

CPAS Consultation

January 2016

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1. The proposal

“The proposed change is to increase members’ contributions from 6.0% of Pensionable Salary (4.8% net for a basic rate tax payer) to 7.5% of Pensionable Salary (6.0% net for a basic rate tax payer) with effect from 1 April 2016.”

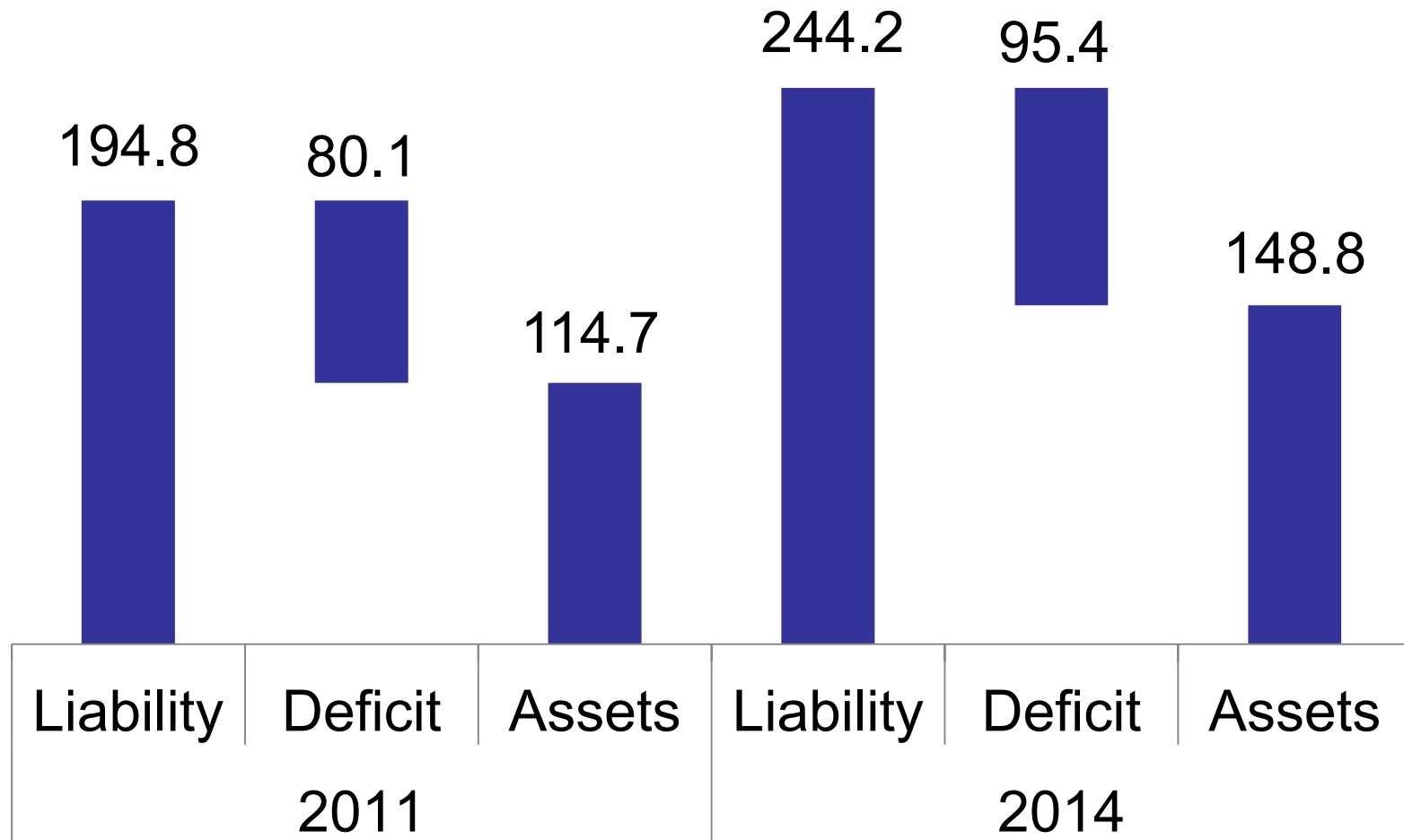
2. Who is affected

- CPAS Active Members – around 650
 - Deferred Members and Pensioners unaffected
 - No changes to CRSP
 - USS has been subject to different changes
- This is about future service, not the deficit.
The University continues to fund the deficit
 - £5.7m this year

3. Why are we proposing this

- The financial position of the CPAS scheme has been worsening in recent years
- Deficit rising – linked to past service
- Cost of providing future pension for current service is also rising

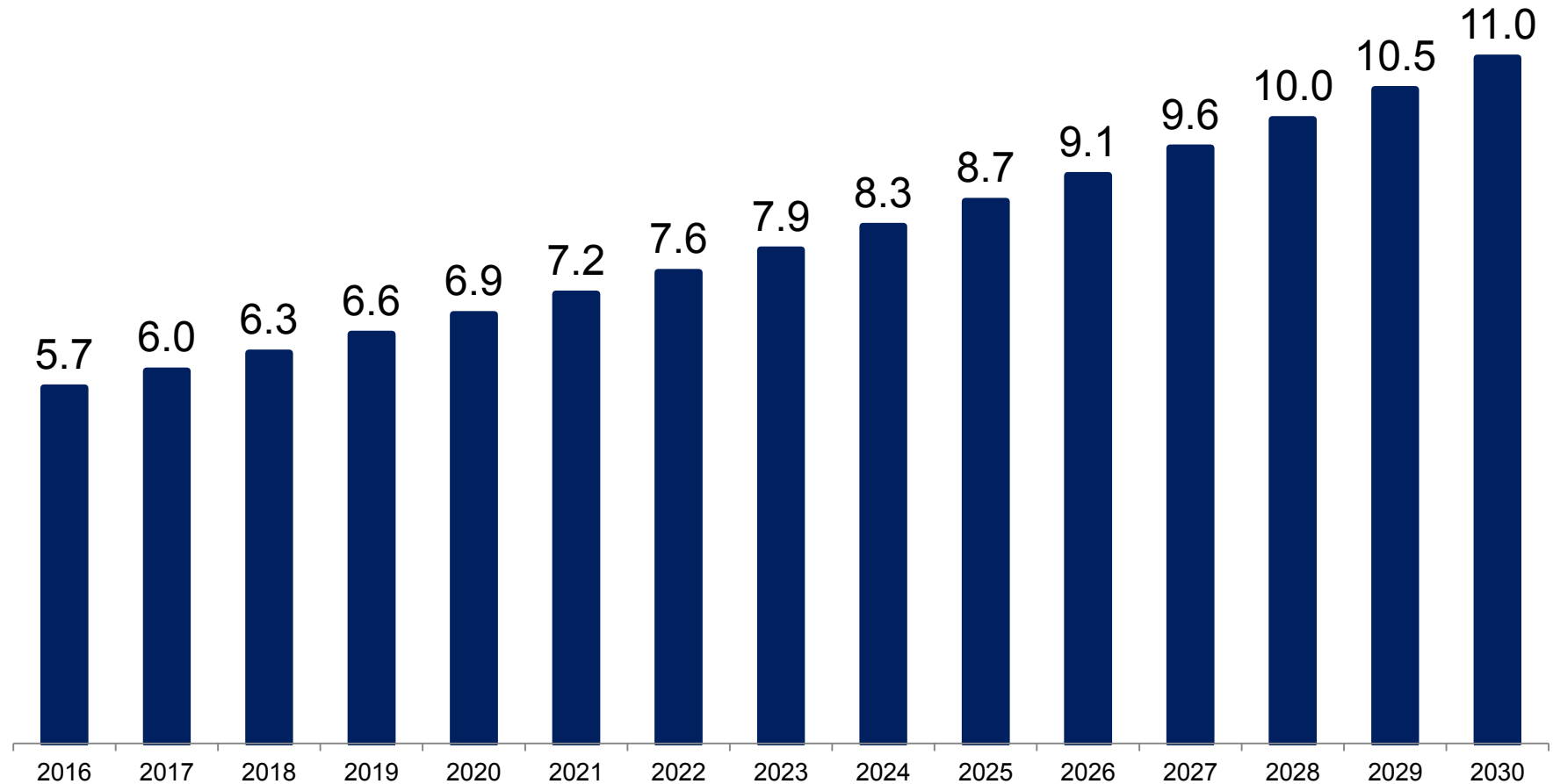
CPAS Financial Position - £95m Deficit up from £80m in 2011



CPAS Financial Position - £95m Deficit up from £80m in 2011

	Funding Assessment as at 31 July 2014 £m	Funding Assessment as at 31 July 2011 £m
Past service liabilities		
Active members	72.0	71.1
Deferred pensioners	60.3	42.2
Current pensioners	111.9	81.5
Total past service liabilities (L) (Funding target or 'technical provisions')	244.2	194.8
Total assets (A)	148.8	114.7
Funding surplus or (deficit) (A minus L)	(95.4)	(80.1)
Funding level (A as a percentage of L)	61%	59%

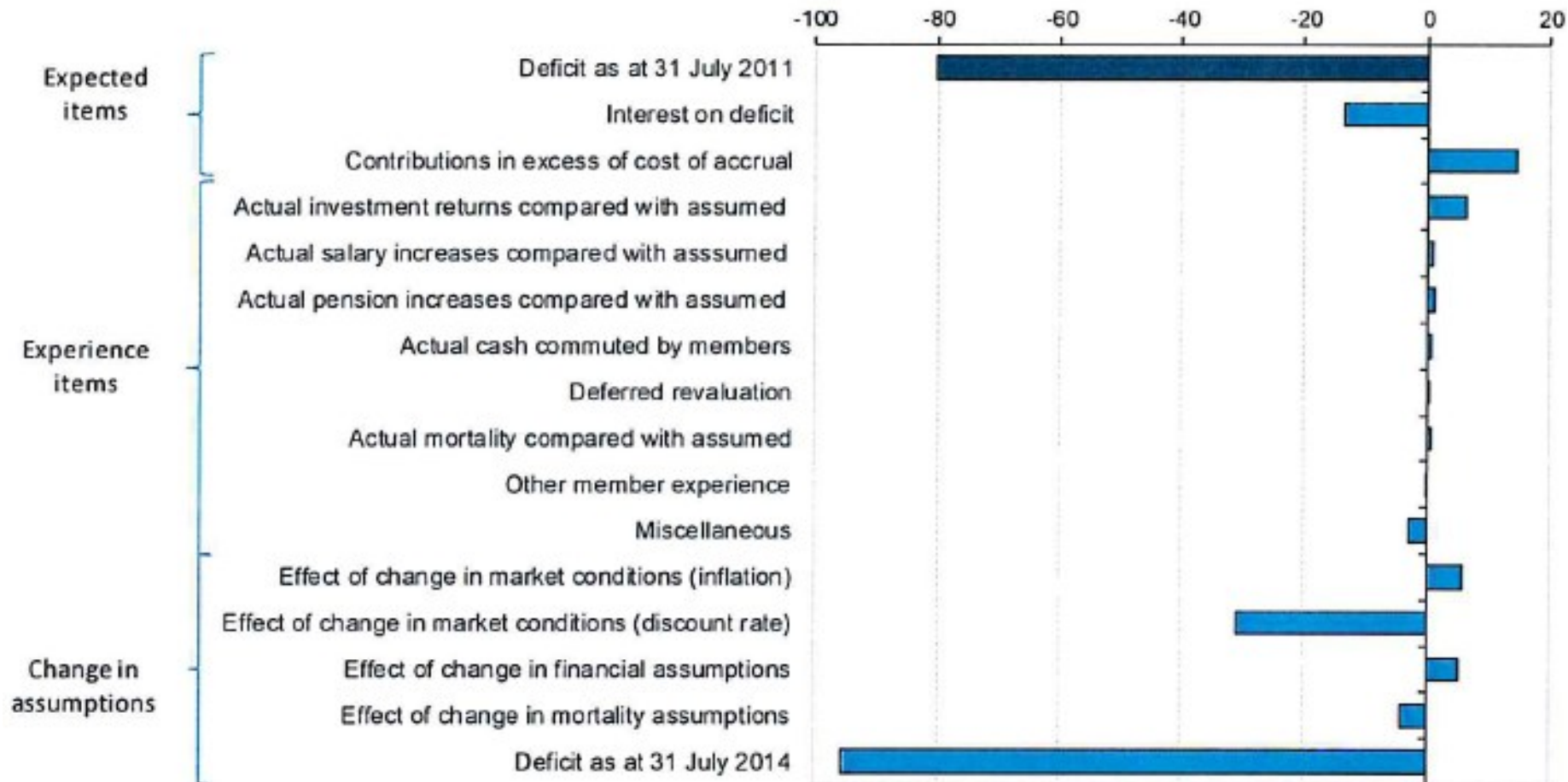
University Deficit Reduction Payments £m



CPAS Financial Position – why has the deficit risen?

- **Economic Conditions:**
 - Significant fall in gilt yields
- **Offset by:**
 - University contributions to the deficit
 - Higher than expected investment returns

CPAS Financial Position – why has the deficit risen?

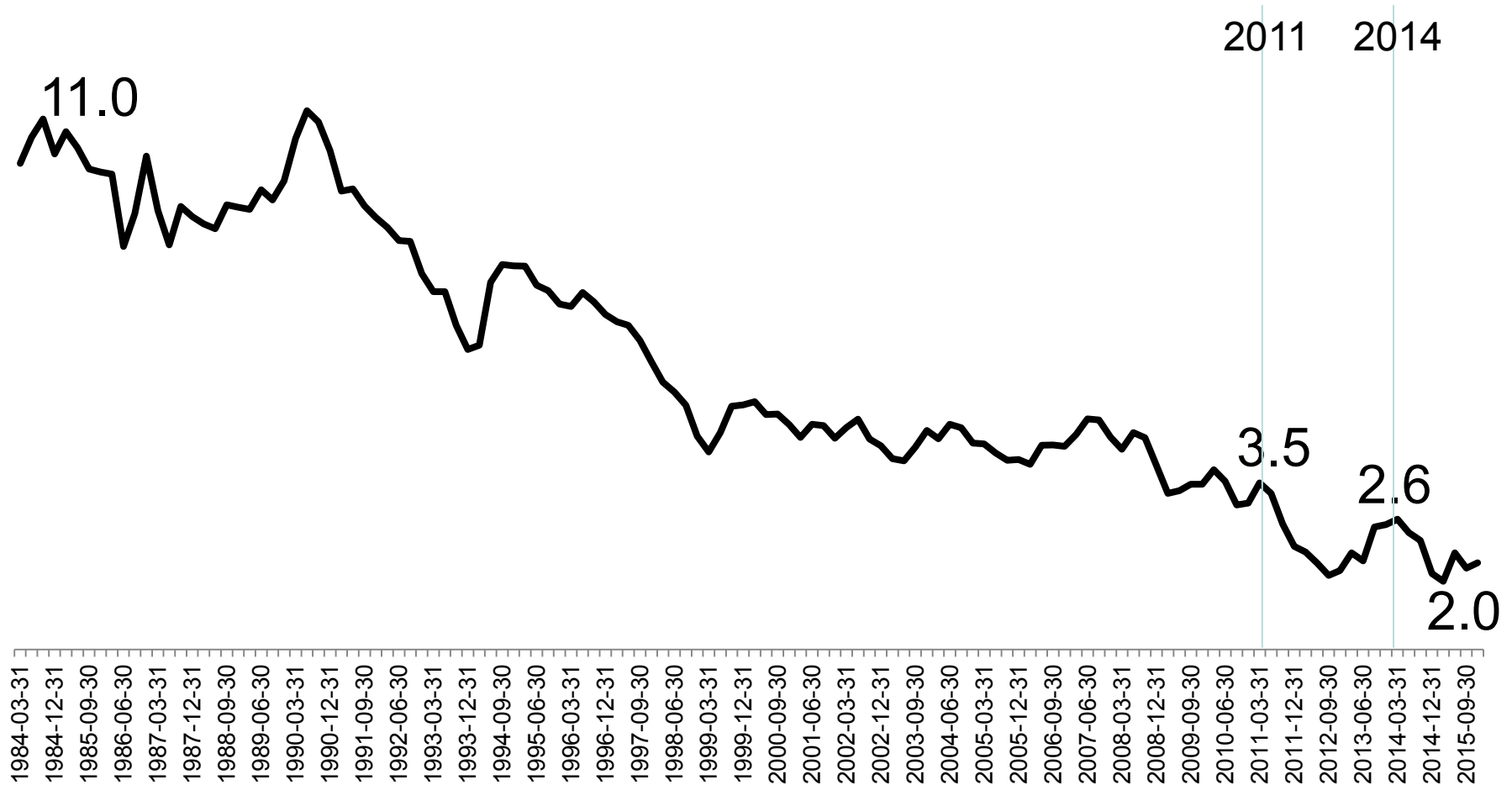


Future Service Costs

The same issues that are increasing the deficit are also increasing future service costs:

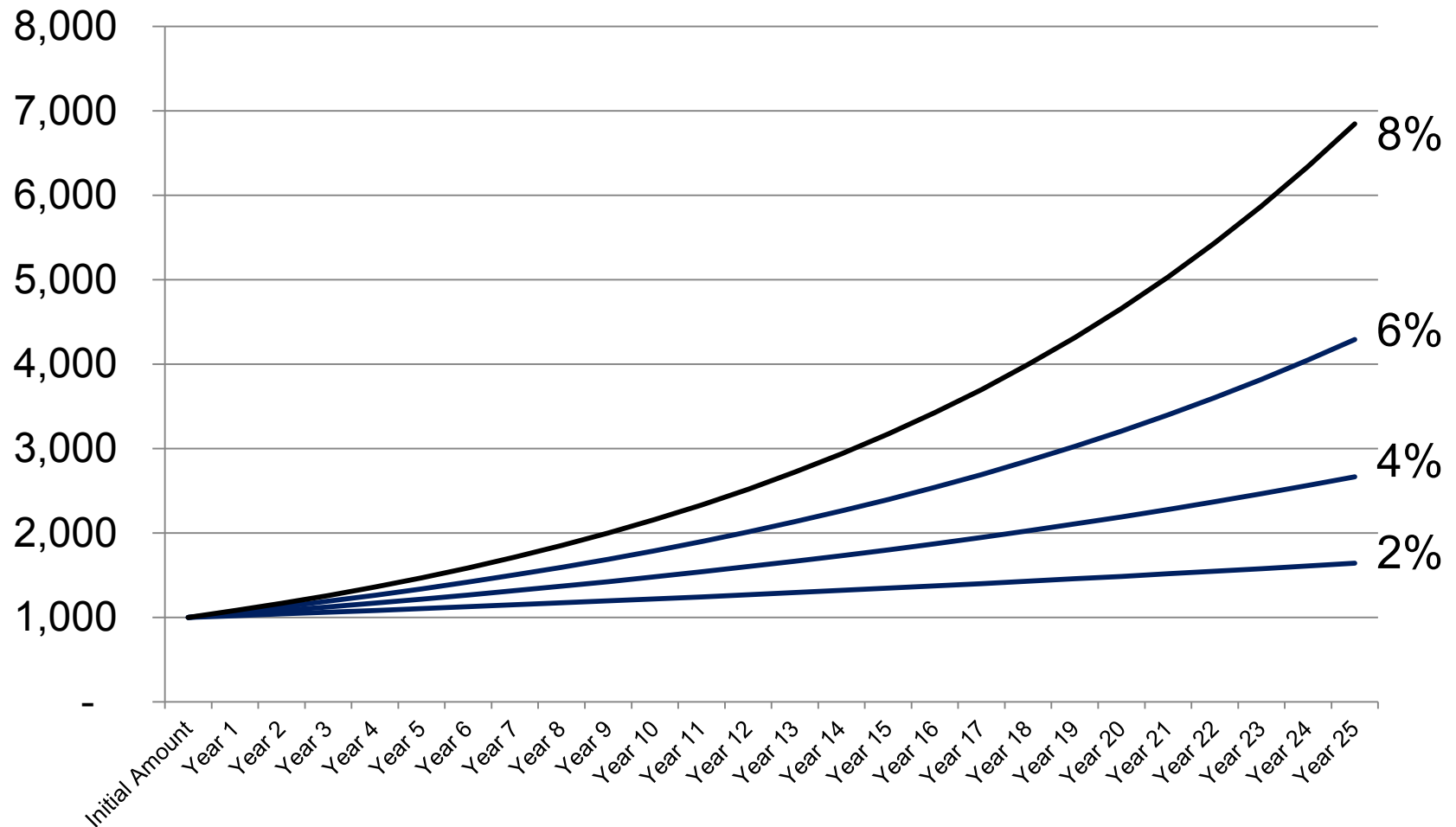
- Expected investment returns and the discount rate
- Life expectancy

Gilt Yields (%)

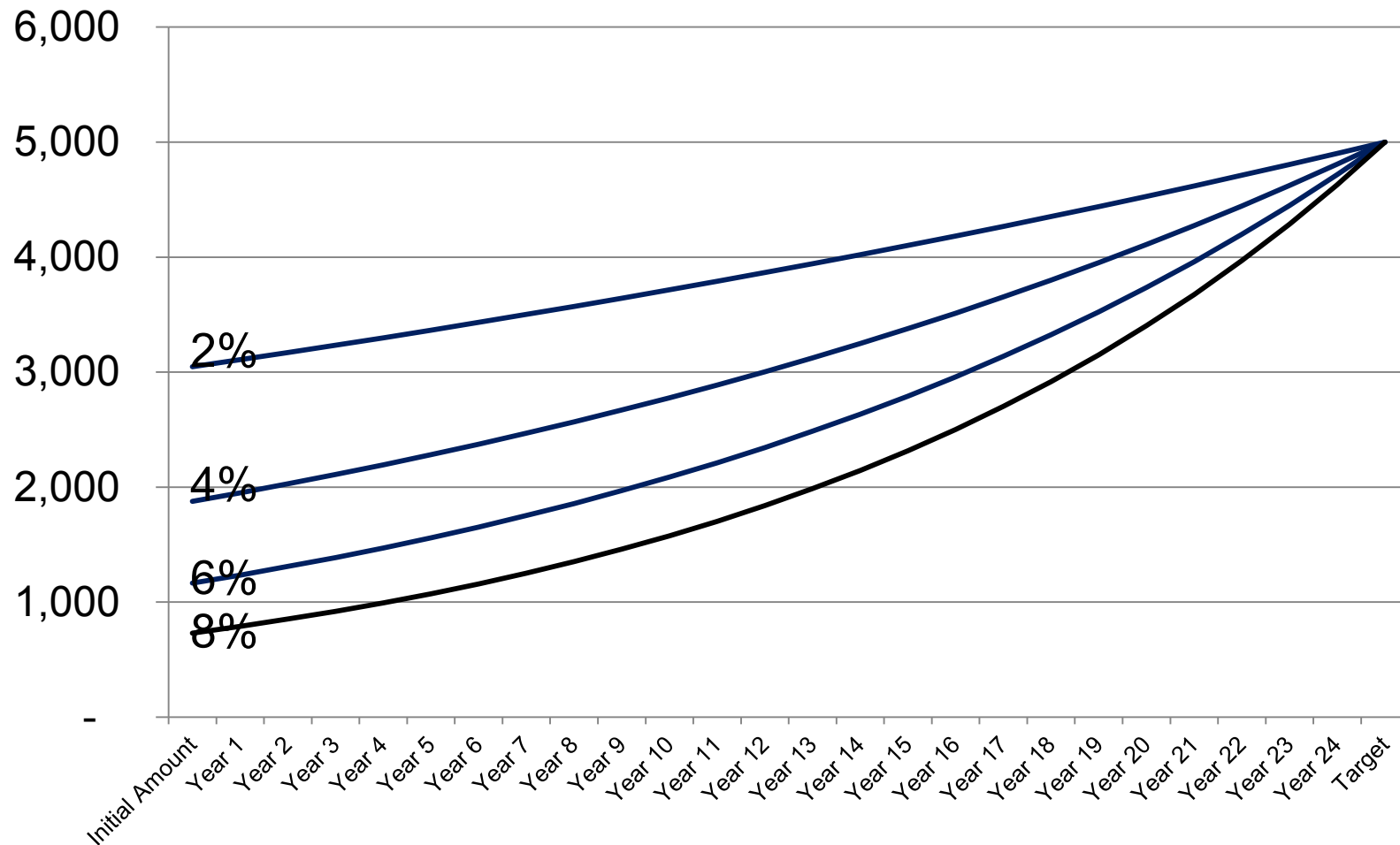


UK Government 10 Year gilt rate – quarterly data

Investment Return Illustration – the rate determines how much money an investment today will be worth in the future



Discount Rate Illustration – the amount you need to invest today changes if you want a fixed amount in the future



Gilt Yields (%)



UK Government 10 Year gilt rate – quarterly data

Proposed Contribution Rates – Current Service

	2000	2005	2011	Proposed From 1 April 2016
Employee contributions	5.0%	5.0%	6.0%	7.5%
Employer contributions	10.3%	13.3%	16.9%	18.6%
Total contributions	15.3%	18.3%	22.9%	26.1%

In addition, the University will continue to fund the deficit and the cost of death in service insurance for Active Members

Key Dates and Next Steps

- Consultation runs to 24th January 2016
- To make representations:
 - CPASconsultquery@nottingham.ac.uk
 - Pension and Benefits Services, University of Nottingham, King's Meadow Campus, Lenton Lane, Nottingham NG7 2NR
 - Via your trade Union