# UNIVERSITY OF LIVERPOOL PENSION FUND

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 JULY 2024

**PENSION SCHEME REGISTRATION NUMBER**

**10005520**

# UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2024

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# Trustee and advisers

**Trustee**

The Trustee of the Fund 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:

| | |
|---|---|
| Prof C. Constantinescu | |
| Dr C. Costello | (resigned 31 March 2024) |
| Ms N. Davies | |
| Mr M. Feeny | (resigned 31 March 2024) |
| Mr D. Harries | |
| Mr P. Hewitt * | |
| Ms S. Robinson** | |
| Mr A. Wattret * | |
| Mr. S. Walker | |

* Member-nominated director
** Pensioner-nominated director
All other Directors are Employer nominated.

| | |
|---|---|
| **Secretary** | Christine Jones, University of Liverpool Pension Fund,<br>502 Teaching Hub, 150 Mount Pleasant, Liverpool, L69 3GD |
| **Fund Administrator** | University of Liverpool |
| **Actuary** | James Auty BSc FIA<br>Mercer |
| **Independent Auditors** | RSM UK Audit LLP |
| **Legal Adviser** | Pinsent Masons LLP |
| **Investment Consultant** | Mercer Limited |
| **Investment Managers** | Aviva Investors Jersey Unit Trusts Management Limited<br>Baillie Gifford and Co<br>Blackrock Advisors (UK) Limited<br>Manulife I CQS Investment Managers<br>DTZ<br>J.P. Morgan Asset Management<br>MGI Funds plc<br>Mercer PIP IV (appointed 16 August 2023)<br>Mercer PIP VII<br>UBS Global Asset Management Limited<br>Veritas Asset Management |
| **Investment Custodian directly Appointed by the Trustee** | Bank of New York Mellon – Custodian for Blackrock Advisors (UK) Limited<br>(all other custodians are appointed by the investment managers) |
| **Bankers** | Barclays Bank plc |
| **Principal and participating Employers** | University of Liverpool (Principal Employer)<br>University of Liverpool Energy Company Limited<br>Liverpool School of Tropical Medicine |
| **Name and address for enquiries** | The Secretary, University of Liverpool Pension Fund, 502 Teaching Hub,<br>150 Mount Pleasant, Liverpool, L69 3GD, cjj@liverpool.ac.uk |

# Report by the Trustee of the Fund
# For the year ended 31 July 2024

The Trustee of the University of Liverpool Pension Fund (the "Fund") presents its Annual Report for the year ended 31 July 2024.

The Fund 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 Fund 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 and subsequent amendments. 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, one-third of the Directors of the Trustee Company are selected from either the active membership or 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 Fund. 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 a year. It considers any changes in policy which are necessary to reflect changes in legislation, the Fund's requirements and general pension scheme practice and it monitors the management of the Fund 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.

# Membership and Benefits

Membership of the Final Salary Section

| | Pensioners [1] | Deferred Pensioners [2] | Active Members | Total Member |
|---|---|---|---|---|
| **At 1 August 2023** | 1,648 | 872 | 471 | 2,991 |
| Adjustments [3] | 5 | (3) | (3) | (1) |
| Leavers: | | | | |
| Retired | 66 | (53) | (13) | - |
| Transfer Out | - | - | - | - |
| Deferred | - | 32 | (32) | - |
| Death | (48) | (1) | - | (49) |
| Commutation | (3) | - | - | (3) |
| End of child eligibility | (1) | - | - | (1) |
| New Spouse's Pension | 11 | - | - | 11 |
| **At 31 July 2024** | **1,678** | **847** | **423** | **2,948** |

**Notes**

(1) Included within pensioners at 31 July 2024 are 223 spouses/dependants (2023: 224).

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

(3) Adjustments relate to the timing of a member joining, leaving, dying or retiring from the Fund and when the reports are run.

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 [1] | Deferred Pensioners [2] | Active Members | Total Member |
|---|---|---|---|---|
| **At 1 August 2023** | 62 | 649 | 1,431 | 2,142 |
| Adjustments [3] | - | 1 | (4) | (3) |
| New members | - | - | 338 | 338 |
| Leavers: | | | | |
| Retired | 25 | (13) | (12) | - |
| Refund | - | (38) | (132) | (170) |
| Transfer Out | - | (10) | - | (10) |
| Deferred | - | 87 | (87) | - |
| Death | - | - | - | - |
| Commutation | (2) | - | - | (2) |
| Suspensions [4] | - | 38 | (38) | - |
| New Spouse's Pension | - | - | - | - |
| **At 31 July 2024** | **85** | **714** | **1,496** | **2,295** |

**Notes**

(1) Included within pensioners at 31 July 2024 are 5 spouses/dependants (2023: 5)

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

(3) Adjustments relate to the timing of a member joining, leaving, dying or retiring from the Fund and when the reports are run.

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

(5) Any employee who has been automatically enrolled into the Fund 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.

## Pension Increases

The Trustee in consultation with the University (the Principal Employer) reviews each year all pensions in payment. For Final Salary Section members, 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%. CARE Section members receive increases on their pension in payment in line with statutory provisions.

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 April 2024, a consolidated discretionary increase of 5.0% (2023: 5.0%) was granted in respect of pension benefits built up 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 Fund members on request.

The most recent triennial valuation of the Fund was carried out as at 31 July 2021. An updated estimated valuation was performed at 31 July 2023, the results of which are detailed below. The actuarial valuation as at 31 July 2024 is in progress.

| | **July 2023** | **July 2021** |
|---|---|---|
| Value of technical provisions | £293.2m | £461.3m |
| Value of assets available to meet technical provisions | £565.1m | £620.9m |
| Assets as a percentage of technical provisions | 193% | 135% |

Although there are no current plans to discontinue the Fund 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 2023** | **July 2021** |
|---|---|---|
| Value of solvency liabilities | £377.2m | £681.7m |
| Value of assets available to meet solvency liabilities | £565.1m | £620.9m |
| Assets as a percentage of solvency liabilities | 150% | 91% |

The actuarial valuation at 31 July 2024 will be finalised after the Fund's 31 July 2024 financial statements are signed.

The value of the technical provisions is based on Pensionable Service to the valuation date and assumptions about various factors that will influence the Fund 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.

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

**Discount rate (future service):** 3.95% per annum being 80% of the best estimate return on the assets at the Valuation Date**.**

**Rate of Inflation – Retail Prices Index (RPI):** The Gilt Inflation Curve less a deduction of 0.15% at each term for past service and less a deduction of 0.3% per annum for future service.

**Rate of Inflation – Consumer Prices Index (CPI)**: RPI inflation less 0.7% per annum at each term up to 2030 and then as RPI inflation with no adjustment thereafter. For future service the deduction prior to 2030 is 1.1% per annum.

**Rate of pensionable earnings increase:** CPI assumptions (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 2019 Club Vita curves with a 1.5% per annum long term projected rate of improvement and a smoothing parameter (Sk) of 7.5 (CMI_2020 [1.50%]), using a year of birth approach.

**Recovery Plan**
As the Fund was in surplus as at 31 July 2021, there was no requirement for a recovery plan to be drawn up.

## Investment management

### 1. Introduction and Governance

### Summary of Fund Investment structure for the Fund

The overall investment policy of the Fund is determined by the Trustee having taken advice from its adviser, Mercer Limited. The Trustee is responsible for determining the investment strategy and manager appointments after taking appropriate advice. The Trustee has delegated the day-to-day management of investments to professional investment managers. These managers undertake, within restrictions in the contractual documentation, the day-to-day management of the asset portfolio, including the full discretion for stock selection. Detailed consideration of investment matters is delegated to an Investment Advisory Committee (IAC), which makes recommendations to the Trustee Board for ratification. The Investment Advisory Committee members are Professor C. Constantinescu, Ms N. Davies, Mr A. Wattret, Mr S. Walker and Professor P. Ormerod from the School of Management.

The Trustee has produced a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme's (Investment) Regulations 2005 and subsequent legislation. The Trustee last updated the SIP in July 2023 and a copy of the SIP may be found at www.liverpool.ac.uk/hr/pensions/ulpf/documents/.

### 2. Employer Related Investments

There were no directly held employer related investments at the year end (2023: None).

## 3. Market Background for the year ended 31 July 2024

**Investment Markets [1]**

**Macro**

In Q3 2023, central bank actions in developed markets were mixed. Some central banks decided to pause hiking interest rates, while others continued to increase policy rates. Headline inflation slowed down, and core inflation fell in most regions. Inflation expectations also declined over the quarter. China's economy expanded, mainly due to favorable base effects, but overall momentum remained weak, indicating subdued demand. The Japanese economy experienced the strongest growth since the last quarter of 2020, driven by strong export growth. US GDP growth accelerated in the third quarter of 2023. China's economy grew by 4.9% (year-on-year) in Q3. Chinese policymakers remained committed to supporting the economy. Quarter-on-quarter GDP growth contracted in the eurozone in Q3 2023. UK GDP growth was estimated to have declined by 0.1% in the third quarter of 2023.

The fourth quarter of 2023 started with low expectations due to high long-term interest rates and renewed geopolitical tensions in the Middle East. Markets reached their lows near the end of October due to risk-off sentiment. However, in November, slowing inflation in the US and other regions raised hopes that interest rates may have peaked, boosting investor confidence. Over the quarter, the US Federal Reserve kept rates unchanged and shifted towards a dovish tone. Inflation expectations also continued to decline.

The first quarter of 2024 saw a repricing of interest rate expectations, especially for developed market (DM) central banks. The timing of potential rate cuts by the US Federal Reserve, European Central Bank (ECB), and Bank of England (BoE) was pushed back to the second half of 2024 as growth and inflation data surprised to the upside. Despite rising bond yields, equity markets continued to rally driven by AI enthusiasm and strong corporate earnings. Japanese equities outperformed their peers due to solid earnings growth and a weaker yen. Emerging market equities were held back by weakness in China, although Chinese equities did rally in the second half of the quarter.

The second quarter of 2024 saw inflation largely soften towards central banks' targets for most DM economies. This set the stage for a shift towards monetary policy easing. The ECB cut interest rates in June. Cooling inflation and a gradual loosening of the labour markets in the US prompted markets to price in two cuts by the US Federal Reserve (Fed) by the end of 2024. The timing of potential rate cuts by the BoE was pushed to August despite waning price pressures, as service inflation remained elevated. Despite this, bond yields rose over the quarter as inflation data initially surprised higher, especially in the US. Equity markets, except for Japanese equities, continued to rally, with emerging market (EM) equities outperforming developed markets. Political volatility remained high with a snap election called in the UK & France, while the first TV debate of the US election campaign took place in June.

Global equities and fixed income generally posted positive returns in July. US equities underperformed international equities due to a weaker US dollar but outperformed EM equities. Growth significantly underperformed value during the month (as measured by the Russell 3000).

In the US, Donald Trump was injured in an assassination attempt and was subsequently nominated as the Republican candidate while President Biden announced that he was dropping out of the US presidential race and endorsed his current Vice President. This contributed to volatility as investors vacillated in their conviction level in 'Trump trades' in line with shifting odds of the election outcome.

### Equities

On a year-on-year basis to 31 July 2024, Sterling returns for global equities were positive at 18.6%. Emerging markets (EMs) also had positive returns (8.2%) but underperformed relative to global equities.

In Q3 2023, equity markets in the US largely looked through the regional banking distress, but the rally in the so-called magnificent seven (e.g., Nvidia & Microsoft) faded somewhat. In emerging markets, the Chinese recovery underwhelmed, sentiment declined, and the property sector stresses remained. Global risk-off sentiment also had an impact on EM equities.

[1] *Statistics sourced from Refinitiv unless otherwise specified*

In Q4, markets were positive, supported by expectations that interest rate cuts may be approaching and expectations of a global soft landing. Within equities, developed markets outperformed emerging markets. Overall, EM equities were strong, but emerging markets were still negatively impacted by China, which continued to underperform due to ongoing stresses in the property sector.

In Q1 2024, markets were positive driven by continued speculation surrounding artificial intelligence (AI) and broadly positive corporate earnings. Japanese equities also continued to rally on the back of stronger corporate earnings linked to higher nominal growth. Within equities, DM continued to outperform EM. DM equities continued to rally despite upside surprises in inflation data and rising bond yields. EM equities saw positive returns driven by a rebound in China, which was supported by better-than-expected activity data, fiscal stimulus, and looser monetary policy. South Korea and Taiwan were also supportive as Korea benefited from the announcement of tax reform proposals while in Taiwan, enthusiasm for AI continued to boost the tech sector. Saudi Arabia also performed strongly as oil prices rose over the quarter.

Q2 2024 was another positive quarter for equity markets. Equity markets, especially in the developed world, continued to be narrowly led, by a small number of stocks. Corporate earnings have remained resilient while subsiding inflationary pressures have created a more positive macroeconomic environment for equities. Within equities, EM outperformed DM. Chinese and Latin American equities exhibited lacklustre performance as investors digested economic data. However, Asian equities outperformed, helped by Taiwan's exposure to AI-related names. India recovered after the surprise election results.

Investor sentiment remained bullish during July 2024 as inflation eased in developed markets. Notably, headline inflation in the US declined to 3.0% year-over-year, better than expected. US GDP growth of 2.8% year-over-year surprised to the upside, showing continued resilience in the economy. The unemployment rate rose to 4.1%, which suggests a slowing labour market. Forward looking purchasing manager indicators remained in expansionary territory in developed markets, with the US composite PMI climbing to a 27-month high.

Overall, the positive momentum throughout the year has been driven by subsiding inflation data, positive earnings, enthusiasm surrounding artificial intelligence, and economic activity data.

### Bonds

On a year-on-year basis to 31 July 2024, UK government bonds returned 5.78%, while returns for UK corporate bonds were 9.2%. Inflation-linked bonds performed poorly, over the year with negative returns of 1.6%.

During the 12 months to July 2024, global sovereign bond yields declined as the impact of central banks' aggressive policy tightening since 2022 played through the economy, setting the stage for rate cuts as growth and inflation cooled. The BoE continued to hike rates in the second and third quarter of 2023 taking its key policy rate to 5.25%, albeit holding rates unchanged through the first 6 months of 2024. Although significant progress was made with UK headline inflation softening to the central banks 2% target in May 2024, sticky services inflation remained a concern for the BoE. Still-healthy wage growth continued to add to cost pressures in the labour-intensive services sector. Over the 12-month period to July 2024, UK 10-year gilt yields declined from 4.30% to 4.06%.

The Fed kept interest rates unchanged at their July meeting, but primed markets for a possible rate cut in September. US headline inflation eased by more than expected, while inflation in other developed markets continues to trend downward. The BoE cut interest rates for the first time since 2020 by 25 bps in early August now that inflation has remained at its 2% target for two months in a row. Inflation in China remained low in June as the country is still emerging from a deflationary period. The ECB held interest rates steady. The Bank of Japan surprised markets by raising rates.

UK real yields rose during the 12-month period under review. 10-year real yields rose throughout 2023 to as high as 1.05% in Q4 2023. Ultimately, however, they ended July 2024 at 0.51%, c.12bps lower than the previous year end. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, fell by 11bps over the 12-month period, reaching 3.53%.

Both investment grade and high yield credit spreads narrowed over the 12-month period to July 2024.

### Property

As of Q1 2024, the UK property market had seen the strongest value corrections of all major real estate markets. Optimism was beginning to return, but tight lending conditions and an uncertain economic and political outlook continued to act as headwinds. In addition, the UK investor base was going through considerable consolidation as many UK Corporate DB pension funds looked to decrease their property allocations. As a result, sellers outnumbered buyers for traditional long-hold properties, but buyers were beginning to remerge. American private equity capital had been active as well as capital from high-net-worth investors and UK specialist funds.

The MSCI UK Monthly Property Index reported a positive gross total return of 1.4% for the 3-month period ending in May 2024. The industrial and residential sectors continued to perform well, with returns of 1.6% and 1.5% respectively, but the strongest performing sectors were retail and hotels, with returns of 2.4% and 2.7% respectively. The retail sector outperformed the office and industrial sectors both on an income basis as well as a capital return basis, largely driven by the retail warehouse subsector. Offices remained the weakest performing sector, returning -0.5% over the three months to May 2024. During Q1 2024, the MSCI/AREF UK Quarterly Fund Index recorded a net total return of 0.4%, and it was the first quarter where all MSCI/AREF UK Quarterly Funds Indices had positive or neutral performance since June 2022. Long Income funds underperformed compared to the Balanced and Specialist funds in the year to Q1 2024 as increased transaction activity weighed on performance as a result of raising cash to meet redemptions.

Investment volumes averaged £3.3 billion per month in the year to April 2024, marginally behind the £3.5bn average in 2023. This compares to an average of £5.6 billion per month during 2022. Year-on-year volumes remain subdued, with volumes year to April 2024 being c.13% lower than in 2023, but by number, transactions were 16% higher. Most of the transaction activity occurred in the residential, hotel, and senior living sectors, with the apartment sector being the most transacted sector year to date. The volume transacted in apartments in April 2024 was greater than the office, retail, and industrial sectors combined.

Listed real assets outperformed broader equities in July 2024 while commodities underperformed, as oil prices decreased by almost 5%.

**Investment Markets**

## Equity Markets

At a global level, developed markets as measured by the FTSE World index returned 18.6%. Meanwhile, the FTSE Emerging index recorded a return of 8.2%.

At a regional level, European markets returned 11.3% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 13.5%. The FTSE USA index returned 22.3%, while the FTSE Japan index returned 16.2%.

Equity market total return figures are in Sterling terms over the 12-month period to 31 July 2024.

## Bonds

UK Government Bonds as measured by the FTA Gilts All Stocks Index registered positive returns of 5.8%, while long-dated issues as measured by the FTA UK Gilts Over 15 Year Index had a return of 3.8% over the year. The yield for the FTA Gilts All Stocks index fell over the year from 4.4% to 4.3%, while the FTA UK Gilts Over 15 Year index yield stayed constant at 4.4%.

The FTA UK All Stocks Index-Linked Gilts index returned 2.0%, with the FTA UK Gilts Over 15 Year index exhibiting a return of -1.6%.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned 9.2%.

Bond market total return figures are in Sterling terms over the 12-month period to 31 July 2024.

## Currencies

Over the 12-month period to 31 July 2024, Sterling depreciated by 0.2% against the US Dollar from $1.29 to $1.28. Sterling appreciated by 5.7% against the Yen from ¥182.81 to ¥193.26. Sterling appreciated against the Euro by 1.7% from €1.17 to €1.19 per the same period.

## Property

Over the 12-month period to 31 July 2024, the MSCI UK All Property Index returned 1.4% in Sterling terms. Within the three main sectors of the UK Property market Retail and Industrial recorded positive returns over the period (retail: 2.1%; industrial 5.4%) while the office sector saw negative returns of -7.6%

## Investment Policies and Objectives

In formulating their strategy, the Trustee has taken account of the results of the latest Actuarial Valuation, which was carried out with an effective date of 31 July 2021. The results of the 31 July 2024 valuation have not been finalised at the time of writing, but once available the investment strategy of the Fund will be fully reviewed again.

A high-level review of the investment strategy took place most recently in June 2024. The Trustee's overall investment policy is guided by the following objectives:

- To ensure that the Fund'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 Fund as they arise;

- The long-term aim of the Fund is to ensure that, together with future contributions, the Fund's assets are sufficient to meet benefits and any expenses payable under the Fund 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 Fund'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 Fund;

- 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 Fund;

- The Trustee wishes the Fund 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; having taken advice as appropriate from the Investment Advisor;

- 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 ("the University") in relation to the volatility of the funding level and the payment of contributions.

The Trustee reviews the investment policy on an ongoing basis to ensure that the policies set out continue to be appropriate in line with the Trustee investment objectives.

When designing the investment arrangements, the Trustee considers the requirements of legislation, the funding objectives for the Fund and their views on the covenant of the University.

### 4. Financially and Non-Financially Material Matters in the Selection, Retention and Realisation of Investments

In establishing the Fund's investment arrangements (i.e. the selection, retention and realisation of investments) the Trustee considers what it believes to be financially material matters. The Trustee believes that factors such as environmental, social and governance (ESG) issues (including, but not limited to, climate change) may be financially material for the Fund over the long-term. Given the open nature of the Fund, this is expected to be more than 10 years from the date of this document.

Moreover, the Trustee believes that:

- The willingness and ability of companies to adopt the highest standards of social responsibility is increasingly important to long term growth in the value of their business

- Successful enterprises are a partnership between the providers of capital, the labour force, the suppliers and the customers: investee companies should have appropriate policies in these areas

- Good corporate governance, in addition, includes the management of the company's impact on society and the environment

The Trustee has elected to invest the Fund's assets through pooled funds. The choice of pooled funds is made by the Trustee, with advice from their investment consultant as required. This has the practical result that the Trustee cannot themselves directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect the managers of the underlying funds, to take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments. The Trustee also expects that any advice received with regard to the selection of managers will take account of the managers' integration of ESG factors.

The Trustee expects that the investment managers should carefully consider a number of criteria when selecting and retaining suitable stocks for the Fund. Commercial reasons should be paramount but ESG factors are important qualities of companies and should contribute to growth on a long-term view.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

- Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

- Retention of investments: Developing a monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

- Realisation of investments: The Trustee will request information from the investment consultant and managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation and consider them as part of ongoing reviews of the Fund's investments.

The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustee will obtain regular training from the Fund's Investment Consultant on ESG considerations in order to understand fully how ESG factors including climate change could impact the Fund and its investments;

- As part of ongoing monitoring of the Fund's investment managers, the Trustee will use any ESG information available within the pensions industry, to assess how the Fund's investment managers take account of ESG issues; and

- The Trustee will request that all of the Fund's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on a regular basis. The Trustee will be reliant on the information presented by the investment managers regarding the extent to which they allow for ESG in their decisions.

The Trustee does not take into account the views of members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Fund (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

**Choosing Investments**

The Trustee will review its policy on whether or not to take account of non-financial matters on a regular basis.

The assets of the Fund are invested in pooled vehicles. Ownership is thus of units in unit trusts or managed funds.

The Trustee is mindful of the underlying distribution of assets. In particular, it regards the distribution of the assets between "real" assets (global equities, infrastructure equity, and property) and "monetary" assets (UK fixed interest and cash) as appropriate to the Fund's liabilities.

Having recognised the individual fund managers' discretion over stock, bond, property and asset class 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 the Fund invests via pooled funds, it is acknowledged that the Trustee is not able to impose explicit restrictions on asset classes given the policies are common to all investors. However, the Trustee has reviewed the asset class restrictions of the pooled funds and believe that these are appropriate for the respective objectives.

### Kinds of Investments

The Trustee recognises that its investment managers may invest in the following asset classes on behalf of the Fund, and in a range of marketable securities, for example:

- Global Equities;
- Infrastructure Equity;
- Government Bonds;
- Corporate Bonds;
- Private Debt;
- Property; and
- Cash.

The above list of asset classes is not intended to be exhaustive. In particular, the Trustee's multi asset managers have discretion to invest in alternative asset classes subject to restrictions noted in the above paragraph.

### 5. Exercising of Rights Attached to Investments and Engagement Activities

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including business performance, strategy, capital structure, management of conflicts of interest, ESG and corporate governance matters).

The investment managers, having clear policies of voting on all important issues and on active engagement with companies on behalf of the Fund's interests, have provided the Trustee with statements dealing with active engagement and voting policy and practices where appropriate.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on a regular basis. The Trustee will monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee may engage with the investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

The Fund's assets are invested via pooled funds. As such, direct control of voting is delegated to the investment manager of the pooled fund. The Trustee monitors this activity and includes it in their evaluation of the investment manager and where the Trustee has concerns it will raise this with the investment manager.

The Trustee delegates primary responsibility for its corporate engagement activities to its investment managers. The Trustee believes the investment managers are best placed to engage with the investee companies on their performance, strategy, capital, structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

### 6. Investment Manager Appointment, Engagement and Monitoring

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

With the exception of BlackRock, all of the fund managers have been appointed to manage assets on an active basis. BlackRock are appointed to manage both corporate bonds and index-linked gilts mandates. The Fund's allocation to corporate bonds is managed on a 'Buy and Maintain' basis, which involves the active screening of bonds initially with the intention of holding these until maturity unless there is, for example, a material deterioration in the credit quality or otherwise an opportunity to improve the yield for a similar level of risk. The Fund's allocation to index-linked gilts is managed passively and is intended to replicate a reference index with low tracking error.

The safekeeping of the underlying assets is performed on behalf of the Trustee by custodians specifically appointed to undertake this function, and whose appointments are reviewed at regular intervals by the Trustee. The contractual arrangements with the custodians offer a very high level of protection against negligence or default on the part of the custodians.

The Trustee's investments are evidenced by quarterly transaction statements issued by the investment managers.

In recognising that the Fund invests via pooled funds, the Trustee acknowledges some of its ability to directly influence the investment managers, including incentivisation, is constrained. However, the arrangements with the investment managers are governed by the relevant contract/Investment Management Agreement, and the investment managers are required to comply. The investment managers' compliance is monitored. The Trustee only selects managers whose guidelines are consistent with the policies set out in the SIP and Investment Managers are expected to take the Trustee's policies and principles on all investment matters including taking financial and non-financial matters (including but not limited to environmental social and governance (ESG)) into account as well as the Trustee's policies on Stewardship. Regular meetings with the managers facilitate two-way communications and would be expected to indicate areas of interest and resolve issues.

While the Trustee's ability to directly incentivise the investment managers is constrained by investing via pooled funds, the ultimate incentivisation - and by far the most powerful - is that if the investment manager does not adhere to and reflect the Trustee's policies then they lose some or all of the assets to manage and the corresponding revenue. In addition, in this circumstance, there could be significant reputational risk to the particular investment manager which could be even more commercially damaging. The direct and indirect incentives for investment managers to behave responsibly are considerable.

The Trustee monitors, via performance reporting provided by Mercer, its investment managers' (absolute and relative) performance quarterly, with particular focus on the medium and longer term. Each portfolio is measured on a manager-specific basis (e.g. several managers have rolling 5-year targets and the performance target for some other portfolios is not duration-specific). Indeed, some portfolios are not purely about performance in the sense of investment return but are held for other investment reasons, such as income generation and/or dampening total fund volatility. Monitoring and evaluation must be portfolio-specific and reflect why the portfolio is part of the total Fund. The Trustee specifically looks at the consistency of performance on the appropriate metric and in addition pays particular regard to the longest period the Fund has engaged with each manager on each portfolio; 'since inception' performance. As part of this reporting, the Trustee reviews and evaluates all the manager portfolio fees paying particular attention to 'value for money'.

The Trustee does not believe it appropriate to specifically measure or manage portfolio turnover, recognising that portfolio turnover and the associated transaction costs are a necessary part of investment management and that the financial impact of portfolio turnover is already reflected in the (net) performance of investment managers. Investment managers will instead be asked to report on portfolio turnover when presenting to the IAC. The important investment feature of a portfolio is the 'net of costs' return as it is that return which grows the Fund and ultimately pays the promised benefits. Portfolio costs are both explicit, such as investment manager fees (possibly including a performance-related element), and implicit, such as portfolio turnover. Different assets, portfolios and investment managers will have their own discrete philosophy and style of management, with consequent turnover, and the Fund - while it monitors this on an ongoing basis - does not believe it appropriate to 'manage' this feature and, in particular, set limits on such activity. As any portfolio turnover, and consequent cost, is adverse to the ability of the investment manager to deliver satisfactory return there is already strong alignment between investment managers and the Fund. Setting turnover targets and/or limits could prevent an investment manager from pursuing their portfolio discretion and this is against the Fund's best interests. However, the Trustee would expect any manager with abnormal turnover (relative to their style of management) to identify this and give a rationale.

The Trustee selects investment managers with whom it can have a very long term relationship and so the investment manager arrangement is effectively in perpetuity, rather than time limited (with the exception of DTZ who manage a closed ended fund which will run off over time), provided the Fund deems that portfolio an appropriate part of its overall strategy and the Trustee is satisfied the investment manager is delivering value for money. However, the Trustee retains the right to release any investment manager once appropriate advice has been taken.

## 7. Investment Strategy and Implementation

All investments have been managed during the year under review by the investment manager(s) and there is a degree of delegation in respect of investment decision making.

The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the Fund that should be invested in the principal market sectors, the day-to-day management of the Fund's asset portfolio, including full discretion for stock selection, is the responsibility of the investment manager(s).

The Trustees have implemented the following investment strategy with the aim of helping them achieve the investment objectives:

The current strategy is to hold broadly:

- 40% actively invested in Global Equities
- 5% actively invested in Unlisted Infrastructure Equity
- 10% invested in Multi Asset Credit
- 10% invested in Senior Private Debt
- 15% invested in Corporate Bonds on a 'Buy and Maintain' basis
- 5% invested in Index-Linked Gilts
- 15% actively invested in Property (including a 5% allocation to Long Lease Property)

The investment managers and providers are regulated by the relevant regulatory body in their home jurisdiction.

Over the year under review, the Fund has made changes to the investment manager structure and benchmark allocation. A high-level summary is provided below.

There has not been any change to the benchmark strategy from the prior year. However, Senior Private Debt with Mercer, and Over 5 Year Index-Linked Gilts with BlackRock were implemented during the year. The Fund's allocation to Senior Private Debt will build up over time due to the nature of the implementation approach and asset class. Monies earmarked for investment in Senior Private Debt will be held in Mercer's Diversified Growth Fund until drawn down. There is no strategic allocation to this Diversified Growth Fund.

The Trustees regard the investments of the Fund as readily marketable, with the exception of the DTZ Active Value Property Fund (which is closed ended and is in run off) and the Mercer Senior Private Debt mandates which are closed ended and thus holdings cannot be redeemed during the lifetime of the respective fund(s). If a client wishes to redeem their commitment, then options on the secondary market would have to be considered and explored. The liquidity characteristics for each of the funds considered readily marketable is detailed below:

- The UBS Core Property is quarterly priced and traded;
- The Aviva Long Lease Property fund is monthly priced and annually traded;
- The JP Morgan Infrastructure fund is quarterly priced and traded;
- The Buy and Maintain credit fund and the Index linked Gilt fund are daily priced and traded;
- The CQS Multi Asset credit fund is monthly priced and traded.
- The Baillie Gifford, Veritas Global Equity and Mercer Diversified Growth funds are daily priced and traded.

The actual allocations will vary from the strategic allocation above due to market price movements.

## 8. Asset Allocation

The following table provides more detail on the distribution of assets for the Fund.

| Manager/Asset Class | Actual Asset Allocation | | | | Benchmark Allocation (%) |
|---|---|---|---|---|---|
| | Start of Year (£m) | End of Year (£m) | Start of Year (%) | End of Year (%) | |
| Baillie Gifford Global Equity | 180.9 | 143.9 | 32.5 | 23.9 | **40.0** |
| Veritas Global Equity | 69.2 | 78.0 | 12.4 | 13.0 | |
| Mercer Diversified growth | 38.5 | 41.2 | 6.9 | 6.9 | **10.0** |
| Mercer Senior Private Debt PIP IV | -- | 9.2 | -- | 1.5 | |
| Mercer Senior Private Debt PIP VII | -- | 26.1 | -- | 4.3 | |
| JP Morgan Infrastructure | 30.2 | 32.3 | 5.4 | 5.4 | **5.0** |
| UBS Core Property | 45.8 | 44.8 | 8.2 | 7.4 | **15.0** |
| DTZ Secondary Property | 18.7 | 17.6 | 3.4 | 2.9 | |
| Aviva Property | 31.3 | 30.0 | 5.6 | 5.0 | |
| CQS Multi-Asset Credit | 61.0 | 61.8 | 11.0 | 10.3 | **10.0** |
| BlackRock Index-Linked Gilts | 0.0 | 30.1 | 0.0 | 5.0 | **5.0** |
| BlackRock Buy & Maintain Credit | 81.2 | 86.3 | 14.6 | 14.4 | **15.0** |
| **Total** | **556.8** | **601.3** | **100.0** | **100.0** | **100.0** |

*Source: Investment Managers, Refinitiv Datastream and Mercer*

*JP Morgan and DTZ are valued at 30 June 2024. Figures may not sum to total due to rounding.*
*BlackRock and UBS valuations include the value of income accrued but not yet distributed as at 31 July 2023 and 2024.*
*Valuations are based on Bid prices for BlackRock, UBS, Single price values for Baillie Gifford, Veritas, DTZ, Aviva and CQS, NAV for JP Morgan and; and Swing price for Mercer.*
*The above figures include accrued income at the year end.*

## 9. Investment Performance

**Net of Fees**

| Manager/Asset Class/Fund | Last Year | | Last 3 years | | Last 5 years | |
|---|---|---|---|---|---|---|
| | Fund (%) | Benchmark (%) | Fund (% p.a.) | Benchmark (% p.a.) | Fund (% p.a.) | Benchmark (% p.a.) |
| Baillie Gifford Global Equity | 14.7 | 20.6 | -0.5 | 9.1 | 8.5 | 11.4 |
| Veritas Global Equity | 12.5 | 20.8 | 5.8 | 10.1 | - | - |
| Mercer Diversified Growth | 9.4 | 5.3 | - | - | - | - |
| Mercer Senior Private Debt PIP IV | - | - | - | - | - | - |
| Mercer Senior Private Debt PIP VII | - | - | - | - | - | - |
| JP Morgan Infrastructure | 13.5 | 5.3 | - | - | - | - |
| UBS Core Property | -1.5 | 0.1 | 0.7 | 0.6 | 2.0 | 1.5 |
| DTZ Secondary Property | -0.6 | 0.1 | -2.6 | 0.6 | -0.5 | 1.5 |
| Aviva Property | 0.2 | 4.0 | - | - | - | - |
| CQS Multi-Asset Credit | 13.0 | 5.3 | - | - | - | - |
| BlackRock Index-Linked Gilts | - | - | - | - | - | - |
| BlackRock Buy & Maintain Credit | 10.8 | 9.7 | -4.4 | -3.9 | -0.9 | -0.8 |
| **Total** | **9.5** | **11.5** | **0.0** | **4.0** | **5.1** | **5.9** |

*Figures shown are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. Performance is shown to 30 June 2024.*
*Total includes performance of terminated mandates.*
*Total performance to 30 June 2021 was provided by PIRC.*
*JP Morgan Infrastructure and Mercer PIP performances are calculated by Mercer using an IRR approach based on data provided by the managers and Refinitiv.*
*DTZ Secondary Property performance shown, at a manager level, for 3 years is sourced directly from the manager.*
*BlackRock Buy & Maintain Credit is not formally managed to an index. Benchmark performance is shown for illustrative purposes.*

Mercer Senior Private Debt and BlackRock Index-Linked Gilts were implemented during the year and therefore have track records of less than a year.
Over the year under review, the Fund underperformed its composite benchmark over the 1, 3 and 5 year periods by 2.0% p.a., 4.0% p.a. and 0.8% p.a., respectively.

### 10. Custodial Arrangements

The Trustee has appointed Bank of New York Mellon as Custodian for Blackrock Advisors (UK) Limited. All other custodians are appointed by the investment managers.

The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments.

The Trustee has no direct ownership of the underlying assets of the pooled funds. The safekeeping of the assets within the pooled funds is performed by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager. The current custodians are shown in the table below.

| Manager | Custodian |
|---|---|
| Baillie Gifford | Bank of New York Mellon, London Branch. |
| BlackRock | |
| Veritas | Brown Brothers Harriman Trustee Services (Ireland) Limited |
| Aviva | N/A [(a)] |
| UBS | N/A [(b)] |
| DTZ | Saltgate [(c)] |
| Mercer (Senior Private Debt) IV | European Depositary Bank SA |
| Mercer (Senior Private Debt) VII | ING Luxembourg |
| Mercer (Diversified Growth) | State Street Custodial Services (Ireland) Limited |
| JP Morgan Infrastructure | Citco Fund Services [(d)] |
| CQS Multi-Asset Credit | J.P. Morgan Bank (Ireland) plc |

*Source: Investment Managers. Pooled funds have no direct custody arrangements in place, the custodians shown are appointed by the investment managers other than the investment custodian directly appointed by the Trustees - Bank of New York Mellon – Custodian for Blackrock Advisors (UK) Limited.*

*(a) The fund does not have a custodian. Details of any purchases and sales are kept by appointed lawyer.*

*(b) The fund is a property fund and hence does not have a Custodian.*

*(c) DTZ Secondary Property Fund is a unit trust in property, there is no custodian or equivalent in the same way as for other pooled funds. Saltgate Limited is appointed Managing Trustee of the fund and are responsible for the safe custody of cash on receipt from investors and the property title documents of underlying holdings.*

*(d) JP Morgan do not have a custodian in the traditional sense of the role for a Private Equity Fund or a Hedge Fund. Their custodian only provides physical security for a few stock certificates for the Fund.*

## Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK 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 Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

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

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

The Trustee is responsible under pensions legislation for preparing, maintaining, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of employers and the active members of the Fund 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 Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

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

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the University of Liverpool Pension Fund's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Summary of contributions payable in the year

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

| | Employee £'000 | Employer £'000 |
|---|---|---|
| **Required by the schedules of contributions** | | |
| Normal contributions | 356 | 11,429 |
| **Contributions required by the schedules of contributions (as reported on by the Fund Auditors)** | **363** | **11,429** |
| **Other contributions payable** | | |
| Additional voluntary contributions | 40 | - |
| **Total contributions reported in the financial statements** | **403** | **11,429** |

## Contributions receivable

The contributions payable to the Fund 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 2024, 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.

A schedule of contributions was certified by the actuary on 23 November 2023. There were no changes to the rates of participating employer and member contributions. The latest schedule of contributions and actuarial certification of the schedule of contributions are on pages 37 and 38 respectively.

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 21 members (2023: 28) were paying additional voluntary contributions (AVC's) during the year to increase their pension entitlement at retirement. The contributions are used to buy added service and are invested alongside the Fund's main investments.

## Expenses

The Fund bears the cost of administration by payment of a management fee to the University. All other fees are paid directly by the Fund to the appointed advisers.

## 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. A subsequent judgement in November 2020 determined that the requirement to equalise guaranteed minimum pensions (GMPs) between men and women should be extended to transfer value payments that were calculated on an unequalised basis. The impact of these judgements is being reviewed by the Trustee, with its advisers, in the context of the rules of the Fund and the value of any liability. The 2021 actuarial valuation included an allowance of 0.3% (£1.4m) of the liabilities for GMP equalisation, which will be reviewed as part of the 2024 actuarial valuation. No allowance has yet been made in relation to GMP equalisation on past transfers out of the scheme as this is still to be assessed. As soon as this review is finalised and any liability quantified, then members will be communicated with. The impact of GMP equalisation is not expected to be material.

## Further information

Requests for additional information about the Fund 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 (including the Summary of Contributions payable in the year on page 18) was approved by the Trustee, University of Liverpool Pension Fund Trustees Limited, on 20 February 2025 and signed on its behalf by:

[redacted]

**Director**
**C. Constantinescu**

## Independent Auditor's Report to the Trustee of the University of Liverpool Pension Fund

**Opinion**

We have audited the financial statements of the University of Liverpool Pension Fund (the Fund) for the year ended 31 July 2024 which comprise the Statement of Net Assets (available for benefits), the Fund Account and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 July 2024, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

**Basis for opinion**

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Fund's Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Fund's Trustee with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Fund's Trustee is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility 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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Trustee**

As explained more fully in the Trustee's responsibilities statement set out on page 17, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund'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 liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Fund operates in and how the Fund is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements and the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgements and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://www.frc.org.uk/auditorresponsibilites. This description forms part of our auditor's report.

**Use of our Report**

This report is made solely to the Fund's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

[redacted]

**RSM UK Audit LLP**
Statutory Auditor
Chartered Accountants
Birmingham

Date 20/02/25

# Independent Auditor's Statement about Contributions, under Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the University of Liverpool Pension Fund.

**Statement about contributions payable under schedules of contributions**

We have examined the summary of contributions payable to the University of Liverpool Pension Fund on page 18, in respect of the fund year ended 31 July 2024.

In our opinion the contributions for the Fund year ended 31 July 2024 as reported in the attached summary of contributions on page 18 and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on 28 October 2022 and 23 November 2023.

**Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 18 have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedules of contributions.

**Respective responsibilities of Trustee and auditor**

As explained more fully on page 17 in the Statement of Trustee's Responsibilities, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

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

**Use of our statement**

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

[redacted]

**RSM UK Audit LLP**
Statutory Auditor
Chartered Accountants
Birmingham

**Date** 20/02/25

## Fund Account for the year ended 31 July 2024

| | Note | **2024** | 2023 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Contributions and benefits** | | | |
| Employer contributions | 4 | **11,429** | 10,883 |
| Employee contributions | 4 | **403** | 363 |
| **Total contributions** | | **11,832** | 11,246 |
| Other income | 5 | **-** | 285 |
| | | **11,832** | 11,531 |
| Benefits paid or payable | 6 | **14,064** | 13,452 |
| Payments to and on account of leavers | 7 | **60** | 194 |
| Other payments | 8 | **275** | 249 |
| Administrative expenses | 9 | **846** | 793 |
| | | **15,245** | 14,688 |
| **Net withdrawals from dealings with members** | | **(3,413)** | (3,157) |
| **Return of investments** | | | |
| Investment income | 10 | **11,803** | 8,066 |
| Change in market value of investments | 11 | **36,506** | (8,286) |
| Investment management expenses | 12 | **(1,573)** | (1,736) |
| **Net return on investments** | | **46,736** | (1,956) |
| **Net increase / (decrease) in the fund during the year** | | **43,323** | (5,113) |
| **Net assets of the Fund at the start of the year** | | **564,666** | 569,779 |
| **Net assets of the Fund at the end of the year** | | **607,989** | 564,666 |

The notes on pages 26 to 36 form part of these financial statements

## Statement of Net Assets (available for benefits) as at 31 July 2024

| | Note | **2024** | 2023 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Investment Assets** | | | |
| Pooled investment vehicles | 13 | **599,494** | 556,625 |
| Other investment balances | 14 | **1,798** | 2,303 |
| **Total Investments** | 11 | **601,292** | 558,928 |
| **Current assets** | 19 | **7,946** | 7,070 |
| **Current liabilities** | 20 | **(1,249)** | (1,332) |
| **Net assets of the Fund at 31 July** | | **607,989** | 564,666 |

The financial statements summarise the transactions of the Fund 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 Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the report on Actuarial liabilities on pages 4 and 5 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 26 to 36 form part of these financial statements.

The financial statements were approved by the Trustee, University of Liverpool Pension Fund Trustees Limited, on 20 February 2025 and signed on its behalf by:

[redacted]

[redacted]

**Director**
**C. Constantinescu**

**Director**
**D. Harries**

# Notes to the financial statements
# For the year ended 31 July 2024

## 1. General Information

The University of Liverpool Pension Fund (the "Fund") 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 Fund is established as a trust under English law and is governed by a trust deed and rules dated 13 September 2017 and subsequent amendments. It was contracted out of the State Second Pension (S2P) until 5 April 2016 when contracting out ceased. The address for enquiries to the Fund is included on page 1.

In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Fund 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 Fund 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 Fund have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland 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) ("SORP").

The financial statements have been prepared on a going concern basis. In making this assessment, the Trustee has taken into account all available information about the future, which is at least, but is not limited to, twelve months from the date of signing of these financial statements.

The Trustee has reviewed the cash flow forecasts of the Fund for a period of twelve months from the date of signing of these financial statements. There have been no operational incidents post year end and the Trustee continues to review the employer covenant quarterly. No decision to wind up the Fund has been taken by the Trustee or employer, nor has any event occurred which under the Trust Deed and current legislation would render the winding up of the Fund inevitable and, accordingly, the Trustee has concluded that it is appropriate to prepare the financial statements on a going concern basis.

## 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 Fund'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 Fund.

Employer normal contributions are accounted for on the same basis as the employee's contributions, in accordance with the schedule of contributions in force during the year.

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

**(d) Transfers 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 Fund of their intention to transfer. Transfer values paid during the year were determined in accordance with the Pensions 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 refunds to 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 on retirement if later 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 Fund 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.

Valuations are based on bid prices for Blackrock and UBS. Valuations are based on single price values for Baillie Gifford, Veritas, DTZ, Aviva and Manulife I CQS Investment Managers, NAV for JP Morgan and swing price for Mercer.

(i) **Significant estimates and judgements**

The Trustee makes estimates and assumptions concerning the future in the valuation of certain of their investment assets, in particular, those classified in Level 3 of the fair value hierarchy. Changes in the accounting estimates used will, by definition, alter the carrying value of these investments. However, the Trustee believes there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of these assets.

Investments held with DTZ, JP Morgan and Mercer PIPs are valued at the 30 June quarterly valuation adjusted for any cash movements to the year end.

## 4. Contributions

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| **Employer contributions** | | |
| Normal | **11,429** | 10,883 |
| | | |
| **Employee contributions** | | |
| Normal | **363** | 320 |
| Additional voluntary contributions | **40** | 43 |
| | **403** | 363 |
| | | |
| **Total contributions** | **11,832** | 11,246 |

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

From 1 July 2009, certain employees paid contributions under salary sacrifice arrangements. These are included within employer normal contributions and amounted to £3,127k (2023: £3,001k).

As the Fund was in surplus at 31 July 2021, there was no requirement for a recovery plan to be drawn up. The participating employers agreed with the Trustee that in accordance with the 2021 actuarial valuation, they will continue to pay 23.5% (2023: 23.5%) of earnings for Final Salary members and 22.5% (2023: 22.5%) of earnings for CARE members, less contributions payable by contributing members. These rates include an allowance of 2.2% for the management and administration expenses of running the Fund including Pension Protection Fund levies and insurance premiums.

Contributions by contributing members are 7.5% (2023: 7.5%) of earnings for Final Salary members and 6.5% (2023: 6.5%) earnings for CARE members.

The schedule of contributions was certified by the actuary on 23 November 2023. The schedule of contributions and actuarial certification of the schedule of contributions are on pages 37 and 38 respectively.

## 5. Other income

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Claims on term insurance policies | **-** | 285 |

## 6. Benefits paid or payable

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Pensions | **11,768** | 11,230 |
| Commutation of pensions and lump sum retirement benefits | **2,239** | 1,743 |
| Lump sum death benefits | **6** | 323 |
| Trivial Commutations | **51** | 156 |
| | **14,064** | 13,452 |

## 7. Payments to and on account of leavers

| | 2024 | 2032 |
|---|---|---|
| | **£'000** | £'000 |
| Refunds of contributions to members | **20** | 18 |
| Individual transfers out to other schemes | **40** | 176 |
| | **60** | 194 |

**8. Other payments**

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Premiums on term insurance policies | **275** | 249 |

**9. Administrative expenses**

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Actuarial fees | **162** | 127 |
| Computer Systems | **45** | 28 |
| Administration and processing | **457** | 339 |
| Legal fees | **50** | 55 |
| Audit fees | **42** | 39 |
| PPF and TPR levy | **90** | 205 |
| | **846** | 793 |

**10. Investment income**

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Income from pooled investment vehicles | **11,427** | 7,905 |
| Interest on cash deposits | **376** | 161 |
| | **11,803** | 8,066 |

Income from Baillie Gifford of £1,636k (2023: £2,248k) 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.

**11. Reconciliation of investments**

| | Value at 1 August 2023 £'000 | Purchases at cost £'000 | Sales proceeds £'000 | Change in market value £'000 | Value at 31 July 2024 £'000 |
|---|---|---|---|---|---|
| Pooled investment vehicles | 556,625 | 99,051 | (92,688) | 36,506 | **599,494** |
| Other investment balances | 2,303 | | | | **1,798** |
| **Total investments** | 558,928 | | | | **601,292** |

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

As at 31 July 2024, the Fund's investment of £44,242k (2023: £45,753k) in the UBS Triton Property Unit Trust, £17,640k (2023: £18,660k) in the DTZ Fund, £31,872k (2023: £30,373) in the JP Morgan Infrastructure Investment Fund and £30,004k (2023: £31,294k) in the Aviva lime property Fund were held in pooled investment funds with lower liquidity than the Funds' other investments. The Mercer Senior Private Debt mandates, totalling £35,317k (2023: Nil), are closed ended funds and holdings cannot be redeemed during the lifetime of the respective fund, hence they too have lower liquidity. No adjustment has been made to the valuation of these investments.

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

Transaction costs are included in the cost of purchases and deducted from sales proceeds. As 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. If 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.

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Administration, management and custody | 1,478 | 1,582 |
| Investment advisory fees | 95 | 154 |
| | 1,573 | 1,736 |

Mercer Limited are the Fund's investment consultants. Investment advisory fees relate to the advice on investment strategy and investment management selection.

### 13. Pooled investment vehicles

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

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| By type: | | |
| Equities | 221,888 | 250,079 |
| Corporate Bonds | 115,504 | 80,921 |
| Property | 123,758 | 126,080 |
| Diversified Growth Funds | 41,231 | 38,506 |
| Multi Asset Credit | 61,796 | 61,039 |
| Senior Private Debt | 35,317 | - |
| | 599,494 | 556,625 |

### 14. Other investment balances

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Accrued investment income | 938 | 1,356 |
| Cash held with investment manager | 860 | 947 |
| | 1,798 | 2,303 |

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

| | 2024<br>Level 1<br>£'000 | 2024<br>Level 2<br>£'000 | 2024<br>Level 3<br>£'000 | 2024<br>Total<br>£'000 |
|---|---|---|---|---|
| **Pooled Investment Vehicles** | **-** | **484,661** | **114,833** | **599,494** |
| **Other investment balances** | **1,798** | **-** | **-** | **1,798** |
| | **1,798** | **484,661** | **114,833** | **601,292** |

Analysis for the prior year end is as follows:

| | 2023<br>Level 1<br>£'000 | 2023<br>Level 2<br>£'000 | 2023<br>Level 3<br>£'000 | 2023<br>Total<br>£'000 |
|---|---|---|---|---|
| Pooled Investment Vehicles | - | 476,298 | 80,327 | 556,625 |
| Other investment balances | 2,303 | - | - | 2,303 |
| | 2,303 | 476,298 | 80,327 | 558,928 |

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 pooled investment vehicles which are not actively traded is provided by the investment manager. The latest quarterly valuation for the DTZ 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 the following elements:

- **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 or currency risk) whether those changes are caused by factors specific to the individual financial instrument, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment advisor. The Fund has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed parameters which are set taking into account the Fund's strategic investment objectives.

The Trustee's investment objectives are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular review of the investment portfolio. The Fund's Trustee Bank Account balance is not included in these disclosures.

Further information on the Trustee's approach to risk management is set out below.

**(i) Investment Strategy**

The Fund's current investment strategy is as follows:

- 40% actively invested in Global Equities
- 5% actively invested in Unlisted Infrastructure Equity
- 10% invested in Multi Asset Credit
- 10% invested in Senior Private Debt
- 15% invested in Corporate Bonds on a 'Buy and Maintain' basis
- 5% invested in Index-Linked Gilts
- 15% actively invested in Property (including a 5% allocation to Long Lease Property)

The Trustee sets the investment strategy for the Fund taking into account considerations such as the strength of the University covenant, the long-term liabilities of the Fund and the funding agreed with the University. The investment strategy is set out in the Statement of Investment Principles ("SIP") with details of any changes during the year included in the Trustee's Report.

**(ii) Credit Risk**

In order to gain exposure to certain asset classes in a cost-effective way (in both monetary and governance terms), the Fund invests in pooled investment vehicles. Therefore, the Fund is directly exposed to credit risk of these pooled investment vehicles. The value of assets invested in pooled funds and, therefore, directly exposed to credit risk at the year end was £600.9m (2023: £556.6m).

The Fund is subject to indirect credit risk through its exposure to bond and property assets, held within pooled investment vehicles. The value of assets exposed indirectly to credit risk as a result of this at year end was £346.7m (2023: £276.2m). This value includes pooled investment vehicles that have only a partial allocation to these asset classes.

With respect to the Trustee's approach to managing credit risk arising from the various asset classes, we note the following positions at year end:

- The credit risk from Sovereign Government bonds held directly or indirectly is considered to be minimal.

- The credit risk from corporate (investment grade) bonds held directly or indirectly is mitigated by investing in a diversified mix of (predominantly) investment grade rated bonds. These assets are held for income and return generation as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk.

- The credit risk from corporate (sub-investment grade) and other bonds held directly or indirectly is mitigated via diversification to minimise the impact of default by any one issuer. These assets are held for return generation purposes, and the expected return from these assets is considered appropriate for the associated risk.

- The credit risk associated with direct cash balances held by the Fund's custodian or within the Trustee bank account is mitigated by the use of regular sweeps and invested into the pooled funds.

- Pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk.

- A summary of the pooled investment vehicles by type of arrangement is shown below.

| Investment Type | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Authorised Unit Trusts | **133,144** | 99,581 |
| Unauthorised Exempt Property Unit Trust | **44,242** | 45,753 |
| Open Ended Investment Companies | **246,958** | 281,066 |
| Common Contractual Fund | **78,037** | 69,186 |
| Qualifying Investor Alternative Investment Fund | **61,796** | 61,039 |
| Senior Private Debt | **35,317** | - |
| **Total** | **599,494** | 556,625 |

*Source: Investment Managers, Refinitiv Datastream and Mercer.*
*JP Morgan and DTZ which is as at 30 June 2024 and 30 June 2023 respectively.*
*JP Morgan valuation converted from USD to GBP using market conditions as at 31 July 2024 and 31 July 2023, respectively.*
*Figures may not sum to total due to rounding.*
*Valuations are based on Bid prices for BlackRock and UBS, Single price values for Baillie Gifford, Veritas, DTZ, Aviva and CQS, NAV for JP Morgan; and Swing price for Mercer.*

- 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 environment in which the pooled fund manager operates and/or diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks before appointing new-pooled investment managers.

**(iii) Currency risk**

The Fund is subject to direct currency risk because investments are held in pooled investment vehicles, denominated in a non-sterling currency totalling £67.6m (2023: £30.4m).

The Fund is subject to indirect currency risk because the underlying holdings of the pooled investment vehicles held may be denominated in a non-sterling currency and are not fully currency hedged by the investment manager. The value of holdings subject to this risk total £478.8m (2023: £460.9m). This value includes pooled investment vehicles that have only a partial exposure to currency risk. The Buy & Maintain Credit, Multi-Asset Credit, Diversified Growth and Infrastructure Equity mandates have been included here despite the Fund's holdings being currency hedged, given it is not possible for the hedging arrangements to reduce 100% of the risk.

**(iv) Interest rate risk**

The Fund is subject to interest rate risk via its bond holdings (corporate bonds and index-linked gilts), within pooled investment vehicles. When considering the actuarial funding of the Fund, the main interest rate risk is of falling interest rates causing a rise in the value placed on the liabilities.

The Trustee has set a benchmark allocation of 40% to bonds. If interest rates fall, the value of these assets is expected to rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets are expected to fall in value (as will the actuarial liabilities due to an increase in the discount rate). The Fund also has exposure to interest rate risk via the DGFs. The interest rate risk they introduce is expected to be low and/or taken by the investment manager as part of its investment process to add value. The value of holdings in aggregate which are subject to this risk total £254.7m (2023: £180.5m). This value includes pooled investment vehicles that have only a partial exposure to interest rate risk.

**(v) Other price risk**

Other price risk arises principally in relation to the Fund's non-bond assets, which includes Equities, DGF, Infrastructure and Property.

The Fund has set a target allocation of 70% to non-bond assets. The Trustee manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Equity | **221,888** | 250,079 |
| Diversified Growth | **41,231** | 38,506 |
| Property | **91,886** | 95,707 |
| Infrastructure | **31,872** | 30,373 |
| Senior Private Debt | **35,317** | - |
| **Total** | **422,194** | 414,665 |

*Source: Investment Managers, Refinitiv Datastream and Mercer.*
*JP Morgan and DTZ which are priced as at 30 June 2024.*
*JP Morgan valuation converted from USD to GBP using market conditions as at 31 July 2024.*
*Figures may not sum to total due to rounding.*
*Valuations are based on Bid prices for BlackRock, UBS, Single price values for Baillie Gifford, Veritas, DTZ, Aviva and CQS, NAV for JP Morgan; and Swing price for Mercer.*

### 17. Concentration of investments

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

| | **2024** | | **2023** | |
|---|---|---|---|---|
| | **£'000** | **%** | **£'000** | **%** |
| Baillie Gifford Global Alpha Growth Fund | 143,851 | 23.7 | 180,893 | 32.0 |
| Blackrock Buy and Maintain UK Credit Fund | 85,453 | 14.1 | 80,921 | 14.3 |
| Veritas Global Focus Fund | 78,037 | 12.8 | 69,186 | 12.3 |
| CQS Credit Multi Asset Fund | 61,796 | 10.2 | 61,039 | 10.8 |
| UBS Triton Property Unit Trust | 44,242 | 7.3 | 45,753 | 8.1 |
| Mercer Global Investments Europe Fund | 41,231 | 6.8 | 38,505 | 6.8 |
| J.P. Morgan Infrastructure Investment Fund | 31,782 | 5.2 | 30,373 | 5.4 |
| Aviva Lime Property Fund Unit Trust | 30,004 | 4.9 | 31,294 | 5.5 |

Source: Investment Managers and Mercer, as at 31 July 2024, with the exception of JP Morgan which is at 30 June 2024. Excludes cash held in the Trustee bank account.

### 18. Employer related investment

There were no directly held employer related investments at the year end (2023: None).

### 19. Current assets

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Prepayments | **8** | 8 |
| Other debtors | **14** | 97 |
| Cash at bank | **7,926** | 6,965 |
| | **7,948** | 7,070 |

### 20. Current Liabilities

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Due to principal employer | **601** | 635 |
| Due to participating employer | - | 19 |
| Unpaid benefits | **272** | 178 |
| Accrued expenses | **375** | 500 |
| | **1,248** | 1,332 |

The amount due to the principal employer relates to the monthly settlement described in note 21 that was outstanding at year end.

**21. Related party transactions**

The following related party transactions arose during the year:

**Entities with control, joint control or significant influence over the Fund.**
Administration and accountancy services were provided by the Principal Employer, The University of Liverpool. Fees payable by the Fund in respect of these services amounted to £442k (2023: £334k) and are included within administration expenses.

The University pays all member payments and administrative expenses on behalf of the Fund, which are then deducted from the contributions due and settled on a net basis each month. The amounts outstanding are shown in note 20.

**Key management personnel of the Fund**
No fees were payable to the Trustee Directors in the year.

The pension payable to the pensioner nominated trustee director has been made in accordance with the Trust Deed and Rules.

Contributions received in relation to two member nominated trustee directors were in line with the Fund's schedule of contributions.

**22. Contractual commitments**

At 31 July 2024 the Trustee had made commitments to invest £1.5m, £13.0m and £40.0m with Mercer in the PIP IV, PIP VII and PIP VIII Funds respectively. There were no other contractual commitments at 31 July 2024 or 31 July 2023.

**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. A subsequent judgement in November 2020 determined that the requirement to equalise guaranteed minimum pensions (GMPs) between men and women should be extended to transfer value payments that were calculated on an unequalised basis. The impact of these judgements is being reviewed by the Trustee, with its advisers, in the context of the rules of the Fund and the value of any liability. The 2021 actuarial valuation included an allowance of 0.3% (£1.4m) of the liabilities for GMP equalisation, which will be reviewed as part of the 2024 actuarial valuation. No allowance has yet been made in relation to GMP equalisation on past transfers out of the Fund as this is still to be assessed. As soon as this review is finalised and any liability quantified, then members will be communicated with. The impact of GMP equalisation is not expected to be material.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical rule amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Fund was a contracted out defined benefit scheme and rule amendments were made during the period April 1997 to April 2016 which could come under the scope of this judgement and impact member benefits. Work is being performed to assess whether Section 37 confirmations are in place for all amendments in scope. However, at the date of these financial statements, the assessment is not complete. Until this analysis is complete and subsequent legal advice sought, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, the Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

Other than the above and the liability to pay future pensions, the Fund had no contingent liabilities at 31 July 2024 or 31 July 2023.

## 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 2024 there were 7 members (2023: 9).

## 25. Subsequent events

In May 2024, the Fund committed to invest £40.0m in the Mercer PIP VIII fund. No funds were invested in 2023/24.

In August 2024, the Fund committed to invest £20.3m and £8.4m in the Mercer PIP V and Mercer PIP VI funds respectively. The Mercer Diversified Growth Fund and the Trustee's Bank Account would provide the source of funds and in September 2024 £3.7m and £16.7m were invested in Mercer PIP V and Mercer PIP VI respectively via the secondary market.

In January 2025, the Fund fully disinvested from the BlackRock Buy and Maintain UK Credit Fund totalling £83.5m and invested £28.1m of the funds in the BlackRock Over 5 year UK Index Linked Gilts Fund and £55.4m in the BlackRock Over 15 year UK Gilts Fund.

# 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 October 2022.

In preparing this schedule of contributions, account has been taken of contributions due in the period between 31 July 2021 and the commencement of this schedule under the previous schedule 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 19th 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 the PPF levies

23.5% of earnings for Final Salary members and 22.5% of earnings for CARE members less contributions payable by contributing members.

The contributions include an allowance of 2.2% for the management and administration expenses of running the scheme including PPF levies and insurance premiums.

### 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 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 trustees: [redacted]

Name: Corina Constantinescu

Position: Trustee Director

Date: 23 November 2023



[redacted]

Signed on behalf of the employer:

Name: Nicola Davies

Position: Chief Financial Officer

Date: 23 November 2023

# 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 2021 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) 23 November 2023

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: | [redacted] | Date: | 23 November 2023 |
| Name: | James Auty | Qualification: | Fellow of the Institute and Faculty of Actuaries |
| Address: | Tower Place West<br>London<br>EC3R 5BU | Name of employer: | Mercer Limited |

# Annual Engagement Policy Implementation Statement

## Annual Engagement Policy Implementation Statement

### Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 July 2024 (the Fund Year). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Fund Year, dated July 2023. The SIP is a document that sets out the principles and policies governing how decisions about scheme investments are made for a pension scheme. The Fund's SIP is available at https://www.liverpool.ac.uk/hr/pensions/ulpf/documents/.

The Trustee did not review the Fund's SIP during the year. The Trustee can confirm that all policies in the SIP have been followed in the Fund Year.

### Investment Objectives of the Fund

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set. The Trustee's overall investment policy is guided by the following objectives:

- To ensure that the Fund'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 Fund as they arise;
- The long-term aim of the Fund is to ensure that, together with future contributions, the Fund's assets provide sufficient income to meet benefits and any expenses payable under the Fund 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 Fund'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 Fund;
- 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 Fund;
- The Trustee wishes the Fund 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, having taken advice as appropriate from the Investment Advisor;
- 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 ("the University") in relation to the volatility of the funding level and the payment of contributions.

### Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in July 2023.

Not all the investment managers have reported on the exact specific scheme year to 31 July 2024 and in these circumstances we have used the 12 months to 30 June 2024. The following work was undertaken in the year to 31 July 2024 relating to the Trustee's policy on ESG factors, Stewardship and Climate Change.

## Engagement

The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee, through its investment consultant, reviews the investment managers' policies and engagement activities (where applicable) when the managers present to the Trustee.

The Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. All of the Funds' investment managers, with the exception of DTZ Investors, confirmed that they are signatories of the current UK Stewardship Code 2020.

The strategic rationale for investing in different asset classes that help the Trustee to achieve the Fund's investment objectives remains the primary driver behind investment strategy decisions. However, within this context, the Trustee is increasingly considering how sustainable investment issues are integrated within investment processes in appointing new investment managers and monitoring existing investment managers.

The Trustee reviews investment performance reports on a quarterly basis, which includes the investment consultant's assessment of the extent to which the investment managers' integrate ESG into the investment process, as applicable. This assessment includes and allows for the investment managers' policy on voting and engagement, amongst other considerations. Where managers may not be highly regarded from an ESG perspective, relative to the peer group, the Trustee may undertake further engagement. The Trustee will also use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustee meets with the investment managers regularly and may challenge decisions made including voting and engagement activity, if deemed appropriate.

The Fund's investment managers provided examples of instances where they had engaged with investee companies. These engagement initiatives are driven mainly through regular meetings or by voting on resolutions at companies' Annual General Meetings, related to various governance, social or environmental issues.

## Voting and Engagement Activity

## Engagement Activity

The following are examples of engagement activity undertaken by the Fund's investment managers, where relevant. Examples were provided by the investment managers.

### BlackRock

The Fund holds corporate bonds and index-linked gilts with Blackrock. Blackrock believes that effective disclosure can lead to real change in how companies are managed for the benefit of all stakeholders. Engagement is core to BlackRock's stewardship program as it helps them assess a company's approach to governance, including the management of relevant environmental and social factors. BlackRock's engagement discussions centre on core governance practices that align with clients' long-term financial interests as investors – including board quality, the company's strategy and financial resilience, and executive incentives. BlackRock also engaged with companies on sustainability-related factors that are material to their business models, including management of potential risks associated with climate and natural capital, as well as the impacts of a company's operations on their workforce, and broader value chain. To that end, they conducted approximately 116 engagements relating to the Buy and Maintain Credit Fund during the year.

**CQS**

Over the year, CQS engaged with a US based personal finance and financial technology company. CQS believed that the company's low existing MSCI ESG rating was mostly based on lack of disclosure. As a result, they sought to engage with the business to encourage them in their efforts on best practices. CQS encouraged the firm to complete the Carbon Disclosure Project (CDP) questionnaire, in addition to responding more comprehensively to MSCI.

CQS offered some indicative examples of difficulties other companies faced when engaging with MSCI in order to encourage them to persist in their efforts. The company inquired about CQS's approach in order to understand how they can improve their own. They have started reporting CO2 for Scope 1&2, but have yet to disclose further data and disclosure on setting targets. CQS continue to monitor their progress.

**UBS**

Due to the nature of their mandate, UBS do not invest in any listed companies and as such engagement in the traditional sense does not apply. However, UBS do actively collaborate with tenants, property managers and suppliers of services and materials to improve ESG outcomes. UBS formally survey their tenants at least once every three years on their general experience and sustainability. In the 2023 GRESB Real estate Assessment, UBS led the "UK Diversified" category for the 7th year running as the only strategy in its peer group of 113 to be 5-star rated.

**JP Morgan**

The JP Morgan Infrastructure Fund takes majority shares in unlisted companies, such that traditional engagement activity does not strictly apply. JP Morgan has 100% ownership of Peaks Renewables ("Peaks"), which is a renewable energy development company specializing in the development of low carbon, carbon-neutral, and carbon-negative fuels like renewable natural gas (RNG) and green hydrogen. Over the year, Peaks was awarded funds from the U.S. Department of Energy to develop the nation's first, on-system biomethane hydrogen pilot at its dairy digester RNG project in Clinton, Maine. Peaks is working with six Maine-based, family-owned dairy farms to generate homegrown RNG. Once construction is completed, this facility is anticipated to produce approximately 130,000 MMBtu[1] of natural gas annually by recycling the manure from area dairy farms to generate pipeline-quality RNG.

In addition to generating RNG from dairy manure, Peaks has also received a nearly $5 million dollar grant from the U.S. Department of Energy to locate a methanised green hydrogen demonstration project at the Clinton, Maine dairy digester. This demonstration project will use captured carbon from the dairy digester and combine it with green hydrogen to create pipeline-quality methane. Once completed, this project will be the first on-system hydrogen methanization facility of its kind in the country. Peaks is committed to building strong relationships with communities and partners that are motivated by the same energy transition and climate goals. This includes working with farmers, municipalities, policymakers, industry and community leaders, and technology companies developing ideas for thermal energy.

**DTZ**

Due to the nature of their mandate, DTZ do not invest in any listed companies and as such engagement in the traditional sense does not apply. The fund does however undertake pre-acquisition Environmental Assessments on all assets as part of the underwriting and risk management process to identify potential ESG risks to future occupation, operations and value. Issues with direct financial relevance are integrated into the valuation and decision-making process. At disposal, the ESG risks are re-assessed to ensure confidence in the sale process with any financial implications understood and mitigated for.

**Aviva**

Due to the nature of their mandate, Aviva do not invest in any listed companies and as such engagement in the traditional sense does not apply. However, the fund's net zero commitment is included in the Aviva Investors Real Assets Net Zero Pathway which was set in accordance with the Better Buildings Partnership's Climate Commitment. As part of this commitment, Aviva carry out net zero due diligence audits with their tenants to understand a building's current net zero alignment and make clear costed recommendations to improve asset performance and align with a net zero trajectory. Aviva currently have £30 million of capital expenditure earmarked for investment on existing properties, where they will be repositioning them to a net zero pathway and in return will be restructuring leases to deliver attractive return on this capital employed.

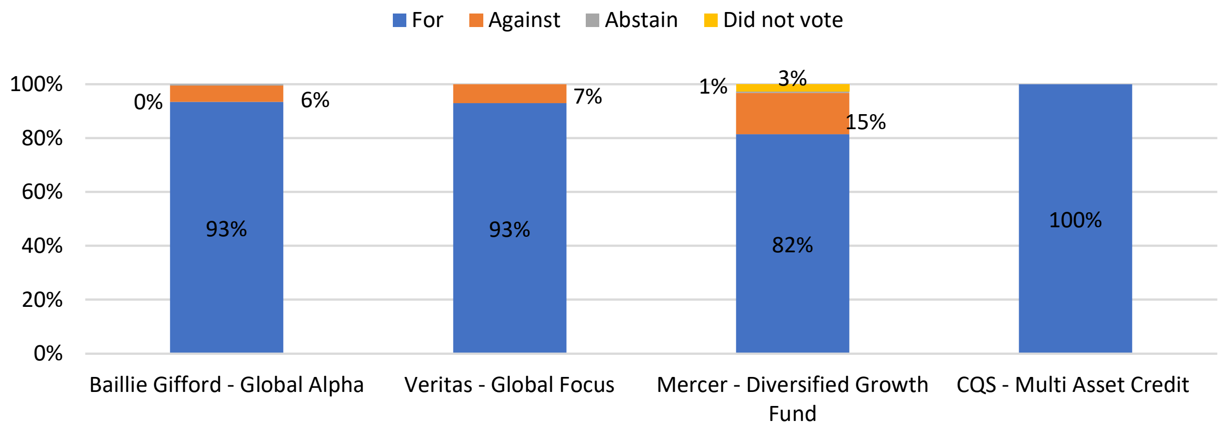
**Mercer Private Investment Partners (PIP)**

Mercer do not receive reporting on voting and engagement from their underlying holdings. The Mercer PIP private debt sleeves do not invest in any listed companies and as such engagement in the traditional sense does not apply. Mercer remain signatories of the current UK Stewardship Code 2020.

**Voting activity during the Fund Year**

The Trustee has delegated their voting rights to the investment managers. Investment managers are expected to provide voting summary reporting at least annually. These reports are reviewed as part of the production of this Statement.

A summary of the voting activity for the Fund's equity investments is set out below. Over the prior 12 months, the Trustee has not actively challenged the investment managers of each externally managed fund on their voting activity, however managers have presented a summary of activity at meetings. The Trustee does not use the direct services of a proxy voter. The chart below summarises the proportion of votes that were 'for' or 'against' the proposal of company management.




| | | | | |
|---|---|---|---|---|
| **Total Eligible Proposals** | 1,189 | 443 | 94,711 | 12 |
| **% Eligible Proposals Voted** | 97% | 100% | 97% | 100% |

*Source: Investment managers. Data to 30 June 2024. Voting data related to the Mercer Diversified Growth Fund contains relates only to the underlying Mercer funds, excluding external managers.*

## Significant Votes

Following guidance from the Department for Work and Pensions ('DWP'), the Trustee is required to define what constitutes a 'significant vote' to guide the inclusions in this Implementation Statement. Votes that the Trustee considers 'most significant' are required to be included in this statement.

The Trustee defines significance according to holding size and therefore reports on votes relating to holdings accounting for over 2.5% of Net Asset Value (NAV) within each of the invested funds, measured at the nearest quarter end to the effective date of this statement (30 June 2024). This reporting is filtered according to the following stewardship priorities:

- Environmental (E) - Climate change
- Social (S) - Human rights (including modern slavery)
- Governance (G) – Diversity, equity and inclusion

The votes that the Trustee deems most significant are included below:

| Fund | Issuer / Size of holding | Date | Stewardship Priority | Vote | Management Recommendation | Rationale | Outcome |
|---|---|---|---|---|---|---|---|
| Veritas Global Focus | Alphabet Inc./ 7.97% | 07/06/24 | S - Publish Human Rights Risk Assessment on the AI-Driven Targeted Ad Policies | For | Against | Veritas believe shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries. | Fail |
| Veritas Global Focus | Amazon.com, Inc. / 5.86% | 22/05/24 | E - Report on Efforts to Reduce Plastic Use | For | Against | Veritas believe shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste. | Fail |
| Veritas Global Focus | Amazon.com, Inc. / 5.86% | 22/05/24 | E - Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines | For | Against | Veritas believe shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy. | Fail |
| Veritas Global Focus | Microsoft Corporation / 3.15% | 07/12/23 | S - Report on Risks of Operating in Countries with Significant Human Rights Concerns | For | Against | Veritas believe shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries. | Fail |
| Baillie Gifford Global Alpha | Amazon.com, Inc. / 3.80% | 22/05/24 | G - Report on gender/racial pay gaps | For | Against | Baillie Gifford have supported this resolution at Amazon for the last four years. They believe that women and minorities are underrepresented in leadership positions compared with the broader workforce, and reporting the unadjusted median gap would help to assess structural bias regarding job opportunity and pay. Baillie Gifford believe a diverse workforce supports future business growth. | Fail |