Cambridge University Press Senior Staff Pension Scheme Summary Funding Statement - June 2023

Scheme position

Assets
£85,020,000

Money needed to pay benefits
£104,523,000

Shortfall
£19,503,000

Funding level
81%

This update states the estimated position of the Scheme as at 1 January 2023.

Since the last update (as at 1 January 2021), the shortfall has increased and a full actuarial valuation has been carried out as at 1 January 2022. The main reason for the increase in the shortfall to 1 January 2023 is the higher than expected level of inflation last year.

When the value of benefits is greater than the assets held, Press & Assessment and Trustee must agree a plan to safeguard members' pensions by making sure the assets catch up.

At the last valuation as at 1 January 2022, Press & Assessment agreed to pay £2.5m per year from 1 April 2023 to 28 February 2030, increasing at a rate of 5% each January, to top up the assets of the Scheme.

This statement gives you an update on the estimated financial position of Cambridge University Press Senior Staff Pension Scheme (the Scheme).

The Scheme is a Defined Benefit scheme. This means that it gives you an income for life.

The Trustee uses the assets of the Scheme to pay pensions to Scheme members, including those members who have not yet retired. The assets are held separately from Cambridge University Press & Assessment (Press & Assessment). Assets can only be returned to Press & Assessment if they are more than is needed to arrange for an insurance company to pay all benefits. No such payment to Press & Assessment has been made since the date of the last statement.

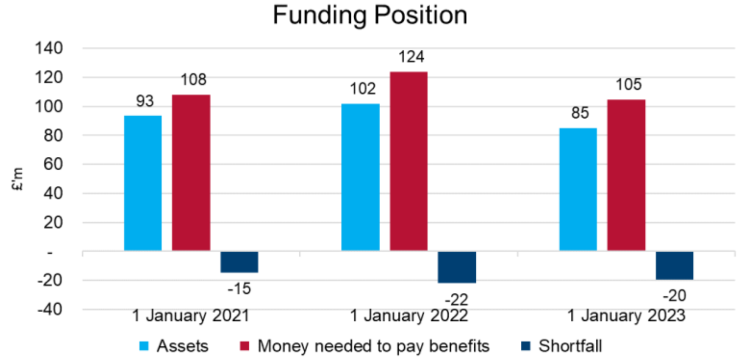
Your Scheme is looked after by

Your Scheme's finances

Working out the value of the benefits promised to members – how much money we need to pay all the members' pensions – is not an exact science. It depends on several things, including inflation, investment returns and how long its members live.

A full valuation is carried out every three years. As part of the valuation, we calculate whether the assets are worth more than the amount we think is needed to pay out the benefits. If that is not the case, then the Trustee and Press & Assessment will agree what action needs to be taken.

Changes in the value of the Scheme's assets and the money needed to pay benefits over the past three years are shown below.



This funding update shows that the assets of the Scheme are less than the amount needed to pay all benefits to members. This is not unusual.

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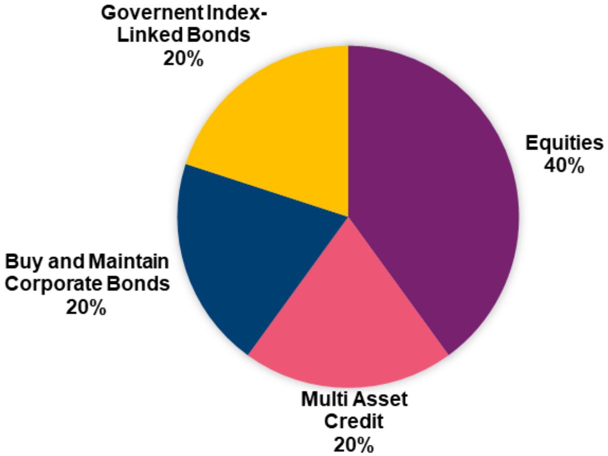
The assets

The Trustee has an investment strategy in place to make the most of the Scheme's assets by holding a mix of investments in the following way:



Within each investment class, we aim to hold a mixture of assets.

Winding up the Scheme – The buy-out position

If Press & Assessment, which effectively acts on behalf of the University, wants to let go of its responsibility for the Scheme, or is unable to support the Scheme, the Scheme will be wound up. This means that Press & Assessment / the University will have to pay a one-off contribution to the Scheme to cover the extra cost of getting an insurance company to take on the responsibility of paying all Scheme benefits. If this had happened at 1 January 2022 the contribution required from Press & Assessment / the University would have been an estimated £65m. It is estimated that, by 31 January 2023, this would have reduced to around £40m.

The Pensions Regulator looks after work-based pension schemes and has certain powers it can use if it has concerns about a scheme. It has not used any of these powers in relation to this Scheme.

Additional protection

If an employer becomes insolvent, the Pension Protection Scheme can pay compensation to members in certain circumstances. Further details are available at www.ppf.co.uk/our-members.

If you are thinking of leaving the Scheme for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking action.

Attempted pension scams are on the rise. Protect yourself by staying informed. You can find lots of information here: https://www.fca.org.uk/consumers/pension-scams

Other relevant pension news

Changes on Limits to Pension Savings

The yearly savings you can make tax free during any one tax year are limited to the annual allowance (AA). From 6 April 2023, the AA has increased from £40,000 to £60,000.

For individuals with a taxable income of more than £200,000 pa (*after* deducting any pension contributions made) the AA starts to reduce. This will still be the case, but the limits for these individuals are also increasing. From April 2023, the AA will reduce by £1 pa for every £2 pa of total income (*including* any pension contributions) above £260,000, down to a minimum of £10,000 pa for anyone with an income of £360,000 or more.

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The pension savings you can make tax free over your lifetime have previously been limited to the lifetime allowance, which was £1.073m for the 2022/23 tax year. This limit is to be abolished from 6 April 2024. During the 2023/24 tax year, lifetime allowance testing will continue although lifetime allowance tax charges will no longer apply. Therefore, from 6 April 2023, there will be no lifetime allowance tax charge at retirement, whatever the value of your pension benefits.

However, you should note that the amount of cash you may take at retirement tax free, as a Pension Commencement Lump Sum, will continue to be limited to 25% of the previous lifetime allowance, at £268,250. Any benefits taken over this will be taxed as usual, under PAYE.

If you have historical lifetime allowance protection and have not yet retired, you may want to consider taking financial advice to help understand the impact this change has on your pension savings.

Cyber Security – Protect yourself from hackers

Hackers want access to your finances – bank accounts, retirement accounts, loans, etc. Financial advisers recommend checking your accounts regularly and reporting any unfamiliar transactions. We all have a responsibility to protect our own data to reduce the risk of cybercrime.

To find out more about the threat of cybercrime and how you can stay safe, go to: www.getsafeonline.org and www.ncsc.gov.uk. If you are a victim of cybercrime, report it to Action Fraud, the UK's fraud and cybercrime reporting centre: www.actionfraud.police.uk.

Normal Minimum Pension Age

Currently, the earliest age you can usually access your pension benefits from a registered pension scheme is 55.

The Government announced in 2014 that the minimum pension age would rise from 55 to 57 on 6 April 2028. The Finance Act 2022 has now brought this change into law.

As a reminder, the State Pension Age is also due to rise, increasing from 66 to 67 between 2026 and 2028.

Further information

You can ask the University of Cambridge Pensions Office – contact details are on page one – for copies of any of the following documents:

- The Statement of Funding Principles
- The Statement of Investment Principles
- The Recovery Plan & Schedule of Contributions
- The Trustee's Annual Report and Accounts
- The latest full Actuarial Valuation Report as at 1 January 2022
- The shorter Actuarial Report as at 1 January 2023
- The Scheme booklet

If you have yet to start receiving your pension and we have not sent you an estimate of your pension at retirement in the last 12 months, you can ask for one.

Please help us by making sure we have your correct contact details. If your address, bank details or expression of wish has changed, you can find the forms to update your details here:

www.pensions.admin.cam.ac.uk/cup

A request to change your marital status can be made by letter or email with supporting documentation.

If you need any further information or help, please contact the University of Cambridge Pensions Office.