Contributory Pension Fund Annual Report & Accounts

for the year ended 31st December 2019

Cambridge University Press

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Fund Trustee report

Introduction
The Trustee presents its annual report on the Cambridge University Press Contributory Pension Fund, (the "Fund"), together with the investment report, actuary's statements, auditor's report and statements and audited financial accounts for the year ended 31 December 2019.

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

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

The Fund was established under irrevocable trusts with effect from 12 March 1930, and governed during 2019 by rules adopted on 21 April 2011, as subsequently amended (the "Rules"). To the extent that these Rules formally document the benefit structure for Cambridge Printing Services Ltd members for the first time, the Rules have backdated effect (so far as is lawful) from 1 September 2007.

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

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

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

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

Management of the Fund
The Fund is managed by a Trustee company called Press CPF Limited.

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

Fund Trustee report

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

Name of Trustee Director:	Press/member nominated:	Date term expires:
Simon Baynes Limited represented by Simon Baynes	Press	
Catherine Armor	Press	
John Haslam	Press	
Stanley Webster	Press	
Roger Astley	Member nominated	06/03/2024
Fiona Kelly	Member nominated	23/10/2023

Changes in Rules
There were no changes to the Rules during 2019.

Trustee meetings
Trustee meetings are normally held quarterly.

The Trustee of the SSPS, together with the trustee of the CPF, also meet jointly.

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

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

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in 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''.

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

Fund Trustee report

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

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

Advisers and service providers

Name	Advice/service provided
Mr Keith Williams FIA, First Actuarial LLP	Actuarial
Crowe U.K. LLP	Auditing of accounts
Barclays Bank PLC	Banking
Addleshaw Goddard LLP	Legal
Barnett Waddingham LLP	Investment Fund advice
Baillie Gifford Life Ltd	Fund management
Barings Investment Management Ltd	Fund management
Legal & General Investment Management	Fund management
CBRE	Fund management
Hermes	Fund management
Apollo	Fund management

Scheme administration

The day-to-day administration of the Scheme was provided throughout 2019 by the University of Cambridge Pensions Office led by Sue Curryer, Head of Pensions Administration. Mr Kevin Taylor remained as Scheme Administrator, responsible for organising Trustee meetings and managing liaison between Trustee, Press, University and advisers.

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

Transfer values

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

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

Increases in pension benefits

The Rules make provision for increases in pensions in payment and deferred pensions. Both pensions in payment and deferred pensions (excluding any benefits accrued under the Printing section post 1 September 2007) were increased from 1 January 2019 by a minimum 4% increase, as the actual increase in the Retail Price Index for the period October 2017 to October 2018 was 2.5%. Any proportion of pension accrued under the Printing section post 1 September 2007 was increased by 2.5%.These increases were made in accordance with the Rules.

Scheme membership

The total membership of the Scheme was 815 at 31 December 2019. The breakdown of this total, showing the movement between categories of members since the previous year, is:

Active members	**2019**	**2018**
Number at start of period	69	74
Transfers from Life assurance only	-	-
Transfers to deferred	-3	-1
Transfers to pensioners	-3	-4
Death in service	-	-
Number at end of period	**63**	**69**
Deferred members		
Number at start of period	193	212
Adjustment for late notification	1	0
Brought into payment	-6	-15
Transferred-out	-	-1
Transfers from Active membership	3	-1
Died	-	-2
Number at end of period	**191**	**193**
Pensioners		
Number at start of period	460	453
Transfers from active membership	3	4
Deferred into payment	6	15
Died	-11	-12
Number at end of period	**458**	**460**
Dependants in payment		
Number at start of period	106	106
Adjustment for late notification	-	2
New dependants	4	8
Dependant child pensions ceased	-	-4
Death of dependants	-7	-6
Number at end of period	**103**	**106**
Total membership	**815**	**828**

Fund Trustee report

Financial development of the Scheme

The audited financial accounts on pages 23 to 31 of this report show that the value of the Scheme's assets increased by £17.4 million to £162.9 million. The increase was comprised of investment gains of £21.4 million, less net outgoings from dealing with members of £4.0 million. These accounts have been prepared and audited in accordance with regulations made under s41(1) and (6) of the Pensions Act 1995. The Trustee's responsibilities in relation to the financial accounts are set out on page 3.

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

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

The remaining investments (approx 0.9%) are with Prudential (Members' Funds) and interest- bearing deposits. No part of the PIV's are invested in Cambridge University Press or the University of Cambridge.

Actuarial position

The most recent triennial actuarial valuation was carried out as at 1 January 2019 in a report dated 5 February 2020. The results of the valuation showed that the market value of the assets at £144.1m was equal to 95% of the technical provisions of £152.3m and consequently a new recovery plan was agreed with the Employer to address the deficit of £8.2m. The Trustee agreed a revised Schedule of Contributions on 11 December 2019 (see pages 14, 15 and 16) with the Press, which includes contributions in respect of continuing accrual. In addition, the Press continues to pay all Fund administration costs and PPF levies.

The Fund Actuary's valuation report indicated that at 1 January 2019 the assets of the Fund should be sufficient to support approximately 53% of its liabilities if it became necessary to buy out members' benefits with an insurer, in the event of the Fund winding-up. The valuation for Pension Protection Fund (the "PPF") purposes (pursuant to section 179 of Pensions Act 2004) showed a funding level of 79%. This means that as at the valuation date of 1 January 2019 the assets of the Fund would not have been sufficient, if the Fund were to be wound up in circumstances where the University was unable to make good the full funding shortfall, to provide benefits whose value exceeds the PPF levels of compensation.

Further information about the significant actuarial assumptions made, and the method used, to calculate the actuarial valuations can be found in the Report on Actuarial Liabilities on page 12.

During 2019 the Press paid deficit funding contributions of £108,333 per month totalling £1,300,000 in accordance with the Schedule of Contributions certified by the Fund Actuary on 11 December 2019.

Fund Trustee report

Investment Objectives and Strategies

The Trustee's main investment objectives are:

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

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

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

The Cambridge University Press Joint Trustee boards have taken advice on the suitability of both the Senior Staff Pension Scheme ("SSPS") and the Funds' investments in light of the liability profiles of both schemes.

The Fund's assets are invested in pooled Funds managed by the Fund's investment managers.

At the year end, the Fund invests primarily in the following asset classes: equities, diversified growth Funds ("DGFs"), multi asset credit, and UK property. The Trustee Boards believe that by diversifying appropriately across both asset classes and investment managers, the risk from individual securities is minimised. The majority of the Funds that the Fund invests in deal on a daily or weekly basis.

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

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

Statement of Investment Principles

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

The Trustee aims to be a responsible investor in a manner which is consistent with its investment objectives and legal duties, believing this approach to protect and to enhance the value of the Scheme's assets. The Trustee therefore expects its investment managers to integrate material extra-financial factors (such as corporate, environmental, social, governance and ethical considerations) into the selection, retention and realisation of the Scheme's investments;
to give appropriate weight to such extra-financial factors in the monitoring of the policies and practices of current and potential investee companies;
to follow good practice themselves;
to encourage good practice in investee companies, including where feasible by the exercise of voting rights attaching to the Scheme's investments;
to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed;
to choose the investment which seems best to reflect material extra-financial factors if there is a choice to be made between two or more investments with identical financial properties.

Environmental, Social and Governance ("ESG")

The Trustee believes that Environmental, Social and Governance ("ESG") factors are financially material - that is, they have the potential to impact the value of the members' investments from time-to-time.

The Trustee takes these factors into account, alongside other factors, in their decisions in relation to the selection, retention and realisation of the Fund 's investments.

Given the Fund remains open to accrual and the objective to fund future member benefits from the Fund's assets as they fall due, the Trustee has a long-term time horizon over which it takes into account the financial materiality of ESG factors (including, but not limited to, climate change). The Trustee appreciates that the method of incorporating ESG in the investment strategy and process will differ between asset classes.

The Trustee has reviewed the approach to ESG of all of the managers taking into account UNPRI scores where appropriate. The Trustee is comfortable that the funds currently invested in by the Fund are managed in accordance with their views on financially material factors. This position is monitored periodically, at least annually. As part of the monitoring process the Trustee is provided with quarterly updates on governance and engagement activities of the managers and input from the investment advisors on ESG matters. The Trustee has the opportunity to meet the managers and question them on policies.

Stewardship - Voting and Engagement

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code, and is supportive of the Code. However, the Trustee cannot usually directly influence the managers' policies on the exercise of investment rights where the Trustee holds assets in pooled funds. This is due to the nature of these investments.

The Trustee understands that investment rights (including voting rights} will be exercised by the investment managers in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the Code, and which are provided to the Trustee from time to time, taking into account the financial interests of the beneficiaries. The Trustee also expects managers to engage with companies in relation to ESG matters. The Trustee is comfortable with the fund managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor. The Trustee does not undertake engagement activities itself.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from their Investment Consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Policy for taking into account non-financial matters

The Trustee does not consider any non-financial matters when constructing the investment strategy and/or when selecting or reviewing fund managers. The Trustee does not expect their managers to consider any non-financial factors in the selection, retention and realisation of underlying holdings in the pooled funds.

Strategy as at 31 December 2019

At the end of 2019 the CPF's assets were invested in nine funds with six asset managers, as was the case in 31 December 2018. The CPF invests in four funds with Legal and General Investment Management ("LGIM") and in one fund each with Baillie Gifford, Barings Asset Management ("Barings"), CBRE, Hermes Investment Management, and Apollo Global Management.

The Fund's investment strategy and broad allocation of assets as at 31 December 2019 was as in the table below.

Manager	Asset Class	Allocation	Investment Objective
LGIM	UK Equities	12%	To track the FTSE All-Share Index to within +/-0.25% p.a. for two out of three years
	Unhedged overseas equities	10%	To track the FTSE All World (ex UK) Index to within +/- 0.5% p.a. for two out of three years
	Hedged overseas equities	10%	To track the FTSE All World (ex UK) – GBP Hedged Index to within +/- 0.5% p.a. for two out of three years
	Emerging market equities	5%	To track the FTSE All World Emerging Markets Index to within +/- 1.5% p.a. for two out of three years
Baillie Gifford	Diversified Growth Fund	20%	To outperform the UK Base Rate by 3.5% p.a. after fees, over rolling five year periods
Barings	Diversified Growth Fund	15%	To outperform 3 month Sterling LIBOR by 4% p.a. after fees
CBRE	Property	8%	To out-perform the benchmark (a composite of AREF/IPD QPFI All Balanced Property Fund Index) by 0.5% p.a. gross of fees
Hermes	Multi Asset Credit	10%	To generate a high level of income by primarily investing in a diversified portfolio of credit securities including investment grade bonds, high yield bonds, credit default swaps and money market securities (including commercial bank loans) while exhibiting lower volatility relative to the global high yield market
Apollo	Multi Asset Credit	10%	To outperform LIBOR by 6-8% pa before fees (equivalent to 5.2 – 7.2% pa after fees)
	Total	**100%**	

This strategy is implemented through investments in pooled Funds. LGIM, Baillie Gifford, Barings, CBRE and Apollo are authorised and regulated by the Financial Conduct Authority. Hermes is authorised in Ireland and regulated by the Central Bank of Ireland.

Performance to 31 December 2019

Over the course of 2019, the CPF's investment portfolio returned 14.3%. Performance over the three years to 31 December 2019 was 6.9% p.a.

The table below gives the performance of the individual funds over periods to 31 December 2019. Performance is shown after the deduction of fees with the exception of L&G and CBRE whose performance are shown before the deduction of fees.

Performance is shown after the deduction of fees with the exception of L&G and CBRE whose performance are shown before the deduction of fees.

LGIM	1 year (%)	3 year (% p.a.)	5 year (% p.a.)
UK Equities	19.2	7.0	7.7
FTSE All-Share Index	19.2	6.9	7.5
Unhedged overseas equities	23.4	10.9	13.4
FTSE All World (ex UK) Index	23.3	10.8	13.4
Hedged overseas equities	26.4	11.5	8.9
FTSE All World (ex UK) – GBP Hedged Index	26.3	11.4	8.9
Emerging market equities	15.6	8.9	9.3
FSTE All World Emerging Index	15.6	8.8	9.2

Baillie Gifford	1 year (%)	3 year (% p.a.)	5 year (% p.a.)
Diversified Growth Fund	11.9	4.5	4.4
Bank of England Base Rate + 3.5% pa	4.3	4.1	4.0

Barings	1 year (%)	3 year (% p.a.)	5 year (% p.a.)
Diversified Growth Fund	12.0	4.7	4.2
3 month Sterling LIBOR + 4.0% pa	4.8	4.6	4.6

CBRE	1 year (%)	3 year (% p.a.)	5 year (% p.a.)
Property	0.4	5.9	6.4
AREF/IPD QPFI All Balanced Property Fund Index Composite	1.6	6.0	6.6

Hermes	**1 year (%)**	**From inception (14 February 2018) (% p.a.)**
Multi Asset Credit	11.6	3.9
Bank of America Merrill Lynch High Yield Credit Index	12.3	5.0

Apollo	**1 year (%)**	**From inception (1 June 2018) (% p.a.)**
Multi Asset Credit	7.8	4.5
LIBOR + 5.2% pa	6.1	6.0

Covid 19 pandemic

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

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

The Trustee, in close consultation with its advisors, is keeping the situation under review.

Disputes and queries

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

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

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

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

Further information

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

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

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

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

SIMON BAYNES
Chairman of the Trustee

Date: 10 June 2020

Investment Adviser Commentary

Economic and market conditions to 31 December 2019

Economic environment

Over the 12 months to 31 December 2019, almost all asset classes produced strong returns. Bond yields fell to all-time lows and equities produced their best performance since 2009 as looser monetary policy and renewed optimism regarding the US-China trade war and Brexit provided a boost to markets. However, as in 2009, strong equity performance was partially a result of a rebound following negative performance over the preceding year.

Global growth had slowed sharply in the second half of 2018 and continued to struggle throughout 2019. The IMF downgraded its estimate of global growth in 2019 from 3.7% in its October 2018 report to 3.0% one year later, the slowest rate of expansion since 2009. Multiple indicators of Chinese growth also fell sharply, leading the Government to embark on a fresh round of stimulus to support the economy. The official GDP growth rate fell to its lowest level since 1992.

In the months leading up to 2019 markets had fallen sharply on the fear that continuing rate rises would exacerbate slowing growth and tip the US economy into recession. Jerome Powell, Chair of the Federal Reserve ("the Fed"), provided relief when he announced his decision to pause any planned rate rises in a January speech. Moreover, at its March meeting the Fed further acknowledged the changing economic environment, downgrading its outlook for 2019 from two rate rises to none. By the June 2019 meeting, the Fed was indicating that its next move was more likely to be a cut in rates than a rise and in August 2019 it cut rates for the first time since 2008. This was followed by two further rate cuts in September and October 2019.

The European Central Bank ("ECB") also loosened monetary policy as the Eurozone economy continued to deteriorate. Mario Draghi announced that asset purchases of €20bn per month would resume in November 2019 and continue until inflation expectations come sufficiently close to 2%. The ECB had previously ended asset purchases in December 2018.

The adjustment to the expected path of future rate changes from rises to cuts meant that bond yields fell around the world. UK Gilt, US Treasury and German Bund yields, among others, fell to new all-time lows. In Germany the entire yield curve moved into negative territory, with even the longest German Bunds (30 years) yielding -0.1% at the end of the September 2019.

Trade tensions between the US and China escalated throughout the period, contributing to two sharp falls in markets during the year. Both instances began with a breakdown in talks between the two countries, followed by new tariffs from both sides. This led to falling markets in May, and again in August, which ended with a resumption of talks, allowing stocks to recover in the following months. Tariff levels continued to rise throughout the year and by the end of the period the average tariff levied by each side on the others exports had risen past 20%, up from less than 10% in mid-2018. Moreover the trade war continued to broaden with both countries utilising non-tariff instruments. On 6 August the US declared China a currency manipulator and in September China allowed its currency to depreciate so that 7 Yuan was worth less than 1 US Dollar for the first time since 2008. In October markets staged a stronger rally as speculation mounted that a "Phase One" agreement which would partially reduce some tariffs was nearing agreement. This would mark the first de-escalation in the US-China Trade War and is due to be signed on 15 January 2020.

In the UK, the year was dominated by the Brexit negotiations. Theresa May extended the UK's membership of the EU by six months as she was unable to pass her Withdrawal Agreement Bill. The EU elections resulted in the Conservative Party's worst ever national electoral performance and Theresa May's replacement by Boris Johnson. The new Government was able to agree an updated version of the Withdrawal Agreement, but remained unable to pass it through the Commons. This resulted in a further extension to 31 January 2020, and a general election on 12 December 2019. Boris Johnson led the Conservative Party to the UK's largest parliamentary majority since 2001 and the passage of the new Withdrawal Agreement through the House of Commons on 20 December 2019.

The 12 months to 31 December 2019 saw the US and Eurozone loosen monetary policy:

- The European Central Bank kept its main lending rate at 0.0% throughout the period. However in September 2019 it cut one of its other rates (the deposit facility rate) from -0.4% to -0.5%, the bank's first cut since 2016.
- The Bank of England maintained the base rate at 0.75% throughout the period. UK CPI continued to fall over the period, from 2.1% in December 2018 to 1.3% in December 2019.
- The Federal Reserve loosened monetary policy with three rate cuts over the 12 months to 31 December 2019. At the end of the period the Federal Funds Rate was set within the range 1.50% to 1.75%. The Fed initially reduced its balance sheet over the period, shrinking its assets by around $298 billion. However, the size of the balance sheet reductions bottomed-out at the end of August and rose by $406 billion during the final third of the year as the Fed intervened to provide short-term liquidity to the US financial system.

Market Performance

Against this backdrop, market returns from traditional asset classes were largely positive in absolute terms over the year to 31 December 2019. However, the COVID-19 situation, which at the time of these account being prepared is on-going will have a significant impact investment values.

- **Equities:** Overall, global equities performed strongly over the year to 31 December 2019, generating 26.9% in local currency terms. All geographic regions experienced double-digit returns, although a significant differential remained between the best (North America: 31.2%) and worst (Developed Asia ex. Japan: 18.3%) performing regions (in local currency terms).

- **Bonds:** Over the year to 31 December 2019, UK gilt yields fell across all maturities. The net impact was a strong positive return (6.9%) for UK fixed interest gilts (all stocks). Inflation expectations decreased across all maturities, meaning that UK index-linked gilts (all stocks) delivered a slightly lower return (6.4%) over the year. UK corporate bond spreads (all stocks) tightened by around 0.5% over the year.

- **Property:** The CBRE property fund returned 0.4%, 1.1% behind its benchmark over the year to the end of 2019. The MSCI UK All Property Index rose 2.2% over the 12 months to 31 December 2019.

- **Alternatives:** The CPF has investments in DGF's with both Barings and Baillie Gifford, who are permitted to invest in a range of asset classes, including alternative investments. The funds returned 12.0% and 11.9% over the year respectively against respective benchmark returns of 4.8% and 4.3%. It should be noted that this is a long-term target and should be considered over a suitable timeframe.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service at the valuation date or date of leaving if earlier. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles dated 11 December 2019, which is available to the Fund members on request.

The most recent full actuarial valuation of the Fund was carried out as at 1 January 2019. Since that date an actuarial update has been carried out as at 1 January 2020.

	1 January 2020	**1 January 2019**
The value of the technical provisions was	£163.1m	£152.3m
The value of the assets was	£161.4m	£144.1m

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

Method

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

Significant actuarial assumptions

Assumption		**Value as at**	
		1 January 2020	**1 January 2019**
Discount rate	Derived from prudent assumptions of the returns on the underlying assets based on a long-term asset allocation of 37% equities, 35% Diversified Growth Funds, 8% property and 20% Diversified Credit Funds.	4.5% pa	5.0% pa
Retail Prices Index (RPI) inflation	Derived by considering the future level of inflation implied by the UK gilt yield curves produced daily by the Bank of England at a duration of 15 years.	3.4% pa	3.6% pa
Pension increases in payment	The assumed pension increase rate for benefits linked to RPI inflation, but subject to an annual minimum and cap, is set consistently with the relevant inflation assumption and calculated by reference to a probability distribution derived from historic inflation.		
Mortality	The S3PMA/S3PFA tables with future improvements in line with CMI 2017 model with a long term rate of improvement of 2.0% pa.		
Partner/Spouse	85% of males and 75% of females are assumed to be married at retirement or earlier death, with husbands three years older than their wives.		
Cash commutation allowance	Members are assumed to commute pension to provide 50% of the maximum tax free cash based on a commutation factor of 17:1 at age 60 for males and 18.2:1 at age 60 for females.		

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

Name of scheme: Cambridge University Press Contributory Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 1 January 2019 to be met by the end of the period specified in the Recovery Plan.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 11 December 2019.

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

Signature:	Date: 11 December 2019
Name: Keith Williams	Qualification: Fellow of the Institute and Faculty of Actuaries
Address: First Actuarial LLP Network House Basing View Basingstoke Hampshire RG21 4HG	

first actuarial

Schedule of Contributions

Cambridge University Press Contributory Pension Fund (the Fund)

Status

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

This document replaces the schedule signed 30 November 2016 and comes into force on the date the Scheme Actuary certifies this Schedule of Contributions.

Contributions covering the period from 1 January 2019 to 31 December 2019

The following information is stated for information only and supports the Scheme Actuary's certification of this Schedule. It excludes AVCs. This section does not form part of the Schedule of Contributions.

By active members:	
6% of Contribution Salary	
By the Employer:	
In respect of future accrual of benefits and the provision of death-in-service lump sum benefits:	44.5% of Contribution Salary
In respect of the funding shortfall:	£108,333 per month from 1 January 2019 until 31 December 2019

Contributions to be paid to the Fund from 1 January 2020 to 31 December 2024

By active members:

6% of Contribution Salary.

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

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

By the Employer:

In respect of future accrual of benefits and the provision of death-in-service lump sum benefits the Employer will pay 46.4% of Contribution Salary.

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

In respect of the shortfall in funding in accordance with the Recovery Plan dated 11 December 2019, the Employer will pay:

- £1,300,000 per annum payable in equal monthly instalments from 1 January 2020 to 31 December 2021.

Schedule of Contributions

Cambridge University Press Contributory Pension Fund (the Fund)

In addition to the contributions above, the Employer will also pay:

- £1,300,000 per annum payable in equal monthly instalments from 1 January 2022 to 31 December 2024.

These additional discretionary contributions, which do not form part of the Recovery Plan dated 11 December 2019, will be reviewed as part of the next triennial valuation.

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

Expenses

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

Additional Contributions

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

Contribution Salary

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

Schedule of Contributions

Cambridge University Press Contributory Pension Fund (the Fund)

This Schedule of Contributions has been agreed by the Trustee:

Signed on behalf of the Trustee of the Cambridge University Press Contributory Pension Fund: Simon H C Baynes
Name: SHC BAYNES
Position: Trustee Director
Date: 11/12/19

This Schedule of Contributions has been agreed by the Employer:

Signed on behalf of the Chancellor, Masters and Scholars of the University of Cambridge: [illegible]
Name: Andrew Chandler
Position: CFO
Date: 11/12/19

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

Opinion

We have audited the financial statements of Cambridge University Press Contributory Pension Fund ("the Fund") for the year ended 31 December 2019 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 has 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 Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Trustee

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

Date: 16 June 2020

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

We have examined the summary of contributions payable to the Cambridge University Press Contributory Pension Fund ("the Fund"), for the Fund year ended 31 December 2019 which is set out on page 20.

In our opinion contributions for the Fund year ended 31 December 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 Fund actuary on 11 December 2019.

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

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

Auditor's responsibilities for the statement about contributions
It is our responsibility to provide a Statement about Contributions paid under the schedule of contributions and to report our opinion to you.

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

Crowe U.K. LLP.

Crowe U.K. LLP
Statutory Auditor
London

Date: 16 June 2020

Summary of contributions payable during the Scheme year ended 31 December 2019

This summary of contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the employer and member contributions payable to the Fund under the Schedule of Contributions certified by the actuary on 11 December 2019 in respect of the Fund year ended 31 December 2019. The Fund auditor reports on contributions payable under the schedule in the auditor's Statement about Contributions.

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

Contributions payable under the schedule of contributions	**2019**
	£
Employer normal contributions	736,686
Employer costs for members in receipt of long term sickness	14,574
Employee normal contribution	99,166
Deficit Funding contributions	1,300,000
Total contributions payable under the schedule	2,150,426
Other contributions payable	
Employee additional voluntary contributions	84,059
Press paid Employee additional voluntary contributions	30,562
Total contributions payable to the Fund per the financial statements	**£2,265,047**

Approved by the Trustee and signed on their behalf by:

Simon HC Baynes

SIMON BAYNES
Chairman of the Trustee

Date: 10 June 2020

Scheme account for the year ended 31 December 2019

	Notes	2019	2018
		£	**£**
Contributions and benefits			
Employer contributions receivable	3	2,051,260	2,149,536
Employee contributions receivable	3	213,786	246,920
Benefits payable	4	(6,193,351)	(6,599,635)
Transfer out of benefits		-	(391,506)
Net (outflow) from dealings with members		(3,928,305)	(4,594,685)
Returns on investments			
Change in market value of investments	8	19,746,034	(9,720,382)
Investment income	7	1,671,785	817,913
Net returns on investments		**21,417,819**	**(8,902,469)**
Net movement in the Scheme during the year		**17,489,514**	**(13,497,154)**
Net assets of the Scheme at 1 January		£145,393,890	158,891,044
Net assets of the Scheme at 31 December		**£162,883,404**	**£145,393,890**

Net asset statement for the year ended 31 December 2019

	Notes	2019	2018
		£	£
Investments – Pooled Investment Vehicle	8	160,517,384	143,432,654
Investments - AVC Funds	8	1,493,319	1,282,924
Current assets	5	946,458	785,043
Current liabilities	6	(73,757)	(106,731)
Total net assets at 31 December		**162,883,404**	**145,393,890**

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 13 of this Annual Report and these financial statements should be read in conjunction with them.

The notes on pages 23 to 30 form part of these financial statements.

The financial statements on pages 21 to 30 were approved by the Trustee Directors and signed on their behalf by:

Simon WC Baynes

SIMON BAYNES
Chairman of the Trustee

Date: 10 June 2020

Notes forming part of the Financial Statements

1. Basis of presentation

The financial statements have been prepared on a going concern basis and 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, and the guidance set out in the Statement of Recommended Practice (Revised 2018). The Trustee has adopted the new SORP which is applicable for periods beginning on or after 1 January 2019 in these financial statements.

2. Accounting policies

Valuation of investments

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

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

Investment income

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'.

Interest is accrued on a daily basis.

Contributions

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

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

Payments to members

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

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

Expenses

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

Additional Voluntary Contributions ('AVCs')

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

Identification of the financial statements

The Scheme is established as a trust under English Law. The address for enquiries to the Scheme is included in the Trustee's Report under the heading Further Information on page 11.

Notes forming part of the Financial Statements

3. Contributions receivable

	2019 £	2018 £
Members' contributions:		
Normal	99,166	109,867
AVCs	84,059	112,724
AVC's (Press)	30,562	24,329
	213,787	**246,920**
Employers' contributions:		
Normal (including death in service benefits)	736,686	814,560
Contributions for members in receipt of long term sickness benefits	14,574	46,826
Deficit Funding contribution	1,300,000	1,300,000
	2,051,260	**2,149,536**
Total contributions receivable	**£2,265,047**	**£2,396,456**

4. Benefits payable

	2019 £	2018 £
Pensions payable	5,739,489	5,511,331
Lump sums payable on retirement	453,862	569,907
AVC Funds disinvested - retirement benefits	-	109,485
Full Commutation	-	237,326
Lump sums on death in retirement	-	37,598
Lump sums payable on death in deferment	-	133,988
Total benefits payable	**£6,193,351**	**£6,599,635**

5. Current assets

	2019 £	2018 £
Cash and bank deposits	945,398	783,983
Other debtors	1,060	1,060
Total current assets	**£946,458**	**£785,043**

6. Current liabilities

	2019 £	2018 £
HMRC – PAYE	(73,757)	(73,014)
Death Benefits Due	-	(33,717)
Total current liabilities	**(73,757)**	**(106,731)**

7. Investment Income

	2019 £	2018 £
Income from pooled investment vehicles	1,671,785	817,913
Total Investment Income	**1,671,785**	**817,913**

8. Investments

	2019 £	2018 £
Pooled Investment Vehicles	160,517,384	143,432,654
AVC Fund	1,493,319	1,282,925
Total	**£162,010,703**	**£144,715,579**

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

	Pooled Investment Vehicles £	AVC Fund £	Total £
Market value at 1 January 2018	156,657,323	1,334,686	157,992,009
Amounts invested during the year	29,758,279	137,052	29,895,331
Amounts withdrawn during the year	(33,313,029)	(138,350)	(33,451,379)
Change in market value	(9,669,919)	(50,463)	(9,720,382)
Market value at 31 December 2018	**£143,432,654**	**£1,282,924**	**£144,715,578**
Market value at 1 January 2019	143,432,654	1,282,924	144,715,578
Amounts invested during the year	-	144,620	144,620
Amounts withdrawn during the year	(2,471,250)	(94,279)	(2,631,529)
Change in market value	19,555,980	190,054	19,746,034
Market value at 31 December 2019	**£160,517,384**	**£1,493,319**	**£161,944,703**

8.1 Pooled investment vehicles:

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

	2019 £	2019%	2018 £	2018%
Return seeking portfolio				
UK equity Fund	19,274,805	11.97%	16,813,888	11.72%
Overseas equity Funds	44,457,758	27.71%	36,784,083	25.65%
Diversified growth Funds	56,358,813	35.13%	50,312,439	35.08%
Property Fund	10,362,166	6.46%	10,865,854	7.57%
Bond Funds	-	-	-	-
Multi Asset Credit Funds	30,063,842	18.74%	28,656,390	19.98%
	160,517,384	**100.00%**	**143,432,654**	**100.00%**

8.2 Transaction costs

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

8.3 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 Fund’s assets have been fair valued using the above hierarchy categories as follows:

As at 31 December 2019				
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	150,155,218	10,362,166	160,517,384
AVC investments	-	1,365,573	127,747	1,493,320
Total	**-**	**151,520,791**	**10,489,913**	**162,010,704**

As at 31 December 2018				
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	118,131,252	25,301,402	143,432,654
AVC investments	-	1,178,129	104,795	1,282,924
Total	**-**	**119,309,381**	**25,406,197**	**144,715,578**

Notes forming part of the Financial Statements

Investment risk disclosures

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

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

- Market risk – comprises the following three types of risk:

1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates

2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates

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

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

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

Credit risk

The CPF has indirect exposure to credit risks from the underlying investments held by the Diversified Growth Funds and Multi-Asset Credit Funds. In particular the Multi Asset Credit fund managers are credit specialists with the flexibility to invest in a wide variety of asset classes, such as investment grade and high yield corporate bonds, loans, structured credit and derivatives. Although these type of credit holdings are of lower credit quality relative to say government bonds, the higher risk is expected to be awarded with higher returns over the longer term. Diversification and active management by the fund managers mitigate some of this additional credit risk and is expected to be a source of outperformance.

The pooled investment arrangements used by the CPF comprise insurance contracts and pooled investment vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and the ongoing due diligence of the pooled manager. Due to the nature of the investments, units in the pooled investment vehicles are unrated. The pooled investment vehicles held by the CPF consist of £63,666,563 (2018: £53,597,971) unit linked insurance contracts and £96,784,821 (2018: £89,834,683) open ended investment funds.

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

Market risk: Interest rates

The CPF is subject to interest rate risk because some of the CPF's investments are held in bonds, through pooled vehicles and cash. During the year the Joint Trustee boards took the decision to replace the 20% allocation to UK government bonds with equally weighted allocations to two Multi Asset Credit funds, which are also exposed to interest rate risk but not to the same extent as the UK government bonds were. The Diversified Growth Funds are also exposed to interest rate risk from any bonds and cash held.

The Joint Trustee boards have set a benchmark for total exposure of 55% to the Multi Asset Credit and Diversified Growth funds. As at 31 December 2019, this allocation amounted to £86,422,655.23 (2018: £78,968,829) and made up 53.9% of total assets (2018: 55.1%) although not all of this allocation will have interest rate risk. The fund managers also have the ability to reduce and mitigate this risk by managing the duration of the holdings and through the use of derivatives.

The value of the holdings exposed to interest rates will rise if interest rates fall, this will help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the underlying holdings exposed to interest rate risk will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Market risk: Currency

The CPF's investments are denominated in sterling and therefore the CPF is not directly exposed to currency risk. The CPF is indirectly exposed to currency risk due to holdings in overseas equities and other asset classes through pooled investment vehicles.

The CPF's liabilities are denominated in sterling and some currency hedging is employed to manage the impact of exchange rate fluctuations on the CPF's investments. 40.5% (2018: 39.8%) of the overseas equity holdings as detailed in note 9.1 are hedged to sterling.

In addition, the CPF is exposed to indirect currency risk as a result of the overseas investments held via the Diversified Growth Funds as detail in note 9.1 and the pooled investment funds' holdings in overseas assets may alter over time.

In addition, the Fund is exposed to indirect currency risk as a result of the overseas investments held via the Diversified Growth Funds as detail in note 9.1 and the pooled investment Funds' holdings in overseas assets may alter over time.

Market risk: Other price

Other price risk arises due to the market volatility of return-seeking assets. The Joint Trustee boards have not set a target for an investment in government bonds or cash and so as at December 2019 all of the CPFs assets were exposed to other price risk.

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

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

9. Contingent liabilities and commitments

Other than the liability to pay future retirement benefits, there were no contingent liabilities or capital commitments as at 31 December 2019.

10. Related party transactions

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

Notes forming part of the Financial Statements

11. Events occurring after the year end

At the time of approval of the financial statements, the COVID19 virus continues to develop and has been had a significant negative impact on investment values post year end. The long-term impact on investment values is currently unknown and the Trustee will continue to monitor the situation.

12. 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 Fund 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.

13. Taxation

The CPF is a registered pension schemed 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.

CAMBRIDGE
UNIVERSITY PRESS