



CU Pension Trustee Ltd (CUPTL)

May 2019

Cambridge University Assistants' Contributory Pension Scheme (CUACPS) - Summary Funding Statement as at July 2018

The CUACPS is a defined benefit scheme and therefore we, the Trustee, must give you, as a scheme member, this annual summary funding statement, intended to give you an idea of the financial state of the scheme. Unfortunately, this sensible objective can get a bit lost complying with "one size fits all" legal requirements. In particular, we would prefer not to include anything about the discontinuance of the scheme because (a) we are confident about the University's continuing commitment to it and (b) there is no realistic risk of the University going bust. But we have to comply with the law.

Anything to do with valuing pension schemes is difficult because there are so many uncertainties. How long will members live? Life expectancy has been increasing in recent decades so that pensions have to be paid for longer. What will the rate of inflation be? Inflation is comparatively low at the moment, but what about five, ten, twenty years from now? What return will the scheme earn on its investments? Investment markets can be volatile, particularly over one year, a very short period in pension terms.

These and other uncertainties are reflected in the assumptions used by the Scheme Actuary, a qualified actuary independent of the University, who carries out a full valuation of the scheme once every three years and an approximate valuation each year between full valuations. The last full valuation was at 31 July 2018.

Howard Jacobs

Chairman, CU Pension Trustee Limited

How well funded is the Scheme?

This question is answered by comparing the Scheme's liabilities (the pensions which it has to pay now and in the future in respect of pensionable service already completed) with its assets (the money it has available) using the ongoing basis which assumes the Scheme carries on as now.

At 31 July 2018, the funding position was	:	
Market value of Scheme assets	:	£708,068,000
Scheme liabilities	:	£742,670,000
Scheme funding shortfall	:	£ 34,602,000
Ongoing funding level	:	95%

At 31 July 2015, the last full valuation of the Scheme the funding position was	:	
Market value of Scheme	:	£551,094,000
Scheme liabilities	:	£612,578,000
Scheme funding shortfall	:	£ 61,484,000
Ongoing funding level	:	90%

In accordance with the Recovery Plan agreed by the Trustee and the University after the 2015 valuation, the Employers have been paying additional contributions at a rate of £14,595,000 p.a. to reduce the funding shortfall identified by the 2015 valuation. This is the main reason why the shortfall at 31 July 2018 is smaller than as at 31 July 2015. The Trustee and the University have agreed that the Employers will continue to pay additional contributions at this rate, which is projected to eliminate the remaining shortfall by 31 May 2020, provided that the assumptions made in the 2018 valuation are borne out.

What are the contribution rates for future benefits?

Contributions are being paid at the following rates to provide future benefits.

	% of Pensionable Salaries	
	Members %	Employers %
Members joining before 1 January 2013	5.0	11.5
Members joining on or after 1 January 2013	3.0	5.8

For Post-2013 members, the Employer also makes contributions of 5.0% of Pensionable Salaries into the separate Defined Contribution (DC), the Cambridge University Assistants Defined Contribution Pension Scheme (CUADCPS) arrangement administered by SEI.

Contributions have been paid at these rates from 1 August 2013. Based on the assumptions agreed by the Trustee and the University, the Scheme Actuary has confirmed that it is appropriate for these rates to continue.

Some members who joined the Scheme prior to 1 December 2009 have elected to pay an additional member contribution of 3.5% of Pensionable Salary in exchange for improved early retirement terms. Where a member

participates in a Salary Sacrifice Arrangement, the Employer meets the cost of the member contributions shown above in exchange for an equivalent reduction in the member's earnings.

How well funded is the scheme on a discontinuance basis?

As required by law this statement includes the Scheme's funding level on a 'discontinuance basis', which assumes that the University ceases to support the Scheme, requiring accrued pensions to be "bought out" with an insurance company. As already noted, we, the Trustee, believe this to be an inappropriate assumption.

Insurance companies make very conservative assumptions about future investment returns and need to make a profit so that at 31 July 2018, the Scheme's discontinuance position was estimated to have been:

Market Value of scheme assets	:	£ 708,068,000
Discontinuance liabilities	:	£1,717,448,000
Discontinuance funding shortfall	:	£1,009,380,000
Discontinuance funding level	:	41%

Further information

There have been no payments to any of the Employers out of the Scheme since 31 July 2018.

The next full actuarial valuation of the Scheme will be as at 31 July 2021, with the results being available no later than 31 October 2022.

Additional documents about the Scheme are available to members on request, or from the website at

<https://www.pensions.admin.cam.ac.uk/cps/scheme-guides/archives>

Scheme Guides and Factsheet- which give an overview of the Scheme and more detailed information which you may need at specific stages in your membership of the Scheme.

Statement of Investment Principles - how the money being paid into the Scheme is invested.

Trustee's Annual Report and Accounts - the Scheme's income and expenditure in each year.

Actuarial Valuation Report - the full report of the Actuary on the valuation as at 31 July 2018, this includes the Statement of Funding Principles and the Schedule of Contributions for the Scheme.

If you have any questions or would like further information, please contact Sue Curryer, Head of Group Pensions, University of Cambridge, Greenwich House, Madingley Road, Cambridge CB3 0TX or e-mail pensionsonline@admin.cam.ac.uk