Cambridge University Assistants’ Contributory Pension Scheme (CPS)
Members’ Meeting

(Pre 2013 members)

6 March 2024
# Agenda

<table>
<thead>
<tr>
<th>Session</th>
<th>Presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman’s Introductory Remarks</td>
<td>Simon Grover, Meeting Chair</td>
</tr>
<tr>
<td><strong>Pensions Basics</strong></td>
<td></td>
</tr>
<tr>
<td>- How pensions work</td>
<td>Sue Curryer, Head of Group Pensions</td>
</tr>
<tr>
<td>- How the CPS works</td>
<td>Toby Cross, SEI</td>
</tr>
<tr>
<td><strong>Death Benefits</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Increasing your pension benefits</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Investment Matters</strong></td>
<td>Ian Iceton, Chair CUPTL</td>
</tr>
<tr>
<td></td>
<td>Toby Cross, SEI</td>
</tr>
<tr>
<td><strong>Q&amp;A</strong></td>
<td></td>
</tr>
</tbody>
</table>
Pensions Basics

- What is a pension?
- Do I really need a pension?
- What’s the difference between defined benefit and defined contribution pensions?
- The importance of your pension throughout life
What is a pension?

A pension is designed to give you an income when you finish work.

In simple terms, it is a way of saving for the future.
Do I really need a pension?

Reasons people do not think pensions are important.

• I am too young to think about it.
• Pensions are too expensive.
• Pensions are boring and difficult to understand.
• I can't access my money until I'm older.
• My pension will not give me enough to live on anyway.
• I would be better off investing in property or saving into an ISA.
So what’s so good about my University pension?

• It will provide an income for the rest of your life when you stop working
• Your pension will be based on your earnings and comes with guarantees
• You don’t pay tax and in most cases National Insurance on your pension contributions
• The University pays much more towards your pension than you
So what’s so good about my University pension?

- You could receive an ill-health pension before retirement should you need to stop work due to illness or injury.
- It provides death benefits, including a possible lump sum and pension for your spouse / civil partner / partner.
- Your pension is protected from the effects of inflation.
- The University offers you a defined benefit (DB) pension which is still open to new entrants.
What is the difference between defined benefit and defined contribution pensions?

**Defined benefit (DB) pensions** are based on your earnings. This means a percentage of your earnings goes towards your pension each month. These monthly amounts are added together to give your pension. This type of pension gives you a guarantee as once your pension is earned, it cannot be taken away and your pension will continue to build while you are working and a member of the scheme. All of your CPS benefits in the Cambridge University Assistants’ Contributory Pension Scheme (CUACPS) are DB benefits.

**Defined contribution (DC) pensions** work like a savings account. Contributions are paid each month, into your own account or pension pot and your pension is based on the value of your pot when you retire. Your pot will also be invested in funds which means the value of your pot will also depend on how the funds perform. This means there is no guarantee on the pension you will receive at retirement. You can pay Additional Voluntary Contributions (AVCs) to the DC section of the CPS to increase your benefits.
## Pension Basics

<table>
<thead>
<tr>
<th>Defined Benefit (DB)</th>
<th>Defined Contribution (DC)</th>
</tr>
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<tbody>
<tr>
<td>Looked after by CUPTL and Pensions Office</td>
<td>Looked after by SEI</td>
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<tr>
<td>You &amp; your employer pay in and your employer guarantees the benefits</td>
<td>You can pay Additional Contributions (AVCs) to this to boost your benefits.</td>
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<tr>
<td>The trustee invests the money on your behalf (more about this later)</td>
<td>If you want to you can select the fund(s) your money is invested in. The value of your investment can go up and down</td>
</tr>
<tr>
<td>Your benefits are based on your salary and length of service – you know what you will get at the end</td>
<td>Your benefits will depend on how much is paid in and how well the investments do</td>
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<td>You get a one off lump sum and a pension for life when you retire</td>
<td>You can choose when you take your pension pot and how you use this</td>
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<tr>
<td>When you die there will be benefits paid to your family</td>
<td>You can elect to use your pot to ‘buy’ benefits for your family</td>
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How your DB pension works – while you are contributing to the scheme

Service before 1 January 2013 (Final Salary)

• Pensionable service at 31 December 2012
• Pensionable Salary at retirement/date of leaving
• If joined before 1/12/2009 = 60ths
• If joined on or after 1/12/2009 = 80ths plus 3/80ths lump sum

Service from 1 January 2013 (Career Revalued Benefits)

• Earn a ‘block’ of pension for each year (or part year) of membership.
• Plus a lump sum of 3 times the annual pension
• Benefits ‘banked’ each year and revalued in line with RPI (maximum 5% per annum)
• At retirement revalued ‘blocks’ added together to give total CRB pension
• Pension earned each year is 1/100th of earnings in the year (Note: 1/1/2013 – 31/12/2017 = 1/95th)
How do I know what my pension will be?

**Annual Member Statement**
- Issued in November 2023
- Benefits earned as at 31 July 2023
- Death benefits if you had died on 31 July 2023

**Can I get an estimate of what my benefits will be at retirement?**
- On request
- Maximum of 2 per year (active members)
- Contact pensionsonline@admin.cam.ac.uk
When can I retire?

Flexible Retirement

- From age 55, but if before 63 (pre 2009 members) or 65 (post 2009 members) benefits reduced for early payment
- Do not have to reduce your hours but can if you wish
- Take full pension and no longer able to contribute to the scheme
- Revised contract will be issued by HR

Normal Retirement

- From age 55, but if before 63 (pre 2009 members) or 65 (post 2009 members) benefits reduced for early payment
- Have to take FS and CRB benefits at the same time
- Ideally 3 months notice
How your DB pension works – when you have retired

Service before 1 January 2013 (Final Salary)

• Increased in line with the Retail Prices Index (RPI) to a maximum of 12% per annum
• Trustee can agree to higher increase if RPI exceeds 12%
• Uses RPI for 12 months to May
• Paid wef 1 August
• First increase will be proportional if retired for less than 12 months

Service from 1 January 2013 (Career Revalued Benefits)

• Increased in line with the Retail Prices Index (RPI) to a maximum of 5% per annum
• University can agree higher increase if RPI exceeds 5% (must consider)
• Uses RPI for 12 months to May
• Paid wef 1 August
• First increase will be proportional if retired for less than 12 months
Increasing your pension

• If you are still paying into the scheme you can increase your pension benefits by paying more into the pension scheme

• These additional contributions are called AVCs

• AVCs can only be paid to the defined contribution section of the University pension scheme

• What you get at retirement will depend on
  o How much you pay in
  o How well the fund(s) you are invested in perform
Increasing your pension

- There are factsheets about AVCs
  - CPS - CRB Section - For Members Who Joined Before 01/01/2013 | Pensions (cam.ac.uk)
    or
  - CPS - Hybrid Section - For Members Joining 01/01/2013 or Later | Pensions (cam.ac.uk)

- The application form can be found at CPS | Pensions (cam.ac.uk)

- If you have any queries you can ask the University Pensions Office at pensionsonline@admin.cam.ac.uk or the administrator of the SEI arrangement, Capita, at Memberenquiries@seimastertrust.co.uk

- You do not have to use the University scheme to pay additional contributions
Increasing your pension – AVC into the SEI MASTER TRUST

AVC’s

• You can pay more into your pension by completing form available through your online account

• Return to the administration team

• Make arrangement to pay funds directly into your pension, using the bank details shown on the form
Death benefits

Death in service
- Tax free lump sum
  - 4x salary plus contribution refund for pre 2009 members
  - 3x salary for post 2009 members
- Automatic pension to spouse/civil partner
- Automatic pension to qualifying children
- If not married/Registered Civil Partnership may be dependent pension if financial interdependency

Death in deferment
- Tax free lump sum
  - Refund of all contributions for pre 2009 members
  - Refund of AVCs for post 2009 members
- Automatic pension to spouse/civil partner
- Automatic pension to qualifying children
- If not married/Registered Civil Partnership may be dependent pension if financial interdependency

Death after retirement
- Tax free lump sum of balance of 5 years pension if die within 5 years of retirement
- Funeral grant - £2500 gross but in certain circumstance tax charge due net payment is £1500
- Automatic pension to spouse/civil partner
- Automatic pension to qualifying children
- If not married/Registered Civil Partnership may be dependent pension if financial interdependency
- If not married/Registered Civil Partnership may be dependent pension if financial interdependency
Death benefits

**Lump sum**
- Paid at discretion of trustee to one or more beneficiaries
- Falls outside of your Estate
- Can nominate beneficiaries via Expression of Wish form

**Pension**
- Automatically payable to spouse/civil partner
- Automatically payable to eligible children
- Trustee has discretion to pay to adult dependent if financially interdependent
- Can nominate dependent - [CPS | Pensions (cam.ac.uk)](https:// CPS | Pensions (cam.ac.uk))
Death benefits –

Lump sum

• Paid at discretion of trustee to one or more beneficiaries
• Falls outside of your Estate

Key information for members

• You need to tell SEI who you would like your benefits to be paid to
• Can nominate beneficiaries via Expression of Wish form via your online account
Investment matters - CUACPS

Investments are the responsibility of the trustee and individual members cannot decide how the money is invested.

Trustee has an investments sub-committee which includes external members who are investment professionals.

Trustee has an investment consultant to advise the trustee and the investments sub-committee.
Investment matters - CUACPS

Trustee invests in a wide range of asset classes including:

**Equities**
Investments in a company

**Bonds**
Loans to companies and governments which are paid back with interest

**Property**
Funds which own commercial properties such as offices, warehouses and factories

**Alternatives**
Assets which do not fit into the other categories such as commodities or private equity

The investments are in pooled funds run by the investment manager rather than direct investments
Investment matters - CUACPS

Responsible Investment

• Trustee has a responsible investment policy included in the *Statement of Investment Principles (SIP)*.

• Investment Managers required to report each year that they are complying with the requirements in the SIP and trustee reports on this in it's annual report.

• Trustee believes that good governance by companies will result in long term sustainable returns for the scheme and encourages investment managers to engage with the companies they invest in.

• Trustee is working to develop a long term policy on responsible investment and has set up a working group.
Funding - CUACPS

- Three yearly valuation of CUACPS as at 31 July 2021 showed small surplus of assets over liabilities
- As a result deficit recovery contributions of £14.6 million per year ceased on 31 July 2023
- Future service cost increased – employer contributions increase from 1 August 2023
- Undertaking from employer to make one off payment of £10 million if scheme is less than 95% funded at 31 March (annual review)
- Funding position since valuation date has been volatile
- Next full valuation due as at 31 July 2024
Overview of Investment -

Default Investment Option – “Do it for me”

- SEI Master Trust Flexi Default Option – 0.30% per annum
- Automatically switches to reduce risk as you get closer to retirement
- Invests in growth based investments until closer to retirement
- Reduces risk by investing in funds designed to protect against market losses
- Reviewed by the SEI Master Trust Trustees annually to ensure performance and strategy aligns with membership

![Graph showing investment phases and funds]
Overview of investment -

**Asset Allocation Investment Options -**

“Help you choose”

- SEI Defensive Fund
- SEI Moderate Fund
- SEI Core Fund
- SEI Growth Fund
- SEI Aggressive Fund

**Asset Class Funds by investment managers -**

“I want to choose”

- SEI
- Columbia Threadneedle
- HSBC
- State Street

SEI Trustees, similar to Trustees of CUACPS must update their Investment Policy (Statement of Investment Principles) annually which includes how ESG factors are taken into consideration.
Considerations when making investment decisions

- Is the current default Target Retirement Age (65) applicable to you?
- When do you wish to retire?
- What is my attitude to risk?
- Am I comfortable making individual investment choices?
### Useful contact information

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<tr>
<th></th>
<th>University Pensions Office</th>
<th>SEI</th>
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<tbody>
<tr>
<td>Email</td>
<td><a href="mailto:pensionsonline@admin.cam.ac.uk">pensionsonline@admin.cam.ac.uk</a></td>
<td><a href="mailto:Memberenquiries@seimastertrust.co.uk">Memberenquiries@seimastertrust.co.uk</a></td>
</tr>
<tr>
<td>Phone</td>
<td>01223 332214</td>
<td>0800 011 3540</td>
</tr>
<tr>
<td>Address</td>
<td>Greenwich House, Madingley Road, Cambridge, CB3 0TX</td>
<td>SEI Trustees Limited, c/o Capita Pension Solutions, PO Box 555, Stead House, Darlington, DL1 9YT</td>
</tr>
<tr>
<td>Website</td>
<td>Pensions</td>
<td>(cam.ac.uk)</td>
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