

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

REGISTERED NUMBER. 101147703
YEAR ENDED 31 MARCH 2019

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**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

TRUSTEES AND ADVISORS

TRUSTEE

Cambridge Colleges Superannuation
Trustees Ltd

Employer nominated Directors:

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

Member nominated Directors:

Mr B Clarke
Mrs C James
Mr C Austin

SECRETARY AND ADMINISTRATOR

Mrs S E Curryer

INVESTMENT CONSULTANTS

Redington Limited

SCHEME ACTUARY

Mr R Sweet
Cartwrights Consulting

INDEPENDENT AUDITORS

Ensors Accountants LLP
(Appointed 8 March 2019)

Peters Elsworthy and Moore
(Resigned 17 Decemer 2018)

LEGAL ADVISORS

Mills & Reeve LLP

PRINCIPAL EMPLOYERS

Full list of the colleges can be found on page 29.

BANKERS

Barclays Bank plc
Bank of Scotland plc

INVESTMENT MANAGERS AND ADVISORS

Schroders Investment Management

INSURED BENEFITS ADVISORS

Beckett Financial Services

INVESTMENT CUSTODIANS

JPMorgan Chase & Co

ENQUIRIES

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

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

TRUSTEES' REPORT

For the year ended 31 March 2019

The Trustees have pleasure in submitting their annual report on the operations of the Cambridge Colleges' Federated Pension Scheme ("the Scheme"), together with accounts for the year ended 31 March 2019. The accounts have been prepared and audited in accordance with Section 41(1) and (6) of the Pensions Act 1995.

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

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

The Company Secretary and Scheme Administrator throughout the year was:

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

Email: pensionsonline@admin.cam.ac.uk

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

Financial Development of the Scheme

The Fund's net assets increased during the year by £15.6m to £228.76m at 31 March 2019.

The deficit for the year in dealings with members was £1.14m

The overall capital value of the Scheme's investments, including cash at the Investment Managers, increased by £14.68m. Further details of the financial development of the Fund may be found in the audited financial statements on pages 14 to 25 of this report.

For the period 1 April 2018 to 31 March 2019 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 2019 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
YEAR ENDED 31 MARCH 2019**

TRUSTEES' REPORT (continued)
For the year ended 31 March 2019

Membership Statistics

Active Members	
Active members at 1 April 2018	786
Adjustment for late notification	-4
New members during year	33
	815
Less:	
Leavers before retirement age (excluding death in service)	20
Retired during the year	35
Died in service	2
To deferred	31
	88
Active members at 31 March 2019	727

Pensioners	
Pensions in payment at 1 April 2018	1370
Adjustment for late notification	10
	1380
Retirements during year	35
Deferred pensioners retired during year	23
Widow/ers of pensioners	16
	74
Pensioners dying during year	46
Pensions in payment at 31 March 2019	1408

Deferred Members	
Deferred members at 1 April 2018	818
Adjustment for late notification	2
Active members to deferred	31
	851
Deferred retirements	23
Deferred transfers outs	4
Death in deferment	2
	29
Deferred members at 31 March 2019	822

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

TRUSTEES' REPORT (continued) **For the year ended 31 March 2019**

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
3.3%	1 November 2018
3.9%	1 November 2017
2.0%	1 November 2016
0.8%	1 November 2015
2.3%	1 November 2014
3.2%	1 November 2013
2.6%	1 November 2012
5.6%	1 November 2011
4.6%	1 November 2010
0.0%	1 November 2009
5.0%	1 November 2008

Preserved pensions are increased in line with the statutory requirements.

GMP Equalisation

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

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

Transfer Values

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

Additional Voluntary Contributions (AVCs)

The fund has no separately invested AVCs.

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

YEAR ENDED 31 MARCH 2019

TRUSTEES' REPORT (continued) **For the year ended 31 March 2019**

Actuarial Position and Contributions

The formal actuarial certificate required by statute to be included in this Annual Report appears on page 29. In addition, as required by FRS102, the Trustees have included the Report on Actuarial Liabilities on pages 30 - 33, which forms part of the trustees' report.

Change of Scheme Auditors

On 17 December 2018 Peter Elworthy and Moore resigned as the Scheme's auditors and Ensors Accountants LLP were appointed on 8 March 2019. There are no circumstances surrounding the resignation that need to be brought to the members' attention.

The Pensions Regulator

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

Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for 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; and
- reports on outstanding work in the Scheme Office and the reasons for the work being outstanding.

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

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

YEAR ENDED 31 MARCH 2019

TRUSTEES' REPORT (continued)

For the year ended 31 March 2019

Trustee Knowledge and Understanding (continued)

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.

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

Name	Additional information
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

During the year ended 31 March 2019, there were no employer related investments as defined in Section 40 of the Pensions Act 1995.

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

TRUSTEES' REPORT (continued) For the year ended 31 March 2019

Report of the Investments Sub Committee for the year ended 31 March 2019

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 2019 the Scheme was 85.6% funded on the Technical Provision basis.

Returns from the Scheme's growth asset portfolio were positive over the period. Although global equities made gains in spring 2018, thanks to resilient earnings, this was against mounting concern over trade disputes and an unsettled geopolitical backdrop. In Q3 2018 the US market powered ahead while other regions lagged, and Q4 2018 saw sharp declines in nearly all markets as trade worries and fears about slowing growth took hold. But early 2019 saw a strong rebound thanks to central banks' dovish pivot and the easing of trade concerns.

The Scheme's investment in global equities returned 7.5% over the period, whilst the hedge fund portfolio returned 5.7%. The private equity investments distributed circa £3M over the period as those assets continued to mature. Similarly, circa £5M was received from the maturing Insurance Linked Securities managed by Securis. Returns from the Strategic Beta portfolio disappointed over the period delivering a negative return.

The Scheme's current LDI strategy is to hedge to the Technical Provisions funding ratio minus 5%. 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.

Towards the end of the period, and in line with the Trustees' instructions, the sterling cash balances were permitted to rise above £3M rather than any excess invested in PIMCO Absolute Return Bond Fund. This was in recognition of the changes to be implemented arising from the investment strategy review that was nearing completion.

Mr. Summers retired from the Committee at the end of the year. We would like to thank him for his great service and wise counsel.

Tim Harvey-Samuel - Chair, Investment Committee June 2019

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

YEAR ENDED 31 MARCH 2019

INVESTMENT REPORT

For the year ended 31 March 2019

Schroders Investment Review for the year to 31 March 2019

Market Review

Returns from the Scheme's growth asset portfolio were positive over the year, although global equities made gains in spring 2018, thanks to resilient earnings, this was against mounting concern over trade disputes and an unsettled geopolitical backdrop. In Q3 the US market powered ahead while other regions lagged, and Q4 saw sharp declines in nearly all markets as trade worries and fears about slowing growth took hold. But early 2019 saw a strong rebound thanks to central banks' dovish pivot and the easing of trade concerns. Private equity performed well 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 strategic beta which gave a negative return over the period. The Scheme's liability matching investments rose in value as real yields fell over the year. Despite rising liabilities, the funding level improved over the year as growth assets performed strongly with the exception of Q4 2018.

Fund Performance

The Scheme's total return for the year including hedging assets was 8.4%. The Scheme's growth portfolio returned 4.7%.

Investment Approach

The Scheme's LDI strategy is to hedge to the value of 93.5% of the Scheme assets. 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 one was reached in Q2 resulting in the Hedge Benchmark being re-struck and there was a small increase in LDI coverage to bring it in line with the target.

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 private equity investments distributed circa £3M over the period as those assets continued to mature. Similarly, circa £5M was received from the maturing Insurance Linked Securities managed by Securis.

As cash levels rose, then much of the above cash receipts were invested in the PIMCO Absolute Return Bond Fund over 2018. Towards the end of the period, and in line with the Trustees' instruction, the sterling cash balances were permitted to rise above £3M rather than any excess invested in PIMCO Absolute Return Bond Fund. This was in recognition of the investment strategy review that was nearing completion.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

INVESTMENT REPORT (continued)
For the year ended 31 March 2019

Schroders Investment Review for the year to 31 March 2019 (continued)

Asset Allocation

Asset Class	Fund 31.03.18 %	Fund 31.03.19 %
Equity Portfolio	28.1	27.6
Global	24.8	24.7
Emerging Markets	3.3	2.9
Alternative Investments	41.1	36.6
Property	6.0	6.0
Hedge Funds	5.7	5.7
Private Equity	4.3	3.6
Infrastructure	5.1	5.3
Risk Premia	12.3	11.1
Direct Lending	2.9	3.2
Insurance Linked	4.8	1.7
Absolute Return Bonds	8.8	11.5
Cash	0.6	2.7

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

For the year ended 31 March 2019

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 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 judgments on a reasonable and prudent basis. They are also responsible for making available each year, commonly in the form of a trustee's 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.

Trustees responsibilities in respect of contributions

The Trustees are responsible under pension legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

STATEMENT OF TRUSTEE'S RESPONSIBILITIES (continued)
For the year ended 31 March 2019

Further Information

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

Approval

The Trustees' report was approved by the Trustees on 3/7/2019 And signed on their behalf by:

Director: S. Clays

Director: C. Pratt

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

INDEPENDENT AUDITORS' REPORT

to the Trustees of Cambridge Colleges' Federated Pension Scheme

Opinion

We have audited the financial statements of Cambridge Colleges' Federated Pension Scheme for the year ended 31 March 2019 which comprise the fund account, the net assets statement and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland".

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 and 3A of the Occupational Pension schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

Basis of opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The 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.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

INDEPENDENT AUDITORS' REPORT

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

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement set out on page 10, 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 Trustee's either intend to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx> This description forms part of our auditor's report.

Use of our report

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



Ensors Accountants LLP
Chartered Accountants
& Statutory Auditors
IPSWICH

Date 30.3.19

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Contributions and benefits			
Employer contributions		6,711,503	5,501,206
Employee contributions		1,616,089	1,618,292
Total contributions	3	8,327,592	7,119,498
Other Income	4	284,069	96,888
		8,611,661	7,216,386
Benefits payable	5	8,010,182	7,616,894
Payments to and on account of leavers	6	316,618	302,951
Administrative expenses	7	779,129	930,944
Other payments	8	642,008	528,837
		9,747,937	9,379,626
Net (withdrawals) from dealings with members		(1,136,276)	(2,163,240)
Return on investments			
Investment income	9	2,635,018	1,402,930
Investment management fees	10	(500,120)	(477,588)
Change in market value	12	14,650,563	2,350,732
Net return on investments		16,785,461	3,276,074
Net increase in the fund during the year		15,649,185	1,112,834
Net assets of the scheme as at 1 April 2018		213,127,702	212,014,868
Net assets of the scheme as at 31 March 2019		228,776,887	213,127,702

The notes on pages 16 to 25 form part of the financial statements.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**


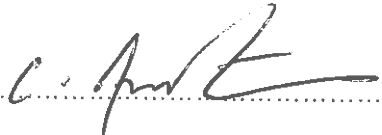
NET ASSETS STATEMENT AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Investments:			
Pooled investment vehicles	12	225,537,627	210,858,418
Derivatives	14	(96,880)	(25,310)
Cash		2,771,449	1,396,822
Total investments		228,212,196	212,229,930
Current assets	18	774,628	1,477,138
Current liabilities	19	(209,937)	(579,366)
Total net assets of the scheme at 31 March 2019		228,776,887	213,127,702

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme period. The actuarial position of the Scheme, which does take account of such obligations for the defined benefit section, is dealt with in the Report on Actuarial Liabilities on pages 30 to 33 of the Annual Report and these financial statements should be read in conjunction with that report.

The notes on pages 16 to 25 form part of the financial statements.

The financial statements on pages 14 to 25 were approved by the Trustees on 31/3/2019 and signed on their behalf by:

Director:  Director: 

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

YEAR ENDED 31 MARCH 2019

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, Financial Reporting Standard 102 – the Financial Reporting standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“FRS102”) and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (revised November 2014). (“the SORP”) with the exception of the investment report..

2. Accounting policies

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

a) Foreign currencies

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

b) Contributions

- (i) Employee normal contributions are accounted for when deducted from pay. Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as employees’ contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions.
- (ii) Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are being paid.
- (iii) Employer other contributions are accounted for in the period they are due under the Schedule of Contributions.

c) Payments to members

- (i) Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.
- (ii) Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Accounting policies (continued)

d) Investment income

- i. Interest is accrued on a daily basis.
- ii. Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in market Value'.
- iii. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

e) Expenses

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

f) Investments

- (i) Investments are included at fair value.
- (ii) Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.
- (iii) Derivatives are stated at fair value.
 - Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date.
 - Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
 - All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.
 - Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Contributions

	2019	2018
	£	£
Employer:		
Normal	3,991,957	3,130,946
Augmentation	-	9,973
Deficit funding*	2,273,738	1,963,287
Other	445,808	397,000
Members:		
Normal	1,553,961	1,543,286
Additional Voluntary Contributions	62,128	75,006
	8,327,592	7,119,498

* The Scheme received deficit funding contributions of £2,273,738 (2018: £1,963,287) in the year in relation to the Recovery Plan commencing 1 July 2018.

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

4. Other Income

	2019	2018
	£	£
Management fee rebates	-	17,165
Death in service lump sums	284,069	79,723
	284,069	96,888

5. Benefits payable

	2019	2018
	£	£
Pensions	6,425,039	6,019,661
Commutations and lump sum retirement benefits	1,477,885	1,455,117
Lump sum death benefits	107,258	142,116
	8,010,182	7,616,894

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Payments to and on account of leavers

	2019	2018
	£	£
Refunds of contributions	15,122	10,808
Tax on refunds of contributions	5,346	3,251
Individual transfers out	296,150	288,892
	<hr/> 316,618	<hr/> 302,951

7. Administrative expenses

	2019	2018
	£	£
Administration and processing	28,058	31,889
PPF Levy	245,254	264,342
Actuarial fees	123,102	257,964
Audit fees	11,700	8,000
Trustee fees	209,257	208,790
Other professional fees	161,758	159,959
	<hr/> 779,129	<hr/> 930,944

8. Other payments

	2019	2018
	£	£
Premiums for insured benefits	642,008	528,837
	<hr/> 642,008	<hr/> 528,837

9. Investment income

	2019	2018
	£	£
Income from pooled investment vehicles	2,630,099	1,402,895
Interest on cash deposits	4,919	35
	<hr/> 2,635,018	<hr/> 1,402,930

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Investment management expenses

	2019	2018
	£	£
Management	500,120	477,588
	500,120	477,588

11. Tax

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

12. Reconciliation of net investments

	Value as at 1 April 2018 £	Purchases £	Sales £	Change in Market Value £	Value as at 31 March 2019 £
Pooled investment vehicles	210,858,418	47,741,582	(47,784,506)	14,722,133	225,537,627
Derivatives	(25,310)	3,466,491	(3,466,491)	(71,570)	(96,880)
	210,833,108	51,208,073	(51,250,997)	14,650,563	225,440,747
Cash deposits	1,396,822	51,535,645	(50,161,018)	-	2,771,449
Net investment assets	212,229,930	102,743,718	(101,412,014)	14,650,563	228,212,196

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

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

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

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Pooled Investment Vehicles (PIVs)

The holdings of PIVs are analysed below:

	2019	2018
	£	£
Equity funds	130,207,996	131,421,267
Fixed Income funds	59,446,270	53,192,558
Property unit trusts	13,666,937	12,669,557
Unit trusts	19,112,173	10,874,174
Hedge funds	3,104,251	2,700,862
	225,537,627	210,858,418

14. Derivatives

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

At the year end the Scheme had the following derivatives:

	2019	2019	2018	2018
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Forward foreign exchange contacts	1,221	(98,101)	546	(25,856)
	1,221	(98,101)	546	(25,856)

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

Forward foreign exchange contacts

	Settlement date	Currency bought	Currency sold	Asset Value	Liabilities Value
		\$	£	£	£
Forward FX – Euro	1 month	121,000	(104,355)		(842)
Forward FX – Euro	1 month	151,264	(175,390)	1,221	
Forward FX – USD	1 month	5,930,945	(7,738,149)		(41,943)
Forward FX – USD	1 month	7,821,906	(10,205,300)		(55,316)
Total 2019				1,221	(98,101)
Total 2018				546	(25,856)

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Investment Fair Value Hierarchy

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

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable for the asset or Liability)

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

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

At 31 March 2018	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	100,532,732	60,326,519	49,999,167	210,858,418
Derivatives	-	(25,310)	-	(25,310)
Cash	1,396,822	-	-	1,396,822
	101,929,554	60,301,209	49,999,167	212,229,930

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Investment Risks

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

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

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

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

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the 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 pooled investment vehicles and OTC derivatives and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles. The scheme is subject to further credit risk as the scheme has cash balances.

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

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

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Investment Risks (continued)

regulatory environments in which the pooled managers operate and the diversification of investments amongst a number of pooled arrangements. 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. The fund was invested in 57% of global equity funds.

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

(iii) Interest rate risk

The Scheme is subject to 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.

17. Concentration of Investments

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

	2019		2018	
	£	%	£	%
Schroder Pen Mgmt L To Schroder Life Qep Glo Blend Fd Ser 1 Acc	56,314,289	24.6	52,741,923	24.7
Pimco Funds Global Investors Series Global Libor Plus BD GBP Instl Acc Hdg	26,323,510	11.5	18,711,237	8.8
Sisf Strategic Beta 10 Gbp Hedged I Acc	25,384,566	11.1	26,092,755	12.2
Sssf Sterling Liquidity Plus I Acc	16,161,612	7.1	10,874,174	5.1
Axa UK Long Lease Property Fund	13,666,937	6.0	12,669,557	5.9

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Current Assets

	2019	2018
	£	£
Due from Sponsoring Employers	217,206	182,172
Other debtors	-	181
Cash at bank	557,422	1,294,785
	<u>774,628</u>	<u>1,477,138</u>

All contributions due to the Scheme relate to the month of March 2019 paid in part to the Scheme within the timescale required by the schedule of contributions currently in force. However the remaining contributions outstanding were less than 5% and therefore do not count as employer related investments.

19. Current Liabilities

	2019	2018
	£	£
Unpaid benefits	89,930	268,309
Accrued expenses	58,771	237,775
HMRC	61,236	73,282
	<u>209,937</u>	<u>579,366</u>

20. 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.

21. Contingencies & Commitments

In the opinion of the Trustees, the Scheme had no contingent liabilities at 31 March 2019 (2018: nil).

22. Employer-related investments

There were no employer-related investments during the year.

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

INDEPENDENT AUDITORS' STATEMENT CONTRIBUTIONS

Under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the Cambridge Colleges' Federation Pension Scheme.

We have examined the summary of contributions to the Cambridge Colleges' Federated Pension Scheme for the scheme year ended 31 March 2019 which is set out on the next page.

Respective responsibilities of trustees and the auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

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

Scope of work on statement about contributions


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

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the Scheme year ended 31 March 2019 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 28 June 2018.

Use of our report

This report is made solely to the Trustees, as a body in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our audit work has been undertaken so that we might state to the 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 the pension scheme and the pension Scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.


Ensors Accountants LLP
Chartered Accountants
& Statutory Auditors
IPSWICH

Date: 30.8.19

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME

YEAR ENDED 31 MARCH 2019

SUMMARY OF CONTRIBUTIONS

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 2019

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 2019. The Scheme auditor reports on contributions payable under the schedule in the auditor's Statement about Contributions.

During the year ended 31 March 2019, the contributions payable to the scheme by the employer were as follows:

Contributions payable under the schedule of contributions	2019	2018
	£	£
Contributions from employers:		
Normal contributions	3,991,957	3,130,946
Deficit funding contributions	2,273,738	1,963,287
Pension Argumentation	-	9,973
Administrative contributions	445,808	397,000
Contributions from members:		
Normal contributions	1,553,961	1,543,286
	<hr/> 8,265,464	<hr/> 7,044,492
Other contributions payable		
Members' additional voluntary contributions	62,128	75,006
Total contributions reported in the financial statements	<hr/> <hr/> 8,327,592	<hr/> <hr/> 7,119,498

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

SUMMARY OF CONTRIBUTIONS (continued)

During the year ended 31 March 2019, the deficit funding contributions payable to the Scheme by the employers were as follows:

College	Total received £	Payment frequency
Christ's	161,032	Monthly
Churchill	53,088	Monthly
Clare Hall	10,314	Monthly
Corpus Christi	-	n/a
Darwin	32,683	Monthly
Downing	39,105	Monthly
Emmanuel	56,705	Monthly
Girton	144,671	Monthly
Gonville & Caius	140,565	Monthly
Hughes Hall	6,111	Monthly
King's	136,777	Monthly
Lucy Cavendish	3,390	Annually
Magdalene	48,974	Monthly
Murray Edwards	62,097	Monthly
Newnham	24,375	Annually
Pembroke	120,220	Annually
Peterhouse	36,467	Monthly
Queens'	248,631	Monthly
Robinson	168,659	Monthly
St Catharine's	102,238	Monthly
St Edmund's	6,459	Monthly
St John's	401,899	Monthly
Selwyn	83,726	Monthly
Trinity Hall	150,576	Monthly
Wolfson	34,976	Monthly
Total	2,273,738	

The Trustee: CAMBRIDGE COLLEGES' SUPERANNUATION TRUSTEES LTD

Date: 31/7/2019

 Director

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

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

Name of Scheme: Cambridge Colleges' Federated Pension Scheme

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2017 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Management Committee acting as the Trustee of the Scheme and set out in the Statement of Funding Principles dated 28 June 2018.

Signed: *Robert J. Sweet*

Date: 28 June 2018

Name: Robert Sweet

Qualification: Fellow of the Institute and Faculty of Actuaries

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

Employer: Cartwright Group Limited

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

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

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

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

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

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

Method

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

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

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

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

Significant actuarial assumptions

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

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

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

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

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

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

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

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

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

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

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

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

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

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

Pension Increases in 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% per annum (2½% per annum for Pensionable Service after 5 April 2009).

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

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

CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME YEAR ENDED 31 MARCH 2019

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

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

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

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

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

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

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

This feature will be monitored at each future valuation.

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

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

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

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

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

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

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

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

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

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

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

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

These charges will be reviewed at each future valuation.

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

**CAMBRIDGE COLLEGES' FEDERATED PENSION SCHEME
YEAR ENDED 31 MARCH 2019**

APPENDIX 1 – PETERS ELWORTHY AND MOORE LETTER OF RESIGNATION



The Directors
Cambridge Colleges Superannuation Trustees Limited
Greenwich House,
Maddingley Rise,
Maddingley Road,
CAMBRIDGE
CB3 0TX

Email: jpanish@pem.co.uk

Our Ref: PRC/03207/JRP/11 *6367

Date: 17 December 2018

Dear Sirs,

Notice of resignation as Auditor of Cambridge Colleges Federated Pension Scheme

We hereby give you formal notice of our resignation as auditor of Cambridge Colleges Federated Pension Scheme ("the Scheme") with effect from the date of this letter

There are no circumstances connected with our resignation which we consider significantly affect the interests of the members or prospective members of, or beneficiaries under, the Scheme

The Trustees are reminded of their responsibility to appoint a replacement auditor within three months from the date of resignation as required by Regulation 5(6) of the Occupational Pensions (Scheme Administration) Regulations 1996.

Yours faithfully

Peters Elworthy & Moore

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