

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

The Trustee presents its report and accounts for the year ended 31 March 2013.

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:

Name	Basis of nomination*	Additional information
J M Womack (Chairman)	END	Interim Bursar, Murray Edwards
P J Brindle	END	Bursar, Darwin College
S Clayson	END	Finance Manager, Selwyn College
C Pratt	END	Bursar, Jesus College (External)
R Ellison	END	Solicitor (External)
J Wells (from 21 December 2012)	END	Director of Operations, CRUK/CRI (External)
D King* (to 3 October 2012)	MND	Christ's College
J Taylor*	MND	Christ's College
R Rickcord*	MND	Retired member, Emmanuel College
B Anderson* (from 3 October 2012)	MND	Gonville & Caius College

*END Employer Nominated Director, MND 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

Name	Additional information
R Reason (Chairman)	Bursar, Robinson College
N Downer	Bursar, Selwyn College
C Pratt	Bursar, Jesus College (External)
P ffolkes Davis	Bursar, Trinity Hall

During the year ended 31 March 2013, 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 - Money Wise
Investment Managers and Advisers – Schroders Investment Management
Investment Consultants – Redington Limited (from 21 January 2013)
Bankers: Barclays Plc and Bank of Scotland.

Membership Statistics

Active Members		
Active members at 1 April 2012	929	
Adjustment for late notification	0	
New members during year	48	
	977	
Less:		
Leavers before retirement age (excluding Death in Service)	48	
Retired during the year	35	
Died in Service	0	
	83	
Active members at 31 March 2013	894	

Pensioners		
Pensions in payment at 1 April 2012	1111	
Adjustment for late notification	-3	
	1108	
Retirements during year	35	
Deferred pensioners retired during year	36	
Widow/ers of Pensioners	11	
	82	
Pensioners dying during year	24	
Pensions in payment at 31 March 2013	1,166	

Deferred Members		
Deferred members at 1 April 2012	822	
Adjustment for late notification	2	
Active members to deferred	32	
	856	
Deferred Retirements	36	
Deferred Transfers Outs	9	
	45	
Deferred members at 31 March 2013	811	

Summary of Pensioners at 31 March 2013

Female	Male	Total
573	593	1,166

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
2.6%	1 November 2012
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

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 £8.92m to £137.07m at 31 March 2013.

Net new money available during the year for investment, that is excess of income over expenditure, was £0.49m.

The overall capital value of the Scheme's investments, including cash at the Investment Managers, during the year increased by £9.40m. 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 2012 to 31 March 2013 total contribution rates to the Scheme ranged from **18.05%** to **43.48%** of Contribution Pay with an average of **24.56%**. Details of the contributions paid during the year to 31 March 2013 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 2013, the contributions payable to the Scheme by the employers were as follows:

Contributions payable under the Schedule of Contributions	£
Contributions from employers:	
Normal	3,226,000
Deficit Funding	1,717,513
Administrative	280,927
Contributions from members	
Normal	1,505,485
	6,729,925
Other contributions payable	
Augmentation Contribution	-
Members' Additional Voluntary Contributions	92,148
	92,148
Total contributions reported in the financial statements	6,822,073

During the year ended 31 March 2013, the deficit funding contributions payable to the Scheme by the employers were as follows:

College	Total received £	Payment frequency
Christ's	230,500	Monthly
Churchill	217,611	Monthly
Clare Hall	-	n/a
Corpus Christi	-	n/a
Darwin	2,828	Monthly (to 30 June 2012)
Downing	78,003	Monthly
Emmanuel	-	n/a
Girton	-	n/a
Gonville & Caius	111,717	Monthly (to 30 September 2012)
Hughes Hall	3,999	Annual
King's	247,388	Monthly
Lucy Cavendish	11,544	Annual
Magdalene	144,599	Monthly
Murray Edwards	121,302	Monthly
Newnham	54,441	Annual
Pembroke	114,876	Monthly (to 31 December 2012)
Peterhouse	-	n/a
Queens'	95,107	Monthly
Robinson	80,945	Monthly (to 30 June 2012)
St Catharine's	30,084	Monthly (to 30 June 2012)
St Edmund's	2,897	Monthly (to 30 June 2012)
St John's	105,017	Monthly (to 30 June 2012)
Selwyn	17,304	Monthly (to 30 June 2012)
Trinity Hall	38,388	Monthly (to 30 June 2012)
Wolfson	8,963	Monthly (to 30 June 2012)
Total	1,717,513	

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 2011 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 31 May 2012.

Signature: *Robert J. Sweet* Date: 31 May 2012

Name: Robert Sweet Qualification: Fellow of the Institute and Faculty 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 2013

Global Market Review

Most financial markets delivered positive returns over the year. Equity markets in particular provided strong returns, with the US S&P 500 index hitting an all-time high. The last minute agreement in the US to put off the looming ‘fiscal cliff’ (sharp tax hikes and spending cuts) helped to support renewed confidence among equity investors.

There was also a prevailing sense that the ‘worst is over’ in the eurozone, although concerns came to the fore again towards the end of the year with some disappointing data from Spain and political gridlock in Italy following the elections. Cyprus was also in the headlines, and at the end of March a €10 billion bailout deal was announced.

Economic data from the US has generally been encouraging, which helped to support investors’ appetite for risk. The slowing in the rate of growth in the Chinese economy also appeared to have stopped; the economy picked up speed again as the stimulus that the authorities had put in place began to bear fruit. Growth also picked up in the wider emerging markets, such as Brazil. However, the Eurozone remained in recession – although this did not dampen returns from the region’s equities as the high levels of liquidity engineered by the world’s central banks led to rising asset prices.

Fund Performance

The Scheme’s segregated growth portfolio returned 12.2% over the year compared to the benchmark return of 12.9%. Outperformance in hedge funds was offset by underperformance in global equities. The total return on the fund including hedging assets was 7.2%.

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 37.5% of its sensitivity to changes in expected inflation but has not hedged any of its interest rate risk.

Investment Activity

The extent of inflation protection in the Scheme’s hedging strategy was reduced from 75% to 37.5% on a tactical basis during the year as the Investment Committee expected RPI to fall following a review of the calculation methodology by the Office of National Statistics. In the event, no change was made to the method of calculation.

An initial investment was made in an insurance linked fund. This security provides the Scheme with an attractive expected return that is uncorrelated with other growth assets by receiving a share of premium income on a range of insurance risks.

Outlook

The primary driver of financial markets continues to be liquidity and, most recently, the Bank of Japan announced one of the largest monetary injections ever by the central bank of a major developed economy. As a consequence, Japanese investors will struggle to seek alternatives to their Japanese government bond holdings adding to the downward pressure on global yields. This, in turn, is likely to push investors into riskier asset classes in their search for income. We have been well-positioned for this trend through our investment in high yield debt. We continue to believe that high yield is generally well-supported by the relentless search for yield but we need to be aware of valuations.

We remain positive on equities given an environment of plentiful liquidity and evidence of a recovery in the US. The main change since the beginning of the year is that we have become more negative on Europe with the inconclusive outcome of the Italian elections a contributory factor. The recent news from Cyprus also indicates that, while contagion risks might be muted, some political premium still needs to be factored into European equity prices. On the other hand, there is evidence of a recovery in the US and we believe that there are opportunities in the UK given sterling weakness, which is helpful for company earnings. Furthermore, valuations versus credit remain compelling.

Asset Allocation

	2013	2012
Equity Portfolio		
Emerging Markets	4.1	3.4
Global	42.4	38.2
	46.5	41.6
LIBOR Bonds	14.4	9.1
Alternative Investments		
Property	7.7	8.5
High Yield Debt	1.6	2.1
Hedge Funds	9.2	9.4
Private Equity	10.2	9.8
Insurance Linked	2.5	-
	31.2	29.8
Cash	1.6	0.7
Diversified Growth Fund	0.0	5.3
LDI Swaps	6.3	13.5
	100.0	100.0

Report of the Investments Committee for the year ended 31 March 2013

During the year the Committee reviewed its Investment Managers. After an extensive process it reappointed Schroders but also appointed Redington as Investment Advisors. The Committee is devoting a large amount of time to analyzing how best to manage the assets when there are 25 different liability profiles and hopes to make a recommendation to Colleges over the coming year. This recommendation is likely to involve changes to asset allocations and a hedging strategy for interest rate and inflation risk.

The year to 31 March 2013 produced strong returns from growth assets as equity markets rose on the back of increased confidence in an improvement in the outlook for growth. This trend gained momentum in the opening months of 2013 with the US market in particular rising strongly. Gilt yields ended the year modestly lower than at its start. However, the principal move was in the index-linked gilt market where a rise in inflation expectations was fuelled by continued quantitative easing and expectations of a loose monetary policy environment under the future Governor of the Bank of England.

The Scheme's investment strategy has remained focussed on two key areas – providing protection against a 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. In Q3 2012 a tactical decision was taken to halve the extent of the inflation hedge from 75% to 37.5%. This reflected the Committee's view that the review by the Office of National Statistics of the method of calculation of RPI was likely to lead to a reduction towards CPI. In the event, no change was made to the calculation and market inflation levels rose again. The Committee is continuing to monitor the market and may re-instate a higher level of hedge in due course.

There is currently 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.

During the year the Scheme made an initial investment of £3m in the Palmetto insurance linked fund. This fund provides a diversified exposure to a range of insurance risks. It has the attraction of providing returns that are uncorrelated with equities and performance to date has been satisfactory.

CAMBRIDGE COLLEGES FEDERATED PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE

We have audited the financial statements of the Cambridge Colleges Federated Pension Scheme which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 responsibility to anyone other than the pension scheme and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditors

As explained more fully in the Statement of Trustee's Responsibilities,, the Scheme's Trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 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
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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, made under the Pensions Act 1995.

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 2013, which is shown on page 6 of the Trustee's report.

This report 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 report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the pension scheme and 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

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 sets 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 Trustees is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for monitoring whether contributions are made to the scheme by the employers 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.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the scheme year ended 31 March 2013, as reported in the summary of contributions and payable under the schedule of contributions, have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 31 May 2012 (Churchill and Lucy Cavendish Colleges) and 12 October 2012 (all other Participating Colleges).

PETERS ELWORTHY & MOORE
Chartered Accountants and Registered Auditors

CAMBRIDGE
Date: