Scheme Registration Number 101147703

University of Cambridge Assistants' Contributory Pension Scheme

Trustee's Report and Financial Statements

For the year ended 31 July 2020

Cambridge University Assistants' Contributory Pension Scheme

Contents

Scheme Management and Advisers

Trustee:

CU Pension Trustee Ltd

The Trustee Directors during the year were:

Appointed by the Finance Committee

Mr. H Jacobs (Chairman)

Appointed by Council

Mrs. J Rippeth - UCLES Group (until 1st May 2020)
Mr. D P Hearn
Mrs E Stone - Director of Human Resources (until 14th February 2020)
Mr S Hutson
Ms Melanie Downie (from 1st May 2020)
Mr Anthony Odgers (from 1st May 2020)

Elected by a ballot of active members

Mr. W Smith - University Computing Service (until 31st January 2020)

Elected by a ballot of retired members

Mr. W Galbraith

Appointed by Trades Unions

Mr. G Cross - UNISON
Mr. P Stokes - Department of Materials Science and Metallurgy – Unite the Union

The Investments Committee members during the year were:

Appointed by the Trustee

Mr. D P Hearn - Chairman
Mr. H Jacobs
Mr. B Wrey (until19 November 2019)
Mr. S Hutson
Mr. N Cumming
Mrs. N Landell-Mills

Advisers and Service Providers

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

Legal Advisers: Mills & Reeve LLP

Bankers: Barclays Bank plc
Bank of Scotland

Actuarial Advice: Cartwrights Consulting Ltd

Scheme Actuary: Mr R J Sweet FIA

Auditors: Crowe U.K. LLP

Investment Managers:

Kames Capital
Majedie Asset Management
State Street Global Advisors
Genesis Asset Management
Black Rock Alternative Advisors
Payden & Rygel (until February 2020)
Credit Suisse Asset Management
PIMCO (from November 2019)
Reams (from February 2020)

Investment Consultant: Aon Solutions UK Limited

Trustee's Report

The audited financial statements for the year ended 31 July 2020, a copy of which is included with this report, show that the Scheme's net assets now stand at £689.9m. These financial statements on pages 19 to 30 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995.

Trustee of the Scheme

The Cambridge University Assistants' Contributory Pension Scheme ("Scheme") was established under the authority of the Oxford and Cambridge Act 1923.

The Trustee of the Scheme is CU Pension Trustee Ltd. The procedures for appointment and removal of Directors can be obtained, on request, from the Pensions Office.

The Trustee has prepared a Statement of Investment Principles in accordance with the Pensions Act 1995 and copies are available, on request, from the Pensions Office.

The Trustee is also responsible for the working and control of the Scheme.

Scheme Registration

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

Actuarial Position and Contributions

The formal actuarial certificate required by statute to be included in this Annual Report appears on page 35. In addition, as required by FRS102, the Trustee has included the Report on Actuarial Liabilities on page 13, which forms part of the Trustee's Report.

Covid-19

The Covid-19 global pandemic has significantly disrupted investment markets and made a global recession inevitable. The duration of the pandemic is unpredictable; however, as witnessed by the post year-end partial recovery of the asset values, the Trustee remains confident in its long-term investment strategy.

The Trustees have discussed the strength of the employer covenant and consider it remains strong.

Investment management

The Portfolio is monitored by the Investments Committee, which met four times during the year to determine policy and monitor performance.

The day to day management of the Fund is carried out by Kames Capital, Majedie Asset Managers, State Street Global Advisors, Genesis Asset Management, Black Rock Alternative Advisors, Payden & Rygel (until February 2020), Credit Suisse Asset Management, PIMCO (from November 2019) and Reams (from February 2020). These managers report regularly to the Investments Committee which is advised by Aon.

The total investments of the Scheme (excluding AVC investments) were £687.2m at 31 July 2020 compared with £724.1m at the previous year-end. During the year the net decrease in the Scheme's investments amounted to (£37.7m). After adding net income from dealings with members of £1.2m the net decrease in the fund during the year was (£36.5m).

Asset values suffered a sudden global downturn in March 2020 owing to the outbreak of the Covid-19 pandemic. Although equities have recovered to a certain extent during Q2 2020 markets remain lower than 2019 and subject to volatility.

The Trustee considers the outbreak to be a non-adjusting post net asset statement event and as the situation is fluid and unpredictable, an estimate of the precise financial effect on investment assets and liabilities is not possible at the date of approval of the Trustee's report. The Trustee is monitoring the situation closely and liaising regularly with its investment consultant to consider any necessary actions to respond to the emerging issues.

Investment objectives

To achieve the overall financial and investment objective of the Portfolio, which is to meet the pension liabilities of the Scheme's Members, the Trustee has adopted:

• "funding objective" - to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer;
• "stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and
• "security objective" – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve.

In addition, the specific long term investment objectives of the Portfolio are:-

• to attain a real total return (net of investment management fees) sufficient to preserve the funding status of the Scheme, and to enhance the funding status should the Scheme be under-funded;
• to obtain annualised returns in line with the Portfolio's blended benchmark for the target asset mix selected by the Investment Committee (see Asset Allocation below), measured over a five year period.

Asset Allocation

The Scheme's long term strategic asset allocation is as follows:-

Asset Class	**Target Allocation**
UK Equity	30%
Overseas Equity	25%
Emerging Markets Equity	5%
Property	10%
Bonds	20%
Hedge Funds	10%
Cash	0%
Total	**100%**

Investments Committee Report

The table below shows the asset allocation during the year.

Asset Allocation over the last 12 months

Percentage of Total Assets	31/07/2019	30/09/2019	31/12/2019	31/03/2020	31/07/2020	Market Value as at 31/07/2020
	%	%	%	%	%	£
Equity						
U.K.	27.6	27.5	24.5	26.9	26.6	182,342,808
Global ex U.K.	24.0	24.0	21.1	19.0	19.9	136,445,302
Emerging Markets	9.9	9.5	9.5	9.1	10.2	69,875,934
Property	9.9	9.9	9.6	11	9.8	67,410,254
Bonds	18.0	18.1	17.4	21.8	22.2	152,177,922
Hedge Funds	5.8	5.7	5.6	6.2	6.1	41,758,442
Cash	4.8	5.3	12.3	6.0	5.2	36,003,373
TOTAL ASSETS	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**686,014,035**

Manager Allocations and Performance

The asset classes are managed by eight different fund managers to provide additional diversification benefits.

A summary of the managers' activities is as follows:

State Street Global Advisors: The assets held with State Street are invested across four passive funds that are designed to track the benchmark, a UK Equity Index (£120.0m), a Global Equity Fund (£33.1m), a Fundamental Index (£103.3m) and an Emerging Markets Fund (£29.6m).

Majedie Asset Management: The assets held with Majedie are invested in their high alpha fund called the UK Equity Services, which had a market value of £62.3m at 31 July 2020.

Majedie's benchmark is the FTSE All-Share Index and the target is to outperform the benchmark. Over the year Majedie returned -14.2% outperforming the benchmark of 17.8% by 3.6%.

Genesis Asset Management: The assets held with Genesis are invested in their Genesis Emerging Markets Fund, which had a market value of £40.3m at 31 July 2020. Over the year Genesis returned 2.9% underperforming the benchmark of 7.4% by 4.5%.

Genesis' benchmark is the MSCI Emerging Market Index and the target is to outperform the benchmark over rolling 3-year periods. Genesis Investment Management is a specialist investment manager for Emerging Markets. Genesis' investment approach is long-term. The currency exposure within this mandate is not hedged back to Sterling.

Kames Capital: The assets held with Kames are invested in their Property Fund, which had a market value of £67.4m as at 31 July 2020. The foreign currency exposure in this fund is not hedged back to Sterling.

Kames benchmark is the AREF/IPD UK Quarterly All Balanced Property Funds Index and their target is to outperform the benchmark by 0.5% p.a. over a rolling three-year period. Over the year Kames achieved a return of -2.4% outperforming the benchmark of -2.6% by 0.2%.

BlackRock Alternative Advisors: Approximately £41.8m is invested in their Capital Appreciation Strategy which aims provide returns commensurate with the long-run return of global equity markets, with less volatility. Over the year BlackRock returned 0.1%, outperforming the benchmark of -0.4 by 0.5%

Credit Suisse Asset Management: The assets held with CSAM are invested in their Credit Suisse Nova (Lux) Global Senior Loan Fund, which had a market value of £32.1m as at 31 July 2020.

The currency exposure in this fund is fully hedged back to Sterling. CSAM employs a bottom-up approach, focusing on the analysis of individual stocks and de-emphasizing the significance of economic cycles and market cycles, to investing in loans, and is allowed the discretion to invest across the capital structure and globally. CSAM's benchmark is the Credit Suisse Leveraged Loan Index and the target is to outperform the benchmark.

Over the year CSAM returned -2.3%, outperforming the benchmark of -2.8% by 0.5%

PIMCO: In December 2019 the Scheme invested £36.1m in the PIMCO Diversified Income Fund following a partial disinvestment from CSAM. The benchmark is 1/3 each of JPM EMBIG, BofA ML Global HY BB-B ex EMD and Bloomberg Barclays Global Aggregate Credit ex EMD (USD Hedged).

Reams: In February 2020 the Scheme completed a £74.6m investment in the Reams Unconstrained Bond Fund funded by the termination of the mandate with Payden Global Funds and a partial disinvestment from the State Street Global Equity Fund. Reams benchmark is the ICE BofAML 3-Month LIBOR GBP.

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 and signed on 7 September 2020. A copy of the statement may be obtained from the Secretary to the Trustee at the administration office.

The Trustee is also required to produce an Engagement Policy Implementation Statement which sets out the actions undertaken by the Trustee, their service providers and investment managers, to implement the stewardship policy as set out in the Statement of Investment Principles. The statement is included in the Appendix to these Report and Accounts.

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee believes that in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, it must act as a responsible steward of the assets for which it is responsible. The Trustee recognises the need to ensure high standards of governance and corporate responsibility in the underlying entities in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme. The Trustee therefore expects the Scheme's investment managers and Investment Consultant to be signatories to the UK's Stewardship Code.

Environmental, Social, and Governance considerations
The Trustee acknowledges that environmental, social and governance (ESG) factors including climate change can negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their Investment Consultant when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.
As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to take into account ESG considerations (including long-term risks posed by sustainability concerns including climate change) in the selection, retention and realisation of investments.

Stewardship - Voting and Engagement
As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers, as major institutional investors, to:

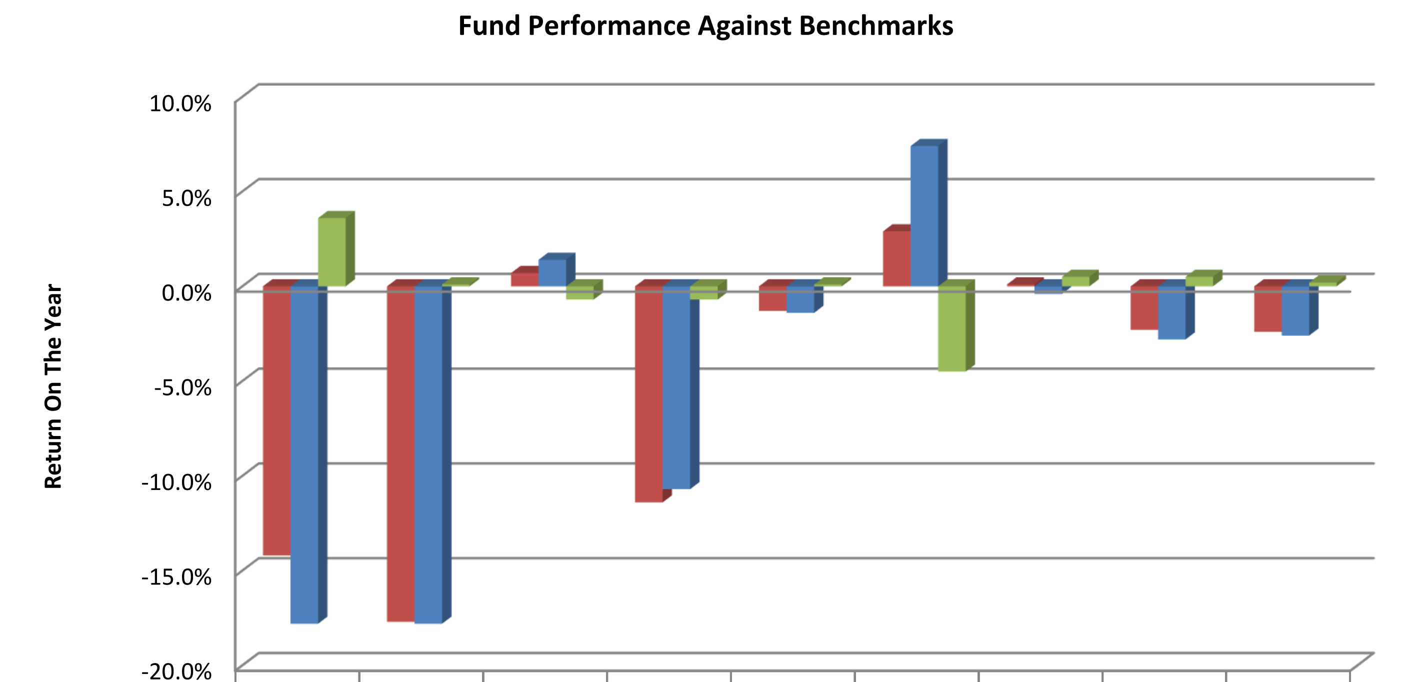
▪ engage with investee companies, where appropriate, with the aim to protect and enhance the long-term value of assets taking material ESG factors, including climate risks, into account; and

▪ exercise the Trustee's voting rights in relation to the Scheme's assets in a way which holds directors of investee companies accountable for long-term and responsible behaviour, taking into account material ESG factors, including climate risks.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage directly with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors
In setting and implementing the Scheme's investment strategy the Trustee does not explicitly consult with Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").
The Trustee is taking a number of steps to monitor and assess ESG related risks and opportunities.

Collaborative initiatives
The Trustee expects the Scheme's investment managers to support collaborative efforts that are in the interests of the Scheme's beneficiaries, as permitted by the relevant legal and regulatory codes.



	Majedie	State Street UK Equity	State Street Overseas Equity	State Street Fundamental	State Street Emerging Markets	Genesis	BlackRock	CSAM	Kames
Fund Performance	-14.2%	-17.7%	0.7%	-11.4%	-1.3%	2.9%	0.1%	-2.3%	-2.4%
Benchmark	-17.8%	-17.8%	1.4%	-10.7%	-1.4%	7.4%	-0.4%	-2.8%	-2.6%
Relative	3.6%	0.1%	-0.7%	-0.7%	0.1%	-4.5%	0.5%	0.5%	0.2%

1. *The Scheme invested in PIMCO Diversified Income Fund on 20 December 2019. As such, one-year performance is not yet available.*
2. *The Scheme invested in Reams Unconstrained Bond Fund on 21 February 2020. As such, one-year performance is not yet available.*

The Global Covid-19 pandemic caused financial markets worldwide to fall sharply in 2020. The Scheme's assets have returned -5.4%, compared to the Dynamic Benchmark of -6.6% for the year to 31 July 2020. Subsequently, some asset classes have shown signs of recovery, notably Global and Emerging Market equities, however, there continues to be considerable uncertainty in other asset classes and the Trustee continues to monitor the situation closely in conjunction with its advisors.

The Trustee believes that the present asset allocation with its wide diversification is still appropriate for the long term. The asset allocation remains the key to successful investment performance and because the Scheme's liability profile extends for almost 20 years, the Trustee takes a long-term view looking for a total investment return of 6.9% over that period.

The recent investment performance is shown below, together with the impact of RPI inflation for the years ending 31 July:

	2016 %	2017 %	2018 %	2019 %	2020 %
Total Return	**4.7**	**13.5**	**6.8**	**2.6**	**-5.4**
RPI	**1.4**	**2.6**	**3.2**	**2.8**	**1.6**
Total Real Return	**3.3**	**10.9**	**3.6**	**-0.2**	**-7.0**

Transfer Values

Transfer values are calculated and verified in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1985, and no such transfer values were reduced. With effect from 1 January 2013 the scheme only accepts transfers at the discretion of the Principal Employer.

Pension Increases

With effect from 1 August 2020, the pensions in payment for members, who joined the Scheme after 1 January 2013, as at 1 August 2020 were increased by 1.0% (RPI). Pensions in payments for members who joined the Scheme after 1 January 2013 were increased by 1.0% (CPI). For retirements effective between 1 August 2019 and 30 June 2020 the increase was proportionate

Increases in recent years have been as follows: -

	2017 %	**2018 %**	**2019 %**
Pre 2013 Joiners	3.7	3.3	3.0
Post 2013 Joiners	2.9	2.4	2.0

Revaluation of deferred pensions		
Date of leaving	**Guaranteed Minimum Pension**	**Excess over Guaranteed Minimum Pension**
Prior to Jan 1986	lesser of 5% and increase in National Average Earnings	N/A
Jan 1986 - Jul 1990	lesser of 5% and increase in National Average Earnings	lesser of 5% and increase in Retail Prices Index
Aug 1990 - Jul 1993	lesser of 5% and increase in National Average Earnings	Annual increase in the Retail Prices Index (guaranteed up to 12%)
Aug 1993 -31 Dec 2012	Annual increase in the Retail Prices Index, guaranteed up to 12%	
1 Jan 2013 onwards	Pre 2013 members: Annual increase in the Retail Prices Index, guaranteed up to 5% Post 2013 members: Annual increase in the Consumer Prices Index, guaranteed to 5%	

Cambridge University Assistants' Contributory Pension Scheme

Trustee's Report

Membership Statistics

Active Members		
Active members at 31 July 2019		5039
Adjustment for late notification		12
Active members at 31 July 2019 restated		5051
New members during the year		781
		5832
Less:		
Leavers before retirement age (excluding Death in Service)	324	
To Preserved status	271	
Died in service	7	
Active members fully commuting	2	
Retired during the year	80	
		684
Active members at 31 July 2020		5148

Preserved Pensioners		
Preserved pensioners at 31 July 2019		4452
Adjustment for late notification		38
Preserved Pensioners at 31 July 2019 restated		4490
New preserved pensioners		276
		4766
Less:		
Preserved pensioners retired during the year	63	
Preserved pensioner deaths	4	
Preserved pensioners fully commuting	4	
Members transferring their preserved benefits	13	
		84
Preserved pensioners at 31 July 2020		4682

Pensioners		
Pensions in payment at 31 July 2019		3262
Adjustment for late notification		2
Pensions in payment at 31 July 2019		3264
New pensioners during the year	80	
Preserved pensioners retired during the year	63	
Widow/ers of pensioners dying during the year	48	
		191
Less:		
Pensioners dying during the year	104	
Child pensioners ceasing	1	
		105
Pensions in payment at 31 July 2020		3350

Employees who are auto enrolled in the scheme are included as new members during the year, if they subsequently opt out they are added to leavers before retirement age.

General Data Protection Regulation

In order to manage the Scheme and pay correct benefits at the right time to members and their dependents, some personal data is required. This data includes name, address, date of birth and National Insurance number.

In May 2018, a new European legal framework for the protection of personal data called the General Data Protection Regulations (GDPR) came into effect in the UK. The Trustees and their advisers have reviewed how the new requirements affect the way in which personal data is held and processed and have produced a privacy statement and data protection policy document.

Equalisation of Guaranteed Minimum Pensions (GMPs)

As mentioned in last year's Report, benefits for members who joined the Scheme prior to April 1997 include a Guaranteed Minimum Pension (GMP) which broadly represents the pension which they would otherwise have accrued under the old State Earnings-Related Pension Scheme (SERPS). Following the High Court Judgment in the "Lloyds Bank" Case, the Trustee is aware that there is now a requirement to adjust some members' Scheme benefits to address the current inequalities in the calculations of GMPs between men and women. This may result in modest increases in benefits for some members; however many may see no change, but no member will see the value of their benefits reduced as a results of this Judgment. There are still some uncertainties over some aspects of the adjustments required. It is anticipated that these will be addressed by further Court cases and by the issue of further guidance by the relevant Government departments. Once these matters have been clarified the Trustee will consider with their advisers what action should be taken.

Report on Actuarial Liabilities

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

The most recent full actuarial valuation of the Scheme was carried out as at 31 July 2018. This showed that on that date:

Value of the Technical Provisions	£742,670,000
Value of the assets	£708,068,000

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

Retail Price Inflation (RPI): The RPI assumption will be determined at the valuation date based on the Bank of England spot yield at a point consistent with the duration of the Scheme liabilities. This rate will be rounded to the nearer 0.05% per annum less an allowance of 0.2% per annum for the Inflation Risk Premium. At this valuation the weighted duration of the liabilities has been calculated as 19 years, and the spot yield at the valuation date is 3.44% per annum. The RPI assumption is therefore 3.25% per annum.

Consumer Price Inflation (CPI): An allowance for future CPI increases is included at an assumed rate equal to the assumption for future RPI increases less 1.0% per annum. As at 31 July 2018 this resulted in an assumption for future CPI increases of 2.25% per annum.

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

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

The Trustee invests in a wide range of assets including equities and property, which are expected to give long term returns in excess of those available on gilts. The Trustee wishes to take credit for some of this out-performance and to that end will use an interest rate of RPI, as defined above, plus a margin of up to 4% pa to allow for this expected out-performance. The Trustee has determined that for the purposes of the calculations as at 31 July 2018 the margin to be adopted is 1.9% per annum.

Salary Increases: Pay increases are expected to exceed CPI increases by 2.0% per annum compound. This relationship with CPI is monitored for accuracy and may be subject to change in future valuations.

Pension Increases in payment: Pension increases in payment are defined in the Rules.

Pensions earned prior to 2013 increase in line with the RPI up to a maximum of 12% per annum compound.

For pensions earned on or after 1 January 2013 the Black-Scholes model is used for pricing these pension increases, where appropriate. This model determines the fair market value for an option over a particular stock, and can be adapted to model future pension increases where these are linked to inflation subject to a ceiling (or cap). It results in an assumption for the average rate of pension increases which is slightly lower than the inflation assumptions, to allow for the impact of these caps.

- For Pre 2013 joiners, pensions increase in line with the RPI up to a maximum of 5% per annum compound and a rate of 3.15% per annum was determined.

Report on Actuarial Liabilities

For joiners on or after 1 January 2013, pensions increase in line with CPI up to a maximum of 5% per annum compound and a rate of 2.25% per annum was derived.

Pension Increases in Deferment: For all pension earned prior to 2013, the Trustee main revaluation assumption is set to be the same as the assumption for future increases in the RPI. There is also a revaluation underpin based on statutory revaluation. Statutory revaluation on the pension in excess of any GMP is in line with increases in the CPI, whilst the GMP is revalued in line with statutory requirements.
For pension earned on or after 1 January 2013, increases to pensions accrued in service and after leaving service are to be calculated by reference to the RPI (or CPI for joiners on or after 1 January 2013) capped at a maximum of 5% per annum compound.

Mortality: Currently the Trustee is using S2NxA base tables produced by the Continuous Mortality Investigation Bureau based upon mortality experience of Self-Administered Pension Schemes centred on 2007 but then projected to allow for subsequent improvements in longevity. After carrying out a mortality investigation on Scheme experience on data between 1 August 2011 and 31 July 2017 during 2018 the Actuary recommended and the Trustee agreed to adjust the S2NxA base tables for males and females by 121% and 90% respectively.

In addition, the Actuary recommended and the Trustee agreed to make allowance for future longevity improvements using the CMI 2017 projection table, with long term rates of improvement of 1.25% per annum.

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

Commutation: On retirement, no allowance is made for Members who commute part of their pension for a cash lump sum at retirement.

Retirement: The Scheme Normal Retirement Age is 65 although members who joined prior to 1 December 2009 have the right to retire without actuarial reduction at age 60. The Trustee wishes to fund benefits to the average expected age of retirement of such members.

Investigations of the pattern of retirements between 1 August 2011 and 31 July 2017 (investigated as in 2018) suggest that, on average, Active males currently retire at age 63 and females retire at age 62, whilst deferred males retire at age 61 and females retire at age 61. These average retirement ages will be reviewed by the actuary at each subsequent triennial valuation to ensure that they remain in line with actual Scheme experience.

Members who joined on or after 1 December 2009 are assumed to retire at age 65.

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

Percentage with Dependant's Benefits at Death: 85% of male and female members are assumed to be married at death.

Expenses: Expenses of administering the Scheme are borne by the Scheme. Part of the expenses relates to past service and part relates to current and future service.

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

The current assumption is for a past service reserve of 1% of the Technical Provisions and a future allowance of 0.9% of Pensionable Salaries. This is to cover all expenses and levies of administering the Scheme.

Statement of Trustee 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 Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; 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, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational 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 Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme 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 Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee board met four times in the year. The average attendance for board meetings by directors was 80%. Attendance figures for individual directors at board meetings are below.

Director	**Board Meetings**
Mr. H Jacobs	4
Mrs. J Rippeth (until 1st May 2020)	3
Mr. D P Hearn	4
Mr. S Hutson	4
Mrs. E Stone (until 14 February 2020	1
Mr. W Smith (until 31 January 2020)	1
Mr. W Galbraith	4
Mr. G Cross	4
Mr. P Stokes	2
Ms. M Downie (from 1st May 2020)	1
Mr. A Odgers (from 1st May 2020)	1

Trustee Knowledge and Understanding

The provisions of the Pensions Act 2004 require Trustee Directors of occupational pension schemes to have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of occupational schemes and the investment of scheme assets. Trustee Directors are also required to be conversant with their own scheme's policy documents. The Pensions Regulator has taken the phrase 'conversant with' to mean having a working knowledge of those documents such that the Trustee Directors are able to use them effectively when carrying out their duties.

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

Trustee Directors aim to complete within six months of appointment the e-learning package introduced by the Pensions Regulator, equipping them with the knowledge and understanding they need to effectively carry out their duties. The Trustee regularly monitors progress. The Trustee Directors have also agreed that if there are any areas of concern the Scheme's professional advisers will be asked to provide additional training, or when an appropriate training course becomes available they will attend this.

Any enquires about the information contained in this report or a member's entitlement to benefits should be addressed to Pensions Administration, Greenwich House, Madingley Rise, Cambridge, CB3 0TX or by emailing to the following address, pensionsonline@admin.cam.ac.uk.

Internal Controls

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

- Details of the amounts of any late payment or incorrect payments plus details of any action taken by the Scheme Office in respect of late or incorrect payment of contributions.
- Reports on outstanding work in the Scheme Office and the reasons for the work being outstanding.

This report was approved by the Trustee on 30 November 2020 and were signed on behalf of the Trustee by:

Mr H Jacobs Chairman

Mr S Hutson Director

Independent Auditor's Report to the Trustee of the Cambridge University Assistants' Contributory Pension Scheme

Opinion

We have audited the financial statements of the Cambridge University Assistants' Contributory Pension Scheme for the year ended 31 July 2020 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 July 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

- the 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 15, 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: 1 December 2020

Fund Account

	Note	2020 £	2019 £
Contributions and Benefits			
Employer contributions receivable	3	28,653,689	28,451,200
Employee contributions receivable	3	414,122	541,012
Other Income	4	433	173
		29,068,244	28,992,385
Benefits payable	5	25,641,142	23,142,443
Payments to and on account of leavers	6	748,129	803,499
Administration expenses	7	1,469,533	1,670,354
		27,848,804	25,616,296
Net income from dealings with members		1,209,440	3,376,089
Returns on investments			
Investment income	8	4,815,032	3,685,435
Change in market value of investments	9	(41,866,252)	11,584,841
Investment management expenses		(517,125)	(776,878)
Investment consultant expenses		(156,995)	(140,059)
Net return on investments		(37,725,340)	14,353,339
Net increase in fund during the period		(36,515,900)	17,729,428
Net Assets of the Scheme at 1 August 2019		726,491,993	708,762,565
Net Assets of the Scheme at 31 July 2020		689,976,093	726,491,993

The notes on pages 21 to 30 form part of these financial statements.

Statement of Net Assets

	Note		**2020** £		**2019** £
Investments					
Pooled Investment Vehicles	10.1		650,010,662		688,394,616
AVC Investments - cash	10.2		534,392		549,771
Cash			36,003,373		35,002,054
Other Investment Values			630,171		745,948
			687,178,598		724,692,389
Current Assets					
Cash at Bank		2,386,128		2,084,489	
Debtors	13	3,110,788		3,340,404	
		5,496,916		5,424,893	
Less Current Liabilities					
Creditors	14	2,699,421		3,625,289	
Net Current Assets			2,797,495		1,799,604
Net Assets of the Scheme at 31 July 2020			689,976,093		726,491,993

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 21 to 30 form part of these financial statements.

These financial statements were approved by the Trustee on 30 November 2020 and were signed on behalf of the Trustee by:

Mr H Jacobs Chairman

Mr S Hutson Director

Notes to the Financial Statements

1 Basis of preparation

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

The principal accounting policies of the scheme are as follows:

a) Investments

Investments are included at fair value as follows:

i. 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.

ii. Annuities purchased which provide the benefits for certain members that are in the name of the Trustees are not included as assets of the Scheme as the Trustees consider these to be not to be material in relation to the financial statements as a whole.

b) Investment income

i. Interest is accrued on a daily basis.

ii. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

c) Foreign currencies

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

Notes to the Financial Statements

d) Contributions

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

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

e) Payments to members

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

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

f) Expenses

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

g) 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 Trustee Knowledge and Understanding on page 16.

h) Taxation

The Scheme 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.

Notes to the Financial Statements

3 Contributions

	2020	2019
	£	£
From Members:		
Normal contributions[1]	234,871	317,223
Additional voluntary contributions (Added years)	163,290	201,113
Additional voluntary contributions (CBS)	15,961	22,676
	414,122 `	541,012
From Employer:		
Normal contributions	14,058,689	13,856,200
Deficit Funding contributions	14,595,000	10,946,250
Additional contributions Feb/Mar/Apr 2019	-	3,648,750
	29,067,811	28,992,212

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to members by the Employer. During the year, in accordance with a long standing agreement between the University of Cambridge and the Trustee, the University of Cambridge overpaid employer normal contributions. For year ended 31 July 2020, employer contributions of £25,617,661 (2019: £24,626,147) were paid and of these contributions,
£11,558,972 (2019: £10,769,947) was calculated to be overpaid and repaid back to the Employer from the Scheme.

[1]On 1st October 2019, the University of Cambridge removed the 3-month waiting time for entry into the salary sacrifice arrangement for pensions.

Under the Schedule of Contributions certified by the Scheme Actuary on 20 April 2019 deficit funding contributions, in respect of the shortfall in funding of £14,595,000 per annum, are being paid in monthly instalments by the employer until 31 July 2020.

4 Other Income

	2020	2019
	£	£
Fees for CETV's provided	433	173

5 Benefits Payable

	2020	2019
	£	£
Pension payments to retired members	20,527,922	19,696,672
Commuted to lump sum payments	4,255,352	2,675,620
Cash payment on death	857,868	770,151
	25,641,142	23,142,443

Notes to the Financial Statements

6 Payments in respect of leavers

	2020	2019
	£	£
Refunds of contributions to members	38,756	33,527
Payments to HM Revenue & Customs	8,368	6,294
Transfers out to other schemes for individuals	701,005	763,678
	748,129	803,499

7 Administrative expenses

	2020	2019
	£	£
Expenses borne by the Scheme comprise:		
Actuarial fees	54,956	215,184
Trustee Honorarium	10,000	10,000
Investment Committee Advisor Fees	7,200	7,200
Legal fees	16,341	13,454
Medical Reports	25	104
Salaries and other payroll costs	203,618	188,619
PLSA subscription	2,373	2,313
PPF Levy	1,101,128	1,134,316
Pensions Regulator Levy	35,987	19,014
Printing costs	865	2,367
PS Pension Administration support costs	14,352	48,146
Travel and Subsistence	332	227
Audit Fee	19,000	24,000
Bank charges	147	180
Member tracing	97	539
Trustee expenses	-	546
Compensation payment	1,000	-
Other expenses	2,112	4,145
	1,469,533	1,670,354

Notes to the Financial Statements

8 Investment Income

	2020	2019
	£	£
Income from pooled investment vehicles	4,568,306	3,461,464
Tax reclaims	95,407	98,473
Interest on cash deposits	147,113	118,489
Interest on building society deposits	3,069	5,186
Annuities received	1,137	1,823
	4,815,032	3,685,435

9 Investments

	As at 1 August 2019 £	Purchases £	Sale proceeds £	Change in market value £	As at 31 July 2020 £
Pooled investment vehicles (see Note 11.1)	688,394,616	146,750,000	(143,267,702)	(41,866,252)	650,010,662
AVC Investments	549,771	19,030	(34,409)	-	534,392
	688,944,387	146,769,030	(143,302,111)	(41,866,252)	650,545,054
Cash	35,002,054				36,003,373
Other investment balances	745,948				630,171
	724,692,389				687,178,598

Sale proceeds relate to the disinvestment in State Street (£50,000,000) and Credit Suisse (£35,600,000) and the termination of the mandate with Payden (£57,667,702). The funds were subsequently invested in PIMCO (£36,150,000), State Street (£36,000,000) and Reams (£74,600,000).

10.1 Pooled Investment vehicles

	2020	2019
	£	£
UK equity funds	182,342,808	199,946,464
Overseas equity funds	206,321,236	244,841,123
Hedge funds[1]	41,758,442	41,704,909
Bond funds	152,177,922	130,492,148
Property funds[2]	67,410,254	71,409,972
	650,010,662	688,394,616

[1]Hedge funds hold a variety of investments including bonds, equities, real estate and derivatives.
[2] See note 21. Events occurring after the year end regarding the valuation uncertainty due to Covid-19.

Notes to the Financial Statements

10.2 Cambridge Building Society AVCs

Movement in value of the AVC account is shown below

	2020	2019
INCOME		
Contributions	15,961	22,676
Interest receivable	3,069	5,186
	19,030	27,862
EXPENDITURE		
AVC balances transferred to Fund Account	34,409	173,120
Net reduction from dealings with members	(15,379)	(145,258)
Balance of members' Voluntary Contributions at 31 July 2019	549,771	695,029
Balance of members' Voluntary Contributions at 31 July 2020	534,392	549,771

Money Purchase Additional Voluntary Contributions represent contributions invested in a special account at the Cambridge Building Society on behalf of the individuals concerned to provide additional benefits within the overall limits laid down by the HM Revenue and Customs.

11 Concentration of Investment

As at 31 July 2020, the following investments represented greater than 5% of the Scheme's Net Assets

	2020 £	2020 %	2019 £	2019 %
Genesis Emerging Markets Fund	40,261,759	5.8%	41,356,105	5.7%
Majedie AM UK Equity Service Fund	62,283,722	9.0%	72,146,585	9.9%
Payden Global Funds Int. Bond Fund	-	-	57,085,989	7.9%
State Street Passive Equity - UK Equity Fund	120,059,086	17.4%	127,799,879	17.6%
State Street Passive Equity - Global Equity Fund	-	-	56,922,781	7.8%
State Street Passive Equity - Fundamental Index Fund	103,322,086	15.0%	116,565,787	16.0%
BlackRock Absolute Return Strategies Fund	-	-	41,704,909	5.7%
Credit Suisse Nova (Lux) Global Senior Loan Fund	-	-	73,406,159	10.1%
Kames Property Income Fund	67,410,254	9.8%	71,409,972	9.8%
PIMCO – Multi Asset Credit Fund	36,848,069	5.3%	-	-
Reams – Unconstrained Bonds	83,253,575	12.1%	-	-

12 Self Investment

The Scheme has no funds held on deposit with the University.

Notes to the Financial Statements

13 Debtors

	2020	2019
	£	£
*Contributions due for July 2020	3,110,788	3,340,404

*Contributions due at year end were received in line with the Schedule of Contributions

14 Creditors

	2020	2019
	£	£
Pension payments due for July 2020	1,730,790	1,647,509
Deficit Recovery payment July 2020	104,267	923,713
Investment Manager Fees	98,498	126,722
Lump Sum Payments	253,187	137,428
Death in Service	-	365,510
Audit Fees	10,000	15,000
Actuarial Fees	8,030	6,180
SEI contributions due to the University	1,512	8,005
Staff Costs	92,795	44,659
Tax due on Refunds	342	-
PPF Levy	400,000	350,563
	2,699,421	3,625,289

15 Transaction costs

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

Notes to the Financial Statements

16 Investment fair value hierarchy

Financial instruments held at fair value in the financial statements must be analysed according to the appropriate level in the following fair value hierarchy. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

a. Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
b. 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.
c. Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investments have been analysed using the above hierarchy categories as follows:

As at 31 July 2020	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	582,600,408	67,410,254	650,010,662
Cash (including AVC investments)	36,537,765	-	-	36,537,765
Other investment balances	-	630,171	-	630,171
Total	36,537,765	583,230,579	67,410,254	687,178,598

As at 31 July 2019	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	688,394,616	-	688,394,616
Cash (including AVC investments)	35,551,825	-	-	35,551,825
Other investment balances	-	745,948	-	745,948
Total	35,551,825	689,140,564	-	724,692,389

17 Investment risks

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

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

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

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

Notes to the Financial Statements

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

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

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

(i) Credit risk

The Scheme invests in pooled funds, and is therefore directly exposed to credit risk in relation to solvency of the investment manager and custodian of those funds. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the investment managers, the regulatory environments in which the pooled managers operate and diversification of the Scheme's investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers, and on an on-going basis monitor any changes to the operating environment of the pooled fund with the help of their investment advisers. The Scheme's holdings in pooled investment vehicles are unrated.

The Scheme is subject to further direct credit risk as the scheme has cash balances. Cash is held within financial institutions which are at least investment grade credit rated.

The Scheme is indirectly exposed to credit risk arising from the underlying investments held by the pooled funds. The indirect exposure to credit risk arises from the Scheme's investments in bonds, cash and derivatives via the Hedge Funds and Bond funds as detailed in Note 10.1 although the extent of the risk is dependent on the portfolio held at the time. The Trustee acknowledges that the assessment of credit risk on underlying debt instruments is delegated to the investment manager. The Trustee however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes

(ii) Currency risk

As at 31 July 2020, £72,338,037 (2019: £114,762,263) of the Scheme's fund were accessed via a US Dollar and Euro share class and as a result was directly exposed to currency risk.

In addition, the Scheme is subject to indirect currency risk because some of the Scheme's investments are held in overseas markets through Overseas Equity Funds, Hedge Funds, Bond Funds and Property Funds as detailed in Note 10.1. The Trustee limits overseas currency exposure through a currency hedging policy

(iii) Interest rate risk

The Scheme is indirectly exposed to interest rate risk arising from the underlying investments held by the pooled funds. The indirect exposure to interest rate risk arises from the Scheme's investments in bonds, cash and derivatives via the Hedge Funds and Bond funds as detailed in Note 10.1 although the extent of the risk is dependent on the portfolio held at the time.

Notes to the Financial Statements

However, the interest rate exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's actuarial liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

(iv) Other price risk

The Scheme is indirectly exposed to other price risk arising from the underlying investments held by the pooled funds. The indirect exposure to other price risk arises from the Scheme's investments in equities, property and derivatives via the Equity Funds, Hedge Funds and Property funds as detailed in Note 10.1 although the extant of the risk is dependent on the portfolio held at the time. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

18 Contingent liabilities and commitments

Other than the liability to pay future retirement benefits, there were no contingent liabilities or capital commitments as at 31 July 2020.

19 Related party transactions

Contributions are received in respect of 1 (2019: 1) Trustee Director and pensions are paid in respect of 2 (2019: 2) who are both members of the Scheme. These transactions have been made in accordance with the Trust Deed and Rules.

20 Events occurring after the year end

At the time of approval of the financial statements, the COVID19 virus continues to develop. The long-term impact on investment values is currently uncertain with some asset classes showing better recovery than others. The Trustee will continue to monitor the situation in close consultation with its investment consultants.

In relation to the fund held by Kames at the balance sheet date the scheme included assets totalling £67.6m (representing 9.8% of the scheme's assets) invested in various pooled investment funds, where the underlying assets were property based.

As a result of COVID-19 the majority of these funds included material valuation uncertainty clauses in their valuations, and were themselves suspended at the balance sheet date. Subsequent reports, which had been independently valued, as at 31 August and 30 September, have been received which indicate that the material valuation uncertainty clauses were removed during August and September.

All of the suspended funds re-opened shortly after 30 September so that by 31 August £14.9m of the scheme assets were held in funds that included material valuation uncertainty clauses in their valuations and by 30 September none of the scheme assets were subject to material valuation uncertainty clauses. Given the removal of the material valuation uncertainty clauses and the re-opening of the funds shortly after the year end the scheme assets have been valued based on the information received with no adjustments made.

Independent auditor's statement about contributions to the Trustee of the Cambridge University Assistants' Contributory Pension Scheme

Statement about contributions payable under the schedule of contributions
We have examined the summary of contributions payable to the Cambridge University Assistants' Contributory Pension Scheme, for the Scheme year ended 31 July 2020 which is set out on page 32.

In our opinion contributions for the Scheme year ended 31 July 2020 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme actuary on 30 April 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 Scheme'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 Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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 Scheme'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 Scheme'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 Scheme'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: 1 December 2020

Cambridge University Assistants' Contributory Pension Scheme

Summary of Contributions Payable for the year ended 31 July 2020

Statement of Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Trustee's summary of contributions payable under the Schedule of Contributions in respect of the scheme year ended 31 July 2020

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 scheme under the Schedule of Contributions certified by the actuary on 30 April 2019 in respect of the scheme year ended 31 July 2020. The Scheme auditor reports on contributions payable under the schedule in the auditor's Statement about Contributions.

During the year ended 31 July 2020, the contributions payable to the Scheme by the employer were as follows:

Contributions payable under the schedule of contributions	**2020** **£**	**2019** **£**
Contributions from employers:		
Normal	14,058,689	13,856,200
Deficit funding	14,595,000	10,946,250
	28,653,689	**24,802,450**
Contributions from members:		
Normal contributions	234,871	317,223
Total contributions payable under the Schedule of Contributions	**28,888,560**	**25,119,673**
Other contributions payable		
Additional contributions Feb/Mar/Apr 2019	-	3,648,750
Members additional voluntary contributions (added years)	163,290	201,113
Members additional voluntary contributions (Cambridge Building Society)	15,961	22,676
	179,251	**3,872,539**
Total contributions reported in the financial statements	**29,067,811**	**28,992,212**

Signed on behalf of the Trustee on 30 November 2020 by:

Mr H Jacobs **Chairman**

Mr S Hutson **Director**

SCHEDULE OF CONTRIBUTIONS

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

Status

This Schedule of Contributions has been prepared by C U Pension Trustee Limited ("the Trustee" of the Scheme) on 30 April 2019, after obtaining the advice of Robert Sweet, the Actuary to the Scheme.

It replaces an earlier Schedule dated 26 February 2016.

Contributions to be paid to the Scheme from 1 May 2019 to 30 April 2024

1. In respect of the future accrual of benefits, the expenses of administering the Scheme, death in service benefits and PPF levies, the Members and the Employers will pay contributions at the following rates of Members' Pensionable Salaries:

	Nil	20.0	8.5	11.5
	Nil	16.5	5.0	11.5
Post-2013 Members	Nil		3.0	

Active Members' contributions are to be deducted from their Pensionable Salary by their Employer and, together with the Employers' own contributions, are to be paid to the Scheme on or before the 19th day of the calendar month following that to which the payment relates.

2. The Employers will pay an additional contribution of £14,595,000 per annum payable in monthly instalments over the period from 1 May 2019 to 31 July 2020, the allocation of this amount between the Employers to be decided by the Principal Employer.

These contributions are to be paid to the Scheme on or before the 19th of the calendar month following that to which the payment relates

Post-2013 Member

A member who joined the Scheme on or after 1 January 2013.

Pre-2013 Member

A member who joined the Scheme on or after 1 January 2013. 2012.

Augmentations

In respect of any augmentations granted, the Employers will pay such additional contributions as have been agreed with the Trustee, to be paid within such reasonable period as has been agreed between the Principal Employer and the Trustee.

Pensionable Salary

Basic salary plus any allowances and other emoluments that have been determined to be pefollowing that to which the payment relateswho are participating in a Salary Sacrifice Arrangement, Pensionable Salary is deemed to be the amount which it would have been if the Member was not participating in a Salary Sacrifice Arrangement.

Salary Sacrifice Members

Members who are participating in a Salary Sacrifice Arrangement and who as a result of which have been relieved of the duty to pay Member's contributions.

For and on behalf of the University of Cambridge ("the Principal Employer")

Signed:	
Name:	D Hughes
Position:	Director of Finance
Date:	30 April 2019

For and on behalf of CU Pension Trustee Limited ("the Trustee")

Signed:	
Name:	H R Jacobs
Position:	Trustee
Date:	30 April 2019

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

Adequacy of Rates of Contributions

I hereby 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 31 July 2018 to be met by the end of the period specified in the Recovery Plan dated 30 April 2019.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 30 April 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.

Signed:	Robert. J. Sweet	Date:	30 April 2019
Name:	R J Sweet	Qualification	Fellow of the Institute and Faculty of Actuaries
Address:	Mill Pool House Mill Lane Godalming Surrey GU7 1EY	Employer:	Pre 2013 Membersimited

Appendix

Cambridge University Assistants' Contributory Pension Scheme (the "Scheme") – Engagement Policy Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”). This Engagement Policy Implementation Statement ("EPIS") sets out the actions undertaken by the Trustee, their service providers and investment managers, to implement the stewardship policy as set out in the Statement of Investment Principles ("SIP") and includes voting and engagement information that has been gathered from the managers.

This is the first Engagement Policy Implementation Statement prepared for the Trustees and covers the year ending 31 July 2020.

Scheme activity over the year

The Trustee outline several key objectives and policies in the Scheme's SIP. The SIP was updated in September 2019 to take account of new regulations which came into effect from October 2019, requiring the Trustee to include a number of policies relating to Responsible Investment ("RI") and Stewardship.

The Investment Committee ("IC") reviewed the investment strategy of the Scheme in September 2019 following the 2018 actuarial valuation for the Scheme. The IC considered several portfolios presented by Aon of varying levels of risk, return and liquidity. Ultimately the IC agreed no changes were to be made to the strategy at the current time.

Also, at the September 2019 IC meeting, the Trustee undertook a review of one of the Scheme's incumbent Emerging Market ("EM") equity managers. The manager, as well as two potential alternative EM managers, were invited to present their strategies, an overview of recent performance and positioning of their respective funds. It was decided by the IC to retain the incumbent EM manager.

The Scheme successfully implemented changes to the fixed income portfolio over the accounting year by fully disinvesting from the portfolio held with Payden & Rygel and investing the proceeds into two new funds – PIMCO Diversified Income fund and Reams Unconstrained Bond fund.

The Trustee receives investment reports each quarter, with detailed information on performance, costs, stewardship and responsible investment. Amongst other analysis, the report includes Environment, Social and Governance ("ESG") ratings on the equity and fixed income managers invested in. These ESG ratings reflect analysis carried out by the investment adviser that assesses the Scheme's investment managers on their quality of ESG integration as well as the features and impact of their respective Stewardship programs.

The Trustee undertook a deeper dive of the Scheme's investment costs using a third-party cost and transparency service called ClearGlass.

ClearGlass approached each of the Scheme's investment managers to collate fees and costs and this was presented to the IC by Aon in the February 2020 meeting. This analysis was based on 31 March 2019 data and provided the Trustee with insight into the remuneration of its investment managers, with all managers participating. The Trustee's intention is to repeat the cost and transparency exercise on an annual basis, aligning with the report and accounts year-end date where possible.

The Scheme's stewardship policy

The relevant extract of the SIP covering the Scheme's voting and engagement policies to 31 July 2020, is as follows:

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers, as major institutional investors, to:

- *engage with investee companies, where appropriate, with the aim to protect and enhance the long-term value of assets taking material ESG factors, including climate risks, into account; and*
- *exercise the Trustee's voting rights in relation to the Scheme's assets in a way which holds directors of investee companies accountable for long-term and responsible behaviour, taking into account material ESG factors, including climate risks.*

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage directly with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Post 31 July 2020, the Trustee has since revised their policy covering voting and engagement to reflect revised regulation, effective 1 October 2020.

The SIP sets out the Trustee's expectation that all investment managers employed by the Scheme are signatories of the UK Stewardship Code. At the time of writing, all investment managers are either signatories of the UK Stewardship Code or had their application to be signatories pending.

Voting and Engagement – Equity

Over the year, the Scheme was invested in the following equity funds:

- State Street Global Advisors ("SSGA"):
  - MPF UK Equity Index Sub-Fund
  - MPF Asia Pacific ex Japan Equity Index Sub-Fund
  - MPF Europe (ex UK) Equity Index Sub-Fund
  - MPF Japan Equity Index Sub-Fund
  - MPF North America Equity Index Sub-Fund
  - MPF Emerging Market Equity Index Sub-Fund
  - MPF Fundamental Equity Index Sub-Fund

- Genesis IM – Global Emerging Markets Equity
- Majedie Asset Management ("Majedie") – UK Equity Fund

State Street Global Advisors

Summary of voting & engagement policy

SSGA has contracted the services of a third-party provider - Institutional Shareholder Services (“ISS”) - to assist them with the management of the voting process and provide inputs into their research of shareholder meetings. They use ISS as:

- a proxy voting agent providing them with vote execution and administration services;
- their trusted resource for applying Proxy Voting Guidelines; and
- their provider of research and analysis relating to general corporate governance issues and specific proxy items.

In addition to ISS, SSGA has access to proxy research from several global and regional providers including Glass Lewis & Co. and the Institutional Voting Information Service.

Research and data provided by these third parties complement their in-house analysis of companies and individual ballot items. All final voting decisions are based on SSGA's proxy voting policies and in-house operational guidelines.

The SSGA Stewardship team reviews its Proxy Voting Guidelines with ISS on an annual basis or on a case-by-case basis as needed. ISS affects the proxy votes in accordance with SSGA’s Proxy Voting Guidelines. Voting matters that are nuanced or that require additional analysis are referred to and reviewed by members of the Stewardship team. Members of the Stewardship team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with SSGA’s Proxy Voting Guidelines, which seek to maximize the value of their client accounts.

SSGA votes in all markets where it is feasible. However, when SSGA deems appropriate, it could refrain from voting in cases as listed below:

- Where power of attorney documentation is required;
- Voting will have a material impact on their ability to trade the security;
- Voting is not permissible due to sanctions affecting a company or individual;
- Issuer-specific special documentation is required, or various market or issuer certifications are required;
- SSGA is unable to vote proxies when certain custodians, used by their clients, do not offer proxy voting in a jurisdiction or when they charge a meeting specific fee in excess of the typical custody service agreement.

SSGA votes at over 17,000 meetings on an annual basis and prioritises companies for review based on factors including the size of their holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. Based on this assessment, SSGA will not only allocate appropriate time and resources to shareholder meetings but will also assign specific ballot items of interest to ensure maximisation of value for their clients.

All voting decisions are exercised exclusively in accordance with SSGA's in-house policies and/or specific client instructions. SSGA has established robust controls and auditing procedures to ensure that votes cast are executed in accordance with SSGA instructions. Transparency on these key issues is vital at SSGA. In this regard, SSGA publishes a record of its global voting activity on the Asset Stewardship section of the website.

SSGA holds over 12,000 listed equities across its global portfolios. Therefore, the success of their engagement strategy is built upon their ability to prioritise and allocate resources to focus on companies and issues that have the greatest potential impact on shareholder returns. To support this process SSGA has developed proprietary in-house screening tools to help identify companies for active engagement based upon various financial and ESG indicators.

Factors considered in identifying target companies include:

- Size of absolute and relative holdings;
- Companies with poor long-term financial performance within their sector;
- Companies identified as lagging market and industry standards on ESG matters;
- Outstanding concerns from prior engagement; and
- Priority themes and sectors based on an assessment of emerging ESG risks.

The intensity and nature of their engagement with portfolio companies is determined by SSGA's holdings, engagement culture in a market, and an assessment of the materiality of ESG concerns. SSGA endeavours to build geographic diversity within its engagement activities to reflect their economic exposure to global markets.

In addition to ESG screens, SSGA develops an Annual Stewardship Program based on a series of strategic priorities that are designed to not only enhance the quality of their activities, but to also refine and further define the scope of their stewardship activities for the year ahead. Identifying their stewardship priorities allows them to plan and actively focus their engagement efforts on sector-specific or thematic ESG issues that are important to their clients. SSGA develop their priorities based on several factors including client feedback received in the past year, emerging ESG trends, and developing macroeconomic conditions and regulation.

Summary voting statistics

Voting statistics provided below by SSGA cover the 1-year period ending 30 April 2020

MPF UK Equity Index Sub-Fund

% resolutions voted	100%
% of resolutions voted against management	7%
% resolutions abstained	1%

MPF Asia Pacific ex Japan Equity Index Sub-Fund

% resolutions voted	100%
% of resolutions voted against management	18%
% resolutions abstained	1%

MPF Europe (Ex UK) Equity Index Sub-Fund

% resolutions voted	100%
% of resolutions voted against management	12%
% resolutions abstained	1%

MPF Japan Equity Index Sub-Fund

% resolutions voted	100%
% of resolutions voted against management	11%
% resolutions abstained	0%

MPF North America Equity Index Sub-Fund

% resolutions voted	100%
% of resolutions voted against management	7%
% resolutions abstained	1%

MPF Emerging Market Equity Index Sub-Fund

% resolutions voted	99%
% of resolutions voted against management	15%
% resolutions abstained	3%

MPF Fundamental (Global) Equity Index Sub-Fund

% resolutions voted	99%
% of resolutions voted against management	10%
% resolutions abstained	1%

Examples of a significant vote or engagement

An example of a significant vote given holding size and risks associated was a Shareholder resolution requesting Chevron Corporation report on efforts to reduce its carbon footprint in line with a goal to limit global warming to no more than 2 degrees Celsius.

SSGA abstained from voting on the basis the Chevron Climate resilience report had been enhanced in two central areas including metrics and actions and governance. Furthermore, Chevron had engaged with the proponent and has had numerous engagements with Climate Action 100+[2] and As You Sow[3]. The outcome of the vote was in favour with management recommendation (as only 30.7% voted against management) to vote against the shareholder resolution. SSGA continues to monitor disclosure activity at the company.

Another example of a significant vote was in February 2020, SSGA abstained from a shareholder proposal that requested Apple Inc. report on its policies on freedom of information and access to information. Ahead of the company's AGM, SSGA engaged with Apple Inc. multiple times to discuss the resolution and encouraged Apple Inc. to publish a formal policy statement on human rights. Apple Inc. agreed to publish a formal statement on human rights, which would include freedom of expression, within a year. Following this, SSGA abstained on the proposal, and will evaluate the company once the formal policy is published. The outcome of the vote was a support for the management recommendation to vote against the resolution (as only 38.4% voted against management).

Genesis IM – Global Emerging Markets Equity

Summary of voting & engagement policy

Genesis has contracted with ISS, an independent third-party provider of proxy voting and corporate governance services. Specifically, ISS has been retained to provide proxy research and recommendations, execute votes as instructed by Genesis and keep various records necessary for tracking proxy voting materials and proxy voting actions taken for clients’ accounts. ISS services, performance and potential conflicts of interest are reviewed on a periodic basis.

In all voting decisions, Genesis' objective is to protect and enhance long-term shareholder value. Proxy voting decisions are based on Genesis' set of corporate governance principles and the best interests of clients. Genesis are mindful of the varied market practices across emerging market countries and recognise that more than one governance model may be effective. Genesis take a pragmatic approach, considering the circumstances of each vote and each company.

Genesis view proxy voting as an investment function and in evaluating a proposal, the investment team draw on a variety of resources including multiple years of experience as investment analysts. Genesis are long-term investors and their detailed knowledge and internal assessment of a company’s business, performance and management is supplemented by the results of their ongoing engagement efforts, company disclosures and external research. Genesis provide feedback to boards and management on significant voting matters where appropriate and this in turn informs their ongoing investment analysis and company engagements.

Summary voting statistics

% resolutions voted	100%
% of resolutions voted against management	7%
% resolutions abstained	2%

Examples of a significant vote or engagement

Genesis approached dairy manufacturer and distributor China Mengniu to encourage improved disclosure on material environmental issues. They shared a copy of the FAIRR[1] report with management and encouraged the company to provide additional disclosure for the next edition of the report. As part of the engagement, Genesis identified key disclosure points including greenhouse gas ("GHG") emissions disclosure, a GHG reduction policy (with targets and timeline), water use, waste management and discharge details and an antibiotic policy that addresses antimicrobial resistance. Genesis have followed up on the issue of improved disclosure with the CEO, CFO and IR department and continue to engage with management on this issue.

Majedie Asset Management – UK Equity Fund

Summary of voting & engagement policy

Majedie has contracted with ISS, in which, ISS provide proxy research and recommendations, execute votes as instructed by Majedie and keep various records necessary for tracking proxy voting materials and proxy voting actions taken for their clients' accounts.

Majedie votes at all applicable meetings and is guided by a set of voting principles. Where a management recommendation and their proxy voting research provider's recommendation are in alignment, Majedie will be minded to vote the same. Exceptions are where items concern approval of political donations and expenditure, where Majedie will be minded to vote against. Where there is divergence between management and proxy voting research providers recommendation, the relevant Majedie fund manager will make a decision on how to vote.

Summary voting statistics

% resolutions voted	95%
% of resolutions voted against management	5%
% resolutions abstained	1%

Examples of a significant vote or engagement

Activist investor Coast Capital sought the removal of a majority of FirstGroup's directors and the election of its own candidates. Majedie engaged with FirstGroup's Senior Independent Director ("SID") ahead of a

[1] https://www.fairr.org/ - FAIRR is a collaborative investor network that raises awareness of environmental, social and governance risks and opportunities caused by intensive animal production.

special meeting requisitioned by Coast Capital and were given assurance that the SID would pursue Board refreshment. Majedie were content to vote against Coast Capital's proposals and supported a more orderly refreshment process.

Majedie's proxy voting principles state that companies should be run by boards which are comprised of individuals who are suitable for the roles in terms of background, expertise in the sector and region, and diversity of thought. In this voting example, Majedie were prepared to support FirstGroup in refreshing the Board itself rather than it being undertaken by another shareholder.

Majedie discussed with Royal Dutch Shell's New Energies Director how the business is positioning for 'energy transition' and its strategy towards renewable energy. Majedie will continue to engage with Shell on its steps towards energy transition and on the energy efficiencies it is achieving across its energy mix. Majedie will also encourage the group to link progress on its energy transition with executive pay, so that longer-term decision-makers directly feel the impact of their actions. Majedie continue to support the company over the long-term as it grows production in a disciplined way, harnessing new technologies such as the digital twinning of fields to radically cut costs and lower its breakeven oil price point. The strategic long-term issues facing oil companies connected to the energy transition has since contributed to Majedie reducing the position.

Engagement – Fixed Income, Hedge Funds and Property

At financial year end, the Scheme was invested in the following fixed income, hedge funds and property funds:

- PIMCO Diversified Income Fund;
- BlackRock Capital Appreciation Strategy (Hedge Fund);
- Credit Suisse Asset Management – Global Senior Loans;
- Reams Unconstrained Bond Fund;
- Kames Capital – UK Property.

PIMCO Diversified Income Fund

Summary of voting & engagement policy

In PIMCO's ESG dedicated portfolios, PIMCO aim to engage intensively with the issuers in the portfolio to help influence ESG policies and drive more sustainable business practices. However, for non-ESG dedicated portfolios such as the Diversified Income Fund, there is no explicit objective to actively engage with ESG issuers on sustainability practices.

That said, at the firm level, on an annual basis, the team of over 65 credit analysts conduct more than 5,000 meetings and calls with company management teams. In addition to discussing financial matters, in these interactions PIMCO also focus on ESG risks and sustainable business management practices.

In 2019, for the corporate bond holdings in the Diversified Income Fund, PIMCO engaged with 10-15% of corporate issuers at an "advanced" level. This fund is not an ESG focused fund and engagement is not a key objective of the fund. However, the fund may benefit from firm-wide engagement from their ESG focused strategies to the extent it holds overlapping securities.

Examples of a significant vote or engagement

One example of an engagement with a company was with General Electric. This large industrial has faced regulatory headwinds recently relating to accounting practices as well as cash flow headwinds related to a leveraged balance sheet. PIMCO engaged actively with senior executives to emphasise the need for asset sales, debt repayment and substantially improved disclosures. PIMCO also encouraged the issuer to support science-based targets and to set ambitious energy efficiency and carbon reduction targets. In the end, General Electric completed more than $20 billion of deleveraging actions in 2019, sold a majority stake in its energy and oilfield services subsidiary, and substantially improved its disclosures, albeit with additional progress to be done.

Blackrock – Capital Appreciation Strategy

Summary of voting & engagement policy

BlackRock aim to enhance the long-term value of client assets through their proxy voting and engagement activities. BlackRock's Investment Stewardship team engage with companies in both active and indexed investment strategies, noting the importance of engagement within index-based strategies where divestment is not an option. BlackRock use engagement as a tool to raise concerns regarding governance and sustainability issues that may affect the long-term performance of the company.

BlackRock are improving their engagement disclosures this year, with the aim to:

- Move from annual to quarterly voting data;
- Give prompt explanations of key voting decisions;
- Enhance disclosure of company engagement.

The Capital Appreciation Strategy is not eligible for voting data due to it being a classified as a hedge fund.

Credit Suisse Asset Management – Global Senior Loans

Summary of voting & engagement policy

Credit Suisse believe a responsible approach to business is a key factor in determining long-term success and believes that the disciplined application of ESG analysis, along with traditional research, contributes positively to the management of investment risks and long-term value preservation. The approach reflects a commitment to protecting the environment and well-being of people in communities. Credit Suisse recognises its share of responsibilities in combating climate change by supporting the transition to a low carbon and climate resilient economy.

Credit Suisse believes that ESG issues are important considerations in the credit research process, which, alongside other qualitative considerations and financial metrics, may provide a more complete view of the risk and return characteristics of potential investments. ESG analysis is integrated into Credit Suisse's corporate credit research process to further assess medium and longer-term risks of a company and is consistent with their active approach to investing.

In 2019 Credit Suisse developed an ESG checklist which all issuers must complete. The checklist is used to encourage dialogue between Credit Suisse and issuers and to increase ESG awareness and engagement. The checklist enables Credit Suisse to better ascertain what policies and procedures have been implemented at issuers to ensure that potential ESG factors do not pose material risks.

Credit Suisse has adopted ESG policies in order to comply with Swiss law which proscribe Credit Suisse from conducting business activities with issuers that are involved in the development, manufacture and/or acquisition of nuclear, biological and chemical weapons. In addition, Credit Suisse has made a commitment to no longer engage with issuers related to the development of new coal-fired power plants.

Examples of a significant challenge or engagement

While, due to the nature of the fund invested in, Credit Suisse are not able to provide a summary of specific voting behaviour, they seek to identify ESG challenges and engage with these issues where possible. Leveraging their in-house research capabilities and working with independent research institutions, they produce a broad spectrum of publications, reports, analyses and specialist articles on economic and socio-political topics. One example of which is the Global Wealth Report published by Credit Suisse Research Institute, which provides comprehensive information on the development of global household wealth each year.

Credit Suisse strive to assume responsibilities in the area of human rights in accordance with the International Bill of Human Rights. In 2019, Credit Suisse and the Society for Threatened Peoples (STP) conducted a mediation process facilitated by the National Contact Point of Switzerland, for the OECD Guidelines for Multinational Enterprises, which was focused on the due diligence and rights of indigenous peoples. As a result, Credit Suisse updated their policies on oil and gas, mining, forestry and agribusiness by including the concept of Free, Prior and Informed Consent (FPIC) with respect to project-related transactions as part of their expectations towards clients.

Reams – Unconstrained Bond Fund

Summary of voting & engagement policy

Reams believe corporate engagement is a vital aspect of responsible investing, although they recognise its unique challenges for fixed income investors. Relative to equity owners, for example, fixed income investors have limited opportunities to engage with bond issuers on ESG topics. Corporate bondholders do not have the voting rights afforded to shareholders, nor do they have an established forum to engage with company management on ESG issues, such as the annual general meeting. Similarly, for all but the largest fixed income managers and direct bond investors, it is difficult to access sovereign debt issuers.

Despite the inherent challenges and fundamental limitations, Reams believe that it is important to seek opportunities to engage with bond issuers on relevant ESG topics as circumstances allow. Reams subscribes to a pooled engagement service, whereby the service provider engages with companies on behalf of subscribers to address perceived material ESG issues and risks. Reams believe this is an effective means to leverage the strength of the group and influence issuers with material ESG risk.

As a small fixed income investment manager, their approach to ESG integration focuses on identifying material risks, including climate-related risks, assessing their impact on the range of potential investment outcomes, and determining if these risks are properly priced into the security under consideration. Reams have not yet implemented a more comprehensive process of identifying climate-related risks and opportunities.

Examples of a significant vote or engagement

Daimler AG demonstrated an openness to dialogue and provided details regarding ongoing efforts to manage the environmental issues. Engagement has been suspended pending developments in ongoing investigations in the US and on its emissions certifications in the EU.

Kames Capital – UK Property

Summary of voting & engagement policy

Kames Capital is an active member of both the UK Investment Association's Governance and Engagement Committee and its Sustainability and Responsible Investment Committee. As part of these roles they are closely involved in formulating best practice for responsible investment. Kames are also members or supporters of a range of other responsible investment initiatives including the UN-backed Principles for Responsible Investment and Climate Action 100+.[2]

Kames view sustainability as a corporate objective and consider it to be central to their strategy and culture. Kames aspire to meet the same standards in their own business as they demand of the companies and funds in which they invest.

As active investors Kames believe it is their responsibility to encourage companies or funds to maximise investment returns through good governance, including respect for society and the environment. As a significant shareholder in many companies and funds, they are well-placed to actively promote best practice in ESG matters.

Engagements take the form of regular meetings with fund managers in which ESG issues and policies are raised. Kames requests an update on

[2] Climate Action 100+ is an investor initiative to systematically engage with the world's most important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement. http://www.climateaction100.org/

any implementation of its ESG policies, procedures and Global Real Estate Sustainability Benchmark (GRESB) benchmarking. It also uses this as an opportunity to influence the fund manager. Kames may provide the fund manager with feedback as to how the fund manager compares with its competitors and where improvements can be made.

Kames believe their commitment to ESG brings three main benefits to their clients:

- Kames' focus on ESG means they better understand the environments in which funds and companies operate. This helps them to quantify risks and opportunities;
- Kames are an active investment manager with a fundamental, research-driven approach. Their ESG analysis supports the management of concentrated, high-conviction portfolios;
- Evidence shows that funds or companies which rank among the leaders in governance and sustainability are more likely to outperform as investments over the long term. Integrating ESG factors in their research helps Kames to avoid short-term distractions and stay focused on the long-term prospects for funds and sectors.

Summary

Based on the data currently available to the Trustee, it is reasonable to believe that all the Scheme's fund managers have exercised their respective voting and engagement abilities in a thoughtful, responsible manner and that the Trustee's stewardship policy was appropriately implemented on their behalf.
The Trustee recognises that they have responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in.

Since year end, the Trustee have strengthened the stewardship policy within the Scheme's SIP which will be reflected in the Scheme's 2021 Engagement Statement.
