

# The FSS Pension Scheme

Annual Report and Financial Statements

30 November 2024

Scheme Registration number 10275544

# Contents

## Page

Section 1 – Trustee and its Advisers	3
Section 2 – Report of the Trustee	4
Management of the Scheme	4
Scheme Membership	10
Investment Policy	11
Statement of Trustee’s responsibilities	24
Further Information	25
Section 3 – Independent Auditors’ Report to the Trustee of the FSS Pension Scheme	27
Section 4 – Financial Statements	30
Section 5 – Notes to the Financial Statements	32
Section 6 – Independent Auditors’ Statement about Contributions	47
Section 7 – Actuarial Statement & Certificate	49
Section 8 – Schedule of Contributions	50

### Appendices:

Engagement Policy Implementation Statement for the Year Ending 30 November 2024

## Section 1 – Trustee and its Advisers

### The Trustee

Trustee Company: FSS Pension Trustees Limited

#### Trustee Directors

Independent Trustee Services Limited (“ITS”) represented by:

Christopher Martin (Chair)

Shehzad Ahmad

Alison Denise Fendley

Alan Charles Organ

Romelle Christine Piercy

David Michael Rees

#### Secretary to the Trustee

Mercer Limited

Four Brindley Place

Birmingham B1 2JQ

### Advisers

The advisers to the Trustee are set out below:

#### Actuary

Kathryn Taylorson FIA, Mercer Ltd

#### Auditor

Crowe U.K. LLP

#### Legal Adviser

Gowling WLG (UK) LLP

#### Administrator

Hymans Robertson LLP

#### Investment Adviser

Mercer Limited

#### Other Adviser

LCP

#### Investment Managers

BlackRock Alternative Advisors

Columbia Threadneedle Asset Management Limited

Legal & General Investment Management Limited

Ninety One Luxembourg S.A.

#### Custodians

Citibank, BNP Paribas, State Street, Northern Trust and MUFG

#### Bankers

Barclays Bank Plc

#### AVC Provider

Legal & General Investment Management Limited

#### Principal Employer

Forensic Archive Ltd

Unit 29, Gravelly Park Industrial Park

Birmingham B24 8HZ

#### Address for Enquiries

Hymans Robertson LLP

45 Church Street

Birmingham, B3 2RT

FSS@hymans.co.uk

## Section 2 – Report of the Trustee

### Management of the Scheme

#### Introduction

The Trustee presents its Annual Report and the audited Financial Statements of the FSS Pension Scheme (the “Scheme”) for the year ended 30 November 2024.

The Scheme was established on 6 December 2005 and is governed by a definitive Trust Deed and Rules dated 6 December 2005 and subsequent amending Deeds.

The Scheme is registered for tax purposes with HMRC in accordance with the Finance Act 2004.

The Scheme was established to closely replicate the benefits available under the Principal Civil Service Pension Scheme (“PCSPS”) and Civil Service Partnership Pension arrangements. From the Scheme’s commencement date of 5 December 2005, members of the Classic, Classic Plus and Premium sections of the PCSPS automatically became members of the equivalent sections under the Scheme, unless they opted out. Members of the Partnership section of the Civil Service Partnership Pension arrangement were also given the option to join the Partnership section of the Scheme.

The Partnership section provided Money Purchase (Defined Contribution) benefits to deferred members. On 28 February 2014, the Trustee completed the buy-out in respect of the 38 Partnership Section members. The benefits of the Partnership Section members were transferred on a like for like basis to individual policies held with Legal & General Assurance Society Limited. This completed the closure of the Partnership Section.

The Scheme consists of three sections, the Classic, Classic Plus (including members switching from Classic to Premium in 2010) and Premium which provide Final Salary (Defined Benefit) benefits. The Scheme closed to new entrants from 1 January 2010.

The Home Office provides a ‘funding guarantee’ in respect of the Scheme, the key features of which are as follows:

The Home Office will pay contributions into the Scheme, as agreed with the Trustee. However, the level of these contributions will be constrained by statutory limits (the “Supply and Appropriations Act”), which currently provide that the maximum funds that can be made available are £1.75m per annum.

If the Scheme is wound-up for any reason, the Home Office will pay such monies into the Scheme as are required to enable members’ benefits to be bought out in full with an insurance company. In this scenario the constraints on contributions referred to above will not apply.

There are certain ethical restrictions on the investments the Scheme Trustee can make (e.g. not making direct investment in companies whose main business is arms or gambling etc), and this is considered in decision making.

The funding guarantee is intended to ensure that Scheme members will receive their full pension benefits earned up to their date of leaving the Employer, either from the Scheme itself or (potentially, in due course) an insurance company.

**Report of the Trustee (continued)****Management of the Scheme (continued)**

The Trustee holds the assets of the Scheme on behalf of its members, pensioners and other beneficiaries in a trust fund (“the Fund”) which is completely separate from the Employer’s assets. Acting impartially in the overall best interests of members, its role is to administer the Scheme and manage the investments of the Fund in accordance with the Trust Deed and Rules, restrictions and relevant legislation.

The Employer “opted-out” of the Member Nominated Trustee (“MNT”) requirements of the Pensions Act 1995. The opt-out states that the Trustee Board should be appointed as follows:

One Independent Trustee

Two selected by the Employer

One selected by the Union and

Two selected by Scheme members

Under The Pension Act 2004, trustee boards are required to have at least one third of the Trustee nominated by the membership.

The current Trustee Directors are:

- one Independent Trustee (Independent Trustee Services Limited – represented by C Martin);
- two Trustee Directors selected by the Employer, Forensic Archive Limited (R Piercy and A Fendley);
- one Trustee Director selected by the Unions (A Organ); and
- two Trustee Directors nominated from and selected by the Scheme members (S Ahmad and D Rees).

The Member Nominated Directors (“MNDs”), terms of office will expire in September 2028.

During the year under review the full board of the Trustee met on 3 occasions. The Trustee board has established the sub-committees listed below to consider and advise on an on-going basis. The current members of the sub-committees (the first named being Chair) are listed below and each sub group met before the main Trustee meeting:

Asset and Liability:	C Martin (ITS), S Ahmad, A Fendley and A Organ
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Administration, Communications and Governance:	D Rees, S Ahmad and R Piercy
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The sub-committees normally meet prior to the Board meeting depending upon Scheme activity.

The Trustee also has a Cyber Security working group consisting of R A Fendley, A Organ and R Piercy who meet to review policies, procedures and next steps. The working group reports to the Trustee.

**Governance and Risk Management**

Each year the Trustee identifies its goals and objectives in such areas as administration, governance, investment, funding and communication.

The Trustee also has in place a risk register which sets out the key risks to which the Scheme is subject, along with the controls in place to mitigate these. The risk register is reviewed at each full board meeting.

**Trust 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 (“tPR”) has published a

General Code of Practice, including a module on Trustee Knowledge and Understanding, to assist trustees on this matter. All individual Trustee Directors have completed tPR's Trustee Toolkit modules.

### Report of the Trustee (continued)

#### Appointments made by the Trustee

The Trustee has delegated the day to day management and operation of the Scheme's affairs to professional organisations as set out on page 2. The Trustee has written agreements in place with each of them.

Administrative and management services are provided by Hymans Robertson LLP.

#### Financial Development of the Scheme

The financial statements have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

The fund account shows that the net assets of the Scheme increased from £173.2m at 30 November 2023 to £190.8m at 30 November 2024. The increase in net assets is accounted for by:

	2024 £000	2023 £000
Member related income	1,774	1,776
Member related payments	(3,704)	(2,654)
<b>Net withdrawals from dealings with members</b>	<b>(1,930)</b>	<b>(878)</b>
Net returns on investments	19,540	(14,733)
<b>Net increase/(decrease) in fund</b>	<b>17,610</b>	<b>(15,611)</b>
Net assets at start of year	173,219	188,830
<b>Net assets at end of year</b>	<b>190,829</b>	<b>173,219</b>

#### Pension Increases

During the Scheme year, pension increases were applied in accordance with the Scheme Rules as follows:

- Effective date – 1 April 2024
- Pensions in payment under the Scheme in excess of Guaranteed Minimum Pension ("GMP") were increased at the following rates with effect from 1 April 2024:
  - For pension accrued to 31 March 2010: 8.9% (2023: 12.6%)
  - For pension accrued from 1 April 2010: 2.5% (2023: 2.5%)
- Deferred pensions are increased in accordance with statutory requirements.
- All increases were in accordance with the Trust Deed and Rules of the Scheme or legislative requirements. There were no discretionary increases awarded in the year.

#### Transfer Values

Transfer values paid ("cash equivalents" within the meaning of Part I of Schedule 5 to the Pension Schemes Act 1993), have been calculated in accordance with the requirements of Chapter IV of Part IV of the Pension Schemes Act 1993 and the Occupational Pension Schemes (Transfer Value) Regulations 1996, made under Section 97 of that Act, as amended by the Pensions Act 1995.

No allowance is made for any discretionary benefits when assessing transfer values.

## **Report of the Trustee (continued)**

### **Schedule of Contributions**

The Schedule of Contributions was agreed by the Trustee and Employer on 21 February 2022, following the completion of the 30 November 2020 Actuarial Valuation, detailing contributions payable to the Scheme from 1 March 2022.

Under the Schedule of Contributions certified on 21 February 2022, Employer normal contributions were increased from 30.4% of pensionable salary to 34.6% from 1 March 2022.

A new Schedule of Contributions was agreed by the Trustee and Employer on 25 February 2025, following the completion of the 30 November 2023 Actuarial Valuation, detailing contributions payable to the Scheme from 25 February 2025.

Under the Schedule of Contributions certified on 25 February 2025, Employer normal contributions were decreased from 34.6% of pensionable salary to 12.1% from 1 March 2025.

A copy of the Schedule of Contributions is included on pages 49 to 52 and the Actuarial Certification of the Schedule is included on page 48.

### **Additional Voluntary Contributions**

Additional voluntary contributions are invested with Legal & General Assurance (Pensions Management) Limited.

### **Actuarial Position**

Actuarial Valuation carried out as at 30 November 2020 and signed off by the Actuary in February 2022 showed that there was a deficit of £58.2m on the technical provisions basis equivalent to a funding level of 82%. This is an improvement of the position as at 30 November 2017 when the funding level was 79%.

The last Actuarial Valuation was carried out as at 30 November 2023 and signed off by the Actuary in February 2025. It showed that there was a deficit of £17.5m on the technical provisions basis equivalent to a funding level of 91%. This is an improvement of the position as at 30 November 2020 when the funding level was 82%.

Further information regarding the Scheme's funding position can be found in the Report on Actuarial Liabilities on page 7.

## Report of the Trustee (continued)

### 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, 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.

The most recent full actuarial valuation of the Scheme was carried out as at 30 November 2023. This showed that on that date:

The value of the Technical Provisions was:	£189.8 million
The value of the assets at that date was:	£172.3 million

The next actuarial valuation is due as at 30 November 2026.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

### Method

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

A full yield curve approach was used, single equivalent rates are shown for illustration below based on a sample maturity of the Scheme from the 2023 valuation cashflows.

### Significant Actuarial Assumptions

**Discount interest rate:** pre-retirement 6.80% p.a. post retirement 5.05% p.a. derived from the yields available on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available yields) plus an addition of 2.25% per annum pre-retirement and 0.5% per annum post-retirement.

**Future Retail Price inflation (“RPI”):** RPI (3.15% p.a.). derived from the difference between the yields available on conventional and index-linked UK Government bonds at the date of each future cash flow (extrapolated for cashflows beyond the longest available bond), less 0.2% per annum in respect of an inflation risk premium.

**Future Consumer Price inflation:** derived from the assumption for future retail price inflation less an adjustment equal to 0.8% per annum for the period up to 2030 and less 0% per annum thereafter.

**Pension increases:** derived from the assumption for future retail price inflation allowing for the caps and floors on pension increases according to the provisions in the Scheme’s rules.

**Pay increases:** general pay increases of 0.5% per annum above the assumption for the future retail price inflation.

**Mortality:** Base table S4PA year birth tables “Middle” for females. The following weightings have been applied to reflect the membership profile of the Scheme: Pensioners: Males 103%, Females 100%, Non-pensioners: Males 115%, Females, 105%.

**Mortality future improvements:** CMI 2023 projections – long term trend of 1.5% p.a. and a smoothing parameter of 7, zero weighting for 2020 and 2021 data, 15% weighting for 2022 and 2023 data and initial improvement parameter of nil.

## Report of the Trustee (continued)

### GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue may affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

The Trustee has not included a liability in respect of these matters in these financial statements as the estimated liability is not considered to be material. They will be accounted for in the year that they are determined.

The Trustee has also not included a liability in respect of potential arrears as it is not considered to be material. The Trustee is minded to wait for the completion of the GMP Reconciliation exercise.

### Going concern

The activities of the Scheme, together with the factors likely to affect its future development, performance, risks and uncertainties and financial position are set out below. These have been reviewed by the Trustee in conjunction with the Scheme's financial resources alongside its relationship with the Employer.

In considering whether it is appropriate to prepare the Scheme's financial statements on the going concern basis the Trustee has considered the following factors:

The Trustee consider that the Scheme and Employer, are able to meet the liabilities for at least 12 months from the date of signing the financial statements due to the significant value of assets held, which are considered readily realisable, compared to the annual cash outflow;

The significant Guarantee provided by the Home Office, which was re-assessed and approved following the end of the period under review;

There is no intention or need for the Scheme to enter wind up or a Pension Protection Fund assessment period at the date of signing the financial statements;

Taking into account the measures the Trustee has taken and will take, the Trustee has a reasonable expectation that the Scheme has adequate resources to continue in operational existence for the foreseeable future. Thus, the Trustee continues to adopt the going concern basis in preparing the Trustee's report and financial statements.

The Trustee has considered the impact of external factors on the assessment of the Employer's ability to support the Scheme as a going concern. In particular, the Trustee considered the potential impact on the Scheme's investment strategy, the Guarantor's ability to pay contributions to the Scheme, taking into account the Scheme's funding level, investment strategy, the financial guarantee in place with the Home Office and the resources available to the Guarantor.

The Trustee of the Scheme continues to assess the impact, with support from their advisors, and believe it remains appropriate to prepare the financial statements on a going concern basis.

## Report of the Trustee (continued)

## Scheme Membership

The reconciliation of the Scheme membership during the year ended 30 November 2024 is shown below:

Active Members	
<b>As at 1 December 2023</b>	<b>3</b>
Leaver	(1)
<b>Employee members as at 30 November 2024</b>	<b>2</b>

Pensioner Members (including spouses and dependants)	
<b>As at 1 December 2023</b>	<b>484</b>
Prior period adjustment	1
Retirements	45
Deaths	(4)
Dependant's pensions	10
<b>Pensioner members as at 30 November 2024</b>	<b>536</b>

Deferred Pensioner Members	
<b>As at 1 December 2023</b>	<b>1,947</b>
Prior period adjustment	(1)
Retirements	(45)
Leaver from active	1
Full Commutation	(3)
Deaths	(7)
<b>Deferred pensioner members as at 30 November 2024</b>	<b>1,892</b>

## Report of the Trustee (continued)

### Investment Policy

The Trustee's primary investment objective is to invest the assets of the DB section in such a manner that members' benefit entitlements can be paid as and when they fall due.

The Trustee produces a Statement of Investment Principles ("SIP") in accordance with the requirements of the Pensions Act 1995 ("the Act") and the Occupational Pension Schemes (Investment) Regulations 2005, as amended from time to time. A copy of the SIP is publicly available on the Scheme's website: <https://www.fsspensions.co.uk/resources/statement-of-investment-principles-october-2023/>. Over the shorter term, the objective is to achieve the performance objectives outlined in the Trustee's Investment Implementation Policy Document.

The Trustee pays due regard to the interests of the Principal Employer on the size and incidence of their contribution payments.

The Trustee has the ability to monitor the ongoing funding level on a daily basis and undertakes a dynamic approach to monitoring and reviewing the investment strategy to ensure as far as possible it continues to meet the Trustee's objectives.

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

### Financially and Non-Financially Material Matters in the Selection, Retention and Realisation of Investments, the Exercising of Rights Attached to Investments and Engagement Activities

In establishing the investment arrangements i.e. the selection, retention and realisation of investments, the Trustee considers what they believe to be financially material matters.

### Aligning Manager Appointments with Investment Strategy

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are being selected.

The Trustee looks to its investment advisor for their forward looking assessment of a manager's ability to outperform over a full market cycle, for active managers, or track the relevant indexes, for passive ones. This view will be based on the advisor's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The advisor's manager research ratings assist with due diligence and questioning managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

Some appointments are actively managed and the managers are incentivised through remuneration and performance targets (an appointment will be reviewed following periods of sustained underperformance). The Trustee will review the appropriateness of using actively managed funds as part of the wider monitoring of the Scheme's managers.

**Report of the Trustee (continued)****Investment Policy (continued)****Aligning Manager Appointments with Investment Strategy (continued)**

As the Trustee invests in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy. With respect to the Liability Driven Investment portfolio with Legal & General Investment Management (“LGIM”), whilst the underlying investments are in pooled funds, the manager has been appointed to manage these pooled investments in line with a Scheme-specific liability hedge ratio target, which is based on the underlying liability profile of the Scheme. Restrictions are set out in the portfolio guidelines to manage portfolio-specific risks (for example, restrictions on permitted pooled fund investments).

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustee is dissatisfied, then they will look to replace the manager.

An investment manager’s appointment may also be terminated if the Trustee’s strategic investment objectives change.

**Summary of Scheme Investment structure**

The Scheme is divided into two sections: the Defined Benefit Section and Additional Voluntary Contribution Section (“AVC”).

The overall investment policy of the Scheme is determined by the Trustee having taken advice from their advisers, Mercer Limited. The Trustee is responsible for determining the investment strategy and manager appointments within each section after taking appropriate advice. The Trustee has delegated the day-to-day management of investments to professional investment managers. These managers undertake, within restrictions in the contractual documentation, the day-to-day management of the asset portfolio, including the full discretion for stock selection.

**Investment Strategy and Implementation**

All investments have been managed during the year under review by LGIM, BlackRock Alternative Advisors (“BlackRock”), Ninety One Luxembourg S.A (“Ninety One”) and Columbia Threadneedle Asset Management (“Columbia Threadneedle”) and there is a degree of delegation in respect of investment decision making. The investment managers and providers are regulated by the relevant regulatory body in their home jurisdiction.

The Trustee, with advice from the Investment Advisor and Scheme Actuary, has agreed to look for opportunities over time to reduce the level of investment risk in the Scheme’s assets, relative to its liabilities, as the funding position of the Scheme improves. This will involve gradually reducing the Scheme’s allocation to return-generating assets (i.e. those that are not anticipated to move in line with the liabilities) and increasing the allocation to liability matching assets within the liability hedging portfolio.

**Report of the Trustee (continued)**

**Investment Policy (continued)**

**Investment Strategy and Implementation (continued)**

The current target strategy is to hold broadly:

- 44.8% in defensive assets, which are invested in a Liability Driven Investment (“LDI”) strategy managed by LGIM, who invest in pooled funds that use government bonds, gilt repurchase agreements and swaps (interest rate and inflation) to hedge a proportion of the impact of long-term interest rate and inflation movements on the long term liabilities.
- The remaining 55.2% of total assets are invested in return generating assets comprising developed market physical and synthetic equities, a fund of hedge funds, UK Property and Multi-Asset Credit. However, using leverage within the synthetic equity funds, the Scheme gains a greater exposure to equity markets than the physical assets invested; the target developed market equity exposure is 31.0% of assets and the total exposure to the return generating assets post the use of leverage is equivalent to 66% of the Scheme’s assets. 50.0% of the overseas developed markets currency exposure within the equity portfolio is hedged back to Sterling through the use of currency hedged pooled funds.

There were no changes made to the benchmark strategy allocation between 30 November 2023 and 30 November 2024. A high-level summary is provided below:

Manager	Mandate	Allocation (%)
LGIM	Passive Equity	13.0
	LDI	44.8
	Synthetic Equity	7.2* (18.0)
BlackRock	Fund of Hedge Funds	10.0
Ninety One	Multi-Asset Credit (“MAC”)	15.0
Columbia Threadneedle	Property	10.0
<b>Total</b>		<b>100.0</b>

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

Target exposure of the synthetic equity is shown in brackets.

\* 7.2% represents the Scheme’s target allocation for the amount of invested assets in the synthetic equity fund; the actual economic exposure will be greater than this due to the use of leverage within the fund (c.18% of assets based on the fund’s target leverage level) and will vary over time as the underlying leverage of the fund changes.

The Scheme’s rebalancing and cashflow policy is reviewed by the Trustee on a regular basis. There is no automatic rebalancing between the physical equity, synthetic equity and LDI portfolios with LGIM.

For the AVC Section, all assets have been managed during the year under review by LGIM. Over the year under review, the Scheme invested in the Global Equity MW (30:70)-75% GBP hedge fund.

**Report of the Trustee (continued)****Investment Policy (continued)****Investment Strategy and Implementation (continued)**

The Trustees regard all the investments of the Defined Benefit Section as readily marketable as detailed below:

- The LDI, Synthetic Equity funds, Future World Global Equity Index funds managed by LGIM are weekly priced while the Sterling Liquidity Fund is daily priced and traded.
- The Fund of Hedge Funds managed by BlackRock, the Multi-Asset Credit fund managed by Ninety One and the Property fund managed by Columbia Threadneedle are monthly priced. Redemptions for the fund of hedge funds are permitted on a quarterly basis, requiring 93 calendar days' notice, and Columbia Threadneedle requires the notice to be placed by month end, but settlement will only take place after 5 months' after submission of the signed instruction. Ninety One's redemptions require 20 business days' notice.

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

**Market Background**

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

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

In the third quarter of 2024, DM central banks including the US Fed cut interest rates. DM central banks were prompted to loosen monetary policy amidst the macroeconomic backdrop of cooling inflation, labour markets and slowing wage growth. Notably, the Bank of Japan ("BoJ") diverged from other DM central banks and hiked rates by 0.15% in July given the impact of robust wage negotiations on inflation. Market sentiment over the quarter tilted back towards a soft-landing as fears of a US recession—which gripped markets in early August—quickly subsided. Overall, bond yields declined across DM economies, while equities outperformed in response to rate cuts. That said, uncertainty around the US election and tensions in the Middle East sparked temporary volatility in financial markets.

In the fourth quarter of 2024, DM central banks continued to cut interest rates. In the US, although the US Fed cut rates, a still-resilient macro backdrop prompted the Federal Open Market Committee ("FOMC") to project fewer cuts in 2025 and 2026. Meanwhile, the ECB and BoE maintained a cautious tone in their rate cutting approach. Surprisingly, the BoJ kept interest rates unchanged through the quarter on uncertainty over future wage negotiations and the US economy. Market sentiment continued to be driven by the soft-landing narrative in the US, despite uncertainty around policies under a Donald Trump-led presidency. Overall, bond yields rose across DM economies, while equities outperformed in response to rate cuts.

**Report of the Trustee (continued)****Investment Policy (continued)****Market Background (continued)**

On a year-on-year basis to 31 December 2024, Sterling returns DM equities were positive at 20.1%. EM equities also had positive returns 14.8% but underperformed relative to global equities.

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

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

Q3 2024 has been another positive quarter for equity markets. However, volatility was heightened in early August. The quarter saw the ripple effects of the unwinding of the US dollar-Japanese yen carry trade, US employment data surprising to the downside and the unemployment rate rising. Despite this, subsequent US economic data remained upbeat. Global equities rose later in the quarter as major central banks continued to ease their respective policy rates, with the US Federal Reserve joining them. Chinese equities surged near the end of the quarter after authorities committed to provide further monetary and fiscal support to boost activity.

In Q4 2024, global equities generated positive returns in local and sterling terms, however, posted negative returns in USD terms when measured with the MSCI World index. The start of Q4 2024 was volatile for global equities given the uncertainty ahead of the presidential election and concerns over the path of interest rates. Later during the quarter, US equities outperformed, welcoming Donald Trump's victory, while EMs and many other regional markets came under pressure mainly due to tariff fears. Economic weakness, political turmoil and limited exposure to artificial intelligence did not fare well for European equities. UK equities was also a detractor as number of domestically focussed sectors declined owing to concerns over the UK economic outlook. On the other hand, weak yen, government stimulus plans and ongoing corporate reforms contributed positively to Japanese equities returns.

Overall, the positive momentum throughout the year has been driven by stable inflation data, enthusiasm surrounding AI, interest rate cuts and economic activity data.

On a year-on-year basis to 31 December 2024, UK government bond registered negative returns of 3.3%, while returns for UK corporate bonds were 1.7%, after rising 8.6% in the same period a year ago. Inflation-linked bonds underperformed over the year, registering negative returns of 15.4%.

**Report of the Trustee (continued)****Investment Policy (continued)****Market Background (continued)**

During the 12 months to December 2024, global sovereign bond yields rose as the soft-landing narrative played out, amidst uncertainty over the impact of US tariffs and policies under the presidency of Donald Trump. In the UK specifically, the BoE maintained a cautious approach while embarking on its rate cutting cycle as services inflation and wage growth remained above the central bank's comfort level. BoE delivered a total of 50 bps of rate cuts in the year, less than its European and US counterparts. Over the 12-month period to December 2024, UK 10-year gilt yields rose 1.03% to 4.6%.

UK real yields rose over the 12-month period. 10-year real yields jumped ~1% to 1.04% during the period, levels last seen in 2009. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, rose marginally over the 12-month period, reaching 3.52% as of end-December 2024.

Both investment grade and high yield credit spreads tightened over the 12-month period to December 2024. Lower rated investment grade credit tightened more than for higher rated credit.

The UK remains at the forefront of recovery and continues to be the most active market in terms of deal volume, which is helping to restore confidence among investors looking to capitalise on price adjustments. The economic backdrop remains generally positive, although there has been a slight shift recently, with inflation rising marginally in the latest quarter after a period of cooling. This change, along with ongoing economic and political developments, has led to a more cautious outlook regarding the Bank of England's ability to cut interest rates as quickly as previously anticipated. Nevertheless, transactional data indicates that the UK has moved beyond its lowest point. Valuations have stabilised in all sectors except for offices, and there are emerging signs of positive pricing pressure in the most desirable segments.

In Q3, transaction activity declined by 7% quarter-on-quarter, primarily due to significant decreases in industrial (-33%) and apartment (-45%) transactions. Closed transactions in the office sector have increased by 24% quarter-on-quarter. Year-to-date activity through to September 2024 was slightly higher compared to 2023, with an overall increase of 9% in transaction volume and a 31% increase in the number of transactions. On a year-on-year basis, transaction volumes in the office sector remain subdued; however, there has been a significant increase in activity within the industrial and retail sectors. The alternative sectors have not reached the same transaction levels compared to the same period last year but have experienced a significant increase in dealmaking over the past nine months.

The MSCI UK Monthly Property Index reported a positive gross (unlevered, asset-level) total return of 2.4% for the three-month period ending in November 2024. Among the sectors, the industrial sector emerged as the strongest performer, achieving a return of 3.3%. The retail sector followed closely, with a gross return of 3.2%. The residential sector recorded a gross total return of 2.5%. Although offices showed a marginally higher quarterly return compared to the previous period, it remained the weakest performer, with a return of just 0.5% over the three months to November 2024.

**Report of the Trustee (continued)****Investment Policy (continued)****Market Background (continued)****Equities**

At a global level, developed markets as measured by the FTSE World index, returned 20.1%. Meanwhile, a return of 14.8% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 3.0% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 9.5%. The FTSE USA index returned 27.3% while the FTSE Japan index returned 10.1%.

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

**Bonds**

UK Government Bonds as measured by the FTSE Gilts All Stocks Index registered negative returns of 3.3%, while long-dated issues as measured by the corresponding Over 15 Year Index had a negative return of 10.6% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 3.9% to 4.8%, while the Over 15 Year index yield rose from 4.05% to 5.02%.

The FTSE All Stocks Index-Linked Gilts index posted negative returns of 8.3%, with the corresponding over 15-year index exhibiting a return of 15.4%.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned 1.7%.

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

**Property**

Over 12-month period to 31 December 2024, the MSCI UK All Property Index returned 7.0% in Sterling terms. Within three main sectors of the UK Property market, retail and the industrial sector recorded positive returns of 10.4% and 9.1% respectively, while office sectors recorded negative returns of -0.2% over the period.

**Commodities**

The price of Brent Crude Oil fell by 3.8% from \$77.69 per barrel to \$74.74 over the one-year period. Over the same period, the price of Gold rose 27.1% from \$2,065.45 per troy ounce to \$2,625.35.

The S&P GSCI Commodity Spot Index returned 4.4% over the one-year period to 31 December 2024 in Sterling terms.

**Currencies**

Over the 12-month period to 31 December 2024, Sterling depreciated 1.8% against the US Dollar from \$1.27 to \$1.25. Sterling appreciated 9.5% against the Yen from ¥179.72 to ¥196.83. Sterling appreciated 4.8% against the Euro, from €1.15 to €1.21 over the year.

### **Report of the Trustee (continued)**

#### **Investment Policy (continued)**

#### **Environmental, Social and Corporate Governance (“ESG”), Stewardship, and Climate Change Beliefs**

The Scheme’s SIP includes the Trustee’s policy on ESG factors, stewardship and climate change. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

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

The assets of the Scheme are invested in pooled vehicles and the Trustee accepts that pooled investments will be governed by the individual policies of the investment manager. These policies are reviewed as part of the consideration of pooled investments. As such, the Trustee has given their investment manager full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the Scheme’s investments in accordance with their own corporate governance policies, and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee increasingly considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Managers are expected to provide a summary of their ESG and stewardship policies and to comment on these issues as part of any meeting with the manager.

The Trustee will also consider the ESG asset manager research provided by the investment advisor in evaluating how each investment manager embeds ESG factors into its investment process. A change in ESG rating (or lack of ESG rating) does not mean that the investment manager will be removed or replaced automatically, however the Trustee will assess this on a case by case basis.

#### **Portfolio Turnover Costs**

The Trustee does not currently actively monitor portfolio turnover costs across the whole portfolio, but investment manager performance is generally reported net of all fees and costs, including transaction costs, and therefore managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.

The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.

In the future, the Trustee may ask investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustee.

This may be assessed by comparing portfolio turnover across the same asset class, on a year-for-year basis for the same manager fund, or relative to the manager’s specified portfolio turnover range in the investment guidelines or prospectus (where available).

The Trustee does not currently actively monitor the portfolio turnover costs of the assets for members’ Additional Voluntary Contributions.

**Report of the Trustee (continued)****Investment Policy (continued)****Manager Turnover**

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

For open-ended funds in which the Scheme invests, there is no set duration for the manager appointments. The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.
- The manager appointment has been reviewed and the Trustee have decided to terminate.

**Stewardship – Engagement priority and significant votes**

The trustee has agreed that its engagement priorities will focus on the following key themes:

- Climate change
- Human rights; and
- Shareholder concerns.

In preparing their annual engagement implementation statement, the Trustee asked the investment managers for engagement examples which cover the Trustee's engagement priorities. For its vote reporting, the Trustee asks the equity investment managers for their significant votes covering the Trustee's engagement priority themes. From this information, the Trustee selects the most significant votes as those that are best aligned with its engagement priorities and based on the company weights in the total investment portfolio for the Scheme.

The Trustee has not set its own voting policy however, the Trustee will monitor the equity investment managers' voting policy annually when preparing the Scheme's Engagement Policy Implementation Statement.

**Report of the Trustee (continued)****Investment Policy (continued)****Asset Allocation**

The Trustee invests in pooled investment vehicles and derivative contracts. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes including to reduce certain investment risks such as interest rate risk and inflation risk. The principal investment in derivatives is interest rate and inflation swaps in the liability matching portfolio and futures in the return seeking portfolio.

The following table provides more detail on the distribution of assets for the Scheme's Defined Benefit Section.

Investment Manager	Fund	Actual Asset Allocation			
		Start of Year (£m)	End of Year (£m)	Start of Year (%)	End of Year (%)
LGIM	Future World Global Equity Index	11.5	14.0	6.7	7.4
	Future World Global Equity Index – GBP Hedged	11.4	13.9	6.6	7.3
	Synthetic Leveraged Equity	7.1	8.5	4.1	4.5
	Synthetic Leveraged Equity – GBP Hedged	5.7	7.6	3.3	4.0
BlackRock	Fund of Hedge Funds	19.8	21.9	11.5	11.5
Ninety One	Multi-Asset Credit	28.1	30.9	16.3	16.3
Columbia Threadneedle	Property	16.3	17.3	9.5	9.2
<b>Total Return Generating</b>		<b>99.9</b>	<b>114.1</b>	<b>58.2</b>	<b>60.2</b>
LGIM	2049 Gilt Fund	-	0.7	-	0.4
	2060 Gilt Fund	-	0.6	-	0.3
	2065 Gilt Fund	-	4.5	-	2.4
	2068 Gilt Fund	-	0.3	-	0.2
	2071 Gilt Fund	2.9	1.4	1.7	0.8
	2073 Gilt Fund	-	1.9	-	1.0
	2058 Index-Linked Gilt	1.9	1.5	1.1	0.8
	2030 Index-Linked Gilt	12.4	4.1	7.2	2.2
	2037 Index-Linked Gilt	-	1.1	-	0.6
	2040 Index-Linked Gilt	4.0	2.5	2.3	1.3
	2042 Index-Linked Gilt	5.0	5.4	2.9	2.8
	2047 Index-Linked Gilt	-	0.9	-	0.5
	2050 Index-Linked Gilt	3.7	2.5	2.2	1.3
	2055 Index-Linked Gilt	4.8	4.3	2.8	2.3
	2062 Index-Linked Gilt	-	0.6	-	0.3
	2068 Index-Linked Gilt	3.5	2.4	2.0	1.3
	2073 Index-Linked Gilt	-	2.3	-	1.2
	2030 Inflation Fund	-	1.7	-	0.9
	2035 Inflation Fund	-	2.2	-	1.1
	2049 Leveraged Gilt	-	0.7	-	0.4
2060 Leveraged Gilt	2.5	2.0	1.4	1.0	
2068 Leveraged Gilt	0.2	0.4	0.1	0.2	
2030 Leveraged Index-Linked Gilt	-	0.5	-	0.2	

**Report of the Trustee (continued)****Investment Policy (continued)****Asset allocation (continued)**

2034 Leveraged Index-Linked Gilt	3.4	2.5	2.0	1.3
2037 Leveraged Index-Linked Gilt	2.6	1.3	1.5	0.7
2040 Leveraged Index-Linked Gilt	4.1	2.2	2.4	1.1
2042 Leveraged Index-Linked Gilt	2.3	5.2	1.3	2.7
2047 Leveraged Index-Linked Gilt	2.0	1.6	1.2	0.9
2050 Leveraged Index-Linked Gilt	6.3	3.3	3.7	1.8
2055 Leveraged Index-Linked Gilt	2.6	2.8	1.5	1.5
2062 Leveraged Index-Linked Gilt	2.3	4.0	1.3	2.1
2068 Leveraged Index-Linked Gilt	3.6	-	2.1	-
2053 Green Gilt Fund	-	3.3	-	1.7
Sterling Liquidity Fund	1.9	4.8	1.1	2.5
<b>Total Defensive</b>	<b>71.9</b>	<b>75.5</b>	<b>41.8</b>	<b>39.8</b>
<b>Total</b>	<b>171.8</b>	<b>189.6</b>	<b>100.0</b>	<b>100.0</b>

Source: Investment Managers and Mercer as at 30 November 2024.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

**Investment Performance**

The table below shows the performance (net of fees) of the funds invested (excluding AVCs):

Investment Manager	Fund	Last Year		Last 3 years		Last 5 years	
		Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)
LGIM	Synthetic Leveraged Equity	58.7	59.6	18.5	19.0	26.6	27.0
	Synthetic Leveraged Equity - GBP Hedged	67.1	68.6	9.2	10.2	17.1	18.0
	Future World Global Equity Index Fund <sup>(c)</sup>	26.1	25.9	-	-	-	-
	Future World Global Equity Index Hedged <sup>(c)</sup>	27.5	27.4	-	-	-	-
	BlackRock	Fund of Hedge Funds	10.3	5.2	5.3	3.6	5.9
Columbia Threadneedle	Property <sup>(a)</sup>	3.7	1.7	0.4	-0.4	2.2	1.7
Ninety One	Multi Asset Credit <sup>(b)</sup>	10.2	5.3	-	-	-	-
LGIM	LDI Portfolio <sup>(d)</sup>	-0.3	-0.1	-60.1	-59.5	-36.6	-36.0
<b>Total Scheme</b>		<b>11.1</b>	<b>9.8</b>	<b>-15.7</b>	<b>-21.6</b>	<b>-4.1</b>	<b>-8.2</b>

Figures shown are based on performance provided by the Investment Managers, Mercer estimates and Refinitiv as at 30 November 2024.

(a) Columbia Threadneedle only reports the fund performance on a quarterly basis. Performance figures shown are to 30 September 2024 rather than to the Scheme year end.

(b) Ninety One only reports the fund performance on a quarterly basis. Performance figures shown are to 30 September 2024 rather than to the Scheme year end. The implementation of this fund was finalised at the end of February 2022, thus, 3 year and 5 year performance are not available.

(c) 3 year and 5 year performance is not available as the LGIM Future World physical equity funds were implemented over the 2023 reporting period. LGIM-Future World Global Equity (Hedged & Unhedged) performances are shown since inception, inception date taken as 10th July 2023.

(d) The LDI portfolio does not have a specific benchmark and as such we have assumed benchmark performance is in line with fund performance (gross of fees).

**Report of the Trustee (continued)**

**Investment Policy (continued)**

**AVC Section**

For the AVC Section, the assets have been managed during the year under review by LGIM and the Scheme introduced the Global Equity MW (30:70)-75% GBP hedge fund to the AVC Section structure.

Investment Manager	Fund	Actual Asset Allocation			
		Start of Year (£m)	End of Year (£m)	Start of Year (%)	End of Year (%)
LGIM	Global Equity 50:50 Fund	0.7	0.1	73.4	15.5
	Global Equity MW (30:70)-75% Fund	-	0.5	-	56.2
	Future World Annuity Aware Fund	0.1	0.1	18.9	16.0
	Cash Fund	0.1	0.1	7.7	12.2
<b>Total</b>		<b>0.9</b>	<b>0.9</b>	<b>100.0</b>	<b>100.0</b>

Source : LGIM. Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

**AVC Section Performance**

The table below shows the performance (net of fees) of the AVC funds offered to members.

Fund	Last Year		Last 3 years		Last 5 years	
	Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)	Fund (% p.a.)	B'mark (% p.a.)
LGIM Global Equity 50:50 Fund	16.5	17.2	7.5	7.8	7.8	8.1
LGIM Global Equity 30:70 Fund <sup>(a)</sup>	18.9	19.4	-	-	-	-
LGIM Future World Annuity Aware Fund	5.5	1.1	-9.9	-10.6	-4.7	-6.3
LGIM Cash Fund	5.2	5.2	3.5	3.6	2.1	2.2

Source : LGIM

Figures shown are net of fees and based on performance provided by LGIM.

<sup>(a)</sup> LGIM - Global Equity (30:70) performance is shown since inception, inception date taken as 10th January 2024.

**Report of the Trustee (continued)**

**Investment Policy (continued)**

**Custodial Arrangements**

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

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

Manager	Custodian
LGIM	Citibank, N.A. Liquidity fund assets are held with Northern Trust
BlackRock	MUFG
Columbia Threadneedle	BNP Paribas S.A.
Ninety One	State Street Bank and Trust Company

Source: Investment Managers.

Pooled funds have no direct custody arrangements in place, the custodians shown are appointed by the investment managers.

Hymans Robertson has been appointed by the Trustees as administrator of Trustee Bank Account of the Scheme and are responsible for the safekeeping of these holdings.

**Employer Related Investments**

Under the Pensions Act 1995 particular types of investment are classed as “employer-related investments” (“ERI”). Under laws governing ERI not more than 5% of the current value of scheme assets may be invested in ERI (subject to certain specific exceptions). In addition, some ERI is absolutely prohibited, including an employer related loan or guarantee. In September 2010 the prohibition of ERI was extended to cover pooled funds. It should be noted that this prohibition does not cover pooled funds held in life wrappers, i.e. funds which are packaged in an insurance policy.

The Trustee is satisfied that the proportion of the Scheme’s assets in employer-related investments does not exceed 5% of the market value of the Scheme’s assets as at 30 November 2024 (2023: nil). As the Sponsor is not a listed company, Employer Related Investments is not currently an issue for the Scheme, as the Scheme’s assets are invested in listed equities, bonds, property and hedge funds.

## 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 making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments 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.

### **Statement of Trustee's Responsibilities in Respect of Contributions**

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.

## Further Information

### Internal Dispute Resolution (“IDR”) Procedures

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have Internal Dispute Resolution procedures in place for dealing with any disputes between the Trustees and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustee, details of which can be obtained by writing to the Secretary to the Trustee at the address on page 2 of this report.

### Contact for Further Information

Any enquiries or complaints about the Scheme, including requests from individuals for a copy of Scheme documentation, should be sent to the Secretary to the Trustee at the address on page 2 of this report.

### The Money and Pensions Service (“MaPS”)

This service is available at any time to assist members and beneficiaries with pensions questions and issues. MaPS has launched MoneyHelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get help with money and pension choices. MoneyHelper is impartial, backed by the government and free to use.

The Money and Pensions Service

Bedford Borough Hall

Cauldwell Street

Bedford

MK42 9AB

Email: [contact@maps.org.uk](mailto:contact@maps.org.uk)

Tel: 01159 659570

[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

### The Pensions Ombudsman

Members have the right to refer a complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the events(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade

Canary Wharf

London

E14 4PU

Tel: 0800 917 4487

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

Members can also submit a complaint form online: [www.pensions-ombudsman.org.uk/making-complaint](http://www.pensions-ombudsman.org.uk/making-complaint)

**Further Information (continued)**

**The Pensions Regulator**

The Pensions Regulator has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. tPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. tPR may be contacted at the following address:

The Pensions Regulator  
Telecom House  
125-135 Preston Road  
Brighton  
BN1 6AF  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

**Pension Tracing Service**

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

The Pension Service  
Post Handling Site A  
Wolverhampton  
WV98 1AF  
United Kingdom  
Tel: 0800 731 0175  
[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

**Approval of the Report by the Trustee**

Signed for and on behalf of the Trustee of the FSS Pension Scheme by:

Chris Martin



Trustee Director

Shehzad Ahmad



Trustee Director

13-May-2025 | 11:59 BST

Date

## Section 3 – Independent Auditors’ Report to the Trustee of the FSS Pension Scheme

### Opinion

We have audited the financial statements of the FSS Pension Scheme for the year ended 30 November 2024 which comprise the Fund Account, the Statement of Net Assets and the related 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 Financial Reporting Standard 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 30 November 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### Basis for opinion

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the 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 trustee with respect to going concern are described in the relevant sections of this report.

### Other information

The Trustee is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

### **Independent Auditor's Report (continued)**

#### **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 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 the Trustee**

As explained more fully in the statement of Trustee's responsibilities set out on page 23, the Trustee is responsible for the preparation of the financial statements, 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 wind up the Scheme 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We set out below the key areas which, in our opinion the financial statements are susceptible to material misstatement by way of irregularities including fraud and the extent to which our procedures are capable of detecting these.

- Management override of controls. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.
- Misappropriation of investment assets owned by the scheme. This is addressed by obtaining direct confirmation from the investment fund managers of investments held at the Statement of Net Assets date.

**Independent Auditor's Report (continued)****Auditor's responsibilities for the audit of the financial statements (continued)**

- Non-receipt of contributions due to the scheme from the employer. This is addressed by testing contributions due are paid to the scheme in accordance with the schedule of contributions agreed between the employer and Trustee.
- Payment of large retirement lump sum benefits to invalid members. This is addressed through sample testing that there is evidence that the member's identity is verified and of the authorisation of the amount and approval of the payment of the transactions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 (Requirement 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's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

*Crowe U.K. LLP*

Crowe U.K. LLP  
Statutory Auditor  
Oldbury

Date: 13 May 2025

## Section 4 – Financial Statements

### Fund Account for the year ended 30 November 2024

	<i>Note</i>	<b>Total 2024 £000</b>	Total 2023 £000
<b>CONTRIBUTIONS AND BENEFITS</b>			
Employer contributions	4	1,771	1,775
Employee contributions	4	2	2
		<hr/> 1,773	<hr/> 1,777
Other income	5	1	(1)
		<hr/> 1,774	<hr/> 1,776
Benefits paid or payable	6	(3,619)	(2,654)
Payments to and on account of leavers	7	(85)	-
		<hr/> (3,704)	<hr/> (2,654)
<b>Net withdrawals from dealings with members</b>		<b>(1,930)</b>	<b>(878)</b>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	9	1,134	1,787
Change in market value of investments	12.1	18,927	(15,899)
Investment management expenses	10	(521)	(621)
<b>Net returns on investments</b>		<hr/> <b>19,540</b>	<hr/> (14,733)
<b>Net increase/(decrease) in the fund during the year</b>		<b>17,610</b>	<b>(15,611)</b>
<b>Net assets of the fund at the start of the year</b>		<b>173,219</b>	188,830
<b>Net assets of the fund at the end of the year</b>		<hr/> <b>190,829</b>	<hr/> 173,219

The notes on pages 31 to 45 form part of these financial statements.

**Statement of Net Assets (available for benefits) as at 30 November 2024**

	<i>Note</i>	<b>2024</b> £000	2023 £000
<b>Investment assets</b>	12		
Pooled investment vehicles		<b>190,458</b>	172,776
Accrued income		<b>185</b>	258
<b>Total net investments</b>		<b>190,643</b>	173,034
<b>Current assets</b>	13	<b>445</b>	431
<b>Current liabilities</b>	14	<b>(259)</b>	(246)
<b>Net assets available for benefits at the end of the year</b>		<b>190,829</b>	173,219

The notes on pages 31 to 45 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 7 of the Trustee’s Report and in the Actuary’s certificate in Section 7 of this annual report and should be read in conjunction therewith.

Signed for and on behalf of the Trustee of the FSS Pension Scheme by:

Chris Martin



Trustee Director

Shehzad Ahmad



Trustee Director

13-May-2025 | 11:59 BST

Date

## Section 5 – Notes to the Financial Statements

### Notes to the financial statements for the year ended 30 November 2024

#### 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 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018) (“the SORP”).

As stated in the Statement of Trustee’s Responsibilities, the Trustee is responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis for at least a year based on all available information about the future. The Trustee has undertaken an assessment in relation to going concern and has considered such matters as the potential impact on the Scheme’s investment strategy, the Guarantor’s ability to pay contributions to the Scheme, taking into account the Scheme’s funding level, investment strategy, the financial guarantee in place with the Home Office and the resources available to the Guarantor.

The Trustee has determined that it is appropriate for the Scheme to be considered a going concern and the Trustee therefore believes it remains appropriate to prepare the financial statements on a going concern basis.

#### 2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the scheme is Hymans Robertson LLP, 45 Church Street, Birmingham B3 2RT.

#### 3 ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied during the year, are set out below.

##### 3.1 Contributions

Employee contributions are accounted for by the Trustee when they are deducted from pay by the Employer.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees’ contributions, in accordance with the Schedule of Contributions in force during the year.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and Trustee.

##### 3.2 Benefits and payments to and on account of leavers

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type and amount of benefit to be taken, or if there is no member choice, on the date of leaving or retiring. Pensions payable in respect of the Scheme year are accounted for by reference to the period to which they relate.

**Notes to the financial statements for the year ended 30 November 2024 (continued)****3.3 Transfers to other schemes**

Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.

**3.4 Administrative and other expenses**

In April 2017, it was agreed the Employer would take responsibility for covering all expenses of the Scheme for the foreseeable future. Investment management expenses are accounted for on an accruals basis.

**3.5 Investment income**

Income from cash and short term deposits is accounted for on an accrual basis.

Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in Market Value'.

**3.6 Valuation and classification of investments**

Investments are included at fair value.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or, if single priced, at the closing single price. Holdings 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 pooled investment manager.

**3.7 Currency**

The Scheme's functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

**4 CONTRIBUTIONS**

	<b>Total 2024 £000</b>	<b>Total 2023 £000</b>
<b>Employer contributions</b>		
Normal	21	25
Deficit funding	1,750	1,750
	<u>1,771</u>	<u>1,775</u>
<b>Employee contributions</b>		
Normal	2	2
	<u>2</u>	<u>2</u>
	<u>1,773</u>	<u>1,777</u>

**Notes to the financial statements for the year ended 30 November 2024 (continued)****4 CONTRIBUTIONS (continued)**

Under the Schedule of Contributions dated 21 February 2022, deficit contributions of £1.75m per annum are due. These are paid as biennial instalments of £875,000 due on each 1 December and 1 June until 30 November 2043.

**5 OTHER INCOME**

	<b>Total 2024 £000</b>	Total 2023 £000
Transfer calculation fee	1	2
Administrative fees	-	(3)
	<u>1</u>	<u>(1)</u>

The administrative fee noted above for 2023 is a reimbursement of the receipt from the prior year.

**6 BENEFITS PAID OR PAYABLE**

	<b>Total 2024 £000</b>	Total 2023 £000
Pensions	2,381	1,937
Commutation of pensions and lump sum retirement benefits	1,200	654
Lump sum death benefits	38	63
	<u>3,619</u>	<u>2,654</u>

**7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	<b>Total 2024 £000</b>	Total 2023 £000
Individual transfers out to other schemes	<u>85</u>	<u>-</u>

**8 ADMINISTRATIVE EXPENSES**

In 2017, it was agreed the Employer would take responsibility for covering all administrative expenses of the Scheme for the foreseeable future.

**Notes to the financial statements for the year ended 30 November 2024 (continued)****9 INVESTMENT INCOME**

	<b>Total 2024 £000</b>	Total 2023 £000
Income from pooled investment vehicles	1,113	1,781
Income from cash deposits	21	6
	<u>1,134</u>	<u>1,787</u>

**10 INVESTMENT MANAGEMENT EXPENSES**

	<b>Total 2024 £000</b>	Total 2023 £000
Legal & General	205	195
Columbia Threadneedle	316	426
	<u>521</u>	<u>621</u>

**11 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 tax and capital gains tax.

**12 INVESTMENTS****12.1 INVESTMENT RECONCILIATION**

	<i>Opening Value</i>	<i>Purchase cost</i>	<i>Sales proceeds</i>	<i>Change in market value</i>	<i>Closing Value</i>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pooled investment vehicles	172,776	91,655	(92,900)	18,927	<b>190,458</b>
Accrued Income	258				<b>185</b>
<b>TOTAL NET INVESTMENTS</b>	<u>173,034</u>				<u><b>190,643</b></u>

Included within purchases and sales are switches within funds held with LGIM amounting to £70.3m (2023: £122.4m) and switches within BlackRock funds amounting to £19.9m (2023: £25.5m). Included within the pooled investment vehicles with Legal & General are AVC investments. These assets are invested separately from the main fund securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The aggregate amounts of AVC investments are:

	<b>Total 2024 £000</b>	Total 2023 £000
Legal & General	<u>875</u>	<u>931</u>

**Notes to the financial statements for the year ended 30 November 2024 (continued)****12 INVESTMENTS (continued)****12.2 POOLED INVESTMENT VEHICLES (“PIV”)**

The holdings of PIVs are analysed below:

	<b>2024</b>	2023
	<b>£000</b>	£000
Equity	<b>43,969</b>	36,415
Bonds	<b>106,410</b>	100,132
Fund of Hedge funds	<b>21,849</b>	19,809
Property	<b>17,354</b>	16,349
Cash	<b>107</b>	71
	<b>189,689</b>	172,776

Hedge funds comprise of equities, bonds, derivative contracts and cash.

Within the value of pooled investment vehicles in Note 12.2 are Scheme’s holdings in an AVC Cash Fund amounting to £0.1m (2023: 0.1m) which are excluded from the above.

**12.3 CONCENTRATION OF INVESTMENTS**

The following investments account for more than 5% of the Scheme’s net assets at the end of the year:

	<b>2024</b>	<b>2024</b>	2023	2023
	<b>£000</b>	<b>% of net assets</b>	£000	% of net assets
Ninety One Multi-Asset Credit Fund	<b>30,925</b>	<b>16.2</b>	28,071	16.2
BlackRock Series 1 Shares 2024 Fund	<b>21,849</b>	<b>11.4</b>	-	-
Threadneedle Property Unit Trust Fund	<b>17,354</b>	<b>9.1</b>	16,349	9.4
L&G Global Equity Fund	<b>13,976</b>	<b>7.3</b>	11,494	6.6
L&G Global Equity Hedged Fund	<b>13,918</b>	<b>7.3</b>	11,377	6.6
L&G 2030 Index-Linked Gilt	<b>N/A</b>	<b>N/A</b>	12,399	7.2
BlackRock Series 1 Shares 2023 Fund	-	-	19,809	11.4

Where the Scheme no longer has holdings in a specific fund at 30 November 2024, the values are marked as “-”. Where the Scheme’s holding in a fund is less than 5% of the Scheme’s net assets at the year end, the values are marked as “N/A”.

**Notes to the financial statements for the year ended 30 November 2024 (continued)**

**12 INVESTMENTS (continued)**

**12.4 INVESTMENT TRANSACTION COSTS**

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation in Note 12.1. There are no direct transaction costs charged to the Scheme (such as fees, commissions and stamp duty).

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustee to quantify such indirect costs.

**12.5 INVESTMENTS FAIR VALUE HIERARCHY**

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

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

The Scheme's investment assets (excluding AVCs) and liabilities have been fair valued using the above hierarchy categories as follows:

<b>As at 30 November 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pooled investment vehicles	-	<b>173,104</b>	<b>17,354</b>	<b>190,458</b>
Accrued income	-	<b>185</b>	-	<b>185</b>
	-	<b>173,289</b>	<b>17,354</b>	<b>190,643</b>
<hr/>				
As at 30 November 2023	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Pooled investment vehicles	-	172,776	-	172,776
Accrued income	-	258	-	258
	-	173,034	-	173,034

**Notes to the financial statements for the year ended 30 November 2024 (continued)****12 INVESTMENTS (continued)****12.6 INVESTMENT RISKS**

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

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

**Market risk:** this comprises the following elements:

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

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

For Defined Benefit assets, these investment objectives are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular review of the investment portfolio. From a materiality point of view, the Scheme's AVC holdings balance is not included in these disclosures.

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

**Notes to the financial statements for the year ended 30 November 2024 (continued)****12 INVESTMENTS (continued)****12.6 INVESTMENT RISKS (continued)****Market Risk****a. Currency Risk**

The Scheme is subject to indirect currency risk because the underlying holdings of the pooled investment vehicles held may be denominated in a non-sterling currency and are not fully currency hedged by the investment manager. The value of holdings subject to this risk total £44m (2023: £38m). This value includes pooled investment vehicles that have only a partial exposure to currency risk. To limit currency risk, the Trustee has set a benchmark to limit the overseas developed markets currency exposure from equities to 50.0%.

Within the BlackRock fund, which is a fund of funds, underlying managers may take currency risk as part of their investment strategy, which exposes the Scheme to indirect currency risk.

Furthermore, the Multi-Asset Credit ("MAC") holdings (managed by Ninety One as at Scheme's year end) overseas currency exposures are fully hedged to Sterling.

**b. Interest Rate Risk**

The Scheme is subject to interest rate risk via its LDI or bond and cash holdings, invested via pooled investment vehicles.

The Trustee have set a benchmark allocation of 44.8% for its defensive portfolio. If interest rates fall, the value of these assets will rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value (as will the actuarial liabilities) due to an increase in the discount rate.

As at year end, the DB Scheme's defensive portfolio actual allocation represented c.39.8% (2023: 41.8%) of the total investment portfolio.

The movement in LDI asset values will not completely offset the movement in the liability values due to the Scheme being underfunded and hedging c.50% (2023: 50%) of the overall interest rate and inflation exposure, as measured on the Scheme's Self Sufficiency basis (gilts + 0.5%).

The Scheme has exposure to interest rate risk via fund of hedge funds managed by BlackRock and the multi-asset credit fund managed by Ninety One. The interest rate risk they introduce is expected to be low or taken by the investment manager as part of its investment process to add value.

**Notes to the financial statements for the year ended 30 November 2024 (continued)****12 INVESTMENTS (continued)****12.6 INVESTMENT RISKS (continued)****c. Other Price Risk**

Other price risk arises principally in relation to the Scheme's return generating portfolio.

The Scheme has set a target allocation of 55.2% to investments being held in return generating investments. However, through the use of leverage within the synthetic equity funds the Scheme gains a greater exposure to equity markets than the physical assets invested; the total target exposure to return generating investments is 66.0%. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the total physical assets allocated to the return generating portfolio represented 60.2% of the total investment portfolio (2023: 58.2%). The total exposure to growth assets, allowing for leverage, was c. 64.5% at year-end (2023: 62.3%).

A breakdown of the return generating portfolio is provided below:

	<b>2024</b>	2023
	<b>£000</b>	£000
Equity	<b>43,969</b>	35,731
Property	<b>17,354</b>	16,349
Multi Asset Credit	<b>30,925</b>	28,071
Fund of Hedge Funds	<b>21,849</b>	19,809
<b>Total</b>	<b>114,097</b>	99,960

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

**Notes to the financial statements for the year ended 30 November 2024 (continued)****12 INVESTMENTS (continued)****12.6 INVESTMENT RISKS (continued)****Credit Risk**

To gain exposure to certain asset classes in a cost-effective way (in both monetary and governance terms), the Scheme invests in pooled investment vehicles. Therefore, the Scheme is directly exposed to credit risk of these pooled investment vehicles. The value of assets invested in pooled funds and therefore directly exposed to credit risk as a result of this at year end was £189.8m (prior year: £171.8m).

The Scheme is subject to indirect credit risk due to bonds, over the counter (“OTC”) derivatives and cash held within pooled investment vehicles. The value of assets exposed indirectly to credit risk as a result of this at year end was £128.3m (prior year: £119.7m). This value includes pooled investment vehicles that have only a partial allocation to these asset classes. Some of the pooled investment vehicles may also undertake stock lending which will also introduce indirect credit risk.

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

- The credit risk from Sovereign Government bonds held directly or indirectly is considered to be minimal. These assets are primarily held for risk management purposes.
- The credit risk from corporate (investment grade) bonds held directly or indirectly is mitigated by investing in a diversified mix of (predominantly) investment grade rated bonds. These assets are held for income and return generating as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk.
- The credit risk from corporate (sub-investment grade) and other bonds held directly or indirectly is mitigated via diversification to minimise the impact of default by any one issuer. These assets are held for return generating purposes, and the expected return from these assets is considered appropriate for the associated risk.
- The credit risk associated with direct cash balances held by the Scheme’s custodian or within the Trustee bank account is mitigated using regular sweeps and invested into a liquidity fund or other pooled funds.
- Pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk.
- A summary of the pooled investment vehicles by type of arrangement is shown below.

**Notes to the financial statements for the year ended 30 November 2024 (continued)****12 INVESTMENTS (continued)****12.6 INVESTMENT RISKS (continued)****Credit risk (continued)**

Investment Type	2024 £000	2023 £000
Unit Linked Insurance Contracts	119,455	107,616
Open Ended Investment Companies	21,849	19,809
Authorised Unit Trusts	17,354	16,349
Société d'Investissement à Capital Variable (SICAV)	30,925	28,071
<b>Total</b>	<b>189,583</b>	<b>171,845</b>

Source: Investment Managers and Mercer.

Figures may not sum to total due to rounding.

Valuations are based on Bid prices where available otherwise mid/single price values are used.

The above values exclude AVCs.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environment in which the pooled fund manager operates and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks before appointing new-pooled investment managers.

**Indirect Credit Risk**

The Scheme is subject to indirect credit risk on the underlying investments in pooled investment vehicles which can invest in government bonds, corporate bonds, high yield debt, emerging market debt and derivatives; either OTC or exchanged traded.

In addition, the notes below provide more detail on how this risk is managed and mitigated for the different asset classes.

**a. Government Bonds**

Credit risk arising on government bonds is mitigated by investing in UK government bonds where the credit risk is deemed to be minimal.

**b. Corporate Bonds**

The Scheme does not invest directly in investment grade corporate bonds, but the Scheme may have some exposure (to investment grade corporate bonds) within the MAC funds and underlying Blackrock fund of hedge funds managers. The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rate at Baa3 or higher by Moody's.

**Notes to the financial statements for the year ended 30 November 2024 (continued)****12 INVESTMENTS (continued)****12.6 INVESTMENT RISKS (continued)****c. Non-Investment Grade Bonds**

Credit risk arising on non-investment grade bonds held within the MAC fund is mitigated through diversification of the underlying securities to minimise the impact of default by any one issuer.

Credit risk arising on distressed credit held directly has been deliberately undertaken for return-seeking purposes within the MAC mandate. The return generated on this investment is considered appropriate for the associated risk. Credit risk is mitigated through the diversification of these bonds and the application of the risk limits at the discretion of the individual managers.

The fund of hedge funds may also indirectly invest in non-investment grade bonds as part of its strategy to add value.

**d. Derivatives**

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. Exchange traded instruments have minimal credit risk as they are arranged via a central counterparty.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the DB section is subject to risk of failure of the counterparty. The credit risk for OTC derivatives is reduced by collateral arrangements at the discretion of the appointed investment manager.

Credit risk also arises on forward foreign currency contracts used mainly for currency hedging purposes. There may be no collateral arrangements for these contracts but counterparties are generally required to be at least investment grade.

**e. Repurchase agreements**

Credit risk on repurchase agreements is mitigated through collateral arrangements at the discretion of the investment manager.

Pooled investment arrangements used by the Scheme comprise unit-linked insurance contracts, OEICs, unit trusts and SICAV investment vehicles. The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee monitor and manage the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

Direct credit risk arising from pooled investment vehicles structured as authorised unit trusts and OEICs is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory requirements in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Direct credit risk arising from pooled investment vehicles structured as unit-linked insurance contracts is mitigated by capital requirements and the Prudential Regulatory Authority's regulatory oversight. In the event of default by the insurer, the Scheme may be protected by the Financial Services Compensation Scheme ("FSCS") and may be able to make a claim for up to 100% of its policy value, although noting that compensation is not guaranteed. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

**Notes to the financial statements for the year ended 30 November 2024 (continued)**

**12 INVESTMENTS (continued)**

**12.7 AVC INVESTMENTS**

**Investment Strategy**

The main priority of the Trustee when considering the investment policy for the AVC section is to make available a range of suitable investment funds which serve to meet the varying investment needs and risk tolerances of the members.

The funds offered to members are the following:

- Global Equity Fixed Weights (50:50) Index Fund
- Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged
- Future World Annuity Aware Fund (previously Pre-Retirement Fund)
- Cash Fund

The AVC Section is directly invested with LGIM. The day-to-day management of the underlying investments of the funds is the responsibility of LGIM, including the direct management of credit and market risks. The Trustee monitors the underlying risks by quarterly investment reviews.

The funds within the AVC Section are subject to the following credit and (indirect) market risks:

Risk type	Credit		Market		
	Direct	Indirect	Currency	Interest Rate	Other Price
Global Equity Fund	✓		✓		✓
Future World Annuity Aware Fund	✓	✓		✓	
Cash Fund	✓	✓		✓	

The Trustee has selected the above funds and has considered the risks in the context of the investment strategy described above.

**Notes to the financial statements for the year ended 30 November 2024 (continued)****13 CURRENT ASSETS**

	<b>Total 2024</b>	Total 2023
	<b>£000</b>	£000
Contributions receivable		
- Employer	<b>2</b>	2
Cash balances	<b>264</b>	429
Pensions paid in advance	<b>179</b>	-
	<b>445</b>	431

**14 CURRENT LIABILITIES**

	<b>Total 2024</b>	Total 2023
	<b>£000</b>	£000
Unpaid benefits	<b>126</b>	107
Investment managers fees	<b>133</b>	139
	<b>259</b>	246

**15 RELATED PARTY TRANSACTIONS**

At 30 November 2024, 4 Trustee Directors were deferred members of the Scheme (2023: 4) and 1 was a current pensioner member of the Scheme (2023: 1). Pension payments have been calculated in accordance with the Scheme Rules.

**16 GMP EQUALISATION**

As explained on page 8 of the Trustee's report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. In November 2020, the High Court decided that this ruling extended to transfer values which included benefits built up between 1990 and 1997 that had been paid historically. The issues determined by these judgments arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that these issues will affect the Scheme and has been considering the decisions required to take this forward. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the potential backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and has not included a liability in respect of these matters in these financial statements. The Trustee is minded to wait for the completion of the GMP Reconciliation exercise.

**Notes to the financial statements for the year ended 30 November 2024 (continued)****17 VIRGIN MEDIA CASE**

In June 2023, the High Court handed down a decision in the Virgin Media Ltd versus NTL Pension Trustees II Ltd, which considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out pension scheme cannot be altered, in relation to post April 1997 service, unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment to any contracted-out right automatically void. It also held that references in the legislation included both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. This decision was appealed to the Court of Appeal and, in July 2024, the Court of Appeal upheld the decision of the High Court.

The case has the potential to cause significant issues in the pensions industry. The Trustee is investigating the possible implications on the Scheme of the above with their advisers, but it is not possible at the present, to estimate the potential impact, if any, on the Scheme.

## Section 6 – Independent Auditors’ Statement about Contributions

### Independent Auditors’ Statement about Contributions to the Trustee of the FSS Pension Scheme

We have examined the summary of contributions to The FSS Pension Scheme for the Scheme year ended 30 November 2024 which is set out on the following page.

In our opinion contribution for the Scheme year ended 30 November 2024 as reported in the summary of contributions and payable under the schedule of contributions have in all material aspects been paid at least in accordance with the schedule of contributions certified by the actuary on 21 February 2022.

### Basis of opinion

Our objective is to obtain sufficient evidence to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

### Responsibilities of the Trustee

As explained more fully 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 which set out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

### Auditor’s responsibilities for the statement about contributions

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

### Use of our statement

This statement is made solely to the Scheme’s Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our 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 about contributions 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’s Trustee as a body, for our work, for this statement, or for the opinion we have formed.

*Crowe U.K. LLP*

Crowe U.K. LLP  
Statutory Auditor  
Oldbury

Date: 13 May 2025

**Trustee’s Summary of Contributions Payable under the Schedules in respect of the Scheme year ended 30 November 2024**

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 21 February 2022 in respect of the Scheme year ended 30 November 2024. The Scheme auditor reports on these contributions payable under the Schedule in the Auditors’ Statement about Contributions.

**Summary of Contributions payable in the year**

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

	<b>Employer</b>	<b>Employee</b>
	<b>£000</b>	<b>£000</b>
<b>Required by the Schedules of contributions</b>		
Normal contributions	21	2
Deficit funding	1,750	-
<b>Total contributions payable under the Schedules of Contributions</b>	<b>1,771</b>	<b>2</b>
<b>Total contributions per the financial statements</b>	<b>1,771</b>	<b>2</b>

Signed for and on behalf of the Trustee of The FSS Pension Scheme by:

Chris Martin  Trustee Director

Shehzad Ahmad  Trustee Director

13-May-2025 | 11:59 BST Date

## Section 7 – Actuarial Statement & Certificate



### Certificate Of Schedule Of Contributions

Name of the Scheme The FSS Pension Scheme

#### 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 30 November 2023 to be met by the end of the period specified in the recovery plan dated 25 February 2025.

#### 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 25 February 2025.

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.

<b>Signature</b>	<div style="display: flex; align-items: center;"> <div style="font-size: 8px; margin-right: 5px;">DocuSigned by:</div> <div style="border: 1px solid #ccc; padding: 2px;"> </div> </div> <div style="font-size: 8px; margin-top: 2px;">BA4B46238542462...</div>
<b>Name</b>	Kathryn Taylorson
<b>Date of signing</b>	25 February 2025
<b>Qualification</b>	Chartered Actuary (Fellow)
<b>Name of employer</b>	Mercer Limited
<b>Address</b>	1 Whitehall Quay Whitehall Road Leeds LS1 4HR

## Section 8 – Schedule of Contributions

# Schedule Of Contributions

### **The FSS Pension Scheme**

#### **Status of this document**

This schedule has been prepared by FSS Pension Trustee Limited ("the Trustee" of "the Scheme") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of Kathryn Taylorson, the actuary to the Scheme appointed by the Trustee.

This document is the 7th schedule of contributions put in place for the Scheme. It supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustee and the employer, Forensic Archive Ltd and the Home Office, during February 2025.

The Trustee and the employer have signed this schedule on page 4 to indicate that it represents an accurate record of the agreed pattern of contributions.

The schedule is effective from the date it is certified by the Scheme Actuary on page 5.

This schedule should be read in conjunction with the side arrangement entered into between the Trustee, the employer and the Secretary of State for the Home Department.

#### **Contributions to be paid to the Scheme from 25 February 2025 to 30 November 2043**

#### ***Members' contributions***

Active members shall pay contributions monthly on the following basis:

- Classic Section 1.5% of Pensionable Salary
- Premium Section 3.5% of Pensionable Salary

These contributions will be deducted from salary by Forensic Archive Ltd and paid towards the Scheme by the 19th of the following month or by the 22nd of the following month if paid electronically.

This schedule does not cover the employer's commitment to pay across to the Scheme additional voluntary contributions made by members.



**Schedule of contributions (continued)**

Schedule Of Contributions  
Page 3

An allowance for the group life insurance costs is included in the employer's future service contribution rate to the Scheme.

**Pensionable Salaries**

For the purposes of this schedule, Pensionable Salaries are defined as defined as the sum of each active members' Pensionable Salary, where Pensionable Salary for a member means broadly:

- basic pay, plus
- any other permanent non-fluctuating allowances, plus
- overtime premiums for weekend and bank-holiday, plus
- for members in Premium and Partnership section, bonuses and any non-permanent allowances.

The monthly contributions are calculated using monthly Pensionable Salaries determined for the month concerned (i.e. as one-twelfth of the annual amounts).

A full definition of Pensionable Salary is contained in the Trust Deed and Rules dated 6 December 2005 and Amending Deeds dated 11 March 2008 and 31 March 2010. This section of the Schedule of Contributions is not intended to override the definition in the Trust Deed and Rules.

**Arrangements for other parties to make payments to the Scheme**

Payments towards the Scheme may be paid by the Home Office, in lieu of contributions otherwise due from Forensic Archive Ltd.

**Dates of review of this schedule**

This schedule of contributions will be reviewed by the Trustee and the employer no later than 15 months after the effective date of each actuarial valuation, due every three years.

**Employer and Trustee agreement**

This schedule of contributions has been agreed by the employer, Forensic Archive Ltd, and the Trustee of the FSS Pension Scheme on 25 February 2025.

Signed on behalf of Forensic  
Archive Ltd

Signed by:  
*Alison Fendley*  
83CAB544C06A4BE

Name

Alison Fendley

Position

Executive Director

**Schedule of contributions (continued)**

Schedule Of Contributions  
Page 4

<b>Date of signing</b>	25 February 2025
<b>Signed on behalf of the Trustee of the FSS Pension Scheme</b>	 Signed by: D3A2DE8DC8A44F...
<b>Name</b>	Chris Martin
<b>Position</b>	Chair of Trustee
<b>Date of signing</b>	25 February 2025

# The FSS Pension Scheme (‘the Scheme’)

Engagement Policy Implementation Statement for the Year  
Ending 30 November 2024

February 2025



FSS Pension Scheme

# Contents

1. Section 1.....	2
• Introduction .....	2
2. Section 2.....	3
• Statement of Investment Principles.....	3
3. Section 3.....	4
• Environmental, Social and Governance ("ESG") .....	4
4. Section 4.....	6
• Engagement Activity by the Scheme's Investment Managers.....	6
5. Section 5.....	8
• Voting and Engagement Disclosures .....	8

# Section 1:

## Introduction

This statement sets out how, and the extent to which, the Scheme's Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 1 December 2023 to 30 November 2024 (the "Scheme Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the SIP dated October 2023.

Sections 2.1 and 2.2 of this statement set out the investment objectives of the Scheme and changes which have been made to the Engagement Policy during the Scheme Year, respectively.

A copy of the SIP containing the Engagement Policy is available at <https://www.fsspensions.co.uk/resources/statement-of-investment-principles-october-2023/>

Section 3 of this statement provides some highlights of the activity undertaken by the Trustee in relation to Responsible Investment and Environmental, Social and Governance (ESG) over the Scheme Year.

Sections 4 and 5 include information on the engagement and key voting activities of the underlying investment managers of the Scheme, and sets out how the Scheme's engagement and voting policy has been followed during the Scheme Year in respect of the Scheme's assets. **The Trustee can confirm that all policies in the SIP on engagement in relation to the Scheme's assets have been followed during the Scheme Year.**

## Section 2:

### Statement of Investment Principles

#### 2.1 Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set. The objectives for the Scheme specified in the SIP are as follows:

- The Trustee's primary investment objective is to invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due.
- Over the shorter term, the objective is to achieve the performance objectives outlined in the Investment Implementation Policy Document (IPIID).
- The Trustee pays due regard to the interests of the Principal Employer on the size and incidence of their contribution payments.

#### 2.2 Review of the SIP

Throughout the year, no changes were made to the Scheme's Statement of Investment Principles (SIP). The most recent version of the SIP remains as of October 2023.

## Section 3: Environmental, Social and Governance (“ESG”)

### Policy

The Scheme’s Engagement Policy outlines the Trustee’s beliefs on ESG factors (including climate change). The Trustee believes that ESG factors have a material impact on investment risk and return outcomes (and so are financially material), and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by its investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. The agreed policy was incorporated into the SIP following this meeting and reviewed and updated in September 2020.

The Trustee also has in place a Memorandum of Understanding (“MoU”) with the Employer which itself imposes restrictions on ESG-related issues. The MoU states that the Scheme’s assets will not be invested directly in any entities engaged in illegal activities, production of arms (mainly military based arms), production of asbestos, gambling, pornography or tobacco (as one of their primary businesses) or entities that clearly have poor environmental records or unethical employment practices. This policy only applies for assets that are directly invested in, or where pooled funds are judged to be materially overweight to these entities.

In June 2022, the Trustee undertook an ESG Beliefs survey, which further established its beliefs and policy. This survey identified that most of the Trustee believed that **climate change, human rights and shareholders concerns** are the three most important themes for the Trustee. The Trustee’s policy in the SIP on ESG, stewardship and climate change were modified as a result.

In October 2023, the SIP was updated to include the Trustee’s engagement priorities and significant vote policy.

Further details are included in Section 5 of the SIP. The Trustee keeps its policies under regular review.

### How has this policy been met over the Scheme Year?

The Trustee has given its investment managers full discretion in evaluating ESG factors within their investment processes, including climate change considerations, exercising voting rights and stewardship obligations attached to the Scheme's investments in accordance with their own corporate governance policies, and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

- The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in monitoring existing investment managers, including considering investment manager ESG ratings provided by the investment advisor. During the year to 30 November 2024, the Scheme's investment performance report was reviewed by the Trustee on a quarterly basis – this includes asset manager research ratings (both general and ESG-specific) from Mercer, the investment consultant, as well as detail on how investment managers are delivering against their specific mandate.
- The Trustee's policy is that a downgrade in Mercer's asset manager ESG rating (or lack of ESG rating) does not mean that the investment manager will be removed or replaced automatically, but will be reviewed on a case-by-case basis, taking into account the asset class invested in (and hence the applicability of ESG factors) and, where relevant, the circumstances behind the rating downgrade. During the Scheme year no ESG rating changes occurred. Currently, Mercer does not provide asset manager ESG ratings for the synthetic equity and LDI strategies, where the integration of ESG factors are not part of the asset managers' portfolio construction processes.
- Managers are expected to provide a summary of their ESG and stewardship policies and to comment on these issues as part of any meeting with the manager; the Trustee asks its investment managers to summarise their investment approach to managing ESG issues when presenting at Trustee meetings.
- When looking to appoint a new manager, the Trustee considers how ESG, climate change and stewardship is integrated within investment processes.

## Section 4

### Engagement Activity by the Scheme's Investment Managers

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

See section 5 for more details on how the Trustee's policies on engagement have been implemented, as well as its policies on the exercise of investment rights (including voting).



#### LGIM engages with APA

APA is Australia's largest energy infrastructure business. Under LGIM's Climate Impact Pledge campaign, the manager has been engaging with the company directly since 2022. In these engagements, the company was identified as lagging LGIM expectations on climate-related lobbying activities.

LGIM, expect companies to introduce credible climate transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of Scope 1, 2 and material Scope 3 Green House Gas (GHG) emissions and short, medium and long-term GHG emissions reduction targets consistent with the 1.5°C goal. As a consequence, when APA Group brought its climate transition plan to a vote, LGIM was unable to support it: although the plan presented Scope 1 and 2 goals for the medium and long term on a path to achieving net zero emissions by 2050, no Scope 3 targets were included. The company noted that these would be finalised no later than 2025.

LGIM initiated engagement with the company after this vote and met with them for the first time in early 2023 as part of their Climate Impact Pledge engagement, and have continued to build the relationship, setting out their expectations as per LGIM's net zero guide, and working with the company to understand the hurdles it faces and the challenges to meeting these expectations.

LGIM was very pleased that, in the meeting with APA in early 2024, APA confirmed that they will include a Scope 3 goal in the 2025 refresh of their Climate Transition Plan, and they outlined their proposed Scope 3 reduction pathway. The company noted that feedback from the 20% of investors, including LGIM, who voted against their proposed Climate Transition Plan in 2022, had solidified their decision to commit to a Scope 3 target. This demonstrates the effect of LGIM's engagement strategy, fully aligned with their voting policy, to encourage progress towards decarbonisation. LGIM looks forward to continuing the engagement with the company on their decarbonisation pathway and journey to net zero.

#### **LGIM engages with Nestlé**

As the largest food company in the world, Nestlé sets an example for the rest of the industry in terms of driving positive change and raising market standards. There is a clear link between poor diets and chronic health conditions such as obesity, heart disease and diabetes. These in turn may lead to increased healthcare costs and decreased productivity, both of which will have negative impacts on the economy and, ultimately, on LGIM clients' assets. In the fourth quarter of 2022 LGIM co-signed, with their peers, letters to 12 food and beverage manufacturers, under the leadership of Share Action's Healthy Markets Initiative. Nestlé was among the companies LGIM wrote to. In the individually tailored letters, LGIM encouraged the companies to do more in several areas. These included, for example, transparency around their nutrition strategy, demonstrating progress on their nutrition strategy, committing to disclosures around the proportion of the company's portfolio and sales associated with healthy food and drinks products (using government-endorsed nutrient-profiling models) and setting targets to increase the proportion of these sales.

Following the letter, together with the Healthy Markets Initiative, LGIM met with Nestlé several times. In late 2022, Nestlé announced that they would report on their global portfolio using the nutrient profiling system Health Star Rating (HSR) – LGIM were pleased to see this development. LGIM continued to meet with Nestlé as part of this collaboration during 2023 to discuss LGIM's ongoing concerns, particularly regarding their plans not just to monitor but also actively to increase their sales of healthier products. In September 2023, Nestlé announced a new nutrition target which LGIM believes is not ambitious enough. LGIM main concerns are: Nestlé's new target is broadly in line with the company's current overall growth guidance, meaning if sales of unhealthier products increase in line with this guidance, there would be no improvement linked to consumer health and diets; some of the products counted as 'nutritious' by Nestlé are outside the scope of government-endorsed nutrient profile models (including commercial baby foods and coffee). By increasing sales of out-of-scope products classified by Nestlé as nutritious, LGIM felt that the company could meet its target without having any positive impact on public health. Reflecting LGIM's shared concerns with ShareAction, the manager agreed in early 2024 to co-file a shareholder resolution at Nestlé's AGM, calling on the company to: Set key performance indicators (KPIs) regarding the absolute and proportional sales figures for food and beverage products according to their healthfulness, as defined by a government-endorsed Nutrient Profiling Model; and to provide a timebound target to increase the proportion of sales derived from these healthier products. These requests are intended to address LGIM main concerns and strengthen the link between Nestlé's targets and real-world impact by increasing the proportion of healthier food available in consumer markets. LGIM will monitor the company's response and actions and continue their engagement with them on this crucial issue.

## Section 5: Voting and Engagement Disclosures

**The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments** (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

### Policy

The Trustee has delegated its voting rights to the investment managers, principally through being invested in pooled funds (noting that in this case votes are cast on behalf of the pooled fund not the Trustee, which does not own underlying assets directly). As a result, the Trustee does not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee.

In addition, it is the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

### How has this policy been met over the Scheme Year?

For the purposes of this statement, voting and engagement summary reports from the Scheme's investment managers for 2024 were provided to Mercer on the Trustee's behalf for review. These reports were specifically focused on votes that the managers deemed significant, in alignment with the Trustee's policy. The Trustee reviews these summaries as part of their review of this statement on an annual basis. The Trustee does not use the direct services of a proxy voter.

The Trustee supports the aims of the UK Stewardship Code and its investment managers are encouraged to report their adherence to the Code. LGIM and Ninety One have confirmed that they are signatories of the current UK Stewardship Code (the "Code"). The pooled funds in which the Trustee invests with BlackRock and Columbia Threadneedle are not exposed to voting rights holding securities, however these managers are signatories to the Code.

Additionally, BlackRock and Ninety One have confirmed the pooled funds in which the Trustee invests are not aligned with the Paris Agreement. LGIM has confirmed that the Future World Global Equity Index Fund (currency hedged and non-hedged) are aligned with the Paris Agreement, and that the Global Equity Fixed Weights (50:50) Index Fund (for AVCs) is not aligned with the Paris Agreement.

### Voting Activity during the Scheme year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies of the Scheme (note that the Global Equity Fixed Weights (50:50) and (30:70) Index Funds are only used for Additional Voluntary Contributions (AVCs)). Funds where voting is not applicable (i.e. non-equity funds) are not included below.

**Future World Global equity Index Fund and Future World Global equity Index Fund GBP currency hedge - DB**



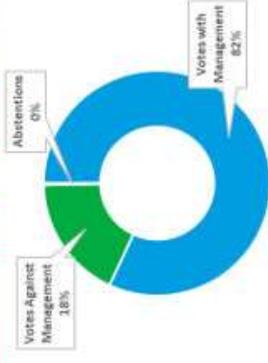
**5,516**

Meetings eligible to vote

**55,469**

Number of resolutions eligible to vote on

**Global Equity Fixed Weights (50:50) Index - AVC**



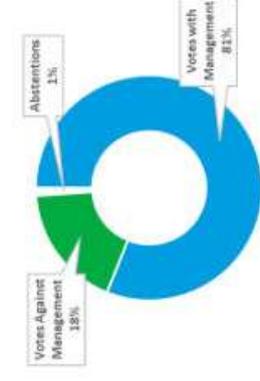
**2,971**

Meetings eligible to vote

**37,861**

Number of resolutions eligible to vote on

**Global Equity Fixed Weights (30:70) Index - AVC**



**7,279**

Meetings eligible to vote

**72,341**

Number of resolutions eligible to vote on

Source: LGIM. Figures subject to rounding. The voting data covers the year ending 31 December 2024. Please note that the Global Equity Fixed Weights (30:70) Index Fund was introduced into the AVC fund range during January 2024.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients. LGIM's voting policies are reviewed annually and consider feedback from their clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a

## THE FSS PENSION SCHEME

key consideration for LGIM as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also consider client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

### Most significant votes

A "Significant Vote" is defined by the Trustee as one that is best aligned with its engagement priorities and based on the company weights in the total portfolio. The Trustee is required to report on all votes they believe are the 'most significant'.

Based on the ESG Beliefs Survey completed by the Trustee in June 2022, the Trustee's key themes based on a priority scale are: **climate change, human rights and shareholders concerns**. Some examples of significant votes in the reporting period are shown in the table below.

THE FSS PENSION SCHEME

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Why Vote is Significant
Future World Global Equity Index Fund and Future World Global Equity Index Fund - GBP currency hedged	4.9%	Microsoft Corporation	10 December 2024	9 - Report on AI Data Sourcing Accountability	LGIM voted for item 9 (against management).	LGIM voted "for" as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✗	Shareholders concerns	Aligned with the Scheme's stewardship priorities
Future World Global Equity Index Fund and Future World Global Equity Index Fund - GBP currency hedged	1.8%	Amazon. com, Inc.	22 May 2024	6 - Report on Customer Due Diligence	LGIM voted for item 6 (against management).	LGIM voted "for" as they believe that enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✗	Human Rights	Aligned with the Scheme's stewardship priorities
Global Equity Fixed Weights (50:50) Index	2.2%	Unilever Plc	1 May 2024	4 - Approve Climate Transition Action Plan	LGIM voted for item 4 (for management).	LGIM voted "for" as the action plan meets LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, LGIM notes that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. LGIM therefore remain supportive of the net zero trajectory of the company at this stage. LGIM will	✓	Climate Change	Aligned with the Scheme's stewardship priorities

THE FSS PENSION SCHEME

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Why Vote is Significant
Global Equity Fixed Weights (50:50) Index	1.2%	Glencore Plc	29 May 2024	12 - Approve 2024-2026 Climate Action Transition Plan	LGIM voted against resolution 12 (against management).	<p>continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p> <p>A vote "against" was applied because LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While LGIM notes the progress the company has made in terms of disclosure, LGIM remains concerned over the company's thermal coal activities, as it remains unclear how the planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	✓	Climate Change	Aligned with the Scheme's stewardship priorities
Global Equity Fixed Weights (30:70) Index	2.3%	Shell Plc	21 May 2024	22 - Approve the Shell Energy Transition Strategy	LGIM voted against item 22 (against management).	<p>LGIM acknowledges the substantive progress that Shell has made in respect of climate related disclosure over recent years, and LGIM views positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and Liquefied Natural Gas (LNG) business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, LGIM seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, LGIM believe investors would benefit from further transparency regarding lobbying activities in regions where hydrocarbon</p>	✓	Climate Change	Aligned with the Scheme's stewardship priorities

THE FSS PENSION SCHEME

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Why Vote is Significant
Global Equity Fixed Weights (30:70) Index	2.7%	Apple Inc.	28 February 2024	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	LGIM voted against the report (with management).	<p>production is expected to play a significant role, guidance on capital expenditure ('capex') allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonisation strategy. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p> <p>LGIM voted "against" as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in equal employment opportunity (EEO) policies does not appear to be a standard industry practice. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	✗	Shareholders concerns	Aligned with the Scheme's stewardship priorities

Source: LGIM