

**CAMBRIDGE
COLLEGES FEDERATED PENSION SCHEME
TRUSTEE'S REVIEW**

The Trustee presents its report and accounts for the year ended 31 March 2012.

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:

J M Womack (Chairman)
P J Brindle
R S G Grigson (to 6 October 2011)
S Clayson
C Pratt
R Ellison (from 16 March 2012)
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 Cambridge Colleges Superannuation Trustees Ltd.

The Company Secretary and Scheme Administrator throughout the year was:

**Mrs S E Curryer
University Offices, HR Division
Pensions Administration Section
4 Mill Lane
Cambridge CB2 1RZ**

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 of 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 or appropriate agreed alternative 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 Management Committee has prepared and agreed a Statement of Investment Principles and the implementation of investment policy and strategy is delegated 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 Reason
N Downer
C Pratt (from 9 November 2011)
P ffolkes Davis

During the year ended 31 March 2012, there were no employer related investments as defined in Section 40 of the Pensions Act 1995.

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

Active Members	
Active members at 1 April 2011	984
Adjustment for late notification	-1
	1023
Less:	
Leavers before retirement age (excluding Death in Service)	39
Retired during the year	54
Died in Service	1
	94
Active members at 31 March 2012	929

Pensioners	
Pensions in payment at 1 April 2011	1048
Adjustment for late notification	-4
	1044
Retirements during year	54
Deferred pensioners retired during year	30
Widow/ers of Pensioners	15
	99
Pensioners dying during year	32
Pensions in payment at 31 March 2012	1,111

Deferred Members	
Deferred members at 1 April 2011	823
Adjustment for late notification	-1
Active members to deferred	33
	855
Deferred Retirements	30
Deferred Transfers Outs	3
	33
Deferred members at 31 March 2012	822

Summary of Pensioners at 31 March 2012

Female	Male	Total
532	579	1111

Pension increases

The Rules of the Scheme provide for annual increases in 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:-

Increase	Date
5.6%	1 November 2011
4.6%	1 November 2010
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

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 decreased during the year by £4.25m to £128.15m at 31 March 2012.

Net new money available during the year for investment, that is excess of income over expenditure, was £1.87m.

The overall capital value of the Scheme's investments, including cash at the Investment Managers, during the year decreased by £4.03m. 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 2011 to 31 March 2012 total contribution rates to the Scheme ranged from **20.87%** to **43.48%** of Contribution Pay with an average of **28.13%**. Details of the contributions paid during the year to 31 March 2011 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 2012, the contributions payable to the Scheme by the employers were as follows:

Contributions payable under the Schedule of Contributions	£
Contributions from employers:	
Normal	4,184,450
Deficit Funding	2,901,063
Contributions from members	
Normal	1,554,742
	8,640,255
Other contributions payable	
Augmentation Contribution	18,971
Members' Additional Voluntary Contributions	105,817
	124,788
Total contributions reported in the financial statements	8,765,043

During the year ended 31 March 2012, the deficit funding contributions payable to the Scheme by the employers were as follows:

College	Total received £	Payment frequency
Christ's	208,499.97	Monthly
Churchill	229,911.00	Monthly
Clare Hall	0.00	n/a
Corpus Christi	0.00	n/a
Darwin	16,968.96	Monthly
Downing	53,749.98	Monthly
Emmanuel	0.00	n/a
Girton	104,638.00	Annual
Gonville & Caius	223,433.04	Monthly
Hughes Hall	9,598.00	Annual
King's	247,388.04	Monthly
Lucy Cavendish	11,544.00	Annual
Magdalene	161,601.00	Monthly
Murray Edwards	121,302.00	Monthly
Newnham	54,441.00	Annual
Pembroke	153,168.00	Monthly
Peterhouse	0.00	n/a
Queens'	170,427.04	Monthly
Robinson	323,781.00	Monthly
St Catharine's	120,336.00	Monthly
St Edmund's	11,588.04	Monthly
St John's	420,067.92	Monthly
Selwyn	69,216.00	Monthly
Trinity Hall	153,551.04	Monthly
Wolfson	35,853.00	Monthly
Total	2,901,063.03	

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 2012

Global Market Review

Concerns about the outlook for the global economy and the Eurozone sovereign debt crisis have dominated the twelve-month period under review. Risk assets such as equities fell sharply over much of 2011, while government bonds rose, with yields reaching all time lows. However, by the end of 2011 investors were starting to see more reasons to be hopeful than pessimistic. US economic data had improved and there had been some easing in concerns about Eurozone sovereign debt as the European Central Bank pumped more liquidity into the banking sector. As a result, risk assets rebounded sharply in the first three months of 2012.

Overall there was an improvement in the macro data with business surveys strengthening and the US labour market adding nearly three quarters of a million jobs over the first quarter of 2012. This boosted hopes for the global economic growth outlook. Despite improving growth, the US Federal Reserve extended its commitment to a near-zero benchmark interest rate through late 2014 (previously stating through mid-2013), also encouraging investors to move into risk assets. Another important factor behind the rally in risk assets was action by policymakers. In the Eurozone, the ECB (European Central Bank) held two auctions of three year liquidity where the banking sector drew down a cumulative €1 trillion. Greece also secured a second bail-out.

Over the year to end March, US equities returned +6.7% in sterling terms. Japanese equities returned +0.7% with Pacific Basin markets returning -2.4%. The UK market returned +1.4% and Europe -11.8%.

Fund Performance

The Scheme's segregated growth portfolio underperformed in the 12 months, with a return of -0.5% compared to the benchmark return of 1.4%. This reflected underperformance from the Scheme's quoted equities. The total return on the fund including hedging assets was -4.2%.

Investment Approach

The Scheme adopts a strategy of hedging part of its liabilities through investment in pooled LDI funds and invests the bulk of the remainder of the portfolio in growth assets. The Scheme has currently hedged 75% of its sensitivity to changes in expected inflation but has not hedged any of its interest rate risk.

Investment Activity

Following finalisation of the actuarial valuation, the hedging assets were adjusted to keep the level of inflation protection equivalent to 75% of the value of the liabilities. This led to the release of some assets from the LDI funds for investment in growth assets. However, the fall in expected inflation over the year led to a corresponding fall in the value of the hedging assets which required additional cash to be transferred into the LDI funds.

The composition of the Scheme's equity holdings was altered over the year with investment now made via global equity funds rather than regional funds. In addition, the Scheme's holding in a multi-strategy fund of hedge funds was sold and the proceeds invested in a portfolio of individual hedge funds.

Outlook

Although the economic outlook, particularly in the US, improved over the last year, the outlook remains highly uncertain. The major headwinds for financial markets, the European debt crisis, heightened political uncertainty and an elevated oil price, remain significant risks for investors.

Equities in general continue to look attractive from a valuation perspective. The Scheme maintains a preference for developed equity markets as they are less exposed to the cyclical risks from peripheral Europe and China.

Even though government bonds appear very expensive, yields may remain low in the near term as the US, UK and European central banks are expected to keep their interest rate policies on hold for at least another year. Although credit spreads are tighter than they were at the end of last year, investment grade bonds are still expected to outperform gilts.

Asset Allocation

	2012	2011
Equity Portfolio		
UK Equities	-	10.2
North America	-	7.7
Europe	-	3.6
Japan	-	2.0
Pacific ex Japan	-	3.7
Emerging Markets	3.4	3.9
Global	38.2	12.1
	<hr/>	<hr/>
	41.6	43.2
LIBOR Bonds	9.1	10.3
Alternative Investments		
Property	8.5	8.1
High Yield Debt	2.1	2.6
Hedge Funds	9.4	6.4
Emerging Market Debt	-	1.4
Private Equity	9.8	8.3
	<hr/>	<hr/>
	29.8	26.8
Cash	0.7	1.6
Diversified Growth Fund	5.3	4.8
LDI Swaps	13.5	13.3
	<hr/>	<hr/>
	100.0	100.0

Report of the Investments Committee for the year ended 31 March 2012

The year to 31 March 2012 was a very volatile one for investment markets. Concerns about the outlook for the global economy and the Eurozone sovereign debt crisis dominated the period under review. Risk assets such as equities fell sharply over much of 2011, while government bonds rose, with yields reaching all-time lows. However, by the end of 2011 investors were starting to see more reasons to be hopeful than pessimistic. US economic data had improved and there had been some easing in concerns about Eurozone sovereign debt as the European Central Bank pumped more liquidity into the banking sector. As a result, risk assets rebounded sharply in the first three months of 2012. (The outlook has unfortunately deteriorated again since the Scheme's year end.)

The Scheme investment strategy has remained focussed on two key areas – providing protection against any potential rise in inflation and secondly maximising the allocation to growth assets. The former is considered prudent given the risks to longer term inflation from the current quantitative easing programmes. The strategy is implemented by investing in inflation swaps via a pooled fund. The use of swaps minimises the proportion of the scheme invested in these matching assets thereby maximising the capital available to invest in growth assets with the objective of improving the funding level. Growth assets are generally more volatile in nature than fixed income securities but the investment strategy is to take a long term view and look through the current economic concerns to the longer term potential from the assets. There is no hedging in place to protect against the impact of lower interest rates on liability values due to the exceptionally low level of long term yields. The Investment Committee expects there to be a more favourable time to hedge against this risk when yields rise in the future.

The composition of the Scheme's equity holdings was altered over the year with investment now made via global equity funds rather than regional funds. This enables companies to be selected based on their individual investment characteristic rather than as a result of their geographic location. In addition, the Scheme's investment in a multi-strategy fund of hedge funds was sold and the proceeds invested in a portfolio of individual hedge funds. As a result, the investment manager (Schroders) no longer receives fees by way of unit charges on the multi-strategy hedge fund of funds but does receive a (lower) fee as a result of its management of the directly invested hedge fund portfolio. The consequence is that reported fees are higher, but overall fees are lower.

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 2012 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 2012, which is shown on page 6 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 2012 as reported in the summary of contributions have been paid in accordance with the Schedule of Contributions certified by the Actuary on 10 June 2009 (all Participating Colleges)

PETERS ELWORTHY & MOORE
Chartered Accountants and Registered Auditors

CAMBRIDGE

Date: