Contributory Pension Fund Annual Report & Accounts

for the year ended 31st December 2017

CAMBRIDGE
UNIVERSITY PRESS

Contents

Trustee report

Introduction

The Trustee presents its annual report on the Cambridge University Press Contributory Pension Fund, (the "CPF"), together with the investment report, actuary's statements, auditor's report and statements and audited financial accounts for the year ended 31 December 2017.

Nature of the CPF

The CPF is a defined benefit fund which provides retirement and death benefits for eligible permanent employees of the Press (as defined below) and (up until its cessation of participation on 29 June 2012) Cambridge Printing Services Ltd.

The principal employer of the CPF (and now the sole participating and statutory employer) is the Chancellor, Masters and Scholars of the University of Cambridge. The Syndicate of the Press of the University of Cambridge (the "Press") acts on behalf of the University in relation to the CPF.

The CPF was established under irrevocable trusts with effect from 12 March 1930, and governed during 2016 by rules adopted on 21 April 2011, as subsequently amended (the "Rules"). To the extent that these Rules formally document the benefit structure for Cambridge Printing Services Ltd members for the first time, the Rules have backdated effect (so far as is lawful) from 1 September 2007.

IMPORTANT: This report gives a broad summary of the position in relation to the CPF. The legal position, including benefit entitlements for members, is governed by legislation and the formal governing documents for the CPF (including the Rules mentioned above). If there is any discrepancy between this report and either legislation or the formal governing documents then the legislation and the formal governing documents will prevail. No benefit entitlement arises from this report and no member should rely on this report to take any decision about their benefits.

The CPF is registered with HM Revenue and Customs as a registered pension fund for the purposes of Chapter 2 Part IV of the Finance Act 2004.

A contracting-out certificate, effective from 1 July 1988, was issued to the CPF. The employer's scheme number (ECON) is E3027876C. The scheme number (SCON) is S4003727Q. The CPF ceased to contract out on 5 April 2016.

Additional Voluntary Contributions ("AVCs") paid by members do not secure additional pensionable service under the CPF. Contributions are invested with the Prudential Assurance Society in the name of the individual contributor, and contributors receive an annual benefit statement. When an AVC fund generated by such contributions reaches maturity on the retirement or death of the member, it may be used to provide either an additional pension or a cash sum, or a combination of both.

Management of the Fund

The CPF is managed by a Trustee company called Press CPF limited.

Under the Trustee's articles of association the Cambridge University Press has the power to remove or appoint any director of the Trustee to their office, subject to the requirements of the Pensions Act 2004 (which requires arrangements to be put in place allowing for at least one-third of the total number of directors of the Trustee Company to be nominated by members of the CPF).

Trustee report

The following list shows the names of the Trustee Directors who served during the year. The list is split between Press nominated and member nominated.

Name of Trustee Director:	Press/member nominated:	Date term expires:
Simon Baynes (resigned 31/03/17)	Press	
Simon Baynes Limited appointed 31/03/17) Represented by Simon Baynes	Press	
William Bowes	Press	
John Haslam	Press	
Stanley Webster	Press	
John Allan	Member nominated	28/02/2018
Kim Lester (resigned 24/10/17)	Member nominated	24/10/2017
Fiona Kelly (appointed 24/10/17)	Member nominated	23/10/2023

Changes in Rules

There were no changes to the Rules during 2017.

Trustee meetings

Trustee meetings are normally held quarterly.

The Trustee of the Cambridge University Press Senior Staff Pension Scheme (SSPS), together with the trustee of the CPF also meet jointly.

Terms of reference for the management of joint meetings and decision making processes were signed on 17 February 2015, which make clear that all decisions in relation to investment for the CPF are made solely by Trustee of the CPF.

The main purpose of the joint meetings is to discuss common business and other matters relevant to the SSPS and CPF, and to consider investment issues in the round. A unitised fund set up on 31 July 1996 called the Press Pensions Investment Fund (the "PPIF") was governed by a commingling agreement dated 13 April 2012 which terminated on 30 June 2017. The fund was de-commingled under an agreement dated 30 June 2017.

Trustee's responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the CPF during the fund year and of the amount and disposition at the end of the fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the scheme in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions are made to the CPF by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Advisers and service providers

Name	Advice/service provided
Mr Keith Williams FIA, First Actuarial LLP	Actuarial
Crowe Clark Whitehill LLP	Auditing of accounts
Barclays Bank PLC	Banking
Addleshaw Goddard LLP	Legal
Barnett Waddingham LLP	Investment fund advice
Baillie Gifford Life Ltd	Fund management
Barings Investment Management Ltd	Fund management
Legal & General Investment Management Ltd	Fund management
CBRE Group, Inc	Fund management
Hermes Investment Management (appointed 1/12/17)	Fund management
Apollo Investment Management (appointed 1/12/17)	Fund management

Scheme administration

The day-to-day administration of the CPF was provided in-house until the retirement of Ms Janet Bulloch, Press Pensions and Benefits Director, on 31 August 2017, and thereafter by the University of Cambridge Pensions Office led by Sue Curryer, Head of Pensions Administration. Mr Kevin Taylor remained as the CPF Administrator, responsible for organising Trustee meetings and managing liaison between Trustee, Press and advisers.

The contact address for general and benefit enquiries is: University of Cambridge Pensions Office, Greenwich House, Madingley Rise, Madingley Road, Cambridge CB3 0TX; Email address: pensionsonline@admin.cam.ac.uk

Transfer values

Transfer values are accepted at the discretion of the Trustee for contributing members and are applied to awarding additional pensionable service.

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by regulations issued under the Pension Schemes Act 1993. There are no discretionary benefits included in cash equivalent transfer values. A revised basis for calculating transfer values was adopted on 7 March 2017 following recommendations from the CPF actuary following the completion of the triennial valuation.

Increases in pension benefits

The Rules make provision for increases in pensions in payment and deferred pensions. Both pensions in payment and deferred pensions (excluding any benefits accrued under the Printing section post 1 September 2007) were increased from 1 January 2017 by a minimum 3% increase, as the actual increase in the Retail Price Index for the period October 2015 to October 2016 was 2.0%. Any proportion of pension accrued under the Printing section post 1 September 2007 was increased by 2.0%. These increases were made in accordance with the Rules.

Trustee report

Scheme membership
The total membership of the CPF was 845 at 31 December 2017. The breakdown of this total, showing the movement between categories of members since the previous year, is:

Active members	**2017**	**2016**
Number at start of period	82	96
Transfers from Life assurance only	-	-
Transfers to deferred	(3)	(6)
Transfers to pensioners	(5)	(7)
Death in service	-	(1)
Number at end of period	**74**	**82**
Deferred members		
Number at start of period	225	229
Brought in to payment	(12)	(10)
Transferred-out	(1)	-
Transfers from Active membership	3	6
Died	(3)	-
Number at end of period	**212**	**225**
Pensioners		
Number at start of period	446	438
Transfers from active membership	5	7
Deferred into payment	12	10
Died	(10)	(9)
Number at end of period	**453**	**446**
Dependants in payment		
Number at start of period	108	104
New dependants	7	8
Dependant child pension ceased		(2)
Death of dependants	(9)	(2)
Number at end of period	**106**	**108**
Total membership	**845**	**861**

Trustee report

Financial development of the Scheme

The audited financial accounts on pages 22 to 31 of this report show that the value of the CPF's assets increased by £11.4 million to £158.9 million. The increase was comprised of investment gains of £14.9 million, less net outgoings from dealing with members of £3.5 million. These accounts have been prepared and audited in accordance with regulations made under s41(1) and (6) of the Pensions Act 1995. The Trustee's responsibilities in relation to the financial accounts are set out on page 3 and 4.

The CPF, like other pension schemes, is mainly concerned with long-term results. Short-term movements in capital values, up or down, are of limited relevance, when considering pension liabilities many years ahead. On a longer-term view of the past three years, the return on the CPF's assets has exceeded both prices and earnings inflation.

The Trustee has considered the nature, disposition, marketability, security and valuation of the CPF's investments and considers them to be appropriate relative to the reasons for holding each class of investment.

The remaining AVC investments (approx 0.8%) are with Prudential (Members' funds) and interest- bearing deposits. No part of the PIV's are invested in Cambridge University Press or the University of Cambridge.

Actuarial position

The most recent triennial actuarial valuation was carried out as at 1 January 2016 in a report dated 18 January 2017. The results of the valuation showed that the market value of the assets at £129.5m was equal to 90% of the technical provisions of £143.7m and consequently a new recovery plan was agreed with the Employer to make good the deficit of £14.2m.

The Trustee agreed a revised Schedule of Contributions on 30 November 2016 (see pages 16 and 17) with the Press, which includes contributions in respect of continuing accrual. In addition, the Press continues to pay all scheme administration costs and PPF levies.

The CPF Actuary's valuation report indicated that at 1 January 2016 the assets of the CPF should be sufficient to support approximately 48% of its liabilities if it became necessary to buy out members' benefits with an insurer, in the event of the CPF winding-up. The valuation for Pension Protection Fund (the "PPF") purposes (pursuant to section 179 of Pensions Act 2004) showed a funding level of 76%. This means that as at the valuation date of 1 January 2016 the assets of the CPF would not have been sufficient, if the CPF were to be wound up in circumstances where the University was unable to make good the full funding shortfall, to provide benefits whose value exceeds the PPF levels of compensation.

Further information about the significant actuarial assumptions made, and the method used, to calculate the actuarial valuations can be found in the Report on Actuarial Liabilities on page 14.

During 2017 the Press paid deficit funding contributions of £108,333 per month totalling £1,300,000 pa, on top of the normal contributions in accordance with the Schedule of Contributions certified by the CPF Actuary on 30 November 2016.

Trustee report

Investment Objectives and Strategies

The Trustee's main investment objectives are:

- That the CPF should be able to meet benefit payments as they fall due, by maintaining an adequate level of funding for members' benefits. The benefit payments payable are defined by the CPF's Trust Deed and Rules. The CPF's assets are held by the Trustee for this purpose.

- That the CPF's funding position (i.e. value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level.

The Trustee is aware that there are various measures of funding and have given due weight to those considered most relevant to the CPF. In particular, the Trustee has taken into account the funding requirements detailed in the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

The Cambridge University Press Joint Trustee boards have taken advice on the suitability of both the CPF and SSPS investments in light of the liability profiles of both schemes.

The CPF's assets are invested in pooled funds managed by the CPF's investment managers.

The CPF invests primarily in the following asset classes: equities, diversified growth funds ("DGFs"), UK property, fixed interest gilts and index-linked gilts. Following the year end the CPF also made an allocation to credit. The Joint Trustee boards believe that by diversifying appropriately across both asset classes and investment managers, the risk from individual securities is minimised. Generally, the CPF invests and deals on a daily or weekly basis.

Safekeeping of the physical assets underlying the pooled funds is performed by the custodians appointed by the investment managers.

The CPF does not invest in any employer-related investments.

Statement of Investment Principles

The Statement of Investment Principles (SIP) was agreed in October 2017 and formally approved by the Trustee in January 2018 in accordance with Section 35 of the Pensions Act 1995. A copy of the Statement is available on request.

In drawing up the SIP, the Trustee took appropriate advice and consulted the Employer. The SIP, among other things, details the types of investments held, the balance between them and the expected returns as at the date of the SIP and reflects the changes to the investment strategy detailed below within "Strategy as at 31 December 2017". It is reviewed by the Trustee and their advisers periodically.

Strategy as at 31 December 2017

At the end of 2017 the Scheme's assets were invested directly in nine funds with four asset managers. The CPF invests in six funds with Legal and General Investment Management ("LGIM") and in one fund with Baillie Gifford, Baring Asset Management ("Barings") and CBRE.

Towards the end of the year the Joint Trustee boards, having consulted with their investment and legal advisers, decided to dispose of the government bonds held with LGIM and invest the proceeds with Hermes Investment Management and Apollo Global Management within their respective multi-asset credit funds. The SIP for the CPF will be updated accordingly with the new target asset allocation. Both these funds hold many types of credit (e.g. senior secured loans, high yield debt) and actively manage these holdings. As at the year end the CPF was not invested in either of these funds and it is expected that investment will take place in 2018.

Trustee report

During the year the Joint Trustee boards took the decision to de-commingle the assets of the Press Pension Investment Fund which combined the assets of the SSPS and CPF. This decision was made by the Joint Trustee boards having taken advice from the CPF's legal and investment advisers, Addleshaw Goddard and Barnett Waddingham respectively. The de-commingling of the assets took place between March and June 2017 and resulted in the single holdings (under the Press Pension Investment Funds) with each of the investment managers being split appropriately in to two separate holdings under the respective names of the schemes. The investment strategy and assets held by each scheme remained unchanged.

The CPF's investment strategy and broad allocation of assets as at 31 December 2017 was as in the table below.

Manager	Asset Class	Allocation	Investment Objective
LGIM	UK Equities	12.0%	To track the FTSE All-Share Index to within +/-0.25% p.a. for two out of three years
	Unhedged overseas equities	10.0%	To track the FTSE All World (ex UK) Index to within +/- 0.5% p.a. for two out of three years
	Hedged overseas equities	10.0%	To track the FTSE All World (ex UK) – GBP Hedged Index to within +/- 0.5% p.a. for two out of three years
	Emerging market equities	5.0%	To track the FTSE All World Emerging Markets Index to within +/- 1.5% p.a. for two out of three years
	Over 15yr gilts	5.0%	To track the FTSE A Government (Over 15 Year) Index to within +/- 0.25% p.a. for two out of three years
	Over 15yr index-linked gilts	15.0%	To track the FTSE A Index-Linked (Over 15 Year) Index to within +/- 0.25% p.a. for two out of three years
Baillie Gifford	Diversified Growth Fund	20.0%	To outperform the UK Base Rate by 3.5% p.a. after fees, over rolling five year periods
Barings	Diversified Growth Fund	15.0%	To outperform 3 month Sterling LIBOR by 4% p.a. after fees
CBRE	Property	8.0%	To out-perform the benchmark (a composite of AREF/IPD QPFI All Balanced Property Fund Index) by 0.5% p.a. gross of fees
	Total	**100.0%**	

Note that post year-end it is expected that the LGIM gilts will be allocated evenly between Apollo and Hermes. This strategy is implemented through investments in pooled funds. LGIM, Baillie Gifford, Barings and CBRE are authorised and regulated by the Financial Conduct Authority. The new multi-asset credit funds are also pooled funds and Hermes and Apollo are authorised and regulated by the Financial Conduct Authority.

Trustee report

Performance to 31 December 2017

Over the course of 2017, the CPF's investment portfolio returned 10.2%. Performance over the three years to 31 December 2017 was 9.2% p.a.

The table below gives the performance of the individual funds over periods to 31 December 2017. Performance is shown after the deduction of fees with the exception of L&G and CBRE whose performance are shown before the deduction of fees.

LGIM	1 year (%)	3 year (%)	From inception (29 February 2012) (% p.a.)
UK Equities FTSE All-Share Index	13.5 13.1	10.3 10.1	9.8 9.6
Unhedged overseas equities FTSE All World (ex UK) Index	13.2 13.2	16.0 15.9	15.2 15.1
Hedged overseas equities FTSE All World (ex UK) – GBP Hedged Index	19.3 19.3	9.8 9.8	12.9 12.9
Emerging market equities FSTE All World Emerging Index	21.0 20.8	13.6 13.4	6.7 6.6
Over 15yr gilts FTSE A Government (Over 15 Year) Index	3.3 3.3	7.0 7.0	7.6 7.6
Over 15yr index-linked gilts FTSE A Index-Linked (Over 15 Year) Index	2.9 2.9	10.8 10.8	10.6 10.5

Baillie Gifford	1 year (%)	3 year (%)	From inception (2 March 2012) (% p.a.)
Diversified Growth Fund Bank of England Base Rate + 3.5% pa	7.2 3.8	5.3 3.9	5.5 4.0

Barings	1 year (%)	3 year (%)	From inception (17 June 2014) (% p.a.)
Diversified Growth Fund 3 month Sterling LIBOR + 4.0% pa	9.5 4.3	5.5 4.5	6.2 5.7

CBRE	1 year (%)	From inception (1 September 2015) (% p.a.)
Property AREF/IPD QPFI All Balanced Property Fund Index Composite	10.1 10.2	6.5 6.5

Disputes and queries
Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved.

To facilitate this process, the Trustee has established an Internal Disputes Resolution Procedure which is published in the Members' Booklet. Basically, in the first instance, members are expected to take up matters informally with the CPF Administrator. If the matter remains unresolved then a 2 stage process is in place whereby your complaint will first be considered by the CPF Administrator and subsequently by the Trustee if no resolution has proved possible.

If the problem remains unresolved, members then have the facility to refer the matter to the Pensions Ombudsman. The Pensions Ombudsman can be contacted at 10 South Colonnade, Canary Wharf, E14 4PU.

The statutory body responsible for the regulation of pension schemes in the United Kingdom is The Pensions Regulator (TPR) and can be contacted at Napier House, Trafalgar Place, Brighton, East Sussex BN1 4DW.

Further information
For information about the CPF generally, further information about resolving disputes, or requests for benefit calculations please contact Pensions Administration, Greenwich House, Madingley Road, Cambridge, CB3 0TX. E-mail address: pensionsonline@admin.cam.ac.uk.

A number of documents about the CPF are also available on request and can be supplied in electronic or hard copy form, and include the:

- Statement of Investment Principles. This explains how the Trustee directors invest the CPF.
- Recovery Plan. This explains how the funding shortfall is being met.
- Actuarial Valuation Report (Triennial). This is the full report of the Actuary on the valuation as at 1 January 2016.
- Members' Booklet.

The Trustee Report, the Report of Actuarial Liabilities, and the Investment Adviser commentary were approved by the Trustee and signed on their behalf by:

Simon HC Baynes

SIMON BAYNES
Chairman of the Trustee

Date: 6 June 2018

Investment Adviser Commentary

Economic and market conditions to 31 December 2017

Economic environment

Fallout from 2016's unexpected populist votes dominated the economic backdrop over the 12 months to 31 December 2017. The aftershocks of the UK's "leave" vote in June 2016 continued to rumble and Donald Trump's election victory in November 2016 helped support the rally in US markets throughout 2017. Despite the surprise elicited by both results, the market's reaction was much more subdued than many forecasts had suggested.

Following the sharp depreciation immediately following the Brexit vote, sterling appreciated from $1.23 to $1.35 during the course of 2017. On 29 March 2017, Theresa May triggered Article 50, beginning the process of the UK leaving the EU. The announcement had been heavily advertised over the preceding months and markets barely moved. On 8 December 2017, the UK reached a provisional deal with the EU on the outline of the Brexit deal, including a liability settlement of an estimated £30-60bn.

Donald Trump's promises of fiscal stimulus and an extensive infrastructure programme appeared to generate optimism in the markets, as the Dow Jones Industrial Average started 2017 near the 20,000 level. However, by 25 March the administration's failure to pass its first piece of legislation, replacing "Obamacare", led to a market "wobble" as concerns grew that the Republican tax plan would suffer similar delays and setbacks on its journey through Congress. Towards the end of the year, US equity markets hit record highs as US fundamentals remained strong. On 22 December the much debated US tax reforms were signed into law. This led some US companies to revise both their fourth quarter 2017 earnings forecasts, and those for the coming year.

Political uncertainty continued in Europe throughout 2017. Dutch, German and Austrian elections passed without much incident as traditional parties triumphed, despite gains for populist parties. A number of other elections produced much more surprising results, but none produced a sizeable reaction from markets. In France, Emmanuel Macron and his newly formed party "La République En Marche!" triumphed in the presidential and parliamentary elections, while a snap general election in the UK saw the Conservative party lose its majority but retain its control of government following a coalition with the Democratic Unionist Party.

Japan's Prime Minister, Shinzō Abe, called a general election for 22 October 2017, an election he won with a landslide majority and the Nikkei 225 passed a 21 year high by the end of December, helped by an 11.8% return over the last quarter of 2017.

The 12 months to 31 December 2017 saw the US and UK tighten their central bank policies and the ECB started to slow down its asset purchase programme.

- The European Central Bank (ECB) kept its main lending rate at 0.0% throughout the period and although it extended its quantitative easing (QE) programme, it also announced a reduction in the rate of purchases to €30bn per month, effective from January 2018 to September 2018.

- On 2 November 2017, the BoE raised rates to 0.5% for the first time since the Global Financial Crisis, a move that was in line with market expectations. Although UK CPI exceeded 3% in November, the BoE believes this to be a temporary increase.

- The Fed continued to tighten monetary policy over 2017 by raising interest rates three times to 1.5% by December. Due to the modest pace of the rate hikes and the Fed's communication with the market, the majority of the impact had been priced into markets and the immediate reactions were muted. During the third quarter, the Fed also announced plans to begin reducing its balance sheet.

Investment Adviser Commentary

Market performance

Against this backdrop, market returns from traditional asset classes were largely positive in absolute terms over the year to 31 December 2017, with bonds producing modest positive returns.

- **Equities:** Overall, global equities performed strongly over the year to 31 December 2017, generating 20.3% in local currency terms. Returns were strong across all geographical regions but with a differential of 14.3% between the best (Emerging Markets, 27.4%) and worst (UK, 13.1%) performing regions (in local currency terms).

- **Bonds:** The UK yield curve flattened with shorter term yields rising and longer term yields falling over the year. The net impact was a small positive return for UK fixed interest gilts (all stocks). Inflation fell slightly over the year which, combined with yield movements, led to UK index-linked gilts (all stocks) delivering a small positive return. Corporate spreads decreased over the period.

Fixed interest gilts (all stocks) returned 1.8% over the year to 31 December 2017, while corporate bonds (all stocks) returned 5.0% and index-linked government securities (all stocks) returned 2.3%.

- **Alternatives:** The CPF has investments in DGF's with both Barings and Baillie Gifford, who are permitted to invest in a range of asset classes. The funds returned 9.5% and 7.2% over the year respectively against respective benchmark returns of 4.3% and 3.8%. It should be noted that this is a long-term target and should be considered over a suitable timeframe. The CBRE property fund returned 10.1%, 0.1% behind its benchmark over the year to the end of 2017. Since the fund invested in September 2015 the fund has returned 6.5% and is in line with its benchmark.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service at the valuation date or date of leaving if earlier. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles dated 30 November 2016, which is available to the CPF members on request.

The most recent full actuarial valuation of the CPF was carried out as at 1 January 2016. Since that date actuarial updates have been carried out as at 1 January 2017 and 1 January 2018.

	1 January 2018	1 January 2017	1 January 2016
The value of the technical provisions was	£153.4m	£150.9m	£143.7m
The value of the assets was	£157.6m	£146.2m	£129.5m

The method and significant actuarial assumptions used to determine the technical provisions are as follows:

Method

The actuarial method to be used in the calculation of the technical provisions is the projected unit method.

Significant actuarial assumptions

Assumption		Value as at		
		1 January 2018	1 January 2017	1 January 2016
Discount rate	Derived from prudent assumptions of the returns on the underlying assets based on a long term asset allocation of 35% DGFs, 25% overseas equities, 15% index-linked gilts, 12% UK equities, 8% property and 5% fixed interest gilts	5.1% pa	5.1% pa	5.1% pa
Retail Prices Index (RPI) inflation	Derived by considering the future level of inflation implied by the UK gilt yield curves produced daily by the Bank of England at a duration of 15 years	3.5% pa	3.5% pa	3.1% pa
Pension increases in payment	The assumed pension increase rates for benefits linked to RPI inflation, but subject to an annual minimum and cap, are set consistently with the relevant inflation assumption and calculated by reference to a probability distribution derived from historic inflation.			
Mortality	The S2PMA/S2PFA tables with future improvements in line with CMI 2015 model with a long term rate of improvement of 2.0% pa.			
Partner/Spouse	85% of males and 75% of females are assumed to be married at retirement or earlier death, with husbands three years older than their wives.			
Cash commutation allowance	Members are assumed to commute pension to provide 50% of the maximum tax free cash based on a commutation factor of 17:1 at age 60 for males and 18.2:1 at age 60 for females.			

Actuarial Certificate for the purposes of Section 227(5) of The Pensions Act 2004

Name of scheme: Cambridge University Press Contributory Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 1 January 2016 to be met by the end of the period specified in the Recovery Plan.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 30 November 2016.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	Date: 30 November 2016
Name: Keith Williams	Qualification: Fellow of the Institute and Faculty of Actuaries
Address: First Actuarial LLP 2nd Floor The Square Basing View Basingstoke Hampshire RG21 4EB	

Schedule of Contributions

Cambridge University Press Contributory Pension Fund (the Fund)

Status

This Schedule of Contributions has been prepared by the Trustee, after obtaining the advice of Keith Williams, the actuary to the Fund.

This document replaces the schedule signed 13 August 2013 and comes into force on the date the Scheme Actuary certifies this Schedule of Contributions.

Contributions covering the period from 1 January 2016 to 31 December 2016.

By active members:	
6% of Contribution Salary	
By the Employer	
In respect of future accrual of benefits:	42.9% of Contribution Salary
In respect of the funding shortfall:	£141,000 per month from 1 January 2016 until 31 December 2016

The above information is provided for information only and does not form part of the Schedule of Contributions.

Contributions to be paid to the Fund from 1 January 2017 to 31 December 2021

By active members:

6% of Contribution Salary

To be deducted from salaries by the Employer and paid to the Fund on or before the 19th of the calendar month following deduction.

Additional Voluntary Contributions may be paid in addition to the above.

By the Employer

In respect of future accrual of benefits and the provision of death-in-service lump sum benefits the Employer will pay 44.5% of Contribution Salary.

To be paid to the Fund on or before the 19th of the calendar month following that to which the payment relates.

In respect of the shortfall in funding in accordance with the Recovery Plan dated 30 November 2016, the Employer will pay:

- £1,300,000 per annum payable in equal monthly instalments from 1 January 2017 until 31 December 2019, followed by
- £2,170,000 per annum payable in equal monthly instalments from 1 January 2020, increasing at 2.9% pa on every subsequent 1 January, until 31 October 2021.

These contributions are payable to the Fund during the calendar month to which the payment relates.

Expenses

The Employer will meet all running expenses of the Fund including the Pension Protection Fund levy. The Employer will pay the full amount of the levy following the receipt of the levy invoice by the Trustee.

Additional Contributions

The Employer may pay contributions in excess of those listed after notifying the Trustee.

Contribution Salary

Basic salary as at 1 January 2007 plus shift pay as at 1 January 2007, pro-rated for part-time hours worked.

Signed on behalf of the Trustee of the Cambridge University Press Contributory Pension Fund

Signed: Simon H C Baynes

Name: S H C BAYNES

Position: Trustee Director

Date: 30-11-2016

Signed on behalf of the Chancellor, Masters and Scholars of the University of Cambridge

Signed:

Name: Andrew Chandler

Position: CFO

Date: 30-11-2016

Independent Auditor's Report to the Trustee of the Cambridge University Press Contributory Pension Fund

Opinion

We have audited the financial statements of Cambridge University Press Contributory Pension Fund ("the CPF") for the year ended 31 December 2017 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the CPF's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the CPF's Trustee those matters we are required to state to them 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 CPF's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the CPF during the year ended 31 December 2017, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the CPF in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the CPF's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to the Trustee of the Cambridge University Press Contributory Pension Fund

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of trustees

As explained more fully in the statement of Trustee's responsibilities set out on page 3 and 4, the Trustee is responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the CPF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the CPF or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Crowe Clark Whitehill LLP
Statutory Auditor
London

Date 6 June 2018

Independent auditor's statement about contributions to the Trustee of the Cambridge University Press Contributory Pension Fund

Statement about contributions payable under the schedule of contributions

We have examined the summary of contributions payable to the Trustee of the Cambridge University Press Contributory Pension Fund ("the CPF") for the for the CPF year ended 31 December 2017 which is set out on page 21.

In our opinion contributions for the CPF year ended 31 December 2017 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 CPF actuary on 30 November 2016.

Basis of opinion

Our objective is to obtain sufficient evidence 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 an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the CPF and the timing of those payments under the schedule of contributions.

Responsibilities of trustees

As explained more fully in the Statement of Trustee's Responsibilities, the CPF'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 CPF by or on behalf of the employer and the active members of the CPF. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the CPF and for monitoring whether contributions are made to the CPF by the employer in accordance with the schedule of contributions.

Auditor's responsibilities for the statement about contributions

It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the CPF's Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the CPF's Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the CPF's Trustee as a body, for our work, for this statement, or for the opinion we have formed.

Crowe Clark Whitehill LLP
Statutory Auditor
London

Date 6 June 2018

Summary of contributions payable during the Scheme year ended 31 December 2017

This summary of contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the employer and member contributions payable to the CPF under the Schedule of Contributions certified by the actuary on 30 November 2016 in respect of the CPF year ended 31 December 2017. The CPF auditor reports on contributions payable under the schedule in the auditor's Statement about Contributions.

During the year ended 31 December 2017, the contributions payable to the CPF by the employer were as follows:

Contributions payable under the schedule of contributions	**2017**
	£
Employer normal contributions	899,509
Employer costs for members in receipt of long term sickness	37,133
Employee normal contribution	121,285
Deficit funding contributions	1,300,000
Total contributions payable under the schedule	2,357,927
Other contributions payable	
Employee additional voluntary contributions	141,667
Press paid Employee additional voluntary contributions	26,064
Total contributions payable to the Fund per the financial statements	**£2,525,658**

Approved by the Trustee and signed on their behalf by:

Simon HC Baynes

SIMON BAYNES
Chairman of the Trustee

Date 6 June 2018

Financial Statements
Fund account for the year ended 31 December 2017

	Notes	2017 £	2016 £
Contributions and benefits			
Contributions receivable	3	2,525,658	3,022,230
Benefits payable	4	(5,890,647)	(5,461,762)
Transfer out of benefits		(107,371)	(6,413)
Transfer out for divorce settlement		-	(142,963)
Net (outflow) from dealings with members		**(3,472,360)**	**(2,588,908)**
Returns on investments			
Change in market value of investments	7	14,220,965	19,600,744
Investment income		651,163	3,461
Net returns on investments		**14,872,128**	**19,604,205**
Net movement in the Scheme during the year		**11,399,768**	**17,015,297**
Net assets of the Scheme at 1 January		147,491,276	130,475,979
Net assets of the Scheme at 31 December		**£158,891,044**	**£147,491,276**

Financial Statements

Net asset statement for the year ended 31 December 2017

	Notes	2017	2016
		£	£
Investments – Pooled investment vehicles	7	156,657,323	145,647,401
Investments - AVC funds	7	1,334,686	1,258,562
Current assets	5	966,828	652,748
Current liabilities	6	(67,793)	(67,435)
Total net assets at 31 December		**158,891,044**	**147,491,276**

The financial statements summarise the transactions of the CPF and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the CPF year. The actuarial position of the CPF, which does take account of such obligations, is dealt with in the report on Actuarial Liabilities on page 14 of this Annual Report and these financial statements should be read in conjunction with them.

The notes on pages 24 to 31 form part of these financial statements.

The financial statements on pages 22 to 31 were approved by the Trustee Directors and signed on their behalf by:

Simon H L Baynes

SIMON BAYNES
Chairman of the Trustee

Date 6 June 2018

Notes forming part of the Financial Statements

1. Basis of presentation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with and with the guidance set out in the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised November 2014).

2. Accounting policies

Valuation of investments

Press Pensions Investment Fund (PPIF) units were valued on a fair value basis at 31 December 2016.

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

AVC funds are valued at the unit prices quoted by Prudential Pensions Ltd.

Annuities purchased which provide the benefits for certain members that are in the name of the Trustees are not included as assets of the CPF as the Trustees consider these to be not to be material in relation to the financial statements as a whole.

Investment income

For certain pooled funds, investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in Market Value'. During the year for certain other funds, income earnt was distributed to the CPF.

Interest is accrued on a daily basis.

Contributions

Employee normal contributions are accounted for when deducted from pay. Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions.

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are being paid.

Payments to members

Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.

Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted or discharged.

Expenses

Expenses are accounted for on an accruals basis. The employer bears all the costs of administration, other than investment management expenses.

Notes forming part of the Financial Statements

Additional Voluntary Contributions ('AVCs')

AVCs paid by members do not secure additional pensionable service under the CPF. Contributions received are invested with an insurance company in the name of the individual contributor. All additional voluntary contributions are recognised as forming part of the overall assets which are under the supervision of the Trustee and accordingly they are included within the net assets of the CPF. Contributions received from members and monies payable by the Trustee in respect of benefits arising under AVC arrangements are similarly included within the fund account.

Notes forming part of the Financial Statements

3. Contributions receivable

	2017 £	2016 £
Members' contributions:		
Normal	121,285	138,196
AVCs	141,667	131,749
AVC's (Press)	26,064	25,370
	289,016	**295,315**
Employers' contributions:		
Normal (including death in service benefits)	899,509	988,089
Contributions for members in receipt of long term sickness benefits	37,133	46,826
Deficit funding contributions	1,300,000	1,692,000
	2,236,642	**2,726,915**
Total contributions receivable	**£2,525,658**	**£3,022,230**

Under the Schedule of Contributions certified on 30 November 2016, from 1 January 2017 to 31 December 2019, deficit funding contributions receivable will amount to £1,300,000 per annum in equal monthly instalments. From 1 January 2020 onwards these contributions will increase to £2,170,000 per annum and will increase by 2.9% on each subsequent 1 January until 31 October 2021.

4. Benefits payable

	2017 £	2016 £
Pensions payable	5,233,361	4,973,758
Lump sums payable on retirement	414,454	415,546
AVC funds disinvested - retirement benefits	202,650	26,548
Lump sums on death in retirement	4,938	5,870
Lump sums payable on death in service	-	40,040
Lump sums payable on death in deferment	35,244	-
Total benefits payable	**£5,890,647**	**£5,461,762**

5. Current assets

	2017 £	2016 £
Cash and bank deposits	966,828	652,744
Other debtors	-	4
Total current assets	**£966,828**	**£652,748**

Notes forming part of the Financial Statements

6. Current liabilities

	2017 £	2016 £
HMRC – PAYE	(67,793)	(62,625)
Other creditors	-	(4,810)
Total current liabilities	**(67,793)**	**(67,435)**

7. Investments

	2017 £	2016 £
Pooled investment vehicles	156,657,323	145,647,401
AVC fund	1,334,686	1,258,562
Total	**£157,992,009**	**£146,905,963**

Movements in investments during the year, and during the previous year, were as follows:

	Pooled Investment Vehicles	AVC Fund	Total
	£	£	£
Market value at 1 January 2016	129,119,343	955,305	130,074,648
Amounts invested during the year	-	157,119	157,119
Amounts withdrawn during the year	(2,900,000)	(26,548)	(2,926,548)
Change in market value	19,428,058	172,686	19,600,744
Market value at 31 December 2016	**£145,647,401**	**£1,258,562**	**£146,905,963**
Market value at 1 January 2017	145,647,401	1,258,562	146,905,963
Amounts invested during the year	152,559,891	167,732	152,727,623
Amounts withdrawn during the year	(155,659,891)	(202,651)	(155,862,542)
Change in market value	14,109,922	111,043	14,220,965
Market value at 31 December 2017	**£156,657,323**	**£1,334,686**	**£157,992,009**

Included within sales and purchases is an amount of £152,559,891 relating to the disinvestment of units in the Pension Pooled Investment Fund and the investment of £90,784,820 with LGIM, £29,561,225 with Ballie Gifford, £22,111,936 with Barings and £10,101,910 with CBRE.

7.1 Pooled investment vehicles:

The CPF 's holding of pooled investment vehicles are analysed below:

	2017 £	2017%	2016 £	2016%
Return seeking portfolio				
UK equity fund	19,952,331	12.70%	18,205,925	12.50%
Overseas equity funds	42,027,050	26.70%	38,742,209	26.60%
Diversified growth funds	53,268,686	34.00%	49,083,174	33.70%
Property fund	10,600,106	6.90%	9,612,728	6.60%
Defensive portfolio				
Bond funds	30,809,150	19.70%	30,003,365	20.60%
	156,657,323	**100.00%**	**145,647,401**	**100.00%**

Notes forming part of the Financial Statements

7.2 Transaction costs

Indirect transaction costs are borne by the CPF in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported. There are no direct transaction costs borne by the CPF.

7.3 Investment fair value hierarchy

Financial instruments held at fair value in the financial statements must be analysed according to the appropriate level in the following fair value hierarchy. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability. The CPF's investments have been analysed using the above hierarchy categories as follows:

As at 31 December 2017	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	146,057,217	10,600,106	156,657,323
AVC investments	-	1,164,796	169,890	1,334,686
Total	**-**	**£147,222,013**	**£10,769,996**	**£157,992,009**

As at 31 December 2016	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	136,034,673	9,612,728	145,647,401
AVC investments	-	1,091,091	167,471	1,258,562
Total	**-**	**137,125,764**	**£9,780,199**	**£146,905,963**

7.4 Investment risk disclosures

FRS102 requires the disclosure of information in relation to certain investment risks as follows:

- Credit risk – the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk – comprises the following three types of risk:

1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
3. Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

Notes forming part of the Financial Statements

The Joint Trustee boards determine the investment strategy after taking advice from a professional investment adviser, which is described in "Investment objectives and strategy" on page 8. The CPF has exposure to these risks because of the investments it makes in following the investment strategy set out above. The Joint Trustee boards manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the CPF's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the CPF's investment managers and monitored by the Joint Trustee boards by regular reviews of the investment portfolio.

During the year the Joint Trustee boards took the decision to de-commingle the assets of the Press Pension Investment Fund which combined the assets of the SSPS and CPF. Whereas previously the CPF's holdings were invested with the manager under the Press Pension Investment Fund, the CPF now has separate accounts and holdings with each of the managers. The underlying investments for each CPF were unchanged. As such the de-commingling has not impacted the investment risks the CPF is exposed to.

Further information on the Joint Trustee board's approach to risk management, credit and market risk is set out below. This does not include any AVC investments as these are not considered significant in relation to the overall investments of the CPF.

Credit risk

The pooled investment arrangements used by the CPF comprise insurance contracts and pooled investment vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and the ongoing due diligence of the pooled manager. Due to the nature of the investments, units held in the pooled investment vehicles are unrated. The pooled investment vehicles held by the CPF consist of £92,788,531 (2016: £86,955,809) unit linked insurance contracts and £63,868,792 (2016: £58,691,594) open ended investment funds

The Joint Trustee boards monitor the performance of the CPF's investment managers on a regular basis in addition to having meetings with the managers from time to time as necessary. The Joint Trustee boards have a written agreement with the investment managers, which contains a number of restrictions on how they may operate.

The CPF also has indirect exposure to credit risk from the underlying investments held by the pooled investment vehicles (particularly in bonds). This risk is mitigated by predominantly investing in government bonds and corporate bonds which are at least investment grade credit rated.

In addition, the CPF is exposed to indirect credit risk as a result of the bonds held via the Diversified Growth Funds as detailed in note 7.1 as part of the CPF's Return Seeking Portfolio.

Market risk: Interest rates

The CPF is subject to interest rate risk because some of the CPF's investments are held in bonds, through pooled vehicles and cash. The Joint Trustee boards have set a benchmark for total investment in bonds of 15% through index-linked gilts and 5% through fixed interest gilts through the Defensive Portfolio. As at 31 December 2017, the Defensive Portfolio amounted to £30,809,150 (2016: £30,003,675) and consisted of 19.7% (2016: 20.6%) of the total portfolio.

Under this strategy, if interest rates fall, the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. With the index-linked gilt holdings, the CPF is exposed to real interest rate risk.

In addition, the CPF is exposed to indirect interest risk as a result of the bonds and cash held via the Diversified Growth Funds as detailed in note 7.1 as part of the CPF's Return Seeking Portfolio.

Notes forming part of the Financial Statements

Market risk: Currency

The CPF's investments are denominated in sterling and therefore the CPF is not directly exposed to currency risk.

The CPF is indirectly exposed to currency risk due to holdings in overseas equities and other asset classes through pooled investment vehicles.

The CPF's liabilities are denominated in sterling and some currency hedging is employed to manage the impact of exchange rate fluctuations on the CPF investments. 40% (2016: 51%) of the overseas equity holdings as detailed in note 7.1 are hedged to sterling.

In addition, the CPF is exposed to indirect currency risk as a result of the overseas investments held via the Diversified Growth Funds as detailed in note 7.1 and the pooled investment funds' holdings in overseas assets may alter over time.

Market risk: Other price

Other price risk arises principally in relation to the CPF's Return Seeking Portfolio as detailed in note 7.1. The Trustees have set a benchmark for the total investment in the Return Seeking Portfolio of 80.0%. As at December 2017, the Return Seeking Portfolio amounted to £125,848,173 (2016: £115,644,036) and consisted of 80% (2016: 79%) of the total portfolio.

The CPF manages this exposure by investing in pooled funds that invest in a diverse portfolio across various markets. As set out in the CPF's Statement of Investment Principles (SIP), the investment manager is expected to manage a broadly diversified portfolio and to spread assets across a number of individual shares and securities. This is reflected in the underlying holdings of the pooled funds in which the CPF invests which are governed by guidelines published by the investment manager.

In addition, the CPF's asset allocation is detailed in the Appendix of the SIP document and is monitored on a regular basis by the Trustee.

8. Contingent liabilities and commitments

Other than the liability to pay future retirement benefits, there were no contingent liabilities or capital commitments as at 31 December 2017.

9. Related party transactions

Contributions received in respect of Trustee directors who are members of the scheme have been made in accordance with the Trust Deed and Rules.

10. Events occurring after the year end

There were no events occurring after the end of the CPF's year to which members' attention should be drawn.

CAMBRIDGE
UNIVERSITY PRESS