

UNIVERSITY OF CAMBRIDGE



**REPORT OF THE MANAGING COMMITTEE
AND
ACCOUNTS OF THE ASSISTANTS' CONTRIBUTORY PENSION SCHEME
FOR THE YEAR ENDED 31 JULY 2014**

TRUSTEES OF THE SCHEME AND MANAGING COMMITTEE

The Contributory Pension Scheme was established under the authority of the Oxford and Cambridge Act 1923.

The Trustees of the Scheme are CU Pension Trustee Ltd acting through the Managing Committee of the Contributory Pension Scheme. The procedures for appointment and removal of Managing Committee members can be obtained, on request, from the Pensions Office.

The Managing Committee 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 Managing Committee 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.

SCHEME MANAGEMENT AND ADVISERS

The Managing Committee during the year was composed as follows:

Appointed by the Finance Committee

Mrs J Rippeth (to 28 February 2014) (Chairman)
Mr H Jacobs (from 1 March 2014) (Chairman)

Appointed by Council

Mrs J Rippeth (UCLES Group)(from 28 February 2014)
Mr I Seehra (Director of Human Resources) (to 16 May 2014)
Mr D P Hearn (Clare College)
Professor S Young (Pro-Vice Chancellor)

Elected by a ballot of active members

Mr W Smith (University Computing Service)

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

SCHEME MANAGEMENT AND ADVISERS *(continued)*

The Investments Committee during the year was composed as follows:

Appointed by the Managing Committee

Mr D P Hearn (Chairman)
Dr D Chambers (Judge Business School)
Mr B Wrey
Mr P Warren (Clare College)
Mr S Leathes (to 7 November 2013)
Mr N Cavalla (University Investment Officer)

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

Legal Advisers: Mills & Reeve LLP

Actuarial Advice: Cartwrights Consulting Ltd

Auditors: Peters Elworthy & Moore

Investment Managers:

F&C Management (to 31 March 2014)
Kames Capital (from 1 April 2014)
Majedie Asset Management
State Street Global Advisors
UBS Global Asset Management
Genesis
Black Rock Alternative Advisors
Payden & Rygel
Och Ziff
Credit Suisse Asset Management

Investment Consultant: AONHewitt

REPORT OF THE MANAGING COMMITTEE FOR THE YEAR ENDED 31 JULY 2014

The audited accounts for the year ended 31 July 2014, a copy of which is included with this report, show that the Scheme's net assets now stand at **£511,560,604**.

INVESTMENTS

The Portfolio is monitored by the Investments Committee, which meet four times during the year to determine policy.

The day to day management of the Fund is carried out by F&C Management (to 31 March 2014), Kames Capital (from 1 April 2014), Majedie Asset Managers, State Street Global Advisors, UBS Global Asset Management, Genesis, Black Rock Alternative Advisors, Loomis Sayle, Payden & Rygel, Och Ziff and Credit Suisse Asset Management. These managers report regularly to the Investments Committee which is advised by AonHewitt.

The total investments of the Scheme were £511.5m at 31 July 2014 compared with £460.7m at the previous year-end. During the year the gain on the Scheme's investments amounted to £35.7m. After adding net income from dealings with members of £9.7m the net increase in the fund during the year was £45.4m.

Investment objectives

The Scheme's Statement of Investment Principles sets out the investment objectives as follows:-

The overall financial and investment objective of the Portfolio is to meet the pension liabilities of the Scheme's members. The specific long term investment objectives of the Portfolio are:-

- To attain a real total return¹ (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%

¹ Real total return is the sum of realised and unrealised capital appreciation (or loss) and current income in the form of dividends and interest, adjusted for inflation as measured by the Retail Price Index.

Asset Allocation over the last 12 months						
Percentage of Total Assets						Market Value
	31/07/2013	30/09/2013	31/12/2013	31/03/2014	31/07/2014	as at 31/07/2014
Equity						
U.K.	30.6	30.0	30.1	29.9	29.5	£150,672,457
Global ex U.K.	25.0	25.1	25.3	25.3	25.5	£130,712,750
Emerging Markets	5.4	5.3	5.3	5.1	5.1	£26,255,581
Property	7.5	7.2	8.5	6.9	9.9	£50,940,114
Bonds	14.4	14.2	11.7	13.6	13.5	£69,034,885
Hedge Funds	11.7	11.4	12.2	11.0	11.0	£56,104,658
Cash	5.4	6.8	7.5	8.2	5.5	£28,000,000
TOTAL ASSETS	100%	100%	100%	100%	100%	£511,720,445

Asset allocation includes cash held as this is earmarked for investment.

Manager Allocations and Performance

The asset classes are managed by nine 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 in their UK Equity Index, which had a market value of £96.5m as at 31 July 2014.

SSgA's benchmark is the FTSE All-Share Index and the target is to match the benchmark. During the year SSgA matched the benchmark return of 5.6%.

- **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 £54.2m as at 31 July 2014.

Majedie's benchmark is the FTSE All-Share Index and the target is to outperform the benchmark. Over the year Majedie returned 9.3% outperforming the benchmark of 5.6% by 3.7%.

- **UBS Global Asset Management:** The assets held with UBS are invested in their passively managed funds, which had a market value of £130.7m as at 31 July 2014. Approximately 80.8% of the funds invested with UBS are invested in currency hedged equity funds.

The funds held are as follows 8.3% UBS Life USA Equity Tracker, 5.7% UBS Life Europe Ex UK Equity Tracker, 3.4% UBS Life Japan Equity Tracker, 1.9% UBS Life Pacific Ex Japan Equity Tracker, 34.4% UBS

Life USA Equity Hedged Tracker, 26.1% UBS Life Europe Ex UK Equity Hedged Tracker, 13.2% UBS Life Japan Equity Hedged Tracker and 7.0% UBS Life Pacific Ex Japan Equity Hedged Tracker.

UBS's benchmarks reflect the equity markets in each overseas region and they have achieved their target of matching the benchmark index performance in each region. During the year UBS matched the benchmark return of 13.6%.

- **Genesis Asset Management:** The assets held with Genesis are invested in their Genesis Emerging Markets Fund, which had a market value of £26.3m as at 31 July 2014.

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.

Over the year Genesis returned 3.7% outperforming the benchmark of 1.7% by 2.0%.

- **Kames Capital:** The assets held with Kames are invested in their Property Fund, which had a market value of £50.9m as at 31 July 2014. 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.

- **Och Ziff:** The assets held with Och Ziff are invested in the OZ Overseas Fund II and had a market value of £26.1m as at 31 July 2014. The fund is US Dollar denominated.

Och Ziff's target is to outperform the 3-month Sterling LIBOR rate by 6% net of fees. During the year Och Ziff returned 7.9% underperforming the benchmark of 9.1% by 1.2%

- **Black Rock Alternative Advisors:** The assets held with BlackRock are invested in their Absolute Return Strategies, which had a market value of £30.1m as at 31 July 2014. The currency exposure in this fund is hedged back to Sterling.

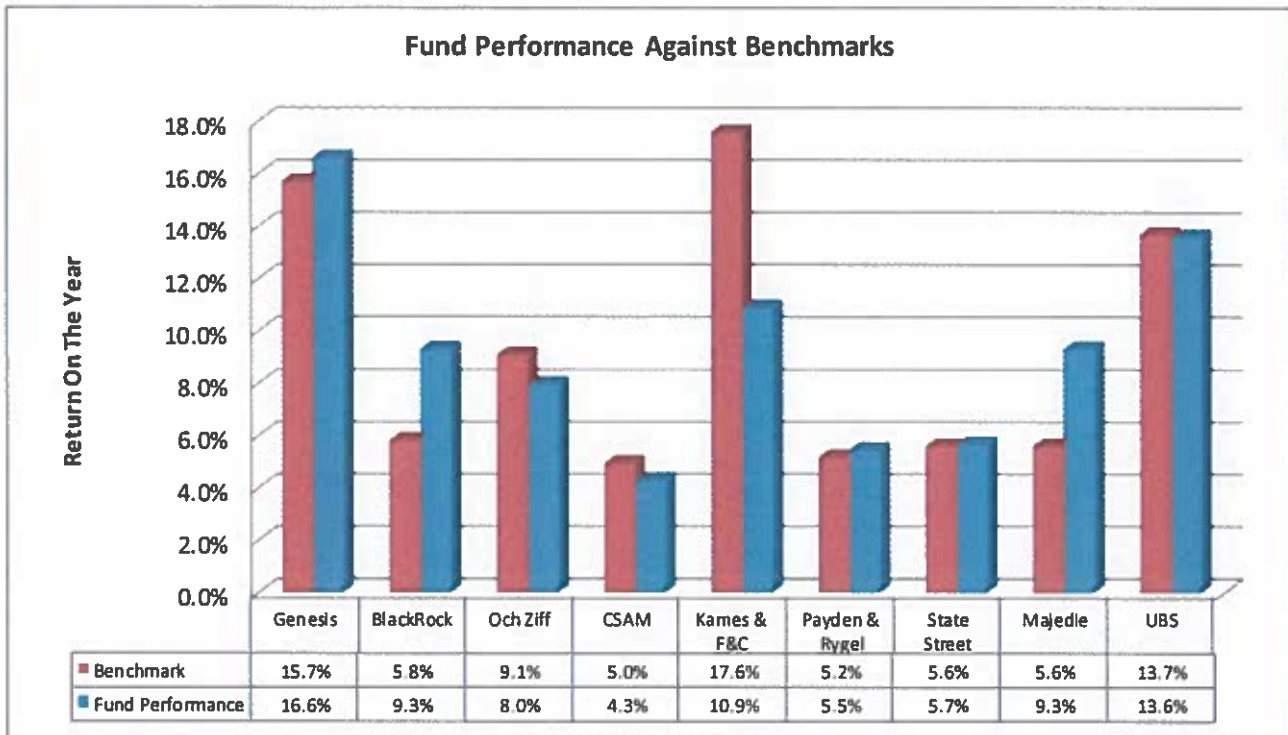
Black Rock's target is to outperform the 3 month Sterling LIBOR rate by 6% net of fees. Over the year Black Rock returned 8.9% outperforming the benchmark of 5.8% by 3.1%

- **Payden & Rygel:** Approximately £48.5m is invested with Payden & Rygel, a US-based manager with a global bond mandate, hedged to sterling. The intention is to allow the Scheme to benefit from the opportunities available in the global bond markets while maintaining a focus on high quality government holdings. Over the year Payden & Rygel returned 5.5% outperforming a weighted composite benchmark of 5.1% by 0.4%.

- **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 £20.5m as at 31 July 2014.

The currency exposure in this fund is fully hedged back to Sterling. CSAM employs a bottom up approach 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 4.3%, underperforming the benchmark of 4.9%.



Overall the Scheme's assets have matched the dynamic benchmark for the year to 31 July 2014.

During the year the Investment Committee took the decision to terminate the mandate with F&C and move the property portfolio to Kames Capital. An additional £15m from the cash reserves was placed with Kames Capital in five tranches, the final payment being made in July 2014.

An additional investment of £5m to Credit Suisse Asset Management was also agreed and this was completed in August 2014.

The Committee 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 Committee takes a long term view looking for a total investment return of 6.9%.

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

	2010	2011	2012	2013	2014
Total return	17.1	9.5	4.1	16.1	11.1
RPI	4.8	5.0	3.2	3.1	2.5

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 no longer accepts transfers, the transfers shown in the accounts relate to transfers in progress at 1 January 2013.

PENSION INCREASES

With effect from 1 August 2014 all pensions in payment as at 1 August 2013 were increased by 2.4%. For retirements effective between 1 August 2013 and 30 June 2014 the increase was proportionate.

Increases in recent years have been as follows: -

Year	% Increase	Year	% Increase	Year	% Increase
2002	2.0	2006	3.0	2010	5.1
2003	3.0	2007	4.3	2011	5.2
2004	2.8	2008	4.3	2012	3.1
2005	2.9	2009	0.0	2013	3.1

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%	

TAXATION STATUS

The Scheme is registered with Her Majesty's Revenue and Customs under the provisions of Part IV of the Finance Act 2004.

ACTUARIAL VALUATION AND CONTRIBUTIONS

The most recent actuarial valuation of the Scheme was carried out with an effective date of 31 July 2012, and revealed a funding shortfall of £134,375,000. Following this valuation, a new Schedule of Contributions and Recovery Plan was agreed between the Trustees and the Principal Employer, dated 26 April 2013.

The revised Schedule of Contributions and Recovery Plan can be found on pages 12 - 15 of this report.

MEMBERSHIP

Active Members		
Active members at 31 July 2013		4128
Adjustment for late notification		-27
Active members at 31 July 2013 restated		4101
New members during the year		822
		4923
Less:		
Leavers before retirement age (excluding Death in Service)		
To Preserved status	273	
Refunds	214	
Opt Outs	82	
Transferred all benefits	64	
		633
Retired during the year	69	
Died in service	3	
		72
Active members at 31 July 2014		4218

Preserved Pensioners		
Preserved pensioners at 31 July 2013		3034
Adjustment for late notification		-2
Preserved members at 31 July 2013 restated		3032
New preserved pensioners		273
		3305
Less:		
Preserved pensioners retired during the year	68	
Members transferring their preserved benefits	14	
		82
Preserved pensioners at 31 July 2014		3223

Pensioners		
Pensions in payment at 31 July 2013		2754
Adjustment for late notification		1
Pensions in payment at 31 July 2013		2755
New pensioners during the year	69	
Preserved pensioners retired during the year	68	
Widows/ers of members dying in service	3	
New child pensioners	3	
Widow/ers of pensioners dying during the year	20	
		163
Less:		
Pensioners dying during the year	62	
Child pensioners ceasing	1	
		63
Pensions in payment at 31 July 2014		2855

Summary of Pensioners at 31 July 2014			
	Female	Male	Total
Members	1409	1046	2445
Dependants	342	68	410
Total	1751	1114	2855

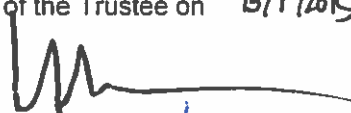
SUMMARY OF CONTRIBUTIONS

During the year ended 31 July 2014 the contributions payable to the scheme were as follows:

Contributions payable under the Schedule of Contributions		£
Contributions from the employers:		
Normal		13,431,260
Deficit funding		14,595,000
		<u>28,026,260</u>
Contributions from the members:		
Normal		247,017
		<u>28,273,277</u>
 Other contributions payable		
Employer augmentation payments on members' early retirement		22,861
Members additional voluntary contributions (added years)		373,116
Members additional voluntary contributions (Cambridge Building Society)		60,840
		<u>456,817</u>
		<u>28,730,094</u>


Signed on behalf of the Trustee on 15/1/2015, by:

Mr H Jacobs



Chairman

Mr D P Hearn



Council Representative

Schedule of Contributions

Name of Scheme 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 26 April 2013, after obtaining the advice of Robert Sweet, the Actuary to the Scheme.

Contributions to be paid towards the Scheme from 1 May 2013 to 30 April 2023

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:

	Salary Sacrifice Members			Other Members		
	Active Members	Employers		Active Members	Employers	
		Prior to 31 July 2013	1 August 2013 onwards		Prior to 31 July 2013	1 August 2013 onwards
	%	%	%	%	%	%
Pre-2013 Members paying additional contributions under Rule 45.6	Nil	28.8	20.0	8.5	20.3	11.5
Other Pre-2013 Members	Nil	25.3	16.5	5.0	20.3	11.5
Post-2013 Members	Nil	23.3	8.8	3.0	20.3	5.8

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. In respect of the shortfall in funding, in accordance with the Recovery Plan dated 26 April 2013 the Employers will pay an additional contribution of £14,595,000 per annum payable in monthly instalments over the period from 1 May 2013 to 30 April 2023, the allocation of this amount between the Employers to be decided by the Principal Employer.

To be paid towards 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 before 31 December 2012.

**Pensionable
Salary**

Basic salary plus any allowances and other emoluments that have been determined to be pensionable by the Employers. For Members who 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.

**On behalf of the University of Cambridge
("the Principal Employer")**

**On behalf of CU Pension Trustee Limited
("the Trustee")**

Signed

Signed

Name : A M Reid

Name : R K Hinkley

Position : Director of Finance

Position : Director

Date : 26 April 2013

Date : 26 April 2013

Actuary's Certification of Schedule of Contributions

Name of Scheme Cambridge University Assistants' Contributory Pension Scheme

Adequacy of Contribution Rates I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 July 2012 to be met by the end of the period specified in the Recovery Plan dated 26 April 2013.

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 26 April 2013.

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

Signature:

Robert J. Sweet

Date:

26 April 2013

Name:

R J Sweet

Qualification:

Fellow of the Institute and Faculty of Actuaries

Address:

Mill Pool House
Mill Lane
Godalming
Surrey
GU7 1EY

Name of Employer:

Cartwright Group Ltd

Recovery Plan

Name of Scheme	Cambridge University Assistants' Contributory Pension Scheme
Status	<p>This Recovery Plan has been prepared by CU Pension Trustee Limited (the "Trustee" of the Scheme) on 26 April 2013 after obtaining the advice of Robert J Sweet, the Actuary to the Scheme.</p> <p>The actuarial valuation of the Scheme as at 31 July 2012 revealed a funding shortfall (technical provisions minus value of assets) of £134,375,000.</p>
Steps to be taken to ensure that the statutory funding objective is met	To eliminate this funding shortfall, the Trustee and the Principal Employer have agreed that additional contributions will be paid to the Scheme by the Employers, payable in equal monthly instalments of £14,595,000 per annum from 1 August 2012 to 30 April 2023.
Period in which the statutory funding objective should be met	<p>The funding shortfall is expected to be eliminated by 30 April 2023. This expectation is based on the following assumptions:</p> <ul style="list-style-type: none">▪ technical provisions calculated according to the method and assumptions set out in the Statement of Funding Principles dated 26 April 2013;▪ a return on existing assets and on new contributions during the period of 6.35% p.a.
Progress towards meeting the Statutory Funding Objective	It is expected that 50% of the deficit funding contributions will be paid by 31 December 2017.

**On behalf of the University of Cambridge
("the Principal Employer")**

**On behalf of CU Pension Trustee Limited
("the Trustee")**

Signed

Signed

Name : A M Reid

Name : R K Hinkley

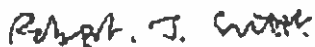
Position : Director of Finance

Position : Director

Date : 26 April 2013

Date : 26 April 2013

This Recovery Plan has been agreed by the Trustee at its meeting on 26 April 2013 after obtaining my actuarial advice.

Signed : 

Name : R J Sweet

Position : Scheme Actuary

Date : 26 April 2013

Cambridge University Assistants' Contributory Pension Scheme (CPS)

Summary Funding Statement 2014

The CPS Managing Committee is pleased to provide members with the Scheme's ninth Summary Funding Statement.

Trustees of all UK defined benefit schemes are required by law to provide an annual summary funding statement to scheme members. The purpose of the statement is to summarise the funding position at the scheme's most recent valuation and the changes since that date.

Since the 2013 Summary Funding Statement Dr Reg Hinkley has retired as Chairman of the CPS Managing Committee and the Committee was ably Chaired by Mrs Jackie Rippeth until I was appointed by the University Finance Committee in March 2014.

As pension schemes go on for many years, any review of a scheme's finances can only be a 'snap-shot' based on what is known at a given date, and estimates of what might happen in the future. Amongst other things, estimates include: how long people will live; what the rate of inflation will be; and what return the scheme will earn on its investments. This 'snap-shot' is known as an actuarial valuation and is carried out by the Scheme Actuary (normally every three years). The results of the valuation will form the basis for decisions about future contributions to the scheme.

The last full valuation of the CPS was at 31 July 2012. This statement summarises the funding position of the Scheme at that date, gives an update on the position at 31 July 2013 and covers all of the information which we are required by law to tell you. As some of this information is rather technical and detailed, we have divided the statement into sections.

Mr Howard Jacobs
Chairman, CPS Managing Committee

1. How well funded is the Scheme?

This question is answered by establishing how well the Scheme's liabilities (the pensions which it has to pay now and in the future in respect of pensionable service already completed) are covered by its assets (the money it has available).

There are many different ways of measuring a scheme's funding position. The most relevant measure is the 'ongoing basis' – which assumes the Scheme carries on as now. At the most recent actuarial valuation at 31 July 2012, the Scheme's funding position on an ongoing basis was:

Market value of scheme assets:	£377,169,000
Scheme liabilities:	£511,544,000
Scheme funding shortfall:	£134,375,000
Ongoing funding level:	74%

Based on the assumptions used in the "ongoing basis" which were agreed by the CPS Managing Committee and the University, the Scheme Actuary calculated that the contribution rates required to provide benefits on the revised benefit structure which has applied since 1 January 2013 were as follows:

	% of Pensionable Salaries	
	Members %	Employers %
Pre-2013 members	5.0	11.5
Post-2013 members	3.0	5.8

For Post-2013 members, the Employers also make Employer contributions of 5.0% of Pensionable Salaries into the separate Defined Contribution (DC) arrangement.

Contributions have been paid at these rates from 1 August 2013 onwards. For the period up to 31 July 2013, the Employer contributed at the rate of 20.3% of Pensionable Salaries. Some members who joined the Scheme prior to 1 December 2009 have elected to pay an additional member contribution of 3.5% of Pensionable Salary in exchange for improved early retirement terms. Where a member participates in a Salary Sacrifice Arrangement, the Employer meets the cost of the member contributions shown above in exchange for an equivalent reduction in the member's earnings.

In addition to the above contributions, the Employers are paying contributions at a rate of £14,595,000 p.a. to reduce the funding shortfall. These contributions are projected to eliminate the shortfall by 30 April 2023, provided that the assumptions made are borne out.

2. How has the position changed since 31 July 2012?

The next full actuarial valuation is not due to be undertaken until 31 July 2015, with the results being available within 15 months of that date. In the intervening period the CPS Managing Committee obtains an annual report from the Scheme Actuary, providing an approximate update of the funding position of the Scheme at 31 July each year. These updates are not as detailed as the full actuarial valuation, as they are intended simply to give a broad indication of the trends in funding. Consequently, the calculations which the Scheme Actuary undertakes for these updates are only approximate, and the results are therefore indicative only.

The most recent annual update looked at the funding position on 31 July 2013 and showed that the approximate position was as follows:

Market value of Scheme assets	:	£466million
Scheme liabilities	:	£540million
Scheme funding shortfall	:	£74million
Ongoing funding level	:	86%

The reduction of approximately £60 million in the size of the funding shortfall (compared to the position as at 31 July 2012) was mainly due to good investment returns on the Scheme's assets over the year and the payment of contributions by the Employers towards reducing the shortfall.

3. Future Updates

The next full actuarial valuation is not due until 31 July 2015, with the results being available within 15 months of that date. In the intervening period the CPS Managing Committee obtains an annual report from the Scheme Actuary, providing an approximate update of the funding position of the Scheme at 31 July each year.

The next update will be undertaken as at 31 July 2014 and the results will be included in next year's Statement.

4. Market Volatility

Investment markets can be volatile, even over relatively short periods of time. This has been reflected in the Scheme funding positions reported in each year's Summary Funding Statement. We would like to stress that the funding positions we report are inevitably simply a snapshot of the position at a particular date. Due to market volatility, the funding position can be expected to continue to fluctuate.

5. How well funded is the Scheme on a discontinuance basis?

Another measure of the Scheme's funding position is the 'discontinuance basis' i.e. what would happen if the Scheme was wound up (the University ceased to support the Scheme) and the Managing Committee had to purchase all pensions from an insurance company.

Legislation requires that we include these details of the solvency funding position and the position should the Scheme be wound-up. Including this information does not imply that the University is considering winding-up the Scheme. The CPS Managing Committee and Scheme actuary are satisfied that the Participating Employers are fully committed to continuing to support the Scheme. Consequently, we concentrate on the funding position on the ongoing basis, as detailed in the earlier sections of this statement.

Discontinuance liabilities are higher than those calculated on the ongoing basis because the insurance company will make very conservative assumptions about future investment income and also needs to make a profit.

If the Scheme had discontinued at 31 July 2012, the Scheme's discontinuance position was estimated to have been:

Market value of scheme assets:	£377,169,000
Discontinuance liabilities:	£999,285,000
Discontinuance funding shortfall	£622,117,000
Discontinuance funding level:	38%

This means that the Participating Employers would be required to pay £622,117,000 into the Scheme to meet all of the Scheme's liabilities.

A pension scheme whose sponsoring employer becomes insolvent and is unable to meet the costs of providing pensions, will normally apply to the PPF. The PPF was set up under the Pensions Act 2004 to provide compensation to members and beneficiaries of defined benefit pension schemes in such cases.

6. Have there been any payments from the Scheme to any of the Participating Employers?

The CPS Managing Committee can confirm that there have not been any payments to any of the Participating Employers out of the Scheme in the previous 12 months.

7. Where can I get further information?

A number of additional documents about the CPS are available to members on request, or from the website at www.admin.cam.ac.uk/offices/pensions/cuacps/ and these include:

Statement of Investment Principles – this explains how the money being paid into the CPS is invested.

Statement of Funding Principles – this sets out the funding basis for the CPS agreed by the CPS Managing Committee and the University.

Recovery Plan – this explains how the funding shortfall is being met.

Schedule of Contributions – this shows how much money is being paid into the CPS.

Managing Committee's Annual Report and Accounts – these show the CPS income and expenditure in each scheme year.

Actuarial Valuation Report – this is the full report of the Actuary on the valuation as at 31 July 2012.

Explanatory Note – this explains the benefits offered by the CPS.

If, after reading this statement, you have any questions or would like further information about the Scheme, please contact Sue Curryer, Head of Pensions Administration, University of Cambridge, 4 Mill Lane, Cambridge CB2 1RZ or e-mail her at sec28@cam.ac.uk.

STATEMENT OF THE RESPONSIBILITIES OF THE TRUSTEE

The Trustee has responsibility for the audited accounts. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries and certain other parties, audited accounts for each scheme year which:

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

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

The Trustee is responsible under pensions legislation for ensuring that there is prepared and from time to time revised a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which those contributions are due. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for ensuring that contributions are made to the Scheme in accordance with the schedule of contributions.

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.

TRUSTEE KNOWLEDGE AND UNDERSTANDING

The provisions of the Pensions Act 2004 require trustees 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. Trustees 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 trustees are able to use them effectively when carrying out their duties as a trustee.

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

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

INTERNAL CONTROLS

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

- Details of members who have retired or died and the benefits which are payable from the Scheme in respect of those members.
- Details of the amounts of 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.

Independent Auditors' Report to the Trustees of the Cambridge University Assistants' Contributory Pension Scheme

We have audited the accounts on pages 23-29.

We have audited the financial statements of the Cambridge University Assistants' Contributory Pension Scheme which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Scheme's Trustee, as a body, in accordance with section 47 of 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 it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the pension scheme and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditors

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors.


Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

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 2014 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



PETERS ELWORTHY & MOORE
Chartered Accountants and Statutory Auditors

CAMBRIDGE

Date: 28/02/2015

INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS, UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEE OF THE CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

We have examined the summary of contributions to the Cambridge University Assistants' Contributory Pension Scheme for the scheme year ended 31 July 2014, which is shown on page 10 of the Trustee's report.

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the pension scheme and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and auditors

As described 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 employers and the active members of the scheme. The Trustees is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for monitoring whether contributions are made to the scheme by the employers in accordance with the schedule of contributions.

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

Scope of work on statement about contributions

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

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the scheme year ended 31 July 2014, 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 26 April 2013.



PETERS ELWORTHY & MOORE
Chartered Accountants and Statutory Auditors

CAMBRIDGE
Date: 28/02/2015

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

FUND ACCOUNT

For the year ended 31 July 2014

	Note	2014 £	2013 £
Contributions and Benefits			
Contributions receivable	4	28,730,094	36,543,658
Transfers in	5	<u>1,337,155</u>	<u>5,792,293</u>
		<u>30,067,249</u>	<u>42,335,951</u>
Benefits payable	6	18,927,403	17,728,535
Payments to and on account of leavers	7	508,934	473,774
Administration expenses	8	<u>883,358</u>	<u>982,728</u>
		<u>20,319,695</u>	<u>19,185,037</u>
Net income from dealings with members		<u>9,747,554</u>	<u>23,150,914</u>
Returns on investments			
Investment income	9	2,410,281	3,028,124
Change in market value of investments	11.1	35,229,528	62,995,324
Investment management expenses		(1,804,999)	(1,008,314)
Investment consultant expenses		<u>(150,617)</u>	<u>(179,380)</u>
Net return on investments		<u>35,684,193</u>	<u>64,835,754</u>
Net increase/(decrease) in fund during the year		45,431,747	87,986,668
Net Assets of the Scheme at 1 August 2013		466,128,857	378,142,189
Net Assets of the Scheme at 31 July 2014		<u>511,560,604</u>	<u>466,128,857</u>

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

NET ASSET STATEMENT

at 31 July 2014

	Note	2014 £	2013 £
Investments	10	512,601,512	460,598,502
Current Assets			
Cash at Bank		2,876,773	2,938,441
Debtors	14	3,742,186	4,110,114
		<hr/>	<hr/>
		6,618,959	7,048,555
Less Current Liabilities			
Creditors	15	7,659,867	1,518,200
		<hr/>	<hr/>
Net Current Assets		(1,040,908)	5,530,355
Net Assets of the Scheme at 31 July 2014		<hr/> <hr/>	<hr/> <hr/>
		511,560,604	466,128,857

These financial statements were approved by the Trustee on 15/1/2015 and were signed on behalf of the Trustee by:

Mr H Jacobs 

Chairman

Mr D P Hearn 

Council Representative

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

Notes to the Financial Statements for the year ended 31 July 2014

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and other benefits, which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statements by the actuary on pages 13 to 15 of the annual report and these financial statements should be read in conjunction with it.

2. ACCOUNTING POLICIES

2.1 INCLUSION OF INCOME AND EXPENDITURE

2.1.1 Contribution Income

Under the rules of the Scheme the University of Cambridge and associated employers shall contribute to the Fund at such a rate or rates as the University Finance Committee shall determine from time to time with the advice of the actuary.

Normal contributions are included on the accruals basis. Special contributions are accounted for when received.

AVC contributions are accounted for on an accruals basis in the same way as other contributions, and the resulting investments are included in the net assets statement.

2.1.2 Transfers to and from other Schemes

Transfer values represent the amounts received and payable during the year for members who have either joined or left the Scheme. All the values are based on methods and assumptions determined by the actuary advising the Managing Committee.

2.1.3 Investment Income

Dividends and interest are grossed up for the amount of any taxation recoverable.

2.1.4 Foreign Currency Conversion

Foreign income is converted into sterling at the rate ruling on the date the income is received. Income accrued at the year end is converted at the rate ruling at that date. Investments and current assets and liabilities denominated in foreign currencies are converted using the sterling rate of exchange ruling at the year end date.

2.2 VALUATION OF INVESTMENTS

Marketable securities are valued at bid prices as at 31 July. Assets and liabilities held in foreign currencies are translated into sterling at the exchange rates ruling on 31 July. Accumulated unrealised profits less unrealised losses on investments are included as part of the change in market value of investments as shown in the Fund Account and Note 11. Unlisted securities are stated at the Managing Committee's valuation based on the advice of the Scheme's investment managers.

AVC funds with the Cambridge Building Society are valued at cash deposit value.

3. ACTUARIAL VALUATION

An actuarial valuation of the Scheme was made by the actuary as at 31 July 2012

The valuation showed that there was a deficiency of £134,375,000 when the actuarial value of the assets was compared with the past service liabilities calculated on the basis used for funding the Scheme and based on projected earnings. This represents a funding level of 74%.

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

4. CONTRIBUTIONS RECEIVABLE	2014	2013
	£	£
From Members:		
Normal contributions	247,017	242,332
Additional voluntary contributions (Added years)	373,116	374,063
Additional voluntary contributions (CBS)	60,840	95,399
	<u>680,973</u>	<u>711,794</u>
From Employers:		
Normal contributions	13,431,260	21,198,136
Deficit funding contributions	14,595,000	14,595,000
Augmentation payments on members' early retirement	22,861	38,728
	<u>28,730,094</u>	<u>36,543,658</u>
5. TRANSFERS FROM OTHER SCHEMES	2014	2013
	£	£
Individual transfers from other schemes amounted to:	<u>1,337,155</u>	<u>5,792,292</u>
6. BENEFITS PAYABLE	2014	2013
	£	£
Pension payments to retired members	15,683,099	14,754,614
Commuted to lump sum payments	2,650,732	2,184,831
Cash payment on death	593,572	789,090
	<u>18,927,403</u>	<u>17,728,535</u>
7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS	2014	2013
	£	£
Refunds of contributions to members	27,866	9,598
Payments to HM Revenue & Customs	19,528	56,678
Transfers out to other schemes for individuals	461,540	407,498
	<u>508,934</u>	<u>473,774</u>

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

8. ADMINISTRATION EXPENSES

	2014	2013
	£	£
Expenses borne by the Scheme comprise:		
Actuarial fees	49,332	170,106
Chairman's Honorary	10,000	-
EDM Project	38,792	-
Consultant fees	-	59,400
Legal fees	39,203	14,889
Audit fees	10,700	11,370
Salaries and other payroll costs	203,680	193,545
NAPF subscription	1,850	1,792
PPF Levy	452,284	453,393
Pensions Regulator Levy	23,885	23,020
Printing costs	687	595
PS Pension Administration support costs	14,812	18,509
Travel and Subsistence	639	299
Pension Trustee Liability Insurance	34,185	34,185
Medical reports	66	90
Bank charges	253	192
Other expenses	2,990	1,343
	<u>883,358</u>	<u>982,728</u>

9. INVESTMENT INCOME

	2014	2013
	£	£
Income from managed or unitised funds	1,744,814	2,301,964
Bond Income	555,200	618,612
Interest on cash deposits	97,823	95,526
Interest on building society deposits	8,419	9,131
Annuities received	4,025	2,891
	<u>2,410,281</u>	<u>3,028,124</u>

10. INVESTMENTS

Investments are stated at market value and comprise the following:

	2014	2013
	£	£
Managed and unitised funds:		
Managed funds	483,720,445	434,604,314
Cash at investment managers pending investment:		
Sterling	28,000,000	25,000,000
Main scheme investments (see Note 11.1)	<u>511,720,445</u>	<u>459,604,314</u>
AVC Investments		
Building society deposits (see Note 11.2)	881,067	994,188
	<u>512,601,512</u>	<u>460,598,502</u>

11. NET MOVEMENT IN MARKET VALUE OF INVESTMENTS

11.1 MAIN SCHEME INVESTMENTS-UNITISED FUNDS

	2014	2013
	£	£
Market value of investments at 1 August 2013	434,604,314	353,763,064
Cost of investments purchased	75,188,927	88,635,668
Proceeds of investments sold	(61,302,324)	(70,789,742)
Change in market values	35,229,528	62,995,324
Market value of investments at 31 July 2014	<u>483,720,445</u>	<u>434,604,314</u>

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

11.2 AVC INVESTMENTS

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.

A statement showing the movement in value of the AVC account is shown below.

	2014 £	2013 £
INCOME		
Contributions	60,840	95,399
Interest receivable	8,419	9,131
	69,259	104,530
EXPENDITURE		
AVC balances transferred to Fund Account	182,380	84,024
Net reduction from dealings with members	(113,121)	20,506
	994,188	973,682
Balance of members' Voluntary Contributions at the end of the year	881,067	994,188

Added Years Additional Voluntary Contributions represent contributions made to purchase additional pensionable service under the rules of the Scheme. A statement showing the contributions paid to secure additional pensionable service is shown below.

	2014 £	2013 £
Contributions received:		
Contributions received in current year	373,116	374,063
Contributions brought forward from previous years	3,366,534	2,992,471
	3,739,650	3,366,534
Total contributions paid to secure added years AVCs	3,739,650	3,366,534

12. CONCENTRATION OF INVESTMENT

At 31 July 2014 the Scheme had investments totalling £302,067,580 (2013: £285,943,567) in 7 (2013: 7) funds managed by Majedie Asset Management, State Street Global, Genesis, Payden & Rygel and BlackRock. These holdings represented 59.1% (2013: 50.5%) of the total assets of the Scheme.

The funds in which the Scheme held investments at 31 July 2014 were as follows:-

Name of fund	No of units held on 31 Jul 2014	Value of holding at 31 Jul 2014 (£)	Value of holding at 31 Jul 2013 (£)
Majedie Asset Management UK Equity Service	10,843,078	54,183,942	49,565,876
State Street Global UK Equity Index	25,512,563	96,488,515	91,312,271
Genesis Emerging Markets Fund	689,598	26,255,581	24,907,709
BlackRock Absolute Return Strategies	28,772	30,076,984	27,611,577
Payden Global Funds International Bond	3,133,821	48,569,885	46,037,472
OZ Overseas Fund II	36,249	26,027,673	26,230,062
CS Nova (Lux) Global Senior Loan Fund	20,000	20,465,000	20,278,600
		302,067,580	285,943,567

13. SELF INVESTMENT

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

CAMBRIDGE UNIVERSITY ASSISTANTS' CONTRIBUTORY PENSION SCHEME

14. DEBTORS	2014	2013
	£	£
Contributions due for July 2014	2,805,805	3,284,681
Accrued Investment Income	922,291	807,176
Prepayments and other accrued income	14,090	18,257
	<u>3,742,186</u>	<u>4,110,114</u>

15. CREDITORS	2014	2013
	£	£
Due to the University	1,338,635	1,261,662
Overpayment of Contributions due to the University	6,115,352	-
Investment manager fees	58,993	170,132
Audit fees	9,500	9,000
Trustee liability insurance	34,185	68,370
Payments due in respect of deceased members	79,070	-
Other accruals	24,132	9,036
	<u>7,659,867</u>	<u>1,518,200</u>

16. RELATED PARTY TRANSACTIONS

The Scheme pays all administration and management costs incurred in the running of the Scheme. The University is responsible for the payment of pensions and the collection of contributions through its payroll function.