

**Cambridge Colleges Federated Pension Scheme**  
**Trustee's Report and Financial Statements**  
**For the year ended 31 March 2018**

# Cambridge Colleges' Federated Pension Scheme

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# Cambridge Colleges' Federated Pension Scheme

## Scheme Management and Advisers

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The Trustees of the Cambridge Colleges Pension Scheme (the "Scheme") present their annual report for the year ended 31 March 2018.

The Trustee is Cambridge Colleges Superannuation Trustees Ltd, a limited company (No.1388310).

The Directors of the Company and the Committee of Management throughout the year were:

Name	Basis of nomination*	Additional information
Sir M Harris (Chairman)	END	Fellow, Clare Hall
P J Brindle	END	Former Bursar, Darwin College (to 1st Oct 2017)
S Clayson	END	Finance Manager, Selwyn College
P Warren	END	Bursar, Clare College
R Ellison	END	Solicitor (External)
J Wells	END	Director of Operations, CRUK/CRI University of Cambridge (External)
M Warwick	MND	Emmanuel College (to 1 <sup>st</sup> Oct 2017)
C Howell	MND	Robinson College (to 1 <sup>st</sup> Oct 2017)
B Clarke	MND	Retired member, Corpus Christi
C James	MND	Robinson College (from 1 <sup>st</sup> Oct 2017)
C Austin	MND	Christ's College (from 1st Oct 2017)

\*END Employer Nominated Director, MND Member Nominated Director

Employer Nominated Directors are appointed by the Management Committee and at each Annual General Meeting one third of the Employer Nominated Directors will resign by rotation, but can be re-appointed. Member Nominated Directors (MNDs) are appointed by the MND Selection Committee following the relevant nomination process and at each Annual General Meeting one third of the MNDs will resign by rotation, but can be re-appointed.

Full details of the provisions for the appointment and retirement of directors can be found in the Memorandum of Association of Cambridge Colleges Superannuation Trustees Ltd.

The Company Secretary and Scheme Administrator throughout the year was:

Mrs S E Curryer  
University Offices, HR Division  
Pensions Administration Section  
Greenwich House, Madingley Road  
Cambridge, CB3 0TX

Email: [pensionsonline@admin.cam.ac.uk](mailto:pensionsonline@admin.cam.ac.uk)

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

# Cambridge Colleges' Federated Pension Scheme

## Scheme Management and Advisers

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**The Scheme's professional advisers during the year were as follows:**

Scheme Actuary – Mr R Sweet, Cartwright Consulting

Legal Advisers - Mills & Reeve

Auditors - Peters, Elworthy and Moore

Insured Benefits Advisers – Becketts

Investment Managers and Advisers – Schroders Investment Management

Investment Consultants – Redington Limited

Bankers - Barclays Plc and Bank of Scotland.

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Financial Development of the Scheme

The Fund's net assets increased during the year by £1.11m to £213.12m at 31 March 2018.

The deficit for year in dealings with members was £2.16m

The overall capital value of the Scheme's investments, including cash at the Investment Managers, increased by £0.25m. Further details of the financial development of the Fund may be found in the audited financial statements on pages 21 to 32 of this report.

For the period 1 April 2017 to 31 March 2018 total contribution rates to the Scheme ranged from **18.13%** to **41.38%** of Contribution Pay with an average of **25.44%**. Details of the contributions paid during the year to 31 March 2018 plus copies of the relevant Schedules of Contributions are included in the Appendix to this report and accounts.

### Scheme Registration

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

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

### Membership Statistics

<b>Active Members</b>	
Active members at 1 April 2017	819
Adjustment for late notification	-2
New members during year	72
	889
Less:	
Leavers before retirement age (excluding Death in Service)	35
Retired during the year	27
Died in Service	3
To Deferred	38
	103
Active members at 31 March 2018	<b>786</b>

<b>Pensioners</b>	
Pensions in payment at 1 April 2017	1339
Adjustment for late notification	3
	1342
Retirements during year	27
Deferred pensioners retired during year	31
Widow/ers of Pensioners	14
	72
Pensioners dying during year	44
Pensions in payment at 31 March 2018	<b>1370</b>

<b>Deferred Members</b>	
Deferred members at 1 April 2017	<b>819</b>
Adjustment for late notification	-4
Active members to deferred	38
	853
Deferred Retirements	31
Deferred Transfers Outs	4
	35
Deferred members at 31 March 2018	<b>818</b>

#### Summary of Pensioners as at 31 March 2018

Female	Male	Total
709	661	1370

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Pension Increases

The Rules of the Scheme provide for annual increases in pensions in payment, in excess of the Guaranteed Minimum Pension, in line with the Retail Prices Index. Increases are awarded on 1 November each year and in recent years have been: -

Increase	Date
3.9%	1 November 2017
2.0%	1 November 2016
0.8%	1 November 2015
2.3%	1 November 2014
3.2%	1 November 2013
2.6%	1 November 2012
5.6%	1 November 2011
4.6%	1 November 2010
0.0%	1 November 2009
5.0%	1 November 2008
3.9%	1 November 2007

Preserved pensions are increased in line with the statutory requirements.

### Transfer Values

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Transfer values to external schemes are calculated and verified in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996 and no such transfer values were reduced by reason of the Scheme being under funded. The calculation of transfer values excludes allowance for discretionary benefits.

### Additional Voluntary Contributions (AVC's)

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The fund has no separately invested AVCs.

### Actuarial Position and Contributions

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The formal actuarial certificate required by statute to be included in this Annual Report appears on page 20. In addition, as required by FRS102, the Trustees have included the Report on Actuarial Liabilities on page 6-9, which forms part of the trustees' report.

### The Pensions Regulator

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

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using assumptions agreed between the Trustees and the University and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2014. This showed that on that date:

	£'000
Value of the Technical Provisions	170,561
Value of the Assets	140,714

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

#### Method

The actuarial method to be used in the calculation of the technical provisions depends on whether or not the Section is open or closed to new entrants:

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

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

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

#### Significant actuarial assumptions

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

As RPI may be over- or understated using this method due to varying demand for index linked gilts, the Management Committee can adjust the calculated yield by up to 0.25% p.a. and then round the answer to the nearest 0.05%. For the calculation at 31 March 2014 they applied a reduction of 0.15% to give an assumption for RPI of 3.35% per annum.

**Consumer Price Inflation (CPI):** An allowance for future CPI increases is included at an assumed rate equal to the assumption for future RPI increases less 0.8% per annum. As at 31 March 2014 this resulted in an assumption for future CPI increases of 2.55% per annum.

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

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

The Management Committee invests in a wide range of assets including equities and property, which are expected to give long term returns in excess of those available on gilts. The Management Committee wishes to take credit for some of this out-performance and to that end will use an interest rate based on the Bank of England's published nominal gilt yield curve at 18 years plus a margin to allow for this expected out-performance. The Management Committee has determined that for the purposes of the calculations as at 31 March 2014 the margin to be adopted is 1.9% p.a. to give a discount rate of 5.4% per annum.



# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Report on Actuarial Liabilities (continued)

**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. for the first 3 years after the valuation, and then CPI plus 0.5% p.a. thereafter.

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

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

- Increasing in line with the RPI;
- Increasing in line with RPI to a maximum of 5% 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 Limited Price Indexation 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.

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

**Mortality:** Currently the Management Committee is using S2 base tables produced by the Continuous Mortality Investigation Bureau based upon mortality experience of Self-Administered Pension Schemes centred on 2007 but then projected to allow for subsequent improvements in longevity.

In addition, the Management Committee wish to make provision for future longevity improvements by adopting the CMI 2013 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.

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Report on Actuarial Liabilities (continued)

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

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

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

This feature will be monitored at each future valuation.

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

For 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:** Husbands are assumed to be 3 years' older than their wives.

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

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

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

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 = £152.38 p.a.
- Deferred Member Charge = £58.18 p.a.
- Pensioner Member Charge = £113.59 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.

## Trustee's Report

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### Trustee Knowledge and Understanding

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

The Management Committee has agreed that they will undertake the e-learning package introduced by the Pensions Regulator or appropriate agreed alternative which aims to equip trustees with the knowledge and understanding they need to effectively carry out their duties. The Management Committee has also agreed that if there are any areas of concern to one or more members of the Management Committee the Scheme's professional advisers will be asked to provide additional training, or when an appropriate training course becomes available they will attend this.

On appointment to the Management Committee each member of the Committee is issued with a 'trustee pack' which includes all the relevant documentation relating to the Scheme and updated copies are provided as required. Copies are also available from the Scheme's webpage.

### Internal Controls

The Pensions Act 2004 requires trustees to have adequate internal controls in place to help them monitor the management and administration of the Scheme. In order to assist with this the Management Committee receives reports from the Scheme Office at each meeting as follows:

- details of members who have retired or died and the benefits which are payable from the Scheme in respect of those members;
- details of the amounts of contributions received from the Participating Employers and the date of receipt, plus details of any action taken by the Scheme Office in respect of late or incorrect payment of contributions
- confirmation that no events have occurred since the last meeting which need to be reported to the Pensions Regulator
- reports on outstanding work in the Scheme Office and the reasons for the work being outstanding

The Management Committee has also drawn up a risk register which is reviewed at each meeting.

### Statement of Investment Principles

The Trustees are required under The Occupational Pension Schemes (Investment) Regulations 2005 to prepare and maintain a Statement of Investment Principles as described by Section 35 of the Pensions Act 1995. A statement has been prepared in accordance with these regulations, approved by the Trustees on 11 December 2015. A copy of the statement may be obtained from the Secretary to the Trustees at the administration office.

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Investments Sub Committee

The Management Committee has prepared and agreed a Statement of Investment Principles and the implementation of investment policy and strategy is delegated to the investments sub-Committee.

The Trustees delegate the day-to-day management to professional external investment managers. The Trustees set the investment strategy for the scheme after taking advice from the scheme's investment adviser. The Trustees have put in place investment mandates with their investment managers which implement this strategy.

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

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

The balance of income, after payment of pensions, transfer payments to other pension schemes, and cash lump sum commutation of pensions, is invested by the Scheme's Investment Managers in accordance with general guidelines made by the Investments Sub-Committee.

The membership of the Investments Sub-Committee during the year was as follows

<b>Name</b>	<b>Additional information</b>
T Harvey-Samuel (Chairman)	Bursar, Corpus Christi College
S Summers	Bursar, St Catharines College
I Wright	Bursar, Peterhouse
R Gardner	Bursar, Murray Edwards
M P Warren	Bursar, Clare College
R Reason	Bursar, Robinson College (from October 2017-March 2018)

During the year ended 31 March 2018, there were no employer related investments as defined in Section 40 of the Pensions Act 1995.

## Trustee's Report

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### Report of the Investments Sub Committee for the year ended 31 March 2018

The Committee has set its main target as 100% funding on a Technical Provisions basis (TP). The Technical Provisions basis is currently set at Gilts + 2.0%. As at 31st March 2018 the Scheme was 86.5% funded on the Technical Provision basis.

Returns from the Scheme's growth asset portfolio were positive over the year, although global equity returns were reduced by a recovery in sterling. Private equity returns were particularly strong as the Scheme's investments continued to return cash to investors. Returns from the Scheme's diversifying assets were also positive with the exception of infrastructure equities where share prices fell following a change in sentiment towards the sector. The Scheme's liability matching investments also fell in value as real yields rose modestly over the year. The return on the Scheme's investments as a whole was 2.0% for the year.

The Committee's investment strategy is that the proportion of the Scheme's liabilities that is hedged to changes in real interest rates should match the average funding level of the Scheme (on a TP basis) less 5%. The funding level improved over the year as the portfolio's assets increased by more than the Scheme liabilities. The investment committee has put in place triggers to increase the amount of hedging as the funding level improves resulting in the extent of interest rate exposure that is hedged increasing from 78.5% to 81.7% over the year and inflation exposure that is hedged increasing from 78.6% to 82.2%. This LDI strategy is implemented by investing in derivatives via pooled funds. The use of derivatives minimises the proportion of the Scheme invested in these matching assets, thereby maximising the capital available to invest in growth assets with the objective of improving the funding level. The fall in the value of the hedging assets over the year meant that more cash was required in the LDI portfolio to cover potential collateral calls, resulting in the realisation of a modest amount of growth assets.

A new investment of £10.0m in insurance linked securities was made in Q4 2017 via the Securis Event Fund. This was funded by an equivalent sale of global equities. The private equity investments are in their distribution phase and £2.9m was received over the year which was offset by drawdowns on the Highbridge private loan fund, also of £2.9m. Finally, the Committee switched the Scheme's investment in absolute return bonds from the Kames Absolute Return Fund to the PIMCO Global Libor Fund.

Mr. Reason re-joined the Committee during the year before definitively retiring from it at year end. Once more we thank him for his service.

*Tim Harvey-Samuel - Chair, Investment Committee June 2018*

## Trustee's Report

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### Schroders Investment Review for the 12 Months to 31 March 2018

#### Market Review

Returns from the Scheme's growth asset portfolio were positive over the year, although global equity returns were reduced by a recovery in sterling. Private equity returns were particularly strong as the Scheme's investments continued to return cash to investors. Returns from the Scheme's diversifying assets were also positive with the exception of infrastructure equities where share prices fell following a change in sentiment towards the sector. The Scheme's liability matching investments also fell in value as real yields rose modestly over the year. The return on the Scheme's investments as a whole was 2.0% for the year.

#### Fund Performance

The Scheme's total return for the year including hedging assets was 2.0%. The Scheme's growth portfolio returned 2.6%.

#### Investment Approach

The Scheme's investment strategy is for the proportion of the sensitivity to changes in real interest rate that is hedged to match the average funding level of the Scheme less 5%. The funding level improved over the year as the portfolio's assets increased by more than the Scheme liabilities. The Scheme has put in place triggers to increase the amount of hedging as the funding level improves resulting in the extent of interest rate exposure that is hedged increasing from 78.5% to 81.7% over the year and inflation exposure that is hedged increasing from 78.6% to 82.2%.

This LDI strategy is implemented by investing in derivatives via pooled funds. The use of derivatives minimises the proportion of the Scheme invested in these matching assets, thereby maximising the capital available to invest in growth assets with the objective of improving the funding level.

#### Investment Activity

The fall in the value of the hedging assets over the year meant that more cash was required in the LDI portfolio to cover potential collateral calls, resulting in the realisation of a modest amount of growth assets.

A new investment of £10m in insurance linked securities was made in Q4 2017 via the Securis Event Fund. This was funded by an equivalent sale of global equities. The private equity investments are in their distribution phase and £2.9m was received over the year which was offset by drawdowns on the Highbridge private loan fund, also of £2.9m. Finally, the Scheme switched its investment in absolute return bonds from the Kames Absolute Return Fund to the PIMCO Global Libor Fund.

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Schroders Investment Review for the 12 Months to 31 March 2018 (continued)

<b>Asset</b>	<b>Fund 31.03.17 %</b>	<b>Fund 31.03.18 %</b>
<b>Equity Portfolio</b>	<b>32.7</b>	<b>28.1</b>
Global	29.5	24.8
Emerging Markets	3.2	3.3
<b>Alternative Investments</b>	<b>35.9</b>	<b>41.1</b>
Property	5.5	6.6
Hedge Funds	5.8	5.7
Private Equity	4.9	4.3
Infrastructure	6.1	5.1
Risk Premia	11.9	12.3
Direct Lending	1.7	2.9
Insurance Linked	-	4.8
<b>Absolute Return Bonds</b>	<b>10.0</b>	<b>8.8</b>
<b>Cash</b>	<b>2.6</b>	<b>0.6</b>
<b>LDI Funds</b>	<b>18.8</b>	<b>21.4</b>
<b>Total</b>	<b>100</b>	<b>100</b>

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Top 20 Holdings at Investment Managers

Stock Name	£ (Millions)	Weight (%)
Schroder Pension Mgmt Ltd Schroder Life Qep Global Blend Fd Series 1 Acc	52,741,923	24.85
Sisf Strategic Beta Gbp Hedged I Accumulation	26,092,755	12.29
Pimco Funds Global Investors Series Global Libor Plus Bd Gbp Instl Acc Hdg	18,711,237	8.82
Schroder Matching Plus Synthetic Index Linked Gilt Fund (2038-2057) I Accumulation	15,878,571	7.48
Axa Uk Long Lease Property Fund	12,669,557	5.97
Sssf Sterling Liquidity Plus I Acc	10,874,174	5.12
Securis Event Fund (Gbp)	10,084,630	4.75
Schroder Matching Plus Synthetic Index Linked Gilt Fund (2028-2037) I Accumulation	9,014,767	4.25
Gmo Funds Plc Emerging Markets Equity Fund	7,133,961	3.36
Schroder Private Eq Fds Iv Fd Of Fds Cls B Shs (65% Paid)	6,379,624	3.01
Highbridge Private Loan Opportunities Fund Lp Usd	6,088,833	2.87
Hicl Infrastructure Company Limited Ordinary 0.01p	5,794,060	2.73
Schroder Matching Plus Synthetic Index Linked Gilt Fund (2058-2077) I Accumulation	5,332,060	2.51
International Public Partnerships Limited Ordinary 1p	5,029,820	2.37
Schroder Matching Plus Synthetic Index Linked Gilt Fund (2018-2027) I Accumulation	4,255,923	2.01
Tig Arbitrage Enhanced Limited Class B Sub-Class 1 Series 1	3,474,129	1.64
Tt Mid-Cap Europe Long/Short Fund Limited Class C Feeder	2,834,508	1.34
Highbridge Private Loan Opportunities Fund Lp Usd (Undrawn Commitment)	2,771,761	1.31
Concordia G-10 Fixed Income Relative Value Usd A Shares	2,700,862	1.27
Winton Futures Fund Ltd Class D Gbp November 2015 Series	1,751,480	0.83



## Trustee's Report

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### Summary of Contributions Payable for the year ended 31 March 2018

#### Statement of trustees' responsibilities in respect of contributions

The scheme's trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The scheme trustees are also responsible for keeping records of contributions received in respect of any active member of the scheme and for procuring that contributions are made to the scheme by the employers in accordance with the schedule of contributions.

#### Trustees' summary of contributions payable under the Schedule of Contributions in respect of the scheme year ended 31 March 2018

This summary of contributions has been prepared by, and is the responsibility of, the trustees. It sets out the employer and member contributions payable to the scheme under the Schedule of Contributions certified by the actuary on 3 June 2015 in respect of the scheme year ended 31 March 2018. The scheme auditor reports on contributions payable under the schedule in the auditor's Statement about Contributions.

During the year ended 31 March 2018, the contributions payable to the scheme by the employer were as follows:

<b>Contributions payable under the schedule of contributions</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Contributions from employers:</b>		
Normal contributions	3,130,946	3,189,771
Deficit funding contributions	1,963,287	2,002,251
Pension Argumentation	9,973	-
Administrative contributions	397,000	399,266
<b>Contributions from members:</b>		
Normal contributions	1,543,286	1,450,259
	<hr/>	<hr/>
	7,044,492	7,041,547
<b>Other contributions payable</b>		
Members' additional voluntary contributions	75,006	70,422
	<hr/>	<hr/>
<b>Total contributions reported in the financial statements</b>	<b>7,119,498</b>	<b>7,111,969</b>

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

During the year ended 31 March 2018, the deficit funding contributions payable to the Scheme by the employers were as follows:

College	Total received £	Payment frequency
Christ's	107,558	Monthly
Churchill	212,352	Monthly
Clare Hall	10,023	Monthly
Corpus Christi	-	n/a
Darwin	23,772	Monthly
Downing	39,105	Monthly
Emmanuel	14,543	Monthly
Girton	69,976	Monthly
Gonville & Caius	140,565	Monthly
Hughes Hall	6,111	Monthly
King's	136,777	Monthly
Lucy Cavendish	2,945	Annually
Magdalene	48,974	Monthly
Murray Edwards	62,097	Monthly
Newnham	24,375	Annually
Pembroke	99,290	Annually
Peterhouse	11,575	Monthly
Queens'	171,782	Monthly
Robinson	131,145	Monthly
St Catharine's	59,387	Monthly
St Edmund's	2,597	Monthly
St John's	401,899	Monthly
Selwyn	60,898	Monthly
Trinity Hall	90,844	Monthly
Wolfson	34,697	Monthly
<b>Total</b>	<b>1,963,287</b>	

The Trustee: CAMBRIDGE COLLEGES' SUPERANNUATION TRUSTEES LTD

Date: 31/8/18

 Director

# Cambridge Colleges' Federated Pension Scheme

## Independent auditors' report to the trustees

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### Opinion

We have audited the financial statements of Cambridge Colleges' Federated Pension Scheme (the 'scheme') for the year ended 31 March 2018 which comprise the fund account, the statement of net assets and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended [date] and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### Basis for opinion

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

### Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of trustees

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

In preparing the financial statements, the trustees are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to wind up the scheme, or have no realistic alternative but to do so.

# Cambridge Colleges' Federated Pension Scheme

## Independent auditors' report to the trustees (*continued*)

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Use of our report**

This report is made solely to the scheme's trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Paul Chapman (Senior Statutory Auditor)**  
For and on behalf of Peters Elworthy & Moore, Statutory Auditor  
Salisbury House, Station Road, Cambridge, CB1 2LA  
31 October 2018

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## **Independent Auditors' Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the Cambridge Colleges Federated Pension Scheme**

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We have examined the summary of contributions to the Cambridge Colleges' Federated Pension Scheme for the scheme year ended 31 March 2018 which is set out in the Trustees' Report on page 16.

In our opinion contributions for the scheme year ended 31 March 2018 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 3 June 2015.

### **Scope of work on Statement about Contributions**

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

### **Respective responsibilities of trustees and the auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the scheme's trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions. It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.



**Paul Chapman (Senior Statutory Auditor)**  
For and on behalf of Peters Elworthy & Moore, Statutory Auditor  
Salisbury House, Station Road, Cambridge, CB1 2LA  
31 October 2018

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

### Fund Account

	Note	2018 £	2017 £
<b>Contributions and Benefits</b>			
Contributions receivable	3	7,119,498	7,111,969
Other Income	4	96,888	124,723
		<u>7,216,386</u>	<u>7,236,692</u>
Benefits payable	5	7,616,894	7,768,139
Payments to and on account of leavers	6	302,951	555,589
Other payments	7	528,837	489,723
Administration expenses	8	930,944	646,913
		<u>9,379,626</u>	<u>9,460,364</u>
<b>Deficit from dealings with members</b>		<u>(2,163,240)</u>	<u>(2,223,672)</u>
<b>Returns on investments</b>			
Investment income	9	1,402,930	1,108,358
Change in market value of investments	10	2,350,732	45,778,493
Investment management expenses	11	(477,588)	(414,734)
<b>Net return on investments</b>		<u>3,276,074</u>	<u>46,472,117</u>
<b>Net increase in fund during the period</b>		1,112,834	44,248,445
<b>Net Assets of the Scheme at 1 April 2017</b>		212,014,868	167,766,423
<b>Net Assets of the Scheme at 31 March 2018</b>	12	<u>213,127,702</u>	<u>212,014,868</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

### Statement of Net Assets

	Note	2018 £	2017 £
<b>Investments</b>	13	212,229,930	211,984,234
<b>Current Assets</b>			
Cash at Bank		1,206,976	430,051
Deposit account		87,809	87,764
Debtors	14	<u>182,353</u>	<u>215,922</u>
		1,477,138	733,737
<b>Less Current Liabilities</b>			
Creditors	15	<u>579,366</u>	<u>703,103</u>
<b>Net Current Assets</b>		897,772	30,634
<b>Net Assets of the Scheme at 31 March 2018</b>		<u><u>213,127,702</u></u>	<u><u>212,014,868</u></u>

These financial statements were approved by the Trustee on **31<sup>st</sup> April 2018** and were signed on behalf of the Trustee by:

~~Mr J Wells~~ *Mrs C James* Director

*myames*

Mrs S Clayson Director

*S Clayson*

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the report on Actuarial Liabilities on page 12 of this Annual Report and these financial statements should be read in conjunction with them.

The notes on pages 22 to 33 form part of these financial statements.

### Notes to the Financial Statements

#### 1 Basis of preparation

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

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits falling due after the end of the scheme year.

#### 2 Accounting policies

The principal accounting policies of the scheme are as follows:

##### a) Investments

- i. Investments are included at fair value
- ii. The majority of listed investments are stated at their bid price at the date of the Net Asset Statement.
- iii. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.
- iv. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.
- v. Derivatives are stated at fair value.
  - Exchange traded derivatives are stated at fair value determined using market quoted prices.
  - Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
  - Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the yearend date
  - Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
  - All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.
  - Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

##### b) Investment income

- i. Dividends from quoted securities are accounted for when the security is declared ex-div.
- ii. Interest is accrued on a daily basis.

**Notes to the Financial Statements**

- iii. Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in Market Value'
  - iv. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- c) Foreign currencies
- The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year-end date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the 'Change in Market Value' of investments during the year.
- d) Contributions
- i. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions.
  - ii. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are being paid.
- e) Payments to members
- i. Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.
  - ii. Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged.
  - iii. Group transfers are accounted for in accordance with the terms of the transfer agreement.
- f) Expenses
- Expenses are accounted for on an accruals basis. The Scheme bears all the costs of administration.



# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

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### Notes to the Financial Statements

#### 3 Contributions Receivable

	2018	2017
	£	£
From members		
Ordinary contributions	1,543,286	1,450,259
Additional voluntary contributions	75,006	70,422
	<u>1,618,292</u>	<u>1,520,681</u>
From employers		
Ordinary contributions	3,130,946	3,189,771
Deficit funding contributions	1,963,287	2,002,251
Pension Argumentation	9,973	-
Administrative contributions	397,000	399,266
	<u>7,119,498</u>	<u>7,111,969</u>

#### 4 Other Income

	2018	2017
	£	£
Management fee rebate received from investment managers	17,165	2,829
Death in service lump sums received from insurer	79,723	121,894
	<u>96,888</u>	<u>124,723</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

### Notes to the Financial Statements

#### 5 Benefits Payable

	2018 £	2017 £
Pensions payments to retired members	6,019,661	5,724,106
Lump sum payment on retirement	1,452,820	1,918,872
Death in service lump sum paid	79,723	121,894
Death in deferment lump sum paid	62,393	3,267
Full Commutation	2,297	-
	<u>7,616,894</u>	<u>7,768,139</u>

#### 6 Payments to and on account of Leavers

	2018 £	2017 £
Refunds of contributions to members	10,808	12,183
Tax on refunds of contributions	3,251	2,794
Transfer values paid	288,892	540,612
	<u>302,951</u>	<u>555,589</u>

#### 7 Other Payments

	2018 £	2017 £
Premiums for insured benefits	528,837	489,723
	<u>528,837</u>	<u>489,723</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

### Notes to the Financial Statements

#### 8 Administrative Expenses

	2018 £	2017 £	
<b>Regulatory Costs</b>			
PPF Levy	245,585	223,117	
PPF Admin Levy	18,757	10,127	
Pension Regulator Levy	6,847	6,904	
	271,189	240,148	
<b>Other Costs</b>			
Contribution to Salaries and Co. Secretary's Honorarium	208,790	204,035	
Investment advisor fees	106,890	63,000	
Actuarial Fees - Valuation	229,134	29,826	
Actuarial Fees - Investment Support	15,288	3,240	
Actuarial Fees - General	13,542	41,124	
Legal Fees	28,819	20,949	
Financial advisor fees	24,250	17,250	
Trustees indemnity insurance	14,072	13,820	
Audit and accountancy fees	8,000	9,019	
Printing & Stationery	2,622	1,149	
Medical reports	40	-	
Bank fees	733	463	
Office Expenses and Computer charges	7,507	2,777	
Trustee Training	68	113	
Other	-	-	
Registrar of Companies	-	-	
	659,755	406,765	
	930,944	646,913	

#### 9 Investment Income

	2018 £	2017 £
Dividends: Property	366,863	471,874
Dividends: Equities	1,036,032	630,308
Tax reclaim	-	2,341
Interest on cash deposits: Schroders	-	3,798
Interest on cash deposits: Bank of Scotland	35	35
	1,402,930	1,108,356
	1,402,930	1,108,356

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

### Notes to the Financial Statements

#### 10 Change in market value of Investments

	2018 £	2017 £
Market value of investments at 1 April	211,736,204	165,748,479
Cost of investments purchased	136,618,099	129,058,882
Proceeds of investments sold	(139,871,927)	(128,849,650)
Change in market value	<u>2,350,732</u>	<u>45,778,493</u>
Market value of investments at 31 March	<u><u>210,833,108</u></u>	<u><u>211,736,204</u></u>

#### 11 Investment Management Expenses

	2018 £	2017 £
Schroders Management expenses	<u>477,588</u>	<u>414,734</u>

#### 12 Pension Fund

	£	2017 £	£	2016 £
<b><u>General account</u></b>				
Balance at 1st April	213,118,233		168,860,301	
Net movement in year	1,112,834		44,248,445	
Transfer	<u>256,837</u>		<u>9,487</u>	
Balance at 31st March		214,487,904		213,118,233
<b><u>Administration account</u></b>				
Balance at 1st April	(1,103,365)		(1,093,878)	
Transfer	<u>(256,837)</u>		<u>(9,487)</u>	
Balance at 31st March		(1,360,202)		(1,103,365)
Pension Fund at 31st March		<u><u>213,127,702</u></u>		<u><u>212,014,868</u></u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

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### Notes to the Financial Statements

#### 13 Investments

	2018 £	2017 £
Equities	131,421,267	131,013,739
Fixed Income	53,192,558	55,430,736
Property Unit Trusts	12,669,557	11,569,496
Unit Trusts	10,874,174	10,896,769
Hedge Funds	2,700,862	2,762,569
Derivatives	(25,310)	62,896
	<u>210,833,108</u>	<u>211,736,205</u>
Cash	1,396,822	248,029
Total	<u><u>212,229,930</u></u>	<u><u>211,984,234</u></u>

#### 14 Debtors

	2018 £	2017 £
College Contributions	182,172	215,922
Payroll Returns	181	-
	<u>182,353</u>	<u>215,922</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

### Notes to the Financial Statements

#### 15 Creditors

	2018	2017
	£	£
Staff Costs	98,007	106,051
Investment Management Fee	96,428	358,906
Inland Revenue	73,282	67,307
Death in Service Payment	53,101	51,716
Investment advisor	-	21,000
Retirement lump sums	215,208	59,810
PPF Levy	14,072	-
Actuarial advice	19,776	3,876
Audit fee	8,000	8,000
Trustees indemnity insurance	-	13,820
Refunds	304	-
Legal Fees	1,125	12,616
Other Creditors	63	-
	<u>579,366</u>	<u>703,102</u>

#### 16 Concentration of investment

The following investments account for more than 5% of the scheme's net assets:-

	2018	2017
	£	£
Schroder Pen Mgmt L To Schroder Life Qep Glo Blend Fd Ser 1 Acc	52,741,923	62,680,313
Sisf Strategic Beta 10 Gbp Hedged I Acc	26,092,755	25,276,457
Kames Capital Invt Co(Ireland)Plc Absolute Return Bond C Acc Nav	18,711,237	21,212,687
Schroder Matching Plus Syn Ind Linked Gilt Fund (2038-2057) I Acc	15,878,571	15,361,426
Axa Uk Long Lease Property Fund	12,669,557	11,569,496
Sssf Sterling Liquidity Plus I Acc	10,874,174	10,896,769

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

### Notes to the Financial Statements

#### 17 Administration Account

	£	2018 £	£	2017 £
<u>Income</u>				
Administration Charges from Colleges	674,072		637,391	
Deposit Account Interest	35		35	
		674,107		637,426
<u>Expenditure</u>				
Contribution to Salaries and Co. Secretary's Honarium	208,790		204,035	
PPF Levy	245,585		223,117	
PPF Admin Levy	18,757		10,127	
Pension Regulator Levy	6,847		6,904	
Investment advisor fees	106,890		63,000	
Actuarial Fees - Valuation	229,134		29,826	
Actuarial Fees - Consultation	15,288		3,240	
Actuarial Fees - General	13,542		41,124	
Financial advisor fees	24,250		17,250	
Legal Fees	28,819		20,949	
Trustees indemnity insurance	14,072		13,820	
Audit and accountancy fees	8,000		9,019	
Printing & Stationery	2,622		1,149	
Medical reports	40		-	
Bank fees	733		463	
Office Expenses and Computer charges	7,507		2,777	
Trustee Training	68		113	
		930,944		646,913
Net increase/(decrease) charged to income		(256,837)		(9,487)
Total absorbed within the fund since inception of scheme		(1,360,202)		(1,103,365)

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2018

### Notes to the Financial Statements

#### 18 Transaction costs

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

#### 19 Investment fair value hierarchy

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

- Category (a) The quoted price for an identical asset in an active market.
- Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.
- Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique which uses:
- (c) (i) observable market data; or
  - (c) (ii) non-observable data.

For the purposes of this analysis daily priced funds have been included in (a) and actuarially valued annuity contracts in (c) (ii).

The scheme's investment assets have been fair valued using the above hierarchy categories as follows:

As at 31 March 2018	Category (a) £	Category (b) £	Category (c) (i) £	Category (c) (ii) £	TOTAL £
Listed equities	131,421,267	-	-	-	131,421,267
Fixed income	-	53,192,558	-	-	53,192,558
Property Unit trusts	-	-	12,669,557	-	12,669,557
Unit trusts	-	-	10,874,174	-	10,874,174
Hedge Funds	-	-	2,700,862	-	2,700,862
Derivatives	-	-	(25,310)	-	(25,310)
Cash	1,396,822	-	-	-	1,396,822
<b>Total</b>	<b>132,818,089</b>	<b>53,192,558</b>	<b>26,219,283</b>	<b>-</b>	<b>212,229,930</b>
As at 31 March 2017	Category (a) £	Category (b) £	Category (c) (i) £	Category (c) (ii) £	TOTAL £
Listed equities	131,013,739	-	-	-	131,013,739
Fixed income	-	55,430,736	-	-	55,430,736
Property Unit trusts	-	-	11,569,496	-	11,569,496
Unit trusts	-	-	10,896,769	-	10,896,769
Hedge Funds	-	-	2,762,569	-	2,762,569
Derivatives	-	-	62,896	-	62,896
Cash	248,029	-	-	-	248,029
<b>Total</b>	<b>131,261,768</b>	<b>55,430,736</b>	<b>25,291,730</b>	<b>-</b>	<b>211,984,234</b>



### Notes to the Financial Statements

#### 20 Investment risks

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

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

■ **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

■ **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

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

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

Further information on the Trustees' approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

#### (i) Credit risk

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

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

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

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of

### Notes to the Financial Statements

investments amongst a number of pooled arrangements. Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager.

#### (ii) Currency risk

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

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

#### (iii) Interest rate risk

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

#### (iv) Other price risk

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

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

### 21 Contingent liabilities and commitments

Other than the liability to pay future retirement benefits, there were no contingent liabilities or capital commitments as at 31 March 2018.

### 22 Related party transactions

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

### Statement of Trustees' Responsibilities for the Financial Statements

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The audited Financial Statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view, of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Financial Statements have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the Financial Statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for making available each year, commonly in the form of a trustees' annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustees also have certain responsibilities in respect of contributions which are set out in the statement of Trustees' responsibilities accompanying the Trustees' summary of contributions.

The Trustees have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

# Cambridge Colleges' Federated Pension Scheme

## Appendix

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1. Summary of Contributions Payable for each College
2. Actuary's Certification of Schedule of Contributions

# Cambridge Colleges' Federated Pension Scheme

CCFPS' SCHEDULE OF CONTRIBUTIONS - SUMMARY FOR ACCOUNTING PURPOSES  
Source: Triennial Actuarial Valuation as at 31 March 2014

Notes	Start Date	End Date	Date of certification	Employee Rate	Admin Contribution p/e	DIS Rate	GP Rate	Retirement Rate (up to 31 March 2016)	Retirement Rate (from 1 April 2016)	Total Employer Rate (up to 31 March 2016)	Total Employer Rate (from 1 April 2016)	
<b>Contracted-out Colleges with BSP Ombet Removed</b>												
Chris's College	10	01/07/2015	31/03/2034	03/05/2015	10.00	20,313.00	1.23	0.88	12.30	10.17	14.41	12.28
Churchill College	11	01/07/2015	31/03/2034	03/05/2015	0.00	16,207.00	0.00	0.00	0.00	0.00	0.00	0.00
Copus Chris's College	12	01/07/2015	31/03/2034	03/05/2015	15.00	11,544.00	1.88	0.00	8.71	6.31	10.69	8.19
Downing College	13	01/07/2015	31/03/2034	03/05/2015	16.00	10,076.00	2.00	0.00	15.39	12.36	17.42	14.38
Emmanuel College	14	01/07/2015	31/03/2034	03/05/2015	6.00	16,394.00	1.07	1.01	16.29	13.75	19.26	16.73
Girton College	15	01/07/2015	31/03/2034	03/05/2015	6.00	24,838.00	1.61	0.81	14.11	11.91	16.53	14.33
Gonville & Caius College	(5) 16	01/07/2015	31/03/2034	04/03/2016	6.35	28,117.00	1.87	0.80	19.37	15.03	22.13	17.78
Magdalene College	17	01/07/2015	31/03/2034	03/05/2015	15.00	11,849.00	1.97	0.00	15.02	11.94	16.80	13.81
Murray Edwards College	18	01/07/2015	31/03/2034	03/05/2015	15.00	10,627.00	0.57	0.81	12.72	10.41	14.10	11.79
Newham College	19	01/07/2015	31/03/2034	03/05/2015	8.00	9,710.00	1.75	0.82	19.88	16.94	22.48	19.51
Pembroke College	(1) 20	01/07/2015	31/03/2034	03/05/2015	8.11	13,237.00	1.79	0.85	20.09	18.15	22.83	20.80
Peterhouse	21	01/07/2015	31/03/2034	03/05/2015	6.00	16,800.00	1.53	0.84	19.28	16.74	21.75	19.21
Queens' College	(2) 22	01/07/2015	31/03/2029	04/03/2016	6.35	26,160.00	1.89	0.84	16.03	12.98	18.88	15.81
Selwyn College	(6) 23	01/07/2015	31/03/2034	04/03/2016	6.35	16,326.00	1.86	0.00	17.64	14.04	20.30	18.00
St Catharine's College	24	01/07/2015	31/03/2034	03/05/2015	6.00	16,210.00	1.79	0.82	19.73	11.79	16.44	14.50
St John's College	25	01/07/2015	31/03/2024	03/05/2015	6.00	44,266.00	1.34	0.88	16.78	14.57	19.00	16.70
Tinity Hall	26	01/07/2015	31/03/2034	03/05/2015	12.00	16,944.00	1.04	0.03	11.34	8.96	14.21	11.83
<b>Contracted-out Colleges with BSP Ombet Retained</b>												
Kings' College	27	01/07/2015	31/03/2034	03/05/2015	15.00	20,666.00	2.30	1.48	22.91	18.31	26.38	22.60
Robinson College	28	01/07/2015	31/03/2034	03/05/2015	8.50	17,124.00	2.36	0.00	17.83	16.89	20.49	18.45
<b>Contracted-in Colleges with BSP Ombet Removed</b>												
Clare Hall	29	01/07/2015	31/03/2034	03/05/2015	6.00	7,600.00	1.80	0.88	15.09	15.76	17.06	16.03
Darwin College	30	01/07/2015	31/03/2034	03/05/2015	6.00	12,273.00	1.71	0.78	14.74	15.88	17.23	16.35
Lucy Cavendish College	31	01/07/2015	31/03/2034	03/05/2015	0.00	3,914.00	0.00	0.00	0.00	0.00	0.00	0.00
St Edmund's College	(3) 32	01/07/2015	31/03/2034	03/05/2015	6.00	5,704.00	1.60	0.82	15.34	15.00	17.78	16.02
Wolton College	(4) 33	01/07/2015	31/03/2034	03/05/2015	4.00	13,032.00	2.02	0.95	16.04	17.20	19.02	20.16
<b>Contracted-in Colleges with BSP Ombet Retained</b>												
Hughes Hall	34	01/07/2015	31/03/2034	03/05/2015	8.00	3,766.00	2.50	1.28	20.22	23.41	24.00	27.19

**College Notes:**

- Pembroke College  
Employee Rate will reduce to 7.14% on 1 April 2016.
- Queens' College  
Employee Rate will increase to 7.10% on 1 April 2016, 7.65% on 1 April 2017, 8.60% on 1 April 2018 and 9.35% on 1 April 2019.  
Retirement Rate paid by the College will reduce to 12.23%, 11.46%, and 10.73% on the same dates as a result.
- St Edmund's College  
Employee Rate will increase to 6.5% on 1 August 2016, and 6.0% on 1 August 2017.  
Retirement Rate paid by the College will reduce to 14.1%, and 12.6% on the same dates as a result.
- Wolton College  
Employee Rate will increase by 1% on 1 July each year to 8.0% from 1 July 2016.  
Retirement Rate paid by the College will be reduced by 1% on each 1 July as a result to 13.2% from 1 July 2016.
- Gonville & Caius College  
Employee Rate will increase to 6.0% on 1 April 2016.
- Selwyn College  
Employee Rate will increase to 7.5% on 1 April 2016.

**General notes:**

- The allowance for administration expenses covers all of the expenses of administering the Scheme in relation to the College, except directly attributable legal and actuarial expenses and PPF levies.
- Monthly contributions are to be paid towards the Scheme on or before the 4th of the calendar month following that to which the payment relates.
- Contribution Pay is defined as:  
If a College with BSP Ombet removed, the gross taxable earnings for the week or month.  
If a College with BSP Ombet retained, the 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,  $4 \frac{1}{2} \times$  the currently weekly single person's flat rate state retirement pension in force on the last day of the month.
- Additional Voluntary Contributions are not included in the schedule but may be paid in addition.
- If a member participates in a Salary Sacrifice Arrangement for their contributions, then the College will pay the Employee's contributions on their behalf.

## Actuary's Certification of Schedule of Contributions

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**Name of Scheme** Cambridge Colleges' Federated Pension Scheme

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**Participating College** As specified in the above Schedule

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**Adequacy of Rates of Contributions** a) If the Schedule shows a deficit at 31 March 2014

I hereby certify that, in my opinion, the rates of contribution shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2014 to be met by the end of the period specified in the Recovery Plan.

b) If the Schedule does not show a deficit at 31 March 2014

I hereby certify that, in my opinion, the rates of contribution shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2014 to continue to be met for the period for which the Schedule is to be in force.

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**Adherence to Statement of Funding Principles** I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 3 June 2015.

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

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Signed : *Robert J. Sweet* Date: As specified in Schedule

Name : R J Sweet Qualification: Fellow of the Institute and Faculty of Actuaries

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