CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

Actuarial Valuation
as at 31 July 2012

Scheme Funding Report

Prepared for CU Pension Trustee Limited, the Trustee of the Cambridge University Assistants' Contributory Pension Scheme

R J Sweet, FIA
Cartwright Group Ltd
Mill Pool House
Mill Lane
Godalming
Surrey GU7 1EY

Tel: 01483.860201
Fax: 01483.860182
Email: robert.sweet@cartwrightgroup.co.uk

26 April 2013

Contents

ES Executive Summary

Introduction

This report sets out the results of the actuarial valuation of the Cambridge University Assistants' Contributory Pension Scheme ("the Scheme") as at 31 July 2012.

Current Funding Level

The Scheme's funding level on the Statutory Funding Objective at the valuation date was 74%, equivalent to a deficit of £134.4 million. At the previous valuation the ongoing funding level was 67% (with a deficit of £138.8 million).

The main reasons for the improvement are contributions paid by the Employers towards paying off the previous deficit, actual salary increases being lower than assumed and better than assumed investment returns. These were partially offset by the impact of changes in the valuation basis.

Future Service Cost and Deficit Funding Contribution

Ignoring the past service deficit, the ongoing future contribution rates as a percentage of Pensionable Salaries are:

	Salary Sacrifice Members			Other Members		
	Active Members	Employers		Active Members	Employers	
	%	Prior to 31 July 2013 %	1 August 2013 onwards %	%	Prior to 31 July 2013 %	1 August 2013 onwards %
Pre-2013 Members paying additional contributions under Rule 45.6	Nil	28.8	20.0	8.5	20.3	11.5
Other Pre-2013 Members	Nil	25.3	16.5	5.0	20.3	11.5
Post-2013 Members	Nil	23.3	8.8	3.0	20.3	5.8

The Statement of Funding Principles agreed between the Trustee and the Employer requires a Recovery Plan to eliminate the funding deficit within 10 years 9 months. This results in additional contributions of £14,595,000 per annum.

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 38%. If the Scheme was fully funded on the Statutory Funding Objective the solvency funding level would be 51%.
PPF Section 179 Position (if included)	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 47%. This funding level is used by the PPF Board to help it determine the risk based portion of the PPF levy.
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. The Trustee feels that the strength of the Employers' covenant is such that a reduction to reflect temporary underfunding is unnecessary.
Factors	The Scheme's commutation factors and other administrative factors should be updated following the valuation to reflect changing economic and demographic conditions.
Timescale and Future Valuation Requirements	The next triennial valuation is due to take place as at 31 July 2015. As this Scheme has more than 100 members interim actuarial reports will be required as at 31 July 2013 and 31 July 2014. As this Scheme has 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 days of this report being signed.

1 Introduction

Background

This report on the actuarial valuation of the Cambridge University Assistants' Contributory Pension Scheme ("the Scheme") as at 31 July 2012, was commissioned by and is addressed to the Trustee of the Scheme. It has been prepared under Rule 23 of the Ordinances & Rules 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 and actuarial reports in intervening years.

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.

Previous Valuation

The Scheme was last valued as at 31 July 2009 and the results were contained in my report dated 23 April 2010.

Inter-valuation Review

The previous valuation recommended joint Employer and Member contributions to the Scheme to meet the cost of future accrual of 26.3% of members' Pensionable Salaries inclusive of allowances for the expenses of administering the Scheme. In addition, to reduce the funding deficit, the Employers agreed to pay:

- An additional 3.4% of Pensionable Salary until 31 July 2011 followed by;
- An additional contribution of £14,595,000 p.a. from 1 August 2011.

As at 31 July 2009 this rate of contribution was projected to fund the deficit disclosed by the 2009 valuation over a period of 16 years, i.e. by 31 July 2025.

Contributions have been paid in accordance with these recommendations.

Member contributions have been paid in accordance with the Rules of the Scheme.

References for earlier advice on this valuation

An earlier document, the Memorandum on the Actuarial Valuation last updated on 27 April 2012 ("the Memorandum"), 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 Pension Regulator's Code of Practice 3 (in particular paragraphs 75, 79 & 102), the different funding methods that are available to them and how they may choose a set of assumptions. However, it should be noted that I have not provided any advice to the Trustee on Employer matters.

In particular in recommending assumptions to the Trustee I provided no advice on factors affecting the Employers or their industry which may affect such factors as pay increases or rates of withdrawal of Scheme membership (paragraph 79 of the Code of Practice). In calculating the contribution rates I have not provided any advice on other related Employer matters such as business plans, expenditure commitments or industry reports (paragraph 102 of the Code of Practice).

The above advice was reviewed by the Trustee at their meeting on 27 April 2012. A copy of the Memorandum was forwarded to the University, who indicated their agreement that the method for deriving the assumptions proposed in the Memorandum should be adopted for the valuation results.

The assumptions set out in the Memorandum were based on financial conditions as at 31 March 2012. They were updated to 31 July 2012 to reflect changes in market conditions since 31 March 2012. The agreed assumptions are set out in Appendix E.

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 Employer 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 Employer and to Scheme members in accordance with the disclosure legislation and regulations, but may only be disclosed to other parties with our consent. Such parties may rely upon the results only for the purposes described above. 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.

Reporting Requirements

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

- Technical Actuarial Standard: Pensions (TAS P);
- Technical Actuarial Standard R: Reporting Actuarial Information (TAS R); and
- Technical Actuarial Standard D: Data (TAS D).

The calculations in this report have been calculated using models that are compliant with Technical Actuarial Standard M: Models (TAS M).

The actuarial information contained in this report has been peer reviewed in accordance with Actuarial Profession Standards (APS) P2 – Compliance Review.

It should be noted that the calculation of Technical Provisions and future contribution rates in this report are defined as a “Planning Exercise” under TAS R. The calculation of the solvency position and the PPF Section 179 funding position is defined as a “Valuation Exercise” under TAS R. This report is a “Scheme Funding Report” for the purposes of TAS P and Section 224 of the Pensions Act 2004.

2 Background

The Scheme

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

The Scheme is open to existing members and future new entrants. The employees covered by the Scheme were contracted out of the State Second Pension (S2P) as at the valuation date, although this ceased on 1 January 2013.

Core Benefits Under Rules

We have valued the Scheme benefits set out in the Ordinances and Rules last updated by a Grace on 2 November 2012*. References to Pensionable Salary in this report have the same meaning ascribed to them as in the Rules.

Members may pay Additional Voluntary Contributions (AVCs) to increase benefits payable from the Scheme. Liabilities and assets shown in this report exclude money purchase AVCs, but do include AVCs used to provide additional service credits.

*See also Material Post Valuation Date Events.

Allowance for Discretionary Benefits

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

In recent years this option has not been exercised and therefore no discretionary benefits have been granted. As such the valuation does not allow for any discretionary benefits and assumes that any that are granted will be funded at the time.

Allowance for Insured Benefits

The Trustee does not insure any death in service benefits.

A very small minority of the pensions in payment are partly insured with an insurance company. These have been excluded from the funding valuation as they are **exactly matched** by an insurance policy. As required by legislation, we have allowed for them in the PPF Section 179 valuation.

Allowance for Member Options

Allowance has been made for members retiring earlier than Normal Pension Age, using assumptions based on actual Scheme experience.

No allowance has been made for other member options which, if chosen, could reduce or increase the overall Scheme technical provisions.

Allowance for GMP Equalisation

Please note that no allowance has been made for any additional liability that might arise from the impact of equalising Guaranteed Minimum Pensions (GMPs) between men and women. This is because there is no consensus on whether or how they should be equalised.

Scheme Changes since previous valuation

Since the last valuation, the following changes have been made to the Scheme benefits for members joining the Scheme on or after 1 December 2009:

- Pensions accrue at the rate of 1/80th of Pensionable Salary for each year of Pensionable Service; there is in addition a cash lump sum of 3/80ths of Pensionable Salary for each year of Pensionable Service;
- An early retirement reduction factor is applied on retirement before age 65; and
- Spouse's pensions are 50% of member's pensions.

These changes were confirmed in the Rules by a Grace on 27 November 2009.

Legislative changes since previous valuation

Legislation sets out <u>minimum</u> levels of increases to pensions in payment ("indexation") and to deferred pensions in deferment ("revaluation"). Revaluation is in line with increases in inflation, capped at 5% p.a. (2.5% p.a. for pension accrued after 5 April 2009). Indexation applies to pension accrued after 5 April 1997 and provides for an annual increase in line with inflation, capped at 5%.

RPI to CPI – Background

Until now, for these purposes inflation has been measured by reference to increases in the Retail Prices Index (RPI), but the Government announced in 2010 that in future it will be using the Consumer Prices Index (CPI) to set the minimum level of increase required. The Government "believes the CPI provides a more appropriate measure of pension recipients' inflation experiences and is also consistent with the measure of inflation used by the Bank of England". It will also bring occupational pension schemes in line with the change to using CPI for public sector schemes, announced in the Budget in June 2010.

Effect of Changing to CPI

Although they are both measures of price inflation, the CPI and the RPI are calculated using different methodologies. Furthermore, the CPI excludes the elements for housing costs (mortgages) and Council Tax included in the RPI. Over the last 20 years annual increases in CPI have been <u>on average</u> 0.7% p.a. **lower** than the annual increase in RPI, (but note that the CPI increase exceeded the RPI increase in 3 of these years) and the Bank of England expects CPI to be 1% p.a. lower than RPI over the next 5 years. In the longer term, future increases in the CPI may also be expected to be lower than those in the RPI. Future minimum rates of indexation and revaluation will therefore generally be lower than would otherwise have been required.

Impact on Scheme Benefits

The Scheme Rules specify that increases to pensions in payment are to be calculated by reference to the RPI, and so these are unaffected by this change. The Scheme Rules state that in deferment total pension benefits will be revalued in line with RPI, but subject to a minimum of Statutory Revaluation. In the latter case, CPI will now apply.

Membership Data

The data for the valuation was provided by the Pensions 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 3,643 active members, 2,904 deferred pensioners, 98 pending members and 2,662 pensioners. Pending members are members who have ceased Pensionable Service but who have yet to choose between the benefit options available to them. We have valued 85 of the pending members as deferred pensioners and 13 as due to receive refunds of contributions (in line with the options they actually chose, after the valuation date). A more detailed summary is provided in Appendix A of this report.

We carried out the following data checks:

- Comparison and reconciliation with previous valuation data;
- Missing data and consistency checks;
- Checking Pensionable Salaries against previous data and for reasonableness;
- Checking Final Pensionable Salaries against previous data and for reasonableness;
- Checking part time member data; and
- Checking deferred pensions and pensions in payment against previous data.

Asset Data

The audited Scheme accounts show that the market value of the Scheme's assets at 31 July 2012 amounted to £377,168,507. This includes assets in relation to members' final salary based AVCs, but excludes money purchase assets and insured pensions. Appendix B provides a more detailed breakdown of the Scheme's assets.

Employer Matters

We have not provided any advice to the Trustee in connection with the Employer.

Material Post Valuation Date Events

From 1 January 2013 the Scheme's benefit structure has been revised for benefits accruing after that date. The Scheme now has 3 different groups of members:

- UNI 1 - Members who joined before 1 December 2009
- UNI 2 - Members who joined after 30 November 2009 and before 1 January 2013
- UNI 3 - Members who join after 31 December 2012

The Scheme provides Career Revalued Benefits (CRB) for future service.

These changes to benefits were confirmed in Rules updated by a Grace on 2 November 2012. The most important features of the new structure are as follows:

UNI 1

- Benefits accrue at the rate of 1/95th pension + 3/95th cash for the period to 31 December 2017 and then 1/100th pension + 3/100th cash for the period from 1 January 2018 onwards;
- Member contributions of 5%;
- Spouse's pensions of 75% of members' pensions;
- Each years' accrual is to be revalued in line with increases in the RPI;
- The earliest age from which members can draw benefits without reduction has changed from age 60 to age 63.
- Members have the option to pay an additional contribution of 3 ½% of Pensionable Salary if they wish to draw benefits without reduction from age 60.

UNI 2

- Benefits accrue at the rate of 1/95th pension + 3/95th cash for the period to 31 December 2017 and then 1/100th pension + 3/100th cash for the period from 1 January 2018 onwards;
- Member contributions of 5%
- Each year's accrual is to be revalued in line with the increase in the RPI.

UNI 3

As for UNI 2 except:

- The accrual rate is 1/150ths pension + 3/150ths cash;
- Member contributions of 3%;
- Death-in-Service lump sum of 5 x salary;
- Each years' accrual is to be revalued in line with CPI rather than being based on RPI;
- Pensions in payment will increase in line with the CPI rather than the RPI.

This does not affect past service benefits but does affect future service costs. Figures for future service costs are set out in Section 5.

3 Funding Principles

Statutory Funding Objective

The Statutory Funding Objective is set out in the Statement of Funding Principles dated 26 April 2013 included as Appendix D to this report.

Under Rule 44 of the Rules, each Employer must pay contributions at rates decided by the University as Principal Employer, after taking actuarial advice. However, this is overridden by the Pensions Act 2004, under which the Principal Employer and Trustee jointly agree to the Statement of Funding Principles and the contribution rates payable to the Scheme.

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 51% 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.

Funding Objectives

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

- to assume that the Scheme will invest in some return seeking equity type assets as well as bonds, and overall credit should be taken for a real long term investment return of up to 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; and
- to eliminate any deficit relative to the funding target by increases in the rate of contributions over a period that does not exceed 16 years.

Changes to Funding Objectives	No changes have been made to the funding objectives since the previous valuation.
Funding Implications on Stability of Contribution Rate	The funding objective includes allowance for investment in equity type assets, and makes no allowance for 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.
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.

4 Valuation Method and Assumptions

Funding Method

The cost of the future benefit accrual within the Scheme has been determined in this valuation using the Projected Unit Method.

Projected Unit method

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 Pensionable Salaries, to give the future service contribution rate.

This method 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 Scheme. If there are not any new entrants to the Scheme the future service contribution rate will be expected to rise as the active membership ages.

As mentioned in Section 2, new joiners to the Scheme will be on a different benefit structure to existing members. This will act to reduce the cost of benefit accrual. Consequently, the overall future service contribution rate may be expected to reduce in the future as the proportion of active members on the new benefit structure increases.

As a result of these changes, the Trustee has agreed to introduce a 10 year 9 month control period for the calculation of future service contribution rates.

Previous Funding Method

The same funding method was used for the previous actuarial valuation, however the control period at that time was effectively 1 year.

Factors to Consider in choosing funding method

Under Section 75 of the Code of Practice 03 Funding Defined Benefits ("the Code of Practice") issued by The Pensions Regulator, the Trustee are required to consider the following factors (inter alia) when choosing a funding method:

- the ability and willingness of the Employer 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 will need to satisfy itself that the chosen funding method is appropriate bearing in mind the above factors.

The past service funding position is calculated by comparing the value placed on the existing Scheme assets with the value placed on members' benefits accrued before the valuation date allowing for future Pensionable Salary increases to retirement, death or earlier exit. Any deficiency is expressed as an increase in the contribution rate payable for a stated period.

Valuation Assumptions

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

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.

Recovery Plan

The Statement of Funding Principles describes a Recovery Plan for removing any funding deficit. The Recovery Plan requires the deficit to be removed by additional contributions payable over 10 years 9 months. This is by fixed monthly payments.

Under Section 102 of the Code of Practice the Trustee is required to consider the following factors when considering the structure of the recovery plan:

- the Employers' business plans and the likely effect any potential recovery plan would have on the future viability of the Employers;
- the ability of the Trustee to pursue an Employer to make good a deficiency in the event of a scheme wind-up.
- the Employers' expenditure commitments.
- the value of any contingent security provided by the Employers 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);
- 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 Employers;

We have not provided any advice to the Trustee in connection with the above factors. The Trustee has considered these factors in determining the appropriate period over which the deficit should be paid. The Trustee has agree to a Recovery Plan payable over 10 years and 9 months from the valuation date.

5 Funding Valuation Results

Results

The following Section summarises the results of the valuation on the Scheme's funding objective using the basis described in Section 4 and Appendix E.

Past Service Position/Technical Provisions

		£000's
Value of benefits in respect of service before 31 July 2012:		
Active Members		209,078
Deferred Pensioners		81,637
Current Pensioners		215,764
Expenses		5,065
Technical Provisions	[a]	**511,544**
Market Value of Scheme Assets	[b]	**377,169**
Past Service Surplus/(Deficit)	[b-a]	**(134,375)**
Level of Funding of Past Service Benefits	[b/a]	74%

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

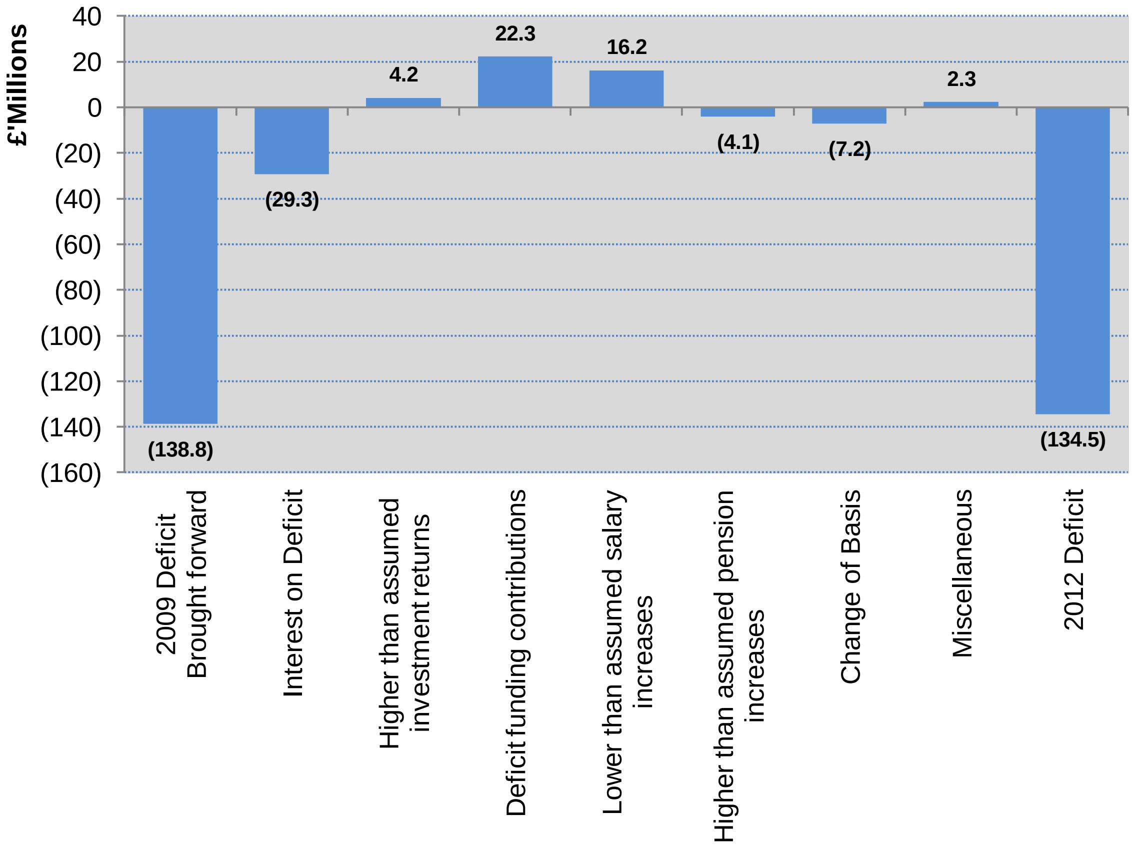
The Trustee and the Employers should be aware that the Technical Provisions are not the same as the cost of winding up the Scheme. This is shown in Section 8 of the report.

The past service deficit of £134.4 million compares to the deficit disclosed by the previous valuation of £138.8 million. An approximate analysis of the principal factors affecting the level of deficit since the previous valuation is given below.

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

Analysis of Surplus/(Deficit)

	£m's
(Deficit)/Surplus as at 31 July 2009	**(138.8)**
Interest on (Deficit)/Surplus	(29.3)
Investment returns higher than assumed	4.2
Value of contributions paid since last valuation to reduce deficit	22.3
Salary increases lower than assumed	16.2
Pension increases higher than assumed	(4.1)
Changes in assumptions	(7.2)
Miscellaneous	2.3
(Deficit)/Surplus as at 31 July 2012	**(134.4)**



Significant Variations

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

- The contributions paid by the Employers towards paying off the funding deficit identified by the 2009 valuation;
- Salary increases were lower than assumed, although this is partially offset by actual pension increases being higher than assumed;

- Slightly better than assumed investment returns; and
- Changes in the valuation basis.

Scheme Experience

As noted above, actual salary increases were lower than assumed. Actual salary increases averaged 2.5% p.a., significantly lower than the 2009 valuation assumption of 4.9% p.a.

The average actual pension increase was 4.5% p.a., higher than the 2009 valuation assumption of 3.4% p.a.

Changes in Assumptions

The changes made to the valuation assumptions have increased the value placed on the Scheme's liabilities by approximately £7.2m.

The vast majority of this change (£7.9m) relates to the impact of the change in the assumptions for mortality and proportions married. We have increased the allowance for future improvements in longevity. This increases the average assumed life expectancy and hence the value placed on the liability for future pension payments. This is partially offset by the reduction from 90% to 85% in the assumption for the proportion of married members.

The impact of the changes made to the financial assumptions is negligible (£-0.7m). Although the absolute value of the assumptions has changed, their value in real terms (i.e. relative to the assumption for future RPI increases) is the same. In particular, the real rate of return is unchanged at 3.2% p.a. and this is by far the most important valuation assumption.

Expenses

I have reviewed the allowances for the ongoing expenses of the Scheme and compared them to recent actual experience. Over the past 3 years the ongoing expenses and levies have averaged 0.52%pa of Pensionable Salaries. The current allowances for expenses are 0.4%pa of Pensionable Salaries plus 1.0% of the Technical Provisions. We have retained these allowances as the overall allowance for expenses remains prudent for an ongoing scheme; interest on the past service expense reserve is more than sufficient to cover the additional 0.12% p.a. expenses each year.

Future Service Cost

The total contribution rate is made up of two parts; the cost of the future benefit accrual and the contribution to remove the past service deficit shown above. The rates shown below do not include any allowance for members' AVCs.

The joint contribution rate to fund future benefit accrual on the basis of the existing benefit structure is 25.5% of Pensionable Salaries. This includes allowances for members' contributions, the cost of self insuring the death in service benefit and for the expenses of running the Scheme.

At the last valuation, the total future service joint contribution rate was determined as 26.3% of Pensionable Salaries. The reduction is due to the impact of the new benefit structure introduced in 2009. This impact has been partly offset by the impact of the change in basis.

This can be illustrated by considering separately the future service contribution rates for the pre-1 December 2009 and the post-1 December 2009 joiners. In isolation, the contribution rate for the first group would be 27.6%, the increase above 26.3% representing the impact of changes in the funding basis. However, the contribution rate for the second group in isolation would be 19.1%, lower than for the first group because of the lower level of benefits provided to these members.

The contribution rate includes allowance for the expenses, death in service costs and levies of running the Scheme.

These rates are of limited interest, since the Scheme's benefit structure changed significantly from 1 January 2013. Various options for future service rates on the new benefit structure were set out in my Summary of Initial Results Report dated 22 October 2012. Subsequent discussions between the Trustee and Employer have confirmed that normal contribution rate from 1 August 2013 will be:

- For existing members at 31 December 2012 an average rate of 11.5% is payable by the Employers to the Scheme. This rate is based on a 10 year 9 month control period. It includes allowance for the expenses of running the Scheme. Members will be required to pay 5% of Salary to the Scheme either directly or via the salary sacrifice arrangement.

- For new entrants from 1 January 2013, the Employers will pay 5.8% of Salary to the Scheme. Members will be required to pay 3% of Salary to the Scheme either directly or via the salary sacrifice arrangement.

Please note that the Employers will also be required to pay higher National Insurance contributions amounting to around 2.5% of Salary in respect of all members and 5% of Salary to the Defined Contribution arrangement for new entrants. However, these contributions are not included in the Schedule of Contributions which only covers contributions to the Scheme.

Deficit Funding Contributions	The Trustee and the Employer have agreed that the additional contributions should be in the form of fixed annual amounts. Therefore, additional annual contributions of £14,595,000 are required from the valuation date for 10 years 9 months. All contributions are payable monthly. The assumptions used in drawing up the Recovery Plan are those defined in the Statement of Funding Principles as set out in Appendix D.
Future progression and Material developments	<u>Assuming</u> that all funding assumptions in Section 4 are borne out in practice and that the Recovery Plan adopted is for the Employers to continue to repay the deficit at the existing Recovery Plan rate, then I expect the funding level to improve to 82% by the next valuation in 2015.
Further Issues:	**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. The Trustee feels that the strength of the Employers' covenant is such that a reduction to reflect temporary underfunding is unnecessary **Factors** The Scheme's commutation factors and other administrative factors should be updated following the valuation to reflect changing economic and demographic conditions.

6 Funding Risks and Sensitivities

Funding Risks

Circumstances in which either the funding objective may not be met, the solvency position may worsen or the contribution rate paid by the Employer may not be stable might be as follows:

- the appropriate contributions are not made;
- the financial or demographic experience of the Scheme differs significantly from the valuation assumptions; or
- the benefits provided by the Scheme are changed (as a result of either legislation or a decision by the University / Trustee).

In particular, the Trustee should consider the possible impact of the following specific risks. Although not exhaustive it 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 easily be removed, for example longevity risk, and the Trustee must be aware of these risks and monitor them closely.

Sponsor Risk

If the Employers 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.

Investment Return

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

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.

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.

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.

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 invests in a wide range of investments.

Self-Investment Risk

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

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. Members who joined prior to 1 December 2009 have the right to retire at age 60. If all members chose to do so then costs would increase above those assumed. The Trustee investigates Scheme experience regularly to check on such trends.

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 entirely removed, for example longevity risk, and the Trustee must be aware of these risks and monitor them closely.

Sensitivities

The risks discussed above can have a significant impact on the results of the valuation. For example, the financial assumptions that have the most significant effect on the results of the valuation relate to the investment return, the rate of increase in Pensionable Salaries and the rates of increase of pensions in payment or deferment. In addition, improving longevity can also result in increased Scheme liabilities.

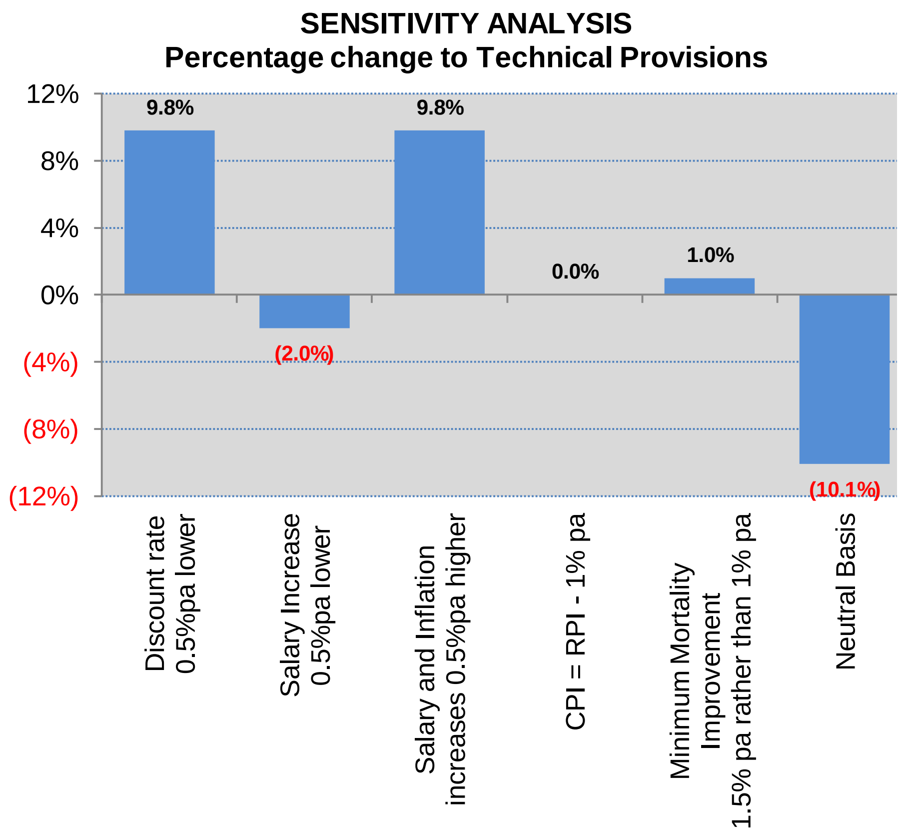
The chart below shows the approximate percentage increase in the Scheme's funding objective liabilities if each of the assumptions is changed by the specified amount. The figures shown are for a guide only as the effects of changing the assumptions are interdependent.

We have also undertaken a ‘neutral’ valuation with the following “best estimate” assumptions replacing the funding assumptions:

- An investment return assumption of 6.5% p.a.;
- A future long term mortality improvement rate of 1% p.a.

The impact of this would be to reduce the value placed on the Scheme’s Technical Provisions by 10.1%.

The results are illustrated in the following chart:



The analysis shows that increasing the inflation and salary increase assumptions by 0.5% p.a. has exactly the same effect as reducing the investment return assumption by 0.5% p.a. This underlines the fact that it is the real rate of return, i.e. the difference between the assumptions for investment return and inflation, which drives the value placed on the Scheme’s liabilities.

Reducing the assumption for future salary increases by 0.5% p.a. reduces the value placed on the Scheme’s liabilities by approximately £10 million.

Changing just the assumption for future increases in the CPI has virtually no impact on the value placed on the past service liabilities. This is because under the existing benefit structure CPI acts just as an underpin for members’ benefits, and applies only in very limited circumstances. However, it will impact on the future service cost for new members under the new benefit structure.

7 Pension Protection Fund – Section 179 Valuation

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.

Section 179 Position

		£000's
Value of benefits in respect of:		
Active Members' service on or before 31 July 2012		369,603
Deferred Pensioners		168,113
Current non insured Pensioners		253,700
Current insured Pensioners		24
Expenses of winding up		9,414
Expenses of benefit installation		4,248
Total Section 179 Liabilities	**[a]**	**805,102**
Assets from draft accounts		377,169
Current insured Pensioners		24
Total Value of Scheme Assets	**[b]**	**377,193**
Section 179 Surplus/(Deficit)	**[b-a]**	**(427,909)**
Level of Section 179 Funding	**[b/a]**	**47%**

Additional Information

Once these results have been finalised using the audited accounts they 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 Exchange the following additional information is required:

S179 Guidance and Assumptions	
S179 Guidance used	G5
S179 Assumptions used	A6

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 : 0.006%

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

Active Members	0
Deferred Members	0
Pensioner Members	0.01%

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

	Before 6 April 1997	**6 April 1997 to 5 April 2009 (*)**	**On or after 6 April 2009**
Active members	14%	55%	31%
Deferred Members	25%	66%	9%
Pensioners	54%	46%	

(*) to the valuation date for pensioners.

Number of members and averages ages:

	Number of members	**Average age†**
Active members	3,643	48
Deferred Members	3,002*	45
Pensioners	2,662	68

*Including those awaiting a refund or transfer value

†The average age (weighted by protected liabilities) as at the effective date of this valuation, for each member type, rounded to the nearest whole year.

8 Solvency Position

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.

Assumptions

Insurance companies price deferred and immediate annuity policies by reference to the yields available on UK Government gilts. At the valuation date such investments were yielding approximately 2.5% to 3% per annum.

We have used the investment return assumptions underlying the PPF's Section 179 valuation basis as these are intended to be close to the assumptions used by insurance companies (albeit at the more competitive end of the range). I would regard this approach as appropriate for calculating the solvency position.

Other Economic and Demographic Assumptions

Other assumptions such as mortality and those relating to pension increases and revaluation in payment and deferment are consistent with the PPF assumptions. All active members are assumed to leave service at the valuation date, therefore the salary increase rate is replaced by the assumptions for future inflation.

This approach is an estimate which should be used as a guide only. Market changes in both interest rates and the supply and demand for this business mean that no one estimate can be relied upon. The actual true position can only be established by completing a buy-out.

Expenses

We have included an estimate of the expenses associated with organising a wind-up equal to 1% of the liabilities. The true cost of winding-up the Scheme may be higher or lower than this estimate.

Summary

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

		Solvency Valuation £000's
Value of benefits in respect of:		
Active Members		454,573
Deferred Pensioners		217,814
Current Pensioners		317,004
Expenses		9,894
Total Solvency Liabilities	**[a]**	**999,285**
Market Value of Scheme Assets	**[b]**	**377,169**
Solvency Surplus/(Deficit)	**[b-a]**	**(622,117)**
Level of Solvency Funding	[b/a]%	38%

If the Scheme's funding objective had been met in full the level of solvency funding would have increased to 51%.

Changes since previous valuation

The solvency level at the previous valuation was 42% with a deficit of £382.8 million. The solvency funding position has therefore deteriorated since the last valuation as a result of:

- A much stronger basis mainly as a result of significantly lower gilt yields on which such costs are based; and
- interest on the solvency deficiency from the previous valuation.

This has been partly offset by

- better than assumed investment returns.

Expected Solvency level at next triennial valuation

Assuming that all actuarial assumptions in used for the solvency valuation are borne out in practice and that contributions continue to be paid at the rate specified under the existing Recovery Plan, then I expect the solvency level to improve to 40% by the next valuation, however, I would also expect the actual amount of the solvency deficit to increase.

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 & Money Purchase Benefits	100%
Benefits provided by the Pensions Protection Fund	46%
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 a solvent employer it would have entered the PPF. This would have resulted in members' benefits being reduced below their full entitlements.

Future progression and Material developments

Based upon the assumptions adopted for the solvency calculations payments of Employer contributions at the rate detailed in Section 10 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.

Employer contributions at the rate detailed in Section 10 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.

9 Investment Strategy

Background

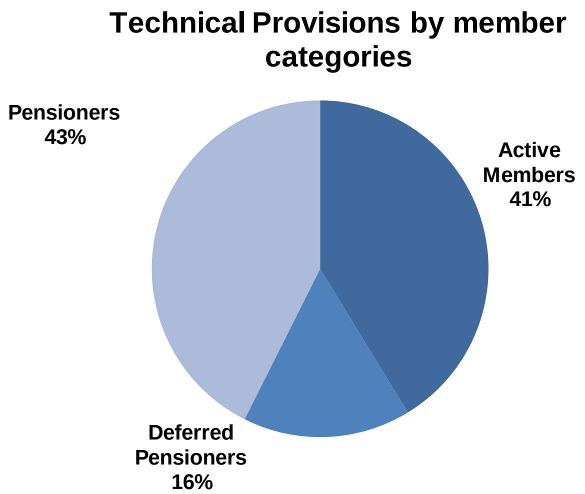
The Pensions Act 1995 requires the Trustee to regularly to review its Statement of Investment Principles to ensure that it is consistent and compliant with Section 36 (“Choosing Investments”). We have therefore set out below some comments on the nature of the Scheme’s liabilities to assist in this review.

Asset Split

Appendix B provides details of the Scheme’s assets at the valuation date. At that time approximately 82% 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.

Liability Split

The chart below shows the breakdown of the Scheme’s technical provisions by Member Category.



Equity, hedge fund assets 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/or 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.

Comparison

Looking at the chart, the Scheme has a significant proportion (43%) of its liabilities directly related to pensioners. The Scheme assets are only 18% invested in bonds and cash and so this will increase the volatility of the funding level as the assets and liabilities will not change value in the same way.

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

Should the Trustee wish to move towards a more matched asset position then I recommend that they consider obtaining an asset liability report. This would help analyse their current investment strategy and determine alternative strategies to meet their objectives.

10 Conclusions

Funding Level and Recovery Plan

The valuation results in Section 5 show the Scheme's assets at the valuation date are insufficient to meet the funding target. The Trustee and the Employer have agreed that the following contributions will be paid:

	Salary Sacrifice Members			Other Members		
	Active Members	Employers		Active Members	Employers	
	%	Prior to 31 July 2013 %	1 August 2013 onwards %	%	Prior to 31 July 2013 %	1 August 2013 onwards %
Pre-2013 Members paying additional contributions under Rule 45.6	Nil	28.8	20.0	8.5	20.3	11.5
Other Pre-2013 Members	Nil	25.3	16.5	5.0	20.3	11.5
Post-2013 Members	Nil	23.3	8.8	3.0	20.3	5.8

The Statement of Funding Principles agreed between the Trustee and the Employer requires a Recovery Plan to eliminate the funding deficit within 10 years 9 months. This results in additional contributions of £14,595,000 per annum.

Solvency Level

The solvency position of the Scheme is a funding level of 38% at the valuation date. Contributions at the rates above are 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.

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.

The Trustee feels that the strength of the Employers' covenant is such that a reduction to reflect temporary underfunding is unnecessary.

Timescale and Future Valuation Requirements

The next triennial valuation is due to take place as at 31 July 2015. As this Scheme has more than 100 members interim actuarial reports will be required as at 31 July 2013 and 31 July 2014. As this Scheme has 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 days of this report being signed.

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

26 April 2013

RJS/SC/ds/Jo

A Membership Data

The Scheme membership data was supplied by the Pensions 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	1,344 (1,401)	2,299 (2,276)	3,643 (3,677)
Total Pensionable Salary p.a.	£31,208,935 (£32,014,162)	£48,024,461 (£45,611,118)	£79,233,396 (£77,625,280)
Average Pensionable Salary p.a.	£23,221 (£22,851)	£20,889 (£20,040)	£21,749 (£21,111)
Average past service (years)	9.9 (9.9)	7.2 (6.7)	8.2 (8.0)
Average age (unweighted)	44.0 (44.6)	42.8 (42.8)	43.3 (43.4)
Discounted Mean Term to Retirement (years)	11.6	12.3	12.0

Notes

1. The member numbers have been reconciled with the previous valuation data and information provided by the Administration team in Cambridge. They are different by 16 from those shown in the audited accounts, which show 3659 members. This is due to timing differences in the extract.

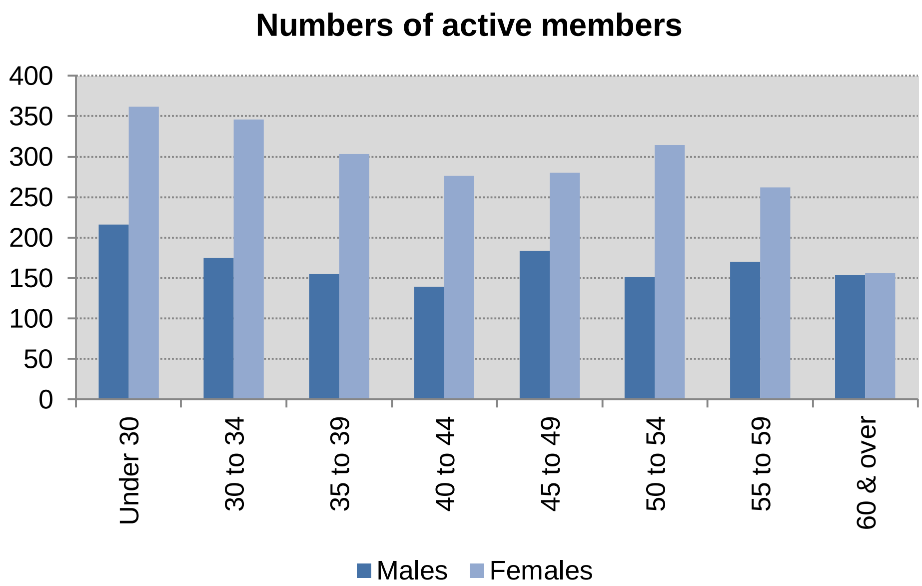
2. The figures for the previous actuarial valuation are shown in brackets where available.

3. Included in these statistics are 285 active members who have not yet retired, but who have passed age 60.

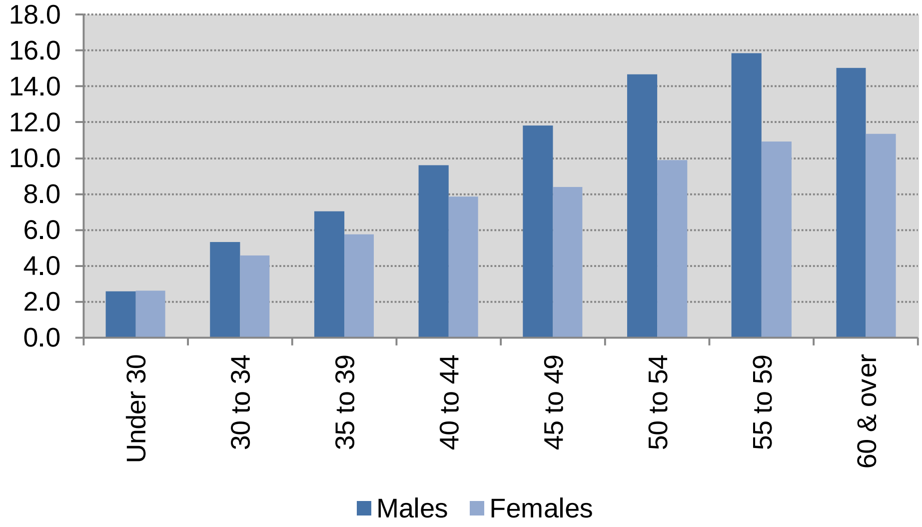
4. Total Pensionable Salaries shown above are the actual salaries paid to members (i.e. not full time equivalent for part-timers) as provided to us by the Scheme's administrator.

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.

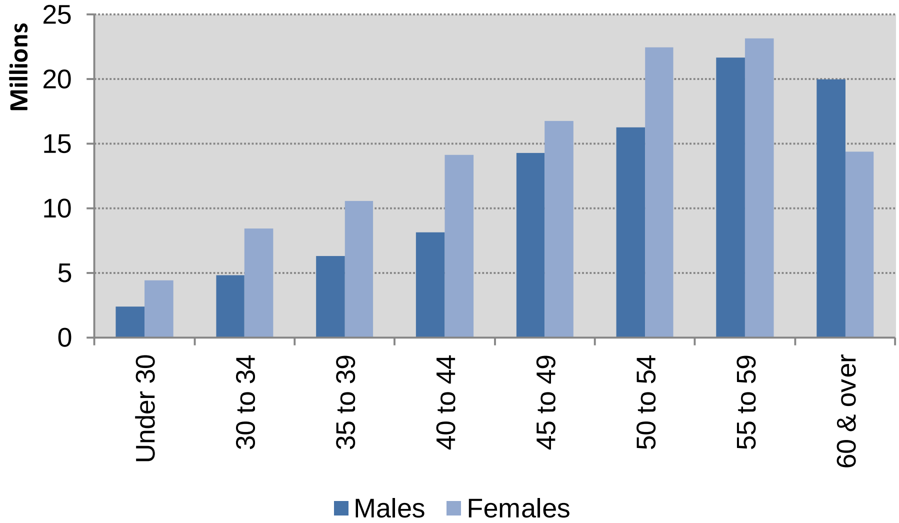
6. The discounted Mean Term to Retirement is the average term to the assumed retirement date, weighted by members' Technical Provisions.

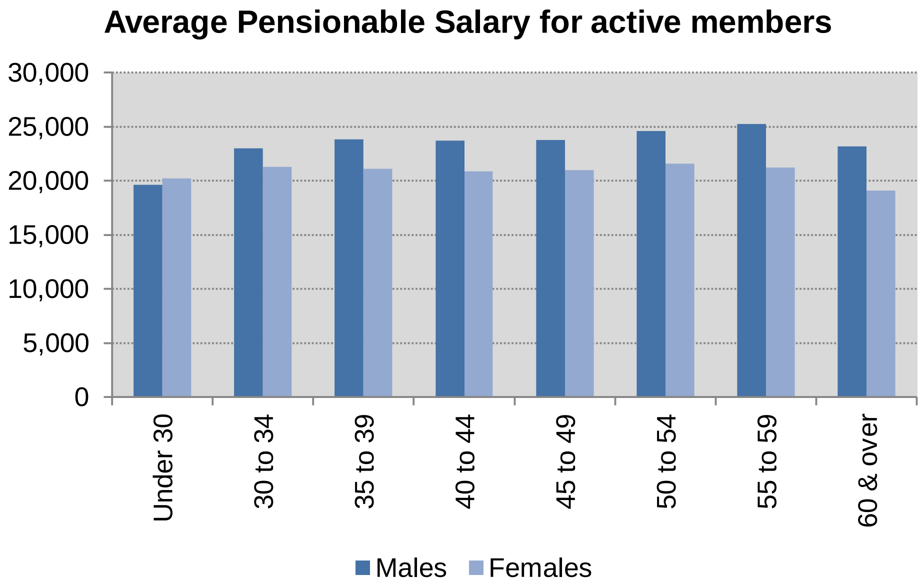


Accrued past service for active members



Technical Provisions for active members




Average Pensionable Salary for active members
30,000
25,000
20,000
15,000
10,000
5,000
0
Under 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 & over
Males
Females

DEFERRED PENSIONERS	Males	Females	Total
Number	920 (800)	1,984 (1,736)	2,904 (2,536)
Total deferred pensions p.a. payable as at valuation date	£2,143,272 (£1,697,177)	£3,947,110 (£3,032,373)	£6,090,383 (£4,729,550)
Average deferred pension p.a. payable as at valuation date	£2,330 (£2,121)	£1,989 (£1,747)	£2,097 (£1,865)
Average age (unweighted)	43.5 (42.9)	44.2 (43.2)	44.0 (43.1)
Discounted Mean Term to Retirement (years)	12.9	12.5	12.6

Notes

1. Member numbers are the same as agreed with the Pensions Administration team. However, they do differ by 1 from the audited accounts which show 2,903 members, due to timing differences.

2. The figures for the previous actuarial valuation are shown in brackets where available.

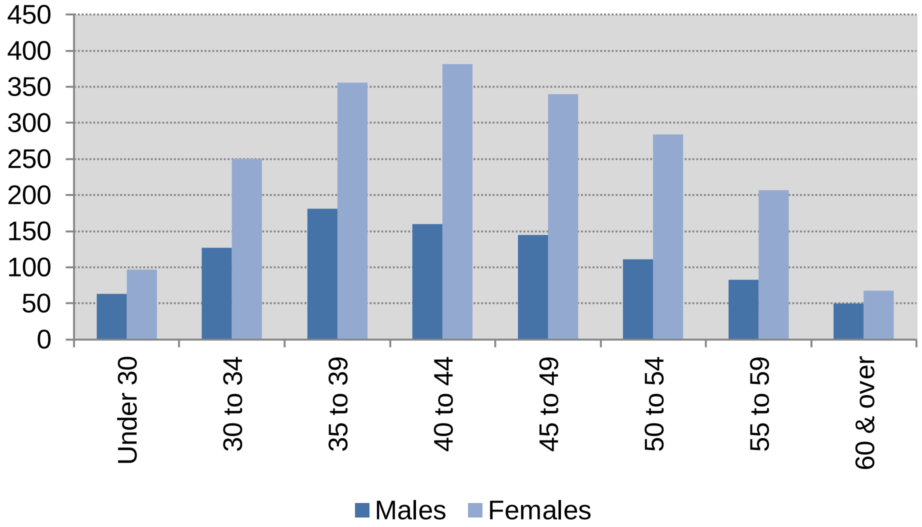
3. Included in these statistics are 118 deferred pensioners who have not yet retired, but who have passed age 60.

4. The following graphs illustrate the current statistics in greater detail.

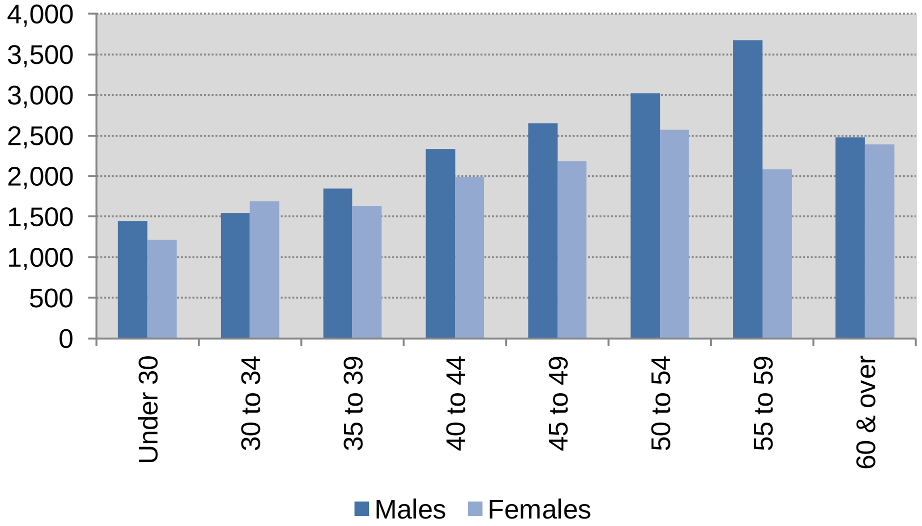
5. The Discounted Mean Term to Retirement is the average term to the assumed retirement date, weighted by member's Technical Provisions.

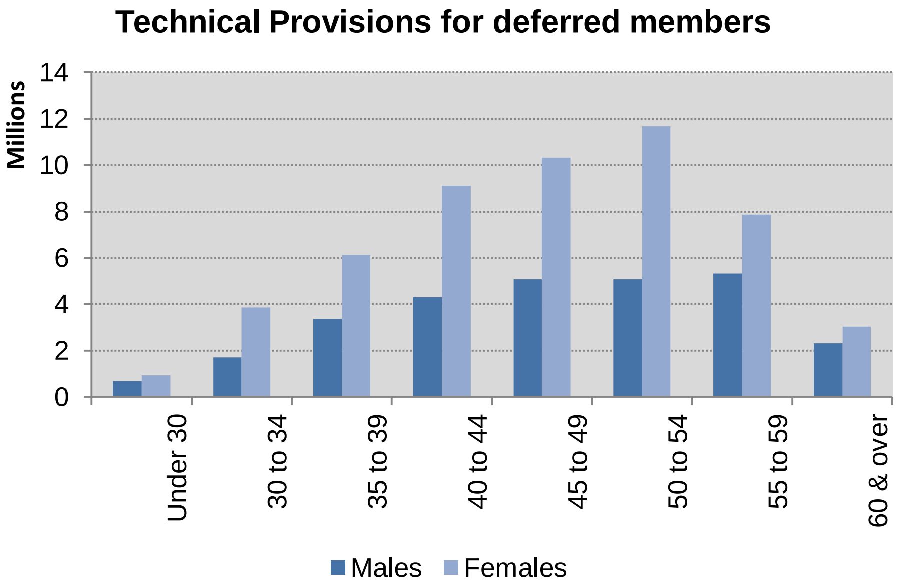
6. In addition to the above, there are 98 short service Pending Members who are due either a Refund of Contributions (13 members) or Transfer Values (85 members). We have valued those who have taken refunds after the year end as the value of their refunds. We have valued the other members in the same way as deferred pensioner calculations.

Numbers of deferred members



Average accrued pension for deferred members




Technical Provisions for deferred members
Millions
14
12
10
8
6
4
2
0
Under 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 & over
Males
Females

PENSIONERS	Males	Females	Total
Number	1,093 (953)	1,569 (1,307)	2,662 (2,260)
Total pensions p.a. payable as at valuation date	£7,644,409 (£5,944,506)	£6,900,440 (£5,114,772)	£14,544,850 (£11,059,278)
Average pension p.a. payable at valuation date	£6,994 (£6,238)	£4,400 (£3,913)	£5,465 (£4,893)
Average age (unweighted)	71.2 (71.5)	70.5 (70.4)	70.8 (70.9)

Notes

1. The pensioner number is the same as agreed with the Pensions Administration team. However, the audited accounts show a figure of 2,660 due to difference in timing of the extract.

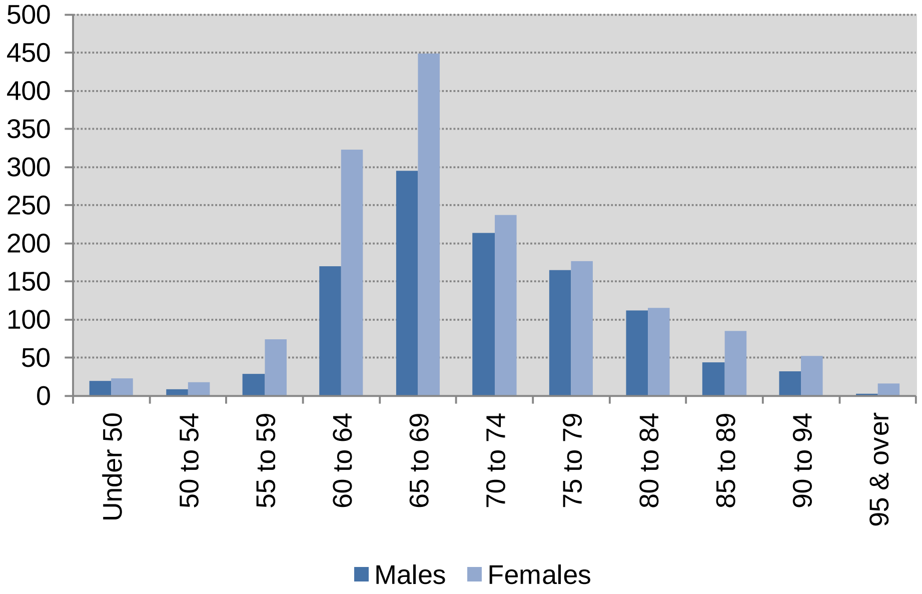
2. The figures for the previous actuarial valuation are shown in brackets where available.

3. There are 366 dependant pensioners included in the above statistics and 17 children, one of whom is treated as a dependant pensioner.

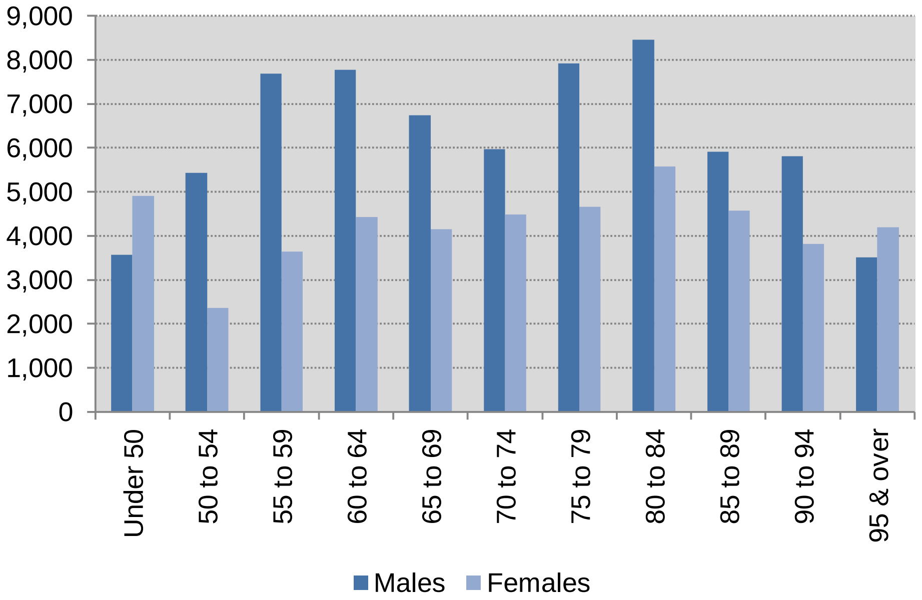
4. For a few pensioners, part of their pension is payable from outside the Scheme. These are excluded from the above statistics and the funding valuation, but included in the PPF Section 179 valuation.

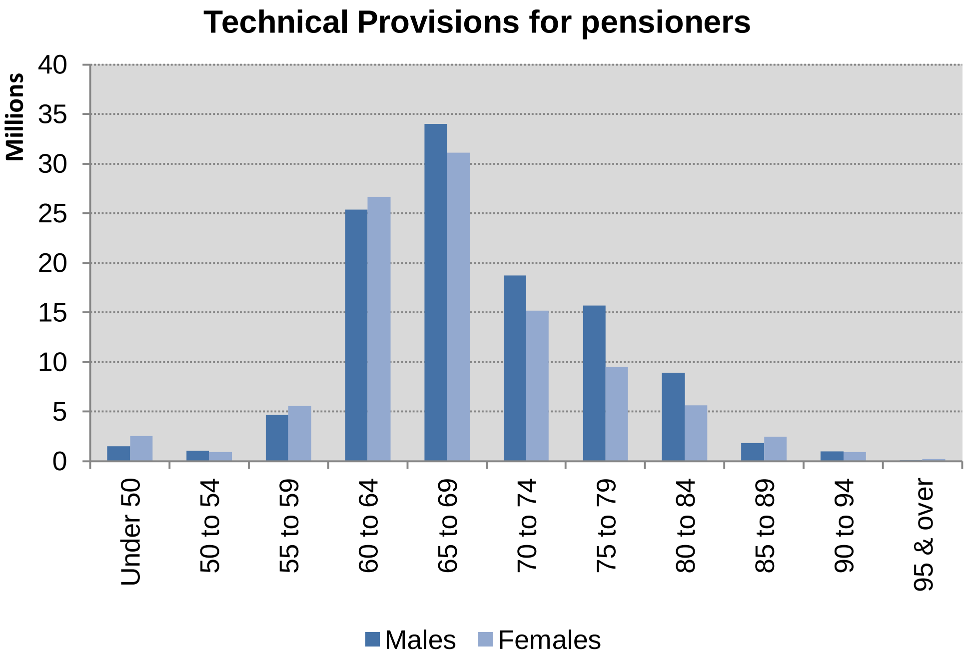
5. The following graphs illustrate the current statistics in greater detail.

Numbers of pensioners



Average accrued pension for pensioners



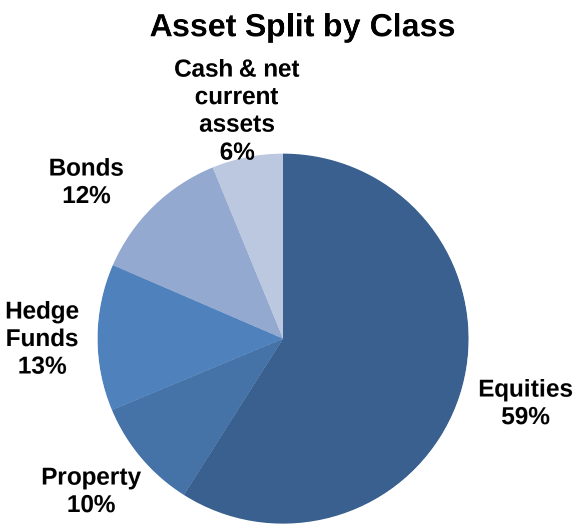

Technical Provisions for pensioners
Millions
40
35
30
25
20
15
10
5
0
Under 50
50 to 54
55 to 59
60 to 64
65 to 69
70 to 74
75 to 79
80 to 84
85 to 89
90 to 94
95 & over
Males
Females

B Scheme Assets

The Scheme's audited accounts show that the Scheme held the following assets as at 31 July 2012, excluding money purchase AVCs:

Market Value of Scheme Assets	Amount £	Percentage of Total Assets %
Equities		
State Street Global Advisers	73,423,627	19.5
Majedie	36,414,308	9.7
Genesis	22,853,796	6.1
UBS	89,787,021	23.8
Property		
F&C	36,639,492	9.7
Bonds		
Payden and Rygel	33,268,893	8.8
Loomis Sayles	13,137,766	3.5
Hedge Funds		
PAMMCO	23,135,713	6.1
Blackrock	25,102,448	6.6
Cash & Net Current Assets	23,405,443	6.2
Total	**377,168,507**	**100.0**

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



C Summary of Benefits and Member Contributions

1	Effective Date	31 July 2012
2	Eligibility	• University assistants employed on a permanent basis • Aged 16 to 65
3	Normal Pension Age (NPA)	The NPA for all members is 65, although all members may retire at any time after age 60 and receive an immediate unreduced pension.
4	Pensionable Salary	Basic salary plus any allowances that have been determined to be pensionable by the Employer. It is the amount notified to the Trustees by the Employer which would have applied had the Member not been in the Salary Sacrifice Arrangement.
5	Final Pensionable Salary	The greatest of: • Pensionable Salary for the last 12 months • Best indexed Pensionable Salary in the 12 month period starting 3 years before retirement, termination or death • Highest indexed average of 3 years Pensionable Salaries in the last 13 years preceding retirement, termination or death • Pensionable Salary in the 12 months ending 3 years before retirement, termination or death – no indexation • Pensionable Salary in the 12 months ending 4 years before retirement, termination or death – no indexation.
6	Member contributions	6% of Pensionable Salary for non salary sacrifice members; otherwise Nil AVCs may be paid, either to provide additional service credits or into an account with the Cambridge Building Society.

7	Pensionable Service	Pensionable Service is composed of: • the number of years and days contributory membership of the Scheme with a Participating Employer; plus • the number of years and days service, if any, granted in respect of a transfer value paid to the Scheme; plus • the number of years and days service, if any, granted in respect of AVCs.
8	Normal Retirement Pension	At NPA an annual pension of: 1/60th of Final Pensionable Salary for each year (and proportionately for days) of Pensionable Service.
9	Ranking Service	Pensionable service excluding service provided by AVCs.
10	Early Retirement Pension in Normal Health	Members may retire after age 55 with the consent of the Employer and the Trustee. <u>All members retiring at or after age 60:</u> 1/60th of Final Pensionable Salary for each year (and proportionately for days) of Pensionable Service. <u>All members retiring between age 55 and 60:</u> 1/60th of Final Pensionable Salary for each year (and proportionately for days) of Pensionable Service, reduced by an actuarial factor depending on the period to age 60.
11	Early Retirement Pension in ill-health or on grounds of incapacity	<u>Members retiring in ill-health:</u> 1/60th of Final Pensionable Salary for each year (and proportionately for days) of Pensionable Service, increased by one year for each complete period of 5 years of Ranking Service (such additional service being limited to the member's prospective Pensionable Service to age 65). <u>Members retiring on grounds of incapacity:</u> 1/60th of Final Pensionable Salary for each year (and proportionately for days) of actual Pensionable Service <u>plus</u> prospective Pensionable Service to age 65.

12 Exchange of pension for cash	Part of the above pension may be exchanged for a tax free cash lump sum, subject to HM Revenue & Customs limits.
13 Benefits on Death after Retirement	• The balance, if any, of the first 5 years' payments of the member's pension, is paid as a lump sum plus • A spouse's pension of two thirds of the member's pension at the date of death before any exchange of pension for cash plus • A funeral grant of £2,500. This is payable net of any tax liability if the member is over age 75 at date of death and retired on or after 6 April 2006.
14 Benefits on Death in Service	• A lump sum of 4 times annual salary at the date of death plus • A refund of the member's contributions to the Scheme returned with interest plus • A spouse's pension of two thirds of the member's incapacity pension at the date of death continuing on death of the spouse until the youngest child reaches age 18 or ceases full time education, whichever is earlier plus • A child's pension of 25% of the spouse's pension for each child, (up to a maximum of 4) while below age 18 or, if later, receiving full time education to a maximum of age 23. The total of all the spouse's and children's pensions may not exceed the member's prospective pension.
15 Increases to Pensions in payment	The increase in the Retail Prices Index (RPI) in the year ending each May, applied at 1 August, subject to a maximum of 12% per annum. Any increase above 12% in any year would be at the discretion of the Managing Committee of the Scheme. If the RPI is below 3% in any year, an increase of more than RPI up to a maximum of 3% could be paid at the discretion of the Managing Committee.

16	Benefits on Termination of Service	(i) If the member has completed less than 2 years of Ranking Service, an appropriate payment is made to the Department for Work and Pensions (DWP) to reinstate the member into S2P, and a refund of the member's contributions plus interest is paid to the member, less the member's share of the payment to the DWP, less tax, subject to a minimum payment of zero. (ii) If the member has completed 2 or more years Ranking Service, the pension at termination is: 1/60th of Final Pensionable Salary for each year (and proportionately for days) of Pensionable Service. Alternatively, the member may choose to transfer out of the Scheme. The total pension calculated under (ii) will revalue between termination and NRA in line with the increase in the RPI in the year ending each May, applied at 1 August, subject to a maximum of 12% per annum. The 12% per annum limit may be disapplied at the discretion of the Managing Committee. This is subject to a minimum of statutory revaluation.
17	Pension Schemes Act 1993	Members are contracted-out of the State Second Pension (S2P) using the Reference Scheme Test.

For a Member who joins the Scheme on or after 1 December 2009 and a Former Member who rejoins the Scheme on or after that date, the benefit provisions are the same as the above benefits except where set out separately below:

3	Normal Pension Age (NPA)	The NPA is 65.
8	Normal Retirement Benefits	At NPA an annual pension of: **1/80th** of Final Pensionable Salary for each year (and proportionately for days) of Pensionable Service. **Plus** **A cash lump sum of 3/80th of Final Pensionable Salary for each year (and proportionately for days) of Pensionable Service.**

10	Early Retirement Benefits in Normal Health	Members may retire after age 55 with the consent of the Employer and the Trustee. The benefits provided to the Member are a pension of **1/80th** of Final Pensionable Salary **plus a lump sum of 3/80ths of Final Pensionable Salary** for each year (and proportionately for days) of Pensionable Service, in both cases reduced by an actuarial factor depending on the period to age 65.
11	Early Retirement Benefits on ill-health or on grounds of incapacity	Benefits are calculated based on the same period of Pensionable Service as is described above for joiners before 1 December 2009, but this is applied to provide a pension based on an accrual rate of **1/80th** of Final Pensionable Salary **plus a lump sum based on an accrued rate of 3/80ths of Final Pensionable Salary.**
13	Benefits on Death after Retirement	• The balance, if any, of the first 5 years' payments of the member's pension, is paid as a lump sum plus • A spouse's pension of **one half** of the member's pension at the date of death before any exchange of pension for cash plus • A funeral grant of £2,500. This is payable net of any tax liability if the member is over age 75 at date of death and retired on or after 6 April 2006.
14	Benefits on Death in Service	• A lump sum of **3 times** annual salary at the date of death plus • A spouse's pension of **one half** of the member's incapacity pension at the date of death continuing on death of the spouse until the youngest child reaches age 18 or ceases full time education, whichever is earlier plus • A child's pension of 25% of the spouse's pension for each child, (up to a maximum of **two**) while below age 18 or, if later, receiving full time education to a maximum of age 23. The total of all the spouse's and children's pensions may not exceed the member's prospective pension.

16 Benefits on Termination of Service

(i) If the member has completed less than 2 years of Ranking Service, an appropriate payment is made to the Department for Work and Pensions (DWP) to reinstate the member into S2P, and a refund of the member's contributions plus interest is paid to the member, less the member's share of the payment to the DWP, less tax, subject to a minimum payment of zero.

(ii) If the member has completed 2 or more years Ranking Service, the benefits at termination are a pension of **1/80th** of Final Pensionable Salary **plus a lump sum of 3/80ths of Final Pensionable Salary** for each year (and proportionately for days) of Pensionable Service.

Alternatively, the member may choose to transfer out of the Scheme.

The benefits calculated under (ii) will revalue between termination and NRA in line with the increase in the RPI in the year ending each May, applied at 1 August, subject to a maximum of 12% per annum. The 12% per annum limit may be disapplied at the discretion of the Managing Committee. This is subject to a minimum of statutory revaluation.

D Statement of Funding Principles

Name of Scheme	Cambridge University Assistants' Contributory Pension Scheme
Status	This statement was 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 2012 after taking advice from Robert Sweet of Cartwright Group Limited, the current Actuary to the Scheme. It replaces an earlier version dated 23 April 2010 prepared for the actuarial valuation as at 31 July 2009.
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 to be used in the calculation of the technical provisions is the Projected Unit Method.

Technical Provisions - Assumptions

The following sets out the principles behind setting the actuarial assumptions for the funding of the Scheme.

Discount Rate (also referred to as "interest rate")

Technical provisions are determined using a single rate of interest for all pre and post retirement benefits.

On retirement, Members' pensions are paid from the fund. Assets providing a risk free rate of return, such as Government bonds (gilts) provide a good match for pensions in payment.
The Trustee invests in a wide range of assets including equities and property, which are expected to give long term returns in excess of those available on gilts. The Trustee wishes to take credit for some of this out-performance and to that end will use an interest rate of Retail Price Inflation (RPI, as defined below) plus a margin of **up to 4% pa** to allow for this expected out-performance. The Trustee has determined that for the purposes of the calculations as at 31 July 2012 the margin to be adopted is 3.2% p.a.

Pension increases in deferment

The Trustee's main assumption is the same as the assumption for future increases in the Retail Prices Index (RPI).

The RPI assumption will be determined at the valuation date based on the Bank of England spot yield at a point consistent with the duration of the Scheme liabilities. This rate will be rounded to the nearer 0.05% p.a. At this valuation the weighted duration of the liabilities has been calculated as 19 years, and the spot yield at the valuation date is 2.77% p.a. The RPI assumption is therefore 2.75% p.a.

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). The Trustee has agreed that this assumption should be equal to the assumption for future RPI increases less 0.7%p.a.

Salary Increases

Pay increases are expected to exceed RPI increases by up to 1.5% p.a. compound. This relationship with RPI is monitored for accuracy and may be subject to change in future valuations.

Pension increases in payment

Pension increases in payment are defined in the Rules as increasing in line with the RPI up to a maximum of 12% p.a. compound. The Trustee does have discretion to pay a minimum of 3% p.a. if RPI is less than this.

The Trustee will use the same assumption as that used for RPI above.

Mortality

It is the intention of the Trustee 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.

Currently the Trustee is using base tables produced by the Continuous Mortality Investigation Bureau based upon mortality experience of Self Administered Pension Schemes centred on 2003 but then projected to allow for subsequent improvements in longevity.

After carrying out a mortality investigation on Scheme experience on data up to 31 July 2008 the Actuary recommended and the Trustee agreed to adjust the SAPS "Light" base tables for males and females by 125% and 95% respectively. This table has been used for the 2012 valuation as no more up to date tables have been published.

In addition, the Actuary recommended and the Trustee agreed to make allowance for future longevity improvements using the CMI 2011 projection table, with long term rates of improvement of 1.25% p.a.

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.

Leaving Service

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

Retirement

The Scheme Normal Retirement Age is 65 although members who joined prior to 1 December 2009 have the right to retire without actuarial reduction at age 60. The Trustee wishes to fund benefits to the average expected age of retirement of such members.

Investigations of the pattern of retirements between 2003 and 2008 (investigated as at 31 July 2008) suggest that, on average, Active males currently retire at age 63 and females retire at age 61, whilst Deferred males retire at age 61 and females retire at age 60.

These average retirement ages will be reviewed by the actuary at each subsequent triennial valuation to ensure that they remain in line with actual Scheme experience.

Members who joined on or after 1 December 2009 are assumed to retire at age 65.

Age difference of dependants

The average age difference between partners is also to be reviewed on a triennial basis at each valuation, subject to the data being available.

Female spouses are assumed to be 3 years younger than their male partner.

Percentage with dependants' benefits at death

The average percentage of Members with partners at date of death will be reviewed on a triennial basis at each valuation, subject to the data being available. The current assumption is that 85% of Members are married at date of death.

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 0.4% 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% p.a. the Trustee has reviewed the pension increase to be paid and has increased it, on occasion, at up to 3% p.a. 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 University 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 University and other Employers;
- the Trustee's assessment of the financial covenant of the University and other Employers (and in making this assessment the Trustee will make use of appropriate credit assessment providers); and
- any contingent security offered by the University and other Employers.

The Trustee normally expects the recovery period to be no longer than 16 years from the valuation date for funding deficiencies.

The assumptions to be used in calculating the additional contributions required will be those set out above for calculation of the Technical Provisions, except that the expected rate of return (the return on existing assets and on new contributions during the period of the Recovery Plan) may be set at a higher rate than the discount rate. For the purposes of the Recovery Plan prepared on 26 April 2013 the Trustee has decided that the appropriate expected rate of return is 0.4% p.a. higher than the prudent discount rate, i.e. 6.35% p.a.

Arrangements by a person other than the University or other Employer or a Scheme member to contribute to the Scheme	No such arrangements exist.
Policy on reduction of cash equivalent transfer values (CETVs)	The Trustee asks the Actuary to advise it 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 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 actuary to decide whether, and to what extent, CETVs should be reduced.
Frequency of valuations and circumstances for extra valuations	The Scheme's first actuarial valuation under Part 3 of the Pensions Act 2004 was carried out as at the effective date of 31 July 2006 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 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 University before doing so.

On behalf of the University of Cambridge ("the Principal Employer")

Signed ……………………………………

Name : A M Reid

Position : Director of Finance

Date : 26 April 2013

On behalf of CU Pension Trustee Limited ("the Trustee")

Signed ……………………………………

Name : R K Hinkley

Position : Director

Date : 26 April 2013

This Statement of Funding Principles has been agreed by the Trustee at its meeting on 26 April 2013 after obtaining my actuarial advice.

Signed :

Name : R J Sweet

Position : Scheme Actuary

Date : 26 April 2013

E Assumptions

The 2012 Funding Basis is based on the Statutory Funding Objective and the current Statement of Funding Principles adopted by the Trustee, adjusted by the Trustee in line with the actuarial advice contained in the Memorandum.

Also included are the previous valuation assumptions for comparison purposes.

Under Section 79 of the Code of Practice, when choosing the assumptions the Trustee is required to consider the factors particular to the Employers, or the Employers' industry, affecting matters such as pay increases, rate of withdrawal from membership and recruitment. The Trustee is satisfied that the initial chosen assumptions set out below are appropriate bearing in mind the above factors.

Economic	**Assumptions for valuation as at 31 July 2012 (% per annum compound)**	**Assumptions for valuation as at 31 July 2009 (% per annum compound)**
Rate of interest:	5.95%	6.6%
Asset return for Recovery Plan:	6.35%	7.0%
Rate of salary increases:	4.25%	4.9%
Rate of increase in pensions in payment:	2.75%	3.4%
Rate of increases to pensions in deferment:		
• GMP	4.25%	4.9%
• Pension in excess of GMP		
○ RPI	2.75%	3.4%
○ CPI	2.05%	n/a
Other		
Valuation of assets:	Surrender value of the assets	Surrender value of the assets

	Assumptions for valuation as at **31 July 2012** (% per annum compound)	Assumptions for valuation as at **31 July 2009** (% per annum compound)
Expenses		
• past service • future service	1.0% of the liability excluding expenses 0.4% of Pensionable Salary	1.0% of the liability excluding expenses 0.4% of Pensionable Salary
Death in Service Premiums:	Not applicable	Not applicable
Pension Protection Fund levy:	Included in the future service cost expenses	Included in the future service cost expenses
Demographic		
Rate of Mortality	125% of SAPs Light Pensioner Mortality tables for males and 95% of SAPs Light Pensioner Mortality tables for females. Plus a projection based upon the CMI_2011 model with a long-term 1.25% p.a. improvement.	125% of SAPs Light Pensioner Mortality tables for males and 95% of SAPs Light Pensioner Mortality tables for females. Plus a projection based upon the Medium Cohort year of birth table from the CMIB and with a minimum 1%pa improvement.
Age at Retirement: Joiners prior to 1 December 2009:		
• Active members	Males 63 Females 61	Males 63 Females 61
• Deferred members	Males 61 Females 60	Males 61 Females 60
Joiners on or after 1 December 2009:	Males 65 Females 65	N/A N/A
Proportion Married:	85%	90%
Age Difference:	Women 3 years younger than their partner	Women 3 years younger than their partner
Withdrawal rates	No allowance	No allowance
Member Options:	No allowance	No allowance

Assumptions for Amortisation of Deficiency

The above initial assumptions were also used to determine the additional contributions to be paid under the amortisation of deficiency calculations. We have made allowance for a 0.4% per annum out performance allowance in the return on assets compared to those used to value the Scheme liabilities.

F Actuary's Certification of the Calculation of Technical Provisions

Name of Scheme: **Cambridge University Assistants' Contributory Pension Scheme**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 July 2012 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 26 April 2013.

Signed :	Robert. J. Sweet	Date:	26 April 2013
Name :	R J Sweet	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address :	Mill Pool House Mill Lane Godalming Surrey GU7 1EY	Employer	Cartwright Group Ltd

G Glossary

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.

Statement of Funding Principles

This is a document produced by the Trustee and agreed by the Employer. It sets out details of the method and assumptions to use to meet the Statutory Funding Objective as well as any other objectives the Trustee have and details of the Recovery Plan.

Recovery Plan

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

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 Employer should aim to fund 100% of the Scheme's Technical Provisions.

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.

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 previous actuarial valuation. It must also include an assessment of changes in the value of the Scheme's assets.

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.

Valuation Exercise (as defined in TAS R)

This involves the quantification of an amount for recording in a formal document, for example the calculation of the Solvency and Section 179 valuation results in this report.

Planning Exercise (as defined in TAS R)

This involves the estimation of an amount for budgeting or target setting purposes. The setting of Technical Provisions for funding purposes and future service contribution rates are an example of a Planning Exercise.

Statement of Funding Principles

Name of Scheme	Cambridge University Assistants' Contributory Pension Scheme
Status	This statement was 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 2012 after taking advice from Robert Sweet of Cartwright Group Limited, the current Actuary to the Scheme. It replaces an earlier version dated 23 April 2010 prepared for the actuarial valuation as at 31 July 2009.
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 to be used in the calculation of the technical provisions is the Projected Unit Method.
Technical Provisions - Assumptions	The following sets out the principles behind setting the actuarial assumptions for the funding of the Scheme. **Discount Rate (also referred to as "interest rate")** Technical provisions are determined using a single rate of interest for all pre and post retirement benefits. On retirement, Members' pensions are paid from the fund. Assets providing a risk free rate of return, such as Government bonds (gilts) provide a good match for pensions in payment. The Trustee invests in a wide range of assets including equities and property, which are expected to give long term returns in excess of those available on gilts. The Trustee wishes to take credit for some of this out-performance and to that end will use an interest rate of Retail Price Inflation (RPI, as defined below) plus a margin of **up to 4% pa** to allow for this expected out-performance. The Trustee has determined that for the purposes of the calculations as at 31 July 2012 the margin to be adopted is 3.2% p.a. **Pension increases in deferment**

The Trustee's main assumption is the same as the assumption for future increases in the Retail Prices Index (RPI).

The RPI assumption will be determined at the valuation date based on the Bank of England spot yield at a point consistent with the duration of the Scheme liabilities. This rate will be rounded to the nearer 0.05% p.a. At this valuation the weighted duration of the liabilities has been calculated as 19 years, and the spot yield at the valuation date is 2.77% p.a. The RPI assumption is therefore 2.75% p.a.

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). The Trustee has agreed that this assumption should be equal to the assumption for future RPI increases less 0.7%p.a.

Salary Increases

Pay increases are expected to exceed RPI increases by up to 1.5% p.a. compound. This relationship with RPI is monitored for accuracy and may be subject to change in future valuations.

Pension increases in payment

Pension increases in payment are defined in the Rules as increasing in line with the RPI up to a maximum of 12% p.a. compound. The Trustee does have discretion to pay a minimum of 3% p.a. if RPI is less than this.

The Trustee will use the same assumption as that used for RPI above.

Mortality

It is the intention of the Trustee 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.

Currently the Trustee is using base tables produced by the Continuous Mortality Investigation Bureau based upon mortality experience of Self Administered Pension Schemes centred on 2003 but then projected to allow for subsequent improvements in longevity.

After carrying out a mortality investigation on Scheme experience on data up to 31 July 2008 the Actuary recommended and the Trustee agreed to adjust the SAPS "Light" base tables for males and females by 125% and 95% respectively. This table has been used for the 2012 valuation as no more up to date tables have been published.

In addition, the Actuary recommended and the Trustee agreed to make allowance for future longevity improvements using the CMI 2011 projection table, with long term rates of improvement of

1.25% p.a.

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.

Leaving Service

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

Retirement

The Scheme Normal Retirement Age is 65 although members who joined prior to 1 December 2009 have the right to retire without actuarial reduction at age 60. The Trustee wishes to fund benefits to the average expected age of retirement of such members.

Investigations of the pattern of retirements between 2003 and 2008 (investigated as at 31 July 2008) suggest that, on average, Active males currently retire at age 63 and females retire at age 61, whilst Deferred males retire at age 61 and females retire at age 60.

These average retirement ages will be reviewed by the actuary at each subsequent triennial valuation to ensure that they remain in line with actual Scheme experience.

Members who joined on or after 1 December 2009 are assumed to retire at age 65.

Age difference of dependants

The average age difference between partners is also to be reviewed on a triennial basis at each valuation, subject to the data being available.

Female spouses are assumed to be 3 years younger than their male partner.

Percentage with dependants' benefits at death

The average percentage of Members with partners at date of death will be reviewed on a triennial basis at each valuation, subject to the data being available. The current assumption is that 85% of Members are married at date of death.

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 0.4% 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% p.a. the Trustee has reviewed the pension increase to be paid and has increased it, on occasion, at up to 3% p.a. 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 University 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 University and other Employers;
- the Trustee's assessment of the financial covenant of the University and other Employers (and in making this assessment the Trustee will make use of appropriate credit assessment providers); and
- any contingent security offered by the University and other Employers.

.

The assumptions to be used in calculating the additional contributions required will be those set out above for calculation of the Technical Provisions, except that the expected rate of return (the return on existing assets and on new contributions during the period of the Recovery Plan) may be set at a higher rate than the discount rate. For the purposes of the Recovery Plan prepared on 26 April 2013 the Trustee has decided that the appropriate expected rate of return is 0.4% p.a. higher than the prudent discount rate, i.e. 6.35% p.a.

Arrangements by a person other than the University or other Employer or a Scheme member to contribute to the Scheme	No such arrangements exist.
Policy on reduction of cash equivalent transfer values (CETVs)	The Trustee asks the Actuary to advise it 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 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 actuary to decide whether, and to what extent, CETVs should be reduced.
Frequency of valuations and circumstances for extra valuations	The Scheme's first actuarial valuation under Part 3 of the Pensions Act 2004 was carried out as at the effective date of 31 July 2006 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 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 University before doing so.

On behalf of the University of Cambridge **On behalf of CU Pension Trustee Limited**

(“the Principal Employer”)		**(“the Trustee”)**	
Signed	…………………………………	Signed	…………………………………
Name :	A M Reid	Name :	R K Hinkley
Position :	Director of Finance	Position :	Director
Date :	26 April 2013	Date :	26 April 2013

This Statement of Funding Principles has been agreed by the Trustee at its meeting on 26 April 2013 after obtaining my actuarial advice.

Signed :

Name : R J Sweet

Position : Scheme Actuary

Date : 26 April 2013

Recovery Plan

Name of Scheme	Cambridge University Assistants' Contributory Pension Scheme
Status	This Recovery Plan has been prepared by CU Pension Trustee Limited (the "Trustee" of the Scheme) on 26 April 2013 after obtaining the advice of Robert J Sweet, the Actuary to the Scheme. The actuarial valuation of the Scheme as at 31 July 2012 revealed a funding shortfall (technical provisions minus value of assets) of £134,375,000.
Steps to be taken to ensure that the statutory funding objective is met	To eliminate this funding shortfall, the Trustee and the Principal Employer have agreed that additional contributions will be paid to the Scheme by the Employers, payable in equal monthly instalments of £14,595,000 per annum from 1 August 2012 to 30 April 2023.
Period in which the statutory funding objective should be met	The funding shortfall is expected to be eliminated by 30 April 2023. This expectation is based on the following assumptions: ▪ technical provisions calculated according to the method and assumptions set out in the Statement of Funding Principles dated 26 April 2013; ▪ a return on existing assets and on new contributions during the period of 6.35% p.a.
Progress towards meeting the Statutory Funding Objective	It is expected that 50% of the deficit funding contributions will be paid by 31 December 2017.

On behalf of the University of Cambridge ("the Principal Employer")

Signed ……………………………….

Name : A M Reid

Position : Director of Finance

Date : 26 April 2013

On behalf of CU Pension Trustee Limited ("the Trustee")

Signed ……………………………….

Name : R K Hinkley

Position : Director

Date : 26 April 2013

This Recovery Plan has been agreed by the Trustee at its meeting on 26 April 2013 after obtaining my actuarial advice.

Signed :

Name : R J Sweet

Position : Scheme Actuary

Date : 26 April 2013

Schedule of Contributions

Name of Scheme Cambridge University Assistants' Contributory Pension Scheme

Status This Schedule of Contributions has been prepared by C U Pension Trustee Limited ("the Trustee" of the Scheme) on 26 April 2013, after obtaining the advice of Robert Sweet, the Actuary to the Scheme.

Contributions to be paid towards the Scheme from 1 May 2013 to 30 April 2023

1. In respect of the future accrual of benefits, the expenses of administering the Scheme, death in service benefits and PPF levies, the Members and the Employers will pay contributions at the following rates of Members' Pensionable Salaries:

	Salary Sacrifice Members			Other Members		
	Active Members	Employers		Active Members	Employers	
	%	Prior to 31 July 2013 %	1 August 2013 onwards %	%	Prior to 31 July 2013 %	1 August 2013 onwards %
Pre-2013 Members paying additional contributions under Rule 45.6	Nil	28.8	20.0	8.5	20.3	11.5
Other Pre-2013 Members	Nil	25.3	16.5	5.0	20.3	11.5
Post-2013 Members	Nil	23.3	8.8	3.0	20.3	5.8

Active Members' contributions are to be deducted from their Pensionable Salary by their Employer and, together with the Employers' own contributions, are to be paid to the Scheme on or before the 19th day of the calendar month following that to which the payment relates.

2. In respect of the shortfall in funding, in accordance with the Recovery Plan dated 26 April 2013 the Employers will pay an additional contribution of £14,595,000 per annum payable in monthly instalments over the period from 1 May 2013 to 30 April 2023, the allocation of this amount between the Employers to be decided by the Principal Employer.

   To be paid towards the Scheme on or before the 19th of the calendar month following that to which the payment relates

Post-2013 Member A Member who joined the Scheme on or after 1 January 2013.

Pre-2013 Member A Member who joined the Scheme on or before 31 December 2012.

Pensionable Salary	Basic salary plus any allowances and other emoluments that have been determined to be pensionable by the Employers. For Members who are participating in a Salary Sacrifice Arrangement, Pensionable Salary is deemed to be the amount which it would have been if the Member was not participating in a Salary Sacrifice Arrangement.
Salary Sacrifice Members	Members who are participating in a Salary Sacrifice Arrangement and who as a result of which have been relieved of the duty to pay Member's contributions.

On behalf of the University of Cambridge ("the Principal Employer")		**On behalf of CU Pension Trustee Limited ("the Trustee")**	
Signed	…………………………………	Signed	…………………………………
Name :	A M Reid	Name :	R K Hinkley
Position :	Director of Finance	Position :	Director
Date :	26 April 2013	Date :	26 April 2013

Actuary's Certification of Schedule of Contributions

Name of Scheme	Cambridge University Assistants' Contributory Pension Scheme
Adequacy of Contribution Rates	I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 July 2012 to be met by the end of the period specified in the Recovery Plan dated 26 April 2013.
Adherence to Statement of Funding Principles	I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26 April 2013.
Adequacy of Contribution Rates on Winding Up	The certification of the adequacy of the rates of contributions for the purposes of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature:		Date:	26 April 2013
Name:	R J Sweet	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Mill Pool House Mill Lane Godalming Surrey GU7 1EY	Name of Employer:	Cartwright Group Ltd