

**UNIVERSITY OF LIVERPOOL PENSION FUND**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2020**

**PENSION SCHEME REGISTRATION NUMBER**

**100055205**

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

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# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Trustee and advisers

### Trustee

The Trustee of the Scheme is the University of Liverpool Pension Fund Trustees Limited ("the Trustee Company"). The Directors who served during the year and those serving at the date of this Annual Report are as follows:

Mr C. Hunter (Chair)  
Mrs C. Costello  
Ms N. Davies  
Mr M. Feeny  
Mr D. Harries  
Mr P. Hewitt\*  
Mr P. McIntyre\*  
Mr D. J. Trafford \*\*  
Mr A. Wattret\*  
Mr S. Walker

\* Member-nominated director  
\*\* Pensioner-nominated director

<b>Secretary</b>	Christine Jones, University of Liverpool Pension Fund, Human Resources Department, Hart Building, Mount Pleasant, Liverpool, L3 5TQ
<b>Scheme Administrator</b>	University of Liverpool
<b>Actuary</b>	James Auty BSc FIA Mercer
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP
<b>Legal Adviser</b>	Pinsent Masons LLP
<b>Investment Adviser</b>	Eric Lambert BSc Actuary
<b>Investment Consultant</b>	Barnett Waddingham LLP Mercer
<b>Investment Managers</b>	Baillie Gifford & Co BlackRock Advisors (UK) Limited Columbia Threadneedle Investments Kames Capital Majedie Asset Management Limited (until 9 December 2020) Newton Investment Management UBS Global Asset Management Limited Veritas Asset Management (appointed 10 December 2020)
<b>Investment Custodian directly appointed by the Trustee</b>	Bank of New York Mellon - Custodian for BlackRock Advisors (UK) Limited
<b>Bankers</b>	Barclays Bank plc
<b>Principal and participating employers</b>	University of Liverpool (Principal Employer) University of Liverpool Energy Company Limited Liverpool School of Tropical Medicine
<b>Name and address for enquiries</b>	The Secretary, University of Liverpool Pension Fund, Human Resources Department Hart Building, Mount Pleasant, Liverpool, L3 5TQ, <a href="mailto:cjj@liverpool.ac.uk">cjj@liverpool.ac.uk</a>

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Report by the Trustee of the Scheme For the year ended 31 July 2020

The Trustee of the University of Liverpool Pension Fund (the “Scheme”) presents its Annual Report for the year ended 31 July 2020.

### Scheme constitution and management

The Scheme is a defined benefit scheme and provides benefits for the support staff of the University of Liverpool (the “University”) and its associates in the United Kingdom. In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of Part 4 of The Finance Act 2004 with effect from 6 April 2006. It is established under and governed by a trust deed and rules dated 13 September 2017. It was contracted out of the State Second Pension (S2P) until 5 April 2016 when contracting out ceased.

In accordance with The Occupational Pension Schemes (Member-Nominated Trustees and Directors) Regulations, three of the Directors of the Trustee Company have been nominated by the members and one by the pensioners. The member-nominated Directors can be removed only on the agreement of all the other Directors, although their appointment ceases if they cease to be members of the Scheme. In accordance with the Memorandum and Articles of Association, the University has the power to appoint and remove the other Directors.

The Board of the Trustee Company meets at least four times each year. It considers any changes in policy which are necessary to reflect changes in legislation, the Scheme's requirements and general pension scheme practice and it monitors the management of the Scheme and its investments.

### Financial statements

The financial statements included in this Annual Report are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

### Covid

Global financial markets have experienced, and may continue to experience, significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have, and may continue to, adversely affect the global economy, the economies of certain nations, and individual issuers.

The Trustee has designed and implemented the Scheme's investment strategy taking a long term view and have built in resilience to withstand short term fluctuations.

Throughout the year the Trustee has closely monitored the employer covenant (the ability of the University to support the Scheme) concluding that it is comfortable with the overall strength of the employer covenant.

There has been some operational impact on the Pensions Administration Team with the team having moved to working from home from 23 March 2020. However throughout the pandemic the team have continued to pay pensions on time, settled benefits and provide a service to all members.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Membership and benefits

### Membership of the Final Salary Section

	Pensioners <sup>(1)</sup>	Deferred Pensioners <sup>(2)</sup>	Active Members	Total Members
<b>At 1 August 2019</b>	1,524	934	708	3,166
Adjustment	2	1	(3)	-
New members	-	-	-	-
Leavers:				
Retired	61	(35)	(26)	-
Transfer Out	-	(5)	-	(5)
Deferred	-	15	(15)	-
Death	(41)	(5)	(5)	(51)
Commutation	(2)	-	-	(2)
New spouse's pension	24	-	-	24
<b>At 31 July 2020</b>	<b>1,568</b>	<b>905</b>	<b>659</b>	<b>3,132</b>

#### Notes

(1) Included within pensioners at 31 July 2020 are 219 spouses/dependants (2019: 203).

(2) Deferred pensioners are members who have left service but have elected to have their benefits retained within the Scheme until they become payable.

The Final Salary Section closed to new members on 31 July 2011 (entry after this date is at the discretion of the University and may be granted in accordance with Rule 1.5 of the Trust Deed and Rules).

### Membership of the CARE Section

	Pensioners <sup>(1)</sup>	Deferred Pensioners <sup>(2)</sup>	Active Members	Total Members
<b>At 1 August 2019</b>	13	242	1,197	1,452
Adjustment	-	-	(3)	(3)
New members	-	-	214	214
Leavers:				
Retired	5	(1)	(4)	-
Refund	-	(9)	(105)	(114)
Transfer Out	-	(5)	-	(5)
Deferred	-	64	(64)	-
Death	-	(1)	(2)	(3)
Commutation	(3)	-	-	(3)
Suspensions <sup>(3)</sup>	-	54	(54)	-
New Spouse's pension	1	-	-	1
<b>At 31 July 2020</b>	<b>16</b>	<b>344</b>	<b>1,179</b>	<b>1,539</b>

#### Notes

(1) Included within pensioners at 31 July 2020 is 1 spouse/dependant (2019:1).

(2) Deferred pensioners are members who have left service but have elected to have their benefits retained within the Scheme until they become payable.

(3) Suspensions are members who have left contributing membership and have the option of taking a refund of contributions or a transfer of their benefits.

(4) Any employee who has been automatically enrolled into the Scheme and opts out within the first 3 months is not included in the membership of the CARE Section.

The CARE Section, which offers career average benefits, opened to all new members on 1 August 2011.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Pension increases

The Trustee in consultation with the University (the Principal Employer) reviews each year all pensions in payment. Pensions accrued from 6 April 1997 to 1 August 2005 are guaranteed to receive increases in payment in line with statutory provisions. Pensions accrued after 1 August 2005 are guaranteed to receive increases in line with the Retail Prices Index limited to 2.5%.

Any additional increases are payable at the discretion of the Trustee, acting on the advice of the Actuary and with the consent of the University. In June 2020, a non-consolidated one-off payment was paid in respect of pensions accrued before 6 April 1997. The payment amounted to 1.7% of the element of pension accrued before 6 April 1997 in excess of the Guarantee Minimum Pension.

## Actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the financial statements do not include liabilities in respect of promised retirement benefits.

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, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using the assumptions agreed between the Trustee and the Principal Employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial valuation of the Scheme was carried out as at 31 July 2018. An updated estimated valuation was performed at 31 July 2020. The results of these valuations are detailed below:

	July 2020	July 2018
Value of technical provisions	£472.8m	£370.9m
Value of assets available to meet technical provisions	£534.1m	£476.4m
Assets as a percentage of technical provisions	113%	128%

Although there are no current plans to discontinue the Scheme and buy-out liabilities with an insurance company, the Trustee also considers the level of funding relative to the estimated costs of such a buy-out (known as "solvency liabilities") and equivalent information on this basis is provided below:

	July 2020	July 2018
Value of solvency liabilities	£810.5m	£602.8m
Value of assets available to meet solvency liabilities	£534.1m	£476.4m
Assets as a percentage of solvency liabilities	66%	79%

The value of the technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Scheme in the future, such as the level of investment returns and pay increases, when members will retire and how long members will live. The method and significant actuarial assumptions used in the calculations are as follows:

### Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

### Significant actuarial assumptions

**Pre retirement discount rate (past service):** The Nominal Gilt Yield Curve plus 2.25% per annum at each term.

**Pre retirement discount rate (future service):** The Nominal Gilt Yield Curve plus 3.00% per annum at each term.

**Post retirement discount rate:** The Nominal Gilt Yield Curve plus 0.75% per annum at each term.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

**Rate of inflation – Retail Prices Index (RPI):** The Gilt Inflation Curve less a deduction of 0.15% at each term to reflect the “inflation risk premium” for fixed interest gilts and the high demand/low supply of index linked gilts relative to fixed interest gilts.

**Rate of inflation – Consumer Prices Index (CPI):** RPI inflation less 0.7% per annum at each term.

**Rate of pensionable earnings increase:** CPI assumption (plus a promotional scale for past service only).

**Increases to pension in payment:** Derived using a Black-Scholes stochastic model, applying any applicable maximum and/or minimum rates, based on the relevant central inflation assumption and an inflation volatility assumption of 1.75% p.a.

**Cash commutation:** Members assumed to take 80% of their maximum cash allowance at retirement based on current cash commutation rates.

**Mortality - post retirement:** 100% of 2018 Club Vita curves and an allowance for future improvements using the LTG2014 improvement tables with a long term improvement rate of 1.50% p.a.

## Recovery Plan

As the Scheme was in surplus as at 31 July 2018, there was no requirement for a recovery plan to be drawn up.

## Investment management

### Investment strategy and principles

Responsibility for the administration and management of the Scheme’s assets is vested in the Trustee who is responsible for the overall investment policies of the Scheme. Under these, the Scheme does not hold shares in the University or subsidiary companies nor makes loans to the University or any of its subsidiaries. The Trustee does not make day-to-day investment decisions, although approval of the Trustee must be obtained for exceptional investment proposals. Reports are received at each of the Trustee's Investment Advisory Committee meetings of transactions undertaken between meetings.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy. The Statement of Investment Principles was updated in October 2019 to incorporate a statement on financially material considerations as required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018. It was further updated in September 2020 to address stewardship in more detail and to set out clearly the arrangements the Trustee has with its investment managers as required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. A copy of the Statement may be found at [www.liverpool.ac.uk/hr/pensions/ulpf](http://www.liverpool.ac.uk/hr/pensions/ulpf).

In accordance with Section 8.32 of the Statement of Investment Principles, the Trustee has produced an Implementation Statement which is included on pages 30 to 34.

A review of the Scheme’s equity portfolio was undertaken during 2020 and a new global equity manager, Veritas Asset Management appointed in December 2020 to replace the UK equity manager Majedie Asset Management Limited.

On 29 January 2021 JP Morgan accepted a commitment from the Trustee to invest £29.5m in their Infrastructure Investments Fund. The commitment is expected to be drawn down by JP Morgan in a single instalment before the end of 2021.

The long term aim of the Scheme is to ensure that, together with future contributions, the Scheme’s assets provide sufficient income to meet benefits and any expenses payable under the Scheme as they fall due.

The investment strategy adopted by the Trustee is to invest 50% in equities, 20% in short and medium dated corporate bonds on a ‘Buy and Maintain’ basis, 15% in diversified growth funds and 15% in property.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

Owing to changes in investment markets and the impact of contributions received and benefits paid, the actual percentage held in each asset class may differ from the above. The Investment Advisory Committee and the Trustee review this regularly and, where appropriate, rebalance the assets to be more in line with the overall strategy.

## Management and custody of investments

The Trustee has delegated management of investments to the investment managers listed on page 1. The investment managers are regulated by the Financial Conduct Authority in the United Kingdom. The Trustee has entered into investment management agreements with the managers, which comply with the Statement of Investment Principles. The agreements set out the terms on which the assets are managed, and the investment guidelines and restrictions under which the managers must operate.

The Scheme's investments are held in pooled investment vehicles. As a result, the Trustee has less influence over the underlying investments. The Scheme exercises a socially responsible investment policy through its investment managers and exercises its voting rights in relation to such investments according to the fund managers' policies.

The strategy is based on active engagement by the investment managers with the companies in which the Scheme has an investment. This should involve dialogue about acceptable standards of corporate governance, environmental, ethical and social performance.

The safekeeping of the underlying assets is performed on behalf of the Trustee by custodians specifically appointed by the investment managers to undertake this function. The Bank of New York Mellon has been directly appointed by the Trustee as custodian of the pooled funds held with BlackRock Advisors (UK) Limited.

The contractual arrangements with the custodians and Managing Trustee offer a very high level of protection against negligence or default on the part of the custodians or Managing Trustee. The Managing Trustee is a regulated vehicle that performs the role of Trustee, Manager and Custodian. The custodians of the Scheme's investments are Bank of New York Mellon (custodian for Baillie Gifford & Co, BlackRock Advisors (UK) Limited, Majedie Asset Management Limited and Newton Investment Management), Northern Trust (custodian for UBS Global Asset Management Limited) and Citibank N.A. (custodian for Columbia Threadneedle Investments). The Managing Trustee of the Scheme's investments held with Kames Capital is Saltgate.

## Investment performance

The Trustee assesses the performance of the Scheme's investments by the investment class of asset with reference to benchmarks. The investment objectives set for the investment managers are as follows:

Portfolio	Mandate	Benchmark	Objective (%)
Baillie Gifford	Global Equities	MSCI All Countries World Index	To outperform the benchmark by 2.0% net of fees over rolling 5 year periods
Majedie	UK Equities	FTSE All Share Index	To outperform the benchmark by 3% p.a. gross of fees over rolling 3 year periods
BlackRock	Global Bonds	iBoxx £ Non-gilt All Stocks (TR) Index	To outperform the benchmark gross of fees over rolling 3 years
UBS	UK Property	AREF/IPD QPFI All Balanced Property Fund Index Weighted Average	To consistently outperform the benchmark
Newton	Diversified Growth Fund	1 Month £ LIBOR	To outperform the benchmark by 4% p.a. gross of fees over rolling 5 year periods
Columbia Threadneedle	Diversified Growth Fund	UK CPI	To outperform the benchmark by 4% p.a. gross of fees over rolling 3-5 year periods
Kames Capital	UK Property	AREF/IPD QPFI All Balanced Property Fund Index Weighted Average	6-8% p.a. internal rate of return net of fees over the life of the Fund. Income distribution of 6% p.a. once the fund is fully invested

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

Performance of the Scheme’s investments over the short and longer term periods was as follows:

Annualised return over		1 year		3 years		5 years	
Portfolio	Mandate	Actual return (%)	Benchmark return (%)	Actual return (% p.a.)	Benchmark return (% p.a.)	Actual return (% p.a.)	Benchmark return (% p.a.)
Baillie Gifford	Global Equities	18.0	5.7	14.1	8.5	17.1	12.3
Majedie	UK Equities	(11.6)	(13.0)	(3.3)	(1.6)	1.2	2.9
BlackRock	Global Bonds	6.2	6.5	4.6	4.1	7.4	5.6
UBS	UK Property	(1.8)	(2.6)	4.3	3.4	5.7	4.5
Newton <sup>(2)</sup>	Diversified Growth Fund	1.4	4.6	N/A	N/A	N/A	N/A
Columbia Threadneedle <sup>(2)</sup>	Diversified Growth Fund	3.2	4.6	N/A	N/A	N/A	N/A
Kames Capital <sup>(2)</sup>	UK Property	(1.5)	(2.6)	N/A	N/A	N/A	N/A
<b>Total<sup>(1)</sup></b>		<b>7.9</b>	<b>2.9</b>	<b>7.9</b>	<b>5.6</b>	<b>10.6</b>	<b>8.2</b>

(1) Returns are for periods ending 30th June

(2) Investment managers appointed in 2018 hence no 3 to 5 year returns. Returns are for the year ended 30 June 2020

The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme’s investments and consider them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

## Liquidity of Investments

The liquidity of a portfolio is dictated mainly by the nature, and hence liquidity, of the underlying assets. Where these are predominantly exchange-listed assets, such as Buy and Maintain Funds, UK and/or international equities (for example the Baillie Gifford, Majedie and the BlackRock portfolios) liquidity will be good, subject to normal market trading conditions.

Where the underlying assets are unlisted, such as property (for example the UBS Global Asset Management Limited and Kames Capital portfolios) liquidity will be severely limited, especially if selling is not to have a potentially damaging impact on realised prices. Multi-asset portfolios, such as the Diversified Growth Funds managed by Newton Investment Management and Columbia Threadneedle Investments, will typically be a dynamic combination of both listed and unlisted assets with liquidity as described above: partly liquid, subject to normal market trading conditions, and partly illiquid.

## Investment fees

Each investment manager is paid a negotiated fee for their service, based in part on the value of the proportion of the fund from time to time under management. A performance fee may also be payable depending on the performance of the managers relative to the benchmarks and performance targets set.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Statement of Trustee’s Responsibilities

### Trustee’s responsibilities in respect of the financial statements

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

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

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

### Trustee’s responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

## Summary of contributions payable in the year

During the year, the contributions payable to the Scheme were as follows:

	Employee £'000	Employer £'000
<b>Required by the schedules of contributions</b>		
Normal contributions	326	9,735
<b>Contributions required by the schedules of contributions (as reported on by the Scheme Auditors)</b>	<b>326</b>	<b>9,735</b>
<b>Other contributions payable</b>		
Additional voluntary contributions	61	-
<b>Total contributions reported in the financial statements</b>	<b>387</b>	<b>9,735</b>

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Contributions receivable

The contributions payable to the Scheme are based on actuarial advice and, in respect of existing staff, are related to earnings, considering an assessment of future earnings increases and inflation. Contributions for the year ended 31 July 2020, by participating employers, for the Final Salary Section and the CARE Section were paid at a rate of 16.0% of earnings. Members of the Final Salary Section contributed at a rate of 7.5% of earnings and members of the CARE Section contributed at a rate of 6.5% of earnings.

From 1 July 2009, a Salary Sacrifice Scheme called Pension Plus was introduced, whereby the employer pays an additional amount equivalent to the member's pension contribution, in exchange for an equivalent reduction in the remuneration of the member.

## Additional voluntary contributions

At the year end 39 members (2019: 37) were paying additional voluntary contributions (AVCs) during the year to increase their pension entitlement at retirement. The contributions are used to buy added service by adding them to the other Scheme funds for investment.

## Expenses

The Scheme bears the cost of administration by payment of a management fee to the University.

## Guaranteed minimum pension benefits and equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is now reviewing, with their advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Scheme and the value of any liability. As soon as this review is finalised and any liability quantified, then members will be communicated with. The impact of guaranteed minimum pensions equalisation is not expected to be material.

## Further information

Requests for additional information about the Scheme generally, or queries relating to members' benefits, should be made to the Secretary to the Trustee at the address given on page 1.

## Approval

The Trustee's Report was approved by the Trustee on 24 February 2021 and signed on its behalf by:



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Director  
Mr C Hunter

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Independent auditors' report to the Trustee of the University of Liverpool Pension Fund

### Report on the audit of the financial statements

#### Opinion

In our opinion, University of Liverpool Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 July 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report and Financial Statements, which comprise: the Statement of Net Assets available for benefits as at 31 July 2020; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

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

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Independent auditors' report to the Trustee of the University of Liverpool Pension Fund (continued)

### Reporting on other information

The other information comprises all the information in the Annual Report and Financial Statements other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the Trustee for the financial statements*

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Manchester

Date

25/2/21

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Independent auditors' statement about contributions to the Trustee of the University of Liverpool Pension Fund

### Statement about contributions

#### Opinion

In our opinion, the contributions required by the schedules of contributions for the Scheme year ended 31 July 2020 as reported in University of Liverpool Pension Fund's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Scheme actuary on 28 June 2018 and 18 September 2019.

We have examined University of Liverpool Pension Fund's summary of contributions for the Scheme year ended 31 July 2020 which is set out on page 8.

#### Basis for opinion

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

#### Responsibilities for the statement about contributions

##### *Responsibilities of the Trustee in respect of contributions*

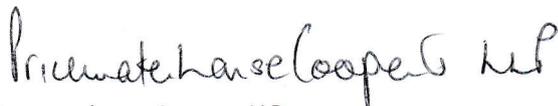
As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

##### *Auditors' responsibilities in respect of the statement about contributions*

It is our responsibility to provide a statement about contributions and to report our opinion to you.

#### Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Manchester

Date

20/2/21

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Fund Account for the year ended 31 July 2020

	Note	2020 £'000	2019 £'000
<b>Contributions and benefits</b>			
Employer contributions	4	9,735	9,348
Employee contributions	4	387	387
<b>Total contributions</b>		<b>10,122</b>	9,735
Other income	5	837	163
		<b>10,959</b>	9,898
Benefits paid or payable	6	12,537	12,169
Payments to and on account of leavers	7	644	197
Other payments	8	162	152
Administrative expenses	9	754	735
		<b>14,097</b>	13,253
<b>Net withdrawals from dealings with members</b>		<b>(3,138)</b>	(3,355)
<b>Returns on investments</b>			
Investment income	10	5,713	7,562
Change in market value of investments	11	26,545	28,204
Investment management expenses	12	(2,406)	(1,403)
<b>Net returns on investments</b>		<b>29,852</b>	34,363
<b>Net increase in the fund during the year</b>		<b>26,714</b>	31,008
<b>Net assets of the Scheme at the start of the year</b>		<b>507,427</b>	476,419
<b>Net assets of the Scheme at the end of the year</b>		<b>534,141</b>	507,427

The notes on pages 15 to 26 form part of these financial statements.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Statement of Net Assets available for benefits as at 31 July 2020

	Note	2020 £'000	2019 £'000
<b>Investment assets</b>			
Pooled investment vehicles	13	531,126	504,581
Other investment balances	14	1,574	1,721
<b>Total Investments</b>	11	532,700	506,302
<b>Current assets</b>	19	3,805	3,149
<b>Current liabilities</b>	20	(2,364)	(2,024)
<b>Net assets of the Scheme at 31 July</b>		534,141	507,427

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 takes into account such obligations, is dealt with in the report on Actuarial liabilities on pages 4 to 5 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 15 to 26 form part of these financial statements.

These financial statements were approved by the Trustee on 24 February 2021 and signed on its behalf by: -



Director  
Mr C Hunter



Director  
Ms N Davies

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Notes to the financial statements For the year ended 31 July 2020

### 1. General Information

The University of Liverpool Pension Fund (the “Scheme”) is a defined benefit scheme and provides benefits for the support staff of the University of Liverpool (the “University”) and its associates in the United Kingdom. The Scheme is established as a trust under English law and is governed by a trust deed and rules dated 13 September 2017. It was contracted out of the State Second Pension (S2P) until 5 April 2016 when contracting out ceased. The address for enquiries to the Scheme is included on page 1.

In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme became a Registered Pension Scheme under Chapter 2 of Part 4 of The Finance Act 2004 with effect from 6 April 2006. This means that the contributions paid by both the employers and the members qualify for full tax relief, and the Scheme is exempt from income tax and capital gains tax (except for withholding tax on overseas investment income).

### 2. Basis of preparation

The financial statements of the University of Liverpool Pension Fund have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (“FRS 102”) and the guidance set out in the Statement of Recommended Practice “Financial Reports of Pension Schemes” (revised 2018) (“the SORP”).

The revised SORP, issued in June 2018, is applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements. However, it has required certain additions to, or amendments of disclosures in the financial statements.

### 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Accruals concept

The financial statements have been prepared on an accruals basis.

#### (b) Currency

The Scheme’s functional currency and presentational currency is pounds sterling (GBP).

#### (c) Contributions

Employee normal contributions, including Additional Voluntary Contributions (AVCs), are accounted for by the Trustee when they are deducted from pay by the Employer, except for the first contribution due where the employee has been auto-enrolled by the Employer which is accounted for when received by the Scheme.

Employer normal contributions are accounted for on an accruals basis (in accordance with the schedule of contributions and other relevant agreements).

All contributions under salary sacrifice arrangements are classified as employer contributions.

## UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

### (d) **Transfers from and to other plans**

Transfer values have been included in the financial statements when the Trustees of the receiving Scheme accept the liabilities of the transferring members. They do not take account of members who have notified the Scheme of their intention to transfer. Transfer values paid during the year were determined in accordance with the Pension Schemes Act 1993 and appropriate regulations. No transfer values paid represented less than their full cash equivalent and there were no discretionary benefits included in the calculation of transfer values.

### (e) **Benefits and payments to and on account of leavers**

Pensions in payment are accounted for in the period to which they relate.

Retirement benefits, where a member has a choice of either, a full pension or a lump sum plus reduced pension, are accounted for on an accruals basis based on the date the option was exercised or if there is no member choice, on the date of retiring.

Refunds on withdrawal, single cash sums on retirement and death benefit lump sums are accounted for on an accruals basis based on the date of leaving, retirement or death.

### (f) **Administration and other expenses**

Administration expenses and premiums on term insurance policies are accounted for on an accruals basis.

### (g) **Investment income and expenditure**

Income from pooled investment vehicles which distribute income is accounted for when declared by the fund manager.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, changes in market value also include income, net of any withholding tax, which is reinvested in the fund.

Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commission, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within the investment returns.

### (h) **Valuation and classification of investments**

Investment assets are included in the financial statements at fair value.

Unitised pooled investment vehicles are valued at the year end bid price or, where single priced, at the single price, as advised by the investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value, determined in accordance with fair value principles, provided by the investment manager.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## 4. Contributions

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Employer contributions</b>		
Normal	<u>9,735</u>	<u>9,348</u>
<b>Employee contributions</b>		
Normal	<b>326</b>	330
Additional voluntary contributions	<u>61</u>	<u>57</u>
	<u><b>387</b></u>	<u>387</u>
<b>Total contributions</b>	<u><b>10,122</b></u>	<u>9,735</u>

Normal contributions for the year from the Scheme's participating employers are at the rate recommended by the actuary. Members are entitled to purchase additional defined benefits under the provisions of the principal fund.

From 1 July 2009, certain employees paid contributions under salary sacrifice arrangements. These are included within employer normal contributions and amounted to £2,689k (2019: £2,583k).

As the Scheme was in surplus at 31 July 2018, there was no requirement for a recovery plan to be drawn up and it was agreed that the participating employers should continue to contribute 16% of earnings to the Scheme.

## 5. Other income

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Claims on term insurance policies	<u>837</u>	<u>163</u>

## 6. Benefits paid or payable

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Pensions	<b>9,989</b>	9,652
Commutation of pensions and lump sum retirement benefits	<b>1,350</b>	2,062
Lump sum death benefits	<b>1,087</b>	330
Trivial commutations	<u>111</u>	<u>125</u>
	<u><b>12,537</b></u>	<u>12,169</u>

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## 7. Payments to and on account of leavers

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Refunds of contributions to members	<b>10</b>	10
Contributions equivalent premium and tax payments	<b>24</b>	5
Individual transfers out to other schemes	<b>610</b>	182
	<b><u>644</u></b>	<u>197</u>

## 8. Other payments

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Premiums on term insurance policies	<b>162</b>	152

## 9. Administrative expenses

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Actuarial fees	<b>97</b>	91
Computer systems	<b>23</b>	20
Administration and processing	<b>305</b>	322
Legal fees	<b>13</b>	4
Audit fees	<b>21</b>	14
PPF and TPR levy	<b>295</b>	284
	<b><u>754</u></b>	<u>735</u>

## 10. Investment income

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Income from pooled investment vehicles	<b>5,703</b>	7,552
Interest on cash deposits	<b>10</b>	10
	<b><u>5,713</u></b>	<u>7,562</u>

Income from Baillie Gifford of £2,720k (2019: £2,325k) was not distributed but retained within the pooled investment vehicle. The income has been classified as change in market value, as the Baillie Gifford fund is an accumulating fund. In the prior year it was included in investment income.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## 11. Reconciliation of investments

	Value at 1 August 2019	Purchases at cost	Sales proceeds	Change in market value	Value at 31 July 2020
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	504,581	-	-	26,545	531,126
Other investment balances	1,721				1,574
<b>Total investments</b>	<b>506,302</b>				<b>532,700</b>

The operating companies managing the pooled investment vehicles are registered in the UK, other than the Managing Trustee of Kames Capital, Saltgate who is registered in Jersey. The BlackRock Buy and Maintain Fund is registered in Ireland.

As at 31 July 2020, the Scheme's investment of £43,749k (2019: £46,049k) in the UBS Triton Property Unit Trust and £22,050k (2019: £23,552k) in the Kames Capital Fund may have been more difficult to liquidate due to market conditions prevailing at that time. These investments are being held for the long term.

In March 2020, UBS Triton Property Unit Trust took the decision to defer redemption requests, a decision taken to ensure the protection of all investors. The deferral of redemptions was lifted on 30 September 2020. UBS aim to meet redemption requests within six months from the date they are deemed received.

Some members elect to pay additional voluntary contributions to secure additional benefits at retirement. Additional voluntary contributions are invested alongside the Scheme's main investments.

Transaction costs are included in the cost of purchases and deducted from sales proceeds. As all investments are in pooled investment vehicles, no direct transaction costs have been identified. Indirect transaction costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs.

## 12. Investment management expenses

Each investment manager is paid a negotiated fee for their service, based in part on the value of the proportion of the fund from time to time under management. A performance fee may also be payable depending on the performance of the managers relative to the benchmarks and performance targets set.

	2020 £'000	2019 £'000
Administration, management and custody	2,389	1,397
Performance measurement services	17	6
	<b>2,406</b>	<b>1,403</b>

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## 13. Pooled investment vehicles

The Scheme's investment in pooled investment vehicles at the year end comprised:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
By type:		
Equities	<b>297,397</b>	271,713
Corporate Bonds	<b>97,348</b>	94,620
Property	<b>65,799</b>	69,601
Diversified Growth Funds	<b>70,582</b>	68,647
	<b><u>531,126</u></b>	<u>504,581</u>

## 14. Other investment balances

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Accrued investment income	<b>970</b>	1,063
Cash held with investment manager	<b>604</b>	658
	<b><u>1,574</u></b>	<u>1,721</u>

## 15. Fair value of investments

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

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The Scheme's investments have been included at fair value using the above hierarchy categories as follows:

	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pooled Investment Vehicles	-	<b>465,327</b>	<b>65,799</b>	<b>531,126</b>
Other investment balances	<b>1,574</b>	-	-	<b>1,574</b>
	<b><u>1,574</u></b>	<b><u>465,327</u></b>	<b><u>65,799</u></b>	<b><u>532,700</u></b>

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

Analysis for the prior year end is as follows:

	2019	2019	2019	2019
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Pooled Investment Vehicles	-	434,980	69,601	504,581
Other investment balances	1,721	-	-	1,721
	<u>1,721</u>	<u>434,980</u>	<u>69,601</u>	<u>506,302</u>

Pooled investment vehicles which are traded regularly are generally included in level 2. Where the absence of regular trading or the unsuitability of recent transaction prices as a proxy for fair values applies, valuation techniques are adopted and the vehicles are included in level 3 as appropriate.

The value of the pooled investment vehicles which are not actively traded is provided by the investment manager. The latest quarterly valuation for the Kames Capital fund was at 30 June and the Trustee has reviewed the fund movements and fair value to 31 July.

## 16. 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 Trustee determines its investment strategy after taking advice from a professional investment consultant. The Scheme has exposure to these risks due to the investments it makes. The Trustee manages investment risk, including credit and market risk, within agreed risk limits, which are set taking into account the Scheme's investment strategy. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

All Scheme investments are in pooled investment vehicles and as such the whole portfolio is subject to credit risk. No further direct risks exist. However, the underlying investments within the pooled investment vehicles create indirect exposure to risks as follows:

Risk	Risk level
Indirect credit	Partially
Currency	Partially
Interest rate	Partially
Other prices	Partially

## UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

	Value of investments exposed to each risk (£'000)				
	Direct Credit	Indirect Credit	Currency	Interest rate	Other price
<b>At 31 July 2020</b>	<b>531,126</b>	<b>116,689</b>	<b>319,331</b>	<b>116,098</b>	<b>407,387</b>
At 31 July 2019	504,581	116,479	280,966	116,963	378,178

The prior year exposures to risk have been reclassified to disclose indirect credit risk, currency exposure on the buy and maintain bonds and to allocate diversified growth funds to interest risk and other price risk as the underlying assets are equities and bonds.

### Investment strategy/policy

The Trustee's overall investment policy is guided by the following objectives:

- To ensure that the Scheme's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise;
- The long-term aim of the Scheme is to ensure that, together with future contributions, the Scheme's assets provide sufficient income to meet benefits and any expenses payable under the Scheme as they fall due;
- The Trustee wishes to adopt a suitable investment policy in terms of both long-run strategic asset allocation and implementation, that will enable the Scheme's asset value to increase in a prudent manner;
- The Trustee wishes to manage the risk that the investment policy could lead to the accrual of future benefits ceasing to be provided under the Scheme;
- Subject to the strategic asset allocation containing a suitable level of risk, the Trustee wishes to generate surplus funds beyond the amounts expected to be required to meet the cost of standard benefits due to be payable under the Scheme;
- The Trustee wishes the Scheme to be solvent in the event of a winding up;
- Each asset class has been considered and judged on merit for investment by the Trustee;
- To set and monitor appropriate benchmarks and performance targets for the investment managers;
- To pay due regard to the interests of the University of Liverpool in relation to the volatility of the funding level and the payment of contributions.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as:

- Equities are the most appropriate assets for long-term funding purposes;
- Bonds can be appropriate for pensioner liabilities because they generate specific or in some circumstances higher levels of immediate income;
- Property has a return profile, consisting of both income and capital gain, which is at times not closely related to the returns from equities and bonds;
- Active asset allocation and investing in alternative asset classes can help reduce the short-term volatility of the Fund's investment returns;
- There are advantages in having a diversified portfolio consisting of all the asset classes mentioned above;
- The majority of the assets of the Scheme should be invested in marketable securities.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

The investment strategy is as follows:

- To take a level of risk that is appropriate to the liability profile and cash flow profile of the Scheme;
- To give a clear brief to the investment managers.

The investment strategy adopted by the Trustee is to invest 50% in equities, 20% in buy and maintain bonds, 15% in diversified growth funds and 15% in property.

A review of the Scheme's equity portfolio was undertaken during 2020 and a new global equity manager, Veritas Asset Management was appointed in December 2020 to replace the UK equity manager Majedie Asset Management. The investment managers are regulated by the Financial Conduct Authority.

## Investment managers

The Trustee has entered into investment management agreements with the managers. The agreements set out the terms on which the assets are managed, and the investment guidelines and restrictions under which the managers must operate.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy. The Statement of Investment Principles was updated in October 2019 to incorporate a statement on financially material considerations as required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018. It was further updated in September 2020 to address stewardship in more detail and to set out clearly the arrangements the Trustee has with its investment managers as required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. A copy of the Statement may be found at [www.liverpool.ac.uk/hr/pensions/ulpf](http://www.liverpool.ac.uk/hr/pensions/ulpf).

Under the legal documentation governing the Scheme, the power of investment is vested in the Trustee.

In practice, the Trustee's fundamental responsibility is the strategic management of the assets. Day to day management is delegated to professional investment managers including the selection of individual stocks, bonds and properties.

The Trustee is mindful of the underlying distribution of assets. In particular, it regards the distribution of the assets between "real" assets (UK equities, overseas equities, index-linked gilts, property and diversified growth funds) and "monetary" assets (UK fixed interest and cash) as appropriate to the Scheme's liabilities.

Having recognised the individual fund managers' discretion over stock, bond and property selection, the Trustee nonetheless understands that it is the investment managers' policy to invest in a diversified portfolio of appropriate assets within each asset class.

As a matter of principle, the Trustee placed certain restrictions on the investment managers. For example, the managers are not permitted to invest directly in certain types of investment, such as commodities, venture capital or hedge funds.

The Trustee recognises the advantages of diversification between UK and overseas investment in equities from the perspective of reducing the risk that results from investment in any one particular market; and enhancing return.

The Trustee pays close regard to the risks which may arise through a mismatch between the Scheme's assets and its liabilities, and to the risks which may arise from the lack of diversification of investments. It believes that the investment policies to be followed by its investment managers do have adequate regard to the need to diversify within each asset class. A summary of the main elements of risk, level of exposure and strategies to mitigate them are detailed below.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Credit risk

The Scheme is subject to credit risk because the Scheme invests in pooled investment vehicles.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Authorised unit trusts	<b>163,148</b>	164,221
Open ended investment companies	<b>367,978</b>	340,360
	<b><u>531,126</u></b>	<u>504,581</u>

Indirect credit risk arises in relation to the underlying investments held in the bond and diversified growth pooled investment vehicles. This risk is mitigated by investing in a diverse portfolio.

Investment managers use various strategies for mitigating the risk of default including using custodians to safeguard the assets of the Scheme, having strict investment policies, only investing in assets of a set minimum class e.g. corporate bonds of investment grade and placing investment concentration restrictions limiting the amount that can be invested in any one asset/investment scheme.

## Currency risk

The Scheme is subject to indirect currency risk because some of the underlying investments of the Scheme's investments within pooled investment vehicles are in overseas assets, priced in foreign currencies. Changes in the rates of exchange may cause the value of investments to go up or down.

The risk is mitigated in part by having a diverse portfolio of global and UK assets. For example, the UBS property investments are solely based in the UK and at least 80% of the Majedie assets were held in UK equities. Derivatives may be used by the investment managers to compensate for possible unfavourable currency and market movements.

## Interest rate risk

The Scheme is subject to indirect interest rate risk because some of the Scheme's investments are held in buy and maintain bonds and diversified growth funds, of which some underlying investments are bonds and bonds move with interest rates. The risk is mitigated by only investing up to 20% of the total asset allocation in bonds and 15% in diversified growth funds (some of which is held in bonds) and monitoring the quarterly funding updates which include interest rate impact. At the year end the investment in bonds and diversified growth funds subject to interest risk represented 21.9% of the total investment portfolio (2019: 23.2%).

## Other price risk

Other indirect price risk arises principally in relation to the Scheme's return seeking portfolio which includes its equity, diversified growth funds and property investments via pooled vehicles. At the year end the Scheme's target asset allocation was 50%, 15% and 15% of investments held in equities, diversified growth funds and property respectively. At the year end investments subject to other price risk in equities represented 56.0% of the total investment portfolio (2019: 53.9%), in diversified growth funds represented 8.3% (2019: 7.3%) of the total investment portfolio and in property represented 12.4% of the total investment portfolio (2019: 13.8%).

The Scheme manages the exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## 17. Concentration of investments

Investments accounting for more than 5% of the net assets of the Scheme at the year end were:

	2020		2019	
	£'000	%	£'000	%
Baillie Gifford Global Alpha Growth Fund	<b>256,307</b>	<b>48.0</b>	224,116	44.2
BlackRock Buy and Maintain UK Credit X Dist Fund	<b>97,348</b>	<b>18.2</b>	94,620	18.6
UBS Triton Property Unit Trust	<b>43,749</b>	<b>8.2</b>	46,049	9.1
Majedie Asset UK Equity Fund 'B' Shares	<b>41,090</b>	<b>7.7</b>	47,597	9.4
Newton Real Return Fund Exempt Shares 2	<b>36,871</b>	<b>6.9</b>	35,638	7.0
Threadneedle Dynamic Real Return Fund S Accumulation	<b>33,711</b>	<b>6.3</b>	33,009	6.5

## 18. Employer related investment

There were no employer related investments at the year end (2019: None).

## 19. Current assets

	2020	2019
	£'000	£'000
Other debtors	<b>104</b>	<b>164</b>
Prepayments	<b>18</b>	<b>18</b>
Cash	<b>3,683</b>	<b>2,967</b>
	<b><u>3,805</u></b>	<b><u>3,149</u></b>

## 20. Current liabilities

	2020	2019
	£'000	£'000
Due to participating employers	<b>627</b>	<b>1,043</b>
Unpaid benefits	<b>399</b>	<b>481</b>
Accrued expenses	<b>1,338</b>	<b>500</b>
	<b><u>2,364</u></b>	<b><u>2,024</u></b>

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## 21. Related party transactions

The following related party transactions arose during the year:

### Entities with control, joint control or significant influence over the Scheme

Administration and accountancy services were provided by the Principal Employer, The University of Liverpool. Fees payable by the Scheme in respect of these services amounted to £283k (2019: £292k) and are included within administration expenses.

Amounts outstanding at the year end are shown in note 20.

### Key management personnel of the Scheme

No fees were payable to the Trustee Directors in the year.

Pensions payable to the pensioner nominated trustee director together with a member nominated trustee director have been made in accordance with the Trust Deed and Rules.

## 22. Contractual commitments

At 31 July 2020 and 31 July 2019 there were no contractual commitments.

## 23. Contingent liabilities

In October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The Trustee is now reviewing, with their advisers, the implication of this ruling on the Scheme and the equalisation of guaranteed minimum pensions between men and women; in the context of the rules of the Scheme and the value of any liability. As soon as this review is finalised and any liability quantified, then members will be communicated with. The impact of guaranteed minimum pensions equalisation is not expected to be material.

Other than the above and the liability to pay future pensions, the Scheme had no contingent liabilities at 31 July 2020 or 31 July 2019.

## 24. Trustee company

The Trustee company has no share capital and is limited by guarantee. The liability of members of the Trustee Company is limited to an amount not exceeding £1 Sterling. At 31 July 2020 there were 10 members (2019: 10).

## 25. Subsequent events

The following events occurred since the year end.

- A review of the Scheme's equity portfolio was undertaken during 2020 and a new global equity manager, Veritas Asset Management appointed in December 2020 to replace the UK equity manager Majedie Asset Management Limited.
- On 29 January 2021 JP Morgan accepted a commitment from the Trustee to invest £29.5m in their Infrastructure Investments Fund. The commitment is expected to be drawn down by JP Morgan in a single instalment before the end of 2021.

Global financial markets have experienced, and may continue to experience, significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have, and may continue to, adversely affect the global economy, the economies of certain nations, and individual issuers.

The Trustee has designed and implemented the Scheme's investment strategy taking a long term view and has built in resilience to withstand short term fluctuations. The Trustee has evaluated all subsequent events or transactions for potential recognition or disclosure through to the date on which these financial statements were signed and has determined that there were no additional subsequent events requiring adjustment to or disclosure in the Scheme's financial statements.

# SCHEDULE OF CONTRIBUTIONS

## UNIVERSITY OF LIVERPOOL PENSION FUND

This schedule of contributions has been prepared by the trustees, after obtaining the advice of James Auty, the Scheme Actuary. It replaces the previous schedule of contributions which was actuarially certified on 28 June 2018.

In preparing this schedule of contributions, account has been taken of contributions due in the period between 31 July 2018 and the commencement of this schedule under the previous schedule(s) of contributions, together with any further contributions paid during the same period.

### PERIOD COVERED BY THIS SCHEDULE OF CONTRIBUTIONS

This schedule of contributions takes effect from the date it is certified by the Scheme Actuary. It ends five years after that date.

### CONTRIBUTIONS BY CONTRIBUTING ACTIVE MEMBERS

7.5% of earnings for final salary members and 6.5% of earnings for CARE members. These are to be deducted by the employer and paid to the scheme on or before the 19<sup>th</sup> of the calendar month following deduction. Any additional voluntary contributions payable by active members are payable in addition.

### CONTRIBUTIONS BY EMPLOYER IN RESPECT OF FUTURE ACCRUAL OF BENEFITS, DEATH IN SERVICE BENEFITS AND EXPENSES (INCLUDING ALLOWANCE FOR LEVY PAYMENTS TO THE PENSION PROTECTION FUND)

23.5% of earnings for final salary members and 22.5% of earnings for CARE members, payable monthly by the 19<sup>th</sup> of the calendar month after that to which they relate, less contributions payable by contributing active members.

### ADDITIONAL EMPLOYER CONTRIBUTIONS

The employer may pay additional contributions of any amount and at any time from those set out above.

### EARNINGS

Member's salary plus any enhancements to the basic annual rate of salary or wages payable to a member plus pay (if any) relating to any additional hours worked for the member's employer including any enhancements to the rate of that pay provided that pay in respect of any hours worked by the

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

member which are in excess of the normal full-time hours of an employee of the same grade as the member shall be excluded.

## SIGNATURES

Signed on behalf of the trustee:



Name: COLIN HUNTER

Position: TRUSTEE DIRECTOR

Date: 18 SEPTEMBER 2019

Signed on behalf of the employer:



Name: CAROL COSTELLO

Position: HR DIRECTOR

Date: 18 SEPTEMBER 2019

This schedule of contributions has been agreed by the trustee after obtaining actuarial advice from me.

Signed:



Name: James Auty

Fellow of the Institute and Faculty of Actuaries

Position: Scheme Actuary

Date: 18/9/19

# ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

## UNIVERSITY OF LIVERPOOL PENSION FUND

### ADEQUACY OF RATES OF CONTRIBUTIONS

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 July 2018 to continue to be met for the period for which the schedule is to be in force.

### ADHERENCE TO STATEMENT OF FUNDING PRINCIPLES

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated (i.e. signed on behalf of the trustees on) 18/9/19.

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

Signature:



Date:

18/9/19

Name:

James Auty

Qualification:

Fellow of the Institute  
and Faculty of  
Actuaries

Address:

Tower Place West  
London  
EC3R 5BU

Name of employer:

Mercer

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

## Implementation Statement

### 1. Introduction

The Statement of Investment Principles is a document that sets out the principles and policies governing how decisions about scheme investments are made for a pension scheme. The University of Liverpool Pension Fund's (ULPF) Statement of Investment Principles (SIP) is available at [www.liverpool.ac.uk/pensions/](http://www.liverpool.ac.uk/pensions/)

In section 8.32, the SIP confirms that each year from 1 October 2020 the Trustee will produce an Implementation Statement within their Annual Report and Accounts which will:

- Explain how and the extent to which the Trustee has followed its policy on stewardship detailed in the SIP during the scheme year
- Describe the voting behaviour carried out on behalf of the Trustee, including the most significant votes cast by the investment managers on the Trustee's behalf.

Environment Social Governance/Responsible Investing (ESG/RI) is embedded in the Fund's SIP reflecting that such considerations are interwoven with any decisions made. The specific sections against which this Implementation Statement is written are from section 8.17 onwards.

Each of the investment managers managing assets on behalf of the Trustee as at 31 July 2020 has confirmed in writing that they have read, understood and complied with the SIP, especially sections 8.17 onwards and, in particular, the 'Stewardship' and 'Voting' sections from 8.26 and 8.30 onwards respectively.

Not all the investment managers can yet report on the exact specific scheme year to 31 July 2020 and in these circumstances we have used the 12 months to 30 June 2020. As the guidance around this Implementation Statement develops – this is the first year – asset managers will refine their information.

### 2. Equity managers

Voting at and engagement with investee companies is most relevant to equity portfolios. For ULPF this applies to Baillie Gifford (global equities) and Majedie (UK equities) for the period up to 31 July 2020. So the main focus of this Implementation Statement is on these two equity investment managers.

#### 2.1 Baillie Gifford

A summary of Baillie Gifford's voting over the scheme year is shown below:

		Voted in Favour	Voted Against	Vote(s) Withheld/ Abstained
Company Meetings	124	97	22	5
Resolutions	1190	1135	47	8

While, like all of the Fund's investment managers, Baillie Gifford has engaged with a broad spectrum of companies on an even broader spectrum of ESG/RI issues. The following examples (each reported engagement is from a different calendar quarter) give a not untypical flavour:

Company	Engagement Report
CRH plc Quarter ended 30 April 2020	After consistent opposition to the company's remuneration report and policy over the years, we decided to support at the 2020 AGM due to changes made to executive remuneration which incorporated our feedback. The targets attached to the performance metrics in the long-term incentive plan are now much more stringent. In a call with the chairman and Remuneration Committee chair ahead of the AGM, we welcomed the changes and encouraged further improvements to that of the peer group against which performance is partly measured. We agreed to carry on discussions later in the year.
CRH plc Quarter ended 31 January 2020	Our investors and Governance and Sustainability team met the new chairman of CRH, Richie Boucher. Our conversation focused on long-term strategy, board composition, remuneration and the company's approach to carbon. We asked for a separate call to focus on carbon and this was set up a few weeks later with CRH's

## UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

	<p>head of sustainability. While cement accounts for 10% of revenue, carbon produced from cement makes up 80% of the company's CO2 emissions. It has worked to reduce emissions at every stage of production. CRH is now looking at carbon capture technology to help improve efficiencies and reduce carbon emissions further. We were impressed by this proactive approach, and the transparency of its reporting is industry leading. We plan to follow up next year with a site visit. We will also have a call with the chairman to provide more detailed feedback on remuneration.</p>
<p>Ryanair Holdings plc Quarter ended 31 July 2020</p>	<p>Covid-19 is posing significant challenges to the airline industry. We had a call with Michael O'Leary to discuss the steps the executive team is taking to manage Ryanair through them and to understand the potential short and long-term impacts on the business. The timeline on when capacity may return to normal was unclear, but management believe that process will begin in August. We also took the opportunity to build on our conversation earlier this year with the new chairman and newly appointed sustainability director. We discussed the proposed approach to the upcoming rotation of the auditor, carbon disclosure, carbon taxation and relations with unions (with the focus on the latter likely to increase as a result of current challenges). We have a meeting scheduled with the new senior independent director in August.</p>
<p>Ryanair Holdings plc Quarter ended 30 April 2020</p>	<p>We had a video call with the sustainability director (who was appointed during the quarter) and, separately, the incoming chair. In our meeting with the sustainability director, we discussed how the business can reduce carbon emissions in the short and long term. The technical advances which will meaningfully contribute to carbon reduction within the airline sector are still in development. These include sustainable aviation fuel and enhancements in both engine and battery technology for aircraft. However, the sustainability director stressed that benefits will be seen much further down the line. In the short term, Ryanair is disclosing carbon figures monthly and has set carbon targets which are realistic as they take into account the predicted efficiencies of aircraft currently on order. We made suggestions on how carbon modelling could be improved by incorporating science-based targets. Our views were welcomed. We also discussed changes to carbon tax and regulation which is in development. We agreed Ryanair is in a good position as a carrier with a frequently high load factor and a young fleet, but the business must be part of the solution to reduce carbon for the sector. In our meeting with the incoming chair, our message was to continue making positive progress in relations with all stakeholders. During the last five years we have seen sizeable shifts in the way Ryanair approaches customers, employees, shareholders and shareholder rights. Its governance structures are adapting to better support a business of Ryanair's size. We have engaged extensively on all topics and, as discussed with the incoming chair, tangible value is being added for clients. We encouraged continued progress.</p>
<p>Ryanair Holdings plc Quarter ended 31 January 2020</p>	<p>An investment manager and a member of our Governance and Sustainability team met Ryanair's company secretary in our offices. We discussed the evolving company structure and resulting changes among the management team, progress with unions, opening of new routes and bases, treatment of voting rights in a hard Brexit scenario and remuneration which received low support at the 2019 AGM (we opposed on behalf of our clients). Having engaged with members of the board as part of a collaborative meeting with other shareholders after the AGM in September, we have now requested a meeting with the incoming chairman. We hope to arrange this for early 2020 and plan to discuss issues we believe are material to the sustainability of Ryanair's business model and our investment thesis.</p>
<p>Ryanair Holdings plc Quarter ended 31 October 2019</p>	<p>We met Ryanair twice during the quarter. The first meeting was a joint engagement with other shareholders, organised by the Investor Forum. We met five members of the management team, two board members, the senior independent director (SID) and the remuneration committee chair. Our second meeting was to attend the annual shareholder meeting. We had another joint engagement with other shareholders to meet the outgoing chairman, the incoming chairman, the SID and the chair of the remuneration committee. Discussions at the meetings covered Ryanair's approach to the environment, social</p>

## UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

	<p>issues and its governance practices. During the quarter, Ryanair became the first airline to publish regular updates on its carbon footprint, an area where aviation is under increasing scrutiny. Ryanair operates one of the youngest fleets with one of the highest load factors - how full each flight is - and is doing what is within its control. Better disclosure on the footprint was welcomed by shareholders. We received an update on the negotiations with employees since trade unions were recognised. We fed back that we find progress difficult to monitor and would encourage transparency. However, progress is moving in the right direction on reaching final agreements in the company's bases. In relation to governance, the business is in transition as the chair and SID step down in 2020. We met the new chair, who is already on the board, and requested a one-to-one meeting later in the year. One key topic of discussion will be board skills as we would expect the company to add directors given two are standing down. A new CEO of the Ryanair airline company, Eddie Wilson, who was chief people officer, was appointed during the quarter. We met him in our office shortly before his appointment to discuss progress on employee negotiations. The other governance topic was remuneration. We opposed the remuneration report at the recent shareholder meeting on behalf of clients, given concerns regarding the structure of a retention package granted to Michael O'Leary as part of his new five-year contract. The absence of any lock-in feature requiring him to hold the shares after they vest made us concerned about the potential long-term impact of decisions taken during the five-year tenure. A topic discussed at both meetings was the operational impact of the grounding of Boeing 737 max planes. It is too early to know when these planes will be delivered, but the company is beginning to think about alternatives as their delivery is an important factor in ensuring passenger growth and continued low costs. Our next interaction will be with the management team next quarter for the results roadshow.</p>
<p>Tesla, Inc. Quarter ended 31 July 2020</p>	<p>We had a call with the chair, Robyn Denholm. We discussed items on the AGM ballot (now postponed until September 2020), as well as the company's management of labour and safety workplace issues during the Covid-19 pandemic. While there is still stakeholder scrutiny of Tesla's approach to some ESG issues, including employee arbitration rights and supply chain risks, we were encouraged by the excellent progress that the company has made over recent years with respect to external disclosure and impact reporting. This has been accompanied by increased stakeholder engagement, and the recruitment of highly respected new independent director, Hiromichi Mizuno, who will bring additional board level oversight to Tesla's approach to governance and sustainability issues.</p>
<p>Tesla, Inc. Quarter ended 30 April 2020</p>	<p>Our call with founder/CEO Elon Musk and CFO Zach Kirkhorn followed Tesla's announcement in February 2020 of a \$2.3 billion equity raise (about 1.5% of the company). Kirkhorn commented that the decision was opportunistic to guard against future unknowns, while Musk added that, given the dramatic share price appreciation, it made sense to raise money to help the company fill what is perceived as a significant gap in the automotive and energy markets. In a wide-ranging conversation covering Tesla's advances in manufacturing efficiencies, battery technology and solar energy, Musk stressed that the widening array of opportunities facing the company offers a "small but growing" chance of becoming the world's most valuable company. He also emphasised his openness to receiving continued feedback from us, preferably given bluntly and to him directly. A separate meeting with Jerome Guillen, President (Automotive), at the Fremont factory was valuable in understanding the strength of the management team surrounding Musk and how they work together. It is clear to us that Guillen, who successfully battled Tesla's Model 3 'production hell', now plays a critical role in developing Tesla's international factories. Our impression is that Tesla has moved from a culture of an idiosyncratic founder to a firm that has management and resources to be self-reinforcing and sustainably different.</p>
<p>Tesla, Inc. Quarter ended 31 January 2020</p>	<p>We had a call with Chairwoman Robyn Denholm to discuss plans to develop Tesla's corporate governance and her views on the business more generally. Denholm explained that successful execution of strategy remains the number one priority and she has been impressed by accelerating operations in Shanghai. The</p>

## UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

	senior management team was described as strong, working well together and using the board more regularly for advice and support. Denholm is focused on the role of board members as constructive stewards of the business and maintains regular one-to-one dialogue with management, including CEO Musk. Work is ongoing to refresh the board and implement changes to the bylaws and articles. Efforts to reform the latter were frustrated at the 2019 AGM due to low shareholder turnout, and plans are in place to address this in 2020. We believe she has had a positive influence since her appointment, and we are supportive of her work to facilitate Tesla's long-term mission.
Tesla, Inc. Quarter ended 31 October 2019	Our discussion with CFO Zach Kirkhorn spanned a number of significant issues including: the various pricing adjustments earlier this year; the Shanghai factory; servicing; and the Model Y crossover vehicle. We also discussed another significant development over the past year - the departure of Chief Technology Officer JB Straubel. Credited with much of Tesla's battery prowess to date, Straubel had been a significant figure in the management team since the company's early days. Kirkhorn informed us that Straubel's outside interests had been building for some time, but he stayed on until the Model 3 production levels were stable. This effectively allowed 6-12 months to prepare for his successor Drew Baglino to step into the CTO role from the position of vice-president of technology. We pay close attention to succession planning and can take comfort that Baglino was recruited by Straubel back in 2006. We aim to meet Baglino in the coming months.

### 2.2 Majedie

A summary of Majedie's voting over the scheme year is shown below:

		Voted in Favour	Voted Against and/or Withheld/Abstained
Company Meetings	139	n/a	n/a
Resolutions	2210	2122	88

The following examples give a flavour of their engagement activities:

Company	Engagement Report
<b>Tesco</b>	We met with the CEO of Tesco in September 2019. From the dark days of the accounting fraud and horse meat scandals, Tesco has worked hard to transform the way it works with its suppliers. Management explained how it is now working in a much more collaborative way, entering into longer-term contracts at guaranteed minimum margins. This allows its suppliers to invest in more efficient plant and machinery, creating savings which can ultimately be passed onto shoppers. Tesco's payment terms with suppliers have also been improved, with supplier satisfaction surveys now at multi-year highs. Pleasingly, cultural change also extends to the workplace, with Tesco's colleague surveys also showing positive results. We discussed Tesco's online services, which it is tailoring to fit ever-changing customer demands. As part of this effort, and to help reduce its food and packaging waste, Tesco has also improved its fresh food ordering systems. The group is also looking for ways to reduce its use of plastics. On several occasions in 2019, we wrote to Tesco to ask it to scale back the loan growth in its retail bank. Tesco has changed its strategy on the bank, slowing unsecured growth and reducing its mortgage book, marking a successful engagement for Majedie.
<b>BP</b>	In September 2019, we attended a meeting for BP's shareholders during which we provided feedback to the Board about BP's proposed strategy and remuneration for its executives and Board members. Our main concerns for the group include its longer-term group strategy and how it can transition away from fossil fuels and towards renewables in a manner and at a pace that makes sense to both its balance sheet and the global need to reduce carbon emissions. We are concerned that BP hasn't been transparent enough on what it aims to do and how it aims to get there. We want BP to be fit for purpose in a drastically changing environment – both with the need to reduce greenhouse gas emissions and also with the opportunity to

## UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2020

	<p>provide a greater supply of sustainable fuel (and fuel by-products) for an increasingly energy-hungry world. During the meeting, we specifically asked BP to:</p> <ul style="list-style-type: none"> <li>• Provide an indication of how its carbon efficiency and financial metrics work together</li> <li>• Be much more transparent on its longer-term strategy and milestones to achieve this</li> <li>• Provide a heat map detailing how the group is managing its key issues.</li> </ul> <p>BP said it will work on strategy and on being more transparent on its transition goals and targets for energy. It will also work on gradually moving more capital into renewables and sustainable fuels and away from current fossil fuel projects. The group’s future remuneration policies may also include a link to energy transition. We will continue encouraging BP to make serious strides on its overall strategy and formulate a concrete plan to manage its energy and energy solutions.</p>
<b>Ryanair</b>	<p>At the September 2019 AGM we voted against Ryanair’s Remuneration Report and Remuneration Committee Chair, as we disagreed with the size of the award that the CEO could receive in the context of targets that we did not feel were particularly stretching. Earlier in the year, we had written to the company expressing our concern that the potential pay-out to the CEO was disproportionate given the level of improvement for which he may have been rewarded. Our vote against was a consequence of our unheeded engagement.</p>

Whilst the Ryanair report is a voting activity rather than an ‘engagement’ this is included as it demonstrates independent support and reinforces the engagements with Ryanair reported by Baillie Gifford.

### 3. **Other investment managers**

Whilst all of ULPF’s investment managers have robust ingrained policies – and procedures – on ESG/RI considerations, ‘Voting’ and ‘Engagement’ is not especially appropriate to report on for the non-equity mandates that are managed for ULPF. The Trustee is confident that its investment managers, as they have confirmed (see above), are complying with the ULPF SIP though it may take a somewhat different form as per the following examples.

- 3.1 **Blackrock** which manages a Buy and Maintain credit portfolio, vote and engage extensively with investee companies, mapping their engagements to the UN Sustainable Development goals and, in respect of over 50 companies, specifically environmental risks and opportunities, most notably climate change. The Task Force on Climate-related Financial Disclosures (TCFD) is at the centre of their engagements.
- 3.2 ULPF’s two real estate managers, UBS and Aegon Asset Management (formerly Kames), are both strong supporters of sustainability.

**Aegon Asset Management** are participants/signatories to Global Real Estate Sustainability Benchmark (GRESB), UN Principles for Responsible Investment (UN PRI) (where they achieved an A+ rating) and Institutional Investors Group on Climate Change (IIGCC) recording high scores.

**UBS** are also participants/signatories to GRESB and “who collaborate with tenants, property managers and suppliers to achieve our RI investment objectives”, are regularly voted Number 1 in their peer group on ESG/RI considerations.

- 3.3 ULPF’s two multi-asseted Diversified Growth Fund (DGF) managers, Columbia Threadneedle and Newton both reported high levels of voting (where relevant) and a broad spectrum of engagement.

**Columbia Threadneedle** voted on over 98% of company meeting resolutions, with over 10% either voted against and/or withheld/abstained and over 50% of company meetings, where they voted against management on at least one resolution.

**Newton** report significant engagements with companies such as ABF, Samsung and Amazon.

### 4. **Conclusion**

The Trustee is confident that their appointed asset managers have ESG/RI sustainability embedded in their investment policies and procedures. Where relevant and appropriate the asset managers demonstrate a very high degree of voting and also invest a significant amount of resource to engage with investee companies.