Cambridge University Assistants' Contributory Pension Scheme (CPS)

Summary Funding Statement 2013

The CPS Managing Committee is pleased to provide members with the Scheme's eighth Summary Funding Statement.

Trustees of all UK defined benefit schemes are required by law to provide an annual summary funding statement to scheme members. The purpose of the statement is to summarise the funding position at the scheme's most recent valuation.

As pension schemes go on for many years, any review of a scheme's finances can only be a 'snap-shot' based on what is known at a given date, and estimates of what might happen in the future. Amongst other things, estimates include: how long people will live; what the rate of inflation will be; and what return the scheme will earn on its investments. This 'snap-shot' is known as an actuarial valuation and is carried out by the Scheme Actuary (normally every three years). The results of the valuation will form the basis for decisions about future contributions to the scheme.

The last full valuation of the CPS was at 31 July 2012. This statement summarises the funding position of the Scheme at that date and covers all of the information which we are required by law to tell you. As some of this information is rather technical and detailed, we have divided the statement into sections.

Dr. Reg Hinkley
Chairman, CPS Managing Committee

1. How well funded is the Scheme?

This question is answered by establishing how well the Scheme's liabilities (the pensions which it has to pay now and in the future in respect of pensionable service already completed) are covered by its assets (the money it has available).

There are many different ways of measuring a scheme's funding position. The most relevant measure is the 'ongoing basis' – which assumes the Scheme carries on as now. At the most recent actuarial valuation at 31 July 2012, the Scheme's funding position on an ongoing basis was:

Market value of scheme assets:	£377,169,000
Scheme liabilities:	£511,544,000
Scheme funding shortfall:	£134,375,000
Ongoing funding level:	74%

Based on the assumptions used in the "ongoing basis" which were agreed by the CPS Managing Committee and the University, the Scheme Actuary calculated that the contribution rates required to provide benefits on the revised benefit structure which has applied since 1 January 2013 were as follows:

	% of Pensionable Salaries	
	Members %	**Employers %**
Pre-2013 members	5.0	11.5
Post-2013 members	3.0	5.8

For Post-2013 members, the Employers also make Employer contributions of 5.0% of Pensionable Salaries into the separate Defined Contribution (DC) arrangement.

Contributions will be paid at these rates from 1 August 2013 onwards. For the period up to 31 July 2013, the Employer has contributed at the rate of 20.3% of Pensionable Salaries. Some members who joined the Scheme prior to 1 December 2009 have elected to pay an additional member contribution of 3.5% of Pensionable Salary in exchange for improved early retirement terms. Where a member participates in a Salary Sacrifice Arrangement, the Employer meets the cost of the member contributions shown above in exchange for an equivalent reduction in the member's earnings.

In addition to the above contributions, the Employers are paying contributions at a rate of £14,595,000 p.a. to reduce the funding shortfall. These contributions are projected to eliminate the shortfall by 30 April 2023, provided that the assumptions made are borne out.

2. How has the position changed since 31 July 2009?

At 31 July 2009, the previous actuarial valuation, the Scheme had a funding shortfall of £138,821,000 and a funding level of 67%. The funding position has therefore slightly improved over the period to 31 July 2012, mainly as a result of additional contributions paid by the Employers and actual salary increases being lower than previously assumed.

3. Future Updates

The next full actuarial valuation is not due until 31 July 2015, with the results being available within 15 months of that date. In the intervening period the CPS Managing Committee obtains an annual report from the Scheme Actuary, providing an approximate update of the funding position of the Scheme at 31 July each year.

The next update will be undertaken as at 31 July 2013 and the results will be included in next year's Statement.

4. Market Volatility

Investment markets can be volatile,. even over relatively short periods of time This has been reflected in the Scheme funding positions reported in each year's Summary Funding Statement. We would like to stress that the funding positions we report are inevitably simply a snapshot of the position at a particular date. Due to market volatility, the funding position can be expected to continue to fluctuate.

5. How well funded is the Scheme on a discontinuance basis?

Another measure of the Scheme's funding position is the 'discontinuance basis' i.e. what would happen if the Scheme was wound up (the University ceased to support the Scheme) and the Managing Committee had to purchase all pensions from an insurance company.

Discontinuance liabilities are higher than those calculated on the ongoing basis because the insurance company will make very conservative assumptions about future investment income and also needs to make a profit.

If the Scheme had discontinued at 31 July 2012, the Scheme's discontinuance position was estimated to have been:

Market value of scheme assets:	£377,169,000
Discontinuance liabilities:	£999,285,000
Discontinuance funding shortfall	£622,117,000
Discontinuance funding level:	38%

This means that the Participating Employers would be required to pay £622,117,000 into the Scheme to meet all of the Scheme's liabilities.

A pension scheme whose sponsoring employer becomes insolvent and is unable to meet the costs of providing pensions, will normally apply to the PPF. The PPF was set up under the Pensions Act 2004 to provide compensation to members and beneficiaries of defined benefit pension schemes in such cases.

Legislation requires that we include these details of the solvency funding position and the position should the Scheme be wound-up. Including this information does not imply that the University is considering winding-up the Scheme. The CPS Managing Committee and Scheme actuary are satisfied that the Participating Employers are fully committed to continuing to support the Scheme. Consequently, we concentrate on the funding position on the ongoing basis, as detailed in the earlier sections of this statement.

6. Have there been any payments from the Scheme to any of the Participating Employers?

The CPS Managing Committee can confirm that there have not been any payments to any of the Participating Employers out of the Scheme in the previous 12 months.

7. Where can I get further information?

A number of additional documents about the CPS are available to members on request, or from the website at www.admin.cam.ac.uk/offices/pensions/cuacps/ and these include:

Statement of Investment Principles – this explains how the money being paid into the CPS is invested.

Statement of Funding Principles – this sets out the funding basis for the CPS agreed by the CPS Managing Committee and the University.

Recovery Plan – this explains how the funding shortfall is being met.

Schedule of Contributions – this shows how much money is being paid into the CPS.

Managing Committee's Annual Report and Accounts – these show the CPS income and expenditure in each scheme year.

Actuarial Valuation Report – this is the full report of the Actuary on the valuation as at 31 July 2012.

Explanatory Note – this explains the benefits offered by the CPS.

If, after reading this statement, you have any questions or would like further information about the Scheme, please contact Sue Curryer, Head of Pensions Administration, University of Cambridge, 4 Mill Lane, Cambridge CB2 1RZ or e-mail her at sec28@cam.ac.uk.