Contributory Pension Fund Annual Report & Accounts

for the year ended 31st December 2018

CAMBRIDGE
UNIVERSITY PRESS

Contents

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 2018.

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 2018 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).

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 (appointed 07/03/18)	Press	
John Haslam	Press	
Stanley Webster	Press	
William Bowes (resigned 07/03/18)	Press	
John Allan (resigned 07/03/18)	Member nominated	
Roger Astley (appointed 07/03/18)	Member nominated	06/03/2024
Fiona Kelly	Member nominated	23/10/2023

Changes in Rules

There were no changes to the Rules during 2018.

Trustee meetings

Trustee meetings are normally held quarterly.

The Trustee of the SSPS, together with the trustee of the Fund, 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 Fund are made solely by Trustee of the Fund.

The main purpose of the joint meetings is to discuss common business and other matters relevant to the SSPS and Fund, and to consider investment issues in the round.

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.

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	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 2018 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 2018 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.

Trustee report

Scheme membership

The total membership of the Scheme was 828 at 31 December 2018. The breakdown of this total, showing the movement between categories of members since the previous year, is:

Active members	**2018**	**2017**
Number at start of period	74	82
Transfers from Life assurance only	-	-
Transfers to deferred	-1	-3
Transfers to pensioners	-4	-5
Death in service	-	-
Number at end of period	**69**	**74**
Deferred members		
Number at start of period	212	225
Brought in to payment	-15	-12
Transferred-out	-1	-1
Transfers from Active membership	-1	3
Died	-2	-3
Number at end of period	**193**	**212**
Pensioners		
Number at start of period	453	446
Transfers from active membership	4	5
Deferred into payment	15	12
Died	-12	-10
Number at end of period	**460**	**453**
Dependants in payment		
Number at start of period	106	108
Adjustment for late notification	2	
New dependants	8	7
Dependant child pensions ceased	-4	
Death of dependants	-6	-9
Number at end of period	**106**	**106**
Total membership	**828**	**845**

Trustee report

Financial development of the Scheme

The audited financial accounts on pages 21 to 30 of this report show that the value of the Scheme's assets decreased by £13.5 million to £145.4 million. The decrease was comprised of investment losses of £8.9 million, less net outgoings from dealing with members of £4.6 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 2016 in a report dated 18 January 2017. The results of the valuation showed that the market value of the assets at £129.5m was equal to 90% of the technical provisions of £143.7m and consequently a new recovery plan was agreed with the Employer to make good the deficit of £14.2m.

The Trustee agreed a revised Schedule of Contributions on 30 November 2016 (see pages 15 and 16) with the Press, which includes contributions in respect of continuing accrual. In addition, the Press continues to pay all scheme administration costs and PPF levies.

The CPF Actuary's valuation report indicated that at 1 January 2016 the assets of the CPF should be sufficient to support approximately 48% of its liabilities if it became necessary to buy out members' benefits with an insurer, in the event of the Scheme winding-up. The valuation for Pension Protection Fund (the "PPF") purposes (pursuant to section 179 of Pensions Act 2004) showed a funding level of 76%. This means that as at the valuation date of 1 January 2016 the assets of the CPF would not have been sufficient, if the CPF 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.

The 1 January 2019 triennial valuation is expected to be completed in the coming months.

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 14.

During 2018 the Press paid deficit Funding contributions of £108,333 per month totalling £1,300,000 pa in accordance with the Schedule of Contributions certified by the Fund Actuary on 30 November 2016.

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 Statement of Investment Principles (SIP) was agreed in October 2017 and formally approved by the Trustee in January 2018 in accordance with Section 35 of the Pensions Act 1995. A copy of the Statement is available on request.

In drawing up the SIP, the Trustee took appropriate advice and consulted the Employer. The SIP, among other things, details the types of investments held, the balance between them and the expected returns as at the date of the SIP and reflects the changes to the investment strategy detailed below within "Strategy as at 31 December 2018". It is reviewed by the Trustee and their advisers periodically.

Strategy as at 31 December 2018

At the end of 2018 the Fund's assets were invested in nine Funds with six asset managers, while at 31 December 2017 the Fund's assets were invested in nine Funds with four asset managers. The Fund 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.

Towards the end of 2017 the Joint Trustee boards, having consulted with their investment and legal advisers, decided to dispose of the government bonds held with LGIM and invest the proceeds with Hermes Investment Management and Apollo Global Management within their respective multi-asset credit Funds. The implementation of this strategy change took place during the first half of 2018. The Statement of Investment Principles for the Fund has been updated accordingly with the new target asset allocation. Both these Funds hold many types of credit (e.g. senior secured loans and high yield debt) and are actively managed.

Trustee report

The Fund's investment strategy and broad allocation of assets as at 31 December 2018 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 2018

Over the course of 2018, the CPF's investment portfolio returned -4.8%. Performance over the three years to 31 December 2018 was 6.3% p.a.

The table below gives the performance of the individual funds over periods to 31 December 2018.

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 (%)	From inception (29 February 2012) (% p.a.)
UK Equities	-9.4	6.3	6.7
FTSE All-Share Index	-9.5	6.1	6.6
Unhedged overseas equities	-2.4	12.8	12.4
FTSE All World (ex UK) Index	-2.5	12.7	12.4
Hedged overseas equities	-8.2	5.8	9.5
FTSE All World (ex UK) – GBP Hedged Index	-8.2	5.8	9.5
Emerging market equities	-7.8	14.7	4.5
FTSE All World Emerging Index	-7.9	14.6	4.3

Baillie Gifford	1 year (%)	3 year (%)	From inception (2 March 2012) (% p.a.)
Diversified Growth Fund	-4.9	2.9	3.9
Bank of England Base Rate + 3.5% pa	4.1	3.9	4.0

Barings	1 year (%)	3 year (%)	From inception (17 June 2014) (% p.a.)
Diversified Growth Fund	-6.5	2.7	2.9
3 month Sterling LIBOR + 4.0% pa	4.8	4.5	4.6

CBRE	1 year (%)	3 year (%)	From inception (1 September 2015) (% p.a.)
Property	7.5	6.5	7.5
MSCI/AREF UK QPFI All Balanced Property Fund Index	6.5	6.4	7.0

Hermes	1 year (%)	From inception (14 February 2018) (% p.a.)
Multi Asset Credit	n/a	-3.7
Bank of America Merrill Lynch High Yield Credit Index	n/a	-2.5

Apollo	1 year (%)	From inception (1 June 2018) (% p.a.)
Multi Asset Credit	n/a	-0.6
LIBOR + 5.2% pa	n/a	3.4

Trustee report

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 H C Baynes

SIMON BAYNES
Chairman of the Trustee

Date: 3.7-2019

Investment Adviser Commentary

Economic and market conditions to 31 December 2018

Economic environment

Investors began 2018 expecting continued economic and corporate earnings growth. However, 2018 as a whole proved to be one of the toughest years for investors on record, with 93% of assets ending the year with a negative return in US Dollar terms. Most assets entered the final quarter of the year having recorded strong, if volatile, returns, but suffered significant losses in the final quarter.

President Trump's tax reforms, signed into law on 22 December 2017, boosted US economic growth to its highest level since 2014 and corporate earnings growth to its highest level since 2010, leading to continued strong performance of financial markets in the early part of the year. In particular, tax relief for US companies repatriating cash from foreign subsidiaries led to record levels of mergers and acquisitions and share buybacks during 2018.

However, markets first suffered a setback when the S&P 500 fell over 5% in the first full week of February, having already fallen nearly 4% the previous week. Markets were reacting to the possibility of increased wage and price inflation in the US, potentially leading to a faster than expected path of interest rate rises. Comments made by outgoing Federal Reserve Chair, Janet Yellen, that "it is a source of some concern that asset valuations are so high" also played a part in stoking investor uncertainty.

Equity markets then staged a gradual recovery between February and September, but in the final quarter of the year, any gains were more than erased. In October, markets stumbled as financial conditions tightened further in the US as rising rates meant that safe assets such as cash produced a positive real return for the first time since the financial crisis. When the Fed went through with its planned December rate rise, it resulted in the worst market reaction to a rate rise since 1994.

Concerns about the pace of monetary tightening were soon joined by fears of a global trade war. On 8 March 2018, Donald Trump introduced the first of a series of tariffs on imports into the US. Over the second quarter of 2018 the U.S. announced several rounds of further tariffs, largely directed against China. These efforts were matched by equally sized retaliatory measures from the countries affected. By 30 September 2018, tariffs had been announced on more than $250 billion of US imports from China alone, with the most recent tranche set to come into force on 1 January 2019. A further $267 billion was threatened in the event that China retaliates. Markets received some respite from the Trade War on 1 December when the US and China agreed a 90 day truce, delaying the onset of the 1 January tariffs to 1 March 2019 to allow for a period of negotiations.

On 9 May 2018, the United States pulled out of the Iran nuclear deal and re-imposed sanctions on the country, which came into effect on 5 November 2018. This pushed oil prices above $80 a barrel, the highest level since 2014. However, rising US shale oil production and slowing global growth led to Oil more than reversing all its previous gains in 2018, ending the year below $55 a barrel.

In the UK, the year was dominated by the Brexit negotiations. With the Article 50 negotiating period set to expire on 29 March 2019. In November 2018, Theresa May presented a draft Withdrawal Agreement to the country. The government was unable to pass the transition deal through the House of Commons during the year, leading to an ultimately failed leadership challenge against the Prime Minister and a decline in the sterling exchange rate, ending the year near its lowest point since September 2017.

Political uncertainty continued to plague Europe over the period. The Italian elections of March 2018 saw two Eurosceptic parties come together to form a coalition government, resulting in a spike in Italian bond yields. Yields continued to rise gradually as the new government fought a series of battles with the EU over its first budget, before partially recovering towards the end of the year as the parties agreed a budget with the EU on 19 December 2018.

The 12 months to 31 December 2018 saw the US and UK tighten their central bank monetary policies and the ECB start to slow down its asset purchase programme.

The European Central Bank (ECB) kept its main lending rate at 0.0% throughout the period and although it extended the length of its quantitative easing (QE) programme, it also announced that the programme would end in December 2018. This was preceded by reductions in the rate of purchases, from €60bn per month in 2017, to €30bn per month until September 2018 and €15bn per month for the remainder of the year.

In August 2018 the Bank of England raised rates to 0.75%, the second such rise since the Global Financial Crisis. UK CPI which stood at 3% in January fell back to 2.3% in November 2018 as the effect of the post-referendum sterling devaluation passed through the economy.

The Fed continued to tighten monetary policy over the 12 months to 31 December 2018, raising interest rates four times, and ended the period with the rate set at 2.5%. The Fed also continued to reduce its balance sheet, shrinking its assets by around $370 billion over the period. Jerome Powell replaced Janet Yellen as Chair of the Federal Reserve on 5 February 2018 and conducted his first meeting in March.

Market Performance

Against this backdrop, market returns from traditional asset classes were largely negative in absolute terms over the year to 31 December 2018.

Equities: Overall, global equities performed poorly over the year to 31 December 2018, generating -7.4% in local currency terms. Returns were negative across all geographical regions, but there was a significant differential between the best (North America: -4.7%) and worst (Japan: -15.3%) performing regions (in local currency terms).

Bonds: The UK yield curve flattened with shorter term yields rising faster than longer term yields over the year. The net impact was a small positive return (0.6%) for UK fixed interest gilts (all stocks). Inflation expectations increased, particularly for shorter terms, and fell slightly for terms greater than 22 years, meaning that UK index-linked gilts (all stocks) delivered a negative return (-0.3%) over the year. UK corporate bond spreads (all stocks) widened by around 0.6%, which was consistent with the wider global credit market, with global high yield bond spreads widening by about 2.0% over the year. In particular the final quarter of the year saw a significant widening of credit spreads in US and European high yield bonds. This was in part due to central bank policy uncertainty, geopolitical risks, Brexit concerns, US dollar strengthening and an escalating trade war. Since inception, the Hermes Multi Strategy Credit Fund returned -3.7% and the Apollo Total Return Fund returned -0.6%.

Property: The CBRE property Fund returned 7.5%, 0.5% ahead of its benchmark over the year to the end of 2018. Since the Fund invested in September 2015 the Fund has returned 7.5% and is ahead of its benchmark.

Alternatives: The FUND 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 -6.5% and -4.9% over the year respectively against respective benchmark returns of 5.7% and 4.0%. 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 30 November 2016, 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 2016. Since that date actuarial updates have been carried out as at 1 January 2017 and 1 January 2018.

	1 January 2018	1 January 2017	1 January 2016
The value of the technical provisions was	£153.4m	£150.9m	£143.7m
The value of the assets was	£157.6m	£146.2m	£129.5m

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 2018	1 January 2017	1 January 2016
Discount rate	Derived from prudent assumptions of the returns on the underlying assets based on a long term asset allocation of 35% DGFs, 25% overseas equities, 15% index-linked gilts, 12% UK equities, 8% property and 5% fixed interest gilts	5.1% pa	5.1% pa	5.1% 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	3.5% pa	3.5% pa	3.1% pa
Pension increases in payment	The assumed pension increase rates for benefits linked to RPI inflation, but subject to an annual minimum and cap, are set consistently with the relevant inflation assumption and calculated by reference to a probability distribution derived from historic inflation.			
Mortality	The S2PMA/S2PFA tables with future improvements in line with CMI 2015 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 2016 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 30 November 2016.

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:	30 November 2016
Name:	Keith Williams	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	First Actuarial LLP 2nd Floor The Square Basing View Basingstoke Hampshire RG21 4EB		

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 13 August 2013 and comes into force on the date the Scheme Actuary certifies this Schedule of Contributions.

Contributions covering the period from 1 January 2016 to 31 December 2016.

By active members:	
6% of Contribution Salary	
By the Employer	
In respect of future accrual of benefits:	42.9% of Contribution Salary
In respect of the funding shortfall:	£141,000 per month from 1 January 2016 until 31 December 2016

The above information is provided for information only and does not form part of the Schedule of Contributions.

Contributions to be paid to the Fund from 1 January 2017 to 31 December 2021

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 44.5% 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 30 November 2016, the Employer will pay:

- £1,300,000 per annum payable in equal monthly instalments from 1 January 2017 until 31 December 2019, followed by
- £2,170,000 per annum payable in equal monthly instalments from 1 January 2020, increasing at 2.9% pa on every subsequent 1 January, until 31 October 2021.

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.

Signed on behalf of the Trustee of the Cambridge University Press Contributory Pension Fund

Signed: Simon H C Baynes

Name: S H C BAYNES

Position: Trustee Director

Date: 30-11-2016

Signed on behalf of the Chancellor, Masters and Scholars of the University of Cambridge

Signed:

Name: Andrew Chandler

Position: CFO

Date: 30-11-2016

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 2018 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 2018, 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

11.7.19

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 2018 which is set out on page 20.

In our opinion contributions for the Fund year ended 31 December 2018 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Fund actuary on 30 November 2016.

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

11.7.19

Summary of contributions payable during the Scheme year ended 31 December 2018

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 30 November 2016 in respect of the Fund year ended 31 December 2018. The Fund auditor reports on contributions payable under the schedule in the auditor's Statement about Contributions.

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

Contributions payable under the schedule of contributions	**2018**
	£
Employer normal contributions	814,560
Employer costs for members in receipt of long term sickness	34,976
Employee normal contribution	109,867
Deficit Funding contributions	1,300,000
Total contributions payable under the schedule	2,259,403
Other contributions payable	
Employee additional voluntary contributions	112,724
Press paid Employee additional voluntary contributions	24,329
Total contributions payable to the Fund per the financial statements	**£2,396,456**

Approved by the Trustee and signed on their behalf by:

Simon H C Baynes

SIMON BAYNES
Chairman of the Trustee

Date 3-7-2019

Financial Statements

Scheme account for the year ended 31 December 2018

	Notes	2018 £	2017 £
Contributions and benefits			
Employer contributions receivable	4	2,149,536	2,236,642
Employee contributions receivable	4	246,920	289,016
Benefits payable	5	(6,599,635)	(5,890,647)
Transfer out of benefits		(391,506)	(107,372)
Transfer out for divorce settlement		-	-
Net (outflow) from dealings with members		(4,594,685)	(3,472,360)
Returns on investments			
Change in market value of investments	9	(9,720,382)	14,220,965
Investment income		817,913	651,163
Net returns on investments		**(8,902,469)**	**14,872,128**
Net movement in the Scheme during the year		**(13,497,154)**	**11,399,768**
Net assets of the Scheme at 1 January		158,891,044	147,491,276
Net assets of the Scheme at 31 December		**£145,393,890**	**£158,891,044**

Financial Statements

Net asset statement for the year ended 31 December 2018

	Notes	2018	2017
		£	£
Investments – Pooled Investment Vehicle	9	143,432,654	156,657,323
Investments - AVC Funds	9	1,282,924	1,334,686
Current assets	7	785,043	966,828
Current liabilities	8	(106,731)	(67,793)
Total net assets at 31 December		**145,393,890**	**158,891,044**

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 H C Baynes

SIMON BAYNES
Chairman of the Trustee

Date 3-7-2019

Notes forming part of the Financial Statements

1. Basis of presentation

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

2. Accounting policies

Valuation of investments

The Pooled Investment Vehicle (PIV) units are valued on a fair value basis at 31 December 2018.

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 from Hermes, Apollo, CBRE and the UK equity Fund held with LGIM are paid into the Scheme's bank account.

Income arising from the remaining 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.

Notes forming part of the Financial Statements

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.

Notes forming part of the Financial Statements

4. Contributions receivable

	2018 £	2017 £
Members' contributions:		
Normal	109,867	121,285
AVCs	112,724	141,667
AVC's (Press)	24,329	26,064
	246,920	**289,016**
Employers' contributions:		
Normal (including death in service benefits)	814,560	899,509
Contributions for members in receipt of long term sickness benefits	34,976	46,826
Deficit Funding contribution	1,300,000	1,300,000
	2,149,536	**2,236,642**
Total contributions receivable	**£2,396,456**	**£2,525,658**

Under the Schedule of Contributions certified on 30 November 2016, from 1 January 2017 to 31 December 2019, deficit Funding contributions receivable will amount to £1,300,000 per annum in equal monthly instalments. From 1 January 2020 onwards these contributions will increase to £2,170,000 per annum and will increase by 2.9% on each subsequent 1 January until 31 October 2021.

5. Benefits payable

	2018 £	2017 £
Pensions payable	5,511,331	5,233,361
Lump sums payable on retirement	569,907	419,392
AVC Funds disinvested - retirement benefits	109,485	202,650
Full Commutation	237,326	-
Lump sums on death in retirement	37,598	-
Lump sums payable on death in deferment	133,988	35,244
Total benefits payable	**£6,599,635**	**£5,890,647**

6. Current assets

	2018 £	2017 £
Cash and bank deposits	783,983	966,828
Other debtors	1,060	-
Total current assets	**£785,043**	**£966,828**

Notes forming part of the Financial Statements

7. Current liabilities

	2018 £	2017 £
HMRC – PAYE	(73,014)	(67,793)
Death Benefits Due	(33,717)	-
Total current liabilities	**(106,731)**	**(67,793)**

9. Investments

	2018 £	2017 £
Pooled Investment Vehicles	143,432,654	156,657,323
AVC Fund	1,282,925	1,334,686
Total	**£144,715,579**	**£157,992,009**

Notes forming part of the Financial Statements

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 2017	145,647,401	1,258,562	146,905,963
Amounts invested during the year	152,559,891	167,732	152,727,623
Amounts withdrawn during the year	(155,659,891)	(202,651)	(155,862,542)
Change in market value	14,109,922	111,043	14,220,965
Market value at 31 December 2017	**£156,657,323**	**£1,334,686**	**£157,992,009**
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**

Included within sales and purchases is an amount of £29,758,279 relating to the disinvestment of units in the Legal and General Bond Funds and the investment of £14,980,000 with Hermes and £14,778,279 with Apollo in their Multi Asset Credit Funds

9.1 Pooled investment vehicles:

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

	2018 £	**2018%**	**2017 £**	**2017%**
Return seeking portfolio				
UK equity Fund	16,813,888	11.72%	19,952,331	12.70%
Overseas equity Funds	36,784,083	25.65%	42,027,050	26.70%
Diversified growth Funds	50,312,439	35.08%	53,268,686	34.00%
Property Fund	10,865,854	7.57%	10,600,106	6.80%
Bond Funds	-	-	30,809,150	19.70%
Multi Asset Credit Funds	28,656,390	19.98%	-	-
	143,432,654	**100.00%**	**156,657,323**	**100.00%**

9.2 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.

Notes forming part of the Financial Statements

9.3 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 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**

As at 31 December 2017				
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	146,057,217	10,600,106	156,657,323
AVC investments	-	1,164,796	169,890	1,334,686
Total	**-**	**147,222,013**	**10,769,996**	**157,992,009**

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 7. 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 manager and monitored by the Joint Trustee boards by regular reviews of the investment portfolio.

Notes forming part of the Financial Statements

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 Fund has indirect exposure to credit risks from the underlying investments held by the Diversified Growth Funds, Bond 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.

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 Fund consist of £53,597,971 (2017: £92,788,531) unit linked insurance contracts and £89,834,683 (2017: £63,868,792) open ended investment Funds.

The Joint Trustee boards monitor the performance of the Fund'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 Fund is subject to interest rate risk because some of the Fund'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 2018, this allocation amounted to £78,968,829 (2017: DGFs £53,268,686 and UK government bonds £30,809,150) and made up 55.1% of total assets (2017: DGFs 34.0% and UK government bonds 19.7%) 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 Fund's investments are denominated in sterling and therefore the Fund is not directly exposed to currency risk. The Fund is indirectly exposed to currency risk due to holdings in overseas equities and other asset classes through pooled investment vehicles.

The Fund's liabilities are denominated in sterling and some currency hedging is employed to manage the impact of exchange rate fluctuations on the Fund's investments. 39.8% (2017: 40.0%) of the overseas equity holdings as detailed in note 9.1 are hedged to sterling.

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 2018 all of the Fund's assets were exposed to other price risk.

The Fund manages this exposure by investing in pooled Funds that invest in a diverse portfolio across various markets. As set out in the Fund'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 Fund invests which are governed by guidelines published by the investment manager.

10. 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 2018.

11. 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.

12. Events occurring after the year end

There were no events occurring after the end of the Scheme year to which members' attention should be drawn.

13. 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.