

UNIVERSITY OF LIVERPOOL PENSION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2023

PENSION SCHEME REGISTRATION NUMBER

10005520

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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
Ms N. Davies
Mr M. Feeny
Mr D. Harries
Mr P. Hewitt *
Ms S. Robinson** (appointed 28 September 2022)
Mr D.J. Trafford ** (resigned 9 February 2023)
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, 502 Teaching Hub, 150 Mount Pleasant, Liverpool, L69 3GD
Fund Administrator	University of Liverpool
Actuary	James Auty BSc FIA 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 Baillie Gifford and Co Blackrock Advisors (UK) Limited Columbia Threadneedle Investments (disinvested 20 October 2022) CQS (appointed 1 November 2022) DTZ J.P. Morgan Asset Management MGI Funds plc (appointed 16 June 2023) Newton Investment Management (disinvested 16 June 2023) UBS Global Asset Management Limited Veritas Asset Management
Investment Custodian directly Appointed by the Trustee	Bank of New York Mellon – Custodian for Blackrock Advisors (UK) Limited (all other custodians are appointed by the investment managers)
Bankers	Barclays Bank plc
Principal and participating Employers	University of Liverpool (Principal Employer) University of Liverpool Energy Company Limited Liverpool School of Tropical Medicine
Name and address for enquiries	The Secretary, University of Liverpool Pension Fund, 502 Teaching Hub, 150 Mount Pleasant, Liverpool, L69 3GD, cjj@liverpool.ac.uk

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

Report by the Trustee of the Fund For the year ended 31 July 2023

The Trustee of the University of Liverpool Pension Fund (the “Fund”) presents its Annual Report for the year ended 31 July 2023.

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, four 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.

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Membership and Benefits

Membership of the Final Salary Section

	Pensioners ⁽¹⁾	Deferred Pensioners ⁽²⁾	Active Members	Total Member
At 1 August 2022	1,620	891	522	3,033
Adjustments ⁽³⁾	9	(8)	(1)	-
Leavers:				
Retired	59	(38)	(21)	-
Transfer Out	-	(1)	-	(1)
Deferred	-	29	(29)	-
Death	(46)	(1)	-	(47)
Commutation	(3)	-	-	(3)
New Spouse's Pension	9	-	-	9
At 31 July 2023	1,648	872	471	2,991

Notes

(1) Included within pensioners at 31 July 2023 are 223 spouses/dependants (2022: 229)

(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 2022	41	512	1,327	1,880
Adjustments ⁽³⁾	-	8	(28)	(20)
New members	-	-	451	451
Leavers:				
Retired	20	(6)	(14)	-
Refund	-	(32)	(127)	(159)
Transfer Out	-	(7)	-	(7)
Deferred	-	134	(134)	-
Death	-	(1)	(3)	(4)
Commutation	(1)	-	-	(1)
Suspensions ⁽⁴⁾	-	41	(41)	-
New Spouse's Pension	2	-	-	2
At 31 July 2023	62	649	1,431	2,142

Notes

(1) Included within pensioners at 31 July 2023 are 5 spouse/dependant (2022: 3)

(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.

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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 2023, a consolidated discretionary increase of 5.0% (2022: 2.5%) 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 these valuations are detailed below:

	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 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.

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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

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, 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.

2. Employer Related Investments

The Trustee is satisfied that the proportion of the Fund’s assets in employer-related investments does not exceed 5% of the market value of the Fund’s assets as at 31 July 2023.

3. Market Background ¹

The 12-month period to June 2023 saw the peak in headline inflation rates in most regions. Developed market central banks began to pause after the fastest rate of interest rate hikes in years. Although there were some signs of higher rates having an impact on the real economy, most notably among US regional banks, major developed economies remained surprisingly resilient. Growth also held up in emerging markets except for China where the rebound after the end of Covid restrictions was underwhelming. Overall, investors became more optimistic which was reflected in strong equity returns, albeit partly driven by a small number of US stocks and weaker performance for defensive assets.

Inflation and central bank policy continued to drive markets in the third quarter of 2022. Inflation readings in most major regions remained high and rising. Central banks therefore continued to tighten monetary policy and maintained a hawkish outlook, resulting in elevated market volatility. Risk assets rose in July of 2022 on the back of hopes of inflation peaking and the hiking cycle ending, but these hopes were quashed later in the quarter. Furthermore, markets priced in the increasing risk of a recession resulting from the monetary tightening. Therefore, most major asset classes ended the quarter with negative

¹ Statistics sourced from Refinitiv unless otherwise specified

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returns. Significant continued weakening in sterling mitigated the drawdown for unhedged UK investors. The conflict in Ukraine added to negative sentiment as Russia stepped up its anti-west rhetoric and further restricted natural gas supplies to Europe which exacerbated pressure on energy prices. Volatility spiked in UK markets at the end of Q3 2022 as an unfunded fiscal budget led to a sell-off in government bond markets.

In Q4, developed market central banks continued tightening monetary policy but at a slowing pace. Inflation remained on a downward trend from high levels. In China, an end to all Covid-related restrictions boosted sentiment as investors priced in an economic rebound. The narrative of peaking inflation and resilient economic growth drove positive equity returns during October and November of 2022, but hawkish messaging from central banks in December of 2022 led to a premature end of the “Santa rally” even though the quarter ended with positive equity returns for the first time in a year.

The first quarter of 2023 started with optimism over declining inflation and a hope of an end to monetary tightening. The demise of Silicon Valley Bank (SVB), the second largest US bank failure in history, and UBS’s takeover of Credit Suisse in March were the major events of the quarter that briefly rattled markets until calm returned towards quarter end. Developed market central banks continued raising rates through the quarter as overall growth momentum remained robust. Headline inflation continued to slow in major developed economies, except for the UK, but core inflation remained elevated.

The second quarter of 2023 saw the orderly resolution of the second largest bank failure in US history and further distress among US regional banks, yet ongoing economic resilience, declining inflation, an equity rally led by eight stocks, and increased geopolitical tensions, including an attempted coup in Russia. Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase the policy rate, but rhetoric remained hawkish. Headline inflation continued to slow and core inflation fell in most regions apart from the UK. Inflation expectations also continued to decline over the quarter.

Investment Markets

Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned 13.5%. Meanwhile, a return of -3.2% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 19.6% 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 7.9%. The FTSE USA index returned 14.2% while the FTSE Japan index returned 12.6%. The considerable underperformance of UK vs World and US equities is partly attributed to the UK index’s large exposure to value sectors that have underperformed growth since the beginning of 2023.

Equity market total return figures are in Sterling terms over the 12-month period to 30 June 2023.

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned -14.5%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of -24.9% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 2.44% to 4.46% while the Over 15 Year index yield rose from 2.56% to 4.36%.

The FTSE All Stocks Index-Linked Gilts index returned -17.0% with the corresponding over 15-year index exhibiting a return of -26.9%. The combination of falling inflation expectations and increasing nominal yields led to a sharp rise in real yields and underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned -7.1%.

Bond market total return figures are in sterling terms over the 12-month period to 30 June 2023.

Property

Over 12-month period to 30 June 2023, the MSCI UK All Property Index returned -16.9% in Sterling terms. All three main sectors of the UK Property market recorded negative returns over the period (retail: -9.5%; office: -17.0%; and industrial -23.2%).

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Currencies

Over the 12-month period to 30 June 2023, Sterling appreciated by 4.7% against the US Dollar from \$1.21 to \$1.27. Sterling appreciated by 11.4% against the Yen from ¥164.99 to ¥183.75. Sterling marginally appreciated against the Euro by 0.3% from €1.16 to €1.17 per the same period.

Investment Policies and Objectives

In formulating its 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 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;
- 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.

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.

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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 its investment consultant as required. This has the practical result that the Trustee cannot by itself 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 ratings 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.

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.

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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 Diversified Growth Fund managers have discretion to invest in alternative asset classes subject to restrictions noted in the SIP.

The Fund's assets are invested in pooled vehicles, which in turn invest in underlying securities and properties. The Trustee believes that the Fund's investments can be realised, if necessary.

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 its 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.

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.

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The safekeeping of the underlying assets is performed on behalf of the Trustee by custodians specifically appointed to undertake this function. 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, which is monitored. The Trustee only select managers whose guidelines are consistent with the Statement of Investment Principles. 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 asks investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustee. The Trustee will engage with a manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus. 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 ongoing - 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.

Investment Strategy and Implementation

All investments have been managed during the year under review by the investment managers 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 managers.

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The Trustee has implemented the following investment strategy with the aim of helping it 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 (funded after year end)
- 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. Relative to the prior year end, these changes include a 5% reduction in allocation to Global Equity and the introduction of a 10% allocation to Multi Asset Credit. The Fund's 15% allocation to Multi Asset (Diversified Growth) was terminated.

The Trustee has also agreed to allocate 10% and 5% to Senior Private Debt and Index-Linked Gilts, respectively. These investments were implemented after the effective date of this statement.

With the exception of the DTZ Active Value Property Fund (which is closed ended and is in run off), the Trustee regards the investments of the Defined Benefit Section as readily marketable. The liquidity characteristics for each of the funds is detailed below:

- The UBS Core Property and JP Morgan Infrastructure funds are quarterly priced and traded;
- The Aviva Long Lease Property fund is monthly priced and annually traded;
- The BlackRock Buy and Maintain Credit fund and the CQS Multi-Asset Credit fund are 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. There is no strategic allocation to the Mercer Diversified Growth Fund (DGF). The Mercer DGF is used as a source of liquidity to meet capital calls to, and receive distributions from, the Fund's Senior Private Debt mandates. The Fund's allocation to Senior Private Debt will build up over time as the chosen funds call capital.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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	221.2	180.9	38.9	32.5	40.0
Veritas - Global Equity	67.3	69.2	11.8	12.4	
Newton - Diversified Growth	38.8	-	6.9	-	-
Columbia Threadneedle - Diversified Growth	36.2	-	6.3	-	
Mercer - Diversified Growth	-	38.5	-	6.9	10.0
JP Morgan - Infrastructure	31.2	30.2	5.5	5.4	5.0
UBS - Core Property	55.5	45.8	9.8	8.2	15.0
DTZ - Secondary Property	25.4	18.7	4.5	3.4	
Aviva - Long Lease Property	-	31.3	-	5.6	
CQS - Multi-Asset Credit	-	61.0	-	11.0	10.0
BlackRock - Buy & Maintain Credit	92.4	81.2	16.3	14.6	20.0
Total	568.0	556.8	100.0	100.0	100.0

Source: Investment Managers, Refinitiv Datastream and Mercer.

JP Morgan and DTZ which is as at 30 June 2023.

JP Morgan valuation converted from USD to GBP using market conditions as at 31 July 2023.

BlackRock and UBS valuations include the value of income accrued but not yet distributed as at 31 July 2023.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices for UBS, Single price values for Baillie Gifford, Veritas, DTZ, Aviva and CQS, NAV for JP Morgan and Blackrock; and Swing price for Mercer

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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	12.4	11.9	3.7	10.5	7.4	9.5
Veritas - Global Equity	7.0	13.2	-	-	-	-
Mercer - Diversified growth	-	-	-	-	-	-
JP Morgan - Infrastructure	3.0	3.1	-	-	-	-
UBS - Core Property	-16.8	-17.4	4.5	3.4	3.2	2.2
DTZ - Secondary Property	-24.7	-17.4	-2.8	3.4	-1.1	2.2
Aviva - Long Lease Property	-	-	-	-	-	-
CQS - Multi-Asset Credit	-	-	-	-	-	-
BlackRock - Buy & Maintain Credit	-7.2	-6.9	-6.7	-6.3	-1.6	-1.5
Total	2.0	1.4	2.5	5.0	4.3	5.0

Figures shown are as at 30 June 2023 and are net of fees and based on performance provided by the Investment Managers, Mercer estimates and Refinitiv. The performance figures take into account income distributions from Investment Managers as well as changes in market value. For periods over one year the figures in the table above have been annualised.

Total includes performance of terminated mandates.

BlackRock Buy & Maintain Credit is not formally managed to an index. Benchmark performance is shown for illustrative purposes.

Over the year under review, the Fund outperformed its composite benchmark over the 1 year by 0.6% and underperformed the benchmark over the 3 year by 2.5%, returning 2.0% and 2.5% respectively.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

Custodial Arrangements

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

For the Fund’s pooled 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
CQS	JPMorgan Chase Bank, N.A
UBS	
DTZ ^(a)	Saltgate Limited
Aviva	RBC Jersey
J P Morgan	Citco ^(b)
Mercer	State Street Custodial Services (Ireland) Limited

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) 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.

^(b) 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.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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 schedule of contributions		
Normal contributions	<u>320</u>	<u>10,883</u>
Contributions required by the schedule of contributions (as report on by the Fund Auditors)	<u>320</u>	<u>10,883</u>
Other contributions payable		
Additional voluntary contributions	<u>43</u>	<u>-</u>
Total contributions reported in the financial statements	<u>363</u>	<u>10,883</u>

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 2023, 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 new 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 34 and 35 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 28 members (2022: 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. 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.

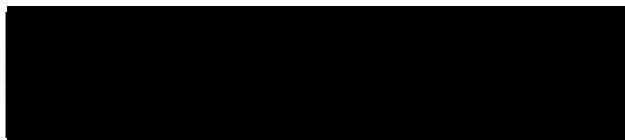
UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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 16) was approved by the Trustee, University of Liverpool Pension Fund Trustees Limited, on 22 February 2024 and signed on its behalf by:



Director
Professor C. Constantinescu

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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 2023 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 2023, 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.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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 15, 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.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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/auditorresponsibilities>. 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.



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Birmingham

Date 28/02/2024

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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 schedule of contributions

We have examined the summary of contributions payable to the University of Liverpool Pension Fund on page 16, in respect of the fund year ended 31 July 2023.

In our opinion the contributions for the Fund year ended 31 July 2023 as reported in the attached summary of contributions on page 16 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 18 September 2019 and 28 October 2022.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 16 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 15 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.



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Birmingham

Date 28/02/2024

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

Fund Account for the year ended 31 July 2023

	Note	2023 £'000	2022 £'000
Contributions and benefits			
Employer contributions	4	10,883	9,588
Employee contributions	4	363	348
Total contributions		11,246	9,936
Other income	5	285	99
		11,531	10,035
Benefits paid or payable	6	13,452	13,015
Payments to and on account of leavers	7	194	386
Other payments	8	249	171
Administrative expenses	9	793	762
		14,688	14,334
Net withdrawals from dealings with members		(3,157)	(4,299)
Return of investments			
Investment income	10	8,066	6,042
Change in market value of investments	11	(8,286)	(51,318)
Investment management expenses	12	(1,736)	(1,580)
Net return on investments		(1,956)	(46,856)
Net decrease in the fund during the year		(5,113)	(51,155)
Net assets of the Fund at the start of the year		569,779	620,934
Net assets of the Fund at the end of the year		564,666	569,779

The notes on pages 24 to 33 form part of these financial statements

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023


Statement of Net Assets (available for benefits) as at 31 July 2023

	Note	2023 £'000	2022 £'000
Investment Assets			
Pooled investment vehicles	13	556,625	566,580
Other investment balances	14	2,303	2,042
Total Investments	11	<u>558,928</u>	<u>568,622</u>
Current assets	19	7,070	2,599
Current liabilities	20	(1,332)	(1,442)
Net assets of the Fund at 31 July		<u>564,666</u>	<u>569,779</u>

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 24 to 33 form part of these financial statements.

The financial statements were approved by the Trustee, University of Liverpool Pension Fund Trustees Limited, on 22 February 2024 and signed on its behalf by:



Director
Professor C. Constantinescu



Director
Ms N. Davies

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

Notes to the financial statements For the year ended 31 July 2023

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 University of Liverpool Pension 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.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

(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 CQS, 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. Changing 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 and JP Morgan are valued at the 30 June quarterly valuation adjusted for any cash movements to the year end.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

4. Contributions

	2023 £'000	2022 £'000
Employer contributions		
Normal	<u>10,883</u>	<u>9,588</u>
Employee contributions		
Normal	320	304
Additional voluntary contributions	<u>43</u>	<u>44</u>
	<u>363</u>	<u>348</u>
Total contributions	<u>11,246</u>	<u>9,936</u>

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 £3,001k (2022: £2,641k).

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% (2022: 23.5%) of earnings for Final Salary members and 22.5% (2022: 22.5%) of earnings for CARE members, less contributions paid 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% (2022: 7.5%) of earnings for Final Salary members and 6.5% (2022: 6.5%) earnings for CARE members.

A new schedule of contributions was certified by the actuary on 23 November 2023. There were no changes to the rates of participating employers and member contributions. The latest schedule of contributions and actuarial certification of the schedule of contributions are on pages 34 and 35 respectively.

5. Other income

	2023 £'000	2022 £'000
Claims on term insurance policies	<u>285</u>	<u>99</u>

6. Benefits paid or payable

	2023 £'000	2022 £'000
Pensions	11,230	10,885
Commutation of pensions and lump sum retirement benefits	1,743	1,768
Lump sum death benefits	323	190
Trivial Commutations	<u>156</u>	<u>172</u>
	<u>13,452</u>	<u>13,015</u>

7. Payments to and on account of leavers

	2023 £'000	2022 £'000
Refunds of contributions to members	18	5
Individual transfers out to other schemes	<u>176</u>	<u>381</u>
	<u>194</u>	<u>386</u>

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

8. Other payments

	2023 £'000	2022 £'000
Premiums on term insurance policies	<u>249</u>	<u>171</u>

9. Administrative expenses

	2023 £'000	2022 £'000
Actuarial fees	127	99
Computer Systems	28	22
Administration and processing	339	300
Legal fees	55	19
Audit fees	39	29
PPF and TPR levy	<u>205</u>	<u>293</u>
	<u>793</u>	<u>762</u>

10. Investment income

	2023 £'000	2022 £'000
Income from pooled investment vehicles	7,905	6,036
Interest on cash deposits	<u>161</u>	<u>6</u>
	<u>8,066</u>	<u>6,042</u>

Income from Baillie Gifford of £2,248k (2022: £2,166k) 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 2022 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 July 2023 £'000
Pooled investment vehicles	566,580	<u>124,078</u>	<u>(125,747)</u>	<u>(8,286)</u>	556,625
Other investment balances	2,042				2,303
Total investments	<u>568,622</u>				<u>558,928</u>

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.

In December 2021, the Trustee invested £29.5m with J.P. Morgan Asset Management in their Infrastructure Investments Fund. The Fund is in US dollars and the exchange gain on the Fund during the year £1,716k. This is included within the change in market value above.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

As at 31 July 2023, the Fund's investment of £45,753k (2022: £55,309k) in the UBS Triton Property Unit Trust, £18,660k (2022: £25,409k) in the DTZ Fund, £30,373k (2022: £30,650k) in the JP Morgan Infrastructure Investment Fund and £31,294k (2022: £Nil) in the Aviva lime property Fund were held in pooled investment funds with lower liquidity than the Funds' other investments. 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 all investments are in pooled investment vehicles, no direct transaction costs have been identified. Indirect transaction costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect transaction costs.

12. Investment management expenses

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

	2023 £'000	2022 £'000
Administration, management and custody	1,582	1,464
Investment advisory fees	<u>154</u>	<u>116</u>
	<u>1,736</u>	<u>1,580</u>

Mercer Limited are the Fund's investment consultants and performance measurement services fees are included in the administration, management and custody fee. 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:

	2023 £'000	2022 £'000
By type:		
Equities	250,079	288,530
Corporate Bonds	80,921	91,705
Property	126,080	111,368
Diversified Growth Funds	38,506	74,977
Multi Asset Credit	<u>61,039</u>	<u>-</u>
	<u>556,625</u>	<u>566,580</u>

14. Other investment balances

	2023 £'000	2022 £'000
Accrued investment income	1,356	1,380
Cash held with investment manager	<u>947</u>	<u>662</u>
	<u>2,303</u>	<u>2,042</u>

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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:

	2023	2023	2023	2023
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'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

Analysis for the prior year end is as follows:

	2022	2022	2022	2022
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Pooled Investment Vehicles	-	510,520	56,060	566,580
Other investment balances	2,042	-	-	2,042
	2,042	510,520	56,060	568,622

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.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

- **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 (invested post year end)
- 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 £556.6m (2022: £566.6m).

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 £276.2m (2022: £247.4m). 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.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

- 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	2023 £'000	2022 £'000
Authorised Unit Trusts	99,581	117,114
Unauthorised Exempt Property Unit Trust	45,753	55,309
Open Ended Investment Companies	281,066	326,876
Common Contractual Fund	69,186	67,281
Qualifying Investor Alternative Investment Fund	61,039	-
Total	556,625	566,580

Source: Investment Managers, Refinitiv Datastream and Mercer, as at 31 July 2023. JP Morgan and DTZ which is as at 30 June 2023.

JP Morgan valuation converted from USD to GBP using market conditions as at 31 July 2023.

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 **BlackRock**; 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 £30.4m (2022: £30.6m).

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 £460.9m (2022: £485.9m). This value includes pooled investment vehicles that have only a partial exposure to currency risk. The Buy & Maintain credit mandate has been included here despite the Fund's holdings being currency hedged, given the hedging arrangements will not reduce 100% of the risk.

(iv) Interest rate risk

The Fund is subject to interest rate risk via its bond holdings, on 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 30% 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 £180.5m (2022: £166.7m). This value includes pooled investment vehicles that have only a partial exposure to currency 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.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

	2023	2022
	£'000	£'000
Equity	250,079	288,530
Diversified Growth	38,506	74,977
Property	95,707	80,719
Infrastructure	30,373	30,650
Multi Asset Credit	61,039	-
Total	475,704	474,876

Source: Investment Managers, Refinitiv Datastream and Mercer, as at 31 July 2023. JP Morgan and DTZ which are as at 30 June 2023. JP Morgan valuation converted from USD to GBP using market conditions as at 31 July 2023.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices for UBS, Single price values for Baillie Gifford, Veritas, DTZ, Aviva and CQS, NAV for JP Morgan and Blackrock; 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:

	2023		2022	
	£'000	%	£'000	%
Baillie Gifford Global Alpha Growth Fund	180,893	32.0	221,249	38.8
Blackrock Buy and Maintain UK Credit Fund	80,921	14.3	91,704	16.2
Veritas Global Focus Fund	69,186	12.3	67,281	11.8
CQS Credit Multi Asset Fund	61,039	10.8	-	-
UBS Triton Property Unit Trust	45,753	8.1	55,309	9.7
Newton Real Return Fund	-	-	38,855	6.8
Mercer Global Investments Europe Fund	38,505	6.8	-	-
Threadneedle Dynamic Real Return Fund	-	-	36,150	6.3
Aviva Lime Property Fund Unit Trust	31,294	5.5	-	-
J.P. Morgan Infrastructure Investment Fund	30,373	5.4	30,650	5.4

Source: Investment Managers and Mercer, as at 31 July 2023, with the exception of JP Morgan which is at 30 June 2023. Excludes cash held in the Trustee bank account.

18. Employer related investment

There were no employer related investments at the year end (2022: None).

19. Current assets

	2023	2022
	£'000	£'000
Prepayments	8	7
Other debtors	97	-
Cash at bank	6,965	2,592
	7,070	2,599

20. Current Liabilities

	2023	2022
	£'000	£'000
Due to principal employer	635	624
Due to participating employer	19	-
Unpaid benefits	178	140
Accrued expenses	500	678
	1,332	1,442

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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 £334k (2022: £294k) 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.

Pensions payable to the pensioner nominated trustee director together with a member nominated trustee director (appointed 28 September 2022) have 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 2023 the Trustee had made a commitment to invest £38m with Mercer in the PIP VII Fund. There were no other contractual commitments at 31 July 2023 or 31 July 2022.

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. 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.

Other than the above and the liability to pay future pensions, the Fund had no contingent liabilities at 31 July 2023 or 31 July 2022.

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 2023 there were 9 members (2022: 9).

25. Subsequent events

In July 2023, the Fund committed to invest £38m in the Mercer PIP VII. The Mercer Diversified Growth Fund would provide the source of funds for capital calls and in September 2023 £20.4m was drawn down by Mercer PIP VII in a single instalment.

In August 2023, the Fund committed to invest £11.7m in the Mercer PIP IV and £9.6m was invested via the secondary market in the same month.

In October 2023, the Fund transferred £27.5m from Baillie Gifford to BlackRock to invest in index linked gilts.

As disclosed in note 4, a new schedule of contributions was signed by the trustee directors and certified by the actuary in November 2023.

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:



Name: Corina Constantinescu

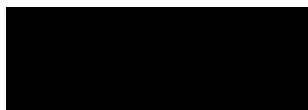
Position: Trustee Director

Date: 23 November 2023



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A business of Marsh McLennan



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

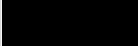
Adequacy of rates of contributions

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:		Date:	23 November 2023
Name:	James Auty	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Tower Place West London EC3R 5BU	Name of employer:	Mercer Limited

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

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 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

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 University of Liverpool Pension Fund's (ULPF) SIP is available at <https://www.liverpool.ac.uk/hr/pensions/ulpf/documents/>

Investment Objectives of the Fund

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 2023 and in these circumstances we have used the 12 months to 30 June 2023.

The following work was undertaken in the year to 31 July 2023 relating to the Trustee's policy on ESG factors, Stewardship and Climate Change.

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2023

Engagement

The Trustee believes that environmental, social, and corporate governance (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 of different asset classes that help the Trustee to achieve the Scheme's investment objectives and constraints remains the primary driver behind the Fund's investment strategy. However, within this context, the Trustee is increasingly considering how ESG, climate change and stewardship issues are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

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 rated 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 history (in respect of equities) 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

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.

CQS

Over the year, CQS engaged with Jadex, a material science manufacturer. Jadex have been working to produce sustainable products and CQS want to see them continue making progress by committing to net zero. CQS initially discussed the idea of decarbonisation with them in March 2022, the CFO told CQS that they would be working to calculate baseline greenhouse gas emissions before establishing any targets. In November 2022, CQS followed up and Jadex told them that they would work towards reducing their operational impact on the planet however they did not set any specific targets.

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In February 2023, CQS met with Jadex again and they revealed that they have released their first ESG report and announced a decarbonisation target of 10% reduction in scope 1 & 2 emissions by 2025. CQS will continue to encourage them to commit to net zero.

UBS

On the grounds that the strategy is a commingled real estate fund, the UBS Triton Fund does not currently invest in any listed companies and as such engagement in the traditional sense does not apply. With that said, UBS actively collaborate with tenants, property managers and suppliers of services and materials to achieve their Responsible Investment objectives. UBS formally survey their tenants at least once every three years on their general experience and sustainability.

UBS have developed a relationship with the Social Value Portal to collect data to calculate a social value for their properties to understand and measure local employment levels, traineeships, jobs for young offenders, community events held at the property and volunteering. Once the data is collected, the Social Value Portal are able to calculate in monetary terms a social value for each property which is then mapped to the UN's Sustainable Development Goals. By 31 December 2021, the total social value created by all assessed assets against three of the 17 UN Sustainable Development Goals was assessed to be c. £10m. UBS' ambition is to have a social value for the whole portfolio. In the 2022 GRESB Real estate Assessment, UBS has led its peer group of 93 UK core diversified property strategies for the 6th consecutive year, improving its rating from 4 stars to 5 stars.

Newton

Newton engaged with Barclays over the year to encourage the bank to strengthen its climate transition plan. 150 clients (from sectors where the bank has targets) are part of its client transition framework, with 80% having climate targets. The bank is working with Oliver Wyman to review and compare this with best practice. It will disclose its transition plan framework this year and will cover outputs of the methodology as well.

JP Morgan

Through IIF's 100% ownership of Onward Energy, the team completed an acquisition in January 2023, which expanded Onward Energy's solar portfolio by 1.2 GW. The solar space had historically been a challenging market for Onward to penetrate given highly competitive and fragmented market dynamics so this was an opportunity to increase its solar footprint and allow for additional opportunities for growth, optimisation and the ability to leverage the company's diversification.

DTZ

On the grounds that the strategy is a commingled real estate fund, the DTZ Active Value Property Fund does 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. The fund is included within UNPRI and Stewardship Code submissions and annual GRESB submissions.

Aviva

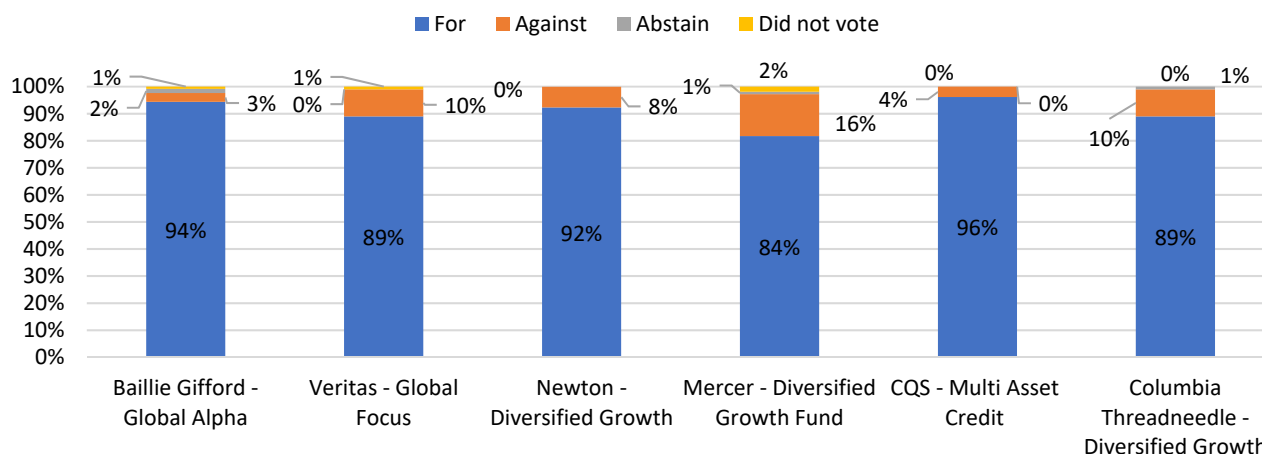
On the grounds that the strategy is a commingled real estate fund, the Aviva Lime Property Fund does not currently invest in any listed companies and as such engagement in the traditional sense does not apply. With that said, the fund's net zero commitment is included in the Aviva Investors Real Assets Net Zero Pathway which was set in accordance with the Better Buildings Partnership's Climate Commitment. They 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.

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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.



Total Eligible Proposals	1,263	468	1,112	102,805	26	3,783
% Eligible Proposals Voted	94%	96%	100%	97%	100%	100%

Significant Voting

Following new 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 2023). 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 shown on the following page.

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Fund	Issuer / Size of holding	Date	Resolution Summary	Stewardship Priority	Vote	Management Recommendation	Rationale	Outcome
Veritas Global Focus	Alphabet Inc. / 6.55%	02/06/23	Did not pass	S - Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	For	Against	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. / 4.70%	24/05/23	Did not pass	E - Report on Efforts to Reduce Plastic Use	For	Against	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. / 4.70%	24/05/23	Did not pass	E - Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines	For	Against	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	Amazon.com, Inc. / 4.70%	24/05/23	Did not pass	E - Report on Climate Lobbying	For	Against	The request was not considered overly onerous or prescriptive, and shareholders would benefit from greater transparency of the company's direct and indirect climate lobbying, and how the company would plan to mitigate any risks that might be identified.	Fail
Baillie Gifford Global Alpha	Microsoft Corporation / 2.88%	13/12/22	Did not pass	G - Report on the company's alignment between its hiring practices and public statements	Against	Against	Baillie Gifford are comfortable with the company's efforts in this area and do not think this additional analysis would be worthwhile.	Fail