CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

Actuarial Valuation
as at 31 March 2011

Scheme Funding Report

Prepared for the Management Committee,
acting as Trustee of the
Cambridge Colleges' Federated Pension Scheme

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ES Executive Summary

Introduction

This report sets out the results of the actuarial valuation of the Cambridge Colleges' Federated Pension Scheme ("the Scheme") as at 31 March 2011.

Current Funding Level

The Scheme's funding level on the Statutory Funding Objective at the valuation date was 100%, equivalent to a surplus of £78,000. At the previous valuation the ongoing funding level was 83%.

The main reasons for the improvement are significant changes in the valuation basis, additional contributions paid by the Colleges and lower than expected salary and pension increases during the inter-valuation period, only partly offset by poor investment returns. The changes in the valuation basis have resulted in a lower value being placed on Scheme liabilities.

Future Service Cost

The ongoing average future contribution rate for the Colleges is 13.40% of Contribution Pay, ignoring any past service surplus or deficit. This compares with the current average rate at which College contributions are being paid of 20.03% of Contribution Pay (again ignoring any past service surplus or deficit).

Deficit Funding Contributions

For those Colleges currently making deficit funding contributions as a result of the previous valuation, these contributions are now sufficient to fund any remaining deficit within a shorter timescale than originally envisaged. In some cases there is now scope for the deficit funding contributions to stop altogether.

Solvency Position

The solvency position of the Scheme has been measured by reference to the estimated cost of buying out the benefits with an insurance company. As at the valuation date the solvency funding level of the Scheme was 58%.

PPF Section 179 Position

The PPF Section 179 position of the Scheme has been measured in line with the prescribed assumptions and benefits as laid down by the PPF Board. At the valuation date the Section 179 funding position was 79%.

This funding level is used by the PPF Board to help it determine the risk based portion of the PPF levy, although it is the funding level of each individual College Section that determines the individual College levy.

Investment Strategy	The Management Committee follows an investment strategy for the Scheme as a whole. The pensioner proportion by College Section varies from 22% to 62% of the liabilities. This therefore means that the degree of mis-matching of assets and liabilities varies significantly between the individual Sections.
Factors and CETV basis	The Scheme's commutation factors, early and late retirement factors and the Cash Equivalent Transfer Value (CETV) basis should be updated following the valuation to reflect changing economic and demographic conditions.
Timescale and Future Valuation Requirements	The next triennial valuation is due to take place as at 31 March 2014. For the College Sections that have more than 100 members, interim actuarial reports will be required as at 31 March 2012 and 31 March 2013. For those College Sections that have a Recovery Plan, a summary of this valuation report plus copies of the Recovery Plan and Schedule of Contributions needs to be sent to TPR within 10 days of this report being signed. A Summary Funding Statement should be sent to all members updating them on the Scheme's funding position. This should be issued within 3 months of the date of this report.

1 Introduction

Background

This report on the actuarial valuation of the Cambridge Colleges' Federated Pension Scheme ("the Scheme") as at 31 March 2011 was commissioned by, and is addressed to, the Management Committee, acting as Trustee of the Scheme. It has been prepared under Clause 18.2 of the Trust Deed & Rules dated 9 March 2004 and Section 224 of the Pensions Act 2004. These state that the Trustee is required to obtain an actuarial valuation at least every three years, and actuarial reports in intervening years for College Sections with more than 100 members.

Purposes

The purposes of the valuation are:

- to review the Scheme's funding position relative to its funding target;
- to determine contribution rates for funding Scheme benefits;
- to assess the Scheme's solvency position; and
- to satisfy statutory requirements.

Previous Valuation

The Scheme was last valued as at 31 March 2008 and the results were contained in my report dated 31 July 2009.

Inter-valuation Review

The previous valuation recommended College contributions to the Scheme at an average rate of 20.03% of members' Contribution Pay inclusive of allowances for the expenses of administering the Scheme, levies and for death-in-service insurance premiums but exclusive of premiums for PHI. In addition, Recovery Plans were agreed individually between the Management Committee and each College. The Scheme auditors have confirmed that contributions have been paid in line with the agreed rates. Member contributions have been paid in accordance with the Rules of the Scheme.

References for earlier advice on this valuation

An earlier discussion document, the Memorandum on the Actuarial Valuation, dated 30 November 2010 and updated to 21 January 2011, set out my initial advice to the Management Committee regarding the commencement of the valuation process and the purpose of this process. It included drawing the Management Committee's attention to the Pension Regulator's Code of Practice 3 (in particular paragraphs 75, 79 & 102), the different funding methods that are available to them and how they may choose a set of assumptions. However, it should be noted that I have not provided any advice to the Management Committee on College matters.

In particular in recommending assumptions to the Management Committee I provided no advice on factors affecting the Colleges or the academic environment in general which may affect such factors as pay increases or rates of withdrawal of Scheme membership (paragraph 79 of the Code of Practice).

Furthermore, in calculating the contribution rates I have not provided any advice on other related College matters such as business plans, expenditure commitments or industry reports (paragraph 102 of the Code of Practice).

The above advice was initially reviewed by the Management Committee at their meeting on 17 December 2010. It was updated to reflect discussions with the Management Committee and Colleges. After further discussion, and an update of the relevant indices to 31 March 2011, the initial valuation assumptions were set. The initial results were reviewed by the Management Committee at their Meeting on 30 September 2011. Minor changes were agreed, and the final assumptions used are as set out in Appendix E.

Third Party Statement

The calculations in the report use methods and bases appropriate for the purpose described above. Figures required for other purposes, such as College accounting, should be calculated in accordance with the specific requirements for such purposes and it should not be assumed that the figures contained in this report are appropriate. The report may be provided to the Colleges and to Scheme members in accordance with the disclosure legislation and regulations, but may only be disclosed to other parties with our consent. Such parties may rely upon the results only for the purposes described above. The report does not grant any rights to Scheme members or other third parties and may not necessarily cover all the implications for a third party. I and Cartwright Group Ltd do not accept any liability to any third parties in respect of the contents of this report.

Reporting Requirements

This report, when read in conjunction with the reference material set out above, is compliant with:

- Technical Actuarial Standard: Pensions (TAS P);
- Technical Actuarial Standard R: Reporting Actuarial Information (TAS R); and
- Technical Actuarial Standard D: Data (TAS D).

The calculations in this report have been undertaken using models that are compliant with Technical Actuarial Standard M: Models (TAS M).

The actuarial information contained in this report has been peer reviewed in accordance with Actuarial Profession Standard (APS) P2 – Compliance Review.

It should be noted that the calculation of Technical Provisions and future contribution rates in this report are defined as a “Planning Exercise” under TAS R. The calculation of the solvency position and the PPF Section 179 funding position is defined as a “Valuation Exercise” under TAS R. This report is a “Scheme Funding Report” for the purposes of TAS P and Section 224 of the Pensions Act 2004.

2 Background

The Scheme

The Scheme is deemed to be a registered pension scheme under the terms of Schedule 36 of the Finance Act 2004.

There are 25 participating Colleges in the Scheme, each with their own segregated Section. 19 of the College Sections are contracted-out of the State Second Pension (S2P) using the Reference Scheme Test.

Of the 25 College Sections:

- 8 of the College Sections remain open to new entrants;
- 16 College Sections are closed to new entrants; and
- 1 Section is closed for all accrual.

Core Benefits Under Rules

We have valued the Scheme benefits set out in the Trust Deed & Rules dated 9 March 2004 together with subsequent Amendments. References to Pensionable Salary and Contribution Pay in this report have the same meaning ascribed to them as in the above documents.

A summary of the benefits valued is set out in Appendix C, although it should be borne in mind that in the event of any discrepancy between this summary and the Rules, the Rules will prevail.

Members may pay Additional Voluntary Contributions (AVCs) to purchase additional years of Pensionable Service and thereby increase benefits payable from the Scheme. Liabilities and assets shown in this report include AVCs.

Allowance for Discretionary Benefits

The Scheme Rules allow discretionary benefits to be provided to members. In recent years this option has not been exercised and therefore no discretionary benefits have been granted. As such the valuation does not allow for any discretionary benefits and assumes that any that are granted will be funded at the time.

Allowance for Insured Benefits

The Management Committee maintain insurance policies to cover the liability for the lump sum and spouse's pension benefits provided on death in service. We have allowed for the premiums payable under these policies within the contribution rate recommended. We have, however, excluded PHI premiums which fall outside the Scheme.

Pensions in payment are not insured, being wholly paid by the Scheme.

Allowance for Member Options

As for the previous valuation, allowance has been made for Members commuting some of their pension for cash at retirement. 100% of Members are assumed to take maximum cash at retirement, based on factors that are assumed to be 93% of the funding basis factors.

Allowance for GMP Equalisation

Please note that no allowance has been made for any additional liability that might arise from the impact of equalising Guaranteed Minimum Pensions (GMPs) between men and women. This is because there is no consensus on whether or how they should be equalised.

Scheme changes since previous valuation

Since the previous valuation, the following changes have been made to the Scheme benefits:

1) The following College Sections have closed to new entrants:

College	Effective Date of Closure
Christ's	1 January 2010
Robinson	1 July 2009
St. Catharine's	1 November 2010
St. Edmund's	1 March 2010
Trinity Hall	3 October 2009*

* Late notification

2) Member Contributions have been changed in the following College Sections:

College	Old Rate %	New Rate %	Date of Change
Christ's	6.35% 8% 9%	8% 9% 10%	1 January 2010 1 January 2011 1 January 2012
Corpus Christi	8%	15%	1 July 2009
Darwin	2% 3%	3% 5%	1 August 2010 1 August 2011
Downing	8%	15%	1 October 2009
King's	6%	15%	1 March 2011
Lucy Cavendish	4.17%	6.35%	1 July 2009
Magdalene	6%	15%	1 July 2009
Murray Edwards	6.35% 12%	12% 15%	1 February 2011 1 February 2012
Pembroke	6.35% 7.77%	7.77% 6.92%	1 February 2010 1 July 2012
Robinson	6.35% 7.5%	7.5% 8.5%	1 July 2009 1 July 2010
St. Catharine's	6% 7% 8% 8.25%	7% 8% 8.25% 9%	1 November 2009 1 June 2010 1 June 2011 1 June 2012
Trinity Hall	6% 8% 10%	8% 10% 12%	1 January 2010 1 January 2011 1 January 2012

3) Several College sections have introduced a Salary Sacrifice Arrangement whereby for some or all of their active members, the College meets the cost of the contributions which would otherwise be payable by the member in exchange for a reduction in the member's earnings. For such members, the College should pay the member contribution rates set out in the Rules of the Scheme in addition to the Employer contributions shown.

Legislative changes since previous valuation

In addition to the changes to the Scheme's benefits since the last valuation, there are a number of legislative and other changes applicable to the Scheme, as described below:

Statutory revaluation for members leaving on or after 6 April 2009 with service on or after that date has changed. Previously, pension in excess of any Guaranteed Minimum Pensions (GMPs) would have a minimum revaluation rate in line with increases in inflation to a maximum of 5% p.a. This maximum has been reduced to 2.5% p.a. This change automatically applies to the Scheme.

In July 2010, the Government announced that in future it would link the statutory minimum pension increases in deferment and in payment to the Consumer Prices Index (CPI) (previously to the Retail Prices Index (RPI)). This would be expected to reduce the value of Scheme liabilities.

Although they are both measures of price inflation, the CPI and the RPI are calculated using different methodologies. Furthermore, the CPI excludes the elements for housing costs (mortgages) and Council Tax included in the RPI. Over the last 20 years annual increases in CPI have been on average 0.7% p.a. **lower** than the annual increase in RPI, (but note that the CPI increase exceeded the RPI increase in 3 of these years) and the Bank of England expects CPI to be 1% p.a. lower than RPI over the next 5 years. In the longer term, future increases in the CPI may also be expected to be lower than those in the RPI. Future minimum rates of indexation and revaluation will therefore generally be lower than would otherwise have been required.

The Management Committee have decided to take this change into account at this valuation by assuming that the future rate of increase in the CPI will be 0.7% p.a. less than the future rate of increase in the RPI and using this assumption for future deferred member revaluations, as these are in line with statutory revaluation.

Membership Data

The data for the valuation was provided by the Pensions Administration Office on behalf of the Management Committee. Whilst we have taken reasonable steps to satisfy ourselves that the data provided is of adequate quality for the purposes of the valuation, ultimately we have relied on the accuracy of the information provided. The membership data covered details of 992 active members, 821 deferred pensioners, 1,085 pensioners and 6 pending members. A more detailed summary is provided in Appendix A of this report.

We carried out the following data checks:

- Full reconciliation of membership numbers with the previous valuation;
- Comparison and reconciliation with previous valuation data and accounting data;
- Missing data and full consistency checks on an item by item basis.

All queries were resolved quickly and satisfactorily. We would like to thank the Pensions Administration Office for their very helpful assistance.

The membership statistics we have in our data extract differ from those set out in the final accounts due to both timing differences and the fact that the membership numbers in the accounts exclude pensioners where the member has commuted all of their pension but there remains a contingent liability for a spouse's pension. We include these in our statistics. Once this is taken into consideration, the total membership number is exactly the same as in the accounts.

Asset Data	The audited Scheme accounts show that the market value of the Scheme's assets at 31 March 2011 amounted to £132,404,997. This includes assets in relation to members' AVCs. Appendix B provides a more detailed breakdown of the Scheme's assets.
College Matters	We have not provided any advice to the Management Committee in connection with the Colleges.
Material Post Valuation Date Events	The calculations in this Summary assess the Scheme's funding position as at 31 March 2011. Since then equity markets have been volatile and bond prices have increased. Both of these factors will have acted to worsen the Scheme's funding position. Consequently, it should be appreciated that a valuation at a current date is likely to show a worse position than as at 31 March 2011.

3 Funding Principles

Statutory Funding Objective

The Statutory Funding Objective is set out in the Statement of Funding Principles dated 31 May 2012 included as Appendix D to this report.

Under Rule 3.10 of the Scheme's Trust Deed & Rules dated 9 March 2004, the rate at which each College makes contributions to the Scheme is determined by the Management Committee, after taking actuarial advice and after consulting the College. In accordance with the Pensions Act 2004, the Management Committee has sole responsibility for preparing the Statement of Funding Principles.

Agreed Funding Target

The agreed funding target for the Scheme is the Technical Provisions. I would stress that achieving this target may mean that other targets may still not be met. In particular, in current market conditions, 100% funding on the Technical Provisions corresponds to 58% funding on the Solvency target, i.e. Technical Provisions are not the same as wind up costs. Unless further funds were to be available, on a winding-up of the Scheme it would not be possible to secure members' benefits in full.

Funding Objectives

Based on the Technical Provisions as a funding target, the agreed funding objectives are as follows:

- to assume that the Scheme will invest in some equity type assets as well as bonds and credit should be taken for the assumed long term out-performance of the Scheme's assets relative to 20 year fixed interest gilts equivalent to 1.9% per annum.
- subject to the above, to adopt a set of assumptions which is prudent.
- not to make any allowance for any mis-matching of assets and liabilities.
- not to make any allowance for discretionary benefit increases.
- to eliminate any deficit relative to the funding target by increases in the rate of contributions over a period which does not exceed 10 years.

Changes to Funding Objectives	A single average rate of investment return is now being used to discount future cashflows. Previously for the 2008 valuation a "dual interest" rate approach was adopted, whereby different rates of return were assumed for the periods before and after retirement.
Funding Implications on Stability of Contribution Rate	The funding objective includes allowance for investment in equity type assets, and makes no allowance for mis-matching of assets and liabilities. Since the returns on equities can be volatile over even relatively short periods of time, this means that the contribution rate will be less stable than would apply were these factors not included.
Funding Implications for paying CETVs in full	The funding objective adopted is such that if the Scheme meets its objective there will be more than sufficient assets to pay unreduced transfer values.

4 Valuation Method and Assumptions

Funding Method

Different funding methods were adopted for different College Sections, depending on College status and College choice in some cases. The methods adopted were:

- Projected Unit Method (PUM)
- Attained Age Method (AAM)
- Defined Accrued Benefit Method (DABM)

These methods differ in how the future service contribution rate is determined.

Future Service Contribution Rate

Projected Unit Method (PUM)

Under this method, the capital value of the benefits accruing over the year following the valuation date, based on members' Pensionable Salaries projected to the date of their retirement, death or earlier exit, is expressed as a percentage of the total current Contribution Pay, to give the future service contribution rate.

Attained Age Method (AAM)

Under this method, a capital value is placed on the benefits which will accrue to the present active members after the valuation date, based on their service after that date and Pensionable Salaries projected to the date of their retirement, leaving service or death. A capital value is also placed on the total projected Contribution Pay for the members throughout their expected future membership, and the ratio of these two values then gives the future service contribution rate, expressed as a percentage of Contribution Pay.

Defined Accrued Benefit Method (DABM)

This method is used only for a Section which is closed to all accrual, so that no calculation of a future service contribution rate is required.

Allowance for new entrants

Projected Unit method

The PUM will result in a relatively stable future service contribution rate provided the profile of the active membership, by age, sex and salary, does not change significantly between actuarial valuations. There is therefore an implicit assumption that there are new entrants to the Section concerned. If the Section is closed to new entrants, the future service contribution rate will therefore be expected to rise in the future as the active membership ages.

Attained Age method

Under the AAM, no allowance is made for new entrants; the contribution rate is determined solely on the basis of current members. This method therefore anticipates the ageing effect for a closed Section, where the active membership is expected to age between actuarial valuations.

Defined Accrued Benefit Method

Under the DABM no allowance is made for new entrants as the Section has closed to future benefit accrual. As there is no future benefit accrual there is no need to calculate a future service contribution rate.

Previous Funding Method

In the previous valuation the Attained Age Method (AAM) was used for College Sections closed to new entrants and the Projected Unit Method (PUM) was used for College Sections open to new entrants.

For this valuation, the Management Committee decided to give those Colleges whose Section is closed to new entrants the choice of adopting either the AAM or the PUM, after considering the possible impact on future contribution rates.

The following College Sections are closed to new entrants and the table indicates the method chosen for the 2011 valuation and any change from 2008.

College	2011 Method	2008 Method
Christ's	PUM	PUM (open in 2008)
King's	PUM	PUM (assumed open in 2008)
Murray Edwards	PUM	AAM
Corpus Christi	PUM	AAM
Robinson	PUM	PUM (open in 2008)
St. Catharine's	PUM	PUM (open in 2008)
Trinity Hall	PUM*	PUM (open in 2008)
Wolfson	PUM	AAM

* The College confirmed that they had closed to new entrants after all calculations had been completed on the PUM basis.

Other Colleges with Sections closed to new entrants have adopted the AAM method, whilst those College Sections which remain open to new entrants have continued to use the PUM.

Factors to Consider in choosing funding method

Under Section 75 of the Code of Practice 03 Funding Defined Benefits ("the Code of Practice") issued by The Pensions Regulator, the Management Committee is required to consider the following factors (inter alia) when choosing a funding method:

- the ability and willingness of the Colleges to make advance provision for future events; and
- the likely number of new entrants to the Scheme in future.

We have not provided any advice to the Management Committee in connection with these factors. The Management Committee will need to satisfy themselves that the chosen funding methods are appropriate bearing in mind the above factors.

This method is not suitable for the death-in-service benefits, which are insured. Instead, we have included an allowance in the future service contribution rate for the actual cost of insuring these benefits in the year following the valuation date.

The past service funding position is calculated by comparing the value placed on the existing Scheme assets with the value placed on members' benefits accrued before the valuation date allowing for future Pensionable Salary increases to retirement, death or earlier exit where appropriate. Any surplus/deficiency is expressed as a reduction/an increase in the contributions payable for a stated period.

Valuation Assumptions

The valuation assumptions are given in Appendix E. Details of how they were derived are set out in the Management Committee's Statement of Funding Principles included in Appendix D.

Assets

As for the previous valuation, we have used a market-related basis to value both the assets and liabilities of the Scheme. Assets are included at their market value, whilst liabilities are valued using financial assumptions based on the yields implied by these market values. This does lead to a degree of volatility in the valuation results from one valuation to the next but I believe it ensures that a compatible and consistent approach is adopted to valuing both assets and liabilities, and that it will provide a more appropriate estimate of the cost of the Scheme benefits in current market conditions.

Recovery Plans

The Statement of Funding Principles describes a Recovery Plan for removing any funding deficit. The Recovery Plans require the deficit to be removed by additional contributions payable over varying time periods.

Under Section 102 of the Code of Practice the Management Committee is required to consider the following factors when considering the structure of the Recovery Plan:

- the Colleges' business plans and the likely effect any potential Recovery Plan would have on the future viability of the Colleges;
- the ability of the Management Committee to pursue a College to make good a deficiency in the event of a scheme wind-up.
- the Colleges' expenditure commitments.
- the value of any contingent security provided by the College bearing in mind both the term and enforceability.
- whether there are any impending member movements which would have a potentially significant effect on funding, such as major retirements or bulk transfer (in or out);
- the anticipated level of the risk-based element of the Pension Protection Fund levy, year on year, over the course of the recovery period and how this is met by the College.

We have not provided any advice to the Management Committee in connection with the above factors.

5 Funding Valuation Results

Results

The following Section summarises the results of the valuation on the Scheme's funding objective using the basis described in Section 4 and Appendix E.

Past Service Position/Technical Provisions

		£000's
Value of benefits in respect of:		
Active Members' service before 31 March 2011		56,217
Deferred Pensioners		27,572
Current Pensioners		48,538
Technical Provisions	**(A)**	132,327
Market Value of Scheme Assets	**(B)**	132,405
Past Service Surplus	**(B-A)**	**78**
Level of Funding of Past Service Benefits	**(B/A)**	**100%**

The appropriate actuarial certification of the Scheme's technical provisions is included as Appendix H to this report.

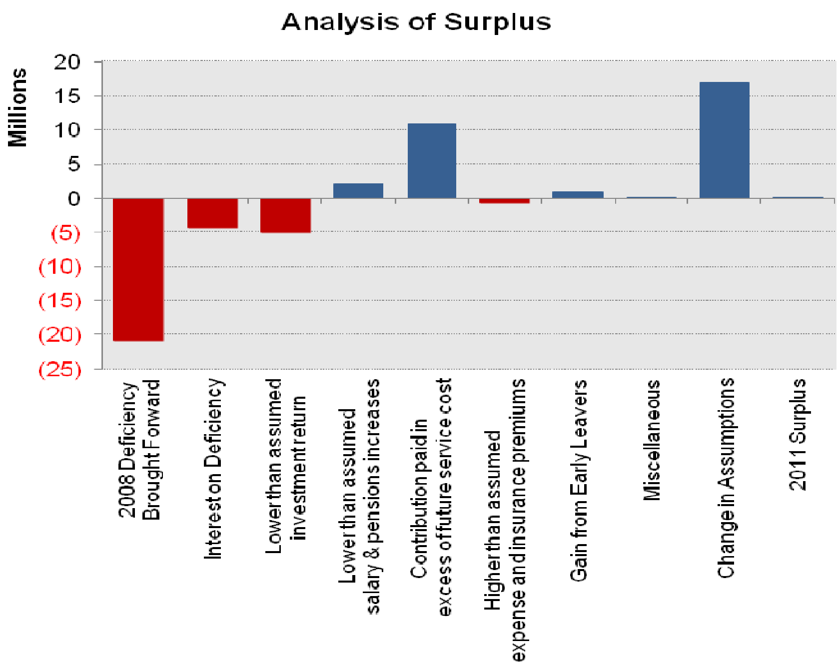
The Management Committee and the Colleges should be aware that the Technical Provisions are not the same as the cost of winding up the Scheme. This cost is shown in Section 8 of the report.

The past service surplus of £78,000 compares to the deficit disclosed by the previous valuation of £20.8 million. An approximate analysis of the principal factors affecting the level of deficit since the previous valuation is given below.

The miscellaneous item in the analysis includes, for example, the effects of variations between actual experience and the assumptions made for mortality used in the previous valuation

Analysis of Surplus/(Deficit)

	£000's
Actual (Deficit)/Surplus as at 31 March 2008	**(20,790)**
Interest on Deficit/Surplus	(4,251)
Contributions paid in excess of future service costs	10,919
Expected (Deficit)/Surplus as at 31 March 2011	**(14,122)**
Investment returns lower than assumed	(5,046)
Salary and pension increases lower than assumed	1,950
Expenses and insurance premiums higher than assumed	(585)
Actuarial gain from early leavers	917
Changes in assumptions	16,895
Miscellaneous	69
Actual (Deficit)/Surplus as at 31 March 2011	**78**



Significant Variations

The most significant variations in the analysis which contribute to the improvement of the funding position are as a result of:

- Changes in the valuation basis; and
- Contributions paid over the period were much higher than the ongoing cost of accrual, reflecting the payment of additional contributions by Colleges to reduce the deficits disclosed by the previous valuation.

This has been partially offset by:

- Investment returns were lower than expected over the 3 year period.

Changes in Assumptions

The greatest factor in the improvement in the Scheme's funding position is the reduction of £16.9 million in the value placed on the Scheme's liabilities resulting from the changes made to the funding assumptions. This total is analysed further below:

	Reduction in Liabilities £m
1. Change in post-retirement investment return assumption from 5.3% p.a. to 6.3% p.a., and in assumed commutation value from 80% to 93% of valuation value.	11.0
2. Change in pre-retirement investment return assumption from 7.0% p.a. to 6.3% p.a.	(6.4)
3. Reduction in assumption for salary increases from 4.4% p.a. to 1.5% p.a. for 3 years then 3.2% p.a.	10.5
4. Change in assumed retirement ages for deferred members	(2.4)
5. Reduction in assumed rate of revaluation of deferred pension from 3.4% p.a. to 2.7% p.a.	1.9
6. Increase in proportion assumed to take cash from 80% to 100%	1.0
7. Change in mortality assumptions	1.3
	16.9

1. & 2.	The net reduction of £4.6 million reflects the move to a single interest rate approach.
3.	The assumption for future salary increases has changed from RPI +1% p.a. to 1.5% p.a. for three years, then CPI +0.5% p.a., a reduction in the long term assumption of 1.2% p.a.
4.	The reduction in the assumed age at retirement for some deferred members from 65 to 62 acts to increase the value placed on the liability for their benefits.
5.	This is a direct consequence of the Government moving from RPI to CPI as the statutory basis for revaluing deferred pensions.
6.	Reflects actual experience that virtually all members opt to commute some pension for cash.
7.	Adoption of the unadjusted SAPS normal mortality table has led to a slight reduction in liability values.

Deficit Funding Contributions

Although overall the Scheme is in surplus, some College Sections remain in deficit.

At the previous valuation, all but one of the College Sections were in deficit, and for the Colleges concerned the Management Committee put in place Recovery Plans specifying the additional contributions required to fund these deficits over agreed timescales.

The updated position at the current valuation is as follows:

- The College Section which was in surplus at the last valuation continues to be in surplus.

- 12 College Sections which were in deficit at the last valuation are now in surplus. There is therefore scope for such deficit funding contributions to cease from 1 July 2012, the date previously notified to Colleges as the effective date for any changes in contribution rate.

- 12 College Sections continue to be in deficit. In all cases, the remaining deficit funding contributions due under the existing Recovery Plans are more than sufficient to fund the current deficits. Maintenance of the current level of deficit funding contributions will therefore result in these deficits being eliminated over a shorter timescale than originally envisaged.

Full details of the contribution rates payable and the Recovery Plans are set out in Appendix F.

Future Service Cost

This Section considers just the ongoing contribution rates required to fund the future accrual of benefits. No allowance is made for any past service surplus or deficit.

The rates shown do not include any allowance for members' AVCs.

The contribution rates required to fund future benefit accrual for the Scheme as a whole are shown below:

	% of Contribution Pay
Total Average Joint Contribution Rate (excluding expenses and insurance costs)	19.31
Expense allowance (including PPF Expenses).	0*
Death in Service Insurance Premium allowance	1.40
Total Joint Contribution Rate	20.71
Average Member Contributions	(7.31)
Employer Average Contribution Rate (including insurance costs)	13.40

*Please see below for the revised procedure for funding future expenses.

At the last valuation, the total future service joint contribution rate was determined as 26.41% of Contribution Pay which included allowances for the expenses of running the Scheme and insurance costs.

The fall in the average contribution rate is mainly due to:

- significant changes in the funding assumptions;
- changes in the funding method for some Colleges; and
- the exclusion of expenses from this rate.

As previously notified to Colleges, the new future service contribution rates will apply from 1 July 2012

Expenses

I reviewed the allowances for the ongoing expenses of the Scheme and compared them to recent actual experience.

Over the previous 3 years the ongoing expenses excluding PPF expenses have averaged £402,000. PPF Expenses for 2010 were £82,500.

Previously the allowance for expenses was expressed as a percentage of Contribution Pay (1.5%) of active members. However, with the decline in the number of active members and the majority of College Sections having closed to new entrants the current allowances will be insufficient to meet ongoing future expenses.

I recommended that in future the expense allowances be expressed as a per member charge plus a per College section charge, the latter reflecting those expenses which are independent of membership numbers.

Following discussions, the Management Committee have agreed that future expenses will be reviewed at each triennial valuation, and that until the next valuation the main Scheme expenses will be charged to the individual College Sections as follows:

Per Member Charges £ p.a.		Per College Section Charge £ p.a.
Active:	141.89	3,000
Deferred:	54.18	
Pensioner:	105.77	

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

Future progression and Material developments

Based upon the above total contributions and assuming that experience matches the adopted assumptions for the funding calculations the above funding level is expected to remain stable over the period to the next actuarial valuation. This is because College contributions are sufficient to meet the expected Scheme costs.

I am not aware of any other material developments, other than those already mentioned in Section 2. that would affect funding over the next 3 years.

Further Issues:

CETVs

As the Scheme has a surplus on the funding basis member reserves are sufficient to pay CETVs in full.

Scheme Factors

The Scheme's actuarial factors are due for review following the valuation to reflect the change in economic and demographic conditions since the previous valuation.

6 Funding Risks and Sensitivities

Funding Risks	There are risks inherent with any funding objective, even if the funding target is met, and the following risks should be appreciated and where possible mitigated.
Sponsor Risk	If a College becomes insolvent or is otherwise unable to meet the contribution rate set then the risk is that members may not receive all benefits they expect. The Management Committee take a prudent approach to funding to mitigate this risk to some extent.
Investment Return	If the assets under-perform the returns assumed in setting the funding target then additional contributions may be required at subsequent valuations.
Investment Matching Risk	The Scheme invests significantly in equity type assets, whereas the solvency target is closely related to the return on bonds. If the Scheme were to wind-up when these equity type assets have fallen in value relative to the matching assets of bonds, members may not receive their full expected benefits. If the Scheme were not to wind-up, additional contributions may be required. A further issue for segregated Schemes such as this one is that the investment policy adopted may not be suitable for all Colleges. For example, one of the Colleges is closed for all accrual, whilst 8 Colleges remain open for future accrual and new entrants, and 16 are open for future accrual but not to new entrants. It may not be possible to invest in assets to reflect all three profiles simultaneously.
Longevity Risk	If future improvements in mortality exceed the assumptions made then additional contributions may be required. The Management Committee have taken a prudent approach to possible future improvements in longevity to help mitigate this risk.
Solvency Risk	As the funding target is not a solvency target, and the investment strategy does not follow that required for a solvency target, the assets of the Scheme may not be sufficient to provide all members with the full value of their benefits on a Scheme wind-up.

Concentration of Assets

If the Scheme invests a significant proportion of its assets in one class of investments for example UK equities, or in one specific investment it is exposed to an increased risk from falls in that investment. This may reduce the level of funding and require additional contributions to correct. The Management Committee have no such investment.

Self-Investment Risk

If the Scheme invests in the Colleges in any form it is at risk that the value of this investment will fall if the Colleges perform badly. This will coincide with the time the Colleges are least able to make additional contributions to correct the situation. The Management Committee do not invest in the Colleges to help avoid this risk.

Member Option Risk

If members of the Scheme exercise options allowed by the Scheme on a scale which is sufficient to lead to an increase in costs, the Scheme funding position may worsen. Currently there are no such options that apply without Management Committee and College consent. The Management Committee would request that the exercise of such options would be funded by the College at that time.

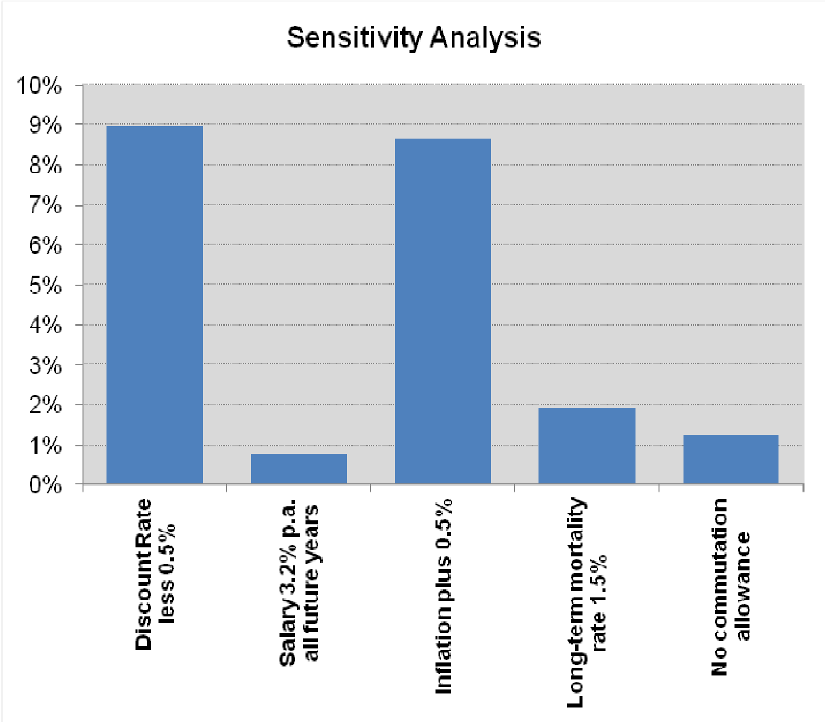
Summary

The above list is not exhaustive but covers the main risks for the Scheme. Some of the risks can be reduced by adjusting the funding strategy, for example investment matching risk. Other risks cannot be removed, for example longevity risk, and the Management Committee must be aware of these risks and monitor them closely.

Sensitivities

The risks discussed above can have a significant impact on the results of the valuation. For example, the financial assumptions that have the most significant effect on the results of the valuation relate to the investment return, the rate of increase in Pensionable Salaries and the rates of increase of pensions in payment or deferment. In addition, improving longevity can also result in increased Scheme liabilities.

The chart below shows the approximate percentage increase in the Scheme's funding objective liabilities if each of the financial assumptions was changed. The figures shown are for a guide only as the effects of changing the assumptions are interdependent.



The chart shows that increasing the inflation assumption by 0.5% and reducing the discount rate by 0.5% would have a similar impact on the size of the Scheme's liabilities as it impacts on all Scheme benefits.

The Scheme's funding position is likely to deteriorate significantly if the Scheme's assets do not achieve the investment returns assumed.

7 Pension Protection Fund – Section 179 Valuation

Background

Since April 2005 the Scheme has been required to pay levies to the Pensions Protection Fund (PPF). The PPF provides a minimum level of benefit for members of pension schemes that wind-up in deficit.

In order to assess the appropriate levy the PPF require pension schemes to submit section 179 valuations at least every three years. The section 179 valuation requires the Scheme Actuary to value the PPF level of benefits using a method and assumptions defined by the PPF board, and detailed on their website.

Section 179 Position

		£000's
Value of benefits in respect of:		
Active Members' service before 31 March 2011		78,524
Deferred Pensioners		34,406
Current Pensioners		47,759
Expenses of winding up		4,819
Expenses of benefit installation		1,275
Total Section 179 Liabilities	[a]	**166,783**
Total Value of Scheme Assets	[b]	**132,405**
Section 179 Surplus/(Deficit)	[b-a]	**(34,378)**
Level of Section 179 Funding	[b/a]	**79%**

Details for individual College Sections are shown in Appendix G.

As the Scheme is segregated and none of the individual College Sections have liabilities in excess of £50 million, the wind up expenses have been calculated as 3% of the overall liabilities.

Additional Information

These results have been supplied to the Pensions Regulator and the PPF Board via the Pensions Regulator's online Exchange system. The following additional information has been reported:

S179 Guidance and Assumptions	
S179 Guidance used	G5
S179 Assumptions used	A5

Percentage of the assets shown above held in the form of a contract of insurance where this is not included in the asset value recorded in the relevant scheme accounts: 0%

The percentage of the liabilities shown above that are matched by insured annuity contracts for:

Active members	0%
Deferred members	0%
Pensioner members	0%

The proportion of liabilities which relate to each period of service:

	Before 6 April 997	**6 April 1997 to 5 April 2009 (*)**	**On or after 6 April 2009**
Active members	17%	68%	15%
Deferred Members	24%	73%	3%
Pensioners	44%	56%	

(*) to the valuation date for pensioners.

Number of members and averages ages:

	Number of members	**Average age**
Active members	992	52.9
Deferred Members	827	50.8
Pensioners	1,085	69.8

The average age shown above is weighted by protected liabilities as at the effective date of this valuation, for each member type, and is rounded to the nearest whole year.

8 Solvency Position

Solvency

The figures in Section 5 relate to Scheme funding on the funding objective. We have separately considered the solvency position, assuming that the Scheme was wound-up at the valuation date and members' accrued benefits were secured by the purchase of deferred and immediate annuity policies issued by an insurance company.

Assumptions

We have based our solvency valuation calculations on the economic and demographic assumptions prescribed by the PPF for Section 179 valuations. This is, in my opinion, a reasonable basis to use because the Section 179 valuation is intended to approximate the cost of buying out benefits in the insurance market. We have applied these assumptions to the actual member benefits, rather than the adjusted PPF member benefits.

Where pensions increase at a higher rate than allowed for in the PPF basis we have adopted the calculated inflation rate adjusted where appropriate.

Expenses

We have adopted the same simplified approach as for the 2008 valuation by making an allowance for expenses of 3% of the past service liabilities.

The true cost of winding-up the Scheme may be higher or lower than this estimate.

Summary

On this basis the solvency position of the Scheme at the valuation date is shown below:

		£000's
Value of benefits in respect of:		
Active Members		111,414
Deferred Pensioners		49,714
Current Pensioners		60,898
Expenses		6,659
Total Solvency Liabilities	**[a]**	**228,685**
Market Value of Scheme Assets	**[b]**	**132,405**
Solvency Surplus/(Deficit)	**[b-a]**	**(96,280)**
Level of Solvency Funding	[b/a] %	58%

Details for individual College Sections are shown in Appendix G included at the back of this report.

Changes since previous valuation

The solvency level has improved to 58% from 56% at the previous valuation, although the absolute amount of the deficit has increased to £96m from £79m. The main reason for the worsening in the absolute amount is the change of basis only partly offset by :

- Contributions paid to reduce the Scheme's funding deficit as at the previous valuation;
- Slightly better than expected investment returns (relative to that assumed for the solvency basis); and
- Lower than expected inflation over the three years.

Debt on Employer

Under current legislation if the Scheme were to be wound-up the deficit on the solvency basis would be imposed as a debt due from the Employer. If the Employer is unable to pay the debt in full, then the liabilities would be met in the order of priority set out in the Scheme's Trust Deed and Rules as overridden by the Pensions Act 1995 and subsequent Regulations.

Priority Order

The cover, on the solvency basis, of the Scheme benefits using the order of priority which would apply as at the date of signature of this report is as follows:

Liability	Cover
Expenses & Money Purchase Benefits	100%
Benefits provided by the Pensions Protection Fund	79%
Benefits in excess of those provided by the Pensions Protection Fund	0%

This table shows that at the valuation date the benefits provided by the Pensions Protection Fund (PPF) were not covered in full. Therefore at this date if the Scheme had wound up without a solvent employer it would have entered the PPF. This would have resulted in members' benefits being reduced below their full entitlements.

Future progression and Material developments

Based upon the assumptions adopted for the solvency calculations payments of College contributions at the rate detailed in Section 5 are projected to be insufficient to fund on the solvency basis. Consequently the above solvency position is expected to deteriorate over the period to the next actuarial valuation.

College contributions are also likely to worsen the level of coverage on the current order of priorities. However in the period to the next valuation the change is unlikely to be significant.

9 Investment Strategy

Background

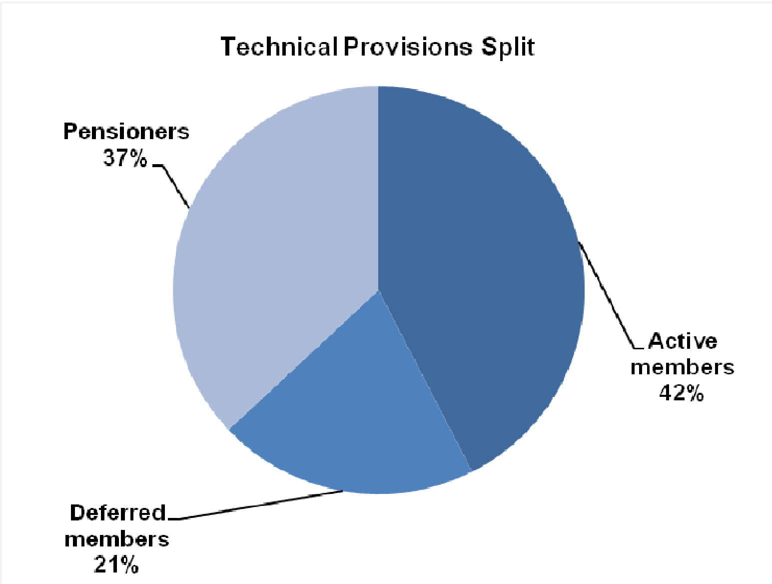
The Pensions Act 1995 requires the Management Committee regularly to review their Statement of Investment Principles to ensure that it is consistent and compliant with Section 36 ("Choosing Investments"). We have therefore set out below some comments on the nature of the Scheme's liabilities to assist in this review.

Asset Split

Appendix B provides details of the Scheme's assets at the valuation date. Assets held comprise equities, alternatives, LIBOR bonds, LDI Swap Funds, a Diversified Growth Fund and cash.

Liability Split

The chart below shows the breakdown of the Scheme's overall technical provisions by Member Category.



Equities and alternatives are typically assumed to provide some level of out-performance, but their returns are volatile. Therefore, any scheme that includes assets of this type and/or uses investment return assumptions allowing for out-performance will experience a more volatile funding level.

In many schemes pensioner members are often matched by the scheme holding gilts and/or bonds because these provide a known return and their values will change in a similar way when interest rates change. The other scheme liabilities are backed by more volatile out-performance assets.

Comparison

Looking at the chart, the Scheme has 37% of its liabilities directly related to pensioners. In addition, looking at the age distribution of technical provisions in Appendix A, a significant number of retirements are expected over the next 5 years which will increase this percentage further.

In addition, it should be noted that the overall liability split between pensioners and other members does hide large variations between the individual College Sections. The pensioner proportion by College Section varies from 22% to 62% of the liabilities. The current approach of having the same investment strategy for all College Sections therefore means that the degree of mismatching of assets and liabilities varies significantly between the individual Sections.

Recommendation

There are a number of different funding measures the Scheme can match against in order to reduce risk with respect to the funding measure.

Alternatively, the Management Committee might wish to accept a certain degree of mismatching in the expectation of higher investment returns. I understand that the Management Committee have reviewed their investment policy and appreciate the risks associated with this element of mismatching.

Should the Management Committee wish to move towards a more matched asset position then I recommend that they consider obtaining an asset liability report. This would help analyse their current investment strategy and determine alternative strategies to meet their objectives.

10 Conclusions

Funding Level and Recovery Plan

Using the assumptions set out in Appendix E, the Scheme's funding level on the Statutory Funding Objective at the valuation date was just over 100%, equivalent to a surplus of £78,000. At the previous valuation the ongoing funding level was 83%. The main reasons for the improvements are the deficit reduction contributions paid by Colleges and changes in the funding assumptions.

The average ongoing future contribution rate for the Colleges is 13.40% of Contribution Pay. This rate excludes an allowance for expenses and for the premiums required for Income Protection.

We have revised the approach taken to funding future Scheme expenses to be based on monetary amounts, calculated as a combination of per College Section and per Member fees.

Although there is an overall surplus some College Sections remain in deficit. Recovery Plans have been agreed to address these shortfalls.

Solvency & PPF Section 179 funding Level

As at the valuation date the solvency funding level of the Scheme was 58%.

The PPF funding level, based on the PPF Board benefits and assumptions, was 79%.

Factors and CETV basis

The Scheme's commutation factors, early and late retirement factors and the Cash Equivalent Transfer Value (CETV) basis should be updated following the valuation to reflect changing economic and demographic conditions.

Timescale and Future Valuation Requirements

The next triennial valuation is due to take place as at 31 March 2014. For the College Sections that have more than 100 members, interim actuarial reports will be required as at 31 March 2012 and 31 March 2013.

For the College Sections that have a Recovery Plan, a summary of this valuation report plus copies of the Recovery Plan and Schedule of Contributions needs to be sent to TPR within 10 days of the date of this report.

A Summary Funding Statement should be sent to all members updating them on the Scheme funding position. This should be issued within 3 months of this report.

R J SWEET
Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

31 May 2012

RJS/Jo

A Membership Data

The Scheme membership data was supplied by the Pensions Administration Office on behalf of the Management Committee. We have relied on the accuracy of the information provided.

The data used in the valuation is summarised below, the previous valuation data is summarised in brackets for comparison.

ACTIVE MEMBERS	**Males**	**Females**	**Total**
Number of Members	525 (640)	467 (581)	992 (1,221)
Total Contribution Pay p.a.	£12,745,851 (£14,080,703)	£9,090,172 (£9,954,243)	£21,836,022 (£24,034,946)
Average Contribution Pay p.a.	£24,278 (£22,001)	£19,465 (£17,132)	£22,012 (£19,685)
Average Past Service (years)	12.8 (11.6)	9.3 (8.1)	11.1 (9.9)
Average age (years)	50.0 (49.0)	49.3 (48.8)	49.7 (48.9)
Discounted Mean Term to retirement (years)	10.1	9.5	9.9

Notes

1. The member numbers have been reconciled and agreed with the Administration team. Note that the accounts show 984 active members, the difference is due to the timings of the data extraction.

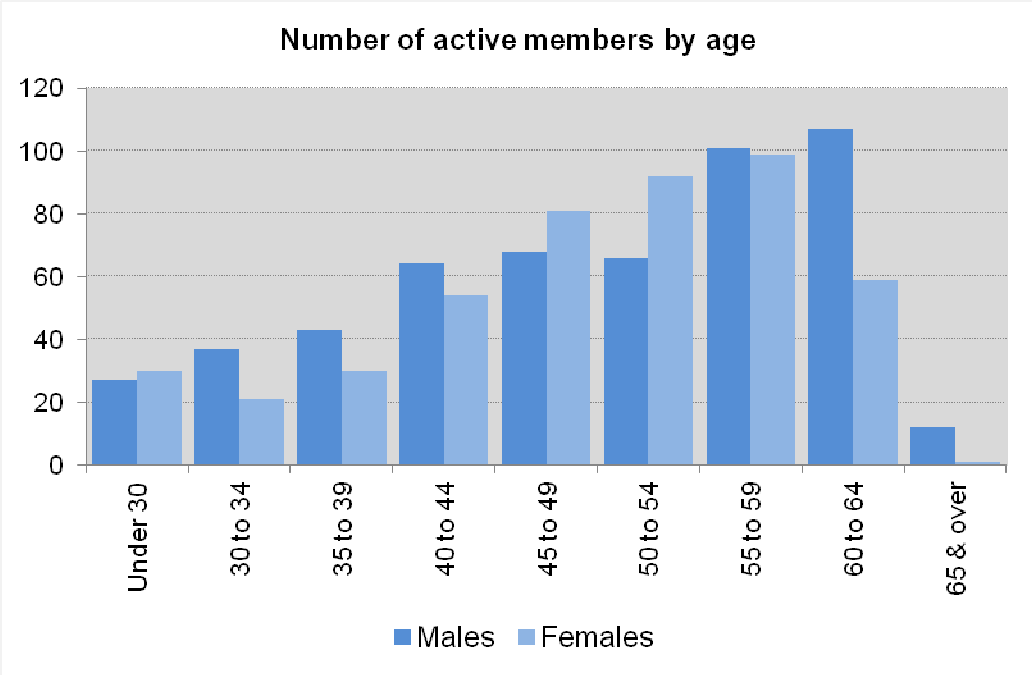
2. The figures for the previous actuarial valuation are shown in brackets where available.

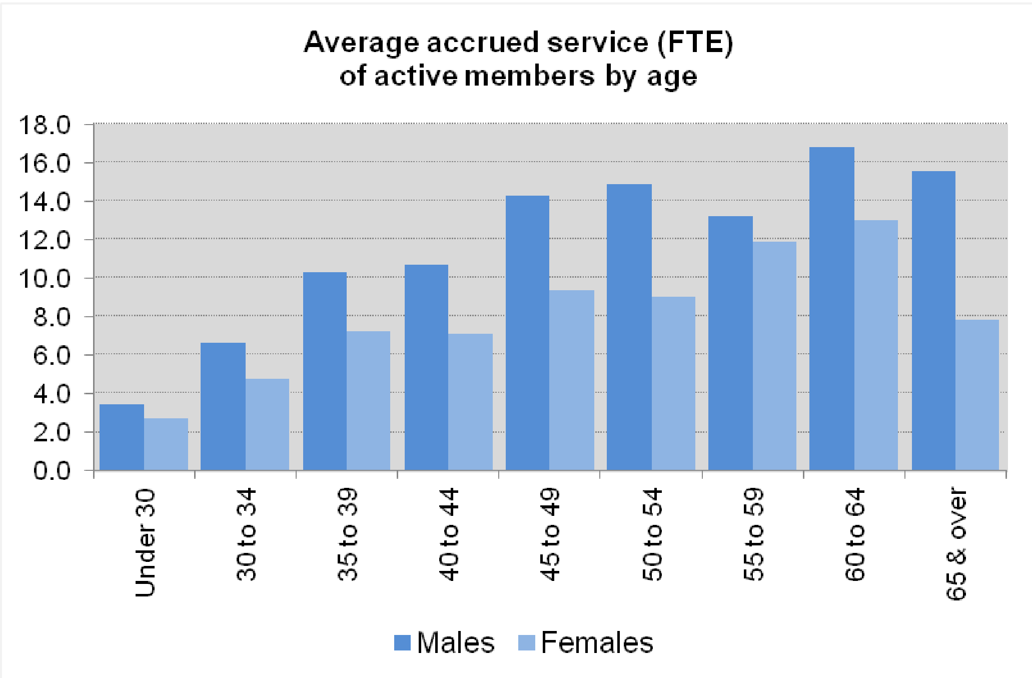
3. Included in these statistics are 13 active members who have not yet retired, but who have passed age 65.

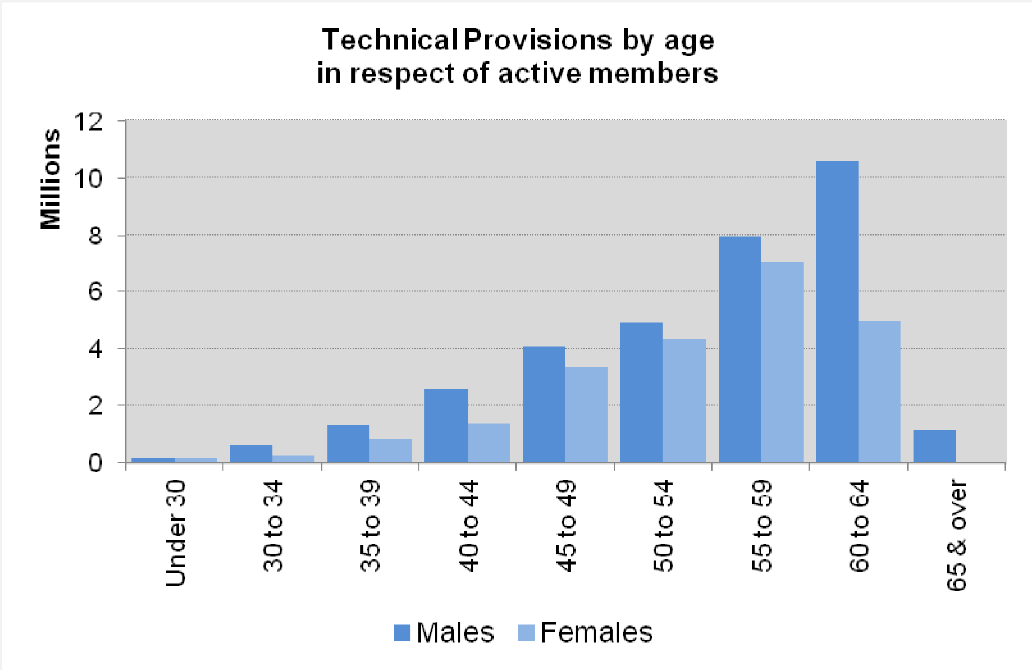
4. Total Contribution Pay shown above represents the actual salaries paid to members (i.e. not full time equivalent for part-timers) as provided to us by the Administration team.

5. The Average Past Service is the full time equivalent past service for all members and is represented in the graph below. It includes transferred-in added years, augmentations and AVC added years where appropriate.

6. The Discounted Mean Term to Retirement is the average term to the members' assumed retirement date, weighted by members' Technical Provisions.


Number of active members by age
120
100
80
60
40
20
0
Under 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
65 & over
Males
Females


Average accrued service (FTE)
of active members by age
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Under 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
65 & over
Males
Females


Technical Provisions by age
in respect of active members
Millions
12
10
8
6
4
2
0
Under 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
65 & over
Males
Females

DEFERRED PENSIONERS	Males	Females	Total
Number	386 (307)	435 (372)	821 (679)
Total deferred pensions p.a. payable as at valuation date	£1,112,224 (£732,194)	£806,394 (£559,853)	£1,918,618 (£1,292,047)
Average deferred pension p.a. payable as at valuation date	£2,881 (£2,385)	£1,854 (£1,505)	£2,337 (1,903)
Average age (years)	47.9 (46.0)	48.0 (45.9)	48.0 (46.0)
Discounted Mean Term to Retirement (years)	9.2	9.1	9.1

Notes

1. The member numbers have been reconciled and agreed with the Administration team. Note that the accounts show 823 deferred members, the difference is due to the timings of the data extraction, also see note 4 below.

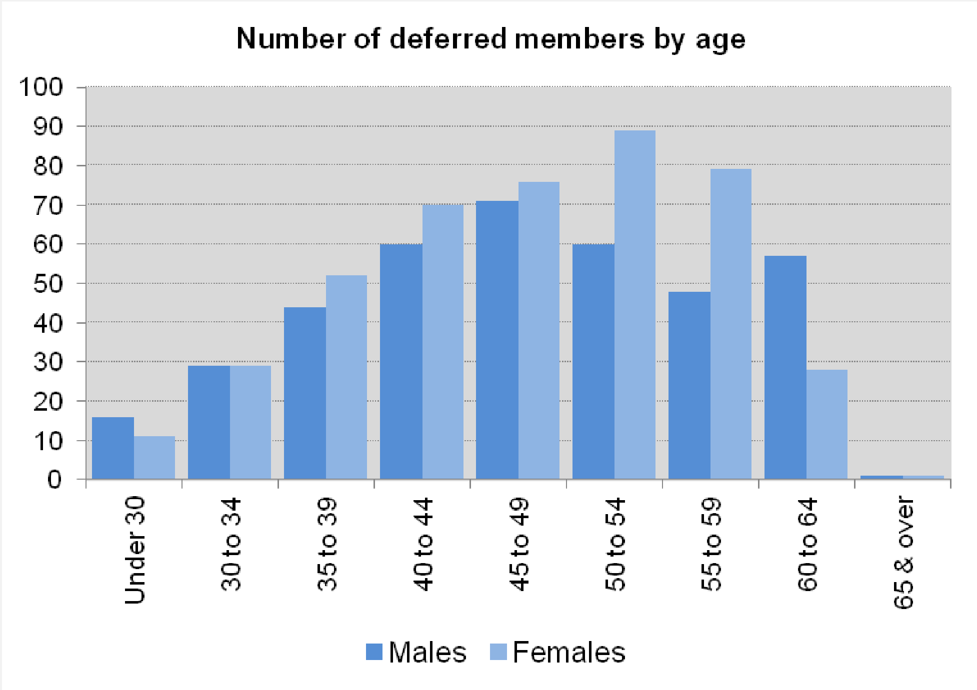
2. The figures for the previous actuarial valuation are shown in brackets where available.

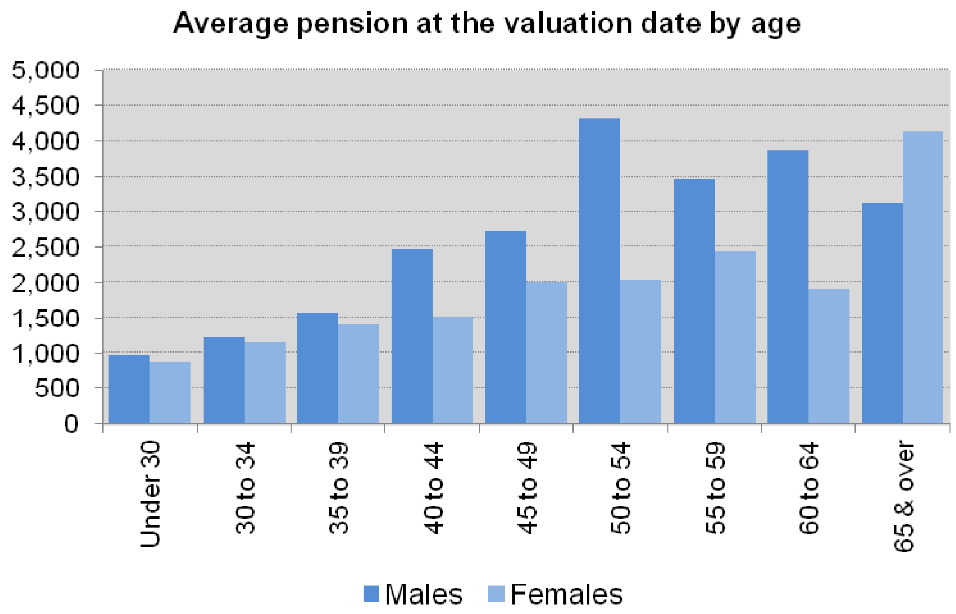
3. Included in these statistics are 2 deferred pensioners who have not yet retired, but who have passed age 65.

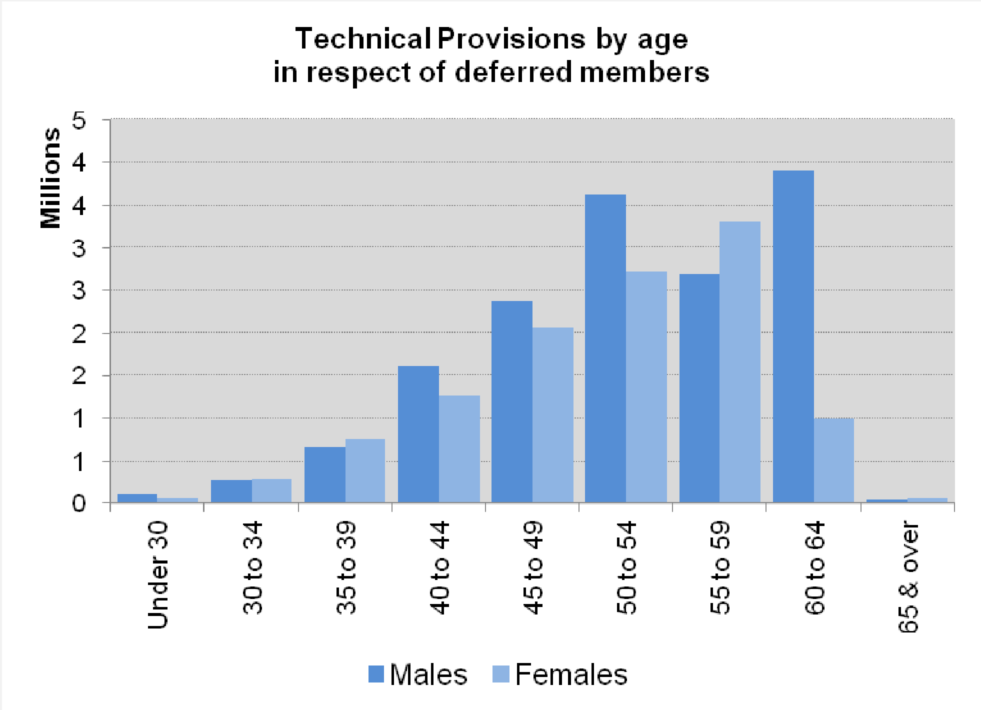
4. In addition, there are 6 short service members who are due a refund of contributions only and who have no other deferred pension liability. We have allowed for their liabilities in the valuation.

5. The following graphs illustrate the current statistics in greater detail.

6. The Discounted Mean Term to Retirement is the average term to the members' assumed retirement date, weighted by members' Technical Provisions.


Number of deferred members by age
100
90
80
70
60
50
40
30
20
10
0
Under 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
65 & over
Males
Females


Average pension at the valuation date by age
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
Under 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
65 & over
Males
Females


Technical Provisions by age
in respect of deferred members
Millions
5
4
4
3
3
2
2
1
1
0
Under 30
30 to 34
35 to 39
40 to 44
45 to 49
50 to 54
55 to 59
60 to 64
65 & over
Males
Females

PENSIONERS	**Males**	**Females**	**Total**
Number	550 (501)	535 (451)	1,085 (952)
Total pensions p.a. payable from valuation date	£2,061,785 (£1,656,520)	£1,367,962 (£1,038,322)	£3,429,748 (£2,694,842)
Average pension p.a. payable from valuation date	£3,749 (£3,306)	£2,557 (£2,302)	£3,161 (£2,830)
Average age (years)	73.4 (73.1)	71.8 (70.9)	72.6 (72.1)

Notes

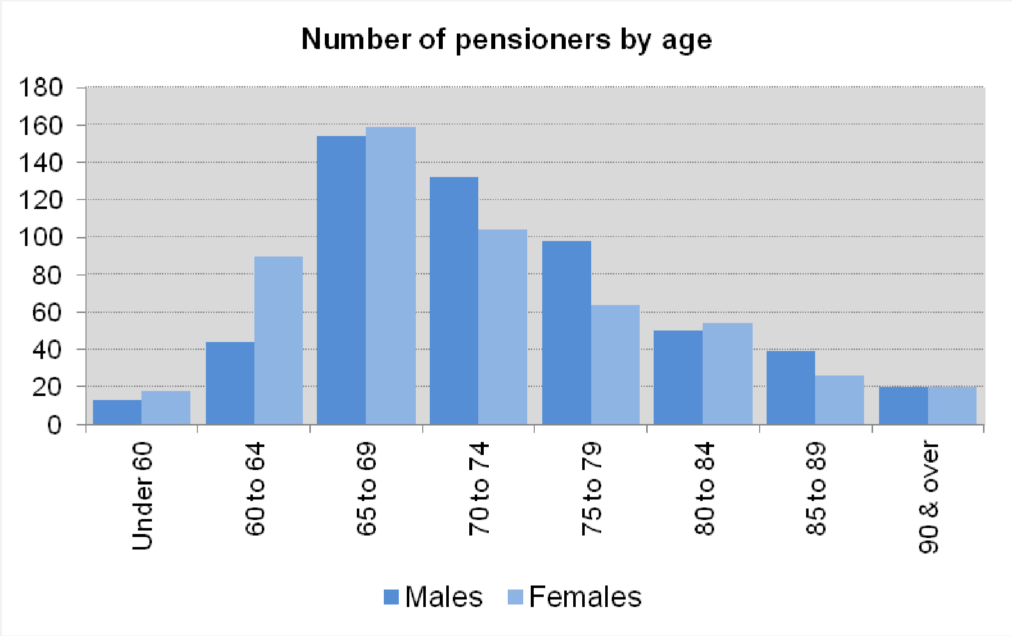
1. The member numbers have been reconciled and agreed with the Administration team. Note that the accounts show 1,048 pensioners, the difference is due to both the timings of the data extraction and the fact that the membership data in the accounts excludes members who have fully commuted their own pension but who have a potential spouse's pension (see Note 4).

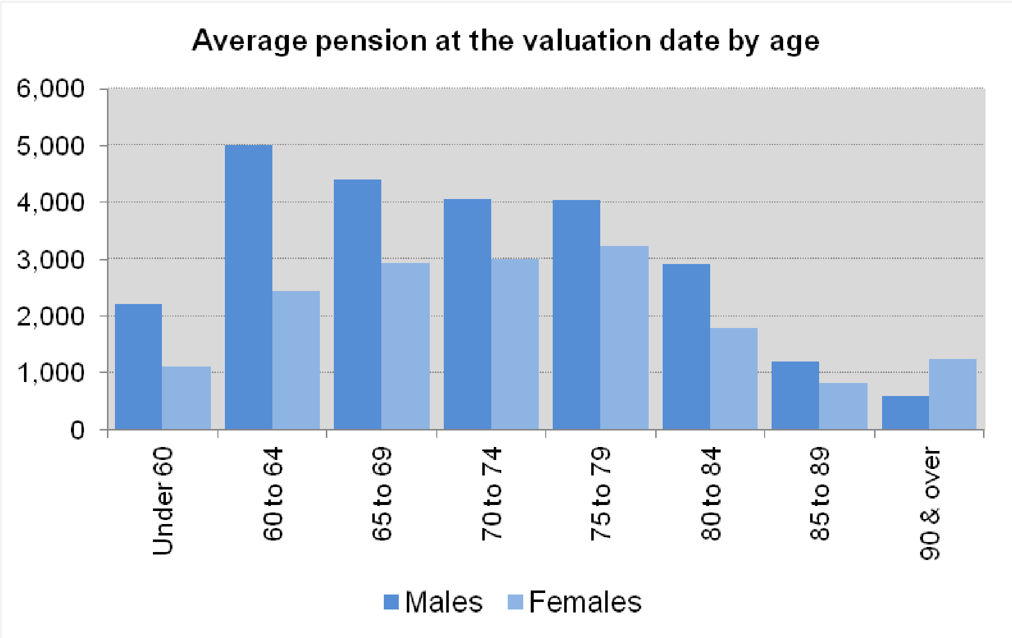
2. The figures for the previous actuarial valuation are shown in brackets where available.

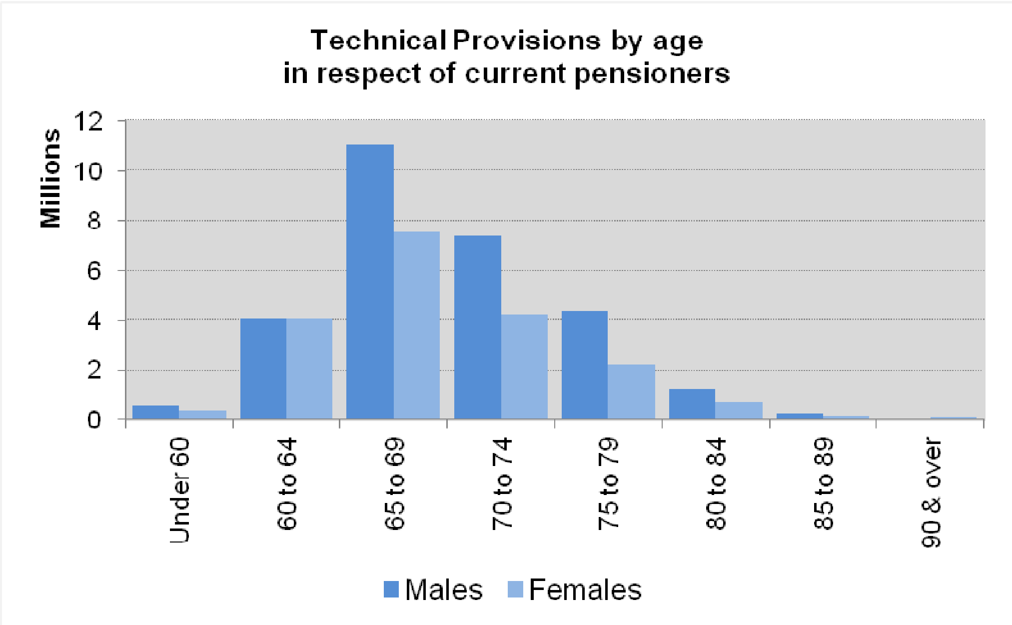
3. There are 143 dependant pensioners included in the above statistics.

4. There are several Pensioners included in the above statistics who have exchanged the whole of their pension for cash. There is, however, a remaining liability for a contingent reversionary spouse's pension payable on their death.

5. The following graphs illustrate the current statistics in greater detail.


Number of pensioners by age
180
160
140
120
100
80
60
40
20
0
Under 60
60 to 64
65 to 69
70 to 74
75 to 79
80 to 84
85 to 89
90 & over
Males
Females


Average pension at the valuation date by age
6,000
5,000
4,000
3,000
2,000
1,000
0
Under 60
60 to 64
65 to 69
70 to 74
75 to 79
80 to 84
85 to 89
90 & over
Males
Females



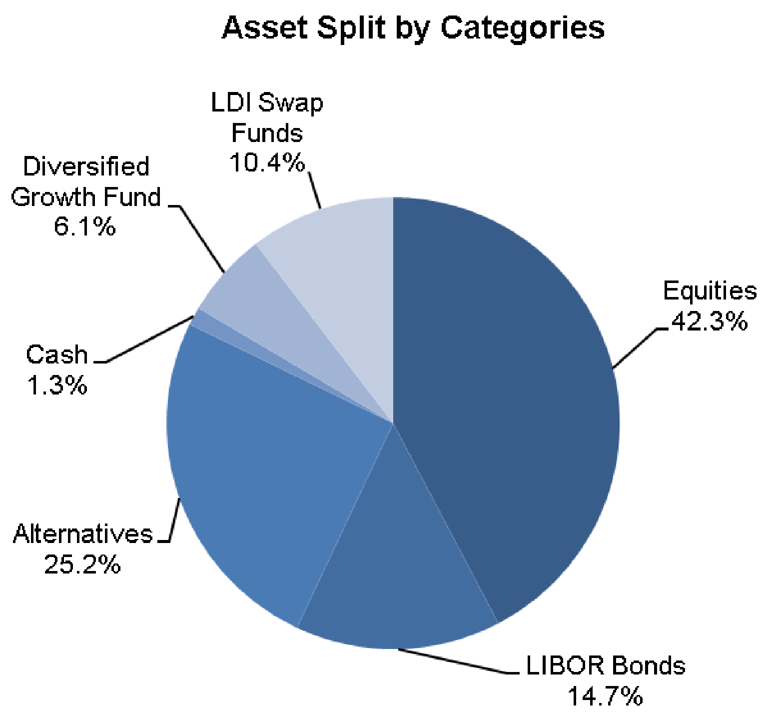
Technical Provisions by age
in respect of current pensioners
Millions
12
10
8
6
4
2
0
Under 60
60 to 64
65 to 69
70 to 74
75 to 79
80 to 84
85 to 89
90 & over
Males
Females

B Scheme Assets

The Scheme's audited accounts show that the Scheme held the following assets as at 31 March 2011:

Market Value of Scheme Assets	Amount (£)
Invested Assets	131,325,670
Current Net Assets	1,079,327
Total	**132,404,997**

The chart below shows the breakdown of the assets by asset class.



C Summary of Benefits and Member Contributions

1. Effective Date	31 March 2011
2. Eligibility	Each College has its own eligibility conditions.
3. Pensionable Age (PA)	65th birthday for males and females
4. Offset Removal Date (ORD)	The date a College removed the single person's Basic State Pension (BSP) entitlement from the definition of Contribution Pay. The table at the end of this Section sets out those Colleges which have removed the BSP Offset and those which have not.
5. Contribution Pay	**For Pensionable Service prior to ORD** Gross taxable earnings for the week or month minus: (a) if paid weekly, the current weekly rate of the single person's flat rate state retirement pension, or (b) if paid monthly, $4^1/_3$ x the current weekly single person's flat rate state retirement pension in force on the last day of the month. **For Pensionable Service on or after ORD** Gross taxable earnings for the week or month.
6. Insured Salary	Current rate of annual salary or the gross taxable earnings for the previous tax year, whichever is larger.
7. Final Pensionable Salary	The best average of 3 consecutive years Contribution Pay in the last 13 years before the date of exit, increased in line with the RPI to the date of exit.
8. Pensionable Service	Service from date of joining the Scheme in years and completed months plus Service granted on transfer in plus Service secured by AVCs
9. Member's contributions	See table at end of this Section. Members may pay AVCs to secure added years of service.
10. Normal Retirement Pension	1/60th of Final Pensionable Salary times Pensionable Service

11. Early Retirement Pension in Normal Health	Members may retire between age 50 and 60 with the consent of their College, and on or after age 60 as of right. **Members retiring at or after age 60:** 1/60th of Final Pensionable Salary times Pensionable Service **Members retiring between age 50 and 60:** 1/60th of Final Pensionable Salary times Pensionable Service **The pension in this case is reduced by an actuarial factor depending on the period to age 60.** These provisions are modified in respect of Pensionable Service on or after 1 April 2004 for some Colleges in respect of some of their members (as identified in the following table) so that the actuarial reduction referred to above is based on the period to age 65 and College consent is required for any retirement before age 65.
12. Additional Retirement Cash	**For Pensionable Service prior to ORD** In addition to the pension payable a tax free lump sum is payable equal to the first year's pension. **For Pensionable Service on or after ORD** Nil
13. Early Retirement Pension in Ill-Health or on grounds of Incapacity	Generally, there is no early retirement pension from the Scheme in these circumstances. An insured permanent health benefit will be paid outside the Scheme.
14. Exchange of pension for cash	Part of the retirement pension may be commuted for a tax free cash lump sum, in addition to the Retirement Cash in 12, subject to HMRC limits.
15. Benefits on death after retirement	(a) The balance, if any, of the first 5 years' payments of the member's pension, is paid as a lump sum to dependants **plus** (b) a spouse's pension of one half of the member's pension before any exchange for cash.
16. Benefits on death in service	(a) A lump sum of 2 times Insured Salary at the date of death **plus** (b) a spouse's pension of 25% of Insured Salary **plus** (c) a child's pension of 12.5% of Insured Salary for each child (maximum of 2) while below age 18 or, if later, receiving full time education.

17. Increases to pensions in payment	
• GMP earned before 6 April 1988	Nil
• GMP earned between 6 April 1988 and 5 April 1997	3% p.a. compound (or the increase in the CPI if lower)
• Pension in excess of GMP (other than spouse's or children's pensions on death in service)	The increase in the RPI in the year ending each September, applied at 1 November
• Spouse's or children's pensions on death in service	5% p.a. compound (or the increase in the RPI if lower)
18. Benefits on Termination of Service	(a) If the member has completed less than 3 months of Pensionable Service, an appropriate payment is made to National Insurance Contributions Office (NICO) to reinstate the member into the State Second Pension (S2P), and a refund of the member's contributions is paid to the member less the member's share of the payment to NICO, less tax. (b) If the member has completed between 3 months and 2 years of Pensionable Service then they have the option to take a cash transfer sum to an alternative pension arrangement. If this is not taken, then a refund is paid as described in (a). (c) If the member has completed 2 or more years Pensionable Service, the pension at termination is 1/60th of Final Pensionable Salary for each year (and proportionately for months) of Pensionable Service The pension in excess of the GMP will be revalued between termination and at 5% p.a. compound (2½% p.a. for Pensionable Service after 5 April 2009) or the increase in CPI if lower. The GMP will be revalued in line with statutory increases. The member also has the option to take a transfer value to an alternative pension arrangement.
19. State Second Pension (S2P)	The following table sets out those Colleges which are contracted-out of S2P and those which are not. Those members who are not contracted-out of S2P receive lower benefits than shown in this summary.

		Service on or after 1 April 2004		Death in service benefits		Employee Contribution Rate
College	BSP Offset Removed	Members at 31 March 2004	Members joining on or after 1 April 2004	Members at 31 March 2004	Members joining on or after 1 April 2004	On or after 31 March 2011
Contracted-out Colleges with BSP Offset Removed						
Christ's	1 June 2001	2	3 to 31 December 2009; 4 thereafter	Unchanged	6	9% to December 2011; 10% thereafter
Churchill	1 June 2001	3 up to 31 March 2007; nil thereafter	3 up to 31 March 2007; nil thereafter	n/a	n/a	Nil
Corpus Christi	1 June 2001	2	4	Unchanged	N/A	15%
Downing	1 June 2001	1 up to 31 March 2005; 2 thereafter	4	Unchanged	N/A	15%
Emmanuel	1 June 2001	1	2	Unchanged	Unchanged	8%
Girton	1 June 2001	1	3	Unchanged	Unchanged	8.5%
Gonville & Caius	1 April 2002	2	2 to 31 March 2007; 4 thereafter	Unchanged	Unchanged	6.35%
Magdalene	1 June 2001	2	2 to 31 December 2006; 4 thereafter	Unchanged	Unchanged	15%
Murray Edwards	1 June 2001	3	4	5	N/A	12% to 31 Jan 2012; 15% from 1 Feb 2012
Newnham	1 June 2001	1	4	Unchanged	N/A	8%
Pembroke	1 June 2001	1	3 to 31 January 2006; 4 thereafter	Unchanged	5	7.77%
Peterhouse	1 June 2001	1	3	Unchanged	5	6%
Queens'	1 June 2001	2	2	Unchanged	Unchanged	6.35%
Selwyn	1 June 2001	1	3	Unchanged	Unchanged	6.35%
St Catharine's	1 April 2002	3	3 to 31 October 2010; 4 thereafter	Unchanged	Unchanged	8% to 1 June 2011; 8.25% to 1 June 2012; 9% thereafter
St John's	1 April 2002	1	3	Unchanged	6	6%
Trinity Hall	1 June 2001	2	2 to 3 October 2009; 4 thereafter	Unchanged	Unchanged	10% to 31 December 2011; 12% thereafter

		Service on or after 1 April 2004		Death in service Benefits		Employee Contribution Rate
College	**BSP Offset Removed**	**Members at 31 March 2004**	**Members joining on or after 1 April 2004**	**Members at 31 March 2004**	**Members joining on or after 1 April 2004**	**On or after 31 March 2011**
Contracted-out Colleges with BSP Offset Retained						
King's	No	1	4	Unchanged	N/A	15%
Robinson	No	3	3 to 30 June 2009; 4 thereafter	Unchanged	Unchanged	8.5%
Contracted-in Colleges with BSP Offset Removed						
Clare Hall	1 June 2001	2	2	Unchanged	Unchanged	5%
Darwin	1 June 2001	1	3	Unchanged	Unchanged	3% to 31 July 2011; 5% from 1 Aug 2011
Lucy Cavendish	1 June 2001	3	4	Unchanged	N/A	6.35%
St Edmund's	1 June 2001	2	3 up to 1 March 2010; 4 thereafter	Unchanged	Unchanged	5%
Wolfson	1 June 2001	1	3 up to 1 March 2008; 4 thereafter	Unchanged	Unchanged	4%
Contracted-in Colleges with BSP Offset Retained						
Hughes Hall	No	1	4	Unchanged	N/A	8%

Key	1 Existing Benefits; 2 Cap maximum service at 40 years and pay unreduced pensions from 65; 3 As 2 above, but increase pensions in payment in line with LPI (RPI max 5% pa); 4 Alternative arrangements for future service; 5 No lump sum and 50% of prospective pension; and 6 No lump sum and 50% of accrued pension

D Statement of Funding Principles

Name of Scheme	Cambridge Colleges' Federated Pension Scheme
Status	This statement has been prepared by the Management Committee for the purposes of the actuarial valuation as at 31 March 2011 after obtaining the advice of Robert J Sweet of Cartwright Group Ltd, the actuary to the Scheme, and after consulting the Colleges.
Statutory Funding Objective	This statement sets out the Management Committee's policy for securing that the statutory funding objective is met. The statutory funding objective is defined in section 222 of the Pensions Act 2004. Every scheme must have sufficient and appropriate assets to cover its technical provisions.
Technical Provisions - 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.
Technical Provisions - Assumptions	The following sets out the principles behind setting the actuarial assumptions for the funding of the Scheme. A full set of the assumptions used in the actuary's triennial valuation is set out as an Appendix to this document. **Discount Rate (also referred to as "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.

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 of the annualised yield on long term gilts (the annualised FTSE Term 20 nominal gilt yield) 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 2011 the margin to be adopted is 1.9% p.a.

Retail Prices Index (RPI)

RPI will be determined at the valuation date and is based on the difference between the real yield on over 15 years' duration Index Linked Gilts (average of 0% and 5% p.a. inflation) and the gross redemption yield on nominal Gilts of 20 years duration.

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% p.a. and then round the answer to the higher 0.1%.

Consumer Prices Index (CPI)

CPI will be determined by making a prudent adjustment to the assumption adopted for RPI. The Management Committee have agreed to determine the assumption for CPI by making a 0.7% p.a. deduction from the assumption for RPI.

Pension increases in deferment

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% p.a. (2½% p.a. for Pensionable Service after 5 April 2009).

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 1.5% p.a. until 2014, and then RPI less 0.2% p.a. thereafter.

This relationship with RPI 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% p.a. compound
- Increasing in line with CPI to a maximum of 3% p.a. compound (post April 1988 GMP)
- Level in payment (pre April 1988 GMP only)

For these increases the Management Committee will use:

- Calculated RPI or CPI for any RPI or CPI increases (as calculated above);
- RPI less 0.2% (or the LPI Cap less 0.2% if lower) for those assumptions where there is a cap on future RPI increases to reflect the fact that these benefits are calculated on a year by year basis and RPI increases will be limited in some cases.
- For the GMP increase in payment an assumption of CPI less 0.2% p.a. has been adopted.

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.

Following a mortality investigation on the Scheme experience, the Management Committee agreed to adopt the SAPS normal pensioner average mortality table produced by the Continuous Mortality Investigation Bureau (CMIB).

In addition, the Management Committee wish to ensure that adequate provision is made for future longevity improvements. On the advice of the Actuary they will use the CMI 2009 projection model produced by the CMIB, with a 1% p.a. 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.

Leaving Service

The Scheme is relatively large; as it is prudent to assume that no-one leaves early, the Management Committee therefore makes no allowance for early leavers. Any members leaving early are likely to release a surplus to the Scheme; this will be used to reduce future contribution rates when appropriate.

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 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.

These retirement ages will continue to be reviewed by the Actuary at each triennial valuation to ensure that they remain appropriate.

Age difference of dependants

The average age difference between partners is also to be reviewed on a triennial basis at each valuation.

Female spouses are assumed to be 3 years younger than their male partner.

Percentage with dependants' benefits at death

The average percentage of members with partners at date of death will be reviewed on a triennial basis at each valuation.

The current assumption is that 90% of members are married at date of death.

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 at the level of 93% of the Scheme funding assumptions.

This feature will be monitored at each future valuation.

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.

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 p.a.
- Active Member Charge = £141.89 p.a.
- Deferred Member Charge = £54.18 p.a.
- Pensioner Member Charge = £105.77 p.a.

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.

Policy on discretionary increases and funding strategy

The current policy is not to fund for or pay any additional discretionary increases. In certain individual cases the Management Committee can use their discretion to increase a member's benefits but only if the participating College meets the additional cost (Clause 20 of the Trust Deed & Rules dated 9 March 2004).

Period within which and manner in which a failure to meet the statutory funding objective is to be rectified

The Management Committee desire that any funding shortfalls identified at an actuarial valuation should be eliminated as quickly as the Colleges can reasonably afford by the payment of additional contributions. In determining the length of the actual recovery period at any particular valuation the Management Committee's principles are to take into account the following factors:

- the size of the funding shortfall;
- the maturity of the Section concerned;
- the Management Committee's assessment of the financial covenant of the Colleges; and
- any contingent security offered by the Colleges.

The Management Committee normally expect the recovery period to be no longer than 10 years from the valuation date for funding deficiencies.

The assumptions to be used in the calculations to determine the additional contributions required will be those set out above for calculating the Technical Provisions except that the expected rate of return (the return on existing assets and on new contributions paid during the recovery period) will be the gross redemption yield on 20 year gilts plus a margin of up to 4% p.a., the exact level of the margin will be such as the Management Committee determine to be appropriate in any particular case.

Arrangements by a person other than the Colleges or a Scheme member to contribute to the Scheme

No such arrangements exist.

Policy on reduction of cash equivalent transfer values (CETVs)

The Management Committee asks the actuary to advise them at each valuation of the extent to which assets are sufficient to provide CETVs for all non pensioners without adversely affecting the security of the benefits of other members and beneficiaries.

If at any time, after obtaining advice from the actuary, the Management Committee is of the opinion that the payment of CETVs at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, the Management Committee will commission a report from the actuary to decide whether, and to what extent, CETVs should be reduced.

Frequency of valuations and circumstances for extra valuations

The Scheme’s second actuarial valuation under Part 3 of the Pensions Act 2004 is being carried out as at the effective date of 31 March 2011 and subsequent valuations will in normal circumstances be carried out every three years thereafter. An actuarial report on developments affecting the Scheme’s funding level will be obtained as at each intermediate anniversary of that date for College Sections whose membership exceeds 100.

The Management Committee may call for a full actuarial valuation instead of an actuarial report when, after considering the actuary’s advice, they are of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for future contributions. However, the Management Committee will consult the Colleges before doing so.

Signed on behalf of the Management Committee

Signature:

Name: Mrs J M Womack

Position: Chair

Date: 31 May 2012

E Assumptions

The 2011 Funding Basis is based on the Statutory Funding Objective and the current Statement of Funding Principles adopted by the Management Committee. These assumptions have then been adjusted by the Management Committee after considering actuarial advice and consulting with the Colleges, as required by legislation.

Also included are the previous valuation assumptions for comparison purposes.

Under Section 79 of the Code of Practice, when choosing the assumptions the Management Committee are required to consider the factors particular to the Colleges, or the Colleges' industry, affecting matters such as pay increases, rate of withdrawal from membership and recruitment. The Management Committee should satisfy itself that the assumptions set out below are appropriate bearing in mind the above factors.

	Assumptions for valuation as at 31 March 2011 (% per annum compound)	**Assumptions used in valuation as at 31 March 2008 (% per annum compound)**
Economic		
Rate of interest:		
• before retirement	6.3%	7.0%
• after retirement	6.3%	5.3%
Asset return	6.7%*	n/a
Rate of salary increases:	1.5% for 3 years, then 3.2%	4.4%
Rate of increase in pensions in payment:		
• Guaranteed Minimum Pension (GMP) earned for service before 6 April 1988	0.0%	0.0%
• GMP earned for service between 6 April 1988 and 5 April 1997	2.5%	2.8%
• Pension in excess of GMP earned to 31 March 2004	3.4%	3.4%
• Pension earned after 31 March 2004	3.4% or 3.2%	3.4% or 3.2%

	Assumptions for valuation as at <u>31 March 2011</u> (% per annum compound)	**Assumptions used in valuation as at <u>31 March 2008</u> (% per annum compound)**
Rate of increases to pensions in deferment: • Excess pension accrued prior to 6 April 2009 • Excess pension accrued from 6 April 2009 • GMP	2.7% 2.5% Statutory	3.4% n/a Statutory
<u>Other</u> Valuation of assets:	Surrender value of the assets	Surrender value of the assets
Expenses:	• College Section Charge = £3,000 p.a. • Active Member Charge = £141.89 p.a. • Deferred Member Charge = £54.18 p.a. • Pensioner Member Charge = £105.77 p.a.	1.5% of Contribution Pay, or fixed amount if closed for all accrual
Death in Service Premiums:	As paid by the individual College	As paid by the individual College
Pension Protection Fund levy and other directly attributable expenses:	Paid for in addition to the above expenses	Included in the Expenses allowance above
<u>Demographic</u>		
Mortality tables	SAPS normal pensioner mortality tables plus the CMI_2009 Projection based on year of birth and with long term improvements of 1% p.a.	115% PA92 for males and females with an allowance for future longevity improvements based on the Medium Cohort year of birth projection with a 1% p.a. minimum underpin

	Assumptions for valuation as at 31 March 2011 (% per annum compound)	Assumptions used in valuation as at 31 March 2008 (% per annum compound)
Assumed Retirement Age (ARD) Males: Active Members Deferred Members	 Age 65 Age 62	 Age 65 Age 65
Females: Active Members Deferred Members	 Age 63 for Benefit Option 1 members and Age 65 for Benefit Option 2&3 members Age 60 for Benefit Option 1 members and Age 62 for Benefit Option 2&3 Members	 Age 63 for Benefit Option 1 members and Age 65 for Benefit Option 2&3 members Age 60 for Benefit Option 1 members and Age 65 for Benefit Option 2&3 members
Proportion Married:	Males and Females 90%	Males and Females 90%
Age Difference:	Wives 3 years younger than their husbands	Wives 3 years younger than their husbands
Commutation of pension for cash:	100% of Members will take their maximum tax free cash allowance on the basis that commutation factors are 93% of the funding basis factors.	80% of Members will take their maximum tax free cash allowance on the basis that commutation factors are 80% of the funding basis factors.
Withdrawal rates:	No allowance	No allowance
Other Member Options:	No allowance	No allowance

***Additional Assumption for Amortisation of Deficiency**

For those College Sections where there is a deficit, the additional contributions required to fund these deficits are determined on the basis of an allowance for an assumed investment return of 6.7% p.a.

F College Contribution Rates

College	From 1 April 2011 to 30 June 2012			From 1 July 2012				
	Employee Contribution Rate (%)	Employer Contribution Rate (%)	Recovery Plan Amounts (15 months)	Employee Contribution Rate (%)	Employer Contribution Rate (%)	Recovery Plan Amounts (£ p.a.)	Recovery Plan Cessation Date	
Contracted-out Colleges with BSP Offset Removed								
Christ's	9.00	15.74	262,000	10.00	11.22	236,000	31 Jul 2013	#
Churchill	0.00	0.00	287,389	0.00	0.00	213,511	31 Jan 2013	##
Corpus Christi	15.00	28.48	0	15.00	9.22	Nil		#
Downing	15.00	14.80	67,500	15.00	13.95	85,671	30 Jun 2015	#
Emmanuel	8.00	20.06	0	8.00	15.27	Nil		
Girton	8.50	19.01	104,638	8.50	14.13	Nil		
Gonville & Caius	6.35	23.18	279,291	6.35	18.14	223,433	30 Sep 2012	#
Magdalene	15.00	13.99	202,001	15.00	17.90	138,932	31 Dec 2013	#
Murray Edwards	12.00	17.00	151,628	15.00	9.58	121,302	31 Dec 2013	#
Newnham	8.00	23.71	54,441	8.00	18.60	54,441	31 Mar 2013	#
Pembroke	7.77	23.23	191,460	6.82	19.79	153,168	31 Dec 2012	#
Peterhouse	6.00	20.17	0	6.00	16.61	Nil		
Queens'	6.35	20.44	213,034	6.75	15.79	70,000		
Selwyn	6.35	20.44	86,520	6.35	15.66	Nil		
St Catharine's	8.00	18.51	150,420	9.00	12.30	Nil		#
St John's	6.00	20.22	525,085	6.00	15.26	Nil		
Trinity Hall	10.00	15.25	191,939	12.00	10.72	Nil		#
Contracted-out Colleges with BSP Offset Retained								
King's	15.00	28.02	309,235	15.00	20.01	247,388	31 Mar 2017	#
Robinson	8.50	17.22	404,726	8.50	13.51	Nil		#
Contracted-in Colleges with BSP Offset Removed								
Clare Hall	5.00	16.07	0	5.00	15.79	Nil		
Darwin	3.00	17.87	21,211	5.00	13.86	Nil		
Lucy Cavendish	6.35	21.74	11,544	6.35	16.90	11,544	02 Dec 2013	#
St Edmund's	5.00	16.48	14,485	5.00	14.32	Nil		#
Wolfson	4.00	21.18	44,816	4.00	16.42	Nil		#
Contracted-in Colleges with BSP Offset Retained								
Hughes Hall	8.00	20.08	11,998	8.00	18.90	Nil		#

\# Closed to New Entrants
\## Closed to Future Accruals
Also please see notes overleaf

General	Notes
Scheme Expenses	For the period prior to 30 June 2012, the contribution rates shown are inclusive of an allowance for Scheme expenses. From 1 July 2012 additional contributions are payable to fund Scheme expenses at the rate per College Section of £3,000 p.a. plus £141.89 per active members, £54.18 per deferred member, and £105.77 per pensioner based on statistics at 31 March 2011.
Insurance Premiums	The contribution rates shown are inclusive of the insurance premiums payable for death-in-service and group income protection benefits (where applicable)
Frequency of Contributions	Contributions are payable monthly unless otherwise indicated. Monthly contributions are to be paid on or before the 4th day of the calendar month following that which the payment relates.
College	**Notes**
Christ's College	Employee contribution rate increased by 1% from 1 January 2012. Employer rate reduced accordingly. The Recovery Plan contributions increase to £258,540 p.a. from 1 July 2013 until the Recovery Plan cessation date of 31 July 2013.
Churchill College	Recovery Plan amount for the 15 month period ending 30 June 2012 includes an allowance for Scheme expenses.
Murray Edwards	Employee contribution rate increased to 15% from 1 Feb 2012. Employer rate reduced accordingly.
Pembroke College	The 1 July contribution rates shown above make allowance for a change in Employee contribution rate to 6.82%, with the Employer rate adjusted accordingly.
St Catharine's College	Employee contribution rate increased to 8.25% from 1 June 2011, then 9.0% from 1 June 2012. Employer rate reduced accordingly.
Trinity Hall	Employee contribution rate increased to 12% from 1 January 2012. Employer contributions reduced accordingly.
Queens' College	The £70,000 per annum that the College has agreed to pay relates to additional funding contributions as their Recovery Plan contributions formally ceased on 30 June 2012. Employee contribution rate will increase to 7.15% from 1 July 2013 and 7.5% from 1 July 2014, with the Employer contribution rate reducing accordingly.
Robinson	No Recovery Plan contributions are due after 30 June 2012 as the amounts paid since 1 April 2011 eliminated the deficit as at 31 March 2011.
Darwin	Employee contributions increased to 5% from 1 August 2011. Employer rate reduced accordingly.
Newnham	Recovery Plan contribution of £54,441 is payable as a single lump sum in March 2013.
Lucy Cavendish	Recovery Plan contributions are payable annually on each 1 December.

G

College Funding Levels

College	Funding Objective Basis				Solvency Funding Basis				PPF Basis			
	Technical Provisions (£)	Asset Values (£)	Surplus/ (Deficiency) (£)	Funding Level (%)	Technical Provisions (£)	Asset Values (£)	Surplus/ (Deficiency) (£)	Funding Level (%)	Technical Provisions (£)	Asset Values (£)	Surplus/ (Deficiency) (£)	Funding Level (%)
Contracted-out Colleges with BSP Offset Removed												
Christ's	7,418,000	6,874,000	(544,000)	93%	12,673,000	6,874,000	(5,799,000)	54%	9,310,000	6,874,000	(2,436,000)	74%
Churchill	6,482,000	6,086,000	(396,000)	94%	9,732,000	6,086,000	(3,646,000)	63%	7,379,000	6,086,000	(1,293,000)	82%
Corpus Christi	4,676,000	6,030,000	1,354,000	129%	7,723,000	6,030,000	(1,693,000)	78%	5,585,000	6,030,000	445,000	108%
Downing	3,825,000	3,551,000	(274,000)	93%	6,340,000	3,551,000	(2,789,000)	56%	4,649,000	3,551,000	(1,098,000)	76%
Emmanuel	5,681,000	6,515,000	834,000	115%	10,388,000	6,515,000	(3,873,000)	63%	7,507,000	6,515,000	(992,000)	87%
Girton	7,351,000	7,758,000	407,000	106%	13,393,000	7,758,000	(5,635,000)	58%	9,850,000	7,758,000	(2,092,000)	79%
Gonville & Caius	8,724,000	8,354,000	(370,000)	96%	14,390,000	8,354,000	(6,036,000)	58%	10,590,000	8,354,000	(2,236,000)	79%
Magdalene	4,707,000	4,365,000	(342,000)	93%	7,666,000	4,365,000	(3,301,000)	57%	5,713,000	4,365,000	(1,348,000)	76%
Murray Edwards	3,850,000	3,544,000	(306,000)	92%	6,119,000	3,544,000	(2,575,000)	58%	4,596,000	3,544,000	(1,052,000)	77%
Newnham	3,260,000	3,165,000	(95,000)	97%	5,158,000	3,165,000	(1,993,000)	61%	3,938,000	3,165,000	(773,000)	80%
Pembroke	5,621,000	5,348,000	(273,000)	95%	9,454,000	5,348,000	(4,106,000)	57%	6,968,000	5,348,000	(1,620,000)	77%
Peterhouse	5,677,000	6,581,000	904,000	116%	10,688,000	6,581,000	(4,107,000)	62%	7,683,000	6,581,000	(1,102,000)	86%
Queens'	8,549,000	8,260,000	(289,000)	97%	15,144,000	8,260,000	(6,884,000)	55%	10,737,000	8,260,000	(2,477,000)	77%
Selwyn	5,237,000	5,511,000	274,000	105%	9,409,000	5,511,000	(3,898,000)	59%	6,950,000	5,511,000	(1,439,000)	79%
St Catharine's	5,043,000	5,181,000	138,000	103%	8,861,000	5,181,000	(3,680,000)	58%	6,449,000	5,181,000	(1,268,000)	80%
St John's	15,900,000	16,225,000	325,000	102%	30,361,000	16,225,000	(14,136,000)	53%	21,772,000	16,225,000	(5,547,000)	75%
Trinity Hall	6,465,000	6,487,000	22,000	100%	11,738,000	6,487,000	(5,251,000)	55%	8,479,000	6,487,000	(1,992,000)	77%
Contracted-out Colleges with BSP Offset Retained												
King's	10,426,000	9,162,000	(1,264,000)	88%	15,921,000	9,162,000	(6,759,000)	58%	11,645,000	9,162,000	(2,483,000)	79%
Robinson	7,218,000	6,865,000	(353,000)	95%	12,775,000	6,865,000	(5,910,000)	54%	9,022,000	6,865,000	(2,157,000)	76%
Contracted-in Colleges with BSP Offset Removed												
Clare Hall	903,000	1,024,000	121,000	113%	1,431,000	1,024,000	(407,000)	72%	1,090,000	1,024,000	(66,000)	94%
Darwin	1,606,000	1,677,000	71,000	104%	2,826,000	1,677,000	(1,149,000)	59%	2,064,000	1,677,000	(387,000)	81%
Lucy Cavendish	230,000	206,000	(24,000)	90%	382,000	206,000	(176,000)	54%	288,000	206,000	(82,000)	72%
St Edmund's	440,000	455,000	15,000	103%	750,000	455,000	(295,000)	61%	542,000	455,000	(87,000)	84%
Wolfson	2,642,000	2,781,000	139,000	105%	4,734,000	2,781,000	(1,953,000)	59%	3,504,000	2,781,000	(723,000)	79%
Contracted-in Colleges with BSP Offset Retained												
Hughes Hall	396,000	400,000	4,000	101%	629,000	400,000	(229,000)	64%	473,000	400,000	(73,000)	85%

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 2011 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Management Committee of the Scheme and set out in the Statement of Funding Principles dated 31 May 2012.

Signed :		Date:	31 May 2012
Name :	Robert Sweet	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address :	Mill Pool House Mill Lane Godalming Surrey GU7 1EY	Employer	Cartwright Group Ltd

I Glossary

Statutory Funding Objective

Introduced by the Pensions Act 2004, this is the funding target the Scheme must meet. The assumptions chosen to calculate the target must be chosen in a prudent manner and reflect market conditions.

Statement of Funding Principles

This is a document produced by the Management Committee after consulting the Colleges. It sets out details of the method and assumptions to use to meet the Statutory Funding Objective as well as any other objectives the Management Committee have and details of the Recovery Plan.

Recovery Plan

Where a scheme has a deficit on the Statutory Funding Objective a Recovery Plan is needed to remove the deficit. The Plan should detail the period and means by which the deficit will be eliminated.

Technical Provisions

This is the name given to the Scheme's liabilities calculated using the method and assumptions set out in the Statement of Funding Principles. The Management Committee and Colleges should aim to fund 100% of the Scheme's technical provisions.

Actuarial Valuation

Defined by the Pensions Act 2004 as a written report, prepared and signed by the Scheme Actuary, valuing the Scheme's assets and calculating its technical provisions.

Actuarial Report

Introduced by the Pensions Act 2004, this is a written report, prepared and signed by the Scheme Actuary, on developments affecting the Scheme's technical provisions since the previous actuarial valuation. It must also include an assessment of changes in the value of the Scheme's assets.

Schedule of Contributions

This is a written document detailing the contributions payable to the Scheme from the date of the Schedule for a period of 5 years or such longer period as the Recovery Plan applies. The contributions on the Schedule must be sufficient to ensure the Scheme's assets cover the technical provisions by the end of the period it covers.

Valuation Exercise (as defined in TAS R)

This involves the quantification of an amount for recording in a formal document, for example the calculation of the Solvency and Section 179 valuation results in this report.

Planning Exercise (as defined in TAS R)

This involves the estimation of an amount for budgeting or target setting purposes. The setting of Technical Provisions for funding purposes and future service contribution rates are an example of a Planning Exercise.