



Cambridge University Assistants' Contributory Pension Scheme

Statement of Funding Principles

Status

This Statement has been prepared by C U Pension Trustee Limited (“the Trustee”), acting as Trustee of the Scheme, for the purposes of the actuarial valuation as at 31 July 2024, after obtaining the advice of Robert Sweet of Cartwright Group Limited, the Scheme Actuary.

It replaces an earlier version dated 31 October 2022 prepared for the actuarial valuation as at 31 July 2021.

Statutory Funding Objective

This statement sets out the Trustee’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 and future service costs is the Projected Unit Method.

Technical provisions – assumptions

The assumptions are based upon the Bank of England Implied Inflation yield curve.

Discount Interest Rate

Technical provisions are determined using a discount rate based on the CPI yield curve (derived as below) plus a margin.

The Trustee has determined that for the purposes of the actuarial valuation as at 31 July 2024 the margins to be used are 2.5% per annum for past service liabilities and 2.8% per annum for future service accrual.



Price Inflation

The Retail Prices Index (RPI) assumption will be determined at the valuation date based on the Bank of England Implied Inflation yield curve. This rate will then be adjusted by an allowance for the Inflation Risk Premium, which for the purposes of the 2024 valuation the Trustee has determined should be:

- 0% per annum to 2030;
- 1.0% in 2031; and then
- Reducing by 0.1% per annum back to 0% per annum in 2041 and thereafter.

The Consumer Prices Index (CPI) assumption will be determined from the RPI increase assumption less:

- 1.0% per annum to 2030;
- 0.1% per annum from 2031 onwards.

Pension Increases in Payment

Pension increases in payment are defined in the Rules and are based on annual increases in the RPI and CPI, subject to certain maxima.

The assumptions for future pension increases are set equal to the assumptions for RPI and CPI noted above, subject to these maxima.

Pension Increases in Deferment

For all pension earned prior to 2013, the Trustee's main revaluation assumption is set to be the same as the assumption for future increases in the Retail Prices Index (RPI). There is also a revaluation underpin based on statutory revaluation. Statutory revaluation on the pension in excess of any GMP is in line with increases in the Consumer Prices Index (CPI).

For pension earned on or after 1 January 2013, increases to pensions accrued in service and after leaving service are to be calculated by reference to the RPI (or CPI for joiners on or after 1 January 2013) capped at a maximum of 5% per annum compound.

Pay Increases

Pay increases are expected to exceed CPI increases by 1.5% per annum compound in the long term but an allowance has been made for pay increases of 5.7% in 2024/2025. This relationship with CPI is monitored for accuracy and may be subject to change in future valuations.



Mortality

It is the intention of the Trustee to use 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.

After carrying out a mortality investigation on Scheme-specific mortality experience detailed in the report dated 30 May 2024 the Actuary recommended and the Trustee agreed to adopt the mortality tables from the latest S4 series published by the Continuous Mortality Investigation (CMI) in February 2024 and adjusted the base rates as follow:

- Male Members and Male Dependants – S4 All Pensioners Amounts table (“S4PMA”), adjusted by assuming members exhibit mortality rates at 106% of the standard table;
- Female Members – S4 All Pensioners Amounts table (“S4PFA”), adjusted by assuming that members exhibit mortality rates at 98% of the standard table;
- Female Dependants – S4 Dependant Pensioners Amounts table (“S4DFA”), adjusted by assuming that members exhibit mortality rates at 118% of the standard table.

In addition, the Actuary recommended and the Trustee agreed to make allowance for future longevity improvements using the CMI 2023 projection table, with long term rates of improvement of 1.25% per annum, standard smoothing factors, and a rate of initial additional improvement of 0.25% per annum.

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 Scheme is open to new entrants. The Trustee does not allow explicitly for new entrants. However, by adopting the Projected Unit Method, 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

On retirement, 70% of members are assumed to commute part of their pension for a cash lump sum. It is assumed that they will commute 23% of the value of their pensions, and that the commutation factor will be based on the current factors.

Withdrawals

No allowance has been made for active members withdrawing from Pensionable Service prior to Normal Retirement Date except by death.



Assumptions for Dependants

80% of male members are assumed to have a dependant at age 65 who is female and 3 years younger.

70% of female members are assumed to have a dependant at age 65 who is male and 1 year older.

Expenses

Expenses of administering the Scheme are borne by the Scheme. Part of the expenses relates to past service and part relates to current and future service.

The Trustee's policy is for the actuary to review the allowance for expenses at each valuation and make a recommendation for both elements.

The current assumption is for a past service reserve of 1% of the Technical Provisions and a future allowance of 0.9% of Pensionable Salaries. This is to cover all expenses and levies of administering the Scheme.

Policy on discretionary increases and funding strategy

In the past when RPI has been less than 3% per annum the Trustee has reviewed the pension increase to be paid and has increased it, on occasion, at up to 3% per annum. The current policy is not to fund for increases in excess of RPI, but to review the cost in such years when this situation occurs and decide on whether the Scheme and/or the Employers can afford the additional increase.

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

The Trustee and the Principal Employer have agreed that any funding shortfalls identified at an actuarial valuation should be eliminated as quickly as the Employers can reasonably afford by the payment of additional contributions. In determining the actual recovery period at any particular valuation the Trustee's principles are to take into account the following factors:

- the size of the funding shortfall;
- the business plans of the Employers;
- the Trustee's assessment of the financial covenant of the Employers (and in making this assessment the Trustee will make use of appropriate credit assessment providers); and
- any contingent security offered by the Employers.

The assumptions to be used in these calculations will be those set out above for calculating the technical provisions and future service accrual.



Arrangement by a person other than an Employer or a Scheme member to contribute to the Scheme

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

Policy on reduction of cash equivalent transfer values (CETVs)

The Trustee 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 Trustee is 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 Trustee will commission a report from the Scheme Actuary to decide whether, and to what extent, CETVs should be reduced.

Payments to the Employers

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 Employers 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 Trustee will consider whether a payment would be in the interest of the members, and if so, the Trustee 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 July 2024 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.

The Trustee 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 Trustee will consult with the Principal Employer before doing so.



For and on behalf of the University of
Cambridge (“the Principal Employer”)

On behalf of C U Pension Trustee Limited
 (“the Trustee”)

Signed:

Signed:

Name: D Benham

Name: Dr I Iceton

Position: Director of Finance (Interim)

Position: Director

Date: 11 April 2025

Date: 11 April 2025

This Statement of Funding Principles has been agreed by the Trustee after obtaining my actuarial advice.

Signed:

Name: R J SWEET

Position: Scheme Actuary

Date: 11 April 2025