

A low-angle, upward-looking photograph of several modern skyscrapers. The buildings feature glass facades and curved architectural elements, creating a sense of height and scale. The sky is a pale, clear blue. The text is overlaid on the left side of the image.

# **THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME**

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2022**

**SCHEME REGISTRATION NUMBER: 10005498**

## **THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME**

### **CONTENTS**

---

	<b>Page</b>
<b>Trustee and its Advisers</b>	<b>1 - 4</b>
<b>Trustee's Report</b>	<b>5 - 16</b>
<b>Independent Auditor's Report to the Trustee</b>	<b>17 - 19</b>
<b>Fund Account</b>	<b>20</b>
<b>Statement of Net Assets (Available for Benefits)</b>	<b>21</b>
<b>Notes to the Financial Statements</b>	<b>22 - 36</b>
<b>Actuarial Certificate</b>	<b>37</b>
<b>Independent Auditor's Statement about Contributions</b>	<b>38 - 39</b>
<b>Summary of Contributions Payable</b>	<b>40</b>
<b>Appendix - Implementation Statement</b>	



**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE AND ITS ADVISERS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**Trustee**

The Midcounties Co-operative Pension Trustee Ltd

**Employer Nominated Trustee Directors**

Irene Kirkman

Zedra (formerly PTL) – represented by Alison Bostock

Fiona Ravenscroft

Vivian Woodell – Appointed as Chair

**Member Nominated Trustee Directors**

James English

Stephen Ridler

Dennis Young

**Secretary to the Trustee**

Helen Flint-Hill

The Midcounties Co-operative Ltd

Co-operative House

Warwick Technology Park

Warwick

CV34 6DA

**Principal Employer**

The Midcounties Co-operative Ltd

Co-operative House

Warwick Technology Park

Warwick

CV34 6DA

**Actuary**

Damian McClure FIA

Mercer Ltd

12 Booth Street

Manchester

M2 4AW

**Administrator**

Premier Pensions Management Ltd (part of Isio Group since 31 January 2022)

AMP House

Dingwall Road

Croydon

Surrey

CR0 2LX

## **THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**

### **TRUSTEE AND ITS ADVISERS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

#### **Auditor**

RSM UK Audit LLP  
Statutory Auditor  
Chartered Accountants  
10<sup>th</sup> Floor  
103 Colmore Row  
Birmingham  
West Midlands  
B3 3AG

#### **Investment Managers**

BNY Mellon Investment Management  
160 Queen Victoria Street  
London  
EC4V 4LA

Insight Investment Management (Global) Ltd  
160 Queen Victoria Street  
London  
EC4V 4LA

JP Morgan Asset Management (Europe) S.a.r.l.  
60 Victoria Embankment  
London  
EC4Y 0JP

Legal & General Assurance (Pensions Management) Ltd  
One Coleman Street  
London  
C2R 5AA

Prudential M&G  
PO Box 156  
Dorey Court, Admiral Park  
St Peter Port  
Guernsey  
GY1 4EU

Siguler Guff & Company LP  
825 Third Avenue  
New York  
10022

State Street Global Advisors  
20 Churchill Place  
Canary Wharf  
London  
E14 5HJ

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE AND ITS ADVISERS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**Investment Managers (continued)**

Towers Watson Investment Management Ltd  
MidCity Place  
1 High Holborn  
London  
WC1V 6TP

Wellington Management International Ltd  
80 Victoria Street  
Westminster  
London  
SW1E 5JL

**Fiduciary Manager**

Willis Towers Watson Ltd  
Watson House  
London Road  
Reigate  
Surrey  
RH2 9PQ

**Custodian**

State Street Bank & Trust Company  
20 Churchill Place  
Canary Wharf  
London  
E14 5HJ

**Additional Voluntary Contribution (AVC) Provider**

Royal London Mutual Insurance Society Ltd  
5<sup>th</sup> Floor  
Churchgate House  
56 Oxford Street  
Manchester  
M1 6EU

**Life Assurance Provider**

AVIVA  
5<sup>th</sup> Floor  
Churchgate House  
56 Oxford Street  
Manchester  
M1 6EU

## **THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**

### **TRUSTEE AND ITS ADVISERS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

#### **Banker**

Clydesdale Bank PLC (trading as Virgin Money)  
48-50 Market Street  
Manchester  
M1 1PW

#### **Legal Adviser**

Eversheds Sutherland LLP  
115 Colmore Row  
Birmingham  
West Midlands  
B3 3AL

#### **Employer Covenant Adviser**

RSM Restructuring Advisory LLP  
25 Farringdon Street  
London  
EC4A 4AB

#### **Enquiries**

The Midcounties Co-operative Pension Scheme  
Premier Pensions Management Ltd  
AMP House  
Dingwall Road  
Croydon  
Surrey  
CR0 2LX

Email: [Midcounties.Co-operativePensionScheme@Premiercompanies.co.uk](mailto:Midcounties.Co-operativePensionScheme@Premiercompanies.co.uk)

## **THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**

### **TRUSTEE'S REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

---

#### **Introduction**

The Trustee of The Midcounties Co-operative Pension Scheme (the "Scheme") is pleased to present its report together with the financial statements for the year ended 31 December 2022. The Scheme was established on 1 October 1932 and is governed by a definitive trust deed dated 31 January 2011. The Scheme is a defined benefit scheme and was closed to future accrual on 14 June 2014.

#### **Management of the Scheme**

A list of Trustee Directors is included on page 1.

There are currently four Employer Nominated Trustee Directors (including an independent Trustee Director – Zedra represented by Alison Bostock) and three Member Nominated Trustee Directors. In accordance with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member Nominated Trustee Directors.

The three Member Nominated Trustee Directors are nominated by the members under the rules notified to the members of the Scheme to serve for a period of three or four years. They may be removed before the end of their term only by agreement of all the remaining Trustee Directors, although their appointment ceases if they cease to be members of the Scheme.

In accordance with the Trust Deed, the Principal Employer, The Midcounties Co-operative Ltd, has the power to appoint and remove the Trustee of the Scheme. The Employer Nominated Trustee Directors of the Scheme are appointed and removed in accordance with the Company's Articles of Association.

#### **Governance and Risk Management**

The Trustee has in place an activity plan which sets out its objectives in areas such as administration, investment and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustee run the Scheme efficiently and serves as a useful reference document.

The Trustee has also focused on risk management and a risk register has been put in place, which sets out the key risks which the Scheme is subject to, along with the controls in place to mitigate them.

The Trustee has set up a Governance Committee to review the register on an annual basis.

#### **Trustee Knowledge and Understanding**

The Pensions Act 2004 requires the Trustee to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding, to assist the Trustee on this matter. The Trustee has agreed a training plan to enable it to meet these requirements.

#### **Transfers**

Transfer values paid during the year have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

## THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

### TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

#### Employer Covenant

The Trustee regularly reviews and updates the covenant assessment of the Employer by meeting with the Employer on a regular basis at Trustee meetings and taking advice from their Employer Covenant Adviser.

Furthermore, in accordance with the latest Schedule of Contributions certified by the Scheme Actuary on 29 November 2022, the Employer has confirmed that it will provide contingent security during the term of the recovery period as follows:

- A first charge over £10m worth of property assets that will remain in place until 1 September 2026.
- A first charge over an additional £12m worth of property assets that will remain in place until the Trustee and the Employer agree it is no longer required.

If it is agreed that a property is sold that is currently charged to the Scheme, the Trustee and the Employer have agreed that any proceeds from the sale of that property will be paid into the Scheme as soon as reasonably practicable (but in any event within 5 business days) following the Employer receiving proceeds of the sale. Further, the Trustee and Employer have agreed that any contributions received following the sale of a property will not be used to offset any deficit contributions otherwise payable.

The only exception to the above is if the sold property is substituted for an alternative property of similar (or higher) value.

#### Membership

Details of the membership of the Scheme as at 31 December is shown below:

	2022	2021
<b>Deferreds</b>		
Deferreds at the start of the year	2,234	2,312
Adjustments	(15)	(7)
Retirements	(60)	(49)
Trivial commutations	(9)	(10)
Deaths	(3)	(4)
Transfers out	(10)	(8)
Deferreds at the end of the year	2,137	2,234
<b>Pensioners</b>		
Pensioners at the start of the year	1,172	1,139
Adjustments	13	8
Retirements	60	49
Spouses and dependants	11	7
Trivial commutations	(1)	-
Deaths	(44)	(31)
Pensioners at the end of the year	1,211	1,172
<b>Membership at 31 December</b>	<b>3,348</b>	<b>3,406</b>



**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**Membership (continued)**

Deferred members at the year-end included employed members totalling 213 (2021: 226) and non-employed deferred members totalling 1,924 (2021: 2,008). Employed deferred members are not contributing members but have continuing ancillary benefits.

Pensioners include individuals receiving a pension upon the death of their spouse. Where a pensioner had previously had 2 periods of service with the Employer, these are shown as 2 separate pensioner records in the table above.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal - such movements are shown within "Adjustments" the following year.

The Scheme receives income from two insurance policies held with Royal London in the name of the Trustee. These policies represented 49 pensioners (2021: 49) included within the above table at the year end.

**Pension Increases**

Pensions in payment were increased on 1 April 2022 as follows:

- |   |                   |
|---|-------------------|
| • Guaranteed Minimum Pension post 6 April 1988: | 3.0% (2021: 0.5%) |
| • Pension accrued before 1 July 2006:           | 5.0% (2021: 1.2%) |
| • Pension accrued on or after 1 July 2006:      | 2.5% (2021: 1.2%) |

Deferred pensions are increasing in the period up to retirement in accordance with legislation that affects UK approved pension plans generally, as required by the Trust Deed and Rules of the Scheme.

No discretionary pension increases were granted during the year.

**Financial Development of the Scheme**

The financial statements on pages 20 to 36 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund has decreased from £282,087,877 at 31 December 2021 to £167,900,685 as at 31 December 2022.

## THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

### TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

#### Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

#### Actuarial Position of the Scheme

A summary of the funding position as at 31 December 2021, the date of the latest completed actuarial valuation of the Scheme, showed the following:

	£m
Value of liabilities:	(332.1)
Value of assets:	281.4
Funding deficit:	50.7
Funding level:	85%

If the Employer goes out of business or decides to stop contributing to the Scheme, the Scheme may be "wound up" and the Employer would be required to pay additional money to buy all members' benefits from an insurance company. The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "buy-out position". A pension scheme's buy-out position will often show a larger shortfall than the standard actuarial valuation as insurers are obliged to take a very cautious view of the future, and they also seek to make a profit.

The actuarial valuation at 31 December 2021 showed that the Scheme's assets would not have been sufficient to buy all members' benefits from an insurance company, as the "buy-out position" at that date was:

	£m
Value of liabilities:	(402.2)
Value of assets:	281.4
Funding deficit:	120.8
Funding level:	70%

This does not mean that the Employer is thinking of winding up the Scheme. The fact that there was a shortfall at the last valuation has not affected the pensions paid from the Scheme and all members who have retired have received the full amount of their pension.

It is worth remembering that a valuation is just a "snapshot" of the Scheme's funding position, and it can change considerably if there are sudden changes in share prices, gilt yields, or members live longer than expected.

#### Method

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

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**Report on Actuarial Liabilities (continued)**

**Significant Actuarial Assumptions**

The key assumptions used for calculating the technical provisions and future contribution requirement for the Scheme were:

Investment Return Pre-Retirement:	2.05% p.a.
Investment Return Post-Retirement:	1.55% p.a.
RPI Price Inflation:	3.64% p.a.
CPI Price Inflation:	3.32% p.a.
Deferred Increases:	
LPI (5% maximum)	3.64% p.a.
CARE (5% maximum)	3.34% p.a.
CARE (2.5% maximum)	2.10% p.a.
Pension Increases In Payment:	
CPI (3% maximum)	2.40% p.a.
RPI (5% maximum)	3.34% p.a.
RPI (2.5% maximum)	2.10% p.a.
Mortality:	<p>S3PMA for males and S3PFA_middle for females YoB tables with CMI 2021 projections, a smoothing factor of 7.5 and:</p> <ul style="list-style-type: none"> <li>1.5% p.a. long term future improvements with a 104% (male) and 105% (female) weighting for non-pensioners and 100% weighting for pensioners</li> </ul>

**Recovery Plan**

As a result of the latest completed valuation, the Employer and Trustee agreed a Recovery Plan on 29 November 2022. This stated that the funding shortfall should be eliminated by deficit funding contributions of £7m per annum, with monthly contributions in November 2022 and December 2022, and quarterly contributions from 1 May 2023 to 31 January 2027 inclusive. The Employer also agreed to make a one-off contribution of £2,333,333 by 30 April 2023. The £7m contributions from 1 May 2023 will be payable quarterly, falling due on the last day of each quarter (31 July, 31 October, 31 January and 30 April), and payable by 19 day of the following month.

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

## **Investment Matters**

### **Introduction**

All the main investments for the Scheme have been managed during the year by the Investment Managers and AVC Provider detailed on pages 2 and 3. The Trustee has received advice to determine an appropriate investment strategy for the Scheme. The Trustee has a desire to diversify risk exposures and to manage its investments effectively. The Trustee has appointed an investment manager to manage the Scheme's assets on a discretionary basis and to provide investment advisory services to the Trustee (the "WTW").

### **Investment Objective**

The Trustee has the following investment objectives:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with deficit contributions from the Employer, the cost of current and future benefits which the Scheme provides, and to ensure the security, quality and profitability of the portfolio as a whole.
- To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter term basis.
- To minimise the long term costs of the Scheme, by maximising the return on the assets whilst having regard to the objectives shown under the points above.

The long term investment objective of the Scheme is to be 100% funded on a Gilts + 0.7% p.a. basis (the current Technical Provisions as agreed with the Scheme Actuary), achieved by targeting a net expected return on the portfolio of Gilts + 2.0% p.a. for at least three years from 31 December 2021.

### **Investment Strategy**

The investment strategy makes use of two types of investments:

- A range of investments that provide a broad match to changes in liability values.
- A diversified range of return seeking assets.

The balance within and between these investments will be determined from time-to-time at the discretion of the Fiduciary Manager, with the objective of maximising the probability of achieving the Scheme's investment objective set by the Trustee. The Fiduciary Manager's discretion is subject to guidelines set by the Trustee within the Fiduciary Management Agreement between the parties as amended from time to time (the "FMA"). In exercising investment discretion, the Fiduciary Manager is required to act in accordance with its obligations set out in the FMA, including the guidelines and any investment restrictions set out therein. This ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.



## THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

### TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

#### Investment Matters (continued)

##### Investment Strategy (continued)

As part of the mandate, Willis Towers Watson Ltd ("WTW") has responsibility for managing the ongoing strategy of the Scheme against a target set by the Trustee and within ranges set by the Trustee. The Trustee will review this performance objective every three years, or earlier should there be a significant change in Scheme funding, and amend as appropriate.

The funds invested with Legal & General Assurance (Pensions Management) Ltd ("L&G") are held free from charge or lien except for the provisions of the floating charge and any liens in place by counterparties or custodians (that is normal practice within the industry). The floating charge was put in place for the benefit of all policyholders. The Trustee believes all other investments are held free from charge.

##### Asset Allocation

The allocation of the Scheme's invested assets (excluding AVCs) at the year end is shown below:

	2022 £	2021 £
Liability Driven Investments (LDI)	66,860,326	81,427,120
Diversifying Strategies	27,418,568	45,824,811
Equities	9,982,798	40,869,529
Bonds	14,860,244	36,807,497
Property	22,422,588	35,474,219
Liquidity	13,216,460	25,057,182
Infrastructure	2,545,531	11,084,804
Private Equity	2,007,248	2,503,550
Downside Risk Hedge	2,234,046	426,651
	<b>161,547,809</b>	<b>279,475,363</b>

##### Performance

The performance of the Scheme's investments to 31 December 2022, is shown below:

	1 Year %	3 Years % p.a.	5 Years % p.a.
Scheme	-40.0	-10.8	-4.7
Benchmark	-35.3	-9.8	-4.6

Allowing for income, capital gains, and movements in market values, the return on the Scheme's assets for the 12 months to 31 December 2022 was -40.0%. This was 4.7% behind the liability benchmark return of -35.3%. Performance over the period was driven principally by the significant rise in gilt yields, which accelerated late in Q3 2022 following the "mini budget" announced by the UK Government.

From a market perspective, the Bank of England (BoE) made a number of incremental base rate rises throughout the 12 months to December 2022 in reaction to a steep rise in the level of inflation. The UK inflation rate, as measured by the CPI, stood at 10.5% by the end of December 2022, down from 11.1% in October.

Equity markets delivered negative returns over the year, with the FTSE All-World index (sterling hedged) returning -16.3%. Long maturity UK gilts returned -40.1% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and UK gilts all stocks returned -23.8%.

## THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

### TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### Investment Matters (continued)

Over the year, there were a number of changes to the Scheme's asset allocation, largely reflecting actions required during Q3/Q4 in order to maintain collateral within the liability hedging portfolio. During that period, the Scheme's Fiduciary Manager took the decision to modestly reduce the level of liability hedging in order to mitigate the risk of further rises in gilt yields leading to the Scheme's hedge being forcibly closed out.

The absolute returns achieved over longer periods, together with the Scheme's liability benchmark returns, are shown on the previous page.

#### Statement of Investment Principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has produced a Statement of Investment Principles, dated May 2021: <https://www.midcounties.coop/legal/corporate-info/governance/>

The main priority of the Trustee when considering the investment policy is to make available investment funds, which serve to meet the varying investment needs and risk tolerances of the Scheme. The Trustee has prepared an Implementation Statement detailing how their policies on engagement and voting as set out in the Statement of Investment Principles (the "SIP") have been adhered to during the year, which is appended to this Report.

#### Custodial Arrangements

The Trustee has appointed State Street Bank & Trust Company as Custodian of the Scheme's assets and records of entitlements. The Custodian is responsible for the safekeeping of share certificates and other documentation relating to the listed investments. The custodial arrangements are the responsibility of the Trustee of the Scheme and are reviewed from time to time. The Trustee has no direct ownership of the underlying assets of any pooled fund in which the Scheme invests.

#### Investment Management Expenses

The Investment Managers are remunerated based on the value of the funds under management.

#### Environmental, Social and Governance Considerations

The Trustee has delegated investment selection, deselection and the ongoing management of relationships with investment managers to the Fiduciary Manager within guidelines set by the Trustee in the FMA. Investments will be made by the Fiduciary Manager on behalf and in the name of the Trustee, either directly in pooled vehicles or by the appointment of thirdparty investment managers to provide discretionary investment management services to the Trustee.

The Trustee considers the Fiduciary Manager's performance in carrying out these responsibilities as part of its ongoing oversight of the Fiduciary Manager. The Trustee expects the Fiduciary Manager to ensure that, the Scheme's investment portfolio, in aggregate, is consistent with the policies set out in the SIP, in particular those required under the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee expects the Fiduciary Manager to:

- Check that the investment objectives and guidelines of any pooled vehicle are consistent with the Trustee's policies contained in the SIP.
- Set appropriate guidelines within each investment management agreement for segregated investments with a view to ensuring consistency with the Trustee's policies contained in the SIP.

In accordance with the Financial Services and Markets Act 2000, the selection of specific investments will be delegated to Investment Managers. The Investment Managers will provide the skill and expertise necessary to manage the investments of the Scheme competently.

**THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**Investment Matters (continued)**

**Environmental Social and Governance Considerations (continued)**

The Trustee and Fiduciary Manager are not involved in the Investment Managers day-to-day method of operation and do not directly seek to influence attainment of their performance targets. However, the Fiduciary Manager may provide investment recommendations to Investment Managers appointed by the Trustee where it considers it appropriate. The Fiduciary Manager will maintain processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for each Investment Manager, consistent with the achievement of the Scheme's long term objectives.

The Trustee expects the Fiduciary Manager to assess the alignment of each Investment Managers' approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf. The Trustee expects the Fiduciary Manager to engage with the Scheme's Investment Managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and Environmental, Social and Governance ("ESG") impact of underlying holdings. In addition, the Trustee expects the Fiduciary Manager to review the Investment Managers' approach to sustainable investment (including engagement) on a regular basis and engage with the Investment Managers to encourage further alignment as appropriate.

The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assessment.

The Fiduciary Manager encourages and expects the Scheme's Investment Managers to sign up to local or other applicable stewardship codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the Investment Managers. The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement.

The Trustee expects the Fiduciary Manager to consider the fee structures of Investment Managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial selection of an investment manager and on an ongoing basis. Investment Managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the Fiduciary Manager to review and report on the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual Investment Manager level, the Trustee expects the Fiduciary Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

**THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**Compliance Matters**

**The Pensions Regulator**

The statutory body that regulates occupational pension schemes is the Pensions Regulator and can be contacted at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

Telephone: 0345 600 1011  
Email: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

**The Pensions Tracing Service**

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service  
The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU

Telephone: 0800 731 0193  
Website: [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

**MoneyHelper Service**

For any general enquiries on their pensions, members can contact the MoneyHelper Service. A local adviser can usually be contacted through a Citizen's Advice Bureau. Alternatively, the Service can be contacted at:

MoneyHelper  
120 Holborn  
London  
EC1N 2TD

Telephone: 0115 965 9570  
Email: [pensions.enquiries@moneyhelper.org.uk](mailto:pensions.enquiries@moneyhelper.org.uk)  
Website: [www.maps.org.uk](http://www.maps.org.uk)



**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**Compliance Matters (continued)**

**Pensions Ombudsman**

Any concerns connected with the Scheme should be referred to Premier Pensions Management Ltd, AMP House, Dingwall Road, Croydon, CR0 2LX as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the Administrator or Trustee can consult with The Pensions Ombudsman. The address is:

The Pensions Ombudsman  
10 South Colonnade  
Canary Wharf  
E14 4PU

Telephone: 0800 917 4487  
Email: [helpline@pensions-ombudsman.org.uk](mailto:helpline@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

**Data Protection**

The Trustee is registered as a Data Controller within the meaning of GDPR guidelines (formerly under the Data Protection Act 1998) to hold such information as is necessary for the management of the Scheme. Premier Pensions Management Ltd is registered as a Data Processor under GDPR guidelines (formerly under the Act).

**Enquiries**

Members can obtain information about their own pension benefits, copies of the Scheme's governing documentation or further information about the Scheme by contacting:

The Midcounties Co-operative Pension Scheme  
Premier Pensions Management Ltd  
AMP House  
Dingwall Road  
Croydon  
Surrey  
CR0 2LX

Email: [Midcounties.Co-operativePensionScheme@Premiercompanies.co.uk](mailto:Midcounties.Co-operativePensionScheme@Premiercompanies.co.uk)

**THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME**  
**TRUSTEE'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**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 (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 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 them 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 the Employer 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 the members.

The Trustee's Report and Statement of Trustee's Responsibilities were approved by the Trustee and signed on its behalf by:

Trustee Director:



Trustee Director:



Date: 18 July 2023

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**Opinion**

We have audited the financial statements of The Midcounties Co-operative Pension Scheme for the year ended 31 December 2022 which comprise the Fund Account, Statement of Net Assets (available for benefits) 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 December 2022, 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 documents, 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.

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**Other information (continued)**

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 on page 16 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.



**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

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

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, 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  
10<sup>th</sup> Floor  
103 Colmore Row  
Birmingham  
West Midlands  
B3 3AG

Date: 24/07/23

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**FUND ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
<b>Contributions and Benefits</b>			
Employer contributions	4	7,785,895	8,397,961
Other income	5	23,364	59,490
		<u>7,809,259</u>	<u>8,457,451</u>
Benefits paid or payable	6	(6,839,537)	(6,476,699)
Payments to and on account of leavers	7	(1,477,370)	(1,289,076)
Administrative expenses	8	(1,322,588)	(1,197,773)
		<u>(9,639,495)</u>	<u>(8,963,548)</u>
<b>Net Withdrawals from Dealings with Members</b>		<u>(1,830,236)</u>	<u>(506,097)</u>
<b>Returns on Investments</b>			
Investment management expenses	9	(682,063)	(709,204)
Investment income	10	11,483,209	15,983,852
Change in market value of investments	11	(123,158,102)	(3,511,974)
<b>Net Returns on Investments</b>		<u>(112,356,956)</u>	<u>11,762,674</u>
<b>Net (Decrease)/Increase in the Fund</b>		<u>(114,187,192)</u>	<u>11,256,577</u>
<b>Net Assets at 1 January</b>		<u>282,087,877</u>	<u>270,831,300</u>
<b>Net Assets at 31 December</b>		<u>167,900,685</u>	<u>282,087,877</u>

The notes on pages 22 to 36 form an integral part of these financial statements.

## THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

### STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
<b>Investments</b>			
Pooled investment vehicles	12	161,547,809	279,475,363
AVC investments	13	785,229	712,557
Income receivable	11	220,000	200,000
Cash	11	81,822	-
Cash in transit	11	3,603,936	-
		<u>166,238,796</u>	<u>280,387,920</u>
<b>Current Assets</b>	18	2,348,245	2,199,358
<b>Current Liabilities</b>	19	<u>(686,356)</u>	<u>(499,401)</u>
<b>Net Assets at 31 December</b>		<u>167,900,685</u>	<u>282,087,877</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 8 and 9 and the Actuarial Certificate on page 37 and these financial statements should be read in conjunction with them.

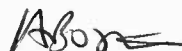
The notes on pages 22 to 36 form part of these financial statements.

The financial statements were approved by the Trustee and signed on its behalf by:

Trustee Director:



Trustee Director:



Date: 18th July 2023

**THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**1. BASIS OF PREPARATION**

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

In determining the appropriate basis of preparation of the financial statements, the Trustee is required to consider whether the Scheme can continue in existence for a period of at least 12 months from the date of the approval of the financial statements.

The Trustee believes the going concern basis to be appropriate as the Scheme has adequate liquid resources to meet pension and member benefit obligations in the normal course of operation for at least the next twelve months. In reaching this conclusion, the Trustee has also considered forecasts prepared by the Employer and the Employer assessment of current and future trading. The Trustee is of the view that the scenarios outlined by the Employer, which are deemed to represent a severe and plausible test on the Employer’s ability to continue to adopt the going concern basis, confirm that the Employer has adequate resources and will comply with its covenant requirements, to allow the Employer to continue to meet its required contributions to the Scheme for the foreseeable future.

**2. IDENTIFICATION OF THE FINANCIAL STATEMENTS**

The Scheme is registered as a trust under English law. The address for enquiries is included in the Trustee’s Report.



## THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 3. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements and have been applied consistently.

##### 3.1 Contributions

Employer deficit funding and expenses contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions.

##### 3.2 Other Income

All other income is accounted for on an accruals basis.

##### 3.3 Payments to Members

- a) Pensions in payment are accounted for in the period to which they relate.
- b) Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retirement or leaving. Benefits taken are reported gross of any tax settled by the Scheme on behalf of the member.
- c) Individual transfers out are accounted for when member liability is discharged, which is normally when the transfer amount is paid.

##### 3.4 Expenses

Administrative and investment management expenses are accounted for on an accruals basis.

##### 3.5 Investment Income

- a) Income from pooled investment vehicles is accounted for when declared by the fund manager and on a received basis for Liability Driven Investment ("LDI") income, given the unpredictability of receipt.
- b) Income on pooled investment vehicles which do not distribute income is reflected within the unit price of the investment.
- c) Income from insurance policies and interest on cash deposits is accounted for on an accruals basis.

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**3. ACCOUNTING POLICIES (continued)**

**3.6 Currency**

The Scheme's functional and presentational currency is Pounds Sterling (GBP).

- a) Assets and liabilities in foreign currencies are expressed in Sterling at the rates of exchange ruling at the year end.
- b) Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction.

**3.7 Valuation of Investments**

- a) Investments are included at fair value.
- b) Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager at the year end. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the investment manager at the year end.
- c) The AVC investments comprise policies of assurance. The market value of these policies has been taken as the surrender value of the policies at the year end, as advised by the AVC provider.
- d) The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but their capital value is not deemed material to disclose within the financial statements.

**3.8 Accounting Estimates**

The Trustee makes estimates and assumptions concerning the future. The accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme's investments and, in particular, those classified in Level 3 of the fair value hierarchy.

**3.9 Change in Market Value of Investments**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including any profits and losses realised on sales of investments during the year.

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**4. EMPLOYER CONTRIBUTIONS**

	2022	2021
	£	£
Deficit funding	7,000,001	7,000,000
Expenses	785,894	1,397,961
	<u>7,785,895</u>	<u>8,397,961</u>

In accordance with the Recovery Plan and Schedule of Contributions certified by the Scheme Actuary on 27 March 2020, the Employer was to pay deficit funding contributions after the year end, of £7m per annum until 31 January 2031 inclusive.

In accordance with the new Recovery Plan and Schedule of Contributions certified by the Scheme Actuary on 29 November 2022, the Employer will continue to pay deficit funding contributions for November and December 2022. The employer has also agreed to recommence the £7m per annum contributions from May 2023 to January 2027 inclusive at a rate of £538,462 per month, payable quarterly plus a one-off payment of £2,333,333 falling due on 30 April 2023, which was paid on 19 May 2023.

**5. OTHER INCOME**

	2022	2021
	£	£
Life assurance claims	-	56,061
Interest on cash held with the Scheme Administrator	22,944	1,749
Transfer calculation fees	420	1,680
	<u>23,364</u>	<u>59,490</u>

**6. BENEFITS PAID OR PAYABLE**

	2022	2021
	£	£
Pensions	5,293,691	5,063,730
Commutation of pensions and lump sum retirement benefits	1,539,807	1,252,229
Lump sum death benefits	6,039	160,740
	<u>6,839,537</u>	<u>6,476,699</u>

## THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

#### 7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022	2021
	£	£
Individual transfers to other schemes	<u>1,477,370</u>	<u>1,289,076</u>

#### 8. ADMINISTRATIVE EXPENSES

	2022	2021
	£	£
PPF & TPR levies	796,324	771,816
Actuarial & consultancy	299,055	220,509
Administration	155,828	154,649
Audit	31,787	22,520
Covenant review	34,120	21,611
Legal	4,018	5,223
Bank charges	1,456	1,445
	<u>1,322,588</u>	<u>1,197,773</u>

Administrative expenses are borne by the Scheme, with the Employer remitting additional contributions to cover part of the cost of these expenses (as detailed in Note 4).

#### 9. INVESTMENT MANAGEMENT EXPENSES

	2022	2021
	£	£
Fiduciary investment management	444,763	497,706
Other administration, management and custody	<u>237,300</u>	<u>211,498</u>
	<u>682,063</u>	<u>709,204</u>

#### 10. INVESTMENT INCOME

	2022	2021
	£	£
Income from pooled investment vehicles	11,427,939	15,931,445
Income from insurance policies	<u>55,270</u>	<u>52,407</u>
	<u>11,483,209</u>	<u>15,983,852</u>

Income from pooled investment vehicles includes £9.2m (2021: £14.8m) distributed from the Insight LDI portfolio in response to falling bond yields.



## THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 11. RECONCILIATION OF INVESTMENTS

Reconciliation of investments held at the beginning and the end of the year:

	Value at 1 January 2022 £	Purchases at Cost £	Sales Proceeds £	Change in Market Value £	Value at 31 December 2022 £
Pooled investment vehicles	279,475,363	309,128,855	(303,801,473)	(123,254,936)	161,547,809
AVC investments	712,557	-	(24,162)	96,834	785,229
	280,187,920	309,128,855	(303,825,635)	(123,158,102)	162,333,038
Income receivable	200,000				220,000
Cash deposits	-				81,822
Cash in transit	-				3,603,936
	280,387,920				166,238,796

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and deducted from sales proceeds. The Scheme investments are held exclusively within pooled investment vehicles and as such the Scheme does not incur any direct transaction costs.

Indirect costs are incurred through the bid-offer spreads on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

**THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**12. POOLED INVESTMENT VEHICLES**

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

	2022	2021
	£	£
Liability driven investments (LDI) *	66,860,326	81,427,120
Diversifying strategies **	27,418,568	45,824,811
Property	22,422,588	35,474,219
Bonds	14,860,244	36,807,497
Liquidity	13,216,460	25,057,182
Equities	9,982,798	40,869,529
Infrastructure	2,545,531	11,084,804
Downside risk hedge	2,234,046	426,651
Private equity ***	2,007,248	2,503,550
	<b>161,547,809</b>	<b>279,475,363</b>

\* LDI investments are held with Insight and represent the matching assets held by the Scheme. This includes fixed and inflation linked gilts and swaps.

\*\* The Scheme invests in the Towers Watson Diversifying Strategies Fund, which holds a variety of investments including bonds, derivatives, commodities and other investments.

\*\*\* Private equity investments comprise a limited partnership that invests in other private equity funds, equities and bonds.

**13. AVC INVESTMENTS**

The Trustee holds assets invested separately from the main fund in the form of individual policies of assurance. These secure additional benefits, on a money purchase basis, for those members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments held at the year end are as follows:

	2022	2021
	£	£
Royal London	<b>785,229</b>	<b>712,557</b>

**14. EMPLOYER RELATED INVESTMENTS**

During the year there were no direct or indirect Employer related investments.

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**15. INVESTMENT FAIR VALUE HIERARCHY**

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

- Level 1:** The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment dates.
- Level 2:** Inputs other than the quoted prices included within Level 1 which are observable (i.e. developed for the asset or liability either directly or indirectly).
- Level 3:** Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the purposes of this analysis, daily priced funds have been included in (1), weekly priced funds in (2), and monthly net asset values in (3).

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Pooled investment vehicles	-	159,540,561	2,007,248	161,547,809
AVC investments	-	-	785,229	785,229
Income receivable	220,000	-	-	220,000
Cash	81,822	-	-	81,822
Cash in transit	3,603,936	-	-	3,603,936
	<b>3,905,758</b>	<b>159,540,561</b>	<b>2,792,477</b>	<b>166,238,796</b>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>2021</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Pooled investment vehicles	-	276,971,813	2,503,550	279,475,363
AVC investments	-	-	712,557	712,557
Income receivable	200,000	-	-	200,000
	<b>200,000</b>	<b>276,971,813</b>	<b>3,216,107</b>	<b>280,387,920</b>

## THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 16. INVESTMENT RISK DISCLOSURES

FRS 102 requires the disclosure of information in relation to certain investment risks. FRS 102 sets out these risks as follows:

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

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

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

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

The Scheme investments are invested across a range of asset classes such as equities, credit, alternative credit and other alternatives (real estate, infrastructure, diversifiers). The Scheme assets have exposure and are correlated to wider market risks including interest rate and credit risk within the underlying pooled funds. The risks within the Scheme are subject to constant monitoring by the Fiduciary Manager, Willis Towers Watson Limited.

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



**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**16. INVESTMENT RISK DISCLOSURES (continued)**

**Credit Risk**

The Scheme is subject to direct credit risk as all its investments are through pooled investment vehicles. The Scheme also has indirect exposure to credit risks arising on the financial instruments held by some of the 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.

A summary of the legal structure of the pooled investment vehicles held by the Scheme is shown below:

<b>Legal nature of the pooled arrangements</b>	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Unit linked insurance contracts	<b>21.18</b>	70.49
Irish Collective Asset-management Vehicle	<b>69.09</b>	81.85
Open ended investment companies	<b>23.45</b>	44.32
Limited liability partnerships	<b>2.02</b>	2.39
Qualifying Investor Alternative Investment Fund	<b>27.95</b>	45.48
UCITs	<b>13.13</b>	26.06
SICAV	<b>4.73</b>	9.43
	<b>161.55</b>	279.02

Note: rows/columns may not sum due to rounding

The Scheme's Fiduciary Manager (Willis Towers Watson Limited) carries out operational and due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled managers.

A summary of the investments subject to direct credit risk as at 31 December 2022 is shown in the table below:

## THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

#### 16. INVESTMENT RISK DISCLOSURES (continued)

	Investment grade £m	Unrated £m	Total £m
Managed Funds and Pooled investments	-	159.53	159.99
Private Equity	-	2.02	2.02
Cash Deposits and Other Investment Assets	3.76	-	3.76
	3.76	161.55	165.78

Note: rows/columns may not sum due to rounding

Cash is held within financial institutions which are at rated as at least investment grade. The cash account for the Scheme is held at State Street, also the custodian for the Scheme.

A summary of the investments subject to indirect credit risk as at 31 December 2022 is shown in the table below:

<b>Plan investments subject to indirect credit risk</b>	<b>£m</b>
Pooled investment vehicles	68.16

#### Currency Risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The Trustee has set a mandate to have exposure to Sterling (£) between 50 - 100%. The Scheme's total exposure by major currency as at 31 December was as follows:

Currency	% of Pooled Investment Vehicles	
	2022	2021
GBP	90.4	92.9
EM	3.6	4.5
USD	5.0	3.5
CNY	0.7	0.5
EUR	-0.5	-1.0
JPY	-	-0.4
Others	0.8	-

The investment manager will consider the risk and reward when determining which investments to hold.

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**16. INVESTMENT RISK DISCLOSURES (continued)**

**Interest Rate Risk**

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in gilts, corporate and sovereign bonds, interest rate swaps and cash through pooled investment vehicles.

Willis Towers Watson Limited manages these assets in line with the ranges set out in the FMA. A Liability Driven Investment (LDI) portfolio is used to hedge the interest rate exposure under the fiduciary managers discretion. Under this approach, if interest rates fall, the value of the LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in interest rates. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of a rise in interest rates. The LDI mandate is managed by Insight and as at 31 December 2022 constituted 48.3% of the Scheme's assets.

**Other Price Risk**

Other price risk arises in relation to the Scheme's return seeking portfolio which includes equities held in pooled investment vehicles, property and private equity funds. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

The Plan also holds exposure to developed market currencies as part of its extreme risk hedge.

**17. CONCENTRATION OF INVESTMENTS**

The following investments account for 5% or more, of the Scheme's net assets as at 31 December:

	2022		2021	
	£	%	£	%
WTW Diversifying Strategies Fund (USD Unhedged)	19,308,223	11	37,441,588	13
Prudential M&G Secured Property Income Fund	18,859,046	11	24,501,976	9
WTW Fiduciary Leveraged Long Real FX Hedging Fund	18,684,672	11	31,585,142	11
WTW Fiduciary Leveraged Long Fixed Fund	15,823,758	9	25,225,527	9
Insight Liquidity Holding Fund (LDI)	15,793,747	9	13,813,563	5
Insight Liquidity Fund (Non LDI)	13,133,301	8	20,530,402	7
Insight Leveraged Short Real Fund (LDI)	11,377,954	7	-	-
WTW Secure Income Bond Fund	8,110,344	5	-	-

## THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

#### 18. CURRENT ASSETS

	2022	2021
	£	£
Cash held with the Scheme Administrator	1,709,042	1,524,938
Employer contributions due	598,915	645,997
Other amounts due from Employer	24,026	24,026
Income due from insurance policies	16,262	4,397
	<u>2,348,245</u>	<u>2,199,358</u>

Employer contributions due were received after the year end, in accordance with the latest Schedule of Contributions certified by the Scheme Actuary on 29 November 2022.

#### 19. CURRENT LIABILITIES

	2022	2021
	£	£
Investment management expenses payable	276,718	217,350
Benefits payable	183,171	124,205
Administrative expenses payable	152,542	85,620
PAYE due to HMRC	73,925	72,226
	<u>686,356</u>	<u>499,401</u>

#### 20. TAXATION

The Scheme is a registered Pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income and capital gains tax.



**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**21. RELATED PARTY TRANSACTIONS**

*Key Management Personnel of the Entity*

At the Scheme year end, three Trustee Directors were pensioners of the Scheme.

All Pensioner Trustee Directors receive benefits in accordance with the Scheme Rules and on the same terms as are normally granted to members. Trustee Director fees are borne by the Employer, amounting to £1,078 each per year – dependent on them completing the Pension Regulator's Trustee Toolkit. The only exception to this is the Trustee Chair who receives a higher amount of £1,508 per year. Fees for the services of the independent Trustee, Zedra, totalled £36,014 (2021: £28,000). These are also paid by the Employer and not recharged to the Scheme.

A salary is also paid to the Secretary to the Trustee by the Employer.

*Entities With Control, Joint Control or Significant Influence over the Entity*

Administrative fees and those from the Fiduciary Manager are paid by the Employer and recharged to the Scheme. The amount due to the Employer as at 31 December 2022 was £255,278 (2021: £199,970).

**22. CONTINGENT ASSET**

In accordance with the latest Schedule of Contributions certified by the Scheme Actuary on 27 March 2020, the Employer has confirmed that it will provide contingent security during the term of the recovery period as follows:

- A first charge over £10m worth of property assets that will remain in place until 1 September 2026.
- A first charge over an additional £12m worth of property assets that will remain in place until the Trustee and the Employer agree it is no longer required.

If it is agreed that a property is sold that is currently charged to the Scheme, the Trustee and the Employer have agreed that any proceeds from the sale of that property will be paid into the Scheme as soon as reasonably practicable (but in any event within 5 business days) following the Employer receiving proceeds of the sale. Further, the Trustee and Employer have agreed that any contributions received following the sale of a property will not be used to offset any deficit contributions otherwise payable.

The only exception to the above is if the sold property is substituted for an alternative property of similar (or higher) value.

## THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 23. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

##### *Siguler Guff Distressed Opportunities Fund IV*

The Scheme had contractual commitments at the year end with Siguler Guff Distressed Opportunities Fund IV of \$800,000 (2021: \$800,000) which had a Sterling equivalent of £661,102 (2021: £593,000).

##### *GMP Equalisation*

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their scheme must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. Following the ruling, it is expected that the Trustee will need to equalise guaranteed minimum pensions between men and women. This is likely to result in additional liabilities for the Scheme for equalisation of the benefits already crystallised e.g. historical transfers out, retirement benefits etc.

The value of the additional liabilities (including backdated payments and interest) has been estimated by the Scheme Actuary as £0.55m, using the "C2" methodology. In addition, a reserve of £1m has been added to the liabilities of the Scheme within the Actuarial valuation carried out as at 31 December 2021, to meet the costs of equalising GMPs and data cleanse work. These liabilities are not considered material to the accounts and therefore no amounts have been accrued on this basis.

A GMP Reconciliation/Rectification Project is currently being carried out by the Scheme Administrator, with the final data cut having now been received from HMRC.

Subsequently, on 20 November 2020, the High Court issued a follow up judgment in respect of the Lloyds Banking Group ruling that any transfers out paid since 17 May 1990 must potentially be increased to reflect additional liabilities arising from the equalisation of GMPs accrued between 17 May 1990 and 5 April 1997. This could potentially result in top-up payments to members but presents significant challenges for the Trustee and Scheme Administrator in terms of:

- Identifying transfers paid since 1990.
- Equalising the transfer payment.
- Tracking the relevant members and the arrangements they transferred to.

The Trustee is currently reviewing all options with its Scheme Advisers.

## THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

### ACTUARIAL CERTIFICATE

---

#### CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

##### 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 October 2022 to be met by the end of the period specified in the Recovery Plan dated 29 November 2022.

##### 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 29 November 2022.

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:

*Damian McClure*

Name:

Damian McClure

Date of Signing:

29 November 2022

Address:

Mercer Limited  
12 Booth Street  
Manchester  
M2 4AW

Qualification:

Fellow of the Institute and Faculty of Actuaries

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**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 Midcounties Co-operative Pension Scheme**

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

We have examined the Summary of Contributions payable to The Midcounties Co-Operative Pension Scheme on page 40, in respect of the Scheme year ended 31 December 2022. In our opinion, the contributions for the Scheme year ended 31 December 2022 as reported in the Summary of Contributions page 40 and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 27 March 2020 and 29 November 2022.

**Scope of work on Statement about Contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 40 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

**Respective Responsibilities of Trustee and Auditor**

As explained more fully on page 16 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 Schedules of Contributions.

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

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**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 them 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  
10<sup>th</sup> Floor  
103 Colmore Row  
Birmingham  
West Midlands  
B3 3AG

Date: 24/07/23



**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**SUMMARY OF CONTRIBUTIONS PAYABLE**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

During the year ended 31 December 2022, the contributions payable to the Scheme by the Employer were as follows:

<b>Employer Contributions Payable under the Schedule of Contributions:</b>	<b>2022</b>
	<b>£</b>
Deficit funding	<b>7,000,001</b>
Expenses	<b>785,894</b>
	<hr/>
<b>Contributions per Note 4</b>	<b>7,785,895</b>

The Schedule of Contributions requires the Employer to pay the proceeds of sale of any assets held under the guarantee to the Scheme within 5 business days following the receipt of proceeds by the Employer. Under the new Schedule of Contributions, contributions or substitution of the property is allowed. There were no property sales in the year.

The Summary of Contributions was approved by the Trustee and signed on its behalf by:

Trustee Director:



Trustee Director:



Date:

18th July 2023

**THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME**  
**APPENDIX – IMPLEMENTATION STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

---

Midcounties Co-operative Pension Scheme

**Annual Implementation  
Statement – Scheme year  
ending 31 December 2022**

# Table of Contents

Section 1: Introduction .....	3
Section 2: How the Trustee has adhered to its engagement and voting policies .....	4
Section 3: Voting information .....	6
Section 4: Conclusion .....	12

## Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Midcounties Co-operative Pension Scheme (“the Scheme”) covering the scheme year (“the year”) from 1 January 2022 to 31 December 2022.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee’s policies on engagement and voting as set out in the Statement of Investment Principles (the “SIP”) have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of a proxy voting services during the year.

The Scheme makes use of a wide range of investments; therefore the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

In order to ensure that the investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies set out in the Trustee’s SIP.

The SIP is a document which outlines the Trustee’s policies with respect to various aspects related to investing and managing the Scheme’s assets including but not limited to: investment managers, portfolio construction and risks. The version in place as at the end of the scheme year was dated May 2021.

For the purpose of assessing how the Scheme’s SIP has been followed, this statement specifically focusses on the SIP agreed in May 2021. We consider that all SIP policies and principles relevant to this statement were adhered to.

The latest version of the SIP can be found online [here](#).



## Section 2: How the Trustee has adhered to its engagement and voting policies

As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio.

The Trustee's view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

### Industry wide / public policy engagement

Regarding engagement, the Trustee's SIP states that:

"The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures which the Fiduciary Manager takes into account in the assessment.

The Fiduciary Manager encourages and expects the Scheme's investment managers to sign up to local or other applicable stewardship codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers."

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

The Fiduciary Manager engages with the Scheme's investment managers on behalf of the Trustee. The Trustee has considered and reviewed their stewardship and engagement policies as part of the previous reviews of their Statement of Investment Principles.

The Fiduciary Manager's process for selecting, monitoring and de-selecting investment managers explicitly and formally includes an assessment of a manager's approach to sustainable investment (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures).

The Fiduciary Manager produces detailed reports on the SI characteristics of the highest-rated managers (such as those included in the Scheme's portfolio) on an annual basis. These reports form part of the Trustee's ongoing portfolio monitoring. The Trustee last reviewed these reports at its meeting in September 2022.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

## Section 3: Voting information

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of votes, three of those deemed most significant by the Trustee have been shown below. The Trustee has endeavoured to select "significant" votes which align with the Trustee's identified priorities for voting and engagement in this instance climate where the data has allowed.

The Scheme was invested in the following standalone equity funds over the year to 31 December 2022.

- **LGIM Adaptive Cap ESG Equity Fund:** Global equity index fund which includes considerations to climate change and sustainable investment factors through allocation weightings and exclusions.
- **LGIM Robeco Global Sustainable Multi-Factor Equity Fund:** Global equity semi-passive fund which includes considerations to climate change and sustainable investment factors through allocation weightings and exclusions.
- **LGIM Heitman Global Prime Property Fund:** Global listed equity fund that focusses on prime property
- **LGIM Infrastructure Equity MFG Fund:** Global listed equity fund that focusses on infrastructure assets

The Fiduciary Manager views LGIM's approach to voting as a strength and its ESG integration and engagement as acceptable. The manager publicly supports ESG initiatives and discloses its ESG integration and analysis policy. The manager's voting policy is also publicly disclosed and includes beliefs on voting for a wide range of ESG related issues.

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment managers. This section sets out the voting activities of the Scheme's equity investment managers over the year, including details of the investment managers' use of proxy voting.

The Scheme's investment managers have their own voting policies which determine their approach to voting, and the principles they follow when voting on investors' behalf. All investment managers also use voting proxy advisors which aid in their decision-making when voting. Details are summarised in the table below:

Manager	Use or proxy advisor services:
LGIM	<p>LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decision.</p> <p>LGIM use ISS recommendations to augment their own research. LGIM's internal investment stewardship team also use research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.</p> <p>LGIM have a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM have the ability to override any vote decisions which are based on this custom voting policy if they see fit.</p>

	<p>LGIM's voting policies are set out at the following link:  <a href="https://www.lgim.com/uk/en/capabilities/investment-stewardship/">https://www.lgim.com/uk/en/capabilities/investment-stewardship/</a></p>
--	---

Further information on the voting and engagement activities of the managers is provided in the table below. Where managers provided multiple examples of “significant votes” we show three demonstrative examples.

**LGIM Adaptive Cap ESG Equity Fund**

<b>Voting activity</b>	<p>Number of votes eligible to cast: 3,247</p> <p>Percentage of eligible votes cast: 99.8%</p> <p>Percentage of votes with management: 77.81%</p> <p>Percentage of votes against management: 20.9%</p> <p>Percentage of votes abstained from: 1.3%</p>			
<b>Most significant votes cast</b>	<b>Company</b>	Equinor ASA	UBS Group AG	Barclays Plc
	<b>Size of holdings (as % of portfolio)</b>	0.17%	0.18%	0.12%
	<b>Resolution</b>	Approve Company's Energy Transition Plan (Advisory Vote)	Approve Climate Action Plan	Approve Barclays' Climate Strategy, Targets and Progress 2022
	<b>Decision /Vote</b>	Against	Against	Against
	<b>Rationale for decision</b>	<p>LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. Whilst LGIM welcome Equinor's progress in setting emission reduction targets covering all scopes of emissions, LGIM remain concerned over Equinor's future plans in oil and gas production.</p>	<p>LGIM positively note the company's progress over the last year, as well as its recent commitment to net zero by 2050 across its portfolio, but have concerns with the strength and coverage of the Climate Action Plan's Scope 3 targets and would ask the company to seek external validation of its targets against credible 1.5°C scenarios. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans.</p>	<p>LGIM positively note the Company's use of absolute emissions targets for its exposure in the Energy sector, as well as the inclusion of capital markets financed emissions within its methodology, LGIM have concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions needed for long-term 1.5C temperature alignment. A vote Against is therefore applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.</p>
	<b>Rationale for classifying as significant</b>	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.</p>
	<b>Outcome of vote</b>	Passed	Passed	Passed



**LGIM Robeco Global Sustainable Multi-Factor Equity Fund**

<b>Voting activity</b>	<p>Number of votes eligible to cast: 2,143</p> <p>Percentage of eligible votes cast: 99.8%</p> <p>Percentage of votes with management: 79.4%</p> <p>Percentage of votes against management: 19.6%</p> <p>Percentage of votes abstained from: 1.0%</p>			
<b>Most significant votes cast</b>	<b>Company</b>	Sumitomo Mitsui Financial Group, Inc.	Alphabet Inc.	Rio Tinto Plc
	<b>Size of holdings (as % of portfolio)</b>	0.15%	0.96%	0.28%
	<b>Resolution</b>	Amend Articles to Disclose Measures to be Taken to Make Sure that the Company's Lending and Underwriting are not Used for Expansion of Fossil Fuel Supply or Associated Infrastructure	Report on Physical Risks of Climate Change	Approve Climate Action Plan
	<b>Decision /Vote</b>	For	For	Against
	<b>Rationale for decision</b>	<p>A vote in support of this proposal is warranted as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the company's commitments and recent global energy scenarios. This includes but is not limited to, stopping investments towards the exploration of new greenfield sites for new oil and gas supply.</p>	<p>LGIM expects companies to be taking sufficient action on the key issue of climate change.</p>	<p>LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.</p>
	<b>Rationale for classifying as significant</b>	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.</p>	<p>LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.</p>
<b>Outcome of vote</b>	Failed	Failed	Failed	Passed

**LGIM Heitman Global Prime Property Fund**

<b>Voting activity</b>	<p>Number of votes eligible to cast: 90</p> <p>Percentage of eligible votes cast: 100.0%</p> <p>Percentage of votes with management: 81.3%</p> <p>Percentage of votes against management: 18.0%</p> <p>Percentage of votes abstained from: 0.1%</p>			
<b>Most significant votes cast</b>	<b>Company</b>	Prologis, Inc.	Mapletree Logistics Trust	PSP Swiss Property AG
	<b>Size of holdings (as % of portfolio)</b>	1.64%	1.04%	1.42%
	<b>Resolution</b>	Elect Director Hamid R. Moghadam	Adopt Report of the Trustee, Statement by the Manager, Audited Financial Statements and Auditors' Report	Re-elect Luciano Gabriel as Board Chairman
	<b>Decision /Vote</b>	Against	Against	Against
	<b>Rationale for decision</b>	<p>LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence. LGIM also expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>	<p>The company is deemed to not meet minimum standards with regards to climate transition, risk management and disclosure. Climate change is one of the defining issues of our time. In recognition of its potentially catastrophic outcomes for the world – and LGIM clients' assets – LGIM support efforts to limit carbon emissions to net zero by 2050. Where company's do not meet LGIM expectations they will hold the Chair responsible for the lack of action. LGIM assess the company's climate transition, risk management and disclosure under LGIM's Climate Impact Pledge methodology.</p>	<p>A vote against is applied as LGIM expects a company to have a diverse board, with at least 25% of board members being women. We expect companies to increase female participation both on the board and in leadership positions over time.</p>
	<b>Rationale for classifying as significant</b>	<p>LGIM considers this vote to be significant as it is in application of an escalation of their voting policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.</p>	<p>LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.</p>	<p>LGIM views gender diversity as a financially material issue for our clients, with implications for the assets they manage on others behalf.</p>
	<b>Outcome of vote</b>	Passed	Passed	N/A

**LGIM Infrastructure Equity MFG Fund**

<b>Voting activity</b>	Number of votes eligible to cast: 91 Percentage of eligible votes cast: 100.0% Percentage of votes with management: 76.5% Percentage of votes against management: 23.5% Percentage of votes abstained from: 0.0%			
<b>Most significant votes cast</b>	<b>Company</b>	VINCI SA	American Electric Power Company, Inc.	Getlink SE
	<b>Size of holdings (as % of portfolio)</b>	2.87%	1.81%	1.84%
	<b>Resolution</b>	Re-elect Xavier Huillard as Director	Elect Director Nicholas K. Akins	Approve Company's Climate Transition Plan (Advisory)
	<b>Decision /Vote</b>	Against	Against	Against
	<b>Rationale for decision</b>	LGIM expects companies not to combine the roles of Board Chair and CEO. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.	LGIM expects the roles of Board Chair and CEO to be separate and not to be recombined once separated. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.	A vote against is applied due to the lack of clarity around long-term goals and net zero ambitions.
	<b>Rationale for classifying as significant</b>	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.
	<b>Outcome of vote</b>	Passed	Passed	Passed

## Section 4: Conclusion

The Trustee believes that the Scheme's voting and engagement policies as outlined in the SIP have been adhered to over the scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that LGIM are acting in the Scheme members' best interest and are effective stewards of the Scheme's assets.

The Fiduciary Manager will continue to monitor the investment managers' stewardship practices on an ongoing basis. The Fiduciary Manager believes that the governance policies of both the investment managers and the fiduciary manager are aligned with the engagement policy outlined in the SIP.