

**CAMBRIDGE  
COLLEGES FEDERATED PENSION SCHEME**

**TRUSTEE'S REVIEW**

The Trustee presents its report and accounts for the year ended 31 March 2010.

**Trustee**

The Trustee is Cambridge Colleges Superannuation Trustees Ltd a limited company (No.1388310).

The Directors of the Company and the Committee of Management throughout the year were:

Mrs J M Womack (Chairman)  
P J Brindle  
R S G Grigson  
N J A Downer  
S Clayson  
D King\*  
J Taylor\*  
R Rickcord\*

\*Member Nominated Director

Employer Nominated Directors are appointed by the Management Committee and at each Annual General Meeting one third of the Employer Nominated Directors will resign by rotation, but can be re-appointed. Member Nominated Directors (MNDs) are appointed by the MND Selection Committee following the relevant nomination process and at each Annual General Meeting one third of the MNDs will resign by rotation, but can be re-appointed.

Full details of the provisions for the appointment and retirement of directors can be found in the Memorandum of Association of the Cambridge Colleges Superannuation Trustees Ltd.

The Company Secretary and Scheme Administrator throughout the year was:

**Mrs S E Curryer  
University Offices, Personnel Division  
Pensions Administration Section  
10 Peas Hill  
Cambridge CB2 3PN**

**If you have any enquiries about the Scheme you should contact the Scheme Administrator in the first instance.**

**Statement of Trustee's Responsibilities**

It is the responsibility of the Trustee to prepare financial statements for each financial year which give a true and fair view of the financial transactions of the Fund and of the disposition of the assets and liabilities of the Fund and contain the information specified in Schedule 3 of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996. In preparing those financial statements the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the Statement of Recommended Practice, Financial Reports on Pension Schemes, published by the Accounting Standards Committee and with the Occupational

Pension Schemes (Disclosure of Information) Regulations 1996, subject to any material departures disclosed and explained in the financial statements ;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in existence.

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund. It is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Trustee Knowledge & Understanding**

The provisions of the Pensions Act 2004 require trustees of occupational pension schemes to have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational schemes and the investment of scheme assets. Trustees are also required to be conversant with their own scheme's policy documents. The Pensions Regulator has taken the phrase 'conversant with' to mean having a working knowledge of those documents such that the trustees are able to use them effectively when carrying out their duties as a trustee.

The Management Committee has agreed that they will undertake the e-learning package introduced by the Pensions Regulator which aims to equip trustees with the knowledge and understanding they need to effectively carry out their duties. The Management Committee has also agreed that if there are any areas of concern to one or more members of the Management Committee the Scheme's professional advisers will be asked to provide additional training, or when an appropriate training course becomes available they will attend this.

On appointment to the Management Committee each member of the Committee is issued with a 'trustee pack' which includes all the relevant documentation relating to the Scheme and updated copies are provided as required. Copies are also available from the Scheme's webpage.

## **Internal Controls**

The Pensions Act 2004 requires trustees to have adequate internal controls in place to help them monitor the management and administration of the Scheme. In order to assist with this the Management Committee receives reports from the Scheme Office at each meeting as follows:

- details of members who have retired or died and the benefits which are payable from the Scheme in respect of those members;
- details of the amounts of contributions received from the Participating Employers and the date of receipt, plus details of any action taken by the Scheme Office in respect of late or incorrect payment of contributions
- confirmation that no events have occurred since the last meeting which need to be reported to the Pensions Regulator
- reports on outstanding work in the Scheme Office and the reasons for the work being outstanding

The Management Committee has also drawn up a risk register which is reviewed at each meeting.

## **Investments Sub-Committee**

The investments of the Fund are controlled by the Investments sub-Committee, which meets three times during the year to determine policy, the day to day management being carried out by Schroders who report regularly to the Investments sub-Committee.

Fees charged by Schroders are based on a percentage of the fund using the following scale. First £50 million; 0.45% pa, next £50 million; 0.30% pa, thereafter; 0.25% pa.

The balance of income, after payment of pensions, transfer payments to other pension schemes, and cash lump sum commutation of pensions, is invested by the Scheme's Investment Managers in accordance with general guidelines made by the Investments sub-Committee.

The membership of the Investments sub-Committee during the year was as follows

R S G Grigson (Chairman)  
Mrs J M Womack  
N R M Wright  
R Reason

During the year ended 31 March 2010, there were no employer related investments as defined in S.57A of the Social Security Pensions Act 1975.

## **Scheme Registration**

The Scheme is registered with the Pensions Tracing Service, whose principal function is to assist people to trace benefits with previous pension schemes. The Scheme's registration number is 102302571.

## **Professional Advisers**

Scheme Actuary – Mr R Sweet, Cartwright Consulting  
Legal Advisers - Mills & Reeve  
Auditors - Peters, Elworthy and Moore  
Insured benefits advisers - Moneywise  
Investment managers and advisers - Schroders  
Bankers: Barclays plc and Bank of Scotland.

## Membership Statistics

<b>Active Members</b>	
Active members at 1 April 2009	<b>1201</b>
New members during year	76
	1277
Less:	
Leavers before retirement age (excluding Death in Service)	139
Retired during the year	43
Died in Service	2
	184
Active members at 31 March 2010	<b>1,093</b>

<b>Pensioners</b>	
Pensions in payment at 1 April 2009	957
Retirements during year	43
Deferred pensioners retired during year	19
Widow/ers of Pensioners	10
	72
Pensioners dying during year	23
Pensions in payment at 31 March 2010	<b>1,006</b>

<b>Deferred Members</b>	
Deferred members at 1 April 2009	674
Adjusted for late notification	14
Active members to deferred	105
	793
Deferred Retirements	19
Deferred Transfers Outs	12
	31
Deferred members at 31 March 2010	<b>762</b>

### Summary of Pensioners at 31 March 2010

	Female	Male	Total
	480	526	1006

## **Pension increases**

The Rules of the Scheme provide for annual increases on pensions in payment, in excess of the Guaranteed Minimum Pension, in line with the Retail Prices Index. Increases are awarded on 1 November each year and in recent years have been:-

<b>Increase</b>	<b>Date</b>
0.0%	1 November 2009
5.0%	1 November 2008
3.9%	1 November 2007
3.6%	1 November 2006
2.7%	1 November 2005
3.1%	1 November 2004
2.8%	1 November 2003
1.7%	1 November 2002
1.7%	1 November 2001
3.3%	1 November 2000
1.1%	1 November 1999
3.2%	1 November 1998

Preserved pensions are increased in line with the statutory requirements.

## **Transfer Values**

Transfer values to external schemes are calculated and verified in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996 and no such transfer values were reduced by reason of the Scheme being under funded. The calculation of transfer values excludes allowance for discretionary benefits.

## **Additional Voluntary Contributions (AVCs)**

The fund has no separately invested AVCs.

## **Financial development of the Scheme**

The Fund's net assets increased during the year by £25.44m to £116.65m at 31 March 2010.

Net new money available during the year for investment, that is excess of income over expenditure, was £7.10m.

The overall capital value of the Scheme's investments, including cash at the Investment Managers, during the year increased by £25.60m. Further details of the financial development of the Fund may be found in the audited financial statements on pages 14 to 22 of this report.

For the period 1 April 2009 to 31 March 2010 total contribution rates to the Scheme ranged from **13.99%** to **40.99%** of Contribution Pay with an average of **28.33%**. Details of the contributions paid during the year to 31 March 2010 plus copies of the relevant Schedules of Contributions are included in the Appendix to this report and accounts.

## **The Pensions Regulator**

The Trustee made no reports to The Pensions Regulator during the financial year.

## Statement of Contributions

During the year ended 31 March 2010, the contributions payable to the Scheme by the employers were as follows:

<b>Contributions payable under the Schedule of Contributions</b>	<b>£</b>
Contributions from employers:	
Normal	5,713,415
Deficit Funding	4,933,409
Augmentation Contribution	17,301
Contributions from members	
Normal	1,572,691
	12,236,816
<b>Other contributions payable</b>	
Members' Additional Voluntary Contributions	128,661
	12,365,477
<b>Total contributions reported in the financial statements</b>	<b>12,365,477</b>

During the year ended 31 March 2010, the deficit funding contributions payable to the Scheme by the employers were as follows:

<b>College</b>	<b>Total received £</b>	<b>Payment frequency</b>
Christ's	127,816.47	Monthly
Churchill	229,911.00	Monthly
Corpus Christi	1,500,000.00	Lump sum
Darwin	12,726.72	Monthly
Downing	33,750.00	Monthly
Emmanuel	895,200.00	Lump sum
Girton	104,638.00	Annual
Gonville & Caius	167,574.78	Monthly
Hughes Hall	9,598.00	Monthly
King's	185,541.03	Monthly
Lucy Cavendish	11,544.00	Annual
Magdalene	121,200.75	Monthly
Murray Edwards	90,976.50	Monthly
Newnham	54,441.00	Annual
Pembroke	114,876.00	Monthly
Peterhouse	50,000.00	Annual
Queens'	127,820.25	Monthly
Robinson	242,835.75	Monthly
St Catharine's	335,252.00	Monthly
St Edmund's	8,691.03	Monthly
St John's	315,050.94	Monthly
Selwyn	51,912.00	Monthly
Trinity Hall	115,163.28	Monthly
Wolfson	26,889.75	Monthly
 Total	 4,933,409.25	

The Trustee: CAMBRIDGE COLLEGES' SUPERANNUATION TRUSTEES LTD

Date:

\_\_\_\_\_ Director

# ACTUARIAL STATEMENT

**Name of Scheme:** Cambridge Colleges' Federated Pension Scheme

## Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2008 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Management Committee of the Scheme and set out in the Statement of Funding Principles dated 10 June 2009.

Signature: *Robert J. Sweet* Date: 31 July 2009

Name: R J Sweet Qualification: Fellow of the Institute of Actuaries

Address: Mill Pool House  
Mill Lane  
Godalming  
Surrey GU7 1EY  
Name of Employer: Cartwright Group Ltd.

# Schroders Investment Review

12 Months to 31 March 2010

## Cambridge Colleges' Federated Pension Scheme

### Market

### Background

Financial markets started the year on a strong note as it became increasingly apparent that a 'Great Depression' had been averted. After reaching a trough in early March 2009, the rally in both equity and credit markets continued for most of the year amid a continuation of the improving trend in economic data as the inventory cycle improved. This was further supported by the abundant liquidity conditions facilitated by historically low interest rates and unprecedented fiscal stimulus.

With the return of risk appetite, those assets that had been hit the hardest in 2008 bounced back the strongest. Within equities, the gains in the less-economically challenged emerging markets were particularly impressive. Developed markets, including Europe, the UK and the US also generated strong returns; however, Japan continued to underperform on persistent concerns about deflation.

In the credit markets, bond performance was mixed. Global corporate bonds outperformed government bonds as investors continued to purchase high-quality corporate bonds at relatively low prices. However, government bonds generated stronger returns towards the end of the period as risk aversion came to the fore.

Both corporate and macro news was generally supportive of a recovery, with many companies beating earnings forecasts and all the major economies exiting recession. However, a number of issues weighed on investor sentiment, leading to increased volatility in the second half of the review period. In November, the Dubai government's announcement of a debt restructuring at holding company Dubai World hurt investor confidence, although concerns about possible contagion quickly subsided.

This was soon followed by doubts about the sustainability of government support for the global economy at a time when authorities around the world are preparing to exit their stimulus programmes. This was particularly the case in the eurozone amid concerns about the fiscal stability of European peripheral countries, particularly Greece.

Another key concern centered on economic overheating in China. In January, investors were caught off guard by an earlier-than-expected move to rein in credit growth after the Chinese authorities raised banks' reserve requirements. This was followed by another 0.5% interest rate increase in February, as well as measures to curb the property market, leading many investors to concur that this is the start of significant monetary tightening.

Against an improved macro backdrop with interest rates likely to remain low, the outlook for risk assets is positive. After the recession, the recovery has been driven by the industrial sector and government spending. In mid-2010, growth is expected to slow as the inventory cycle fades while sales are constrained by deleveraging in the household sector, tax increases and higher commodity prices. Thereafter, growth is expected to pick up again as the corporate sector begins to recruit following an improvement in profitability and so unemployment should begin to fall.



**Fund Performance** The Fund returned 20.6% over the year to 31 March 2010. The segregated growth portfolio underperformed its benchmark by 1.3% over the period. However, performance in Equities and Bonds was well ahead of the relevant benchmarks. Underperformance was concentrated in Alternative Assets where private equity values lagged the recovery in quoted equities and property returns were below the benchmark.

**Portfolio Activity** The move to the new Liability Driven Investment approach was implemented in March 2010. This resulted in the sale of the existing fixed income assets in Gilts, Corporate Bonds and Index-Linked. Investment was made into five Nominal Swap funds and five Index-Linked Swap funds. These investments provide the Scheme with protection against moves in interest rates and inflation such that 50% of the sensitivity is covered. Investment was also made in the Sterling Liquidity Plus Fund to provide a first port of call if additional liquidity is required by the Swap Funds.

Approximately 6% of the Scheme's assets was invested in the Schroder Diversified Growth Fund. This fund, which provides diversified exposure to a range of growth assets, will be used to finance additional liquidity requirements of the Swaps Funds if insufficient cash is available in the Liquidity Fund. This will prevent the need for regular rebalancing of the segregated growth portfolio.

The remaining assets of the Scheme were restructured at the same time. About 15% of total Scheme assets were invested in the Sterling Broad Market LIBOR Fund. It is intended that as and when the LDI hedge is extended to cover a greater proportion of the liabilities, this holding will be used to finance the additional investment into Swap Funds.

The move to the new portfolio structure enabled an increase in aggregate exposure to growth assets thereby increasing the expected return. This was achieved whilst simultaneously reducing the sensitivity of the funding rate to changes in interest rates and inflation

## Asset

### Allocation

The distribution of the Scheme's assets at 31 March was as follows:

	Fund 31.03.09 %	Fund 31.03.10 %
<b>Equities</b>	<b>33</b>	<b>43</b>
UK	16	11
North America	8	8
Europe	4	4
Japan	1	3
Pacific ex Japan	3	3
Emerging Markets	1	3
Global	0	11
<b>Bonds &amp; Cash</b>	<b>39</b>	<b>16</b>
UK	27	0
Index-linked	11	0
Broad Market LIBOR	0	15
Cash	1	1
<b>Alternative Investments</b>	<b>28</b>	<b>25</b>
Property	9	9
High Yield Debt	2	2
Hedge Funds	10	7
EM Debt	0	1
Private Equity	7	6
<b>Diversified Growth Fund</b>	<b>0</b>	<b>6</b>
<b>LDI Swap Funds</b>	<b>0</b>	<b>10</b>

## **Report of the Investments Committee for the year ended 31 March 2010**

The structure of the Investments Committee remained unchanged in the year to 31 March 2010. Nick Wright stepped down shortly after the year-end, having served on the Committee since November 2000, and the Committee is now reviewing its composition to ensure that it comprises members with appropriate skills and experience.

Once the results of the triennial actuarial valuation as at March 2008 were known, the Investments Committee reappointed Mercers to update their review of the Scheme's investment strategy and to make recommendations regarding the appropriate asset allocation, taking into account the Scheme's liabilities and the nature of the participating employers as well as the extent of their participation. As mentioned at the AGM, the Investments Committee received Mercers' report in April 2009 and spent much of the year discussing its conclusions and reviewing with Schroders the practicalities of implementing the various options suggested. A meeting to review progress was held with the employer colleges in November 2009.

In March 2010, Schroders used swaps to implement a hedge of 50% of the Scheme's interest rate and inflation exposure, with a view to improving the degree of matching between the Scheme's assets and liabilities in a capital efficient way, thus releasing additional funds which were allocated to growth assets.

**CAMBRIDGE COLLEGES FEDERATED PENSION SCHEME**

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE**

We have audited the financial statements that comprise the fund account, the net assets statement and the related notes, which have been prepared under the accounting policies set out in the related notes.

This report is made solely to the Scheme's Trustee, as a body, in accordance with section 47 of the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Trustee and Auditors**

The Trustee's responsibilities for obtaining an annual report, including audited financial statements prepared in accordance with applicable United Kingdom law and accounting standards, are set out in the Statement of Trustee's Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Statements on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Trustees' Report and the Investment Report.

**Basis of audit opinion**

We conducted our audit in accordance with International Statements on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by or on behalf of the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2010 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year, and
- contain the information specified in Regulation 3 of and the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

**PETERS ELWORTHY & MOORE**  
**Chartered Accountants and Registered Auditors**

**CAMBRIDGE**  
**Date:**

**INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS, UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEE OF THE CAMBRIDGE COLLEGES FEDERATED PENSION SCHEME**

We have examined the summary of contributions to the Cambridge Colleges Federated Pension Scheme for the scheme year ended 31 March 2010, which is shown on page 7 of the Trustee's report.

This statement is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

**Respective responsibilities of Trustee and auditors**

As described in the Statement of Trustee's Responsibilities the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions, which set out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employers and the active members of the Scheme. The Trustee has a general responsibility for procuring that contributions are made to the Scheme in accordance with the Schedule of Contributions. It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

**Basis of statement about contributions**

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the attached summary of contributions have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions paid to the Scheme and the timing of those payments under the Schedule of Contributions. Our Statement about contributions is required to refer to those breaches of the Schedule of Contributions which come to our attention in the course of our work.

**Statement about contributions**

In our opinion contributions for the Scheme year ended 31 March 2010 as reported in the summary of contributions have been paid in accordance with the Schedule of Contributions certified by the actuary on 10 June 2007 (all Participating Colleges)

**PETERS ELWORTHY & MOORE**  
**Chartered Accountants and Registered Auditors**

**CAMBRIDGE**

*Date:*