

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER. 101147703
YEAR ENDED 31 MARCH 2020

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**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

TRUSTEE AND ADVISERS

TRUSTEE

Cambridge Colleges Superannuation
Trustees Ltd

Employer nominated Directors:

Sir M Harris (Chairman)
S Clayson
P Warren
R Ellison
J Wells

Member nominated Directors:

B Clarke
C James
C Austin

SECRETARY AND ADMINISTRATOR

S E Curryer

INVESTMENT CONSULTANTS

Redington Limited

SCHEME ACTUARY

Mr R Sweet
Cartwrights Consulting

INDEPENDENT AUDITORS

Ensors Accountants LLP

LEGAL ADVISORS

Mills & Reeve

PRINCIPAL EMPLOYERS

Full list of the colleges can be found on page 30.

BANKERS

Barclays
Bank of Scotland

INVESTMENT MANAGERS AND ADVISORS

Schroders Investment Management

INSURED BENEFITS ADVISORS

Becketts

INVESTMENT CUSTODIANS

Chase Nominees Limited

ENQUIRIES

Enquiries about the Scheme should be addressed to the Pensions Manager at the administration office (University Offices, HR Division, Pensions Administration Section, Greenwich House, Madingley Road, Cambridge, CB3 0TX) email: pensionsonline@admin.cam.ac.uk

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

TRUSTEE'S REPORT For the year ended 31 March 2020

The Trustee has pleasure in submitting their annual report on the operations of the Cambridge Colleges' Federated Pension Scheme ("the Scheme"), together with accounts for the year ended 31 March 2020. The accounts have been prepared and audited in accordance with Section 41(1) and (6) of the Pensions Act 1995.

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
Greenwich House, Madingley Road
Cambridge, CB3 0TX

Email: pensionsonline@admin.cam.ac.uk

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

Financial Development of the Scheme

The Fund's net assets decreased during the year by £6.85m to £221.93m at 31 March 2020.

The deficit for year in dealings with members was £1.52m

The overall capital value of the Scheme's investments, including cash at the Investment Managers, decreased by £8.02m. Further details of the financial development of the Fund may be found in the audited financial statements on pages 14 to 26 of this report.

For the period 1 April 2019 to 31 March 2020 total contribution rates to the Scheme ranged from 18.13% to 41.38% of Contribution Pay with an average of 25.44%.

Scheme Registration

The Scheme is registered with The Pensions Regulator. The Scheme's registration number is 101147703.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

**TRUSTEE'S REPORT (continued)
For the year ended 31 March 2020**

Membership Statistics

Active Members	
Active members at 1 April 2019	727
Adjustment for late notification	-9
New members during year	55
	773
Less:	
Leavers before retirement age (excluding death in service)	13
Retired during the year	28
Died in service	-
To deferred	44
	85
Active members at 31 March 2020	688

Pensioners	
Pensions in payment at 1 April 2019	1408
Adjustment for late notification	1
	1409
Retirements during year	28
New child pensions	1
Deferred pensioners retired during year	34
Widow/ers of pensioners	13
	76
Pensioners dying during year	38
Pensions fully commuted	1
Pensions in payment at 31 March 2020	1446

Deferred Members	
Deferred members at 1 April 2019	822
Adjustment for late notification	9
Active members to deferred	44
	875
Deferred retirements	34
Pension fully commuted	2
Death in deferred	1
	37
Deferred members at 31 March 2020	838

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

TRUSTEE'S REPORT (continued) For the year ended 31 March 2020

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
3.0%	1 November 2019
3.3%	1 November 2018
3.9%	1 November 2017
2.0%	1 November 2016
0.8%	1 November 2015
2.3%	1 November 2014
3.2%	1 November 2013
2.6%	1 November 2012
5.6%	1 November 2011
4.6%	1 November 2010
0.0%	1 November 2009

Preserved pensions are increased in line with the statutory requirements.

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Fund and will be considering this at future meetings and decisions will be made as to the next steps.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

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 (AVC's)

The fund has no separately invested AVCs.

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

TRUSTEE'S REPORT (continued) For the year ended 31 March 2020

Actuarial Position and Contributions

The formal actuarial certificate required by statute to be included in this Annual Report appears on page 30. In addition, as required by FRS102, the Trustee has included the Report on Actuarial Liabilities on pages 30 - 34, which forms part of the Trustees' Report.

The Pensions Regulator

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

Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for the Trustee to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07.

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 the Trustee 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 the Trustee 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; and
- 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.

Contributions totalling £536,716 were received between 1 and 15 days later than the due date set out in the Schedule of Contributions.

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

TRUSTEE'S REPORT (continued) For the year ended 31 March 2020

Trustee Knowledge and Understanding (continued)

Statement of Investment Principles

The Trustee is required under The Occupational Pension Schemes (Investment) Regulations 2005 to prepare and maintain a Statement of Investment Principles as described by Section 35 of the Pensions Act 1995. A statement has been prepared in accordance with these regulations, approved by the Trustee on 9 September 2019. A copy of the statement may be obtained from the Secretary to the Trustee at the administration office.

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.

The Trustee delegates the day-to-day management to professional external investment managers. The Trustee sets the investment strategy for the scheme after taking advice from the scheme's investment adviser. The Trustee has put in place investment mandates with their investment managers which implement this strategy.

Investment managers are remunerated by fees based on a percentage of funds under management. There are no performance related fee arrangements.

Fees charged by Schrodgers are as follows: 0.1% Management Fee on all Funds plus an additional 0.4% charge on any Schrodgers Fund.

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
Mr. T. Harvey-Samuel (Chairman)	Bursar, Corpus Christi College
Mr. S. Summers	Bursar, St Catharines College (until 30 th June 2019)
Mr. I. Wright	Bursar, Peterhouse
Mr. R. Gardiner	Bursar, Gonville & Caius College
Mr. P. Warren	Bursar, Clare College
Ms. N. Robert	Bursar, St Catharines College (from 3 rd July 2019)

During the year ended 31 March 2020, there were no employer related investments as defined in Section 40 of the Pensions Act 1995.

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

TRUSTEE'S REPORT (continued) For the year ended 31 March 2020

Report of the Investments Sub Committee for the year ended 31 March 2020

The Committee has set its main target as 100% funding on a Technical Provisions basis (TP). The Technical Provisions basis is currently set at Gilts + 2.0%. As at 31st March 2020 the Scheme was 79.9% funded on the Technical Provision basis.

Returns from the Scheme's growth asset portfolio were -4.4% over the year to 31st March 2020. The Scheme's total return for the year including hedging assets was -2.1%, emphasising the value of the hedging assets.

Whilst global equities made strong gains in 2019, these were more than offset by performance in Q1 2020. The strong 2019 performance in markets was achieved despite a backdrop of geopolitical risks, such as the ongoing US-China trade tensions, the upcoming US presidential elections and Brexit uncertainty, which dominated the markets for most of 2019, adding to investor concerns over slowing global growth. These risks faded in the final quarter of 2019, with global stock markets advancing robustly. The US and China agreed a "phase one" trade deal and a landslide general election victory for the UK's Conservative Party broke the Brexit deadlock.

As we moved into 2020, the spread of Covid-19 profoundly affected global markets in the first quarter. Equities suffered steep declines and government bond yields fell (prices rose) as investors favoured their perceived safety. Countries around the world went into lockdown to try and contain the outbreak. Governments and central banks announced measures to support businesses and households and reduce borrowing costs.

Private equity performed well over the period as the Scheme's investments continued to return cash to investors as did the infrastructure holdings. The Scheme's liability matching investments rose in value as nominal and real yields fell over the year. As a result of both rising liabilities over the course of the year and very weak markets in Q1 2020, the funding level fell over the year to 31st March 2020.

During the past 12 months there have been a number of strategic changes made to the Scheme. At the very beginning of the period a £7 million allocation was made to UK Real Estate which was funded out of Absolute Return Bonds. Then in the fourth quarter of 2019, a larger overall restructure of the growth portfolio was initiated whereby the Emerging Market equity weighting was increased with a change of manager, a holding was established in UK Corporate Bonds which was funded from the sale in the Risk Premia position. It was also decided to unwind the Hedge Fund Portfolio and this process began in Q4 2019 and was mostly completed in Q1 2020.

In other changes to strategy, at the beginning of 2020 the Global Equity holding was increased with a change in manager and a move to passive management, the recently established UK Real Estate holding was increased and the Absolute Return Bond holding was essentially transferred into the LDI portfolio for liquidity purposes. The resulting changes have achieved a significant reduction in investment management fees and charges to the scheme.

The Scheme's current LDI strategy is to hedge to the value of 93.5% of the Scheme assets. The use of derivatives 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.

Tim Harvey-Samuel - Chair, Investment Committee June 2020

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

INVESTMENT REPORT For the year ended 31 March 2020

Schroders Investment Review for the year to 31 March 2020

Market Review

Returns from the Scheme's growth asset portfolio were negative over the year. Global equities made strong gains in 2019. This was despite geopolitical risks, such as the ongoing US-China trade tensions, the upcoming US presidential elections and Brexit uncertainty, dominating the markets for most of 2019, adding to investor concerns over slowing global growth. These risks faded in the final quarter, with global stock markets advancing robustly. The US and China agreed a "phase one" trade deal and a landslide general election victory for the UK's Conservative Party broke the Brexit deadlock. However, the spread of Covid-19 profoundly affected global markets in the first quarter of 2020. Equities suffered steep declines and government bond yields fell (prices rose) as investors favoured their perceived safety. Countries around the world went into lockdown to try and contain the outbreak. Governments and central banks announced measures to support businesses and households and reduce borrowing costs. Private equity performed well as the Scheme's investments continued to return cash to investors as did the infrastructure holdings. The Scheme's liability matching investments rose in value as nominal and real yields fell over the year. As a result of both rising liabilities over the course of the year and very weak markets in Q1 2020, the funding level fell over the year to 31st March 2020.

Fund Performance

The Scheme's total return for the year including hedging assets was -2.1%. The Scheme's growth portfolio returned -4.4%.

Investment Approach

The Scheme's LDI strategy is to hedge the Scheme's real rate exposure up to the value of 93.5% of the Scheme assets. The funding level fell over the year as the portfolio's assets fell whilst the Scheme liabilities increased. The Scheme has put in place triggers to adjust the amount of hedging as the funding level changes.

This LDI strategy is implemented by investing in derivatives via pooled funds. The use of derivatives 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.

Investment Activity

During the past 12 months there have been a number of strategic changes made to the Scheme. At the very beginning of the year a £7 million allocation was made to UK Real Estate which was funded out of Absolute Return Bonds.

Then in the fourth quarter of 2019, a larger overall restructure of the growth portfolio was initiated whereby the Emerging Market equity weighting was increased with a change of manager, a holding was established in Sterling Credit which was funded from the sale in the Risk Premia position. It was also decided to unwind the Hedge Fund Portfolio and this was started in Q4 2019 and mostly completed in Q1 2020.

Also at the beginning of 2020 the Global Equity holding was increased with a change in manager, the recently established UK Real Estate holding was increased and the Absolute Return Bond holding was essentially transferred into the LDI portfolio for liquidity purposes.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

**INVESTMENT REPORT (continued)
For the year ended 31 March 2020**

Covid-19

Since the year end, consequent on the global impact of the Coronavirus (Covid-19) pandemic, the value of investment assets and liabilities have been impacted. It is not possible, at this time to quantify the change in market value as the situation is fluid and unpredictable.

Asset Allocation

Asset Class	Fund 31.03.19 %	Fund 31.03.20 %
Equity Portfolio	27.6	35.1
Global	24.7	30.7
Emerging Markets	2.9	4.4
Alternative Investments	36.6	30.0
Long Lease Property	6.0	6.5
Real Estate	-	5.5
Hedge Funds	5.7	0.2
Private Equity	3.6	3.1
Infrastructure	5.3	5.6
Risk Premia	11.1	-
Direct Lending	3.2	3.9
Insurance Linked	1.7	0.6
Sterling Credit	-	4.6
Cash	2.7	0.2
LDI Funds	21.6	34.7
Absolute Return Bonds	11.5	16.4
Total	100.0	100.0

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

STATEMENT OF TRUSTEE'S RESPONSIBILITIES For the year ended 31 March 2020

The audited Financial Statements which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK 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 Scheme during the year and of the amount and disposition at the end of the year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the 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 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 judgements 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 Scheme 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.


Further Information

Requests for additional information about the Scheme generally, or queries relating to members' own benefits, should be made to the contact listed on page 2.

Approval

The Trustee's report was approved by the Trustee on 8th July 2020 and signed on their behalf by:

Sir M Harris: 

S Clayson: 

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

INDEPENDENT AUDITOR'S REPORT

to the Trustee of Cambridge Colleges' Federated Pension Scheme

Opinion

We have audited the financial statements of Cambridge Colleges' Federated Pension Scheme for the year ended 31 March 2020 which comprise the fund account, the net assets statement 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland".

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 2020, 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 and 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 of 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 scheme 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's have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme'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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

INDEPENDENT AUDITOR'S REPORT

to the Trustee of Cambridge Colleges' Federated Pension Scheme (continued)

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 11, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine 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 Scheme'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 Scheme or to cease operations, 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 it 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 the 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: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx> This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme'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 Scheme and the Scheme's Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Ensors Accountants LLP
Chartered Accountants
& Statutory Auditors
IPSWICH

Date:.....

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Contributions and benefits			
Employer contributions		6,954,634	6,711,503
Employee contributions		1,645,630	1,616,089
Total contributions	3	8,600,264	8,327,592
Other Income	4	209,463	284,069
		8,809,727	8,611,661
Benefits payable	5	8,920,188	8,010,182
Payments to and on account of leavers	6	47,900	316,618
Administrative expenses	7	731,620	779,129
Other payments	8	627,656	642,008
		10,327,364	9,747,937
Net (withdrawals) from dealings with members		(1,517,637)	(1,136,276)
Return on investments			
Investment income	9	3,088,048	2,635,018
Investment management fees	10	(393,387)	(500,120)
Change in market value	12	(8,022,126)	14,650,563
Net return on investments		(5,327,465)	16,785,461
Net (decrease)/increase in the fund during the year		(6,845,102)	15,649,185
Net assets of the scheme as at 1 April 2019		228,776,887	213,127,702
Net assets of the scheme as at 31 March 2020		221,931,785	228,776,887

The notes on pages 16 to 26 form part of the financial statements.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NET ASSETS STATEMENT AS AT 31 MARCH 2020


	Notes	2020 £	2019 £
Investments:			
Pooled investment vehicles	12	223,233,708	225,537,627
Derivatives	14	337,927	(96,880)
Cash		(2,409,681)	2,771,449
Total investments		221,161,954	228,212,196
Current assets	18	941,499	774,628
Current liabilities	19	(171,668)	(209,937)
Total net assets of the scheme at 31 March 2020		221,931,785	228,776,887

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme period. The actuarial position of the Scheme, which does take account of such obligations for the defined benefit section, is dealt with in the report on Actuarial Liabilities on pages 31 to 34 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 16 to 26 form part of the financial statements.

The financial statements on pages 14 to 26 were approved by the Trustee on and signed on their behalf by:

Sir M Harris: 

S Clayson: 

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Scheme (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised November 2018). This is the first year the Trustees have adopted the amendments to FRS102, The Financial reporting standard applicable in the UK and Republic of Ireland Triennial Review 2017 incremental improvements and Clarifications issued December 2017 and the SORP (revised 2018). The adoption of the revised SORP has no material impact on the financial statements, it has required certain additions or amendments of disclosures.

Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's report.

The financial statements have been prepared on a going concern basis.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Foreign currencies

The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year end date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the 'Change in Market Value' of investments during the year.

b) Contributions

- (i) 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.
- (ii) 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.
- (iii) Employer other contributions are accounted for in the period they are due under the Schedule of Contributions.

c) Payments to members

- (i) 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.

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting policies (continued)

- (ii) Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged.

d) Investment income

- i. Interest is accrued on a daily basis.
- ii. 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'.
- iii. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

e) Expenses

Expenses are accounted for on an accruals basis. The Scheme bears all the costs of administration.

f) Investments

- (i) Investments are included at fair value.
- (ii) 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.
- (iii) Derivatives are stated at fair value.
 - Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date.
 - Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
 - All gains and losses arising on derivative contracts are reporting within 'Change in Market Value'.
 - Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Contributions

	2020	2019
	£	£
Employer:		
Normal	4,122,809	3,991,957
Deficit funding*	2,378,038	2,273,738
Other	453,787	445,808
Members:		
Normal	1,581,148	1,553,961
Additional Voluntary Contributions	64,482	62,128
	8,600,264	8,327,592
	8,600,264	8,327,592

* The Scheme received deficit funding contributions of £2,378,038 (2019: £2,273,738) in the year in relation to the Recovery Plan commencing 1 July 2018.

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the Employer.

4. Other Income

	2020	2019
	£	£
Management fee rebates	4,051	-
Death in service lump sums	205,412	284,069
	209,463	284,069
	209,463	284,069

5. Benefits payable

	2020	2019
	£	£
Pensions	6,789,653	6,425,039
Commutations and lump sum retirement benefits	2,047,805	1,477,885
Lump sum death benefits	82,730	107,258
	8,920,188	8,010,182
	8,920,188	8,010,182

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Payments to and on account of leavers		
	2020	2019
	£	£
Refunds of contributions in respect of non-vested leavers	14,807	15,122
Tax on refunds of contributions	2,612	5,346
Individual transfers out	30,481	296,150
	<hr/>	<hr/>
	47,900	316,618
	<hr/>	<hr/>
7. Administrative expenses		
	2020	2019
	£	£
Administration and processing	4,552	28,058
PPF Levy	263,389	245,254
Actuarial fees	91,815	123,102
Audit fees	12,360	11,700
Trustee fees	214,057	209,257
Other professional fees	145,447	161,758
	<hr/>	<hr/>
	731,620	779,129
	<hr/>	<hr/>
8. Other payments		
	2020	2019
	£	£
Premiums for insured benefits	627,656	642,008
	<hr/>	<hr/>
	627,656	642,008
	<hr/>	<hr/>
9. Investment income		
	2020	2019
	£	£
Income from pooled investment vehicles	3,077,117	2,630,099
Interest on cash deposits	10,931	4,919
	<hr/>	<hr/>
	3,088,048	2,635,018
	<hr/>	<hr/>

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Investment management expenses

	2020	2019
	£	£
Management	393,387	500,120
	393,387	500,120

11. Tax

The Cambridge Colleges' Federated Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

12. Reconciliation of net investments

	Value as at 1 April 2019 £	Purchases £	Sales £	Change in Market Value £	Value as at 31 March 2020 £
Pooled investment vehicles	225,537,627	278,088,516	(271,935,502)	(8,456,933)	223,233,708
Derivatives	(96,880)	4,341,196	(4,341,196)	434,807	337,927
	225,440,747	282,429,712	(276,276,698)	(8,022,126)	223,571,635
Cash deposits	2,771,449	276,188,456	(281,369,586)	-	(2,409,681)
Net investment assets	228,212,196	558,618,168	(557,646,284)	(8,022,126)	221,161,954

The change in market value of investments during the period comprises all increases and decrease in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period.

The companies operating the pooled investment vehicles are all registered in the UK.

Transaction costs are borne by the Scheme in relation to transactions within the investment portfolio managed by Schroder Investment Management, comprising fees, commissions and stamp duty. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Pooled Investment Vehicles (PIVs)

The holdings of PIVs are analysed below:

	2020	2019
	£	£
Equity funds	106,759,634	130,207,996
Fixed Income funds	82,527,693	59,446,270
Property unit trusts	26,609,798	13,666,937
Unit trusts	7,336,583	19,112,173
Hedge funds	-	3,104,251
	223,233,708	225,537,627

14. Derivatives

Forward FX – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas.

At the year end the Scheme had the following derivatives:

	2020	2020	2019	2019
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Forward foreign exchange contacts	337,927	-	1,221	(98,101)
	337,927	-	1,221	(98,101)

A summary of the Scheme's outstanding derivatives contracts at the year end aggregated by key characteristics is set out below:

Forward foreign exchange contacts

	Settlement date	Currency bought	Currency sold	Asset Value	Liabilities Value
		\$	£	£	£
Forward FX – USD	1 month	11,000,000	(8,867,134)	324,496	
Forward FX – USD	1 month	7,821,906	(10,205,300)	13,431	
Total 2020				337,927	
Total 2019				1,221	(98,101)

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

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 Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 31 March 2020	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	12,957,299	167,734,604	42,541,805	223,233,708
Derivatives	-	337,927	-	337,927
Cash	(2,409,681)	-	-	(2,409,681)
	10,547,618	168,072,531	42,541,805	221,161,954

At 31 March 2019	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	112,970,406	67,163,265	45,403,956	225,537,627
Derivatives	-	(96,880)	-	(96,880)
Cash	2,771,449	-	-	2,771,449
	115,741,855	67,066,385	45,403,956	228,212,196

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Investment Risks

FRS 102 requires the Disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is 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: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee's Investment Committee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

(i) Credit risk

The Scheme invests in pooled investment vehicles and OTC derivatives and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles. The scheme is subject to further credit risk as the scheme has cash balances.

Indirect credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. At the year end 26% of the fund was invested in bond funds. The Scheme also invests in high yield and emerging market bonds which are non-investment grade. The Trustees manage the indirect associated credit risk by requesting the Investment manager to diversify the portfolio to minimise the impact of default by any one issuer. Indirect credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have at least investment grade credit quality.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced.

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

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Investment Risks (continued)

regulatory environments in which the pooled managers operate and the diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager.

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustees limit overseas currency exposure through a currency hedging policy. The fund was invested in 57% of global equity funds.

A detailed analysis of the scheme's total net unhedged exposure by major currency at the year end is not available.

(iii) Interest rate risk

The Scheme is subject to internal rate risk on the liability-driven investments comprising bonds and interest rate swaps held either as segregated investments or through pooled investment vehicles and cash.

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities, equity futures, hedge funds, private equity and investment properties held in pooled vehicles.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

17. Concentration of Investments

Investments accounting for more than 5% of the net assets of the Scheme were:

	2020		2019	
	£	%	£	%
Blackrock Aquila Life Msci Wor Npv	67,556,108	30.6	-	-
Schroder Pen Mgmt L To Schroder Life Qep Glo Blend Fd Ser 1 Acc	-	-	56,314,289	24.6
Pimco Funds Global Investors Series Global Libor Plus BD GBP Instl Acc Hdg	36,447,397	16.5	26,323,510	11.5
Sisf Strategic Beta 10 Gbp Hedged I Acc	-	-	25,384,566	11.1
Sssf Sterling Liquidity Plus I Acc	-	-	16,161,612	7.1
Axa UK Long Lease Property Fund	14,480,265	6.6	13,666,937	6.0
Schroder Uk Real Estate Fund Gbp I Income (Gross)	12,129,532	5.5	-	-

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Current Assets

	2020	2019
	£	£
Due from Sponsoring Employer	87,187	217,206
Cash at bank	854,312	557,422
	941,499	774,628
	941,499	774,628

All contributions due to the Scheme relate to the month of March 2020 have been paid in part to the Scheme within the timescale required by the schedule of contributions currently in force. However the remaining contributions outstanding were less than 5% and therefore do not count as employer related investments.

19. Current Liabilities

	2020	2019
	£	£
Unpaid benefits	54,768	89,930
Accrued expenses	53,183	58,771
HMRC	63,717	61,236
	171,668	209,937
	171,668	209,937

20. 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.

21. Contingencies & Commitments

In the opinion of the Trustee, the Scheme had no contingent liabilities at 31 March 2020 (2019: nil).

22. Employer-related investments

There were no employer-related investments during the year.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Covid 19 pandemic

On 11 March 2020, Covid-19 was declared a pandemic by the World Health Organisation. This has resulted on worldwide restrictions on travel, government fiscal stimulus and extreme financial market volatility.

The impact on the scheme is unquantifiable at this stage in relation to the effects of the principal employers business, future contributions and the valuation of investments.

Since the year end, contributions have continued and there is no indication that these will stop, this shows there is an expectation that things can be managed and business will continue.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

INDEPENDENT AUDITOR'S STATEMENT 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' Federation Pension Scheme.

We have examined the summary of contributions to the Cambridge Colleges' Federated Pension Scheme for the scheme year ended 31 March 2020 which is set out on the next page.

Qualified statement about contributions payable under the Schedule of Contributions

In our opinion, except for the effects of the departure from the Schedule of Contributions described in the Basis for qualified statement about contributions paragraph, contributions for the scheme year ended 31 March 2020 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 28 June 2018.

Basis for qualified statement about contributions

As explained on page 28, contributions totalling £536,716 were received between 1 and 15 days later than the due date set out in the Schedule of Contributions.

Respective responsibilities of trustees and the auditor

As explained more fully 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 showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer 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 an 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.

Use of our report

This report is made solely to the 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 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 pension scheme and the pension Scheme's Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Ensors Accountants LLP
Chartered Accountants
& Statutory Auditors
IPSWICH

Date:.....

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

SUMMARY OF CONTRIBUTIONS

Statement of Trustee's Responsibilities in respect of contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised 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 Scheme Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme by the employers in accordance with the schedule of contributions.

Trustee's summary of contributions payable under the Schedule of Contributions in respect of the scheme year ended 31 March 2020

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 Scheme under the Schedule of Contributions certified by the actuary on 28 June 2018 in respect of the Scheme year ended 31 March 2020. The Scheme auditor reports on contributions payable under the schedule in the auditor's Statement about Contributions.

During the year ended 31 March 2020, the contributions payable to the Scheme by the employer were as follows:

Contributions payable under the schedule of contributions	2020	2019
	£	£
Contributions from employers:		
Normal contributions	4,122,809	3,991,957
Deficit funding contributions	2,378,038	2,273,738
Administrative contributions	453,787	445,808
Contributions from members:		
Normal contributions	1,581,148	1,553,961
	8,535,782	8,265,464
Other contributions payable		
Members' additional voluntary contributions	64,482	62,128
Total contributions reported in the financial statements	8,600,264	8,327,592

Late payment of contributions

Several months of contributions totalling £536,716 were received between 1 and 15 days later than the due date set out in the Schedule of Contributions.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

SUMMARY OF CONTRIBUTIONS (continued)

During the year ended 31 March 2020, the deficit funding contributions payable to the Scheme by the employers were as follows:

College	Total received £	Payment frequency
Christ's	178,856	Monthly
Churchill	-	Annually
Clare Hall	10,411	Monthly
Corpus Christi	-	n/a
Darwin	35,653	Monthly
Downing	39,105	Monthly
Emmanuel	70,759	Monthly
Girton	169,569	Monthly
Gonville & Caius	140,565	Monthly
Hughes Hall	6,111	Monthly
King's	136,777	Monthly
Lucy Cavendish	3,390	Annually
Magdalene	48,974	Monthly
Murray Edwards	62,097	Monthly
Newnham	24,375	Annually
Pembroke	120,220	Annually
Peterhouse	44,764	Monthly
Queens'	274,247	Monthly
Robinson	181,164	Monthly
St Catharine's	116,522	Monthly
St Edmund's	7,747	Monthly
St John's	401,899	Monthly
Selwyn	99,277	Monthly
Trinity Hall	170,487	Monthly
Wolfson	35,069	Monthly
Total	2,378,038	

The Trustee: CAMBRIDGE COLLEGES' SUPERANNUATION TRUSTEES LTD

Date: 08 July 2020



Chairman

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Appendix H – Actuary's Certification of the Calculation of Technical Provisions

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 2017 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 acting as the Trustee of the Scheme and set out in the Statement of Funding Principles dated 28 June 2018.

Signed: 

Date: 28 June 2018

Name: Robert Sweet

Qualification: Fellow of the Institute and Faculty of Actuaries

Address: Mill Pool House
Mill Lane
Godalming
Surrey GU7 1EY

Employer: Cartwright Group Limited

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE REPORT)

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 to the valuation date. This is assessed using assumptions set by the Management Committee as detailed in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2017. This showed that on that date:

	£'000
Value of the Technical Provisions	243,147
Value of the Assets	212,015

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 depends on whether or not the Section is open or closed to new entrants:

If a Section is open to new entrants, the Projected Unit Method is to be used.

If the Section is closed to new entrants then the Attained Age Method or the Projected Unit Method may be used, as agreed with the College concerned.

For those Colleges closed to new entrants, but who have retained the Projected Unit Method for funding purposes, the Colleges and Management Committee understand that normal contribution rates will increase over time.

Significant actuarial assumptions

Retail Price Inflation (RPI): RPI will be determined at the valuation date and is based on the Bank of England's published implied inflation rate yield curve, using the rate at 18 years.

As RPI may be over- or understated using this method due to varying demand for index linked gilts, the Management Committee can adjust the calculated yield by up to 0.25% per annum and then round the answer to the nearest 0.05%. For the calculation at 31 March 2017 they applied a reduction of 0.15% to give an assumption for RPI of 3.35% per annum.

Consumer Price Inflation (CPI): An allowance for future CPI increases is included at an assumed rate equal to the assumption for future RPI increases less 1.0% per annum. As at 31 March 2017 this resulted in an assumption for future CPI increases of 2.35% per annum.

Discount Interest Rate: Technical provisions are determined using a single rate of interest for all pre and post retirement benefits.

On retirement, Members' pensions are paid from the fund. Assets providing a risk free rate of return, such as Government bonds (gilts) provide a good match for pensions in payment.

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE REPORT) (continued)

The Management Committee invests in a wide range of assets including equities and property, which are expected to give long term returns in excess of those available on gilts. The Management Committee wishes to take credit for some of this out-performance and to that end will use an interest rate based on the Bank of England's published nominal gilt yield curve at 18 years plus a margin to allow for this expected out-performance. The Management Committee has determined that for the purposes of the calculations as at 31 March 2017 the margin to be adopted is 1.9% per annum to give a discount rate of 3.65% per annum.

Salary Increases: After discussion with the Colleges, the Management Committee believe that, due to Colleges' salary banding structure and limits to comparable salaries in the Public Sector, it is appropriate to assume that in future salary increases will be limited to CPI plus 0.5% per annum.

This relationship with CPI is monitored for accuracy and may be subject to change in future valuations.

Pension Increases in payment: Pension increases in payment, depending on the College Section and when benefits were accrued, are defined in the Rules as either:

- Increasing in line with the RPI;
- Increasing in line with RPI to a maximum of 5% per annum compound
- Increasing in line with CPI to a maximum of 3% per annum compound (post April 1988 GMP)
- Increasing in line with CPI to a maximum of 2.5% per annum compound (post March 2016 pensions);
- Level in payment (pre-April 1988 GMP only)

To derive these increases the Management Committee will adopt the Black-Scholes analytic pricing model resulting in the following:

Pension Increase	Assumption
RPI (min 0%; no max)	3.35% p.a.
RPI (min 0%; max 5%)	3.25% p.a.
CPI (min 0%; max 3%)	2.05% p.a.
CPI (min 0%; max 2½%)	1.85% p.a.

Pension Increases in Deferral: The Management Committee's assumption is the same as the expected future increase in the Consumer Prices Index (CPI) up to a maximum of 5% per annum (2½% per annum for Pensionable Service after 5 April 2009).

Mortality: It is the intention of the Management Committee to use both pre- and post-retirement mortality tables that reflect, as much as possible, actual Scheme experience with a suitable allowance for likely mortality improvements over the medium to long term.

The Management Committee have agreed to adopt the S2 normal pensioner average mortality table produced by the Continuous Mortality Investigation Bureau (CMIB).

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2020

REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE REPORT) (continued)

In addition, the Management Committee wish to make provision for future longevity improvements by adopting the CMI 2016 projection model produced by the CMIB, with a 1.25% per annum long term improvement rate for future longevity.

These tables and adjustments are subject to regular review and will be updated in future valuations as more up-to-date data becomes available.

New Entrants: The Management Committee does not allow explicitly for new entrants. However, by adopting the Projected Unit Method for Colleges open to new entrants, to give a stable normal contribution rate, they are implicitly assuming that the active membership average age remains relatively constant – i.e. that new entrants will continue to join the Scheme.

Member Options: The Management Committee believe that the vast majority of members take the maximum tax-free cash option at retirement.

The Committee therefore wish to make allowance for this as follows:

- 100% of members take maximum tax-free cash at retirement;
- Commutation (cash) factors are those in force at the valuation date.

This feature will be monitored at each future valuation.

Retirement: The Scheme's Pensionable Age is 65 although many members have the right to take at least part of their pension benefits without actuarial reduction at age 60. The Management Committee wishes to fund active member benefits to assumed average expected ages of retirement for all Males and Benefit Option 2 & 3 Females of age 65 and for Benefit Option 1 Females of age 63 for service to 31 March 2016.

For service accrued to 31 March 2016, for members who have previously left the Scheme the Management Committee will assume that Benefit Option 1 Females retire at age 60, and other members will retire at age 62.

For service accrued on or after 1 April 2016 all members are assumed to retire at age 65.

These retirement ages will continue to be reviewed by the Actuary.

Age Difference of Dependants: Husbands are assumed to be 3 years' older than their wives.

Percentage with Dependant's Benefits at Death: 80% of male and female members are assumed to be married at death.

Expenses: Expenses of administering the Scheme are borne by the Scheme.

The Management Committee's policy is for the Actuary to review the allowance for expenses at each valuation and make a recommendation for both elements.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2020**

REPORT ON ACTUARIAL LIABILITIES (FORMING PART OF THE TRUSTEE REPORT) (continued)

The Actuary has reviewed the expense provisions in the light of recent experience and recommended that a per member and per College Section charge be made to each College Section. These are as follows:

- College Section Charge = £3,000.00 per annum
- Active Member Charge = £181.36 per annum
- Deferred Member Charge = £69.25 per annum
- Pensioner Member Charge = £135.20 per annum

These charges will be reviewed at each future valuation.

In addition, each College will pay the directly attributable PPF levies plus any directly attributable actuarial or legal fees.