuation is due to take place as at 31 March 2026.

For those College Sections which have more than 100 members, interim actuarial reports will be required as at 31 March 2024 and 31 March 2025.

For those College Sections with a Recovery Plan, a summary of this valuation report plus copies of the Recovery Plan and Schedule of Contributions needs to be sent to TPR within 10 working days of this report being signed.

Finally a Summary Funding Statement should be sent to members updating them on the Scheme's funding position. This should be issued by 30 September 2024.

R J SWEET
Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

28 June 2024

# Appendix A – Membership Data

The Scheme membership data was supplied by Pension Administration Office on behalf of the Trustee. We have relied on the accuracy of the information provided.

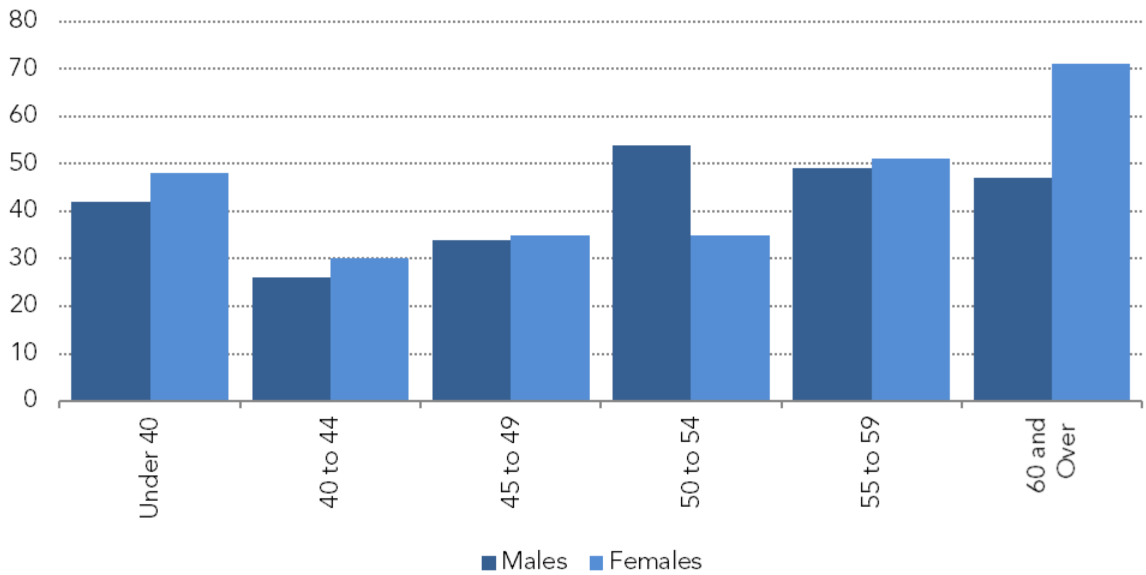
The data used in the valuation is summarised below, the previous valuation data is summarised in brackets for comparison.

| Active Members | Males | Females | Total |
|---|---|---|---|
| Number of members | 252<br>(329) | 270<br>(355) | 522<br>(684) |
| Total Contribution Pay p.a. | £7,890,080<br>(£9,234,171) | £7,296,474<br>(£8,578,342) | £15,186,554<br>(£17,812,513) |
| Average Contribution Pay p.a. | £31,310<br>(£28,067) | £27,024<br>(£24,164) | £29,093<br>(£26,042) |
| Average past service (years) | 14.4<br>(13.9) | 11.6<br>(10.1) | 13.0<br>(12.0) |
| Average age (unweighted) | 50.7<br>(50.5) | 51.2<br>(49.5) | 51.0<br>(49.9) |
| Discounted mean term to retirement (years) | 9.6<br>(9.9) | 8.1<br>(9.6) | 8.9<br>(9.8) |

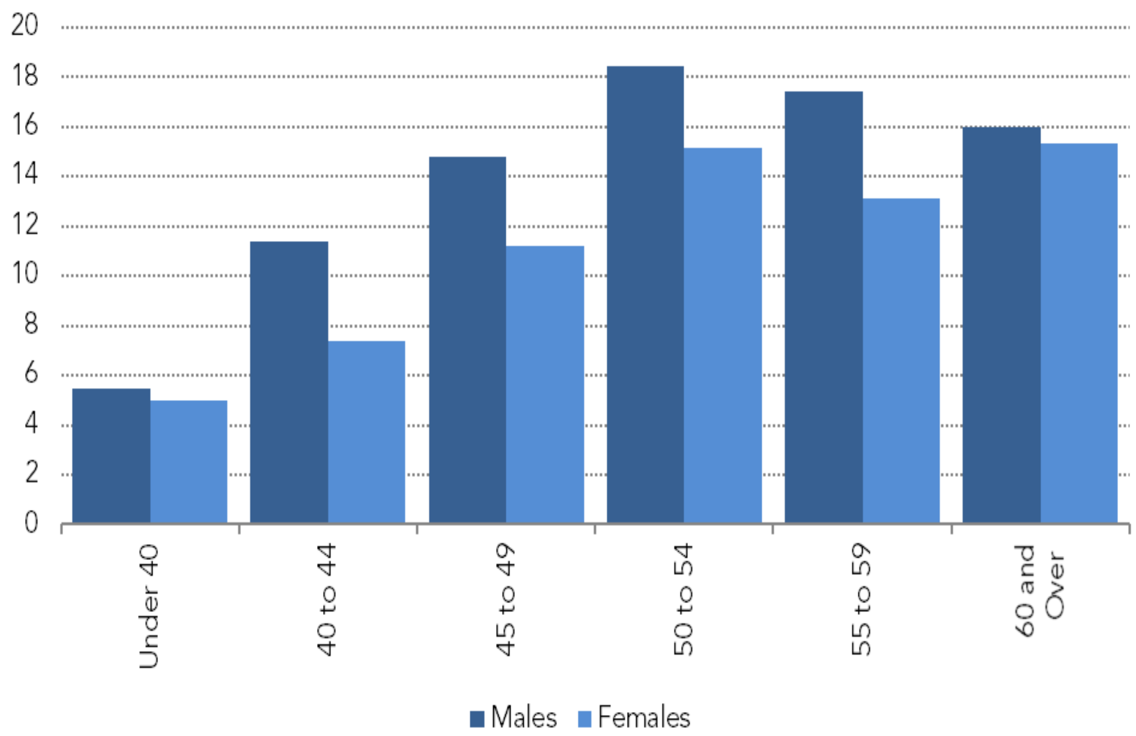
**Notes**

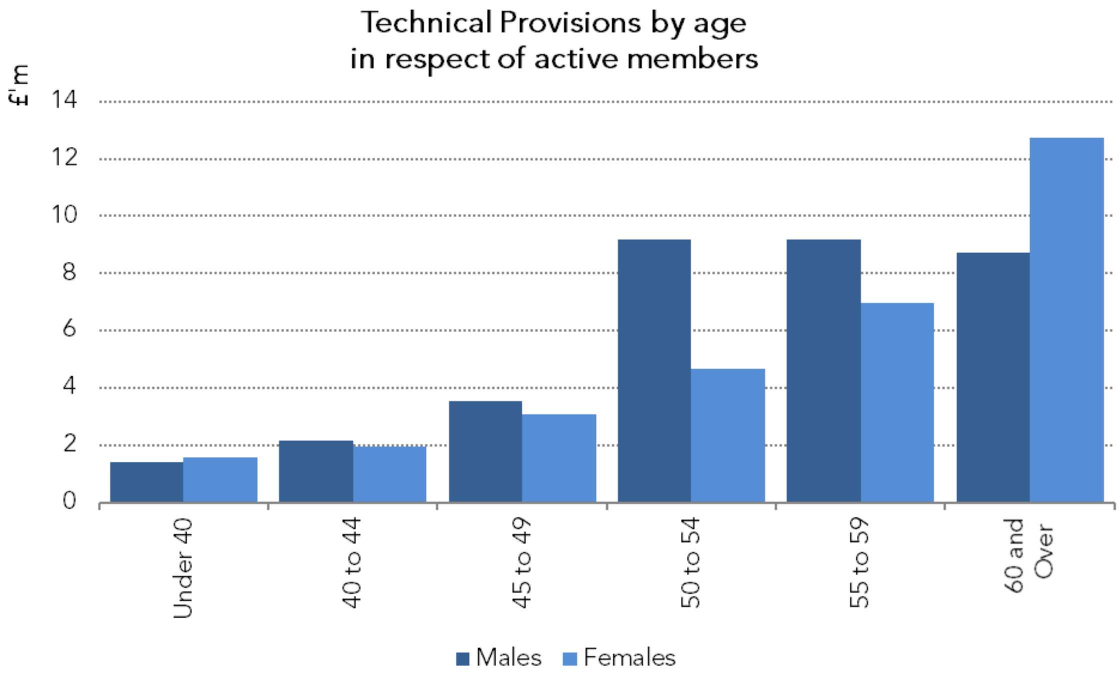
1. We have reconciled the above number of members with the Administration Office. The audited accounts shows a figure of 519 active members. The difference is due to timing differences between the two membership data extracts.
2. The figures for the previous actuarial valuation are shown in brackets where available.
3. Included in these statistics are 118 active members who have not yet retired, but who have reached age 60.
4. Total Contribution Pay shown above are the actual Contribution Pay paid to members (i.e. not full time equivalent for part-timers) as provided to us by the Scheme's Administrator.
5. The Average Past Service is the full time equivalent past service for all members and is represented in the graph below. It includes transferred-in added years, augmentations and AVC added years where appropriate.
6. The discounted Mean Term to Retirement is the average term to the assumed retirement date, weighted by members' Technical Provisions.

Number of active members




Average accrued FTE service of active members

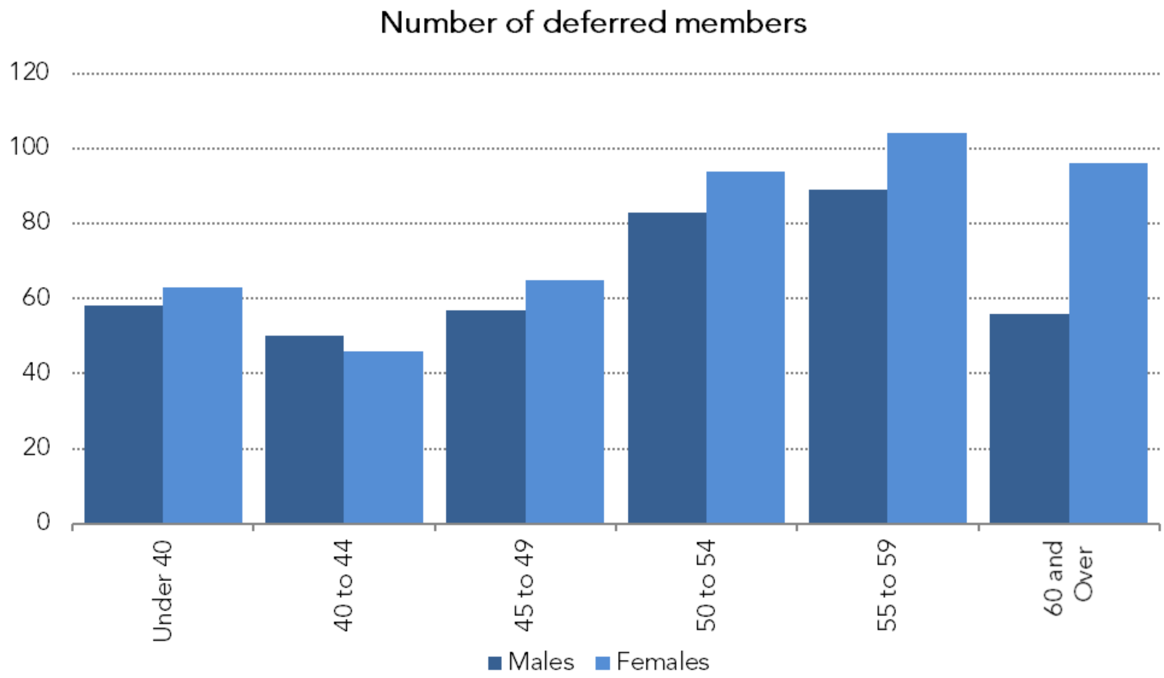





| Deferred members | Males | Females | Total |
|---|---|---|---|
| Number of members | 393<br>(388) | 468<br>(450) | 861<br>(838) |
| Total deferred pensions p.a. payable as at valuation date | £1,606,062<br>(£1,427,292) | £1,352,282<br>(£1,094,365) | £2,958,234<br>(£2,521,657) |
| Average deferred pension p.a. payable as at valuation date | £4,087<br>(£3,679) | £2,889<br>(£2,432) | £3,436<br>(£3,009) |
| Average age (unweighted) | 50.9<br>(49.9) | 51.8<br>(51.0) | 51.4<br>(50.5) |
| Discounted mean term to retirement (years) | 8.3<br>(9.9) | 7.2<br>(8.8) | 7.8<br>(9.4) |

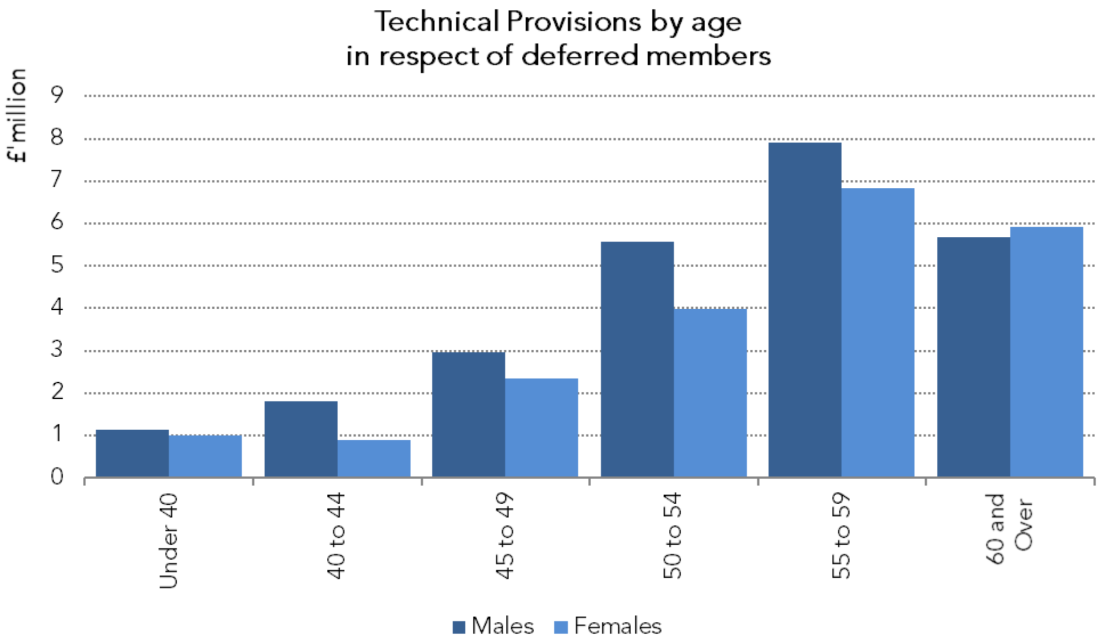
## Notes

1. We have reconciled the above number of members with the Administration Office. The audited accounts shows a total number of 857 deferred members. The difference is due to timing differences between the two membership data extracts.
2. The figures for the previous actuarial valuation are shown in brackets where available.
3. Included in these statistics are 152 deferred pensioners who have not yet retired, but who have passed age 60.
4. The following graphs illustrate the current statistics in greater detail.
5. The discounted Mean Term to Retirement is the average term to the assumed retirement date weighted by members' Technical Provisions.
6. In addition to the above, there are 17 pending members who are awaiting a refund of contributions. We have estimated the values for these refunds and they are included in the value of the liabilities.



Number of deferred members
120
100
80
60
40
20
0
Under 40
40 to 44
45 to 49
50 to 54
55 to 59
60 and Over
Males
Females


Average pension at leaving of deferred members
6,000
5,000
4,000
3,000
2,000
1,000
0
Under 40
40 to 44
45 to 49
50 to 54
55 to 59
60 and Over
Males
Females

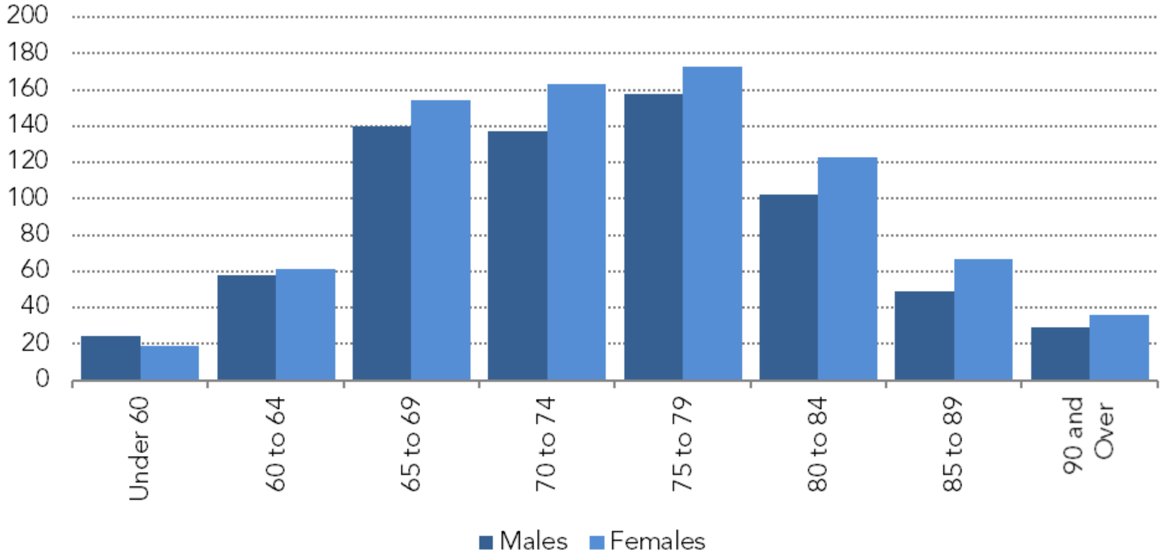



| Pensioners | Males | Females | Total |
|---|---|---|---|
| Number of members | 697<br>(679) | 796<br>(763) | 1,493<br>(1,442) |
| Total pensions p.a. payable as at valuation date | £4,887,411<br>(£3,897,711) | £3,890,536<br>(£3,029,639) | £8,777,947<br>(£6,927,351) |
| Average pension p.a. payable as at valuation date | £7,012<br>(£5,740) | £4,888<br>(£3,971) | £5,879<br>(£4,804) |
| Average age (unweighted) | 74.6<br>(74.2) | 75.2<br>(74.4) | 74.9<br>(74.3) |

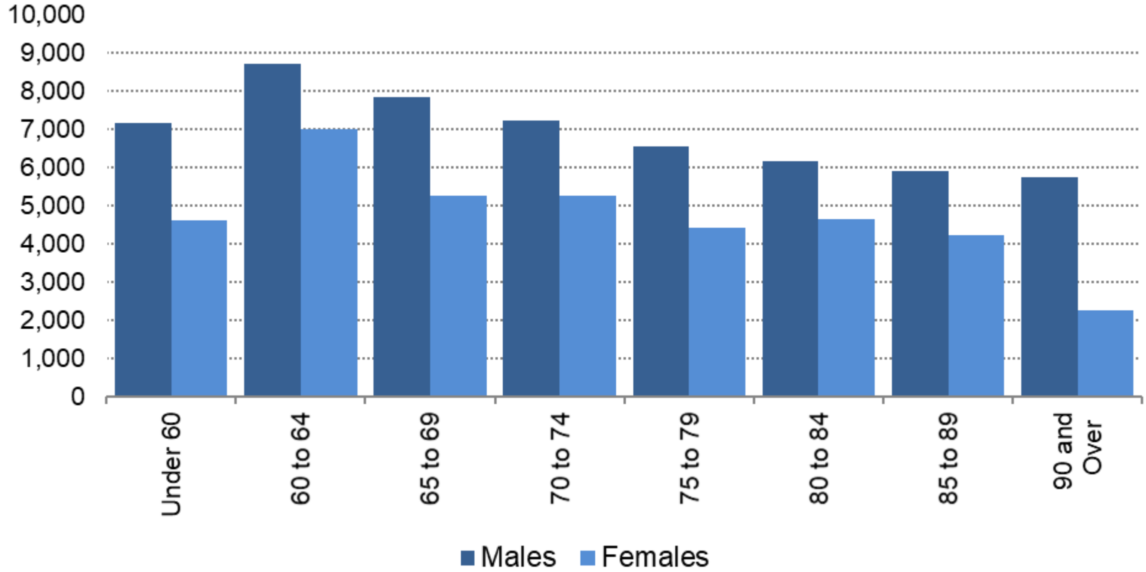
## Notes

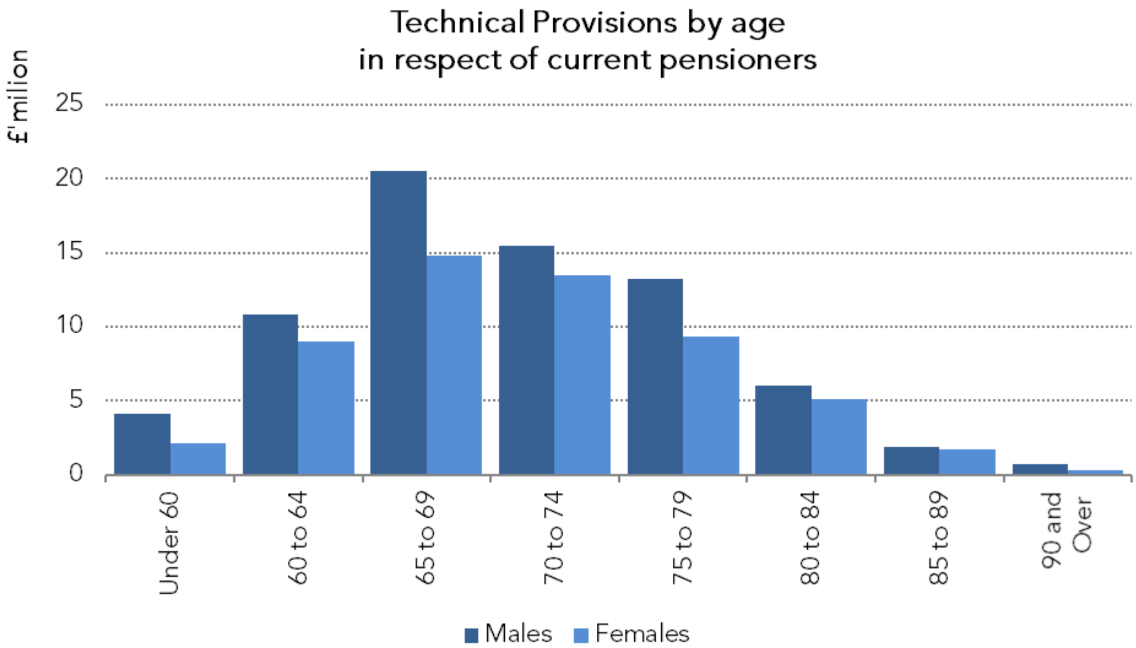
1. We have reconciled the above number of members with the Administration Office. The audited accounts shows a figure of 1,494 pensioners. The difference is due to timing differences between the two data extracts.
2. The figures for the previous actuarial valuation are shown in brackets where available.
3. There are 207 dependant pensioners included in the above statistics. In addition, there are 3 children's pensions in payment.
4. The following graphs illustrate the current statistics in greater detail.

## Number of current pensioners




## Average pensions at the valuation date of current pensioners



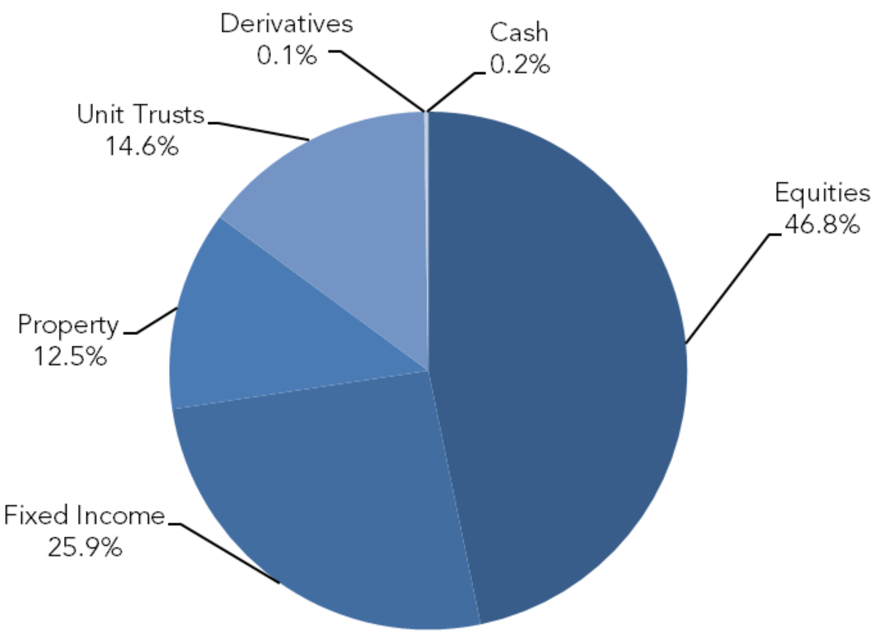

Technical Provisions by age
in respect of current pensioners
£'milion
25
20
15
10
5
0
Under 60
60 to 64
65 to 69
70 to 74
75 to 79
80 to 84
85 to 89
90 and Over
Males
Females

# Appendix B – Scheme Assets

The Scheme's audited accounts show that the Scheme held the following assets as at 31 March 2023.

| Market value of Scheme assets | Amount £ | Percentage of total Assets |
|---|---|---|
| Equities - Listed | 96,987,386 | 46.8% |
| Fixed Income | 53,623,033 | 25.9% |
| Property | 25,883,245 | 12.5% |
| Unit Trusts | 30,358,894 | 14.6% |
| Derivatives | 121,506 | 0.1% |
| Cash & Net Current Assets | 422,006 | 0.2% |
| Total | 207,396,070 | 100.0% |

The chart below shows the breakdown of the assets by asset class.



# Appendix C – Summary of Benefits

| | |
|---|---|
| 1. Effective Date | 31 March 2023 |
| 2. Eligibility | Each College has its own eligibility conditions. |
| 3. Pensionable Age (PA) | 65th birthday for males and females |
| 4. Offset Removal Date (ORD) | The date a College removed the single person's Basic State Pension (BSP) entitlement from the definition of Contribution Pay. The table at the end of this Section sets out those Colleges which have removed the BSP Offset and those which have not. |
| 5. Contribution Pay | **For Pensionable Service prior to ORD**<br>Gross taxable earnings for the week or month minus:<br><br>(a) if paid weekly, the current weekly rate of the single person's flat rate state retirement pension, or<br><br>(b) if paid monthly, $4^1/_3$ x the current weekly single person's flat rate state retirement pension in force on the last day of the month.<br><br>For those Colleges where the offset has been retained, the offset is based on the Single Tier Pension (STP) instead of the BSP for Pensionable Service after 1 April 2016.<br><br>**For Pensionable Service on or after ORD**<br>Gross taxable earnings for the week or month. |
| 6. Insured Salary | Current rate of annual salary or the gross taxable earnings for the previous tax year, whichever is larger. |
| 7. Final Pensionable Salary | The best average of 3 consecutive years Contribution Pay in the last 13 years before the date of exit, increased in line with the RPI to the date of exit. |
| 8. Pensionable Service | Service from date of joining the Scheme in years and completed months<br>**plus**<br>Service granted on transfer in<br>**plus**<br>Service secured by AVCs |
| 9. Member's contributions | See table at end of this Section.<br>Members may pay AVCs to secure added years of service. |
| 10. Normal Retirement Pension | 1/60th of Final Pensionable Salary times Pensionable Service |

| | |
|---|---|
| 11. Early Retirement Pension in Normal Health | Members may retire between age 55 and 60 with the consent of their College, and on or after age 60 as of right.<br><br><u>Members retiring at or after age 60:</u><br>1/60th of Final Pensionable Salary times Pensionable Service<br><br><u>Members retiring between age 55 and 60:</u><br>1/60th of Final Pensionable Salary times Pensionable Service<br><br>The pension in this case is reduced by an actuarial factor depending on the period to age 60.<br><br>These provisions are modified in respect of Pensionable Service on or after 1 April 2004 for some Colleges, in respect of some of their members (as identified in the following table) so that the actuarial reduction referred to above is based on the period to age 65 and College consent is required for any retirement before age 65. |
| 12. Additional Retirement Cash | <u>For Pensionable Service prior to ORD</u><br>In addition to the pension payable a tax free lump sum is payable equal to the first year's pension.<br><br><u>For Pensionable Service on or after ORD</u> Nil |
| 13. Early Retirement Pension in Ill-Health or on grounds of Incapacity | Generally, there is no early retirement pension from the Scheme in these circumstances. An insured Group Income Protection (GIP) benefit will be paid outside the Scheme. |
| 14. Exchange of pension for cash | Part of the retirement pension may be commuted for a tax free cash lump sum, in addition to the Retirement Cash in 12, subject to HMRC limits. |
| 15. Benefits on death after retirement | (a) The balance, if any, of the first 5 years' payments of the member's pension, is paid as a lump sum to dependants<br>plus<br>(b) a spouse's pension of one half of the member's pension before any exchange for cash. |
| 16. Benefits on death in service | (a) A lump sum of 2 times Insured Salary at the date of death<br>plus<br>(b) a spouse's pension of 25% of Insured Salary<br>plus<br>(c) a child's pension of 12.5% of Insured Salary for each child (maximum of 2) while below age 18 or, if later, receiving full time education. |

# Appendix D – Statement of Funding Principles

## Status

This Statement has been prepared by the Management Committee for the purposes of the actuarial valuation as at 31 March 2023 after obtaining the advice of Robert Sweet, the Scheme Actuary, and after consulting the Colleges.

## Statutory Funding Objective

This statement sets out the Management Committee's policy for securing that the statutory funding objective is met.

The statutory funding objective is defined in Section 222 of the Pensions Act 2004. Every scheme must have sufficient and appropriate assets to cover its technical provisions.

## Technical provisions – method

The actuarial method used in the calculation of the technical provisions depends on whether or not the Section is open or closed to new entrants.

If a Section is open to new entrants, the Projected Unit Method is to be used.

If the Section is closed to new entrants then the Attained Age Method or the Projected Unit Method may be used, as agreed with the College concerned.

For those Colleges closed to new entrants, but who have retained the Projected Unit Method for funding purposes, the Colleges and Management Committee understand that normal contribution rates will increase over time.

For those Colleges closed for all accrual the Defined Accrued Benefit Method is used.

## Technical provisions – assumptions

The financial assumptions are based upon the following yield curves:

### Fixed Interest Gilt Yield

Bank of England nominal gilt yield forward curve ("Gilt Yield").

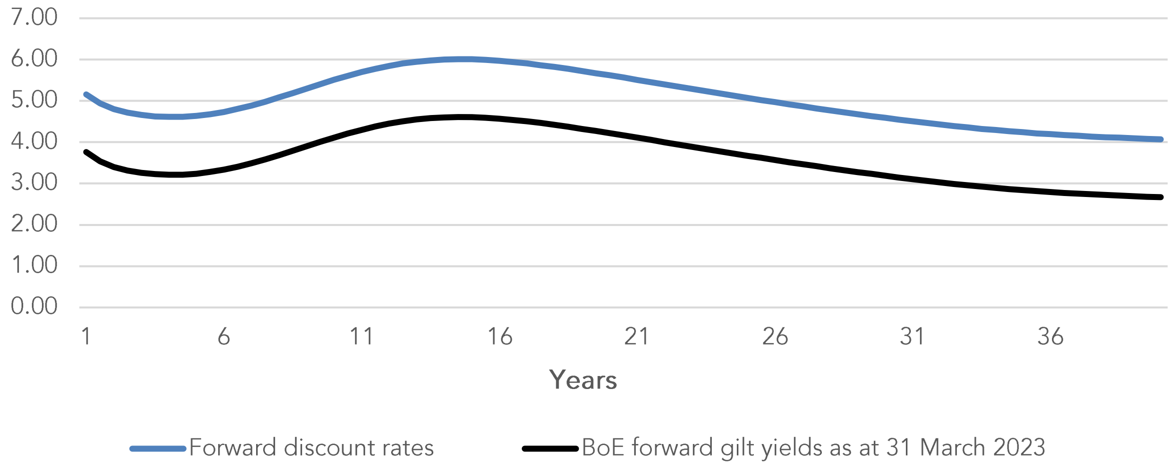
### Implied Inflation

Bank of England Implied Inflation forward curve ("Implied Inflation").

### Discount Interest Rate

Technical provisions are determined using a discount rate equal to the Gilt Yield +1.4% per annum.

The Gilt Yield and discount rate curves at 31 March 2023 are as follows:



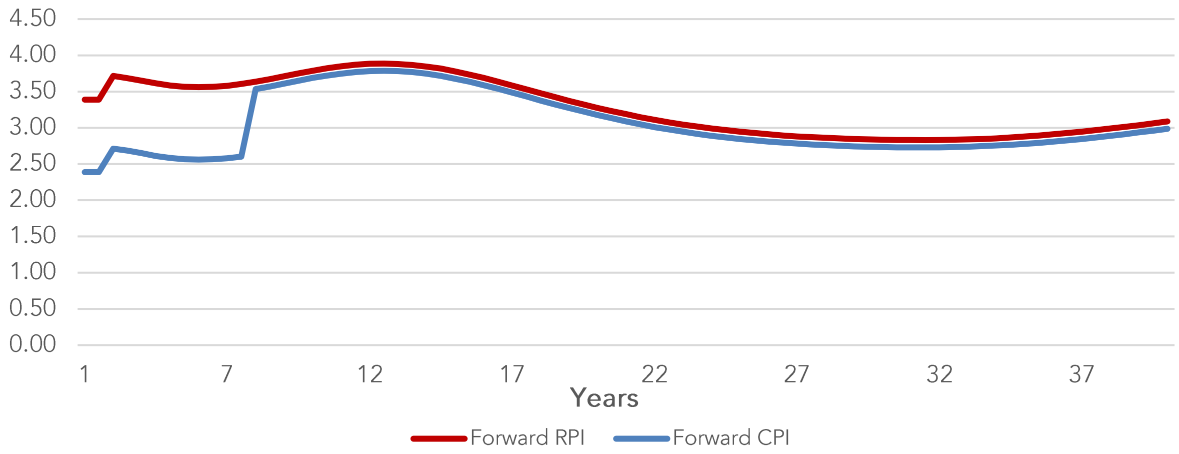

### Retail Price Inflation (RPI)

The assumption for future RPI increases is set equal to the Implied Inflation.

### Consumer Price Inflation (CPI)

The assumption for future increases in the CPI is determined by making an adjustment to the assumption adopted for RPI. The Management Committee have agreed to determine the assumption for CPI by making a 1.0% per annum deduction from the assumption for RPI for the period up to 2030, reducing to a 0.1% per annum deduction from 2031 onwards.

The RPI and CPI curves at 31 March 2023 are as follows:



### Pension Increases in payment

Pension increases in payment, depending on the College Section and where benefits were accrued, are defined in the Rules as either:

- Increasing in line with RPI;
- Increasing in line with RPI to a maximum of 5% per annum compound;
- Increasing in line with CPI to a maximum of 3% per annum compound (post April 1988 GMP);
- Increasing in line with CPI to a maximum of 2.5% per annum compound (post March 2016 pensions);
- Level in payment (pre April 1988 GMP only).

Future increases are assumed to be in line with the RPI and CPI yield curves, subject to the maxima noted above.

### Pension Increases in Deferment

The assumption for future increases is the same as the expected future increase in the CPI up to a maximum of 5% per annum (2.5% per annum for Pensionable Service after 5 April 2009).

### Pay Increases

Future increases in Salaries are assumed at CPI +0.5% per annum.

### Mortality

It is the intention of the Management Committee to use both pre- and post-retirement mortality tables that reflect, as much as possible, actual Scheme experience with a suitable allowance for likely mortality improvements over the medium to long term.

The Management Committee have agreed to adopt the S3PxA mortality base tables produced by the Continuous Mortality Investigation Bureau (CMIB).

In addition, the Management Committee wish to make provision for future longevity improvements by adopting the CMI_2022 projection model produced by the CMIB, with a long term improvement rate of 1.25% per annum for males and 1.0% per annum for females. An additional improvement rate of 0.25% per annum with the standard smoothing factor 7.0 have also been adopted.

These tables and adjustments are subject to regular review and will be updated in future valuations as more up-to-date data becomes available.

### New Entrants

The Management Committee does not allow explicitly for new entrants. However, by adopting the Projected Unit Method for Colleges open to new entrants, to give a stable normal contribution rate, they are implicitly assuming that the active membership average age remains relatively constant – i.e. that new entrants will continue to join the Scheme.

### Commutation

The Management Committee believe that the vast majority of members take the maximum tax free cash option at retirement.

The Committee therefore wish to make allowance for this as follows:

- 100% of members take maximum tax free cash at retirement;
- Commutation (cash) factors are those in force at the valuation date.

This feature will be monitored at each future valuation.

### Withdrawals from Active Service

The Scheme is relatively large; as it is prudent to assume that no-one leaves early, the Management Committee therefore makes no allowance for early leavers. Any members leaving early are likely to release a surplus to the Scheme; this will be used to reduce future contribution rates when appropriate.

### Retirement

The Scheme's Pensionable Age is 65 although many members have the right to take at least part of their pension benefits without actuarial reduction at age 60. The Management Committee wishes to fund member benefits to the following assumed average expected ages of retirement:

| Assumed Retirement Age for Service accrued to 31 March 2016 | Active Members | Deferred Members |
|---|---|---|
| Male – Option 1 | 63 | 62 |
| Male Options 2&3 | 65 | 63 |
| Female – Option 1 | 63 | 62 |
| Female Options 2&3 | 64 | 62 |

For service accrued on or after 1 April 2016 all members are assumed to retire at age 65.

These retirement ages will continue to be reviewed by the Actuary

### Percentage with Dependant's Benefits at Death

At death, 80% of members are assumed to have a dependant, and it is assumed that the dependant is of opposite gender to the member.

### Age Difference of Dependants

In respect of members and their assumed dependants, a male member or assumed dependant is assumed to be 3 years' older than the female assumed dependant or member.

### Expenses

Expenses of administering the Scheme are borne by the Scheme.

The Management Committee's policy is for the Actuary to review the allowance for expenses at each valuation.

The Actuary has reviewed the expense provisions in the light of recent experience and recommended that a per member and per College Section charge be made to each College Section. These are as follows:

- College Section Charge = £3,000.00 per annum
- Active Member Charge = £337.24 per annum
- Deferred Member Charge = £128.77 per annum
- Pensioner Member Charge = £251.40 per annum

These charges will be reviewed at each future valuation.

In addition, each College will pay the directly attributable PPF levies plus any directly attributable actuarial or legal fees.

## Policy on discretionary increases and funding strategy

No allowance has been made for any discretionary increases in benefits in the calculation of the technical provisions.

## Period within which and manner in which a failure to meet the Statutory Funding Objective is to be rectified

Any funding shortfalls identified at an actuarial valuation are to be eliminated by the payment of additional contributions. In determining the length of the recovery period at any particular valuation the Management Committee's principles are to take into account the following factors:

- the size of the funding shortfall;
- the maturity of the Section concerned;
- the Management Committee's assessment of the financial covenant of the Colleges; and
- any contingent security offered by the Colleges.

The assumptions to be used in the calculations to determine the additional contributions required will be those set out above for calculating the Technical Provisions, except that the expected rate of return (the return on existing assets and on new contributions paid during the recovery period) will be the Gilt Yield +2.1% per annum.

## Arrangement by a person other than the Colleges or a Scheme member to contribute to the Scheme

There are no arrangements for a person other than the Colleges or a Scheme member to contribute to the Scheme.

## Policy on reduction of cash equivalent transfer values (CETVs)

The Management Committee asks the Scheme Actuary to advise them at each valuation of the extent to which assets are sufficient to provide CETVs for all non pensioners without adversely affecting the security of the benefits of other members and beneficiaries.

If at any time, after obtaining advice from the Scheme Actuary, the Management Committee are of the opinion that the payment of CETVs at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, the Management Committee will commission a report from the Scheme Actuary to decide whether, and to what extent, CETVs should be reduced.

## Payments to the Colleges

If the Scheme is not being wound up and the assets of the Scheme exceed the estimate by the Scheme Actuary of the cost of buying out the benefits of all beneficiaries from an insurance company, including the expenses of doing so, the Colleges may receive a payment of the excess. If the Scheme Actuary certifies that the requirements of the Pensions Act 2004 have been met and certifies the maximum amount that may be paid, the Management Committee will consider whether a payment would be in the interest of the members, and if so, the Management Committee will give notice to the members of the proposal.

## Frequency of Valuations and circumstances for extra Valuations

The Scheme's most recent actuarial valuation under Part 3 of the Pensions Act 2004 was carried out as at the effective date of 31 March 2023 and subsequent valuations will in normal circumstances be carried out every three years thereafter. An actuarial report on developments affecting the Scheme's funding level will be obtained as at each intermediate anniversary of that date for College Sections whose membership exceeds 100.

The Management Committee may call for a full actuarial valuation instead of an actuarial report when, after considering the Scheme Actuary's advice, they are of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Management Committee will consult with the Colleges before doing so.

## Signed on behalf of the Management Committee

Signature:

Name: Robin Ellison

Position: Chair

Date: 31 May 2024

# Financial Assumptions as at 31 March 2023

The duration of the Scheme's liabilities at 31 March 2024 was 14 years. The assumptions below are based on the spot rates at 14 years. In practice, the valuation uses the full forward yield curves.

| Economic | Assumptions for valuation as at 31 March 2023 (% per annum compound) |
|---|---|
| Rate of interest: | |
| • before retirement | 5.20 |
| • after retirement | 5.20 |
| Asset return for Recovery Plan: | 5.90 |
| Rate of salary increases: | Up to 2030: 3.15<br>2031 onwards: 4.05 |
| Rate of increase in pensions in payment: | |
| • Guaranteed Minimum Pension (GMP) earned for service before 6 April 1988 | 0.0 |
| • GMP earned for service between 6 April 1988 and 5 April 1997 | 2.80 |
| • Pension in excess of GMP earned to 31 March 2004 | 3.65 |
| • Pension earned between 1 April 2004 and 31 March 2016 | 3.65 |
| • Pension earned after 31 March 2016 | 2.50 |
| Rate of increases in pensions in deferment: | |
| • Excess pension accrued prior to 6 April 2009 | 3.10 |
| • Excess pension accrued from 6 April 2009 | 2.50 |
| • GMP | Statutory |

# Appendix E – Assumptions

The 2023 Funding Basis is based on the Statutory Funding Objective and the current Statement of Funding Principles adopted by the Trustee. These assumptions have been adjusted by the Trustee in line with actuarial advice, as required by legislation.

Under the Code of Practice, when choosing the assumptions the Trustee is required to consider the factors particular to the Colleges, or the Colleges' industry, affecting matters such as pay increases, rate of withdrawal from membership and recruitment. The Trustee should satisfy themselves that the initial chosen assumptions set out below are appropriate bearing in mind the above factors.

| **Economic** | 2023 Funding Basis | 2020 Funding Basis |
|---|---|---|
| Rate of interest: | | |
| before retirement | 5.2% | 2.70 |
| after retirement | 5.2% | 2.70 |
| Asset return for Recovery Plans | 5.9% | 3.60 |
| Rate of salary increases: | 3.6% | 2.60 |
| Rate of increase in pensions in payment: | | |
| • Guaranteed Minimum Pension (GMP) earned for service before 6 April 1988 | 0.0 | 0.0 |
| • GMP earned for service between 6 April 1988 and 5 April 1997 | 2.8 | 1.90 |
| • Pension in excess of GMP earned to 31 March 2004 | 3.65 | 2.90 |
| • Pension earned between 1 April 2004 and 31 March 2016 | 3.65 | 2.90/2.85 |
| • Pension earned after 31 March 2016 | 2.5 | 1.75 |

* the duration of the Scheme liabilities as a whole was approximate 14 years on the funding assumptions at the valuation date. At the previous valuation it was c.18 years. The financial assumptions above are the annual spot rates at the 14 year term.

| | 2023<br>Funding Basis | 2020<br>Funding Basis |
|---|---|---|
| Rate of increases to pensions in deferment:<br>• Excess pension accrued prior to 6 April 2009<br>• Excess pension accrued from 6 April 2009<br>• GMP | <br>3.1<br>2.5<br>Statutory | <br>2.10<br>2.10<br>Statutory |
| <u>Other</u> | | |
| Valuation of assets: | Surrender value of the assets | Surrender value of the assets |
| Expenses: | College Section Charge<br>= £3,000 p.a. | College Section Charge<br>= £3,000 p.a. |
| | Active Member Charge<br>= £337.24 p.a. | Active Member Charge<br>= £230.38 p.a. |
| | Deferred Member Charge<br>= £128.77 p.a. | Deferred Member Charge<br>= £87.96 p.a. |
| | Pensioner Member Charge<br>= £251.40 p.a. | Pensioner Member Charge<br>= £171.74 p.a. |
| Death in Service Premiums: | As paid by the individual College | As paid by the individual College |
| Pension Protection Fund levy and other directly attributable expenses: | Paid for in addition to the above expenses | Paid for in addition to the above expenses |
| **Demographic** | | |
| Mortality Base tables | S3PxA | S3PxA |
| Projection table | CMI_2022 | CMI_2019 |
| Long term improvement rate | 1.25% p.a. for males<br>1.0% p.a. for females | 1.25% p.a. for males<br>1.0% p.a. for females |
| Additional Improvement rate | 0.25% p.a. | 0.25% p.a. |
| Smoothing Rates | 7.0 | 7.0 |
| Allowance for Covid-19 | Nil | n/a |

| Demographic | 2023<br>Funding Basis | 2020<br>Funding Basis |
|---|---|---|
| Assumed Retirement Age (ARD)<br>Males:<br>• Active Members | Age 63 for Benefit Option 1 benefits to 31 March 2016<br>and<br>Age 65 for Benefit Option 2&3 benefits and service on or after 1 April 2016 | Age 63 for Benefit Option 1 benefits to 31 March 2016<br>and<br>Age 65 for Benefit Option 2&3 benefits and service on or after 1 April 2016 |
| • Deferred Members: | Age 62 for Benefit Option 1 benefits to 31 March 2016 and Age 63 for Benefit Option 2&3 benefits<br>and Age 65 for service on or after 1 April 2016 | Age 62 for Benefit Option 1 benefits to 31 March 2016 and Age 63 for Benefit Option 2&3 benefits<br>and Age 65 for service on or after 1 April 2016 |
| Females:<br>• Active Members | Age 63 for Benefit Option 1 benefits to 31 March 2016<br>and<br>Age 64 for Benefit Option 2&3 benefits<br>and<br>Age 65 for service on or after 1 April 2016 | Age 63 for Benefit Option 1 benefits to 31 March 2016<br>and<br>Age 64 for Benefit Option 2&3 benefits<br>and<br>Age 65 for service on or after 1 April 2016 |
| • Deferred Members | Age 62 for Benefit Option 1 benefits to 31 March 2016<br><br>Age 62 for Benefit Option 2&3 benefits to 31 March 2016 and<br>Age 65 for service on or after 1 April 2016 | Age 62 for Benefit Option 1 benefits to 31 March 2016<br><br>Age 62 for Benefit Option 2&3 benefits to 31 March 2016<br>and<br>Age 65 for service on or after 1 April 2016 |
| Proportion Married: | Males and Females<br>80% | Males and Females<br>80% |
| Age Difference: | Wives 3 years younger than their husbands | Wives 3 years younger than their husbands |
| Commutation of pension for cash: | All Members will take their maximum tax free cash allowance on the basis that current commutation factors are maintained. | All Members will take their maximum tax free cash allowance on the basis that current commutation factors are maintained. |
| Withdrawal rates: | No allowance | No allowance |
| Other Member Options: | No allowance | No allowance |

# Appendix F – College Contribution Levels

| College | From 1 April 2023 to 30 June 2024 | | | From 1 July 2024 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Employee Contribution Rate (%) | Employer Contribution Rate (%) | Recovery Plan Amounts (15 months) | Employee Contribution Rate (%) | Employer Contribution Rate (%) | Expenses (£ p.a.) | Recovery Plan Amounts (£ p.a.) | Recovery Plan Cessation Date | |
| Former contracted-out Colleges with BSP Offset Removed | | | | | | | | | |
| Christ's College | 10.00% | 26.23% | 271,815 | 10.00% | 19.50% | 33,548 | 379,494 | 31 March 2030 | * |
| Churchill College | 0.00% | 0.00% | 0 | - | - | 27,631 | - | - | ** |
| Corpus Christi College | 15.00% | 20.22% | 0 | 15.00% | 9.00% | 20,212 | - | - | * |
| Downing College | 0.00% | 0.00% | 48,881 | - | - | 18,415 | 39,105 | 30 April 2027 | ** |
| Emmanuel College | 8.00% | 29.12% | 88,449 | 8.00% | 18.69% | 42,231 | 140,955 | 30 November 2033 | |
| Girton College | 8.50% | 28.80% | 283,213 | 8.50% | 20.82% | 41,464 | 244,458 | 31 March 2030 | * |
| Gonville & Caius College | 8.00% | 29.81% | 175,706 | 8.00% | 21.69% | 44,285 | 196,810 | 31 March 2030 | * |
| Magdalene College | 0.00% | 0.00% | 0 | - | - | 20,935 | 79,649 | 31 March 2030 | ** |
| Murray Edwards College | 15.00% | 25.81% | 77,621 | 15.00% | 17.89% | 16,741 | 62,097 | 31 December 2029 | * |
| Newnham College | 8.00% | 28.80% | 11,555 | 8.00% | 19.90% | 15,277 | 78,664 | 31 March 2030 | * |
| Pembroke College | 10.51% | 27.98% | 150,275 | 10.51% | 20.64% | 20,616 | 304,284 | 31 March 2030 | * |
| Peterhouse | 8.00% | 28.83% | 114,391 | 8.00% | 21.88% | 25,552 | 91,513 | 31 October 2029 | * |
| Queens' College | 9.35% | 27.63% | 342,809 | 9.35% | 17.13% | 81,805 | 274,247 | 31 January 2030 | |
| Selwyn College | 10.40% | 26.57% | 124,096 | 10.40% | 19.07% | 43,267 | 138,398 | 31 May 2033 | * |
| St Catharine's College | 15.01% | 21.90% | 155,750 | 10.69% | 17.58% | 25,148 | 127,949 | 31 March 2030 | * |
| St John's College | 8.50% | 27.44% | 757,000 | 8.50% | 20.02% | 91,039 | 1,020,903 | 31 March 2030 | * |
| Trinity Hall | 12.00% | 25.61% | 334,538 | 12.00% | 16.21% | 32,610 | 267,630 | 31 January 2030 | * |
| Former contracted-out Colleges with BSP Offset Retained | | | | | | | | | |
| King's College | 0.00% | 0.00% | 0 | - | - | 35,713 | 92,418 | 31 March 2030 | ** |
| Robinson College | 13.50% | 27.28% | 317,325 | 10.50% | 21.55% | 28,882 | 397,136 | 31 March 2030 | * |
| Former contracted-in Colleges with BSP Offset Removed | | | | | | | | | |
| Clare Hall | 8.00% | 28.98% | 13,014 | 8.00% | 23.64% | 12,651 | 29,722 | 31 March 2030 | * |
| Darwin College | 8.00% | 28.93% | 81,046 | 8.00% | 21.22% | 23,541 | 120,556 | 31 March 2030 | * |
| Lucy Cavendish College | 0.00% | 0.00% | 4,238 | - | - | 5,017 | 8,980 | 31 March 2030 | ** |
| St Edmund's College | 8.00% | 28.44% | 15,371 | 8.00% | 21.87% | 7,016 | 12,297 | 30 April 2029 | * |
| Wolfson College | 8.00% | 29.19% | 43,836 | 8.00% | 22.59% | 21,383 | 173,955 | 31 March 2030 | * |
| Former contracted-in College with BSP Offset Retained | | | | | | | | | |
| Hughes Hall | 0.00% | 0.00% | 7,639 | - | - | 4,508 | 7,718 | 31 March 2033 | ** |

* *Closed to New Entrants*

** *Closed to Future Accrual*

*Also please see notes overleaf*

| General | Notes |
|---|---|
| Scheme Expenses | Contributions are payable to fund Scheme expenses at the rate per College Section of £3,000 p.a. plus £337.24 p.a. per active member, £128.77 p.a. per deferred member, and £251.40 p.a. per pensioner. The annual expense amounts shown in the Schedule are based on College membership as at 31 March 2023. |
| Insurance Premiums | The contribution rates shown are inclusive of the insurance premiums payable for death-in-service and group income protection benefits (where applicable). |
| Frequency of Contributions | Contributions are payable monthly unless otherwise indicated on the College's individual Schedule of Contributions. Monthly contributions are to be paid on or before the 4$^{th}$ working day of the calendar month following that to which the payment relates. |
| PPF Levies | Are excluded from the above contributions and should be paid in addition by the Colleges. |
| **College** | **Notes** |
| Robinson | Member contributions reduce by 3.0% to 10.5% from 1 July 2024. |
| St Catherine's | Member contributions reduce by 4.32% to 10.69% from 1 July 2024. |

# Appendix G – College Funding Levels

| | Funding Objective Basis | | | | Solvency Funding Basis | | | | PPF Funding Basis | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Technical Provisions (£) | Asset Values (£) | Surplus/ (Deficiency) (£) | Funding Level (£) | Technical Provisions (£) | Asset Values (£) | Surplus/ (Deficiency) (£) | Funding Level (£) | Technical Provisions (£) | Asset Values (£) | Surplus/ (Deficiency) (£) | Funding Level (£) |
| Formerly Contracted-out Colleges with BSP Offset Removed | | | | | | | | | | | | |
| Christ's College | 12,841,198 | 10,313,378 | (2,527,820) | 80% | 17,351,186 | 10,313,378 | (7,037,808) | 59% | 13,987,639 | 10,313,378 | (3,674,261) | 74% |
| Churchill College | 6,467,853 | 6,693,477 | 225,624 | 103% | 8,089,314 | 6,693,477 | (1,395,837) | 83% | 6,782,134 | 6,693,477 | (88,657) | 99% |
| Corpus Christi College | 6,145,541 | 6,812,966 | 667,425 | 111% | 7,754,816 | 6,812,966 | (941,850) | 88% | 6,322,457 | 6,812,966 | 490,509 | 108% |
| Downing College | 4,604,212 | 4,350,147 | (254,065) | 94% | 5,940,105 | 4,350,147 | (1,589,958) | 73% | 4,986,088 | 4,350,147 | (635,941) | 87% |
| Emmanuel College | 13,887,461 | 11,828,460 | (2,059,002) | 85% | 19,961,568 | 11,828,460 | (8,133,108) | 59% | 15,683,617 | 11,828,460 | (3,855,157) | 75% |
| Girton College | 14,407,524 | 12,390,007 | (2,017,517) | 86% | 19,873,045 | 12,390,007 | (7,483,038) | 62% | 15,942,117 | 12,390,007 | (3,552,110) | 78% |
| Gonville & Caius College | 13,437,431 | 11,807,038 | (1,630,393) | 88% | 17,695,469 | 11,807,038 | (5,888,431) | 67% | 14,336,282 | 11,807,038 | (2,529,244) | 82% |
| Magdalene College | 5,449,296 | 4,880,152 | (569,144) | 90% | 6,967,810 | 4,880,152 | (2,087,658) | 70% | 5,796,571 | 4,880,152 | (916,419) | 84% |
| Murray Edwards College | 4,378,981 | 3,871,071 | (507,910) | 88% | 5,601,953 | 3,871,071 | (1,730,882) | 69% | 4,716,362 | 3,871,071 | (845,291) | 82% |
| Newnham College | 4,738,719 | 4,184,217 | (554,502) | 88% | 6,150,658 | 4,184,217 | (1,966,441) | 68% | 5,145,136 | 4,184,217 | (960,919) | 81% |
| Pembroke College | 9,583,037 | 7,657,646 | (1,925,391) | 80% | 12,660,090 | 7,657,646 | (5,002,444) | 60% | 10,310,244 | 7,657,646 | (2,652,598) | 74% |
| Peterhouse | 11,250,813 | 10,275,446 | (975,367) | 91% | 15,839,526 | 10,275,446 | (5,564,080) | 65% | 12,458,605 | 10,275,446 | (2,183,159) | 82% |
| Queens' College | 20,480,172 | 17,671,185 | (2,808,987) | 86% | 28,961,612 | 17,671,185 | (11,290,427) | 61% | 22,660,045 | 17,671,185 | (4,988,860) | 78% |
| Selwyn College | 12,915,879 | 11,069,277 | (1,846,602) | 86% | 18,291,235 | 11,069,277 | (7,221,958) | 61% | 15,055,933 | 11,069,277 | (3,986,656) | 74% |
| St Catharine's College | 9,184,417 | 8,058,974 | (1,125,443) | 88% | 12,314,938 | 8,058,974 | (4,255,964) | 65% | 9,967,866 | 8,058,974 | (1,908,892) | 81% |
| St John's College | 39,880,689 | 32,633,925 | (7,246,765) | 82% | 56,930,290 | 32,633,925 | (24,296,365) | 57% | 44,934,690 | 32,633,925 | (12,300,765) | 73% |
| Trinity Hall | 12,563,948 | 10,494,913 | (2,069,035) | 84% | 17,361,146 | 10,494,913 | (6,866,233) | 60% | 13,999,576 | 10,494,913 | (3,504,663) | 75% |
| Formerly Contracted-out Colleges with BSP Offset Retained | | | | | | | | | | | | |
| King's College | 11,413,566 | 10,557,312 | (856,254) | 92% | 14,161,588 | 10,557,312 | (3,604,276) | 75% | 11,531,603 | 10,557,312 | (974,291) | 92% |
| Robinson College | 12,716,321 | 10,057,907 | (2,658,414) | 79% | 16,777,278 | 10,057,907 | (6,719,371) | 60% | 13,328,253 | 10,057,907 | (3,270,346) | 75% |
| Formerly Contracted-in Colleges with BSP Offset Removed | | | | | | | | | | | | |
| Clare Hall | 2,221,989 | 1,973,100 | (248,889) | 89% | 2,899,001 | 1,973,100 | (925,901) | 68% | 2,534,338 | 1,973,100 | (561,238) | 78% |
| Darwin College | 4,771,378 | 3,899,072 | (872,306) | 82% | 6,495,941 | 3,899,072 | (2,596,869) | 60% | 5,392,765 | 3,899,072 | (1,493,693) | 72% |
| Lucy Cavendish College | 319,230 | 261,604 | (57,626) | 82% | 397,853 | 261,604 | (136,249) | 66% | 357,402 | 261,604 | (95,798) | 73% |
| St Edmund's College | 769,464 | 678,728 | (90,736) | 88% | 1,060,611 | 678,728 | (381,883) | 64% | 907,024 | 678,728 | (228,296) | 75% |
| Wolfson College | 5,510,296 | 4,431,596 | (1,078,700) | 80% | 7,690,829 | 4,431,596 | (3,259,233) | 58% | 6,167,424 | 4,431,596 | (1,735,828) | 72% |
| Formerly Contracted-in Colleges with BSP Offset Retained | | | | | | | | | | | | |
| Hughes Hall | 628,955 | 544,474 | (84,482) | 87% | 746,282 | 544,474 | (201,809) | 73% | 634,300 | 544,474 | (89,827) | 86% |

# Appendix H – Actuary's Certification of the Calculation of Technical Provisions

**Name of Scheme:** Cambridge Colleges' Federated Pension Scheme

**Calculation of Technical Provisions**

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2023 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 31 May 2024.

| | | | |
|---|---|---|---|
| Signed: | | Date: | 28 June 2024 |
| Name: | R J SWEET | Qualification | Fellow of the Institute and Faculty of Actuaries |
| Address: | 250 Fowler Avenue<br>Farnborough Business Park<br>Farnborough<br>Hants GU14 7JP | Employer: | Cartwright Group Limited |

# Appendix I – Glossary

## Actuarial Report

Introduced by the Pensions Act 2004, this is a written report, prepared and signed by the Scheme Actuary, on developments affecting the Scheme's Technical Provisions since the last actuarial valuation. It must also include an assessment of changes in the value of the Scheme's assets.

## Actuarial Valuation

Defined by the Pensions Act 2004 as a written report, prepared and signed by the Scheme Actuary, valuing the Scheme's assets and calculating its Technical Provisions.

## Code of Practice 3 – Funding Defined Benefit Schemes

This is a written document dated July 2014 setting out the Pension Regulator's guidance and standards of conduct for Trustee with regard to funding their defined benefit pension scheme.

## Recovery Plan

Where a scheme has a deficit on the Statutory Funding Objective a Recovery Plan is needed to remove the deficit. The Scheme should detail the period and means by which the deficit will be eliminated.

## Schedule of Contributions

This is a written document detailing the contributions payable to the Scheme from the date of the Schedule for a period of 5 years or such longer period as the Recovery Plan applies. The contributions on the Schedule must be sufficient to ensure the Scheme's assets cover the Technical Provisions by the end of the period it covers.

## Statement of Funding Principles

This is a document produced by the Trustee and which sets out details of the method and assumptions to use to meet the Statutory Funding Objective as well as any other objectives the Trustee has.

## Statutory Funding Objective

Introduced by the Pensions Act 2004, this is the funding target the Scheme must meet. The assumptions chosen to calculate the target must be chosen in a prudent manner and reflect market conditions.

## Technical Provisions

This is the name given to the Scheme's liabilities calculated using the method and assumptions set out in the Statement of Funding Principles. The Trustee and Colleges should aim to fund 100% of the Scheme's Technical Provisions.