UNIVERSITY OF LIVERPOOL PENSION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2021

PENSION SCHEME REGISTRATION NUMBER

10005520

UNIVERSITY OF LIVERPOOL PENSION FUND – YEAR ENDED 31 JULY 2021

Contents

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Trustee and advisers

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

Prof C. Constantinescu	(Chair appointed 22 September 2021)
Mr C. Hunter	(Chair resigned 9 June 2021)
Dr C. Costello	
Ms N. Davies	
Mr M. Feeny	
Mr D. Harries	
Mr P. Hewitt*	
Mr P. McIntyre*	(resigned 9 June 2021)
Mr D. J. Trafford **	
Mr A. Wattret*	
Mr S. Walker	

* Member-nominated director
** Pensioner-nominated director

Secretary	Christine Jones, University of Liverpool Pension Fund, 502 Teaching Hub, 150 Mount Pleasant, Liverpool, L69 3GD
Scheme Administrator	University of Liverpool
Actuary	James Auty BSc FIA Mercer
Independent Auditors	RSM UK Audit LLP (appointed 26 July 2021) PricewaterhouseCoopers LLP (resigned 5 July 2021)
Legal Adviser	Pinsent Masons LLP
Investment Adviser	Eric Lambert BSc Actuary (resigned 12 May 2021)
Investment Consultant	Barnett Waddingham LLP (engagement ended 31 July 2021) Mercer Limited (appointed 27 August 2021)
Investment Managers	Aegon Asset Management (formerly Kames Capital) Baillie Gifford & Co BlackRock Advisors (UK) Limited Columbia Threadneedle Investments J.P. Morgan Asset Management (appointed 29 January 2021) Majedie Asset Management Limited (until 9 December 2020) Newton Investment Management UBS Global Asset Management Limited Veritas Asset Management (appointed 10 December 2020)
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

Report by the Trustee of the Scheme
For the year ended 31 July 2021

The Trustee of the University of Liverpool Pension Fund (the "Scheme") presents its Annual Report for the year ended 31 July 2021.

Scheme constitution and management

The Scheme is a defined benefit scheme and provides benefits for the support staff of the University of Liverpool (the "University") and its associates in the United Kingdom. In accordance with the provisions of Schedule 36 of the Finance Act 2004, the Scheme became a registered pension scheme under Chapter 2 of Part 4 of The Finance Act 2004 with effect from 6 April 2006. It is established under and governed by a trust deed and rules dated 13 September 2017 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 have been 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 Scheme. In accordance with the Memorandum and Articles of Association, the University has the power to appoint and remove the other Directors.

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

Financial statements

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

Covid-19

Throughout the Covid-19 pandemic the University has followed government guidelines. Since 18 March 2020 the Scheme's Pensions Administration Team has predominately worked from home. Operationally throughout the pandemic, pensions have continued to be paid monthly and benefits processed for leavers, retirees and member deaths. As the restrictions lift the University is piloting hybrid working for certain members of staff including the Pensions Team.

Throughout the period all Trustee Board and associated meetings have been held virtually.

Membership and benefits

Membership of the Final Salary Section

	Pensioners (1)	Deferred Pensioners (2)	Active Members	Total Members
At 1 August 2020	1,568	905	659	3,132
Adjustments (3)	(1)	(2)	-	(3)
New members	-	-	-	-
Leavers:				
Retired	76	(32)	(44)	-
Transfer Out	-	(4)	-	(4)
Deferred	-	43	(43)	-
Death	(55)	(1)	(1)	(57)
Commutation	(1)	-	-	(1)
New spouse's pension	11	-	-	11
At 31 July 2021	**1,598**	**909**	**571**	**3,078**

Notes

(1) Included within pensioners at 31 July 2021 are 222 spouses/dependants (2020: 219).

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

(3) Adjustments relate to the timing of a member joining, leaving, dying or retiring from the Scheme 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 Members
At 1 August 2020	16	344	1,179	1,539
Adjustments (3)	1	4	(6)	(1)
New members	-	-	196	196
Leavers:				
Retired	12	(4)	(8)	-
Refund	-	(36)	(71)	(107)
Transfer Out	-	(7)	-	(7)
Deferred	-	67	(67)	-
Death	-	-	(1)	(1)
Commutation	-	-	-	-
Suspensions (4)	-	8	(8)	-
New Spouse's pension	1	-	-	1
At 31 July 2021	**30**	**376**	**1,214**	**1,620**

Notes

(1) Included within pensioners at 31 July 2021 is 2 spouse/dependant (2020:1).

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

(3) Adjustments relate to the timing of a member joining, leaving, dying or retiring from the Scheme 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 benefits.

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

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

Pension increases

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

Any additional increases are payable at the discretion of the Trustee, acting on the advice of the Actuary and with the consent of the University. In April 2021, a consolidated discretionary increase of 0.5% 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 Scheme members on request.

The most recent triennial valuation of the Scheme was carried out as at 31 July 2018. An updated estimated valuation was performed at 31 July 2021. The results of these valuations are detailed below:

	July 2021	**July 2018**
Value of technical provisions	£477.2m	£370.9m
Value of assets available to meet technical provisions	£620.5m	£476.4m
Assets as a percentage of technical provisions	130%	128%

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

	July 2021	**July 2018**
Value of solvency liabilities	£809.2m	£602.8m
Value of assets available to meet solvency liabilities	£620.5m	£476.4m
Assets as a percentage of solvency liabilities	77%	79%

The actuarial valuation as at 31 July 2021 will be finalised after the Scheme's 31 July 2021 financial statements are signed.

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

Method

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

Significant actuarial assumptions

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

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

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

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

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

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

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

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

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

Recovery Plan

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

Investment management

1. Investment strategy and principles

Responsibility for the administration and management of the Scheme's assets is vested in the Trustee who is responsible for the overall investment policies of the Scheme. Under these, the Scheme does not hold shares in the University or subsidiary companies nor makes loans to the University or any of its subsidiaries. The Trustee is also responsible for investment manager appointments, after taking appropriate advice from its Investment Consultant, Mercer Limited. These managers undertake, within restrictions in the contractual documentation, the day-to-day management of the assets, including full discretion for stock selection. Investment reports are received at each of the Trustee's Investment Advisory Committee meetings which include valuations and transactions undertaken between meetings.

In accordance with Section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared by the Trustee which incorporates the investment strategy. The main priority of the Trustee when considering the investment policy is to ensure that the promises made about members' pensions may be fulfilled.

To ensure this, investments are diversified across different types of investment, as well as by sector and geography. Spreading the investments in this way reduces the risk of a sharp fall in one particular market having a substantial impact on the whole Scheme.

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

On 29 January 2021 J.P. Morgan Asset Management accepted a commitment from the Trustee to invest £29.5m in their Infrastructure Investments Fund. The commitment was drawn down by J.P. Morgan Asset Management in a single instalment after the year end in December 2021.

The SIP was updated in January 2021 to incorporate changes to the Scheme's investment strategy and to update the Trustee's belief on Environmental, Social and Governance ("ESG") matters. A copy of the SIP may be found at www.liverpool.ac.uk/hr/pensions/ulpf.

The investment strategy adopted by the Trustee in the year was to invest 50% in equities, 20% in short and medium dated corporate bonds on a 'Buy and Maintain' basis, 15% in diversified growth funds and 15% in property. Once the infrastructure investment was completed, the strategic allocation to equities reduced to 45% and a new allocation was added to infrastructure of 5% in accordance with the SIP.

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

2. Responsible investment and corporate governance

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 Scheme over the long-term. Given the open nature of the Scheme, the investment horizon is expected to be more than 10 years from the date of this document.

Moreover, the Trustee believes that:

- The willingness and ability of companies to adopt the highest standards of social responsibility is increasingly important to long term growth in the value of their business;
- Successful enterprises are a partnership between the providers of capital, the labour force, the suppliers and the customers: investee companies should have appropriate policies in these areas;
- Good corporate governance, in addition, includes the management of the company's impact on society and the environment.

The Trustee has elected to invest the Scheme's assets through pooled funds. The choice of pooled funds is made by the Trustee, with advice from their investment consultant as required. This has the practical result that the Trustee cannot themselves directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustee expects 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 Scheme. Commercial reasons should be paramount but ESG factors are important qualities of companies and should contribute to long-term growth.

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 Scheme'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 on ESG considerations in order to fully understand how ESG factors, including climate change, could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use any ESG ratings provided by its investment manager to assess how the Scheme's investment managers take account of ESG issues; and

- The Trustee will request that all of the Scheme'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, however the Trustee will also use ESG ratings provided by Mercer in order to assess this on an independent basis.

- **Non-financially material considerations**

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 Scheme (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.

Stewardship

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 Scheme'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.

Voting

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

Engagement

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.

Implementation Statement

In accordance with Section 8.32 of the Statement of Investment Principles ("SIP"), the Trustee has produced an Implementation Statement which is included on pages 33 to 37. This statement sets out how, and the extent to which, the Engagement Policy in the SIP produced by the Trustee has been followed during the year to 31 July 2021.

3. Employer Related Investments

The Trustee is satisfied that the proportion of the Scheme assets in employer-related investments does not exceed 5% of the market value of the Scheme assets as at 31 July 2021.

4. Market Background

With most economies having re-opened by mid-summer of 2020, global GDP rebounded at a record pace. Covid-19 infections rose again sharply across Western countries later in the year, leading to a gradual return of restrictions. The impact on quarterly GDP growth was less pronounced this time because GDP was at a lower level already than before the Covid-19 shock, whilst at the same time consumers and businesses were better prepared to function somewhat amid these restrictions. The start of vaccines being rolled out in late 2020 led to optimism that fuller and more sustainable re-openings could be achieved in 2021.

2021 began with lockdowns in numerous countries including the UK, as much of the world faced another wave of Covid-19. Nevertheless, gradual vaccine rollout in developed countries drove economic recovery optimism. Political risk declined as Joe Biden was sworn in as US President, despite the incident on Capitol Hill on 6 January, and the UK completed its transition out of the EU without major incidents. Economic data continued to point towards a global recovery but with wide regional dispersions. The recovery started to take shape over the second quarter of 2021 as the successful vaccine roll-out in developed countries made the spread of another more contagious Covid-19 variant less consequential in terms of hospitalizations. The vast majority of US states fully reopened with minimum restrictions remaining and the UK also lifted almost all restrictions over the second quarter. Continental Europe was slower to reopen as progress continued with the vaccination roll-out whilst a number of countries across Asia Pacific with low vaccination rates actually increased restrictions.

On balance, the re-opening of many developed countries offset setbacks elsewhere and allowed the anticipated global economic recovery to materialise. The reopening-driven rebound continued to put pressure on supply chains, resulting in shortages in a number of areas such as semi-conductors and adding to inflationary pressures. The Federal Reserve ('Fed') and other central banks continued to reiterate that such inflationary pressures were transitory and that inflation would converge back to target in the longer run. However, a statement from the Fed's June meeting was perceived to be less dovish than expected which caused some market volatility until Fed officials subsequently reassured markets that pre-emptive interest rate increases were not on the agenda. On the fiscal side, another large stimulus package in the US earlier in the year and the recent agreement on a large infrastructure programme added additional fuel to the recovery.

On a year-on-year basis to 30 June 2021, returns for risk assets were strong. Positive market sentiment was supported by re-openings, the perceived effectiveness of vaccine programmes and a robust recovery in corporate earnings fuelled by accommodative fiscal and monetary policy. Many unloved sectors only started to catch up over 2021 as the recovery became more broad-based.

Over the second half of 2020 the equity rebound continued for most markets, led primarily by large cap companies achieving secular growth, as Western economies tentatively reopened whilst accommodative fiscal and monetary policy remained in place. Towards the end of the year, vaccine announcements and faster than expected deployment, alongside a reduction in political uncertainty, boosted market sentiment further which benefited small caps and value stocks, perceived to benefit disproportionally from re-openings. Markets went into 2021 positioned for a full economic reopening later in the year in spite of restrictions increasing again in much of the developed world. This view turned out to be correct, which drove a continuation of the equity bull run over the first half of 2021. Volatility spiked at times, driven by retail investor activity earlier in the year and inflation scares as well as by concerns over monetary tightening being accelerated.

Government bond yields started the second half of 2020 at very low levels following the prior quarter's rally. The UK 10-year gilt yield, reached an all-time low just above 0% in August before partially retracing to just above 0.2% by the end of 2020. In early 2021, UK gilt yields rose sharply in line with global yields as investors priced in the strong recovery and increasing inflation risk, which was then partially reversed over spring as the market began to warm up to the idea of inflation risk being transitory. The UK 10-year gilt yield ended the quarter at 0.75%.

A consultation on the future of RPI led to the decision in November 2020 to converge RPI to CPIH from 2030 without any spread adjustment being applied to compensate index-linked gilt holders (and other recipients of RPI-linked payments). In spite of the consultation outcome being deemed unfavourable for holders of index-linked gilts, the decision had been widely anticipated and the reduction in long-dated breakeven inflation rates implied in index-linked gilts was modest over the year. Moreover, inflation expectations rose sharply then cooled from their near term highs in 2021 which benefited index-linked gilts only to some degree due to the high duration component of the asset class.

Credit spreads tightened over the year as market optimism returned, bolstered by Government support. Credit spreads ended the period at slightly lower levels than in late 2019 and remained broadly unchanged over Q2 2021. This led to positive returns for UK credit, as demand for spread assets remained strong over the year and outperformance of credit relative to government bonds on a duration-adjusted basis.

The recovery of UK real estate markets from the shock of Covid-19 slowed during the second half of 2020 and with the emergence of a 'second wave' of the pandemic, a second lockdown, and a potential Brexit cliff-edge at year-end. With the UK emerging from its third lockdown in the second quarter of 2021 thanks to one of the world's most successful vaccination programs, positive momentum returned. Overall capital value growth resumed while rental values stabilized for most parts of the market. The industrial sector continued to perform strongly while weakness in retail and leisure assets persisted. But weakness of retail may have reached a trough in Q2 2021, with declines in asset values slowing and even returning to growth in some parts of the market. Uncertainty around the post-Covid-19 return to work continued to dampen activity in office markets.

Equity Markets

At a global level, developed markets, as measured by the FTSE World index, returned 25.5%. Meanwhile, a return of 24.5% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 22.8%, 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 21.5%. The FTSE USA index returned 27.1% while the FTSE Japan index returned 12.0%. The underperformance of UK equities is attributed to the index's large exposure to oil, gas and basic materials. UK Small caps, as measured by the FTSE Small Capitalisation index, returned 50.1% over the period, driven by large exposures to cyclical stocks that outperformed as the economy began to re-open.

Equity market total return figures are in sterling terms over the 12-month period to 30 June 2021.

Bonds

UK Government Bonds, as measured by the FTSE Gilts All Stocks Index, returned -6.2%, while long dated issues, as measured by the corresponding Over 15 Year Index, had a return of -10.9% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 0.5% to 1.0% while the Over 15 Year index yield rose from 0.6% to 1.2%.

The FTSE All Stocks Index-Linked Gilts index returned -4.0% with the corresponding over 15-year index exhibiting a return of -5.6%.

Corporate debt, as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index, returned 1.8%.

Bond market total return figures are in sterling terms over the 12-month period to 30 June 2021.

Currencies

Over the 12-month period to 30 June 2021, sterling appreciated by 11.8% against the US Dollar from $1.24 to $1.38. Sterling appreciated by 15.0% against the Yen from ¥133.30 to ¥153.33. Sterling appreciated against the Euro by 5.9% from €1.10 to €1.16 over the same period.

5. Management and custody of investments

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

The safekeeping of the underlying assets is performed on behalf of the Trustee by custodians specifically appointed by the investment managers to undertake this function.

The contractual arrangements with the custodians offer a very high level of protection against negligence or default on the part of the custodians. The custodians of the Scheme's investments are Bank of New York Mellon (custodian for Baillie Gifford & Co, BlackRock Advisors (UK) Limited, and Newton Investment Management), Brown Brothers Harriman (custodian for Veritas Asset Management LLP), Northern Trust (custodian for UBS Global Asset Management Limited) and Citibank N.A. (custodian for Columbia Threadneedle Investments and Aegon Asset Management (formerly Kames Capital)).

Investment performance

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

Portfolio	Mandate	Benchmark	Objective (%)
Baillie Gifford	Global Equities	MSCI All Countries World Index	To outperform the benchmark by 2.0% net of fees over rolling 5 year periods
Veritas	Global Equities	MSCI World Index	To outperform CPI inflation by 6-10% p.a. over rolling 5 year periods
BlackRock	Global Bonds	iBoxx £ Non-gilt All Stocks (TR) Index	To outperform the benchmark gross of fees over rolling 3 years
UBS	UK Property	AREF/IPD QPFI All Balanced Property Fund Index Weighted Average	To consistently outperform the benchmark
Newton	Diversified Growth Fund	1 Month £ LIBOR	To outperform the benchmark by 4% p.a. gross of fees over rolling 5 year periods
Columbia Threadneedle	Diversified Growth Fund	1 Month £ LIBOR	To outperform the benchmark by 4% p.a. gross of fees over rolling 3-5 year periods
Aegon	UK Property	AREF/IPD QPFI All Balanced Property Fund Index Weighted Average	6-8% p.a. internal rate of return net of fees over the life of the Fund. Income distribution of 6% p.a. once the fund is fully invested

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

Annualised return over		1 year		3 years		5 years	
Portfolio	Mandate	Actual return (%)	Benchmark return (%)	Actual return (% p.a.)	Benchmark return (% p.a.)	Actual return (% p.a.)	Benchmark return (% p.a.)
Baillie Gifford	Global Equities	29.9	25.1	18.5	13.4	20.4	14.4
Veritas*	Global Equities	-	-	-	-	-	-
BlackRock	Global Bonds	3.1	1.7	5.5	4.7	4.9	4.0
UBS	UK Property	10.2	8.5	4.3	3.0	5.7	4.9
Newton	Diversified Growth Fund	12.7	4.1	7.6	4.5	-	-
Columbia Threadneedle	Diversified Growth Fund	12.2	6.6	5.4	5.8	-	-
Aegon	UK Property	7.3	8.5	2.0	3.0	-	-
Total		**18.4**	**14.7**	**10.8**	**8.1**	**12.7**	**9.6**

*Source: Investment managers. Returns are for periods ending 30th June 2021. *Veritas mandate has not been held for a full calendar year. Cash from the Trustee bank account excluded. Total includes performance of terminated mandates.*

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

Liquidity of Investments

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

Where the underlying assets are unlisted, such as property (for example the UBS Global Asset Management Limited and Aegon) liquidity will be lower, especially if selling is not to have a potentially damaging impact on realised prices.

Multi-asset portfolios, such as the Diversified Growth Funds managed by Newton Investment Management and Columbia Threadneedle Investments, will typically be a dynamic combination of both listed and unlisted assets with liquidity again expected to be high under normal market trading conditions.

Investment fees

Each investment manager is paid a negotiated fee for their service, based in part on the value of the proportion of the Scheme 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.

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

In discharging 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 Scheme will not be wound up.

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

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

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 Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

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

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

Summary of contributions payable in the year

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

	Employee £'000	Employer £'000
Required by the schedule of contributions		
Normal contributions	300	9,391
Contributions required by the schedule of contributions (as reported on by the Scheme Auditors)	**300**	**9,391**
Other contributions payable		
Additional voluntary contributions	49	-
Total contributions reported in the financial statements	**349**	**9,391**

Contributions receivable

The contributions payable to the Scheme are based on actuarial advice and, in respect of existing staff, are related to earnings, considering an assessment of future earnings increases and inflation. Contributions for the year ended 31 July 2021, by participating employers, for the Final Salary Section and the CARE Section were paid at a rate of 16.0% of earnings. Members of the Final Salary Section contributed at a rate of 7.5% of earnings and members of the CARE Section contributed at a rate of 6.5% of earnings.

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

Additional voluntary contributions

At the year end 31 members (2020: 39) were paying additional voluntary contributions (AVCs) during the year to increase their pension entitlement at retirement. The contributions are used to buy added service and are invested alongside the Scheme's main investments.

Expenses

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

Guaranteed minimum pension benefits and equalisation

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

Change of auditors

On 5 July 2021, PricewaterhouseCoopers LLP resigned as auditors of the Scheme. They confirmed in their letter of resignation that “There are no circumstances connected with our resignation which, in our opinion, significantly affect the interests of the members or prospective members of, or beneficiaries under, the University of Liverpool Pension Fund”.

RSM UK Audit LLP were appointed as Scheme auditors on 26 July 2021.

Further information

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

Approval

The Trustee’s Report (including the Summary of Contributions payable in the year on page 12) was approved by the Trustee on 24 February 2022 and signed on its behalf by:

Director
Professor C. Constantinescu

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

Opinion

We have audited the financial statements of the University of Liverpool Pension Fund for the year ended 31 July 2021 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 Scheme during the year ended 31 July 2021, 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) (ISAs (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 Scheme 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 Scheme'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 Scheme'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 Scheme'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 Scheme'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 is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the Trustee's responsibilities statement set out on pages 11 and 12, 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 Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme 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 Scheme operates in and how the Scheme 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 are 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 judgments and estimates.

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

Use of our report

This report is made solely to the Scheme'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 Scheme'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 Scheme and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Birmingham

Date 25/02/22

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 12, in respect of the scheme year ended 31 July 2021.

In our opinion the contributions for the scheme year ended 31 July 2021 as reported in the attached summary of contributions on page 12 and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 18 September 2019.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 12 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and auditor

As explained more fully on pages 11 and 12 in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

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

Use of our statement

This statement is made solely to the Scheme'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 Scheme'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 scheme and the Scheme's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Birmingham

Date 25/02/22

Fund Account for the year ended 31 July 2021

	Note	**2021**	2020
		£'000	£'000
Contributions and benefits			
Employer contributions	4	**9,391**	9,735
Employee contributions	4	**349**	387
Total contributions		**9,740**	10,122
Other income	5	**186**	837
		9,926	10,959
Benefits paid or payable	6	**12,995**	12,537
Payments to and on account of leavers	7	**631**	644
Other payments	8	**175**	162
Administrative expenses	9	**737**	754
		14,538	14,097
Net withdrawals from dealings with members		**(4,612)**	(3,138)
Return on investments			
Investment income	10	**5,359**	5,713
Change in market value of investments	11	**88,708**	26,545
Investment management expenses	12	**(2,662)**	(2,406)
Net return on investments		**91,405**	29,852
Net increase in the fund during the year		**86,793**	26,714
Net assets of the Scheme at the start of the year		**534,141**	507,427
Net assets of the Scheme at the end of the year		**620,934**	534,141

The notes on pages 20 to 29 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 31 July 2021

	Note	2021	2020
		£'000	£'000
Investment assets			
Pooled investment vehicles	13	**588,534**	531,126
Other investment balances	14	**1,612**	1,574
Total Investments	11	**590,146**	532,700
Current assets	19	**33,267**	3,805
Current liabilities	20	**(2,479)**	(2,364)
Net assets of the Scheme at 31 July		**620,934**	534,141

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on Actuarial liabilities on pages 4 to 5 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 20 to 29 form part of these financial statements.

These financial statements were approved by the Trustee on 24 February 2022 and signed on its behalf by: -

Corina Constantinescu

Director
Professor C. Constantinescu

Carol Costello

Director
Dr C. Costello

Notes to the financial statements
For the year ended 31 July 2021

1. General Information

The University of Liverpool Pension Fund (the "Scheme") is a defined benefit scheme and provides benefits for the support staff of the University of Liverpool (the "University") and its associates in the United Kingdom. The Scheme is established as a trust under English law and is governed by a trust deed and rules dated 13 September 2017 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 Scheme is included on page 1.

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

2. Basis of preparation

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

The 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 Scheme for a period of twelve months from the date of signing of these financial statements and in doing so has considered the impact of Covid 19. 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 Scheme 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 Scheme 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 Scheme's functional currency and presentational currency is pounds sterling (GBP).

(c) **Contributions**

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

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

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

(d) **Transfers to other plans**

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

(e) **Benefits and 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 Scheme such as fees, commission, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within the investment returns.

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

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

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

(i) Significant estimates and judgments

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

Investments held with Aegon Asset Management (formerly Kames Capital) are valued at the 30 June quarterly valuation adjusted for any cash movements to the year end.

4. Contributions

	2021	2020
	£'000	£'000
Employer contributions		
Normal	**9,391**	9,735
Employee contributions		
Normal	**300**	326
Additional voluntary contributions	**49**	61
	349	387
Total contributions	**9,740**	10,122

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

From 1 July 2009, certain employees paid contributions under salary sacrifice arrangements. These are included within employer normal contributions and amounted to £2,595k (2020: £2,689k).

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

5. Other income

	2021	2020
	£'000	£'000
Claims on term insurance policies	**186**	837

6. Benefits paid or payable

	2021	2020
	£'000	£'000
Pensions	**10,425**	9,989
Commutation of pensions and lump sum retirement benefits	**2,264**	1,350
Lump sum death benefits	**286**	1,087
Trivial commutations	**20**	111
	12,995	12,537

7. Payments to and on account of leavers

	2021	2020
	£'000	£'000
Refunds of contributions to members	**4**	10
Contributions equivalent premium and tax payments	**-**	24
Individual transfers out to other schemes	**627**	610
	631	644

8. Other payments

	2021	2020
	£'000	£'000
Premiums on term insurance policies	175	162

9. Administrative expenses

	2021	2020
	£'000	£'000
Actuarial fees	72	97
Computer systems	21	23
Administration and processing	299	305
Legal fees	20	13
Audit fees	23	21
PPF and TPR levy	302	295
	737	754

10. Investment income

	2021	2020
	£'000	£'000
Income from pooled investment vehicles	5,359	5,703
Interest on cash deposits	-	10
	5,359	5,713

Income from Baillie Gifford of £1,850k (2020: £2,720k) 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 2020	Purchases at cost	Sales proceeds	Change in market value	Value at 31 July 2021
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	531,126	71,917	(103,217)	88,708	588,534
Other investment balances	1,574				1,612
Total investments	532,700				590,146

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

As at 31 July 2021, the Scheme's investment of £46,835k (2020: £43,749k) in the UBS Triton Property Unit Trust and £22,916k (2020: £22,050k) in the Aegon Asset Management (formerly Kames Capital) Fund may have been more difficult to liquidate due to market conditions prevailing at that time. No adjustment has been made to the valuation of these investments as a result as these investments are being held for the long term.

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

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

12. Investment management expenses

Each investment manager is paid a negotiated fee for their service, based in part on the value of the proportion of the Scheme 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.

	2021	2020
	£'000	£'000
Administration, management and custody	**2,565**	2,386
Performance measurement services	**19**	17
Investment advisory fees	**78**	3
	2,662	2,406

Investment advisory fees in 2020/21 relate to the advice on investment strategy and investment management selection.

13. Pooled investment vehicles

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

	2021	2020
	£'000	£'000
By type:		
Equities	**332,940**	297,397
Corporate Bonds	**107,982**	97,348
Property	**69,751**	65,799
Diversified Growth Funds	**77,861**	70,582
	588,534	531,126

14. Other investment balances

	2021	2020
	£'000	£'000
Accrued investment income	**948**	970
Cash held with investment manager	**664**	604
	1,612	1,574

15. Fair value of investments

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

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

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

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

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

	2021 Level 1 £'000	2021 Level 2 £'000	2021 Level 3 £'000	2021 Total £'000
Pooled Investment Vehicles	**-**	**565,618**	**22,916**	**588,534**
Other investment balances	**1,612**	**-**	**-**	**1,612**
	1,612	**565,618**	**22,916**	**590,146**

Analysis for the prior year end is as follows:

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

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

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

16. Investment risks

Financial Reporting Standard ("FRS") 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

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

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

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

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

(i) Investment Strategy

The Scheme's investment strategy (the target proportions of the Scheme to be invested across the principal market sectors of equities, bonds etc.) is agreed by the Trustee after taking appropriate advice. Subject to complying with the agreed strategy, the day-to-day management of the Scheme's asset portfolio is delegated by the Trustee to professional investment managers.

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

A summary of the risks to which the Scheme is exposed is shown below:

	Value of investments exposed to each risk (£'000)				
	Direct Credit	**Indirect Credit**	**Currency**	**Interest rate**	**Other price**
At 31 July 2021	**588,534**	**255,594**	**410,801**	**185,843**	**588,534**
At 31 July 2020	531,126	233,729	326,889	167,930	531,126

Source: Investment managers as at 31 July 2021, which the exception of Aegon which is 30 June 2021. Excludes cash held in the Trustee bank account.

Figures include pooled investment vehicles that may have only a partial exposure to the respective risk.

(ii) Credit risk

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

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

The Scheme is also subject to indirect credit risk in relation to underlying investments held in the pooled investment vehicles for corporate bonds and diversified growth funds. Indirect credit risk is mitigated by the Trustee investing in funds which hold predominantly investment grade credit rated investments. The diversified growth pooled funds also invest in sub-investment grade credit rated instruments with a view to adding value and this indirect credit risk is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer, as well as in some circumstances security backing the credit.

Investment managers use various strategies to mitigate the risk of default, having strict investment policies regarding the assets that can be held, for example only investing in assets of a set minimum credit rating e.g. corporate bonds of investment grade.

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

Investment Type	**2021**	2020
	£'000	£'000
Authorised unit trusts	**130,898**	119,398
Unauthorised Exempt Property Unit Trust	**46,835**	43,749
Open ended investment companies	**344,672**	367,979
Common Contractual Fund	**66,129**	-
Total	**588,534**	531,126

Source: Investment Managers and Mercer, as at 31 July 2021, which the exception of Aegon which is 30 June 2021.

(iii) Market Risk

a. Currency risk

The Scheme is subject to indirect currency risk because some of the underlying investments held within pooled investment vehicles are in overseas assets, priced in foreign currencies, which are not fully hedged by the investment manager. Changes in the rates of exchange may cause the value of investments to go up or down.

The currency risk exposures the Scheme faces are from equities, corporate bonds and diversified growth funds (which consist of underlying investments across a range of asset class and regions, exposing the Scheme to indirect currency risk).

The risk is mitigated in part by having a diverse portfolio of global and UK assets. Derivatives may be used to varying degrees by the investment managers to hedge for possible unfavourable currency and market movements.

b. Interest rate risk

The Scheme is subject to indirect interest rate risk because some of the Scheme's underlying investments are in bonds which are sensitive to movements in interest rates. If interest rates fall, the value of these assets are expected to rise, which will 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 risk is mitigated by only investing up to 20% of the total asset allocation in bonds and 15% in diversified growth funds (some of which is held in bonds). The Trustee also monitors the quarterly funding updates which includes the impact of interest rate changes so that this risk can be assessed against the Scheme's liabilities.

c. Other price risk

Other indirect price risk arises principally in relation to the Scheme's return seeking portfolio which includes its equity, diversified growth funds and property investments via pooled vehicles. At the year end the Scheme's target asset allocation was 50%, 15% and 15% of investments held in equities, diversified growth funds and property, respectively. At the year end, the proportion of total investments subject to other price risk was as follows:

- Equities: 56.5% (2020: 56.0%),
- Diversified growth funds: 13.3% (2020: 13.2%)
- Property: 11.8% (2020: 12.4%).

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

17. Concentration of investments

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

	2021		2020	
	£'000	**%**	**£'000**	**%**
Baillie Gifford Global Alpha Growth Fund	266,812	45.3	256,307	48.0
BlackRock Buy and Maintain UK Credit X Dist Fund	107,982	18.5	97,348	18.2
Veritas Global Focus Fund B Class	66,129	11.2	-	-
UBS Triton Property Unit Trust	46,835	7.9	43,749	8.2
Majedie Asset UK Equity Fund 'B' Shares	-	-	41,090	7.7
Newton Real Return Fund Exempt Shares 2	40,647	6.9	36,871	6.9
Threadneedle Dynamic Real Return Fund S Accumulation	37,214	6.3	33,711	6.3

Source: Investment Managers and Mercer, as at 31 July 2021, which the exception of Aegon which is 30 June 2021. Excludes cash held in the Trustee bank account

18. Employer related investment

There were no employer related investments at the year end (2020: None).

19. Current assets

	2021	2020
	£'000	£'000
Other debtors	**-**	104
Prepayments	**195**	18
Cash	**33,072**	3,683
	33,267	3,805

20. Current liabilities

	2021	2020
	£'000	£'000
Due to participating employers	**950**	627
Unpaid benefits	**3**	399
Accrued expenses	**1,526**	1,338
	2,479	2,364

The amount due to participating employers 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 Scheme
Administration and accountancy services were provided by the Principal Employer, The University of Liverpool. Fees payable by the Scheme in respect of these services amounted to £283k (2020: £283k) and are included within administration expenses.

The University pays all member payments and administrative expenses on behalf of the Scheme, 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 Scheme

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

Pensions payable to the pensioner nominated trustee director together with a member nominated trustee director (resigned 9 June 2021) 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 Scheme's schedule of contributions.

22. Contractual commitments

At 31 July 2021 and 31 July 2020 there were no contractual commitments.

23. Contingent liabilities

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

Other than the above and the liability to pay future pensions, the Scheme had no contingent liabilities at 31 July 2021 or 31 July 2020.

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 2021 there were 8 members (2020: 10).

25. Subsequent events

On 29 January 2021 J.P. Morgan Asset Management accepted a commitment from the Trustee to invest £29.5m in their Infrastructure Investments Fund. The commitment was drawn down by J. P. Morgan Asset Management in a single instalment after the year end, in December 2021.

SCHEDULE OF CONTRIBUTIONS

UNIVERSITY OF LIVERPOOL PENSION FUND

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

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

PERIOD COVERED BY THIS SCHEDULE OF CONTRIBUTIONS

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

CONTRIBUTIONS BY CONTRIBUTING ACTIVE MEMBERS

7.5% of earnings for final salary members and 6.5% of earnings for CARE members. These are to be deducted by the employer and paid to the scheme on or before the 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 ALLOWANCE FOR LEVY PAYMENTS TO THE PENSION PROTECTION FUND)

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

ADDITIONAL EMPLOYER CONTRIBUTIONS

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

EARNINGS

Member's salary plus any enhancements to the basic annual rate of salary or wages payable to a member plus pay (if any) relating to any additional hours worked for the member's employer including any enhancements to the rate of that pay provided that pay in respect of any hours worked by the member which are in excess of the normal full-time hours of an employee of the same grade as the member shall be excluded.

SIGNATURES

Signed on behalf of the trustee: Colin S. Hunter

Name: COLIN HUNTER

Position: TRUSTEE DIRECTOR.

Date: 18 SEPTEMBER 2019

Signed on behalf of the employer: Carol Costello.

Name: CAROL COSTELLO

Position: HR DIRECTOR

Date: 18 SEPTEMBER 2019.

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

Signed:

Name: James Auty

Fellow of the Institute and Faculty of Actuaries

Position: Scheme Actuary

Date: 18/9/19

ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

UNIVERSITY OF LIVERPOOL PENSION FUND

ADEQUACY OF RATES OF CONTRIBUTIONS

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

ADHERENCE TO STATEMENT OF FUNDING PRINCIPLES

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

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

Signature:		Date:	18/9/19
Name:	James Auty	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Tower Place West London EC3R 5BU	Name of employer:	Mercer

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 2021. 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;
- To set and monitor appropriate benchmarks and performance targets for the investment managers;
- To pay due regard to the interests of the University of Liverpool in relation to the volatility of the funding level and the payment of contributions.

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 January 2021.

Not all the investment managers can yet report on the exact specific scheme year to 31 July 2021 and in these circumstances we have used the 12 months to 30 June 2021. As the guidance around this Implementation Statement develops we expect that asset managers will refine their information.

The following work was undertaken in the year to 31 July 2021 relating to the Trustee's policy on ESG factors, Stewardship and Climate Change.

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 its 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) on an annual basis.

The Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. With the exception of Columbia Threadneedle, all of the Fund's investment managers confirmed that they are signatories of the current UK Stewardship Code 2020. Columbia Threadneedle noted that they are supportive of the UK Stewardship Code 2020 and are committed to becoming a signatory. They will be resubmitting their application to become a signatory of the Code ahead of the 30 April 2022 deadline. The Trustee will continue to engage with the investment managers on the UK Stewardship Code and its relevance.

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 and as part of this consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment managers' policy on voting and engagement. Where managers may not be highly rated from an ESG perspective, the Trustee continues to monitor and engage with those managers. 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 can challenge decisions made including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best long term performance over the medium to long term.

The Fund's investment managers provided examples of instances where they had engaged with companies they were invested in/about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the managers invest in or by voting on resolutions at companies' Annual General Meetings, related to various governance, social or environmental issues.

Voting

The Trustee has delegated their voting rights to the investment managers. Investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustee does not use the direct services of a proxy voter.

The Trustee has considered the voting policy of the equity managers and the Trustee deems them consistent with their investment beliefs. Over the prior 12 months, the Trustee has not actively challenged the managers on their voting activity, however has asked managers to explain the reasons behind their key voting and engagement.

Overleaf are some examples of the Fund's investment managers' engagements with companies.

Baillie Gifford

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

	Total	% of resolutions voted on for which you were eligible	% of resolutions in which you voted with management
Resolutions	1347	94.51%	97.72%

Baillie Gifford has provided the following examples of where they have engaged with and/or voted on company resolutions related to ESG issues.

Company	Engagement and Voting Report
Ryanair	Baillie Gifford have been engaging with Ryanair over a number of years with the aim of improving their carbon footprint. The company submitted its carbon emissions data to the Carbon Disclosure Project (CDP) for external verification, which was a Baillie Gifford recommendation, and committed to improving their score. The company has joined various third-party initiatives looking to develop sustainable decarbonisation technology within the aviation industry, and announced a sustainable aviation fuel target for 2030, as well as a partnership with Trinity University to research sustainable aviation fuel. Baillie Gifford note that progress and the proactive approach was evident from the discussion and was welcome, given the increasing cost carbon will have for those in the aviation industry. Ryainair also agreed to improve the way they report their carbon emissions and the targets that they announce as part of the discussions.
AJ Gallagher	Baillie Gifford met with AJ Gallagher executive management to discuss its tax strategy. AJ Gallagher purchased clean coal credits that substantially lowered the company's effective tax rate over a number of years. While acknowledging the positive impact clean coal credits had on encouraging lower carbon, sulphur and nitrogen oxide emissions, Baillie Gifford look for companies to consider corporation tax as a social licence to operate rather than a cost they seek to minimise. The company agrees with this and is committed to a fair taxation policy.
CRH	Baillie Gifford engaged with the chairman of CHR to discuss corporate governance and approach to sustainability. In September, the Global Cement and Concrete Association, of which CRH is a member and CEO Albert Manifold is president, announced a joint ambition to achieve carbon neutrality by 2050. Concrete is the world's most widely used material. It is essential to social and economic development and its production is carbon intensive. Accordingly, this ambition is important in addressing effects of climate change. Baillie Gifford were encouraged to learn that CRH will not count offsets as part of its strategy to reduce its carbon footprint. Instead, it is working with industry bodies to ensure technological solutions are developed. Investment in new infrastructure, carbon capture technologies and collaboration provide the best chance of delivering on this long-term objective. While Baillie Gifford recognise the environmental impact of CRH's business, they are reassured by its progress to mitigate these effects.

Veritas

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

	Total	% of resolutions voted on for which you were eligible	% of resolutions in which you voted with management
Resolutions	470	100.0%	90.4%

Veritas has provided the following examples of where they have engaged with and/or voted on company resolutions related to ESG issues.

Company	Engagement and Voting Report
Facebook	Veritas voted against an amendment to the Non-Employee Director Compensation Policy on the basis that the company's rationale falls short of the level of specificity necessary for shareholders to assess the reasonableness of the amendment. Further, the company does not provide sufficient details on the potential scope of the associated costs; there is no disclosure of an annual limit or even an estimation on the potential costs of the personal security fees and related tax gross-ups. Further, the proxy does not disclose whether an independent party assessed the need for the unusual director benefit.
Svenska Handlesbanken	The only bank held by the portfolio, Svenska Handlesbanken, has not handed out bonuses for over 40 years. Instead, they have a profit-sharing scheme, which only distributes the proceeds when the individual turns 60. This can be a generous pay-out to those that have served with the company for many years. All employees receive the same allocation based on the bank's performance against its rivals but there are no sales targets or budgets. Whilst each branch has autonomy to lend, the bank has a culture of looking over the long term and not taking big risks. The consequence of this has been a bank with an enviable return on capital and one of the lowest bad loan books of any European bank. They have not had to be bailed out by any financial crisis or suffered AML scandals. Given the announcement that the Bank proposes to change the scheme going forward and introduce bonuses, Veritas felt the need to engage. Following the engagement, Veritas wrote to the company suggesting what measures they should take in order that employees remained aligned with shareholders. Given these suggestions were unlikely to be implemented, Veritas exited the position.
UnitedHealth Group	Veritas voted against the election of the director Gail Wilensky. The vote cast was driven by the guidance of their ESG Voting Policy and was on the basis that the company has failed to commit to introducing and disclosing science-based emission reduction targets with a coherent strategy and action plan in line with a 2 degree scenario. Veritas engaged with the company who confirmed the business cannot commit to developing science-based emissions targets in the next two years. It is noted the company has identified emissions reduction targets that are market based (3% reduction across scope 1&2 by 2023). However, Veritas believe the company should be encouraged to implement a science based framework, and as a result voted against this item.

Newton

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

	Total	% of resolutions voted on for which you were eligible	% of resolutions in which you voted with management
Resolutions	1558	98.6%	84.3%

Newton has provided the following examples of where they have engaged with and/or voted on company resolutions related to ESG issues.

Company	Engagement and Voting Report
AstraZeneca	Newton voted against the remuneration policy, a new performance share plan, and members of the remuneration committee on the grounds that it did not consider that the company had provided the necessary justification for significant increase in the variable pay awards that were granted to senior executives.
Microsoft	Despite improvements to executive remuneration practices over recent years, Newton remained concerned that approximately half of long-term pay awards vest irrespective of performance. Newton voted against the executive compensation arrangements and against the three members of the compensation committee. Newton also voted against the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37

	consecutive years.

Threadneedle

Threadneedle has provided the following example of where they have engaged with Royal Dutch Shell on ESG related issues.

Company	Engagement and Voting Report
Royal Dutch Shell	Threadneedle engage regularly with Shell's management and board on various topics, including the environment and climate change. Threadneedle have supported Shell's approach to the energy transition, including increased investment in renewables and adding a carbon emissions metric to the chief executive's pay. Compared to European peers, however, Threadneedle have had concerns with the quality of Shell's management and board oversight as well and the strength of their carbon reductions targets and commitments to greener capex. Partly because of this, during 2020, Threadneedle sold its position.

BlackRock

BlackRock has provided the following example of where they have engaged with Barclays on ESG related issues. BlackRock manage the Fund's Buy & Maintain Credit allocation. As such, there is more limited scope for engagement on ESG related issues.

Company	Engagement and Voting Report
Barclays	BlackRock Investment Stewardship (BIS) has engaged extensively with various board, executive and sustainability team members at Barclays over the last several years on a range of issues driving long-term shareholder value. The agenda for the company's 2021 annual general meeting (AGM) includes a binding climate-related shareholder resolution filed by a group of shareholders which asks the bank to set, disclose and implement a strategy, with improved short-, medium-, and long-term targets, to phase out its provision of financial services to fossil fuel (coal, oil and gas) projects and companies in timeframes consistent with the Paris Agreement. BIS is supportive of the broad ask of the resolution. However, the imprecise and ambiguous wording means that BIS is unable to support it, particularly as the resolution is legally binding. BIS therefore abstained from the vote on this resolution. BIS recognizes Barclays' recent progress aligning its activities with the goals of the Paris Agreement. At the same time, they are in agreement with the ask of the resolution, regarding closer alignment with the goals of the Paris Agreement.

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 are also participants/signatories to Global Real Estate Sustainability Benchmark ("GRESB").

Aegon

On the grounds that the strategy is a commingled real estate fund, the Aegon Secondary 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.