

**Cambridge Colleges Federated Pension Scheme**

**Trustee's Report and Financial Statements**

**For the year ended 31 March 2017**

# Cambridge Colleges' Federated Pension Scheme

## Contents

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Scheme Management and Advisers	Pages 2 - 3
Trustee's report	Pages 4 - 15
Summary of Contributions Payable for the Year	Pages 16 - 17
Independent auditors' report	Page 18
Independent auditors' statement about contributions	Page 19
Financial Statements	Pages 20 - 21
Notes to the financial statements	Pages 22 - 33
Statement of Trustees Responsibilities	Pages 34
Appendix	Pages 35-27

## Cambridge Colleges' Federated Pension Scheme

### Scheme Management and Advisers

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The Trustees of the Cambridge Colleges Pension Scheme (the "Scheme") present their annual report for the year ended 31 March 2017.

The Trustee is Cambridge Colleges Superannuation Trustees Ltd, a limited company (No.1388310).

The Directors of the Company and the Committee of Management throughout the year were:

Name	Basis of nomination*	Additional information
Sir M Harris (Chairman)	END	Fellow, Clare Hall
P J Brindle	END	Former Bursar, Darwin College
S Clayson	END	Finance Manager, Selwyn College
C Pratt	END	Bursar, Jesus College (to 31/12/17)
P Warren	END	Bursar, Clare College (from 01/01/17)
R Ellison	END	Solicitor (External)
J Wells	END	Director of Operations, CRUK/CRI University of Cambridge (External)
M Warwick	MND	Emmanuel College
C Howell	MND	Robinson College
B Clarke	MND	Retired member, Corpus Christi

\*END Employer Nominated Director, MND Member Nominated Director

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

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

The Company Secretary and Scheme Administrator throughout the year was:

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

Email: [pensionsonline@admin.cam.ac.uk](mailto:pensionsonline@admin.cam.ac.uk)

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

## **Cambridge Colleges' Federated Pension Scheme**

### **Scheme Management and Advisers**

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

Scheme Actuary – Mr R Sweet, Cartwright Consulting

Legal Advisers - Mills & Reeve

Auditors - Peters, Elworthy and Moore

Insured Benefits Advisers – Becketts

Investment Managers and Advisers – Schroders Investment Management

Investment Consultants – Redington Limited

Bankers - Barclays Plc and Bank of Scotland.



# **Cambridge Colleges' Federated Pension Scheme**

## **Trustee's Report**

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### **Financial Development of the Scheme**

The Fund's net assets increased during the year by £44.25m to £212.01m at 31 March 2017.

The deficit for year in dealings with members was £2.22m

The overall capital value of the Scheme's investments, including cash at the Investment Managers, increased by £46.47m. Further details of the financial development of the Fund may be found in the audited financial statements on pages 21 to 32 of this report.

For the period 1 April 2016 to 31 March 2017 total contribution rates to the Scheme ranged from **18.13% to 41.38%** of Contribution Pay with an average of **25.44%**. Details of the contributions paid during the year to 31 March 2017 plus copies of the relevant Schedules of Contributions are included in the Appendix to this report and accounts.

### **Scheme Registration**

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

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

### Membership Statistics

<b>Active Members</b>	
Active members at 1 April 2016	839
Adjustment for late notification	-3
New members during year	93
	<u>929</u>
Less:	
Leavers before retirement age (excluding Death in Service)	30
Retired during the year	33
To Deferred	47
	<u>110</u>
Active members at 31 March 2017	<u><b>819</b></u>

<b>Pensioners</b>	
Pensions in payment at 1 April 2016	1301
Adjustment for late notification	-6
	<u>1295</u>
Retirements during year	33
Deferred pensioners retired during year	37
Widow/ers of Pensioners	10
	<u>80</u>
Pensioners dying during year	36
Pensions in payment at 31 March 2017	<u><b>1339</b></u>

<b>Deferred Members</b>	
Deferred members at 1 April 2016	816
Adjustment for late notification	8
Active members to deferred	47
	<u>871</u>
Deferred Retirements	37
Deferred Transfers Outs	15
	<u>52</u>
Deferred members at 31 March 2017	<u><b>819</b></u>

#### Summary of Pensioners as at 31 March 2017

Female	Male	Total
683	656	1339

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Pension Increases

The Rules of the Scheme provide for annual increases in pensions in payment, in excess of the Guaranteed Minimum Pension, in line with the Retail Prices Index. Increases are awarded on 1 November each year and in recent years have been: -

Increase	Date
2.0%	1 November 2016
0.8%	1 November 2015
2.3%	1 November 2014
3.2%	1 November 2013
2.6%	1 November 2012
5.6%	1 November 2011
4.6%	1 November 2010
0.0%	1 November 2009
5.0%	1 November 2008
3.9%	1 November 2007
3.6%	1 November 2006

Preserved pensions are increased in line with the statutory requirements.

### Transfer Values

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

### Additional Voluntary Contributions (AVC's)

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The fund has no separately invested AVCs.

### Actuarial Position and Contributions

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The formal actuarial certificate required by statute to be included in this Annual Report appears on page 20. In addition, as required by FRS102, the Trustees have included the Report on Actuarial Liabilities on page 6-9, which forms part of the trustees' report.

### The Pensions Regulator

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

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### 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 Trustees 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 March 2014. This showed that on that date:

	£'000
Value of the Technical Provisions	170,561
Value of the Assets	140,714

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

#### Method

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

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

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

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

#### Significant actuarial assumptions

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

As RPI may be over- or understated using this method due to varying demand for index linked gilts, the Management Committee can adjust the calculated yield by up to 0.25% p.a. and then round the answer to the nearest 0.05%. For the calculation at 31 March 2014 they applied a reduction of 0.15% to give an assumption for RPI of 3.35% per annum.

**Consumer Price Inflation (CPI):** An allowance for future CPI increases is included at an assumed rate equal to the assumption for future RPI increases less 0.8% per annum. As at 31 March 2014 this resulted in an assumption for future CPI increases of 2.55% 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 Management Committee invests in a wide range of assets including equities and property, which are expected to give long term returns in excess of those available on gilts. The Management Committee wishes to take credit for some of this out-performance and to that end will use an interest rate based on the Bank of England's published nominal gilt yield curve at 18 years plus a margin to allow for this expected out-performance. The Management Committee has determined that for the purposes of the calculations as at 31 March 2014 the margin to be adopted is 1.9% p.a. to give a discount rate of 5.4% per annum.

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Report on Actuarial Liabilities (continued)

**Salary Increases:** After discussion with the Colleges, the Management Committee believe that, due to Colleges' salary banding structure and limits to comparable salaries in the Public Sector, it is appropriate to assume that in future salary increases will be limited to 1.5% p.a. for the first 3 years after the valuation, and then CPI plus 0.5% p.a. thereafter.

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

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

- Increasing in line with the RPI;
- Increasing in line with RPI to a maximum of 5% p.a. compound
- Increasing in line with CPI to a maximum of 3% p.a. compound (post April 1988 GMP)
- Level in payment (pre-April 1988 GMP only)

For these increases the Management Committee will use:

- Calculated RPI or CPI for any RPI or CPI increases (as calculated above);
- RPI less 0.2% (or the Limited Price Indexation Cap less 0.2% if lower) for those assumptions where there is a cap on future RPI increases to reflect the fact that these benefits are calculated on a year by year basis and RPI increases will be limited in some cases.
- For the GMP increase in payment an assumption of CPI less 0.2% p.a. has been adopted.

**Pension Increases in Deferment:** The Management Committee's assumption is the same as the expected future increase in the Consumer Prices Index (CPI) up to a maximum of 5% p.a. (2½% p.a. for Pensionable Service after 5 April 2009).

**Mortality:** Currently the Management Committee is using S2 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.

In addition, the Management Committee wish to make provision for future longevity improvements by adopting the CMI 2013 projection model produced by the CMIB, with a 1% p.a. long term improvement rate for future longevity.

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

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

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Report on Actuarial Liabilities (continued)

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

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

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

This feature will be monitored at each future valuation.

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

For members who have previously left the Scheme the Management Committee will assume that Benefit Option 1 Females retire at age 60, and other members will retire at age 62.

These retirement ages will continue to be reviewed by the Actuary at each triennial valuation to ensure that they remain appropriate.

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

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

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

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

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

- College Section Charge = £3,000 p.a.
- Active Member Charge = £152.38 p.a.
- Deferred Member Charge = £58.18 p.a.
- Pensioner Member Charge = £113.59 p.a.

These charges will be reviewed at each future valuation.

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



# **Cambridge Colleges' Federated Pension Scheme**

## **Trustee's Report**

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### **Trustee Knowledge and Understanding**

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07.

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

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

### **Internal Controls**

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

- details of members who have retired or died and the benefits which are payable from the Scheme in respect of those members;
- details of the amounts of contributions received from the Participating Employers and the date of receipt, plus details of any action taken by the Scheme Office in respect of late or incorrect payment of contributions
- confirmation that no events have occurred since the last meeting which need to be reported to the Pensions Regulator
- reports on outstanding work in the Scheme Office and the reasons for the work being outstanding

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

### **Statement of Investment Principles**

The Trustees are required under The Occupational Pension Schemes (Investment) Regulations 2005 to prepare and maintain a Statement of Investment Principles as described by Section 35 of the Pensions Act 1995. A statement has been prepared in accordance with these regulations, approved by the Trustees on 11 December 2015. A copy of the statement may be obtained from the Secretary to the Trustees at the administration office.

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Investments Sub Committee

The Management Committee has prepared and agreed a Statement of Investment Principles and the implementation of investment policy and strategy is delegated to the investments sub-Committee.

The Trustees delegate the day-to-day management to professional external investment managers. The Trustees set the investment strategy for the scheme after taking advice from the scheme's investment adviser. The Trustees have put in place investment mandates with their investment managers which implement this strategy.

Investment managers are remunerated by fees based on a percentage of funds under management. There are no performance related fee arrangements.

Fees charged by Schroders are as follows: 0.1% Management Fee on all Funds plus an additional 0.4% charge on any Schroders Fund.

The balance of income, after payment of pensions, transfer payments to other pension schemes, and cash lump sum commutation of pensions, is invested by the Scheme's Investment Managers in accordance with general guidelines made by the Investments Sub-Committee.

The membership of the Investments Sub-Committee during the year was as follows

Name	Additional information
T Harvey-Samuel (Chairman)	Bursar, Corpus Christi College
C Pratt	Bursar, Jesus College (External) (until 31 December 2016)
S Summers	Bursar, St Catharines College
I Wright	Bursar, Peterhouse
R Gardner	Bursar, Murray Edwards
M P Warren	Bursar, Clare College (from 1 January 2017)

During the year ended 31 March 2017, there were no employer related investments as defined in Section 40 of the Pensions Act 1995.



# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Report of the Investments Sub Committee for the year ended 31 March 2017

The Committee has set its main target as 100% funding on a Technical Provisions basis (TP). The Technical Provisions basis is currently set at Gilts + 2.0%. As at 31st March 2017 the Scheme was 86.5% funded on the Technical Provision basis.

Returns from the Scheme's asset portfolio were very strong over the year with the global equity exposure returning c34% aided in part by the sharp fall in sterling following the result of the referendum on EU membership. Private equity returns were also strong as the Scheme's investments continued to return cash to investors. Returns from all the Scheme's diversifying assets were also positive although significantly below those from equities. The Scheme's liability matching investments also rose strongly as real yields fell sharply over the year. The return on the Scheme's investments as a whole was 28.5% for the year.

The Committee's investment strategy is for the proportion of the sensitivity to changes in real interest rate that is hedged to match the average funding level of the Scheme (on a TP basis) less 5%. The funding level improved over the year as the portfolio's assets increased by more than the Scheme liabilities. The investment committee has put in place triggers to increase the amount of hedging as the funding level improves resulting in the extent of real rate exposure that is hedged increasing from 76.6% to 78.5% over the year. This LDI strategy is implemented by investing in derivatives via pooled funds. The use of derivatives minimises the proportion of the Scheme invested in these matching assets, thereby maximising the capital available to invest in growth assets with the objective of improving the funding level.

The rise in the value of the hedging assets over the year meant that less cash was required in the LDI portfolio to cover potential collateral calls allowing funds to be released for investment in growth assets. In addition, the private equity investments are now in their distribution phase and c£3.8m was received during the year which was also available to be re-invested in other growth assets. Consequently, additional investment was made in the diversified risk premia strategy and in infrastructure equities. Finally, the Committee switched the Scheme's investment in absolute return bonds from the Schroder Strategic Bond Fund to the Kames Absolute Return Fund. During the year Mr. Pratt retired from the Committee after many years of distinguished service for which we are most grateful. His place on both the Investment Committee and the Management Committee was taken by Mr. P. Warren, Bursar of Clare College.

*Tim Harvey-Samuel, Chair – Investment Committee July 2017*

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

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### Schroders Investment Review for the 12 Months to 31 March 2017

#### Market Review

Returns from the Scheme's asset portfolio were very strong over the year with the global equity exposure returning c34% aided in part by the sharp fall in sterling following the result of the referendum on EU membership. Private equity returns were also strong as the Scheme's investments continued to return cash to investors. Returns from all the Scheme's diversifying assets were also positive although significantly below those from equities. The Scheme's liability matching investments also rose strongly as real yields fell sharply over the year.

#### Fund Performance

The Scheme's total return for the year including hedging assets was 28.5%. The Scheme's growth portfolio returned 16.3%.

#### Investment Approach

The Scheme's investment strategy is for the proportion of the sensitivity to changes in real interest rate that is hedged to match the average funding level of the Scheme less 5%. The funding level improved over the year as the portfolio's assets increased by more than the Scheme liabilities. The Scheme has put in place triggers to increase the amount of hedging as the funding level improves resulting in the extent of real rate exposure that is hedged increasing from 76% to 83% over the year.

This LDI strategy is implemented by investing in derivatives via pooled funds. The use of derivatives minimises the proportion of the Scheme invested in these matching assets, thereby maximising the capital available to invest in growth assets with the objective of improving the funding level.

#### Investment Activity

The rise in the value of the hedging assets over the year meant that less cash was required in the LDI portfolio to cover potential collateral calls allowing funds to be released for investment in growth assets. In addition, the private equity investments are now in their distribution phase and c£3.8m was received during the year which was also available to be re-invested in other growth assets. Consequently, additional investment was made in the diversified risk premia strategy and in infrastructure equities. Finally, the Scheme switched its investment in absolute return bonds from the Schroder Strategic Bond Fund to the Kames Absolute Return Bond Fund.

## Cambridge Colleges' Federated Pension Scheme

### Trustee's Report

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#### Schroders Investment Review for the 12 Months to 31 March 2017 (continued)

Asset	Fund 31.03.16	Fund 31.03.17
	%	%
<b>Equity Portfolio</b>	31.1	32.7
Global	28.2	29.5
Emerging Markets	2.9	3.2
<b>Alternative Investments</b>	39.8	35.9
Property	6.6	5.5
Hedge Funds	9.8	5.8
Private Equity	7.4	4.9
Infrastructure	5.0	6.1
Risk Premia	9.8	11.9
Direct Lending	1.2	1.7
<b>Absolute Return Bonds</b>	8.5	10.0
<b>Cash</b>	1.3	2.6
<b>LDI Funds</b>	19.3	18.8
<b>Total</b>	<b>100</b>	<b>100</b>

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

### Top 20 Holdings at Investment Managers

Stock Name	£ (Millions)	Weight (%)
Schroder Pension Mgmt Lto Schroder Life Qep Global Blend Fd Series 1Acc	£62,680,313	29.57
Sisf Strategic Beta 10 Gbp Hedged I Accumulation	£25,276,458	11.92
Kames Capital Invt Co(Ireland)Plc Absolute Return Bond C Acc Nav	£21,212,687	10.01
Schroder Matching Plus Synthetic Index Linked Gilt Fund (2038-2057) I accumulation	£15,361,426	7.25
Axa Uk Long Lease Property Fund	£11,569,496	5.46
Sssf Sterling Liquidity Plus Iacc	£10,896,769	5.14
Schroder Matching Plus Synthetic Index Linked Gilt Fund (2028-2037) I accumulation	£9,037,369	4.26
Hicl Infrastructure Company Limited Ordinary 0.01P	£7,205,269	3.40
Schroder Private Eq Fds Iv Fd Of Fds Cls B Shs (65% Paid)	£7,056,495	3.33
Gmo Funds Plc Emerging Markets Equity Fund	£6,712,171	3.17
Highbridge Private Loan Opportunities Fund Lp Usd (Undrawn Commitment)	£6,249,879	2.95
International Public Partnerships Limited Ordinary 1P	£5,620,716	2.65
Schroder Matching Plus Synthetic Index Linked Gilt Fund (2058-2077) I accumulation	£5,241,437	2.47
Schroder Matching Plus Synthetic Index Linked Gilt Fund (2018-2027) I accumulation	£4,577,818	2.16
Highbridge Private Loan Opportunities Fund Lp Usd	£3,668,016	1.73
Tig Arbitrage Enhanced Limited Sub-Class 1	£3,462,882	1.63
Concordia G-10 Fixed Income Relative Value Usda Shares	£2,762,569	1.30
Tt Mid-Cap Europe Long/Short Fund Limited Class C Feeder	£2,539,482	1.20
Schroder Private Equity Funds III Fund Of Funds Class B Shares (87.5% Paid)	£1,806,388	0.85
Winton Futures Fund Lto Class D Gbp November 2015 Series	£1,690,081	0.80

# Cambridge Colleges' Federated Pension Scheme

## Trustee's Report

### Summary of Contributions Payable for the year ended 31 March 2017

#### Statement of trustees' responsibilities in respect of contributions

The scheme's trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The scheme trustees are also responsible for keeping records of contributions received in respect of any active member of the scheme and for procuring that contributions are made to the scheme by the employers in accordance with the schedule of contributions.

#### Trustees' summary of contributions payable under the Schedule of Contributions in respect of the scheme year ended 31 March 2017

This summary of contributions has been prepared by, and is the responsibility of, the trustees. It sets out the employer and member contributions payable to the scheme under the Schedule of Contributions certified by the actuary on 3 June 2015 in respect of the scheme year ended 31 March 2017. The scheme auditor reports on contributions payable under the schedule in the auditor's Statement about Contributions.

During the year ended 31 March 2017, the contributions payable to the scheme by the employer were as follows:

Contributions payable under the schedule of contributions	2017 £	2016 £
<b>Contributions from employers:</b>		
Normal contributions	3,189,771	3,461,917
Deficit funding contributions	2,002,251	1,610,616
Administrative contributions	399,266	392,871
<b>Contributions from members:</b>		
Normal contributions	1,450,259	1,405,884
	<u>7,041,547</u>	<u>6,871,338</u>
<b>Other contributions payable</b>		
Members' additional voluntary contributions	70,422	74,756
<b>Total contributions reported in the financial statements</b>	<u><u>7,111,969</u></u>	<u><u>6,946,094</u></u>

## Cambridge Colleges' Federated Pension Scheme

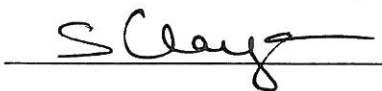
### Trustee's Report

During the year ended 31 March 2017, the deficit funding contributions payable to the Scheme by the employers were as follows:

College	Total received £	Payment frequency
Christ's	107558	Monthly
Churchill	212352	Monthly
Clare Hall	2811	Monthly
Corpus Christi	-	n/a
Darwin	23772	Monthly
Downing	39105	Monthly
Emmanuel	14543	Monthly
Girton	69976	Monthly
Gonville & Caius	140565	Monthly
Hughes Hall	6111	Monthly
King's	136777	Monthly
Lucy Cavendish	2945	Annually
Magdalene	48974	Monthly
Murray Edwards	62097	Monthly
Newnham	94375	Annually
Pembroke	99290	Annually
Peterhouse	11575	Monthly
Queens'	171782	Monthly
Robinson	131145	Monthly
St Catharine's	59387	Monthly
St Edmund's	2597	Monthly
St John's	401899	Monthly
Selwyn	37074	Monthly
Trinity Hall	90844	Monthly
Wolfson	34697	Monthly
<b>Total</b>	<b>2002251</b>	

The Trustee: CAMBRIDGE COLLEGES' SUPERANNUATION TRUSTEES LTD

Date:

 Director

# **Cambridge Colleges' Federated Pension Scheme**

## **Independent auditors' report**

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We have audited the financial statements of the Cambridge Colleges' Federated Pension Scheme for the year ended 31 March 2017 that comprises 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 UK accounting standards (UK Generally Accepted accounting Practice), which have been prepared under the accounting policies set out in the related notes.

This report is made solely to the scheme Trustee, as a body, in accordance with the Pensions Act 1995 and regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme Trustee those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the scheme 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 explained more fully in the Statement of Trustee Responsibilities, the scheme 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 Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org/auditscopeukprivate](http://www.frc.org/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year ended 31 July 2016 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 scheme 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.

**Paul Chapman**

**For and on behalf of Peters Elworthy & Moore, Statutory Auditor**

Salisbury House  
Station Road  
Cambridge  
CB1 2LA

Date:



## **Cambridge Colleges' Federated Pension Scheme**

### **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 Trustees of the Cambridge Colleges Federated Pension Scheme**

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We have examined the summary of contributions to the Cambridge Colleges Federated Pension Scheme for the scheme year ended 31 March 2017, which appears on pages 36-37 of the trustees' report.

This report is made solely to the scheme's trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the scheme's trustees, as a body, for our work, for this statement, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditors**

As explained more fully in the Statement of Trustees' Responsibilities, the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised, a Schedule of Contributions 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 scheme's trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the 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 March 2017 as reported in the attached 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 3 June 2015.

**Paul Chapman**  
**For and on behalf of Peters Elworthy & Moore, Statutory Auditor**

Salisbury House  
Station Road  
Cambridge  
CB1 2LA

Date:



# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Fund Account

	Note	2017 £	2016 £
<b>Contributions and Benefits</b>			
Contributions receivable	4	7,111,969	6,946,044
Transfers in	5	-	41,581
Other Income	6	124,723	365,312
		<u>7,236,692</u>	<u>7,352,937</u>
Benefits payable	7	7,768,139	7,189,203
Payments to and on account of leavers	8	555,589	225,457
Other payments	9	489,723	518,128
Administration expenses	10	646,913	757,624
		<u>9,460,364</u>	<u>8,690,412</u>
<b>Deficit from dealings with members</b>		<u>(2,223,672)</u>	<u>(1,337,475)</u>
<b>Returns on investments</b>			
Investment income	11	1,108,358	933,583
Change in market value of investments	12	45,778,493	2,296,097
Investment management expenses	13	(414,734)	(668,726)
<b>Net return on investments</b>		<u>46,472,117</u>	<u>2,560,954</u>
<b>Net increase in fund during the period</b>		44,248,445	1,223,479
<b>Net Assets of the Scheme at 1 April 2016</b>		167,766,423	166,542,944
<b>Net Assets of the Scheme at 31 March 2017</b>	14	<u>212,014,868</u>	<u>167,766,423</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Statement of Net Assets

	Note	2017 £	2016 £
<b>Investments</b>	10	211,984,234	167,489,058
<b>Current Assets</b>			
Cash at Bank		430,051	426,888
Deposit account		87,764	87,730
Debtors	16	<u>215,922</u>	<u>129,209</u>
		733,737	643,827
<b>Less Current Liabilities</b>			
Creditors	17	<u>703,103</u>	<u>366,462</u>
<b>Net Current Assets</b>		30,634	277,365
<b>Net Assets of the Scheme at 31 March 2017</b>		<u><u>212,014,868</u></u>	<u><u>167,766,423</u></u>

These financial statements were approved by the Trustee on  
Trustee by:

and were signed on behalf of the

Mrs C Howell  
Mr J Wells



Director

Mrs S Clayson



Director

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

The notes on pages 22 to 33 form part of these financial statements.

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

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### Notes to the Financial Statements

#### 1 Basis of preparation

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

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 falling due after the end of the scheme year.

#### 2 Accounting policies

The principal accounting policies of the scheme are as follows:

##### a) Investments

- i. Investments are included at fair value
- ii. The majority of listed investments are stated at their bid price at the date of the Net Asset Statement.
- iii. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.
- iv. 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.
- v. Derivatives are stated at fair value.
  - Exchange traded derivatives are stated at fair value determined using market quoted prices.
  - Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
  - Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the yearend date
  - Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
  - All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.
  - Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

##### b) Investment income

- i. Dividends from quoted securities are accounted for when the security is declared ex-div.
- ii. Interest is accrued on a daily basis.

## Cambridge Colleges' Federated Pension Scheme

### Financial Statements for the year to 31 March 2017

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#### Notes to the Financial Statements

iii. Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in Market Value'

iv. 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.

#### 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.

iii. Group transfers are accounted for in accordance with the terms of the transfer agreement.

#### f) Expenses

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

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Notes to the Financial Statements

#### 4 Contributions Receivable

	2017 £	2016 £
From members		
Ordinary contributions	1,450,259	1,405,884
Additional voluntary contributions	70,422	74,756
	<u>1,520,681</u>	<u>1,480,640</u>
From employers		
Ordinary contributions	3,189,771	3,461,917
Deficit funding contributions	2,002,251	1,610,616
Administrative contributions	399,266	392,871
	<u>7,111,969</u>	<u>6,946,044</u>

#### 5 Transfers from other schemes

	2017 £	2016 £
Transfers from other schemes	-	41,581
	<u>-</u>	<u>41,581</u>

#### 6 Other Income

	2017 £	2016 £
Management fee rebate received from investment managers	2,829	311,732
Death in service lump sums received from insurer	121,894	53,580
	<u>124,723</u>	<u>365,312</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Notes to the Financial Statements

#### 7 Benefits Payable

	2017 £	2016 £
Pensions payments to retired members	5,724,106	5,416,979
Lump sum payment on retirement	1,918,872	1,713,398
Death in service lump sum paid	121,894	53,580
Death in deferment lump sum paid	3,267	5,246
	<u>7,768,139</u>	<u>7,189,203</u>

#### 8 Payments to and on account of Leavers

	2017 £	2016 £
Refunds of contributions to members	12,183	12,350
Tax on refunds of contributions	2,794	3,088
State scheme premiums	-	9,440
Transfer values paid	540,612	200,579
	<u>555,589</u>	<u>225,457</u>

#### 9 Other Payments

	2017 £	2016 £
Premiums for insured benefits	489,723	518,128
	<u>489,723</u>	<u>518,128</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Notes to the Financial Statements

#### 10 Administrative Expenses

	2017 £	2016 £
<b>Regulatory Costs</b>		
PPF Levy	223,117	167,233
PPF Admin Levy	10,127	8,756
Pension Regulator Levy	6,904	6,866
	240,148	182,855
<b>Other Costs</b>		
Contribution to Salaries and Co. Secretary's Honorarium	204,035	228,224
Investment advisor fees	63,000	125,000
Actuarial Fees - Valuation	29,826	75,174
Actuarial Fees - Investment Support	3,240	52,890
Actuarial Fees - General	41,124	20,346
Legal Fees	20,949	31,720
Financial advisor fees	17,250	16,642
Trustees indemnity insurance	13,820	13,757
Audit and accountancy fees	9,019	7,308
Printing & Stationery	1,149	1,466
NAPF Subscription	-	704
Bank fees	463	588
Office Expenses and Computer charges	2,777	438
Trustee Training	113	292
Other	-	185
Registrar of Companies	-	35
	406,765	574,769
	<u>646,913</u>	<u>757,624</u>

#### 11 Investment Income

	2017 £	2016 £
Dividends: Property	471,874	534,669
Dividends: Equities	630,308	379,334
Tax reclaim	2,341	13,168
Interest on cash deposits: Schroders	3,798	6,105
Interest on cash deposits: Bank of Scotland	35	307
	<u>1,108,356</u>	<u>933,583</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Notes to the Financial Statements

#### 12 Change in market value of Investments

	2017 £	2016 £
Market value of investments at 1 April	165,748,479	163,907,840
Cost of investments purchased	129,058,882	81,130,869
Proceeds of investments sold	(128,849,650)	(81,586,327)
Change in market value	45,778,493	2,296,097
Market value of investments at 31 March	<u>211,736,204</u>	<u>165,748,479</u>

#### 13 Investment Management Expenses

	2017 £	2016 £
Schroders Management expenses	<u>414,734</u>	<u>668,726</u>

#### 14 Pension Fund

	£	2017 £	£	2016 £
<b><u>General account</u></b>				
Balance at 1st April	168,860,301		167,458,467	
Net movement in year	44,248,445		1,223,479	
Transfer	9,487		178,355	
Balance at 31st March		213,118,233		168,860,301
<b><u>Administration account</u></b>				
Balance at 1st April	(1,093,878)		(915,523)	
Transfer	(9,487)		(178,355)	
Balance at 31st March		(1,103,365)		(1,093,878)
Pension Fund at 31st March		<u>212,014,868</u>		<u>167,766,423</u>



## Cambridge Colleges' Federated Pension Scheme

### Financial Statements for the year to 31 March 2017

#### Notes to the Financial Statements

##### 15 Investments

	2017 £	2016 £
Equities	131,013,739	105,593,826
Fixed Income	55,430,736	38,071,781
Property Unit Trusts	11,569,496	11,036,332
Unit Trusts	10,896,769	8,909,030
Hedge Funds	2,762,569	2,236,164
Derivatives	62,896	(98,653)
	<u>211,736,205</u>	<u>165,748,480</u>
Cash	248,029	1,740,578
Total	<u>211,984,234</u>	<u>167,489,058</u>

##### 16 Debtors

	2017 £	2016 £
College Contributions	215,922	127,697
Payroll Returns	-	1,512
	<u>215,922</u>	<u>129,209</u>

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Notes to the Financial Statements

#### 17 Creditors

	2017 £	2016 £
Staff Costs	106,051	160,891
Investment Management Fee	358,906	85,404
Inland Revenue	67,307	66,314
Death in Service Payment	51,716	-
Investment advisor	21,000	21,000
Retirement lump sums	59,810	13,888
Actuarial advice	3,876	8,352
Audit fee	8,000	6,325
Trustees indemnity insurance	13,820	-
Refunds	-	1,996
Legal Fees	12,616	1,929
Independent Financial Adviser fee	-	363
Pensions payments to retired members	-	-
	<u>703,102</u>	<u>366,462</u>

#### 18 Concentration of investment

The following investments account for more than 5% of the scheme's net assets:-

	2017 £	2016 £
Schroder Pen Mgmt L To Schroder Life Qep Glo Blend Fd Ser 1 Acc	62,680,313	47,295,511
Sisf Strategic Beta 10 Gbp Hedged I Acc	25,276,457	16,463,811
Kames Capital Invt Co(Ireland)Plc Absolute Return Bond C Acc Nav	21,212,687	14,239,958
Schroder Matching Plus Syn Ind Linked Gilt Fund (2038-2057) I Acc	15,361,426	11,036,331
Axa Uk Long Lease Property Fund	11,569,496	10,159,627
Sssf Sterling Liquidity Plus I Acc	10,896,769	8,909,029

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Notes to the Financial Statements

#### 19 Administration Account

	£	2017 £	£	2016 £
<u>Income</u>				
Administration Charges from Colleges	637,391		578,962	
Deposit Account Interest	35		307	
		637,426		579,269
<u>Expenditure</u>				
Contribution to Salaries and Co. Secretary's Honarium	204,035		228,224	
PPF Levy	223,117		167,233	
PPF Admin Levy	10,127		8,756	
Pension Regulator Levy	6,904		6,866	
Investment advisor fees	63,000		125,000	
Actuarial Fees - Valuation	29,826		75,174	
Actuarial Fees - Consultation	3,240		52,890	
Actuarial Fees - General	41,124		20,346	
Financial advisor fees	17,250		31,720	
Legal Fees	20,949		16,642	
Trustees indemnity insurance	13,820		13,757	
Audit and accountancy fees	9,019		7,308	
Printing & Stationery	1,149		1,466	
NAPF Subscription	-		704	
Bank fees	463		588	
Office Expenses and Computer charges	2,777		438	
Trustee Training	113		292	
Other	-		185	
Registrar of Companies	-		35	
		646,913		757,624
Net increase/(decrease) charged to income		(9,487)		(178,355)
Total absorbed within the fund since inception of scheme		(1,103,365)		(1,093,878)

# Cambridge Colleges' Federated Pension Scheme

## Financial Statements for the year to 31 March 2017

### Notes to the Financial Statements

#### 20 Transaction costs

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

#### 21 Investment fair value hierarchy

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

- Category (a) The quoted price for an identical asset in an active market.
- Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.
- Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique which uses:
- (c) (i) observable market data; or
  - (c) (ii) non-observable data.

For the purposes of this analysis daily priced funds have been included in (a) and actuarially valued annuity contracts in (c) (ii).

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

As at 31 March 2017	Category (a)	Category (b)	Category (c) (i)	Category (c) (ii)	TOTAL
	£	£	£	£	£
Listed equities	131,013,739	-	-	-	131,013,739
Fixed income	-	55,430,736	-	-	55,430,332
Property Unit trusts	-	-	11,569,496	-	11,569,496
Unit trusts	-	-	10,896,769	-	10,896,769
Hedge Funds	-	-	2,762,569	-	2,762,569
Derivatives	-	-	62,896	-	62,896
Cash	248,029	-	-	-	248,029
Total	131,261,768	55,430,736	25,291,730	-	211,984,234
As at 31 March 2016	Category (a)	Category (b)	Category (c) (i)	Category (c) (ii)	TOTAL
	£	£	£	£	£
Listed equities	105,593,826	-	-	-	105,593,826
Fixed income	-	38,071,781	-	-	38,071,781
Property Unit trusts	-	-	11,036,332	-	11,036,332
Unit trusts	-	-	8,909,030	-	8,909,030
Hedge Funds	-	-	2,236,164	-	2,236,164
Derivatives	-	-	(98,653)	-	(98,653)
Cash	1,740,578	-	-	-	1,740,578
Total	107,334,404	38,071,871	22,082,873	-	167,489,058

## Notes to the Financial Statements

### 22 Investment risks

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

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

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

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

■ **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

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

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

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

#### (i) Credit risk

The Scheme invests in bonds and OTC derivatives. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles. The scheme is subject to further credit risk as the scheme has cash balances.

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

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

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of

**Notes to the Financial Statements**

investments amongst a number of pooled arrangements. Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager.

**(ii) Currency risk**

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustees limit overseas currency exposure through a currency hedging policy.

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

**(iii) Interest rate risk**

The Scheme is subject to interest rate risk on the liability-driven investments comprising bonds and interest rate swaps held either as segregated investments or through pooled investment vehicles and cash.

**(iv) Other price risk**

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities equity futures, hedge funds, private equity and investment properties held in pooled vehicles.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

**23 Contingent liabilities and commitments**

Other than the liability to pay future retirement benefits, there were no contingent liabilities or capital commitments as at 31 March 2017.

**24 Related party transactions**

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

## **Cambridge Colleges' Federated Pension Scheme**

### **Statement of Trustees' Responsibilities for the Financial Statements**

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The audited Financial Statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

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

The Trustees have supervised the preparation of the Financial Statements and have agreed suitable accounting policies, to be applied consistently, making estimates and 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 financial statements it accompanies.

The Trustees also have certain responsibilities in respect of contributions which are set out in the statement of Trustees' responsibilities accompanying the Trustees' summary of contributions.

The Trustees have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

## **Cambridge Colleges' Federated Pension Scheme**

### **Appendix**

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1. Summary of Contributions Payable for each College
2. Actuary's Certification of Schedule of Contributions



**CCFPS' RECOVERY PLANS - SUMMARY FOR ACCOUNTING PURPOSES**  
**Source: Triennial Actuarial Valuation as at 31 March 2014**

**Details of Recovery Plans**

	Deficit Amount as at 31 March 2014	Recovery Plan Start Date	Recovery Plan End Date	Expected Date of meeting 50% Target	Amount p.a.	Frequency
<u>Contracted-out Colleges with BSP Offset Removed</u>						
Christ's College	1,937,900	01/07/2015	31/03/2034	30/11/2024	107,558	Monthly
Churchill College	1,277,200	01/07/2015	31/03/2034	30/11/2024	60,348	Monthly
Corpus Christi College	184,500	01/07/2015	31/03/2034	30/11/2024	0	Monthly
Downing College	925,600	01/07/2015	31/03/2034	30/11/2024	39,105	Monthly
Emmanuel College	809,000	01/07/2015	31/03/2034	30/11/2024	14,543	Monthly
Girton College	1,583,700	01/07/2015	31/03/2034	30/11/2024	69,976	Monthly
Gonville & Caius College	2,473,400	01/07/2015	31/03/2034	30/11/2024	140,565	Monthly
Magdalene College	1,016,200	01/07/2015	31/03/2034	30/11/2024	48,974	Monthly
Murray Edwards College	1,051,600	01/07/2015	31/03/2034	30/11/2024	62,097	Monthly
Newnham College	599,900	01/07/2015	31/03/2034	30/11/2024	24,375	Monthly
Pembroke College	1,661,600	01/07/2015	31/03/2034	30/11/2024	99,290	Annually
Peterhouse	741,700	01/07/2015	31/03/2034	30/11/2024	11,575	Monthly
Queens' College	2,236,600	01/07/2015	31/03/2029	31/05/2022	171,782	Monthly
Selwyn College	958,600	01/07/2015	31/03/2034	30/11/2024	37,074	Monthly
St Catharine's College	1,196,400	01/07/2015	31/03/2034	30/11/2024	59,387	Monthly
St John's College	3,369,900	01/07/2015	31/03/2024	30/11/2019	401,899	Monthly
Trinity Hall	1,686,500	01/07/2015	31/03/2034	30/11/2024	90,844	Monthly
<u>Contracted-out Colleges with BSP Offset Retained</u>						
King's College	2,822,700	01/07/2015	31/03/2034	30/11/2024	136,777	Monthly
Robinson College	2,198,600	01/07/2015	31/03/2034	30/11/2024	131,145	Monthly
<u>Contracted-in Colleges with BSP Offset Removed</u>						
Clare Hall	132,800	01/07/2015	31/03/2034	30/11/2024	2,823	Monthly
Darwin College	434,000	01/07/2015	31/03/2034	30/11/2024	23,772	Monthly
Lucy Cavendish College	56,400	01/07/2015	31/03/2034	30/11/2024	2,945	Annually
St Edmund's College	70,100	01/07/2015	31/03/2034	30/11/2024	2,597	Monthly
Wolfson College	679,900	01/07/2015	31/03/2034	30/11/2024	34,697	Monthly
<u>Contracted-in Colleges with BSP Offset Retained</u>						
Hughes Hall	111,400	01/07/2015	31/03/2034	30/11/2024	6,111	Monthly

## Actuary's Certification of Schedule of Contributions

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Name of Scheme Cambridge Colleges' Federated Pension Scheme

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Participating College As specified in the above Schedule

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Adequacy of Rates of Contributions

a) If the Schedule shows a deficit at 31 March 2014

I hereby certify that, in my opinion, the rates of contribution shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2014 to be met by the end of the period specified in the Recovery Plan.

b) If the Schedule does not show a deficit at 31 March 2014

I hereby certify that, in my opinion, the rates of contribution shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2014 to continue to be met for the period for which the Schedule is to be in force.

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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 3 June 2015.

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.

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Signed : *Robert J. Sweet* Date: As specified in Schedule

Name : R J Sweet Qualification: Fellow of the Institute and Faculty of Actuaries

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