

# CAPITA



## **The FSS Pension Scheme**

**Scheme Registration Number: 10275544**

**Trustee's Annual Report and Financial Statements  
For the Year Ended 30 November 2019**

**CONFIDENTIAL**

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# The Trustee and its Advisers

<b>Trustee:</b>	FSS Pension Trustees Limited
<b>Trustee Directors:</b>	Independent Trustee Services Limited (ITS) represented by Christopher Martin (Chair)  Shehzad Ahmad Alison Denise Fendley Alan Charles Organ Romelle Christine Piercy David Michael Rees
<b>Secretary to the Trustee:</b>	Mercer Limited Four Brindleyplace Birmingham B1 2JQ
<b>Sponsoring Employer:</b>	Forensic Archive Ltd Unit 29 Gravelly Park Industrial Park Birmingham B24 8HZ
<b>Auditor:</b>	Crowe U.K. LLP (formerly known as Crowe Clark Whitehill LLP)
<b>Banker:</b>	National Westminster Bank Plc
<b>Investment Adviser:</b>	Mercer Limited
<b>Custodians:</b>	HSBC, Citibank, UBS, BNP Paribas, State Street, Northern Trust, BNY Mellon, and Citco Canada Inc
<b>Investment Managers:</b>	Apollo Global Management LLC BlackRock Alternative Advisors Investec Asset Management Limited Legal & General Investment Management Limited MacKay Shields UK LLP Columbia Threadneedle Investments Winton Capital Management Limited
<b>AVC Provider:</b>	Legal & General Investment Management Limited
<b>Legal Adviser:</b>	Gowling WLG (UK) LLP
<b>Scheme Actuary:</b>	Ali Tayyebi, Mercer Limited
<b>Scheme Administrator:</b>	Capita Employee Solutions

# Trustee's Report

## Scheme Management

### Introduction

The Trustee presents its twelfth Annual Report and the audited Financial Statements of the FSS Pension Scheme (the "Scheme") for the year ended 30 November 2019.

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

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

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. Note that in this scenario the constraint 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), although this has little practical implication for how the Trustee already runs the Scheme.

To summarise, 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.

## Trustee's Report (continued)

### Scheme Management (continued)

#### The Role of the Trustee

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.

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
- Three selected by the Employer
- One selected by the Union and
- Two selected by Scheme members

The Pensions Act 2004 requires trustee boards to consist of at least one-third MNTs. The Pensions Regulator has confirmed that the structure above complies with this requirement. S Ahmad and D. Rees are MNTs, their terms expire in September 2023.

The Trustee Directors are named on page 2 of the Report.

During the year under review the full board of the Trustee met on 3 occasions. The Trustee board has established the following sub-committees to consider and advise on an on-going basis. The current members of the sub-committees (the first named being Chairman) are:

- Asset and Liability: C. Martin (ITS), S. Ahmad, A. Fendley and A. Organ
- Administration, Communications and Governance: D. Rees, S. Ahmad and R. Piercy

The sub-committees normally meet prior to the Board meeting depending upon Scheme activity.

#### 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 Trustee 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 has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter. All individual Trustee Directors have completed the tPR Trustee Toolkit modules.

## Trustee's Report (continued)

## Scheme Management (continued)

**Appointments made by the Trustee**

The Trustee uses various external organisations to assist them in carrying out their responsibilities. The services provided are covered by formal agreements between the Trustee and its advisers.

Administrative and management services are provided by Capita Employee Solutions, part of Capita plc.

All of the Trustee's advisers are named on page 2 of the Report.

**Membership and Beneficiaries**

	<b>2019</b>	<b>2018</b>
<b>Active Members at 1 December 2018</b>	3	3
<b>At 30 November 2019</b>	<u>3</u>	<u>3</u>
<b>Current Pensioners at 1 December 2018</b>	365	340
Add: Deferred benefits into payment	22	26
New spouse/dependants	3	-
Less: Deaths	(2)	(1)
<b>At 30 November 2019</b>	<u>388*</u>	<u>365*</u>
<b>Deferred Pensioners at 1 December 2018</b>	2,095	2,134
Less: Adjustment for late notifications	(1)	(3)
<b>Revised Deferred Pensioners at 1 December 2018</b>	<u>2,094</u>	<u>2,131</u>
Add: New deferred members	-	-
Less: Transfers to other arrangements	(2)	(10)
Deferred pensioners becoming current pensioners	(22)	(26)
Deaths	(2)	-
<b>At 30 November 2019</b>	<u>2,068</u>	<u>2,095</u>
<b>Total membership at 30 November 2019</b>	<u><u>2,459</u></u>	<u><u>2,463</u></u>

\*including 1 pensioner with payments currently suspended following returned mail.

Note: adjustments relate to late notifications from previous report, or members reinstated from suspended status.

## Trustee's Report (continued)

### Scheme Management (continued)

#### Financial Position

The financial statements of the Scheme are presented on pages 28 to 40. They have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995, on a market value basis and cover the year ended 30 November 2019. They show that the net assets of the Scheme at 30 November 2019 amounted to £241.6m (30 November 2018: £216.8m).

#### Pension Increases

Pensions in payment under the Scheme in excess of GMP were increased at the following rates with effect from 1 April 2019:

For pension accrued to 31 March 2010:	3.3% (2018: 3.9%)
For pension accrued from 1 April 2010:	2.5% (2018: 2.5%).

#### 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 discretionary benefits have been included in the calculation of transfer values.

#### Contributions

A Schedule of Contributions was agreed by the Trustee and Employer on 29 June 2016, following the completion of the 30 November 2014 Actuarial Valuation, detailing contributions payable to the Scheme from 1 July 2016.

Following the completion of the 30 November 2017 Actuarial Valuation, a new Schedule of Contributions was agreed by the Trustee and Employer on 20 February 2019, detailing contributions payable to the Scheme from 1 March 2019.

Under the new Schedule of Contributions, Employer normal contributions were increased from 21.4% of pensionable salary to 30.4% from 1 March 2019.

A copy of the new Schedule of Contributions is included on pages 21 to 24 and the new Actuarial Certification of the Schedule is included on page 19.

All contributions were received in accordance with the Schedules of Contributions.

#### Additional Voluntary Contributions

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

## Trustee's Report (continued)

### Scheme Management (continued)

#### Actuarial Valuation

The last Actuarial Valuation was carried out as at 30 November 2017. It showed that there was a deficit of £59.4m on the technical provisions basis equivalent to a funding level of 79%. This is a worsening of the position as at 30 November 2014 when the funding level was 85%.

For the 2014 valuation there was a delay in reaching agreement on a Recovery Plan with the Home Office, the ultimate guarantor to the Scheme and therefore the Actuarial Valuation was not signed off until after the statutory 15 month deadline. The Pensions Regulator was notified of the delay and was kept informed of progress and the Actuarial Valuation was signed on 29 June 2016.

The 2017 Actuarial Valuation was agreed and signed within the 15 month deadline. The valuation was signed on 20 February 2019.

Further information regarding the Scheme's funding position can be found in the Report on Actuarial Liabilities on page 18.

#### COVID-19

At the time of approval of the financial statements, the Covid-19 virus continues to develop and has been designated a global pandemic by the World Health Organisation. The Trustee has considered the impact of the Covid-19 virus on the assessment of the Employer's ability to support the Scheme as a going concern. In particular, the Trustee considered the potential impact of Covid-19 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 continue to assess the impact, with support from their advisors, and believe it remains appropriate to prepare the financial statements on a going concern basis.

#### Summary of Contributions

##### Summary of contributions payable during the Scheme year ended 30 November 2019

Contributions payable under the Schedules of Contributions	£'000
Employer normal contributions	18
Employer deficit contributions	1,750
Employee normal contributions	2
Total contributions payable under the Schedules of Contributions	<u>1,770</u>
<b>Total contributions payable to the Scheme per the financial statements</b>	<u><u>1,770</u></u>



## Trustee's Report (continued)

## Investment Matters

The assets of the Scheme have been managed during the year under review by Legal & General Investment Management Limited ("LGIM"), BlackRock Alternative Advisors ("BlackRock"), Investec Asset Management Limited ("Investec"), Columbia Threadneedle Asset Management ("Columbia Threadneedle"), Winton Capital Management Limited ("Winton"), Apollo Global Management LLC ("Apollo") and MacKay Shields UK LLP ("MacKay Shields") as detailed in the table below.

Manager	Mandate	Target Allocation - Start of Year (%)	Target Allocation - End of Year (%) **
LGIM	Passive Equity	30.0	18.0
	LDI	19.5	26.7
	Synthetic Equity *	-	4.8 (12.0)
BlackRock	Fund of Hedge Funds	12.2	12.2
Investec	Emerging Market Equity	3.8	3.8
Columbia Threadneedle	Property	12.2	12.2
Winton	Global Tactical Asset Allocation ("GTAA")	8.4	8.4
Apollo	Multi-Asset Credit	8.4	8.4
MacKay Shields	Multi-Asset Credit	5.5	5.5
<b>Total</b>		<b>100.0</b>	<b>100.0</b>

Target exposure of the synthetic equity is shown in brackets.

\* 4.8% represents the Scheme's initial 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 (c12% of assets based on the fund's target leverage level) and will vary over time as the underlying leverage of the fund changes. As the use of leverage allows the Scheme to gain a greater exposure to equity markets than the physical assets invested (the optimal leverage level is 2.5x within the fund), the assets released from the move from physical equity funds to synthetic equity funds have been used within the LDI portfolio in order to support the target liability hedge ratio.

\*\* The effective date of the new benchmark is 14 March 2019.

The Trustee is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking appropriate advice. The Trustee has delegated the day-to-day management of investments to professional external investment managers. These managers, which are regulated by the Financial Conduct Authority in the United Kingdom, manage the investments within the restrictions set out in the Scheme's Statement of Investment Principles ("SIP") and Investment Implementation Policy Document ("IIPD"). Subject to complying with the agreed strategy, which specifies the target proportions of the Scheme which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the investment managers.

The Trustee's primary investment objective is to invest the assets of the Scheme 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 IIPD.

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

## Trustee's Report (continued)

### Investment Matters (continued)

The current target strategy is to hold broadly:

- 32.2% in defensive assets; the majority of which (a target of 26.7% of total assets) are invested in a Liability Driven Investment ("LDI") strategy managed by LGIM, which uses government bonds, gilt repurchase agreements and swaps (interest rate and inflation) to hedge a proportion of the impact of interest rate and inflation movements on the long term liabilities. The Multi-Asset Credit ("MAC") fund managed by MacKay Shields makes up the rest of the Defensive Portfolio.
- The remaining 67.8% of total assets is invested in return generating assets comprising developed market physical and synthetic equities, emerging market equities, a fund of hedge funds, a global tactical asset allocation ("GTAA") fund and the MAC fund managed by Apollo. 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 target developed market equity exposure is 30.0% of 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.

The Scheme's rebalancing and cashflow policy is reviewed on a quarterly basis at Trustee meeting. Cashflows are typically invested /disinvested to tighten the actual allocation towards the target strategic allocation subject to market considerations. There is no automatic rebalancing between the physical equity, synthetic equity and LDI portfolios with LGIM.

For the Additional Voluntary Contribution ("AVC") Section, all assets have been managed during the year under review by LGIM. Over the year under review, the Scheme made no changes to the AVC structure.

During the year, the following changes have been made in the Scheme's investment strategy:

- LDI portfolio restructuring:
  - Delegate the initial and ongoing management, monitoring and implementation of the LDI portfolio to LGIM, via their Enhanced LDI Service;
  - LGIM restructured the LDI portfolio to achieve interest rate and inflation rate hedge ratios of c. 60% (from c. 30%) on the Scheme's Technical Provisions basis.
- Equity portfolio restructuring
  - Bring the regional split of the Scheme's developed equity portfolio closer in line to the regional split of global developed equity markets (as measured by market capitalisation weighting), by transferring the assets currently held in individual regional equity funds into LGIM's global-weighted World Equity funds;
  - Reduced the overseas developed market currency hedge ratio to 50% (from 75%);
  - Replicated some (c40%) of the Scheme's current exposure to global equity markets on a synthetic basis through investment in LGIM's pooled synthetic equity funds. This allowed physical assets to be released to be used in the LDI portfolio for the purposes of supporting the increase in liability hedging.

## Trustee's Report (continued)

### Investment Matters (continued)

#### **Investment Principles**

The Trustee produces a Statement of Investment Principles ("SIP") in accordance with Section 35 of the Pensions Act 1995, the Occupational Pension Scheme's (Investment) Regulations 2005 and subsequent legislation. A copy of the SIP is available on request.

#### **Responsible Investment and Corporate Governance**

The Trustee believes that Environmental, Social and Governance ("ESG") factors have a material impact on investment risk and return outcome (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 policies and to comment on these issues as part of any meeting with the manager.

The Trustee also makes use of investment manager ESG ratings provided by their investment consultant.

Non-financially materially considerations, including member views, are not explicitly taken into account in the selection, retention and realisation of investments at the current time.

#### **Asset Allocation**

The Scheme invests in pooled investment vehicles. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management and currency hedging purposes where required. The pooled fund managers may use derivatives as part of their investment strategy.

## Trustee's Report (continued)

## Investment Matters (continued)

The following sections provide more detail on the distribution of the Scheme's assets (including AVC's)

Investment Manager	Fund	Actual Asset Allocation			
		Start of Year (£)	End of Year (£)	Start of Year (%)	End of Year (%)
LGIM	UK Equity Index	17,833,500	-	8.3	-
	North America Equity Index	4,484,584	-	2.1	-
	North America Equity Index - GBP Hedged	14,037,989	-	6.5	-
	Europe (ex-UK) Equity Index	4,159,276	-	1.9	-
	Europe (ex-UK) Equity Index - GBP Hedged	12,513,624	-	5.8	-
	Japan Equity Index	2,400,761	-	1.1	-
	Japan Equity Index - GBP Hedged	6,296,201	-	2.9	-
	Asia Pacific (ex-Japan) Developed Equity Index	1,586,514	-	0.7	-
	Asia Pacific (ex-Japan) Developed Equity Index - GBP Hedged	4,427,539	-	2.1	-
	World Equity Index	-	23,724,459	-	9.9
	World Equity Index - GBP Hedged	-	22,940,886	-	9.6
	Synthetic Leveraged Equity	-	7,135,990	-	3.0
	Synthetic Leveraged Equity - GBP Hedged	-	6,578,031	-	2.7
BlackRock	Fund of Hedge Funds	26,408,191	26,540,336	12.3	11.1
Investec	Emerging Market Equity	8,465,901	9,069,175	3.9	3.8
Columbia Threadneedle	Property	25,326,276	25,400,145	11.8	10.7
Winton	GTAA	14,765,352	14,545,956	6.9	6.1
Apollo	Multi-Asset Credit	20,511,052	21,685,776	9.5	9.0
<b>Total Return Generating</b>		<b>163,216,761</b>	<b>157,620,754</b>	<b>75.8</b>	<b>65.8</b>
LGIM	Over 5 Years Index-Linked Gilts	8,675,997	-	4.0	-
	Leveraged Index-Linked Gilt Plus	-	3,781,220	-	1.6
	2058 Index-Linked Gilt Fund	-	7,316,163	-	3.0
	2030 Leveraged Index-Linked Gilt	-	1,885,720	-	0.8
	2034 Leveraged Index-Linked Gilt	-	5,227,181	-	2.2
	2037 Leveraged Index-Linked Gilt	-	251,031	-	0.1
	2040 Leveraged Index-Linked Gilt	-	4,210,611	-	1.8
	2042 Leveraged Index-Linked Gilt	7,183,267	2,807,812	3.3	1.2
	2047 Leveraged Index-Linked Gilt	-	9,915,748	-	4.1
	2055 Leveraged Index-Linked Gilt	8,401,776	8,909,959	3.9	3.7
	2062 Leveraged Index-Linked Gilt	6,327,098	7,305,032	2.9	3.0
	2068 Leveraged Index-Linked Gilt	10,032,258	16,471,167	4.7	6.9
	Sterling Liquidity Fund	-	2,077,815	-	0.9
	UK Treasury Bills	16	16	0.0	0.0
Mackay Shields	Multi-Asset Credit	11,536,730	11,922,463	5.4	5.0
<b>Total Defensive</b>		<b>52,157,142</b>	<b>82,081,939</b>	<b>24.2</b>	<b>34.2</b>
<b>Total</b>		<b>215,373,903</b>	<b>239,702,693</b>	<b>100.0</b>	<b>100.0</b>

1) Source: Investment Managers. Figures may not sum to total due to rounding. Valuations are based on bid prices where available otherwise mid/single price values are used.

## Trustee's Report (continued)

## Investment Matters (continued)

The Trustee regards the investments of the Scheme as readily marketable as detailed below:

- The developed physical equity funds managed by LGIM, emerging market equity fund managed by Investec and MAC fund managed by MacKay Shields are daily priced and traded.
- The LDI and synthetic equity funds managed by LGIM are weekly priced and traded.
- The fund of hedge funds managed by BlackRock, property fund managed by Columbia Threadneedle and GTAA fund managed by Winton are monthly priced, and for Winton are also traded monthly. Redemptions for BlackRock are permitted on a quarterly basis, requiring 93 calendar days' notice; for Threadneedle 5 months' notice is required.
- The MAC fund managed by Apollo is monthly priced, however redemptions are only permitted on a quarterly basis and require a written notice 60 days' prior the established investment date.

**Additional Voluntary Contribution Section**

Investment Manager	Fund	Actual Asset Allocation			
		Start of Year (£)	End of Year (£)	Start of Year (%)	End of Year (%)
LGIM	Global Equity 50:50 Fund	754,626	818,713	73.8	73.9
	Pre-Retirement Fund	160,592	182,246	15.7	16.5
	Cash Fund	106,905	106,611	10.5	9.6
<b>Total</b>		<b>1,022,123</b>	<b>1,107,570</b>	<b>100.0</b>	<b>100.0</b>

2) Figures may not sum to total due to rounding. Valuations are based on mid/single swinging values.

## Trustee's Report (continued)

## Investment Matters (continued)

The table below shows the performance (net of fees) of the funds (excluding AVC investments):

Investment Manager	Fund	Last Year		Last 3 Years	
		Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)
LGIM <sup>(a)</sup>	World Equity Index	-	-	-	-
	World Equity Index - GBP Hedged	-	-	-	-
	Synthetic Leveraged Equity	-	-	-	-
	Synthetic Leveraged Equity - GBP Hedged	-	-	-	-
BlackRock	Fund of Hedge Funds	0.5	0.9	1.9	0.6
Investec <sup>(b)</sup>	Emerging Market Equity Fund	8.0	5.8	-	-
Columbia Threadneedle	Property <sup>(c)</sup>	2.4	2.2	6.6	6.7
Winton	GTAA	-1.5	0.9	2.0	0.6
Apollo	Multi-Asset Credit <sup>(d)</sup>	5.5	0.9	-	-
LGIM	LDI Portfolio <sup>(e)</sup>	26.6	26.7	-	-
	UK Treasury Bills	0.7	0.6	0.4	0.4
MacKay Shields	Multi-Asset Credit	3.3	0.9	1.8	0.6
<b>Total Scheme <sup>(f)</sup></b>		<b>11.5</b>	<b>12.9</b>	<b>7.2</b>	<b>6.9</b>

Figures shown are based on performance provided by the investment managers, Mercer estimates and Thomson Reuters Datastream.

<sup>(a)</sup> One and 3 year performance is not available as the LGIM Equity funds were implemented over the year.

<sup>(b)</sup> 3 year performance is not available as the EME portfolio has not been implemented for 3 years.

<sup>(c)</sup> Columbia Threadneedle only reports the fund performance on a quarterly basis. Performance figures shown are to 30 September 2019 rather than to the Scheme year end.

<sup>(d)</sup> 3 year performance is not available as Apollo's Multi-Asset Credit portfolio has not been implemented for 3 years.

<sup>(e)</sup> 3 year performance is not available as the LDI portfolio has not been implemented for 3 years. 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).

<sup>(f)</sup> Total performance figures shown includes terminated mandates.

### AVC Section

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

Fund	Last Year		Last 3 Years	
	Fund (%)	B'mark (%)	Fund (% p.a.)	B'mark (% p.a.)
LGIM - Global Equity 50:50 Fund	11.7	11.8	9.1	9.1
LGIM - Pre-Retirement Fund	15.5	15.5	5.9	6.0
LGIM - Cash Fund	0.6	0.6	0.4	0.4

## Trustee's Report (continued)

### Investment Matters (continued)

#### Custodial Arrangements

The Trustee is responsible for ensuring the Scheme's assets continue to be securely held. The Trustee reviews the custodial arrangements from time to time and the Scheme auditor is authorised to make whatever investigations it deems are necessary as part of the annual audit procedure.

For the Scheme's pooled fund investments, the Trustee has no direct ownership of the underlying pooled funds or the underlying assets of the pooled funds. The policies, proposal forms, prospectuses and related principles of operation, set out the terms on which the assets are managed. The safekeeping of the assets within the pooled funds is performed on behalf of the representative investment managers by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager. The pooled fund custodians at year end are shown in the table below.

Manager	Custodian(s)
LGIM	HSBC and Citibank <sup>(a)</sup>
BlackRock	MUFG
Investec	State Street
Winton	BNY Mellon and Northern Trust.
Apollo	JP Morgan
Mackay Shields	State Street
Columbia Threadneedle	Citibank N.A.

Source: investment managers.

<sup>(a)</sup> HSBC are typically used for UK assets and Citibank overseas assets.

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

#### 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.

As the Sponsor is not a listed company, ERI is not currently an issue for the Scheme, as the Scheme's assets are invested in listed equities, bonds, property, commodities and hedged funds. Therefore the Scheme complied with laws governing ERI at year end.

## Trustee's Report (continued)

## Compliance Matters

### The Pension Tracing Service

Details of the Scheme, including the address where the Trustee can be contacted, have been lodged with the Pension Tracing Service. The Registry's prime role is to provide a "tracing and information service" for former members of pension schemes.

### Registration under the applicable Data Protection Legislation

The use of data is registered under the applicable Data Protection Legislation for the purposes of pensions administration by the Trustee and of personnel/employee administration by the employers.

### Problems and Complaints

To comply with the requirements of the Pensions Act 1995, the Trustee provides a formal Internal Dispute Resolution Procedure. Anyone requiring information about the procedure should request details from the administrator of the Scheme, whose address can be found on page 17.

### The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is an independent voluntary organisation with local advisers who are experts in pension matters.

TPAS can be contacted either through any local Citizens Advice Bureau or at the following address:

TPAS Headquarters, 11 Belgrave Road, London, SW1V 1RB.

Telephone: 0800 011 3797

Email: [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

### Pensions Ombudsman

The Pensions Ombudsman will assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee or Administrator of the Scheme and may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

The Pensions Ombudsman may be contacted at:

1<sup>st</sup> Floor, 10 Colonnade, Canary Wharf, London, E14 4PU

Telephone: 0800 917 4487

Early resolution email: [helpline@pensions-ombudsman.org.uk](mailto:helpline@pensions-ombudsman.org.uk)

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

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

### Pensions Regulator

The Pensions Regulator is able to intervene in the running of schemes where trustees, employers or professional advisers have failed in their duties.

The Pensions Regulator may be contacted at Napier House, Trafalgar Terrace, Brighton, BN1 4DW.



## Trustee's Report (continued)

### 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 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 it to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the 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 any active member of the Scheme and adopting a risk based process 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 Act 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

## Trustee's Report (continued)

### Contact for Further Information

Any enquiries or complaints about the Scheme, including requests from individuals for information about their benefits or scheme documentation, should be sent to:

The FSS Pension Scheme  
Capita Employee Solutions

PO Box 555

Stead House

Darlington

DL1 9YT

Tel: 0114 2737331

Fax: 0114 2750998

Email: [fsspensionscheme@capita.co.uk](mailto:fsspensionscheme@capita.co.uk)

Website: [www.fsspensions.com](http://www.fsspensions.com)

Signed on behalf of the FSS Pension Scheme by:

CRA MARTIN  
ITS LTD

Trustee Director

Date: 22/6/20.

DAVID M REES

Trustee Director

Date: 22/6/2020

# 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 2017. This showed that on that date:

The value of the Technical Provisions was: £278.3 million

The value of the assets at that date was: £218.9 million

The next actuarial valuation is due as at 30 November 2020.

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.

## Significant Actuarial Assumptions

**Discount interest rate:** pre-retirement 4.00% p.a. Post retirement 2.25% p.a. Term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 0.5% per annum.

**Future Retail Price inflation:** RPI (3.3%). Term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

**Future Consumer Price inflation:** term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.9% per annum.

**Pension increases:** derived from the term dependent rates for future consumer 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 1.5% per annum above term dependent rates for the future retail price inflation (NB not a significant assumption if few active members).

**Mortality:** Base table S2PA year birth tables. The following weightings have been applied to reflect the membership profile of the Scheme: Pensioners: Males 81%, Females 75%, Non-pensioners: Males 87%, Females, 79%.

**Mortality future improvements:** CMI 2014 projections – long term trend of 1.5% p.a.

# Actuary's Certification of the Schedule of Contributions



## 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 2017 to be met by the end of the period specified in the recovery plan.

### 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 20 February 2019.

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

Signature

Name

Ali Tayyebi

Date of signing

20/2/2019

Qualification

Fellow of the Institute and Faculty of Actuaries

Name of employer

Mercer Limited

Address

Four Brindleyplace, Birmingham, B1 2JQ

# Actuary's Certification of the Technical Provisions

## CERTIFICATE OF TECHNICAL PROVISIONS

Name of the Scheme

The FSS Pension Scheme

### Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 30 November 2017 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the scheme and set out in the statement of funding principles dated 20 February 2019.

Signature



Name

Ali Tayyebi

Date of signing

20 February 2019

Name of employer

Mercer Limited

Address

Four Brindleyplace, Birmingham, B1 2JQ

Qualification

Fellow of the Institute and Faculty of Actuaries

# Schedule of Contributions

## The FSS Pension Scheme

### Status of this document

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

This document is the 5th 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, the employer, Forensic Archive Ltd and the Home Office during February 2019.

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 a side arrangement to be entered into between the Trustee, the employer and the Secretary of State for the Home Department.

### Contributions to be paid to the Scheme from 1 March 2019 to 30 November 2045

#### *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 Trustee additional voluntary contributions made by members.

## Schedule of Contributions – continued

### ***Employer's contributions in respect of future accrual of benefits***

The employer will normally pay contributions as set out below but can, where agreed with the Trustee, pay contributions earlier than indicated.

The employer shall pay contributions no less frequently than monthly, at least on the following basis:

- Periods up to 28 February 2019 21.4% of Pensionable Salaries
- Periods from 1 March 2019 30.4% of Pensionable Salaries

Contributions shall fall due on the last day of each calendar month in respect of that month, and shall be paid by the 19th of the relevant month. However, the Trustee and employer can agree for payments to be made earlier if appropriate and, if so, the date of payment will become the due date.

### ***Employer's contributions in respect of the shortfall in funding as per the recovery plan of 20 February 2019***

The employer shall pay an additional shortfall-correction contribution of at £1.75 million per annum, paid in biennial instalments of £875,000 from 1 December 2017 to 30 November 2045 inclusive.

As above, these contributions shall be paid bi-annually with each instalment falling due on 1 June and 1 December each year, and shall be paid by the 19th of each month in which the payment falls due. However, the Trustee and employer can agree for payments to be made earlier than their due dates if appropriate and, if so, the date of payment will become the due date.

Subsequent contributions may be reduced accordingly if overpayments are made.

### ***Employer's contributions in respect of benefit augmentations***

In addition, the employer shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the employer and approved by the Trustee.

### ***Employer's contributions in respect of administration and other costs***

The cost of any administrative expenses incurred by the Scheme, including advisory fees and the levies raised by the Pensions Regulator (including the risk based levy for the Pension Protection Fund) will be met by the Employer. Unless otherwise agreed between the Trustee and the Employer/Home Office (as appropriate), investment management expenses will be paid out of the Scheme's assets.

An allowance for the group life insurance costs is already included within the Employer's future service contribution rate to the Scheme.

## Schedule of Contributions – continued

### **Pensionable Salaries**

For the purposes of this schedule, Pensionable Salaries are 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 work, plus
- for members in the 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 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.



### Schedule of Contributions – continued

#### 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 20 February 2019.

**Signed on behalf of Forensic Archive Ltd**



**Name**

ALISON FENDLEY


**Position**

EXECUTIVE DIRECTOR

**Date of signing**

20/2/2019

**Signed on behalf of the Trustee of the FSS Pension Scheme**



**Name**

GJS MARTIN - INDEPENDENT TRUSTEE SERVICES LTD

**Position**

TRUSTEE DIRECTOR

**Date of signing**

20/2/2019

# Independent Auditor's 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 2019 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including a summary of 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 2019, 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Trustee is responsible for the other information. 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 to the Trustee of the FSS Pension Scheme (continued)

### Other information (continued)

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of Trustee

As explained more fully in the Statement of Trustee's responsibilities set out on page 16, 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 trustees determine 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.

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 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 Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Trustee as a body, for our audit work, for this report, or for the opinion we have formed.

*Crowe U.K. LLP*

**Crowe U.K. LLP**  
Statutory Auditor  
Oldbury

**26 June 2020**

# Independent Auditor's Statement about Contributions to the Trustee of the FSS Pension Scheme

## Statement about Contributions payable under the Schedule of Contributions

We have examined the Summary of Contributions payable to the FSS Pension Scheme, for the Scheme year ended 30 November 2019 which is set out in the Trustee's report on page 7.

In our opinion contributions for the Scheme year ended 30 November 2019 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 29 June 2016 for the period 1 December 2018 to 28 February 2019 and the Schedule of Contributions certified by the Scheme Actuary on 20 February 2019 for the period 1 March 2019 to 30 November 2019.

## 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 Schedules of Contributions.

## Responsibilities of 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 sets 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 Schedules 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

**26 June 2020**

## Fund Account for the year ended 30 November 2019

	Note	2019 £'000	2018 £'000
<b>Contributions and benefits</b>			
Employer contributions		1,768	1,763
Employee contributions		2	2
<b>Total contributions</b>	3	<b>1,770</b>	<b>1,765</b>
Benefits paid or payable	4	(1,561)	(1,570)
Payments to and on account of leavers	5	(727)	(1,306)
		<b>(2,288)</b>	<b>(2,876)</b>
<b>Net withdrawals from dealings with members</b>		<b>(518)</b>	<b>(1,111)</b>
<b>Returns on investments</b>			
Investment income	7	1,503	1,699
Change in market value of investments	8	24,818	(2,856)
Investment management expenses	10	(1,014)	(967)
<b>Net returns on investments</b>		<b>25,307</b>	<b>(2,124)</b>
<b>Net increase/(decrease) in the fund during the year</b>		<b>24,789</b>	<b>(3,235)</b>
<b>Net assets of the Scheme at start of year</b>		<b>216,766</b>	<b>220,001</b>
<b>Net assets of the Scheme at end of year</b>		<b>241,555</b>	<b>216,766</b>

The notes on pages 30 to 41 form an integral part of these financial statements.

# Statement of Net Assets available for Benefits

## As at 30 November 2019


	Note	2019 £'000	2018 £'000
<b>Investment assets:</b>			
Pooled investment vehicles	9	240,813	216,447
Accrued income	9	249	261
<b>Total net investments</b>		<b>241,062</b>	<b>216,708</b>
<b>Current assets</b>	14	<b>1,575</b>	153
<b>Current liabilities</b>	15	<b>(1,082)</b>	(95)
<b>Net assets of the Scheme at end of year</b>		<b>241,555</b>	<b>216,766</b>

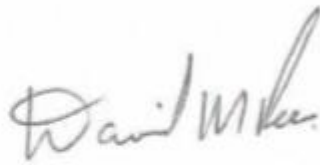
The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take into account such obligations, is dealt with in the Report on Actuarial Liabilities on page 18 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 30 to 41 form an integral part of these financial statements.

Signed for and on behalf of the FSS Pension Trustees Limited

on 22 | 6 | 2020

  
 Trustee Director  
 OPJ MARTIN  
 ITS LTD

  
 Trustee Director  
 DAVID M REES

# Notes to the Financial Statements

## 1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (Revised November 2014).

As stated in the Statement of Trustee's Responsibilities on page 16, 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. As disclosed in the Trustee's Report on page 7 under the heading COVID-19, 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. Accounting policies

The principal accounting policies of the Scheme are as follows:

### 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 the 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.

### Payments to members

Benefits are accounted on an accruals basis from the date the option is exercised.

Pensions in payment are accounted for in the period to which they relate.

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

### Expenses

Expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

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

# Notes to the Financial Statements

## 2. Accounting policies (continued)

### Investment income

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

Income from pooled investment vehicles is accounted for when declared by the fund manager.

### Investments

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

Investments are included at fair value as described below:

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest net asset value (NAV), determined in accordance with the fair value principles, provided by the pooled investment manager.

### Presentation 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.



## Notes to the Financial Statements (continued)

## 3. Contributions

	2019 £'000	2018 £'000
<b>Employer contributions</b>		
Normal	18	13
Deficit funding	1,750	1,750
	<u>1,768</u>	<u>1,763</u>
<b>Employee contributions</b>		
Normal	2	2
	<u>2</u>	<u>2</u>
	<u>1,770</u>	<u>1,765</u>

Under the Schedule of Contributions dated 29 June 2016 and the Schedule of Contributions dated 20 February 2019, 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 2045.

## 4. Benefits paid or payable

	2019 £'000	2018 £'000
Pensions	1,225	1,083
Lump sums on retirement	279	477
Death benefits	57	10
	<u>1,561</u>	<u>1,570</u>

## 5. Payments to and on account of leavers

	2019 £'000	2018 £'000
Individual transfers out to other schemes	672	1,306
Pension sharing on divorce	55	-
	<u>727</u>	<u>1,306</u>

## Notes to the Financial Statements (continued)

**6. Administrative expenses**

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

**7. Investment income**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Income from pooled investment vehicles	1,502	1,699
Interest on cash deposits	1	-
	<u>1503</u>	<u>1,699</u>

**8. Reconciliation of investments held at the beginning and end of the year**

	<b>Value at 1 December 2018 £'000</b>	<b>Purchases at cost £'000</b>	<b>Sales proceeds £'000</b>	<b>Change in market value £'000</b>	<b>Value at 30 November 2019 £'000</b>
Pooled investment vehicles	216,447	307,538	(307,990)	24,818	240,813
Other investment balances	261				249
	<u>216,708</u>				<u>241,062</u>

Included within the managed funds 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>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Legal & General	1,107	1,022

Included within purchases and sales are transfers within funds held with L&G amounting to £279,769,000 and funds held with BlackRock amounting to £26,577,000.

## Notes to the Financial Statements (continued)

## 9. Concentration of investments

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

	2019		2018	
	£'000	%	£'000	%
Threadneedle Property Unit Trust Fund	25,401	10.6	25,326	11.7
L&G UK Equity Fund	-	-	17,833	8.2
BlackRock Series 1 Shares 2017 Fund	26,542	11.0	-	-
BlackRock Series 1 Shares 2018 Fund	-	-	26,408	12.2
Apollo Total Return Fund	17,421	7.2	16,477	7.6
L&G North America Equity index GB Hedged Fund	-	-	14,038	6.5
L&G Europe (ex UK) Index GB Hedged Fund	-	-	12,535	5.8
Mackey Shields Multi Asset Fund	11,922	4.9	11,537	5.3
L&G World Equity Fund	23,724	9.8	-	-
L&G World Equity Hedged Fund	22,941	9.5	-	-
L&G 2068 Index linked Gilt Fund	16,471	6.8	-	-

## Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. 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.

## 10. Pooled investment vehicles

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

	2019	2018
	£'000	£'000
Equity	54,062	68,546
Bonds	111,086	72,829
Hedge funds	26,542	26,408
Property funds	25,401	25,326
Derivatives	14,546	14,765
Emerging markets	9,069	8,466
Cash	107	107
	<b>240,813</b>	<b>216,447</b>

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

Emerging Markets comprise equities, bonds, property and cash.

## Notes to the Financial Statements (continued)

## 11. Investment management expenses

	2019 £'000	2018 £'000
Administration, management and custody:		
Legal & General	254	121
BlackRock	245	360
Threadneedle	321	299
Apollo	194	187
	1,014	967

## 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. Fair value determination

The fair value of financial instruments has been estimated 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 and liabilities have been fair valued using the above hierarchy levels as follows:

As at 30 November 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	240,813	-	240,813
Other investment balances	-	249	-	249
	-	241,062	-	241,062
As at 30 November 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	216,447	-	216,447
Other investment balances	-	261	-	261
	-	216,708	-	216,708

## Notes to the Financial Statements (continued)

### 13. Investment Risk Disclosures

#### Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. These risks are set out by FRS 102 as follows:

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

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

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

The Trustee is responsible for determining the Scheme's investment strategy. The Trustee has set the investment strategy for the Scheme after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of the Scheme which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the Scheme, including the full discretion for stock selection, is the responsibility of the appointed investment managers.

The Scheme has exposure to the above risks because of the investments it makes to implement its investment strategy. The Trustee manages its investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios. The investment objectives and risk limits of the Scheme are further detailed in the Statement of Investment Principles ("SIP") and the Investment Implementation Policy Document ("IIPD").

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

## Notes to the Financial Statements (continued)

### 13. Investment Risk Disclosures (continued)

#### Investment Strategy

The Trustee's primary investment objective is to invest the assets of the Scheme 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 IIPD.

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

Details of the current strategy is included in the Trustee report.

#### Market Risk

##### a. Currency Risk

The Scheme is subject to indirect currency risk from investments in Sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currencies. To limit currency risk, the Trustee has set a benchmark to limit the overseas developed markets currency exposure from equities to 50.0%

The Scheme's investment in an emerging market equity fund (managed by Investec) and a GTAA fund (managed by Winton), consist of underlying investments across a range of asset classes and regions which also exposes the Scheme to indirect currency risk. This exposure is not hedged as the manager uses currency exposures as part of the respective fund's investment strategy. Within the BlackRock fund, which is a fund of funds, underlying managers may take currency risk as part of their investment strategy, which also exposes the Scheme to indirect currency risk.

Furthermore, the MAC funds' (managed by MacKay Shields and Apollo) overseas currency exposures are fully hedged to Sterling.

##### b. Interest Rate Risk

The Scheme is subject to indirect interest rate risk because of its investments in pooled investment vehicles comprised of underlying holdings in bonds and cash.

The Trustee has set a benchmark for total investment in the defensive portfolio, including a pooled LDI fund, totalling 26.7% of overall assets. Under this portfolio, if gilt yields fall (all else being equal), the value of the LDI portfolio should rise to help partially match the increase in the value placed on the liabilities arising from a fall in the liability discount rate which is derived from gilt yields. Similarly, if gilt yields rise (all else being equal), the LDI portfolio should fall in value, as should the value placed on the liabilities because of an increase in the discount rate. The movement in LDI asset values will not completely offset the movement in the liability values due to the Scheme being underfunded and also hedging c. 60% (2018: 30%) of the overall interest rate and inflation exposure, as measured on the Scheme's Technical Provisions basis. The defensive portfolio also includes an allocation to a MAC fund.

At the year end, the Scheme's defensive portfolio represented 34.2% of the total investment portfolio (2018: 24.2%).

The Scheme also has further indirect exposure to interest rate risk through investments in the GTAA and fund of hedge funds managed by Winton and BlackRock respectively, as these funds may introduce interest rate exposure as part of their investment strategies to add value. The multi-asset credit funds managed by Apollo and MacKay Shields are also exposed to interest rate risk, however this is hedged out by the managers of each fund.

## Notes to the Financial Statements (continued)

### 13. Investment Risk Disclosures (continued)

#### c. Other Price Risk

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

The Trustee has set a target asset allocation of 67.8% of 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 75.0%. The Trustee has managed 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 65.8% of the total investment portfolio (2018: 75.8%). The total exposure to growth assets, allowing for leverage, was 73.0% at year end.

#### d. Inflation Risk

The Scheme indirectly holds index-linked gilts within the LDI portfolio to manage against the inflation risk associated with pension liability increases. At the year end, index-linked gilts represented 28.4% of the total investment portfolio (2018: 18.9%).

### Credit Risk

The Scheme is subject to direct credit risk as it invests in pooled investment vehicles. The pooled investment arrangements used by the Scheme comprise unit-linked insurance contracts, unit trusts and investments in Open Ended Investment Companies ("OEICs").

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 over the counter ("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, as well as Winton and underlying Blackrock managers' funds. 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 rated at Baa3 or higher by Moody's.

**13. Investment Risk Disclosures (continued)****Credit Risk (continued)****c. Non-Investment Grade Bonds (Including Distressed Credit)**

Credit risk arising on non-investment grade bonds held within the MAC funds 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 risk limits at the discretion of the individual managers.

The GTAA fund and fund of hedge fund may also indirectly invest in non-investment grade bonds as part of their strategies to add value.

**d. Derivatives**

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter ("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 Scheme 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 are no collateral arrangements for these contracts but all counterparties are 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.

**Other Investments**

Pooled investment arrangements used by the Scheme comprise unit-linked insurance contracts, OEICs and unit trusts. The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustee monitors and manages 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 environments in which the pooled fund 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 monitor any changes to the operating environment of the pooled manager.



## Notes to the Financial Statements (continued)

## 13. Investment Risk Disclosures (continued)

**AVC Section****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 (50:50 UK and Overseas) Fund
- 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	✓		✓		✓
Pre-Retirement 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 (continued)

**14. Current assets**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Contributions due from employer in respect of:		
Employer	2	1
Cash balances	1,481	69
Other – prepaid pensioner payroll	92	83
	<u>1,575</u>	<u>153</u>

All contributions due at 30 November 2019 were received by the due date.

**15. Current liabilities**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Benefits	-	15
Deficit contributions paid in advance	875	-
Investment managers fees	207	80
	<u>1,082</u>	<u>95</u>

**16. Self investment**

The Scheme had no employer related investments at any point during the year.

**17. Related party transactions**

At 30 November 2019, 4 Trustee Directors were deferred members of the Scheme and 1 was a current pensioner member of the Scheme. Pension payments have been calculated in accordance with the Scheme Rules.

**18. Post balance sheet event**

At the time of approval of the financial statements, the COVID-19 virus continues to develop and has had a negative impact on investment values post year end. The long term impact on investment is currently unknown and the Trustee will continue to monitor the situation.