

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2023**

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**CONTENTS**

---

	<b>Page</b>
Trustees and Advisors	1
Trustees' Report	2 – 10
Statement of Trustees' Responsibilities	11
Independent Auditor's Report	12 – 15
Independent Auditor's Statement about Contributions	16
Fund Account	17
Statement of Net Assets (available for benefits)	18
Notes to the Financial Statements	19 – 33
Compliance Statement	34
Report on Actuarial Liabilities	35
Schedule of Contributions	36 - 37
Actuary's Certification of the Schedule of Contributions	38
Appendix I: Statement of Investment Principles (DB and DC Sections)	
Appendix II: Implementation Statement	
Appendix III: Chair's Statement (DC Section)	

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES AND ADVISORS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Pension Scheme Registry Number:** 10189622

**Sponsoring Employer**

Melton Mowbray Building Society  
Mutual House  
Leicester Road  
Melton Mowbray  
Leicestershire LE13 0DB

**Participating Employers**

MBS Lending Limited  
Nexa Finance Limited  
MMBS Services Limited

**Trustees**

Alastair Martin Hann  
Jamie Hyland (appointed 1 March 2023)  
Matthew Philip Dawes  
Andrew John Lumby (appointed 1 February 2023)  
Christopher Paul Rowley  
Martin John Reason  
Tracy Jane Gill  
Roger David Wood

Member-Nominated Trustee  
Member-Nominated Trustee  
Member-Nominated Trustee  
Employer-Nominated Trustee  
Employer-Nominated Trustee  
Employer-Nominated Trustee  
Employer-Nominated Trustee  
Chair and Employer-Nominated Trustee

**Scheme Secretary**

Christopher Paul Rowley

**DC Scheme Administrator**

Royal London  
Royal London House  
Alderley Park  
Congleton Road  
Macclesfield SK10 4EL

**DB Scheme Administrator**

XPS Pensions Group  
3<sup>rd</sup> Floor East Wing  
40 Torphichen Street  
Edinburgh EH3 5JB

**Scheme Actuary**

David J Dickson FFA  
XPS Pensions Group  
3<sup>rd</sup> Floor East Wing  
40 Torphichen Street  
Edinburgh EH3 5JB

**Investment Advisors**

XPS Pensions Group  
1 Station Hill  
Reading RG1 1NB

**Independent Auditor**

Grant Thornton UK LLP  
Waterloo House  
71 Princess Road West  
Leicester LE1 6TR

**Solicitors**

Pinsent Masons LLP  
3 Hardman Street  
Manchester M3 3AU

**Bankers**

Yorkshire Bank  
Leicester LE1 5YA

Barclays Bank Plc  
Leicester LE87 2BB

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Introduction**

The Melton Mowbray Building Society Staff Pension and Life Assurance Scheme (the Scheme) was set up under an irrevocable trust and is governed by Rules which are available for inspection on request. An outline of the Rules is provided by the explanatory booklet issued to members.

The Scheme contains a Defined Benefit (DB) section and Defined Contribution (DC) section. The DB section was closed to new members and future accrual on 30 September 2008. The DC section commenced on 1 October 2008.

Exempt approval by HM Revenue & Customs (HMRC) for the purposes of Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988 has been granted. Since 6 April 2006 the Scheme has been classed as a Registered Scheme by HMRC as defined in Chapter 2, part 4 of the Finance Act 2004.

The DB section of the Scheme was contracted out of the State Second Pension. The DC section of the Scheme is contracted into the State Second Pension.

**Management of the Scheme**

Under the terms of the trust, the right of appointing and removing Trustees rests with the Sponsoring Employer.

**Changes to the Scheme**

During the year, the following changes were made in relation to both the DB and DC sections of the Scheme:

- On 1 February 2023 Andrew Lumby was appointed as an Employer-Nominated Trustee.
- On 1 March 2023 Jamie Hyland was appointed as a Member-Nominated Trustee.
- On 6 October 2023 the Trustees appointed Wren Sterling Financial Planning Limited as independent financial advisors to all members of the Scheme.
- The Trustees completed their Implementation Statement for the year to 31 December 2023 and made the statement available on a public website. The Statement is presented alongside these financial statements in Appendix II.
- The Trustees commissioned their Investment Consultant to produce a report reviewing the DC Section's investment strategy. This complies with the Trustees' requirement to review the DC investment strategy at least every 3 years.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Benefit Improvements**

*Defined Benefit section*

During December 2023, RPI was 8.9% and CPI 6.7%. Pensions in payment were increased in December 2023 by the following amounts:

- Pre 88 GMP – 0%
- Post 88 GMP – 3.0% (based on CPI with a 3% cap)
- Non-GMP Pension – 5.0% (based on RPI with a 5% cap)

There were no other benefit improvements granted during the year ended 31 December 2023.

**Scheme Membership**

The membership movements of the Scheme for the year are given below:

	DB section		DC section	
	2023	2022	2023	2022
Active membership at 1 January	-	-	128	111
New members during the year	-	-	44	38
Leavers with preserved benefits	-	-	(15)	(21)
Active members at 31 December	-	-	157	128
Pensioners at 1 January	64	63	-	-
Retirements from deferred membership	1	1	-	-
New beneficiaries	1	1	-	-
Deaths / cessations	(2)	(1)	-	-
Pensioners at 31 December	64	64	-	-
Deferred members at 1 January	42	43	122	100
New deferred members during the year	-	-	15	25
Deferred members who retired	(1)	(1)	-	(1)
Members who transferred out	-	-	(6)	(2)
Deferred members at 31 December	41	42	131	122
Total membership at 31 December	105	106	288	250

At 31 December 2023 all 64 pensioners are annuitants (2022: 64 annuitants) and all deferred members within the DB section are covered by annuity policies.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Actuarial Position**

The most recent full triennial actuarial valuation of the Scheme was carried out as at 31 December 2020 in a report dated 28 September 2021. This found that the assets of the DB section of the Scheme amounted to £30.7m, whereas the value placed on past service liability to members was £25.5m, resulting in a Scheme surplus of £5.2m. The Scheme surplus at the previous full triennial actuarial valuation carried out as at 31 December 2017 was £7.9m. The next full triennial actual valuation as at 31 December 2023 is currently under preparation.

Further details, including the method and assumptions used by the Scheme Actuary to value the Scheme liabilities, are set out in the Report on Actuarial Liabilities, which forms part of the Trustees' report, on page 35.

**Statement of Investment Principles**

The Trustees issued a new combined Statement of Investment Principles (SIP) in accordance with the requirements of Section 35 of the Pensions Act 1995 and the Sections of the Act referred to in Section 35. This update reflects the purchase of an insurance policy covering the remaining DB Section member liabilities. This transaction materially changed the Trustees' strategic investment policy as the residual DB Section assets do not have a direct purpose to fund DB Section member liabilities with the exception of GMP equalisation. The update also reflects the creation of a third default fund. The SIP is available to publicly view on the sponsoring Employer's website.

The Trustees review the asset allocation on a periodic basis to ensure that the Scheme's assets are allocated in a manner that is consistent with the objectives in the SIP. There is no automatic rebalancing back to the target, however the Trustees will periodically review the position and take action to rebalance if considered appropriate.

**Investment Performance**

*Defined Benefit section*

The Scheme's Defined Benefit section assets are invested directly in annuities, a multi-asset credit fund and cash. Details of the amounts held in each asset class and the movement during the year are shown in Note 7 to the financial statements.

The value of the annuities of £17.9m has increased by £1.3m in the year. There have been no purchases or sales of annuities during the year.

The three annuities with a value of £17.9m at 31 December 2023 cover all DB liabilities with the exception of GMP equalisation.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Investment Performance (continued)**

The Trustees have fully insured the DB section liabilities by purchasing annuity policies. The residual DB section assets are invested in daily traded pooled investment vehicles that are liquid and as such disinvestment could be achieved quickly and cost effectively should any short-term cashflow requirements arise.

*Defined Contribution section*

Within the Defined Contribution section, individual members select the funds in which their monies are invested. Where members do not select funds, their contributions will be invested in up to three default arrangements.

Individual members should ensure that they regularly review their selected funds by utilising the services of an independent financial advisor where appropriate.

**Administration**

Enquiries regarding the Scheme generally or about an individual's entitlement to benefits should be sent to Christopher Rowley, Secretary to the Trustees, Melton Mowbray Building Society Staff Pension and Life Assurance Scheme, Mutual House, Leicester Road, Melton Mowbray, Leicestershire LE13 0DB or to [c.rowley@mmbbs.co.uk](mailto:c.rowley@mmbbs.co.uk).

**Socially Responsible Investing and Voting Rights**

The Trustees are solely concerned with the financial interests of the beneficiaries and believe that their primary responsibility in regard to investments is to exercise their powers in the best financial interest of the Scheme's beneficiaries.

The Trustees have delegated the exercise of rights attaching to their investments, including voting rights, to their investment managers.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Realisation of Investments**

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustees will monitor closely the extent to which any assets nor readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustees have considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustees believe that the Scheme currently holds an acceptable level of readily realisable assets. The Trustees will also take into account how easily investments can be realised for any new investment classes it considers investing in to ensure that this position is maintained in the future.

The Trustees will hold cash to the extent that they consider necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

**Responsible Investment**

The Trustees' Policy is to take into account factors that are considered to be financially material. Environmental, Social and Governance (ESG) considerations (broad corporate governance, effective stewardship and more specific considerations such as climate change) are considered to be financially material by the Trustees. The Trustees expect that the extent to which social, environmental or ethical issues may have a fundamental impact on any investments will be taken into account by the relevant fund managers.

The Trustees take the view that their primary responsibility is to act in the best financial interest of the members of the Scheme. Where ESG factors are considered to be financially material, the Trustees will consider these factors over an appropriate time horizon which the Trustees consider the investments will be needed for funding benefits payable by the Scheme.



**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Alignment of Incentives**

Based on the structure set out in Appendix i, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them by the documentation governing the pooled funds in which the Scheme is invested. The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection / deselection criteria set out in Section 6 of Appendix i.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns and on the importance placed by the Trustees on investing according to the principles set out within the mandate guidelines. The Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

As the Scheme invests predominantly in insurance policies and pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of any rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in the future.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Investment Manager Arrangements and Fee structure**

**Delegation to Investment Managers**

In accordance with the Act, the Trustees have appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement. The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA).

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

**Performance Objectives**

The individual benchmarks and objectives against which each investment mandate is assessed are given in Appendix i.

**Review Process**

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such review will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

The Trustees receive, and consider, annual performance monitoring reports from the Investment Consultant which reviews performance over one, three and five year periods. In addition, any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees' meetings as requested.

The Investment Consultant has also carried out a review of how well ESG factors are incorporated into each Investment Manager's processes and the Trustees will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Selection / Deselection Criteria**

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- Parent – Ownership of the business
- People – Leadership/team managing the strategy and client service
- Product – Key features of the investment and the role it performs in a portfolio
- Process – Philosophy and approach to selecting underlying investments including operational risk management systems
- Positioning – Current and historical asset allocation of the fund
- Performance – Past performance and track record
- Pricing – The underlying cost structure of the strategy
- ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- The Investment Manager fails to meet the performance objectives set out in Appendix i/ii
- The Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future
- The Investment Manager fails to give effect to the principles within this statement

**Investment Platform Provider fee structure**

The Investment Platform Provider is remunerated by receiving a percentage of the Scheme's assets under management. Details of the fee arrangements in place for each fund are set out in Appendix i.

**Investment Managers' fee structure**

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management and, in some cases, through the application of a flat fee as a percentage of assets under management. Details of the fee arrangements are set out in Appendix i. It is felt that this method of remuneration provides appropriate incentives for the investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustees.

**Portfolio Turnover**

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence. The Trustees do not set an explicit limit on turnover but would expect the investment managers to justify any material increase in turnover beyond normal levels.

**Investment Consultant's fee structure**

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustees in undertaking their responsibilities.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**TRUSTEES' REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**Duration of arrangement**

The duration of the arrangement with the Investment Manager is open ended. The Trustees are satisfied that they can review and replace Investment Managers if and when they believe this would be in their interests.

**Summary of Contributions**

During the year, no contributions were payable to the DB section of the Scheme by the Employers or Employees under the applicable Schedule of Contributions.

During the year, the contributions payable to the DC section of the Scheme by the Employers, in accordance with the agreed contribution rates and the applicable Schedule of Contributions dated 28 September 2021, are detailed in Note 2 to the Financial Statements.

The Trustees agreed with the Society in 2016 that the DB section surplus would be utilised to fund the Society's DC employer contributions, provided the Scheme's Defined Benefit section assets continue to exceed the liabilities when valued on a full buy-out (or solvency) basis.

	£
Contributions per Schedule of Contributions	950,508
Less employer DC contributions funded by the DB Section	(900,134)
	<hr/>
Contributions per the Fund Account	50,374
	<hr/> <hr/>

Approved by the Trustees.

*David Wood*

**R D Wood  
Chair of the Trustees**

Date: 17/6/2024

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**STATEMENT OF TRUSTEES' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

The financial statements, which are prepared in accordance with 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), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are 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 Regulations 3 and 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 Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual report.

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

The Trustees are 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 Trustees are 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 Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members

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

Approved by the Trustees.

*David Wood*

**R D Wood  
Chair of the Trustees**

Date: 17/6/2024

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MELTON MOWBRAY  
BUILDING SOCIETY STAFF PENSION AND LIFE ASSURANCE SCHEME**

---

**Opinion**

We have audited the financial statements of Melton Mowbray Building Society Staff Pension and Life Assurance Scheme (the 'Scheme') for the year ended 31 December 2023, which comprise the fund account, the statement of net assets (available for benefits) and 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 31 December 2023, 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 Regulations 3 and 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 are responsible for concluding on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

In our evaluation of the Trustees' conclusions, we considered the inherent risks associated with the Scheme including effects arising from macro-economic uncertainties such as the significant changes to interest and inflation rates, the cost of living crisis and the conflicts in Ukraine and in the Middle East, we assessed and challenged the reasonableness of estimates made by the Trustees and the related disclosures and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MELTON MOWBRAY  
BUILDING SOCIETY STAFF PENSION AND LIFE ASSURANCE SCHEME**

---

**Conclusions relating to going concern (continued)**

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 approved by the Trustees.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. 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.

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 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 Trustees**

As explained more fully in the Trustees' responsibilities statement set out on page 11, the Trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 Trustees are 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 Trustees either intend 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MELTON MOWBRAY  
BUILDING SOCIETY STAFF PENSION AND LIFE ASSURANCE SCHEME**

---

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant are the Pensions Acts 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP").
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the Scheme operates.
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with management and the Trustees and from inspection of Trustees' board minutes and legal and regulatory correspondence. We enquired about the policies and procedures regarding compliance with laws and regulations with the Trustees.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to the risk of management override of controls through posting inappropriate journal entries to manipulate net assets and potential bias in the choice of assumptions used and judgements made in the inputs to the valuation of insurance policies.
- Our audit procedures involved:
  - Journal entry testing, with a focus on large journals, manual journals, those journals with unusual account combinations or entries posted to suspense accounts;
  - Utilising our internal experts to challenge the assumptions used and judgements made by the Trustees' expert in valuing the insurance policies; and
  - Obtaining independent confirmations of material investment valuations and cash balances at the year end.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and financial statements with applicable financial reporting requirements.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it; and



**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MELTON MOWBRAY  
BUILDING SOCIETY STAFF PENSION AND LIFE ASSURANCE SCHEME**

---

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

- The engagement leader's assessment is that all team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of schemes of a similar size and complexity, appropriate to their role within the team. The engagement team are required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and of the sector the underlying applicable legislation and related guidance.

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 Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustees 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 Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds

Date: 17/6/2024

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF THE  
MELTON MOWBRAY BUILDING SOCIETY STAFF PENSION AND LIFE ASSURANCE SCHEME**

---

We have examined the summary of contributions to the Melton Mowbray Building Society Staff Pension and Life Assurance Scheme (the 'Scheme') for the Scheme year ended 31 December 2023 which is set out in the Trustees report on page 11.

In our opinion, contributions for the Scheme year ended 31 December 2023 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 28 September 2021.

**Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the 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.


**Respective responsibilities of Trustees and the auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 11, the Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

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

**Use of our statement**

This statement is made solely to the Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Trustees 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 Trustees as a body, for our work, for this statement, or for the opinions we have formed.



Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds  
Date: 17/6/2024

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**FUND ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	Defined Benefit Section £	Defined Contribution Section £	2023 Total £	Defined Benefit Section £	Defined Contribution Section £	2022 Total £
<b>Contributions and Benefits</b>							
Employee contributions	2	-	50,374	50,374	-	54,428	54,428
Benefits paid or payable	3	702,913	-	702,913	709,143	58,319	767,462
Payments to and on account of leavers	4	-	796,640	796,640	-	258,659	258,659
Administrative expenses	5	258,459	19,619	278,078	212,812	7,335	220,147
Life assurance premiums		24,242	-	24,242	24,396	-	24,396
		<b>985,614</b>	<b>816,259</b>	<b>1,801,873</b>	946,351	324,313	1,270,664
<b>Net withdrawals from dealings with members</b>		<b>(985,614)</b>	<b>(765,885)</b>	<b>(1,751,505)</b>	(946,351)	(269,885)	(1,216,236)
<b>Returns on investments</b>							
Investment income	6	715,346	-	715,346	801,299	-	801,299
Change in market value of investments	7	1,465,611	852,164	2,317,775	(8,826,923)	(677,202)	(9,504,125)
Investment management expenses	7	-	-	-	(5,189)	-	(5,189)
<b>Net returns on investments</b>		<b>2,180,957</b>	<b>852,164</b>	<b>3,033,121</b>	(8,030,813)	(677,202)	(8,708,015)
<b>Net increase/ (decrease) in the fund during the year</b>		<b>1,195,343</b>	<b>86,279</b>	<b>1,281,622</b>	(8,977,164)	(947,087)	(9,924,251)
Transfers between sections	14	(907,886)	907,886	-	(748,373)	748,373	-
Net assets of the Scheme at 1 January		20,058,521	9,660,697	29,719,218	29,784,058	9,859,411	39,643,469
<b>Net assets of the Scheme at 31 December</b>		<b>20,345,978</b>	<b>10,654,862</b>	<b>31,000,840</b>	20,058,521	9,660,697	29,719,218

The accompanying notes form an integral part of these financial statements.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**STATEMENT OF NET ASSETS (available for benefits)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	Defined Benefit Section £	Defined Contribution Section £	2023 Total £	Defined Benefit Section £	Defined Contribution Section	2022 Total Restated
<b>Investments</b>	<b>7</b>						
Pooled investment vehicles		2,262,054	10,667,041	12,929,095	2,817,292	9,661,009	12,478,301
Insurance policies		17,943,202	-	17,943,202	16,672,663	-	16,672,663
AVC Investments		7,082	-	7,082	6,772	-	6,772
<b>Total investments</b>		<b>20,212,338</b>	<b>10,667,041</b>	<b>30,879,379</b>	19,496,727	9,661,009	29,157,736
<b>Current assets</b>	<b>8</b>	<b>230,734</b>	<b>-</b>	<b>230,734</b>	684,688	-	684,688
<b>Current liabilities</b>	<b>9</b>	<b>(97,094)</b>	<b>(12,179)</b>	<b>(109,273)</b>	(122,894)	(312)	(123,206)
<b>Net assets of the Scheme at 31 December</b>		<b>20,345,978</b>	<b>10,654,862</b>	<b>31,000,840</b>	20,058,521	9,660,697	29,719,218

The financial statements summarise the transactions and net assets of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of liabilities to pay pensions and benefits that fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit section, is dealt with in the Report on Actuarial Liabilities on page 35, and these financial statements should be read in conjunction therewith.

The financial statements were approved by the Trustees and are signed on their behalf by:

*David Wood*

*C P Rowley*

**R D Wood  
Trustee**

**C P Rowley  
Trustee**

Date: 17/6/2024

Date: 17/6/2024

The accompanying notes form an integral part of these financial statements.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**1 Accounting policies**

**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 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP) (Revised 2018).

The financial statements have been prepared on the going concern basis. The Trustees continue to assess the impact of increased macro-economic uncertainty including the cost of living crisis and events in Ukraine in terms of the predicted effect on the Scheme's assets, technical provisions and the Employer covenant. At the date of approval of these financial statements, the Scheme's DC default investment strategies have a very small direct exposure to Russian equities (<0.1% of total assets) and no exposure to Ukraine or Belarus. The Scheme's DB investments have no direct exposure to Russia, Belarus or Ukraine.

At the date of approval of these financial statements the Trustees believe that due to its investment structure, the Scheme is able to comfortably cover its related outgoings for a period of at least 12 months from the date of approval of the financial statements. As a result, and together with the continued ability of the Sponsoring Employer to support the Scheme, the Trustees consider the preparation of the financial statements on a going concern basis to be appropriate.

**Identification of the financial statements**

The Scheme is established as a trust under English Law. The address for enquiries to the Scheme is included in the Trustees' Report on page 5.

**Reporting currency**

The Scheme's functional and presentational currency is pounds sterling.

**Contributions**

Employee and Employer contributions, including AVCs, are accounted for by the Trustees when contributions are deducted from pay by the Employer.

**Investment income**

- (a) Interest income on deposits and bonds is accounted for on an accruals basis.
- (b) Income from pooled investment vehicles where income is automatically reinvested in the fund (accumulation units) is included within the change in market value of investments.
- (c) Receipts from annuity policies held by the Trustees to fund benefits payable to the Scheme members, are accounted for as investment income on an accruals basis.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**1 Accounting policies (continued)**

**Benefits**

- (a) Pensions in payment are accounted for as they fall due for payment.
- (b) Benefits, and any associated taxation due to lifetime or annual allowances where the member has elected for the Scheme to settle the liability on their behalf, are accounted for in the period in which the member notifies the Trustees of his / her decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- (c) Death benefits are provided by life assurance contracts between the Trustees and Aviva Group.

**Transfer values and asset transfers**

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

**Investments**

- (a) Quoted securities, including bonds and certain pooled investment vehicles which are traded on active markets have been valued at the quoted price, which is usually the bid price, at the reporting date.
- (b) Unitised pooled investment vehicles which are not quoted on active markets 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 available net assets value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.
- (c) Annuities purchased in the name of the Trustees which fully provide the pension benefits for certain members have been valued by the Scheme Actuary using the section 179 valuation basis which values the remaining liabilities of the Scheme using an estimate of the buyout cost.
- (d) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

**Additional voluntary contributions (AVCs)**

AVCs are accounted for on an accruals basis, in the same way as other contributions, and the resulting investments are included in the net assets statement at the value provided by the investment manager at the year end date.

**Administrative and investment management expenses**

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

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**2 Contributions**

**(a) Defined Benefit Section**

No Employer or Employee contributions were paid to the Defined Benefit section of the Scheme in either the current or prior year.

	<b>2023</b>	2022
	£	£
<b>(b) Defined Contribution Section</b>		
Employee – normal	<b>27,746</b>	26,755
Employee – matched by employer (additional)	<b>14,094</b>	14,178
Employee – AVCs	<b>8,534</b>	13,495
	<hr/>	<hr/>
<b>Total</b>	<b>50,374</b>	54,428
	<hr/> <hr/>	<hr/> <hr/>

The Trustees agreed with the Society in 2016 that the Defined Benefit section surplus would be utilised to fund the Defined Contribution Section Employer contributions with effect from 1 September 2016. Total contributions for the year were £950,508 (2022: £795,183) of which £900,134 (2022: £740,755) were covered by the Defined Benefit section surplus.

Included within the Employer contributions are £293,598 (2022: £233,856) of contributions in respect of salary sacrifice arrangements made available to members by the Employer.

<b>3 Benefits paid or payable</b>	<b>2023</b>	2022
	£	£
<b>(a) Defined Benefit Section</b>		
Pensions	<b>702,913</b>	664,709
Commutations and lump sums on retirement	-	44,434
	<hr/>	<hr/>
	<b>702,913</b>	709,143
<b>(b) Defined Contribution Section</b>		
Commutations and lump sums on retirement	-	58,319
	<hr/>	<hr/>
<b>Total</b>	<b>702,913</b>	767,462
	<hr/> <hr/>	<hr/> <hr/>

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

<b>4</b>	<b>Payments to and on account of leavers</b>	<b>2023</b>	<b>2022</b>
		£	£
	<b>Defined Contribution Section</b>		
	Individual transfers out	<b>796,640</b>	258,659
		<u>                    </u>	<u>                    </u>
<b>5</b>	<b>Administrative expenses</b>	<b>2023</b>	<b>2022</b>
		£	£
	<b>(a) Defined Benefit Section</b>		
	Administration fees	<b>43,858</b>	47,191
	Actuarial fees	<b>15,979</b>	14,938
	Financial advisor fees	-	9,700
	Melton Mowbray Building Society management fees	<b>25,000</b>	25,000
	Audit fee	<b>15,221</b>	13,302
	Pensions regulator	<b>2,317</b>	2,273
	Legal fees	<b>152,161</b>	96,180
	Other administration costs	<b>3,923</b>	4,228
		<u>                    </u>	<u>                    </u>
		<b>258,459</b>	212,812
		<u>                    </u>	<u>                    </u>
	<b>(b) Defined Contribution Section</b>		
	Administration fees	<b>3,092</b>	3,735
	Legal fees	<b>16,527</b>	3,600
		<u>                    </u>	<u>                    </u>
	<b>Total</b>	<b>278,078</b>	220,147
		<u>                    </u>	<u>                    </u>
<b>6</b>	<b>Investment income</b>	<b>2023</b>	<b>2022</b>
		£	£
	<b>Defined Benefit Section</b>		
	Interest on bonds and distribution unit funds	-	141,689
	Income from insurance policies	<b>701,824</b>	655,538
	Interest on cash deposits	<b>13,522</b>	4,072
		<u>                    </u>	<u>                    </u>
		<b>715,346</b>	801,299
		<u>                    </u>	<u>                    </u>



**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**6 Investment Income (continued)**

Investment income within the Defined Benefit Section shown above reflects income earned by direct investments and income from pooled investment units where income is distributed directly to the Scheme (distribution units). All income earned on pooled investment units held by either the Defined Benefit or Defined Contribution sections where income is automatically reinvested in the fund (accumulation units) is accounted for in the change in market value of those funds.

**7 Reconciliation of Investments**

**(a) Defined Benefit Section**

	Value at 1 January 2023 Restated £	Purchases at Cost £	Sales Proceeds £	Change in Market Value £	Value at 31 December 2023 £
Pooled investment vehicles					
M&G Investment Ltd	2,817,292	-	(750,000)	194,762	2,262,054
Insurance policies					
Rothsay	5,736,257	-	-	340,222	6,076,479
Just Retirement Limited	10,936,406	-	-	930,317	11,866,723
AVC investments	6,772	-	-	310	7,082
	<b>19,496,727</b>	<b>-</b>	<b>(750,000)</b>	<b>1,465,611</b>	<b>20,212,338</b>

Investment assets at 1 January 2023 have been restated by the exclusion of cash at bank of £549,961 now included in current assets as the Trustees believe this to be a more appropriate presentation.

**(b) Defined Contribution Section**

	Value at 1 January 2023 £	Purchases at Cost £	Sales Proceeds £	Change in Market Value £	Value at 31 December 2023 £
Pooled investment vehicles					
Royal London Funds	9,661,009	950,024	(796,640)	852,164	10,666,557

All funds shown above within the Defined Contribution section are allocated to members.

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

Further details of the Defined Benefit section asset changes are shown within the Investment Performance section on pages 4 and 5 of the annual report.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**7 Reconciliation of Investments (continued)**

**(c) Direct transaction costs**

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

Direct transaction costs incurred are analysed by asset class below:

	<b>2023</b>	2022
	£	£
Pooled investment vehicle charges	-	5,189
	<u>          </u>	<u>          </u>

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. These indirect transaction costs are not separately reported.

**(d) Insurance policies**

The Rothesay Life and Just Retirement Limited annuity insurance policies relate to benefits due for 64 (2022: 64) Defined Benefit section members.

	<b>2023</b>	2022
	No.	No.
Rothesay Life	<b>24</b>	24
Just Retirement Limited	<b>40</b>	40
	<u>          </u>	<u>          </u>
	<b>64</b>	64
	<u>          </u>	<u>          </u>

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**7 Reconciliation of Investments (continued)**

**(e) AVC investments**

The Trustees hold assets invested separately from the main Defined Benefit section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. The aggregate amounts of AVC investments are as follows:

	<b>2023</b>	2022
	£	£
Clerical Medical	<b>7,082</b>	6,772

**(f) Self investment**

As at 31 December 2022 and 31 December 2023, the Scheme had no self-investment in Melton Mowbray Building Society. The Scheme does not hold any investment in Melton Mowbray Building Society, MBS Lending Limited, Nexa Finance Limited, MMBS Services Limited or in any other company or person(s) connected with those entities.

**(g) Concentration of investments**

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

	<b>2023</b>		2022	
	£	%	£	%
<b>Defined Benefit section</b>				
Annuity policy - Just Retirement Limited	<b>11,866,723</b>	<b>38.3</b>	10,936,406	36.8
Annuity policy - Rothesay Life	<b>6,076,479</b>	<b>19.6</b>	5,736,257	19.3
M&G Investment – Total Return Credit	<b>2,262,054</b>	<b>7.3</b>	1,832,523	6.2
<b>Defined Contribution section</b>				
Royal London DC funds	<b>10,666,557</b>	<b>34.4</b>	9,661,010	32.5

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

<b>8 Current assets</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
		Restated
<b>Defined Benefit Section</b>		
Accrued interest	-	6,755
Amounts recoverable in respect of insurance policies	-	80,614
<i>Prepayments</i>		
Pension regulator fees	<b>566</b>	606
Other administration costs	<b>529</b>	520
Pensions payable	<b>47,901</b>	46,232
Cash	<b>181,738</b>	549,961
	<b>230,734</b>	684,688

As set out in note 7(a), cash has been reclassified at 31 December 2022 from investment assets to current assets.

<b>9 Current liabilities</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Defined Benefit Section</b>		
<i>Accruals</i>		
Administration fees	<b>3,167</b>	4,101
Actuarial fees	<b>1,437</b>	1,322
Audit fees	<b>14,833</b>	12,960
Income received in advance from Annuities	<b>28,860</b>	27,666
Legal fees	<b>48,797</b>	69,112
Life Insurance Premium	-	1,483
Management fees	-	6,250
	<b>97,094</b>	122,894
<b>Defined Contribution Section</b>		
<i>Accruals</i>		
Administration fees	<b>12,179</b>	312
<b>Total</b>	<b>109,273</b>	123,206

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**10 Related party transactions**

During the year the Scheme was charged £25,000 (2022: £25,000) by Melton Mowbray Building Society in respect of administration services provided by them.

Seven of the Trustees, A Hann, M Dawes, T Gill, M Reason, D Wood, J Hyland (appointed 1 March 2023), and A Lumby (appointed 1 February 2023) were members of the Scheme during the year. All benefits being accrued by, or paid to, those Trustees are not augmented by their position as a Trustee.

The Trustees opt to be remunerated by the Sponsoring Employer at a rate of £175 (2022: £175) per Trustee meeting. One of the Trustees, C P Rowley, is remunerated by the Sponsoring Employer for his services as Scheme Secretary. The total of remuneration paid by the Sponsoring Employer to Trustees during the year was £15,770 (2022: £15,675). There were no expenses paid to Trustees during the current or prior year.

**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 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 Scheme can access at the measurement date.                   |
| Level 2 | Inputs, other than quoted prices included in level 1, that are observable (i.e. developed using market data) for the asset either directly or indirectly. |
| Level 3 | Inputs are unobservable (i.e. for which market data is unavailable) for the asset.  |

The Scheme's investment assets have been fair valued using the above hierarchy categories as set out below.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**12 Fair value determination (continued)**

<b>At 31 December 2023</b>	<b>Level 1 £</b>	<b>Level 2 £</b>	<b>Level 3 £</b>	<b>Total £</b>
<b>Defined Benefit section</b>				
Pooled investment vehicles	-	2,262,054	-	<b>2,262,054</b>
Insurance policies - annuity	-	-	17,943,202	<b>17,943,202</b>
AVC investments	-	7,082	-	<b>7,082</b>
	-	<b>2,269,136</b>	<b>17,943,202</b>	<b>20,212,338</b>
<b>Defined Contribution section</b>				
Pooled investment vehicles	-	<b>10,666,557</b>	-	<b>10,666,557</b>
<b>At 31 December 2022</b>				
	<b>Level 1 £</b>	<b>Level 2 £</b>	<b>Level 3 £</b>	<b>Total £</b>
<b>Defined Benefit section</b>				
Pooled investment vehicles	-	2,817,292	-	2,817,292
Insurance policies - annuity	-	-	16,672,663	16,672,663
AVC investments	-	6,772	-	6,772
Cash deposits	549,961	-	-	549,961
	549,961	2,824,064	16,672,663	20,046,688
<b>Defined Contribution section</b>				
Pooled investment vehicles	-	9,661,009	-	9,661,009

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**13 Investment risk disclosures**

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 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:** for the DC Section, the risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non-equity orientated funds.

**Liquidity risk -** The risk that the Trustees cannot exit a particular investment is addressed by investing the surplus DB Section assets in liquid markets through daily dealing pooled funds.

**Inappropriate investments -** The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Scheme can invest.

**Counterparty risk -** The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

**Political risk -** The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

**Manager risk -** The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set in the SIP and through the monitoring of the Investment Managers as set out in the SIP. In monitoring the performance of the Investment Managers, the Trustees measure the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustees will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken.

**Fraud/Dishonesty -** The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

**ESG risk –** The risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives is addressed, to the extent that it is possible, by delegating to the Investment Managers.

**Sequencing risk –** For the DC Section, the risk that numerous material transactions at disadvantageous times, when markets are depressed for example, can have a detrimental impact on the capital value of a member's holding. This is addressed in the *Main Default Arrangement* by gradual lifestyling changes throughout a member journey and offering member flexibilities post-retirement.

**Currency risk -** The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**13 Investment risk disclosures (continued)**

The Trustees are responsible for determining the Scheme's investment strategy and this is set out in the combined Statement of Investment Principles (SIP) which covers the DB and DC sections of the Scheme. For the DB section, the Trustees have set the investment strategy for the Scheme after taking advice from a professional investment advisor. The investment strategy specifies the target proportions of the Scheme's assets which should be invested in different asset classes. For the DC section, the Trustees have selected default funds for DC members who have not selected their own investment funds.

The Scheme has exposure to the above risks because of the investments it makes in following the investment strategy. The Trustees manage investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented and monitored by the Trustees by regular reviews of the Scheme's assets.

Further information on the Trustees' approach to risk management is set out below.

The Scheme's net assets for the Defined Benefit and Defined Contribution Sections are detailed in the Statement of Net Assets.

**a) Defined Benefit Section**

**(i) Investment strategy**

The investment objective of the Defined Benefit Section (DB Section) is to ensure that it can meet its obligations to the beneficiaries both in the short and long term.

The Trustees hold three annuity policies covering all DB Section member liabilities with the exception of GMP equalisation. The residual DB Section assets do not have a direct purpose to fund DB Section member liabilities.

The Trustees may use the residual DB Section assets to fund DC Section costs as well as expense payments in relation to the eventual full wind-up of the Scheme (i.e. a buy-out).

Annuity investments are held which directly match all the DB Section member liabilities. Excluding the annuities and AVC investments, the current strategy targets the holding of:

- 50% of investments in a managed multi-asset credit fund;
- 50% of investments in cash

There is no automatic rebalancing back to the target, however the Trustees will periodically review the position and take action to rebalance if considered appropriate.



**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**13 Investment risk disclosures (continued)**

**(ii) Credit risk**

The Scheme is subject to credit risk because the Scheme invests in annuity policies and a multi-asset credit fund. The values of the Scheme's investments are detailed in Note 7.

Credit risk is mitigated by careful selection of appropriate funds and experienced investment managers, ensuring the funds are appropriately diversified, the ring-fencing of underlying assets of the funds from the investment manager and the regulatory environment in which the funds operate. Trustees carry out due diligence checks on the appointment of new investment managers including annuity policy providers and on an ongoing basis monitor the performance, underlying investments and changes in the operating environment of the investment manager for all funds held.

Cash is held with high quality financial institutions and is subject to credit risk, the value of cash balances are detailed in Note 8. All investments are regularly monitored by the Trustees.

At the year end the value of investments exposed to credit risk was £20,393,466 (2022: £20,046,688)

**(iii) Interest rate risk**

The Scheme is subject to indirect interest rate risk arising from the underlying investments held in the multi-asset credit fund managed by M&G Investment Ltd.

The Scheme is subject to direct interest rate risk because a significant proportion of the Scheme's investments are held in annuity policies.

At the year end the value of investments exposed to direct interest rate risk was £17,943,202 (2022: £16,672,663) and the exposure to indirect risk was £2,268,526 (2022: £2,824,064).

**(iv) Other price risk**

Other price risk arises principally in relation to the Scheme's investments in a multi-asset credit fund. The Trustees manage this exposure to overall price movements through the use of diversified funds, with exposures to a range of individual counterparties and sectors.

At the year end the value of investments exposed to other price risk was £2,268,526 (2022: £2,824,064).

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**13 Investment risk disclosures (continued)**

**b) Defined Contribution Section**

**(i) Investment strategy**

The Trustees' objective is to make available to members of the Defined Contribution Section (DC Section) an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their employer, to provide an annuity or another type of arrangement on retirement. The range of investment options are to serve the varying investment needs and risk tolerances of the members.

The investment funds offered to members are provided by Royal London and include their own pooled investment funds and those of other investment managers.

The Trustees have selected default funds for DC members who have not selected their own investment funds. All DC members are offered independent investment advice at the expense of the Scheme and the majority of members select the default funds. The default funds have been selected by the Trustees taking into account the age and expected retirement date of members and balancing investment return with credit, market and other price risks.

The Trustees regularly review the performance of the default funds and obtain advice from the Scheme's investment advisor as to the continuing suitability of the funds. The available default fund arrangements align with Pension Freedoms legislation.

**(ii) Credit risk**

The DC Section is subject to direct credit risk in relation to Royal London through its holding of pooled investment funds provided by Royal London.

Royal London is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustees monitor the creditworthiness of Royal London by reviewing published credit ratings. In the event of default by Royal London, the Scheme is protected by the Financial Services Compensation Fund (FSCF) and may be able to make a claim for at least 90% of its policy value, although noting that compensation is not guaranteed and may not apply to all funds accessed by Royal London.

The DC Section is also subject to indirect credit risk arising from the underlying investments held in the funds managed by Royal London. Member level risk exposures will be dependent on the funds invested in by members.

At the year end the value of DC section investments exposed to credit risk was £10,666,557 (2022: £9,661,009).

**(iii) Market risk**

The DC Section is subject to indirect currency, interest rate and other price risk arising from the underlying investments held in the funds managed by Royal London. Member level risk exposures will be dependent on the funds invested in by members.

At the year end the value of DC section investments exposed to market risk was £10,666,557 (2022: £9,661,009).

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**14 Transfers between sections**

The transfers between sections shown in the Fund Account relate to the payment of employer contributions and administration fees for the DC section from the surplus in the DB section.

	<b>2023</b>	2022
	£	£
DC Employer contributions paid from DB surplus	<b>900,134</b>	740,755
DC Administration fees paid from the DB surplus	<b>3,225</b>	4,018
DC Legal fees paid from the DB surplus	<b>4,527</b>	3,600
	<hr/>	<hr/>
	<b>907,886</b>	748,373
	<hr/> <hr/>	<hr/> <hr/>

**15 Contingent liabilities**

In October 2018 and November 2020, the High Court handed down judgments involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits and individual transfer out payments 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.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the back dated amounts for those members with qualifying service in the applicable period. The Trustees are aware that the issue will affect the Scheme and commenced a phased project in early 2023 which is expected to take 18 months to complete. In September 2023, initial member-by-member calculations were produced and showed an indicative liability impact of £22-£23k. The initial liability is highly sensitive to the membership data and assumptions used and may change following further data analysis and legal advice. The Trustees do not expect the final liability to be material and therefore have not included a provision in these financial statements. It is expected to be implemented and accounted for in the 2024 financial statements.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**COMPLIANCE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

If a member has a complaint against the Scheme that has not been resolved to their satisfaction through the Scheme's Dispute Resolution Procedure, they have the facility to refer the matter to The Pensions Ombudsman who can be contacted at:

10 South Colonnade  
Canary Wharf  
London  
E14 4PU  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

MoneyHelper provides information to the public on matters relating to workplace and personal pensions. MoneyHelper can be contacted at -

Telephone: 0800 011 3797  
Website: <https://www.moneyhelper.org.uk>

The Pensions Regulator can intervene if it considers that a scheme's trustees, advisors, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Telecom House  
125-135 Preston Road  
Brighton BN1 6AF

***The Pension Scheme Registry***

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 10189622. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

Pension Tracing Service  
The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU  
Telephone: 0800 731 0193

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**REPORT ON ACTUARIAL LIABILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

The most recent full triennial actuarial valuation of the Scheme was carried out as at 31 December 2020 in a report dated 28 September 2021 with actuarial updates performed as at 31 December 2021 and 31 December 2022 which showed:

	2022 £m	2021 £m	2020 £m
Value of the technical provisions	16.3	24.8	25.5
Value of assets	19.4	29.4	30.7

Included in the value of the technical provisions in the annual actuarial update as at 31 December 2022 is an allowance for an estimated additional liability due to GMP equalisation of £70,000 (2021: £100,000).

The next triennial actuarial valuation is due as at 31 December 2023 and is currently in progress.

The method and significant actuarial assumptions used to determine the technical provisions in the triennial valuation at 31 December 2020 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 defined accrued benefit method.

**Significant actuarial assumptions**

**Discount rate:** Based on the yields available on long dated government gilts at the valuation date, with an allowance made for the additional return expected on the assets compared to government gilts. The assumption used is 1.1%.

**Future Retail Price Inflation (RPI):** Derived from the inflation yield curve published by the Bank of England at the valuation date. This rate may be adjusted, if considered appropriate, to take into account other factors, such as the Bank of England's long term inflation target, supply and demand issues and the fact that some investors will pay a premium in order to remove the uncertainty surrounding unknown future rates of price inflation. The assumption used is 3.1%.

**Future Consumer Price Inflation (CPI):** Derived from the RPI assumption with adjustment to reflect the expected future difference between the two measures. The assumption used is 2.6%.

**Pension increases in deferment and in payment:** For the elements of pension due to increase in line with price inflation, this is based on the relevant price inflation assumption with allowance made for the relevant maximum and minimum increases.

**Mortality:** Based on mortality tables adjusted to reflect the membership and specific circumstances of the Scheme after taking advice from the Scheme actuary. Standard tables S3PA are used, projected using CMI 2020 subject to a 2.0% minimum improvement rate.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**SCHEDULE OF CONTRIBUTIONS  
DATED 28 SEPTEMBER 2021**

---



Melton Mowbray Building Society Staff Pension and Life Assurance Scheme

## Schedule of contributions

This schedule replaces that dated 14 August 2018. It is effective from the date it is certified by the scheme actuary and covers the period of 5 years from date of certification.

### Contributions for future service benefits

#### *Member contributions*

Members in the defined contribution section who are still earning benefits will contribute 2.5% of basic salary each month. Members may also make Additional Voluntary Contributions. There is a salary sacrifice arrangement available that members can choose to utilise.

The employers must pay these contributions to the trustees by the 19th day of the calendar month following deduction.

#### *Employer contributions*

For members in the defined contribution section who are still earning benefits, the employers will pay contributions of 10% of pensionable salary, or at such other rate as agreed with the employers. The employers will match additional contributions paid by the employees, up to a maximum of 2.5%.

These contributions are to be paid on a monthly basis and, subject to the agreement of the trustees and employers, all or part of these may be met from the scheme assets.

Contributions by the employers must be paid to the trustees by the 19th day of the calendar month following that to which the payment relates.

### Levies, insurance premiums and expenses

Pension Protection Fund and other levies, insurance premiums to cover the cost of insuring death in service benefits and expenses are payable from the scheme assets.

### Additional employer contributions


The employers shall pay such additional contributions as may, from time to time, be agreed with the trustees.

**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**SCHEDULE OF CONTRIBUTIONS (continued)  
DATED 28 SEPTEMBER 2021**

---

Signed on behalf of the trustees:

Print name  
SE GANT  
Signature  
  
Date  
6/9/21

Signed on behalf of the employers

Print name  
S J Taylor  
Signature  
  
Date  
6/9/21

The date of this schedule is the later of the above dates of signing. The actuary's certification on the following page forms part of this schedule.

31 December 2020  
Actuarial valuation

Schedule of contributions



**MELTON MOWBRAY BUILDING SOCIETY  
STAFF PENSION AND LIFE ASSURANCE SCHEME**

**ACTUARY'S CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS  
DATED 28 SEPTEMBER 2021**

---



Melton Mowbray Building Society Staff Pension and Life Assurance Scheme

# Actuary's certification of the schedule of contributions

## Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2020 to continue to be met for the period for which the schedule is to be in force.

## Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 6 September 2021.

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

Signature		Date	28 September 2021
Name	David J Dickson	Qualification	FFA
Name of Employer	XPS Pensions (RL) Limited		
Address	3rd Floor, East Wing, 40 Torphichen Street, Edinburgh EH3 8JB		





# Statement of Investment Principles

**For the Melton Mowbray Building Society Staff Pension and Life Assurance Scheme (DB and DC Sections)**

January 2023

Version 1.5 of combined SIP – January 2023  
(updated from Version 1.4 of combined SIP dated June 2022)

# Contents

<b>01</b>	<b>Introduction</b>	<b>1</b>
<b>02</b>	<b>Strategic investment policy and objectives</b>	<b>2</b>
<b>03</b>	<b>Responsible investment</b>	<b>5</b>
<b>04</b>	<b>Risk measurement and management</b>	<b>6</b>
<b>05</b>	<b>Realisation of assets and investment restrictions</b>	<b>7</b>
<b>06</b>	<b>Investment Manager Arrangements and fee structure</b>	<b>8</b>
<b>07</b>	<b>Additional Voluntary Contribution arrangements</b>	<b>10</b>
<b>08</b>	<b>Compliance Statement</b>	<b>11</b>
	<b>Appendix I DB Section Investment Strategy &amp; Structure</b>	<b>12</b>
	<b>Appendix II DC Section Investment Strategy &amp; Structure</b>	<b>13</b>
	<b>Appendix III DB Section Fund objectives &amp; fees</b>	<b>16</b>
	<b>Appendix IV DC Section Fund benchmarks, objectives and fees</b>	<b>17</b>

# 01 Introduction

## Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Melton Mowbray Building Society Staff Pension and Life Assurance Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles'). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

## Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004. The Scheme has two sections – the Defined Benefit ('DB') Section and the Defined Contribution ('DC') Section. This Statement covers both sections.

## Advice and consultation

Before preparing this Statement, the Trustees have sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustees have also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

## Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustees' investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

## Review of the Statement

The Trustees will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustees will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances or attitude to risk of either the Trustees or Principal Employer or changes in the demographic profile of relevant members which they judge to have a bearing on the stated investment policy.

The Trustees will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

## Definitions

Capitalised terms in this document mean the following:

**Act** - The Pensions Act 1995 (as amended by subsequent legislation)

**AVCs** - Additional Voluntary Contributions

**Investment Manager** – An organisation appointed by the Trustees to manage investments on behalf of the Scheme

**Investment Platform Provider** - A single provider offering access to a wide variety of underlying pooled investment funds which may be managed by different Investment Managers. The DC Section uses a Platform Provider

**Principal Employer** – Melton Mowbray Building Society

**Scheme** – The Melton Mowbray Building Society Staff Pension and Life Assurance Scheme

**Statement** - This document, including any appendices, which is the Trustees' Statement of Investment Principles

**Trust Deed and Rules** - the Scheme's Trust Deed and Rules currently in force

**Trustees** – the collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme

# 02 Strategic investment policy and objectives

## Choosing investments

The Trustees rely on a professional Investment Manager for the day-to-day management of the DB Section's assets. However, the Trustees retain control over some investments. In particular, the Trustees make decisions about pooled investment vehicles in which the DB Section invests and any AVC investment vehicles.

For the DC Section, individual funds are accessed through an investment platform and decisions about the particular pooled investment vehicles offered to members are made by the Trustees.

The Trustees' policy is to review regularly the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

## Investment objectives: DB Section

The primary investment objective of the Trustees is to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

In December 2022, the Trustees purchased an insurance policy covering the remaining DB Section member liabilities. This transaction materially changed the Trustees' strategic investment policy as the residual DB Section assets do not have a direct purpose to fund DB Section member liabilities.

The Trustees may use the residual DB Section assets to fund DC Section costs as well as expense payments in relation to the eventual full wind-up of the Scheme (i.e. a buy-out).

The investment policy for the residual DB Section assets is set out in this Statement.

## Investment objectives: DC Section

The Trustees' objective is to make available to members of the DC Section of the Scheme an appropriate range of investment options which will enable members to accumulate a fund to provide suitable benefits at retirement.

- In order to cover a range of member interests;
- In a manner designed to provide an appropriate level of security, quality, liquidity, cost effectiveness and profitability;

The Trustees recognise that the available investment options directly impact the Scheme members and their expectation for their retirement provision.

## Expected returns

As the DB Section liabilities have been fully insured there is no set required return for the residual assets. Following advice from the Trustees' investment consultant, the Trustees have agreed a target asset allocation (as set out in Appendix I) that aims to deliver a small return premium in excess of the return on cash whilst retaining a high level of liquidity and low probability of significant loss of capital.

For the DC Section, the Trustees anticipate that the investment options and the associated future absolute investment returns will allow members to maintain or increase the real value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.

The Trustees expect the long-term return on investment options that invest predominantly in equities to exceed price inflation. The long term returns on bond and cash options are expected to be lower than returns on predominantly equity options. Cash funds provide protection against changes in short-term capital values and may be appropriate for members wishing to take part or all of their DC benefits in the form of a cash lump sum.

# 02 Strategic investment policy and objectives (cont.)

## Investment Policy – DB Section

Following advice from the Investment Consultant, the Trustees have developed and implemented the following investment policies. These policies will be periodically reviewed and amended if necessary.

### ***Policy for minimising the risk that the pension fund may cause volatility in the company accounts***

As the DB Section liabilities have been fully insured this risk has been fully mitigated.

### ***Policy for maintaining flexibility within the Scheme's investment arrangements***

The residual DB Section assets are invested in daily trading pooled investment vehicles that are liquid and as such disinvestment could be achieved quickly and cost effectively should any short-term cashflow requirements arise.

### ***Policy for maximising investment return***

The Trustees believe that the arrangements detailed in Appendix I ensure that their portfolio will maximise the investment returns achieved by the Scheme's assets, subject to the other investment objectives being fulfilled.

### ***Policy on poor decision making and poor advice***

The Trustees take advice on all investment decisions and regularly review the quality of advice received from the Investment Consultant.

### ***Policy on setting asset allocation***

Following advice from the Investment Consultant the Trustees have agreed a target asset allocation for the DB Section residual assets. The Trustees will periodically review this target allocation to ensure it is aligned with the Trustees' objectives.

### ***Policy on active and passive management***

The Trustees continue to consider whether passive management (in which case the fund manager's performance target will be to match the benchmark return) or active management (in which case the fund manager's performance target will be greater than the benchmark return) is appropriate for each asset class separately. The Trustees decisions are based on the following matters:

- The degree to which the Trustees investments should be allowed to differ from their strategic benchmark given the objectives set out in the sections above.
- The opportunities within each asset class to generate returns in excess of the benchmark return.
- The ability of active fund managers to generate returns above the benchmark.
- The difference in cost between active and passive management.

### ***Policy on stock selection***

The Trustees delegate all stock selection decisions to their appointed fund managers and monitor the fund managers in conjunction with their advisors.

The investment policy the Trustees have adopted is detailed in Appendix I. The specific Investment Manager mandates against which performance of the assets will be assessed are specified in Appendix III.

## Investment Policy – DC Section

The Trustees' policy to achieve these objectives is to provide a range of funds which offer a suitable mixture of real and other assets. It recognises that the returns on return-seeking assets, while expected to be greater over the long-term than those on other assets, are likely to be more volatile. The range of funds utilised to meet the Defined Contribution Section's objectives are included in Appendix II.

The individual funds available and their characteristics are given in Appendix IV.

# 02 Strategic investment policy and objectives (cont.)

## Range of assets

---

The Trustees consider that the combination of the investment policy detailed in Appendix I and the specific manager mandates detailed in Appendix III will ensure that the DB Section assets include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives. In setting out the mandates for the Investment Manager, the Trustees will ensure that the Scheme holds a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

For the DC Section, the amounts allocated to any individual asset class will be influenced by the choices made by the members and may vary through the Investment Managers' tactical asset allocation preferences at any time, within the restrictions imposed under individual fund investment parameters.

The Trustees will ensure that the investment options made available to members hold a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustees will ensure the range of assets is otherwise suitable to meet the investment objectives, as set out in Appendix II and IV.

## Alignment of Incentives

---

Based on the structure set out in Appendix I, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through

the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them by the documentation governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection / deselection criteria set out in Section 6.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns and on the importance placed by the Trustees on investing according to the principles set out within the mandate guidelines. As covered in more detail in Section 3, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

## 03 Responsible investment

The Trustees' Policy is to take into account factors that are considered to be financially material. ESG considerations (broad corporate governance, effective stewardship and more specific considerations such as climate change) are considered to be financially material by the Trustees. The Trustees expect that the extent to which social, environmental or ethical issues may have a fundamental impact on any investments will be taken into account by the relevant fund managers.

The Trustees take the view that their primary responsibility is to act in the best financial interest of the members of the Scheme. Where ESG factors are considered to be financially material, the Trustees will consider these factors over an appropriate time horizon.

As the Scheme invests in pooled funds and insurance policies, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of any rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustees encourage them to engage

with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.



# 04 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. Following the purchase of an insurance policy covering the remaining DB Section liabilities this list has been reviewed to remove previously stated risks associated with funding the liabilities.

The Trustees measure and manage these risks as follows:

**Market risk** – For the DC Section, the risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non-equity orientated funds.

**Liquidity risk** - The risk that the Trustees cannot exit a particular investment is addressed by investing the surplus DB Section assets in liquid markets through daily dealing pooled funds.

**Inappropriate investments** - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Scheme can invest (see section 2).

**Counterparty risk** - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

**Political risk** - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

**Custodian risk** - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is delegated to the Investment Managers.

**Manager risk** - The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in Appendix II and through the monitoring of the Investment Managers as set out in section 6. In monitoring the performance of the Investment Managers, the Trustees measure the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustees will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken.

**Fraud/Dishonesty** - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

**ESG risk** – The risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives is addressed, to the extent that it is possible, by delegating to the Investment Managers. Further detail is provided in section 3 of this Statement.

**Sequencing risk** – For the DC Section, the risk that numerous material transactions at disadvantageous times, when markets are depressed for example, can have a detrimental impact on the capital value of a member's holding. This is addressed in the *Main Default Arrangement* by gradual lifestyling changes throughout a member journey and offering member flexibilities post-retirement.

**Currency risk** - The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.



# 05 Realisation of assets and investment restrictions

## Realisation of investments

---

In recognition of the fact that funds may need to be realised for a number of reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustees will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustees have considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustees believe that the Scheme currently holds an acceptable level of readily realisable assets. The Trustees will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

The Trustees will hold cash to the extent that they consider necessary. A bank account is used to facilitate the holding of cash awaiting investment or payment.

## Investment restrictions

---

The Trustees have established the following investment restrictions:

- > The Trustees or the investment managers may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;
- > Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;
- > Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustees may impose additional restrictions and any such restrictions are specified in Appendix II.

# 06 Investment Manager Arrangements and fee structure

## Delegation to Investment Manager(s)

In accordance with the Act, the Trustees have appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA).

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

## Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in Appendix II and IV.

## Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

The Trustees receive, and consider, annual performance monitoring reports from the Investment Consultant which reviews performance over the one and three year periods. In addition, any significant changes relating to the criteria

below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees meetings as requested.

The Investment Consultant has also carried out a review of how well ESG factors are incorporated into each Investment Manager's processes and the Trustees will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

## Selection / Deselection Criteria

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- > Parent - Ownership of the business;
- > People - Leadership/team managing the strategy and client service;
- > Product - Key features of the investment and the role it performs in a portfolio;
- > Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- > Positioning - Current and historical asset allocation of the fund;
- > Performance - Past performance and track record;
- > Pricing - The underlying cost structure of the strategy;
- > ESG - Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

## Investment Manager Arrangements and fee structure continued

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- > The Investment Manager fails to meet the performance objectives set out in Appendix II/IV;
- > The Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future;
- > The Investment Manager fails to give effect to the Principles within this Statement.

### Investment Platform Provider fee structure

---

The Investment Platform Provider is remunerated by receiving a percentage of the Scheme's assets under management. Details of the fee arrangements in place for each fund are set out in Appendix II and IV.

### Investment Managers' fee structure

---

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management and, in some cases, through the application of a flat fee as a percentage of assets under management. Details of the fee arrangements are set out in Appendix II and IV. It is felt that

this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustees.

### Portfolio turnover

---

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence. The Trustees do not set an explicit limit on turnover, but would expect the investment managers to justify any material increase in turnover beyond normal levels.

### Investment Consultant's fee structure

---

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustees in undertaking their responsibilities.

# 07 Additional Voluntary Contribution arrangements

## Provision of AVCs

---

The Scheme had historically provided a facility for members to pay additional voluntary contributions (AVCs) to enhance their benefits at retirement. The Trustees' objective was to provide vehicles that enabled members to generate suitable long-term returns, consistent with their reasonable expectations.

The investment funds are provided by Clerical Medical and Aviva for DB members. DC members may choose the contribution rate that is paid into their account.

The Trustees selected these vehicles as they were believed to meet the Trustees' objective of providing investment options that enabled AVC members to generate suitable long-term returns, consistent with their reasonable expectations.

## Review process

---

The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustees in accordance with their responsibilities, based on the result of the monitoring of performance and process. The Trustees will review the appointment of the AVC providers periodically in the light of their performance.

Where possible, performance of the AVC providers will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

# 08 Compliance Statement

## Confirmation of advice

---

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustee of a pension scheme, it must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act.

## Signatures

---

On behalf of XPS Investment Limited:



---

Alasdair G K Gill  
Partner – Investment  
Date:

---

## Trustees' declaration

---

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

The Trustees will review the implementation of the principles set out in this Statement on an annual basis.

On behalf of the Trustees:



---

Date:  
17/6/2024

---

# Appendix I

## DB Section Investment Strategy & Structure

### Overall strategy

The Trustees have adopted a strategy where assets are invested in liquid assets that, in aggregate, aim to provide a small; return premium in excess of the return on cash whilst having a low probability of significant capital loss.

The Trustees' target asset allocation agreed in December 2022 is as follows:

Asset Class	Target Asset Allocation (%)
<u>Multi-Asset Credit</u> Total Return Credit Investment Fund	<b>50</b> 50
<u>Cash</u> Yorkshire Bank Barclays Bank M&G Cash Fund	<b>50</b>
<b>Total</b>	<b>100</b>

### Rebalancing and cashflow

The Trustees will review the asset allocation on a periodic basis using asset valuations provided by the investment managers (along with the balance held in the Trustee bank accounts) to ensure that the Scheme's assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

While no formal control ranges have been set, the Trustees may decide from time to time whether to switch assets back in line with the Target Asset Allocation following consideration of advice.

The Trustees will receive advice on any significant investments or disinvestments.

# Appendix II

## DC Section Investment Strategy & Structure

### Overall strategy

---

The Trustees have decided to offer a range of appropriate investment options to members to enable them to choose investments appropriate to their individual circumstances, whilst not offering too many funds which may deter some members from making a choice.

The Scheme has three default arrangements in place as follows:

1. **The 'Main Default Arrangement'** – this default arrangement is offered to members who do not wish to make their own investment choices.
2. **The 'Additional Default Arrangement – Property Fund'** – this default arrangement was created in April 2020 to facilitate the investment of contributions for members who had made the self-select decision to invest in the RLP Property Fund. The RLP Property Fund was suspended on 30 March 2020 and the contributions for members who had self-selected that fund were redirected into the *Additional Default Arrangement – Property Fund*.
3. **The 'Additional Default Arrangement – Emerging EMEA Fund'** – this default arrangement was created in April 2022 to facilitate the investment of contributions for members who had made the self-select decision to invest in the RLP/Fidelity Emerging Europe Middle East and Africa Fund. The Fund was suspended on 22 March 2022 and the contributions for members who had self-selected that fund were redirected into the *Additional Default Arrangement – Emerging EMEA Fund*.

In accordance with best practice guidance from the Pensions Regulator, particular attention has been placed on the *Main Default Arrangement* to be used where members do not make their own investment choice.

The range of investment options is as follows:

### Main Default Arrangement

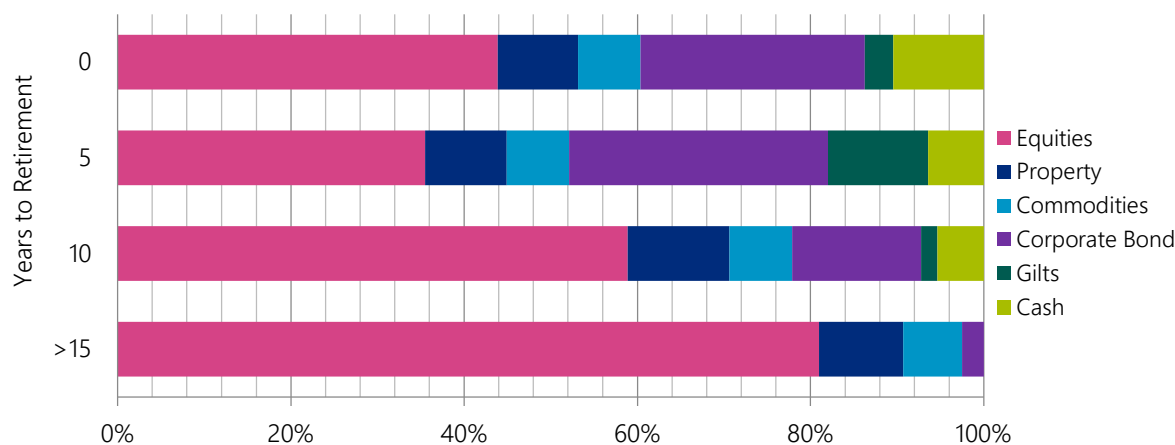
---

The aim of the *Main Default Arrangement* is to maximise the value of members' retirement savings while managing the risks including volatility over the member's investment timeline, with a particular focus on the period leading up to retirement age.

The Trustees have decided to adopt the Moderately Adventurous Tracker Lifestyle Strategy (Drawdown). The Trustees have decided to adopt the Tracker option of this lifestyle strategy which uses the passive equity option, the RLP/BlackRock Aquila Global Blend Fund. This option was selected for the *Main Default Arrangement* as it was considered by the Trustees to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meeting the Trustees' view of the needs and circumstances of the majority of the membership. This investment option invests in Royal London Governed Portfolios which are Royal London Multi-Asset Funds. Up to 15 Years from retirement, the fund invests in the Governed Portfolio 7. The strategy then gradually switches to Governed Portfolio 5 between 15 and 10 Years from retirement and then gradually switches to being fully invested in the Governed Portfolio 6 at 5 years from retirement. At retirement, members are invested in the Governed Retirement Income Portfolio 4. This option will target income drawdown at retirement<sup>1</sup>. Further information on the underlying investments in these is shown at the link at the foot of the page, but the strategy is summarised below:

---

<sup>1</sup> <https://www.royallondon.com/strategyfactsheets/strategyfactsheet.asp?InvestmentType=F&strategyid=404686>



The *Main Default Arrangement* is operated in accordance with the policies described in this Statement and is intended to ensure investment in the best interests of members and beneficiaries as further described in this Statement.

### Additional Default Arrangement – Property Fund

Due to the extreme market volatility caused by the COVID-19 virus outbreak, on 30 March 2020 all trading in the RLP Property Fund was suspended. Following this, the future contributions of members who had chosen to invest in the RLP Property Fund on a self-select basis were redirected into the RLP Deposit Fund. By re-directing members' contributions, the Trustees created the Additional Default Arrangement, which invested solely in the RLP Deposit Fund.

With effect from 29 September 2020 the RLP Property Fund lifted the trading suspension. Following this, the future contributions of members who had chosen to invest in the RLP Property Fund on a self-select basis were redirected back into the RLP Property Fund, in line with their previous expression of choice. By redirecting members' contributions back into RLP Property Fund, the RLP Property Fund became part of the *Additional Default Arrangement – Property Fund*.

The *Additional Default Arrangement – Property Fund* is not an available investment option for new or existing members of the Scheme (unless they are already invested in the *Additional Default Arrangement – Property Fund*). New or existing members of the Scheme can invest in the RLP Property Fund or the RLP Deposit Fund through the Core Fund Range (see below).

### Additional Default Arrangement – Emerging EMEA Fund

Due to the exceptional circumstances caused by the war in Ukraine, Fidelity suspended all new money being invested in the Fidelity Emerging Europe Middle East and Africa Fund. Existing investors will still be able to redeem assets from the Fund. Fidelity have not provided any guidance on when the suspension may be lifted. Following this, the future contributions of members who had chosen to invest in this Fund on a self-select basis were redirected into the RLP Deferral Alternative Fund. By re-directing members' contributions, the Trustees created the *Additional Default Arrangement – Emerging EMEA Fund*, which invested solely in the RLP Deferral Alternative Fund.

The Trustees are in the process of receiving investment advice on possible alternative investment options for the affected members. The Trustees will engage with the affected members on their investment options before making any further changes to the *Additional Default Arrangement – Emerging EMEA Fund*.

The *Additional Default Arrangement – Emerging EMEA Fund* is not an available investment option for new or existing members of the Scheme (unless they are already invested in the *Additional Default Arrangement – Emerging EMEA Fund*). Because of the ongoing suspension, new or existing members of the Scheme cannot currently invest in the Fidelity Emerging Europe Middle East and Africa Fund.



## Core Fund Range:

---

In addition to the *Main Default Arrangement*, the Trustees have decided to implement a core range of funds for the membership. These funds give members a narrow choice of funds to select from. However, members will still be able to select from the full range of funds available from Royal London. The Core Fund range is as follows:

Asset class	Fund to be offered
Global equity (ex UK)	RLP/BlackRock World (ex-UK) Equity Index
UK equity	RLP/BlackRock Aquila UK Equity Index
Emerging Market Equity	RLP/BlackRock Emerging Markets Tracker
UK corporate bond	RLP/BlackRock Aquila All Stocks Corporate Bond Index
UK fixed interest gilts	RLP/BlackRock Aquila Long Gilt Index
UK inflation-linked gilts	RLP/BlackRock Aquila Over 5 Year Index Linked Gilts Index
Cash	RLP Deposit Fund
Shariah Fund	RLP/HSBC Amanah Global Equity Index Fund
Property	RLP Property

## Other Investment Options:

---

The Trustees also wish to give those members (who feel comfortable in doing so) a reasonable degree of freedom to make their own investment choices. Consequently, members are able to select their own individual funds from the Royal London fund range, details of which are available via the Royal London website which all members have access to as a member of the Scheme.

## Additional Voluntary Contributions

---

Additional Voluntary Contributions may be paid into any of the funds available for regular contributions.

## Monitoring

---

The Trustees are not involved in the investment manager's day-to-day operation and therefore cannot directly influence the performance target. However, it will assess the performance and review the continued use of the default investment strategy and will obtain and consider advice where appropriate. The benchmark for each fund is set by Royal London.

# Appendix III

## DB Section Fund objectives & fees

### M&G Investment Management (M&G)

#### M&G Total Return Credit Investment Fund

*Benchmark* SONIA + 4% p.a. over 5-7 years

*Objective* To achieve exposure to the credit risk premium by investing in a broad range of different credit assets.

*Fees* AMC: 0.45% p.a. Additional Expenses: 0.01% p.a.

*Transaction cost* Typical dealing spread: 0.08%

#### M&G Cash Fund

*Benchmark* 7-day Sterling Overnight Index Average (SONIA)

*Objective* To deliver a return in line with the 7-day Sterling Overnight Index Average (SONIA).

*Fees* AMC: 0.10% p.a. Additional Expenses: 0.01% p.a.

*Execution cost* Typical dealing spread: 0.00% p.a.

*Notes:* AMC: Annual Management Charge  
OCF: Ongoing Charges Figure  
Any execution costs and OCFs stated above are the latest available at the time of writing and are subject to change

# Appendix IV

## DC Section Fund benchmarks, objectives and fees

### Royal London / Blackrock

#### World (ex-UK) Equity Index

<i>Benchmark</i>	FTSE AW ex UK (Developed) Index
<i>Objective</i>	The fund aims to track its benchmark
<i>Fees</i>	AMC: 0.4% p.a. OCF: 0.4% p.a.

#### UK Equity Index

<i>Benchmark</i>	FTSE All Share Index
<i>Objective</i>	The fund aims to track its benchmark
<i>Fees</i>	AMC: 0.4% p.a. OCF: 0.4% p.a.

#### Emerging Markets Tracker

<i>Benchmark</i>	FTSE Custom Emerging Net Midday Index
<i>Objective</i>	The fund aims to achieve capital growth by tracking the FTSE Emerging Markets Index
<i>Fees</i>	AMC: 0.55% p.a. OCF: 0.62% p.a.

#### Aquila All Stocks Corporate Bond Index

<i>Benchmark</i>	Markit iBoxx Sterling Non Gilts Overall Index
<i>Objective</i>	The fund aims to track its benchmark
<i>Fees</i>	AMC: 0.4% p.a. OCF: 0.4% p.a.

#### Aquila Long Gilt Index

<i>Benchmark</i>	FTSE A British Govt Over 15 Years Index
<i>Objective</i>	The fund aims to track its benchmark
<i>Fees</i>	AMC: 0.4% p.a. OCF: 0.4 % p.a.

#### Aquila Over 5 Year Index Linked Gilts Index

<i>Benchmark</i>	FTSE A (Index Linked) British Govt Over 5 Years Index
<i>Objective</i>	The fund aims to track its benchmark
<i>Fees</i>	AMC: 0.4% p.a. OCF: 0.4 % p.a.

### Royal London

#### Deposit Fund

<i>Benchmark</i>	LIBID GBP 7 Day Index
<i>Objective</i>	The fund aims to outperform its benchmark
<i>Fees</i>	AMC: 0.4% p.a. OCF: 0.4% p.a.

#### RLP Property

<i>Benchmark</i>	ABI UK – UK Direct Property Sector Average
<i>Objective</i>	The fund aims to outperform its benchmark
<i>Fees</i>	AMC: 0.4% p.a. OCF: 0.4 % p.a.

### Royal London / HSBC

#### Amanah Global Equity Index Fund

<i>Benchmark</i>	Dow Jones Islamic Titans 100 Index
<i>Objective</i>	The fund aims to track the benchmark
<i>Fees</i>	AMC: 0.4% p.a. OCF: 0.65 % p.a.

*Notes:* AMC: Annual Management Charge  
OCF: Ongoing Charges Figure

**Contact us**  
**xpsgroup.com**

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

Trigon Professional Services Limited, Registered No. 12085392.

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

***An XPS Group Company***



# Melton Mowbray Building Society Staff Pension and Life Assurance Scheme Implementation Statement for the year ended 31 December 2023

## Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Melton Mowbray Building Society Staff Pension and Life Assurance Scheme (the "Scheme") have followed the policies on ESG and stewardship of assets documented in their Statement of Investment Principles ("SIP") during the year ended 31 December 2023 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year, which is relevant to the DC Section of the Scheme only.

## Latest review of the Statement of Investment Principles

During the reporting year, the Trustees updated the Scheme's SIP document (version 1.5 dated January 2023). This update was instigated as the DB Section purchased an insurance policy to cover the remaining uninsured member liabilities. With the exception of a potential modest "top-up" payment to the annuity policies in respect of GMP equalisation, the residual DB assets do not have a direct purpose in funding future DB member liabilities. The Trustees therefore updated the SIP to reflect the investment of the residual DB assets in a manner that supports the regular disinvestment for cash to fund employer contribution payments in respect of active DC Section members and to meet ongoing Scheme expenses.

The Trustees publish the Scheme's SIP on a publicly available website as well as making it available to members on request.

## The Trustees' policies on ESG and stewardship of assets

The Trustees have a number of policies covering ESG and stewardship of assets as set out in the table below. The table also provides commentary on how and the extent to which the various policies were followed during the reporting year.

Policy	How the policy was followed	The extent to which the policy was followed
Integration of ESG considerations into decision making	The Trustees delegate the integration of ESG factors into the day-to-day management of the Scheme's assets to its investment managers. The Trustees acknowledge that, where the objective of a mandate is to track an index, the manager has very limited discretion on the investments held.	The Trustees' policy was met in full.
The exercise of voting rights (DC Section)	This exercise of voting rights is delegated to the investment managers and the Trustees periodically review the voting records of the managers.	The Trustees periodically review its managers' voting records (including in the preparation of this statement). The Trustees are satisfied that the Scheme's managers are using their voting rights (where applicable - see voting section).
Engagement activities in respect of the investments (DC Section)	The Trustees expect the Scheme's investment managers to engage with companies on their behalf.	The Trustees periodically review the engagement activities undertaken by the managers. The Trustees were satisfied that the managers were engaging with



		companies on their behalf (see voting section).
Incentives for asset managers to align their investment decisions with the Trustees' investment policies	No investment-related activities applied specifically in relation to this policy.	The Trustees were satisfied that it followed the policy to a sufficient extent under the existing investment arrangements.
Incentives for asset managers to make decisions based on medium to long term financial and non-financial considerations	The Trustees expect managers to make investment decisions in the context of long-term investing and to not be incentivised financially or otherwise to take excessive short-term risks. The Trustees acknowledge that, where the objective of a mandate is to track an index, the manager has very limited discretion on the investments held.	The Trustees periodically reviews its investment managers and its incentive structures. The Trustees believe this policy was followed to the extent deemed possible.
Evaluation of an asset manager's performance and the remuneration for their services	The Trustees review investment manager performance and manager remuneration structures through the annual investment report produced by their Investment Consultant.	The Trustees considered the annual investment report for the period to 31 March 2023 at the Trustees' meeting on 16 June 2023 and concluded that they were satisfied with the performance delivered by the Scheme's investment managers.
Monitoring of Portfolio Costs	The Trustees review investment costs through the annual investment report produced by their Investment Consultant.	<p>The Trustees considered the annual investment report for the period to 31 March 2023 at the Trustees' meeting on 16 June 2023 and concluded that they were satisfied that the fees paid to their investment managers remain competitive and value for money.</p> <p>Due to the assets of the DB Section being predominantly invested in insurance policies, the Trustees have not undertaken a more detailed 'cost transparency' exercise for the DB Section assets.</p>
Clearly define the duration of the agreement with the investment managers	All of the Scheme's arrangements with its investment managers are open ended with no fixed contract periods.	The Trustees are satisfied that they can review and replace investment managers if and when they believe this would be in the Scheme's best interests.

The Trustees concluded that the policies detailed in the Scheme's Statements of Investment Principles in relation to ESG and stewardship of assets have been followed during the reporting year.

## Other notable investment-related activity during the reporting year

### *DB Section – continued drawdown of DB residual assets*

In December 2022, the Trustees purchased an insurance policy with Just which covered the remaining DB Section uninsured member liabilities. Following the purchase of the insurance policy the Trustees restructured the remaining DB Section assets to invest in a mixture of money-market assets and low risk credit assets.



The Trustees have regularly made disinvestments from the residual DB assets to provide cash to fund ongoing employer contribution payments for the active DC Section members as well as meet ongoing Scheme expenses.

#### *DC Section – investment strategy review*

During the reporting year the Trustees commissioned their Investment Consultant to produce a report reviewing the DC Section's investment strategy. This complies with the Trustees' requirement to review the DC investment strategy at least every 3 years. The key findings of this review were:

- The DC Section's current provider remains a credible firm in the UK DC marketplace and the membership has access to a wide range of investment funds at a competitive cost.
- Based on high-level membership analysis, the 'lifestyle' structure and funds used in the current default arrangement remains appropriate for the majority of the Scheme's members.
- As part of the future evolution of the default arrangement there is scope for the Trustees to consider funds that focus on sustainable investment outcomes.
- The self-select fund range available to members is very large which results in a high governance burden (and risks) placed on the Trustees.

Following consideration of the investment strategy review findings the Trustees agreed to make no changes to the DC Section's existing default arrangement.

The Trustees considered the current self-select fund range and the implications on both the membership and the Trustees' governance responsibilities. The Trustees agreed that, due to imminent plans to undertake a wider review of the structure of the DC Section in light of the DB Section liabilities having been fully secured, no changes would be made at the current time.

#### *Other Investment Matters*

- During the year the Trustees commissioned a detailed annual investment report produced by their Investment Consultant for the year ended 31 March 2023. This report detailed asset valuations at year end (both DB and DC Sections), a summary of cashflow activity over the period (both sections), performance details of each funds the Scheme is invested in (both sections), as well as providing the Investment Consultant's research views on the investment funds where applicable.
- The Trustees completed their implementation Statement for the year to 31 December 2022 and made the statement available on a public website, as required by the Regulator.
- The Trustees regularly review their training needs at trustee meetings and undertake training as necessary.

## **Voting – DC Section**

As the DB Section has no investments that include voting rights, this subject is only relevant to the DC Section. The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

The main asset class where the investment managers will have voting rights is equities. The most substantial equity investment held by the Scheme is the RLP BlackRock ACS Global Blend Fund, which is held within the default strategy of the DC Section. Around two-thirds of DC members' assets is invested in this fund. Therefore, a summary of the voting behaviour and most significant votes cast by BlackRock for this fund is shown below.

Please note within the following voting data reference to 'I'/We/Our' is reference to BlackRock directly and not to the Trustees.





### RLP BlackRock ACS Global Blend Fund

The RLP BlackRock ACS Global Blend Fund has allocations to two underlying funds: the RLP BlackRock ACS World ex UK Equity Tracker Fund and the RLP BlackRock ACS UK Equity Tracker Fund. The relevant voting information for each underlying fund is shown below – all the information below is sourced from Blackrock.

### Voting Information

BlackRock's approach to corporate governance and stewardship is explained in our Global Corporate Governance and Engagement Principles. These high-level Principles are the framework for our more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The principles describe our philosophy on stewardship (including how we monitor and engage with companies), our policy on voting, our integrated approach to stewardship matters and how we deal with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews our Global Corporate Governance & Engagement Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

Our Global Corporate Governance & Engagement Principles available on our website at:  
[www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf](http://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf)

On behalf of our clients, we intend to vote at all shareholder meetings of companies in which our clients are invested. In certain markets, there might be regulatory constraints or operational issues which can affect BlackRock's ability to vote certain proxies, as well as the desirability of doing so. We do not support impediments to the exercise of voting rights and will engage regulators and companies about the need to remedy the constraint. Where we experience impediments in relation to a specific shareholder meeting, we will review the resolutions to assess whether the business under consideration warrants voting despite the complications caused by the impediment. For example, we currently do not vote at shareholder meetings that require share blocking: the restriction that is imposed when a vote is cast represents a liquidity constraint on the portfolio managers and increases the risk of failed trades, which can be costly to clients. BlackRock may in its discretion determine that the value of voting outweighs the costs of blocking shares from trading, and thus cast the vote and block the shares in that instance.

With regards to US assets, we have approximately a 100% success rate in voting our funds' assets. With regards to non-US assets generally, we have approximately a 90% success rate in voting our funds' assets. Of the remaining: 8% were uninstructed due to share blocking, and 2% of the votes go unexecuted result from either the fund's leverage or market-based impediments such as ballots received post cut-off date or post meeting date, meeting specific power of attorney requirements, special documentation, etc.

### RLP BlackRock ACS UK Equity Tracker Fund

A summary of the votes cast in the year to 31 December 2023 is set out below:

	Total		Management Proposals		Shareholder Proposals	
			Total	Percent	Total	Percent
Votable Proposals	9,974		9,950		24	
<u>Proposals Voted</u>	<u>9,945</u>	<u>99.71%</u>	<u>9,921</u>	<u>99.71%</u>	<u>24</u>	<u>100.00%</u>
FOR Votes	9,648	96.73%	9,635	96.83%	13	54.17%
AGAINST Votes	285	2.86%	274	2.75%	11	45.83%
ABSTAIN Votes	11	0.11%	11	0.11%	0	0.00%
WITHHOLD Votes	0	0.00%	0	0.00%	0	0.00%
Votes WITH Management	9,652	96.77%	9,641	96.89%	11	45.83%
Votes AGAINST Management	293	2.94%	280	2.81%	13	54.17%





### RLP BlackRock ACS World ex UK Equity Tracker Fund

A summary of the votes cast in the year to 31 December 2023 is set out below:

	Total		Management Proposals		Shareholder Proposals	
			Total	Percent	Total	Percent
Votable Proposals	24,987		24,185		802	
<u>Proposals Voted</u>	<u>24,491</u>	<u>98.01%</u>	<u>23,698</u>	<u>97.99%</u>	<u>793</u>	<u>98.88%</u>
FOR Votes	21,761	87.09%	21,675	89.62%	86	10.72%
AGAINST Votes	2,128	8.52%	1,428	5.90%	700	87.28%
ABSTAIN Votes	121	0.48%	118	0.49%	3	0.37%
WITHHOLD Votes	46	0.18%	42	0.17%	4	0.50%
Votes WITH Management	22,981	91.97%	22,220	91.88%	761	94.89%
Votes AGAINST Management	1510	6.04%	1478	6.11%	32	3.99%

### Investment Manager policy on voting

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Corporate Governance and Engagement Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.

### Investment Manager process to determine how to Vote

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be



beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
- We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis
- We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision
- The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

#### BlackRock Market-Specific Proxy Voting Guidelines

Voting is the most broad-based form of engagement we have with companies, providing a channel for feedback to the board and management about investor perceptions of their performance and governance practices. BlackRock votes annually at more than 18,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Our analysis is informed by our internally developed proxy voting guidelines, our pre-vote engagements, research, and the situational factors at a particular company.

We aim to vote at all shareholder meetings of companies in which our clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, we will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. We generally prefer to engage with the company in the first instance where we have concerns and give management time to address the issue. We will vote in favour of proposals where we support the approach taken by a company's management or where we have engaged on matters of concern and anticipate management will address them. BlackRock will not support management proposals where we believe the board or management may not have adequately acted to advance the interests of long-term investors. We ordinarily refrain from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for not supporting management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement our voting intention. In all situations the economic interests of our clients will be paramount.

Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform voting decisions through research and engage as necessary. We review our voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

- BlackRock voting guidelines:
  - Australian securities
  - Hong Kong securities
  - Asia ex Japan and Hong Kong securities
  - Latin America securities (in English and Spanish)
  - Canadian securities
  - Europe, Middle Eastern and African (EMEA) securities
  - US securities
  - Chinese securities (in English and Simplified Chinese)



- Japanese securities (in English and Japanese)

Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/about-us/investment-stewardship#Principles-and-guidelines>

#### Use of proxy advisers

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines. While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into the voting analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesize corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritize those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

#### BlackRock's third-party platform for vote execution

We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.

### How does this manager determine what constitutes a 'Significant' Vote?

BlackRock Investment Stewardship periodically published detailed explanations of specific key votes in "vote bulletins". These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. We make this information public shortly after the shareholder meeting, so clients and others can be aware of our vote determination when it is most relevant to them. We consider these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II.

Our vote bulletins can be found here: [www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history](http://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history)

The BlackRock Stewardship team publishes statements on our analysis, engagements and votes in relation to certain high-profile proposals at company shareholder meetings. These vote bulletins aim to explain our approach and decision publicly so interested clients and others can be aware of BlackRock's vote when it is of most relevance to them.

### Significant Votes during the period

For the reporting period to 31 December 2023, the below voting bulletins were published to the BlackRock website. These represent what we believe were significant votes for this time-period. Note the Trustees have limited this list to just 5 "significant" votes for each of the underlying funds which make up the RLP BlackRock ACS Global Blend Fund.

#### RLP BlackRock ACS UK Equity Tracker Fund

Company Name	AGM Date	Vote Bulletin
Vale SA	28 April 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-vale-april-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-vale-april-2023.pdf</a>
Shell PLC	23 May 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-shell-may-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-shell-may-2023.pdf</a>
Broadcom INC	3 April 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-woodside--petroleum-may-2022.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-woodside--petroleum-may-2022.pdf</a>



Yum! Brands INC	18 May 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-yum-may-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-yum-may-2023.pdf</a>
Dentsu Group INC	30 March 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-dentsu-march-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-dentsu-march-2023.pdf</a>

RLP BlackRock ACS World ex UK Equity Tracker Fund

Company Name	AGM Date	Vote Bulletin
Chevron CORP	31 May 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-chevron-may-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-chevron-may-2023.pdf</a>
Dentsu Group INC	30 March 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-dentsu-march-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-dentsu-march-2023.pdf</a>
Restaurant Brands International INC	23 May 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-rbi-may-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-rbi-may-2023.pdf</a>
Be Semiconductor IND.	26 April 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-be-semiconductor-april-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-be-semiconductor-april-2023.pdf</a>
Dassault Systemes	24 May 2023	<a href="https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-dassault-systemes-may-2023.pdf">https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-dassault-systemes-may-2023.pdf</a>

Signed: David Wood, Chair of Trustees

Date: 17/6/2024

# **The Melton Mowbray Building Society Staff Pension and Life Assurance Scheme**

## **Chair's Statement**

1 January 2023 to 31 December 2023

# Contents

<b>01</b>	<b>Introduction</b>	<b>3</b>
<b>02</b>	<b>Default Investment Strategy</b>	<b>4</b>
<b>03</b>	<b>Charges and transaction costs</b>	<b>9</b>
<b>04</b>	<b>Core financial transactions</b>	<b>15</b>
<b>05</b>	<b>Value for Members</b>	<b>17</b>
<b>06</b>	<b>Trustees Knowledge and understanding</b>	<b>18</b>
<b>07</b>	<b>Conclusion</b>	<b>19</b>
	Appendix A Projections	20

# 01 Introduction

**This is the Chair's Statement for The Melton Mowbray Building Society Staff Pension and Life Assurance Scheme (the "Scheme") covering the period 1 January 2023 to 31 December 2023.**

As the Chair of the Trustees ('the Trustees'), I provide you with a yearly statement which explains what steps have been taken by the Trustees, with help from our professional advisers, to meet the required governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Scheme is a defined contribution ('DC') arrangement providing pension benefits to members. The Scheme is used by Melton Mowbray Building Society ('the Employer') in addition to MBS Lending, Nexa Finance and MMBS Services as qualifying schemes to comply with the automatic enrolment legislation in the UK, in relation to current employees.

The Scheme has a default investment option, and this is explained further in Section 2.

## 01.01 Queries

---

*If you have any questions about anything that is set out below, suggestions about what can be improved, or queries about your Scheme benefits, please contact Christopher Rowley, Secretary to the Trustees using the details below:*

c/o Christopher Rowley  
Melton Mowbray Building Society  
Mutual House  
Leicester Road  
Melton Mowbray  
LE13 0DB

E. c.rowley@mmbs.co.uk

# 02 Default Investment Strategy

## Statement of Investment Principles (SIP)

A copy of the SIP, which sets out the objectives for the Scheme's investment strategy, can be found in Appendix I of the Financial Statements.

### 02.01 The default investment arrangement

If members do not make their own investment choices in the Scheme, their funds are invested in the Main Default Arrangement.

To try to reduce the effect of short-term changes in value on the amount of the pension and cash that a member can take using their DC fund at retirement, the Trustees have established the Main Default Arrangement for any members who do not choose to invest their DC fund in a different way.

The Trustees have decided to adopt the 'Moderately Adventurous Tracker Lifestyle Strategy (Drawdown)'. The Trustees have decided to adopt the 'Tracker' version of this lifestyle strategy which implements the equity allocation on a passive index-tracking basis. This option was selected for the Main Default Arrangement as it was considered by the Trustees to have the objectives, expected returns, risks and other characteristics most likely to be suitable to meeting the Trustees' view of the needs and circumstances of the majority of the membership.

This Moderately Adventurous Tracker Lifestyle (Drawdown) Strategy invests in Royal London Governed Portfolios which are Royal London Multi-Asset Funds. Up to 15 Years from retirement, the fund invests in the Governed Portfolio 7. The strategy then gradually switches to Governed Portfolio 5 between 15 and 10 Years from retirement and then gradually switches to being fully invested in the Governed Portfolio 6 at 5 years from retirement. At retirement, members are invested in the Governed Retirement Income Portfolio 4. This option will target Income drawdown at retirement.

The Main Default Arrangement is operated in accordance with the policies described in this Statement and is intended to ensure investment in the best interests of members and beneficiaries as further described in this Statement.

Members can opt out of the default investment option and invest in any other fund offered by the Trustees.

### 02.02 Additional default arrangements

Due to the extreme market volatility caused by the COVID-19 virus outbreak, on 30 March 2020 all trading in the RLP Property Fund was suspended. Following this, the future contributions of members who had chosen to invest in the RLP Property Fund on a self-select basis were redirected into the RLP Deposit Fund. By re-directing members' contributions, the Trustees created the 'Additional Default Arrangement – Property Fund'.

With effect from 29 September 2020 the RLP Property Fund lifted the trading suspension. Following this, the future contributions of members who had chosen to invest in the RLP Property Fund on a self-select basis were redirected back into the RLP Property Fund, in line with their previous expression of choice. By redirecting members' contributions from the RLP Deposit fund back into RLP Property Fund, the RLP Deposit Fund ceased as an additional Default and RLP Property Fund became part of the Additional Default Arrangement.



# Default Investment Strategy

## continued

In addition to the RLP Property Fund, there was an additional default arrangement which was created in April 2022 to facilitate the investment of contributions for members who had made the self-select decision to invest in the RLP Fidelity Emerging EMEA Fund. This Fund was suspended on 22 March 2022 and the contributions for members who had self-selected that fund were redirected by Royal London into the 'Additional Default Arrangement – Emerging EMEA Fund'.

The Additional Default Arrangements are not available investment options for new or existing members of the Scheme (unless they are already invested in the Additional Default Arrangements). New or existing members of the Scheme can invest in the RLP Property Fund through the self-select fund range, however the RLP Fidelity Emerging EMEA Fund is no longer an available self-select investment option.

### 02.03 Self-select fund range

---

In addition to the Main Default Arrangement, members can invest on a self-select basis from the full range of funds available from Royal London.

### 02.04 Reviewing the default investment arrangement

---

The Trustees are required to review the default strategies and performance of the default investment arrangements at least every three years, or immediately following any significant change in investment policy or in the Scheme's member profile. The Trustees reviewed the investment strategy on 16 June 2023 however no changes were made to the strategy and therefore the SIP dated January 2023 remains the most recent. The Trustees concluded that the strategy and returns are consistent with the SIP's aims and objectives, and these remained suitable for the member profile of the Scheme. We wish to note that performance reviews of the default investment arrangement, as well as all self-select funds take place annually. This is supported by quarterly monitoring reports provided by the investment manager Royal London.

Having considered the performance of the Main Default Arrangement, the Trustees concluded that it aligns with the aims and objectives set out in the Statement of Investment Principles ("SIP"). At the time of writing, the SIP itself was last reviewed in January 2023 following advice from the Trustees' Investment Adviser, XPS Pensions Group.

### 02.05 Investment Performance

---

Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the default arrangement(s) and for each fund which scheme members are, or have been able to, select, and in which scheme members are invested during the scheme year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this statement is intended to help members understand how their investments are performing. The Trustees had regard to statutory guidance in preparing this section of the statement and publish relevant parts of this on a website as required, whilst also notifying members about this in their annual benefit statement.

# Default Investment Strategy

## continued

### 02.06 Fund Performance

XPS provides the Trustees with an annual report that summarises investment performance information to monitor the Main Default Arrangement, which the Trustees review and challenges in Trustees' meetings.

This table shows how the Main Default Arrangement has performed for members at three different ages, over the last one, three and five years with a target retirement date of 65. Royal London did not provide this information for the five-year period for the Main Default when requested, and XPS on behalf of the Trustees continue to request this information and the Trustees will make this available in future statements on receipt.

	1 year (31/12/2022 – 31/12/2023)	3 years (31/12/2020 – 31/12/2023)	5 years (31/12/2018 – 31/12/2023)
<b>The Main Default</b>			
Age 25	9.02%	6.43%	-
Age 45	9.02%	6.43%	-
Age 55	7.50%	4.19%	-
<b>RLP Property Fund</b>			
Age 25	-1.49%	0.74%	0.03%
Age 45	-1.49%	0.74%	0.03%
Age 55	-1.49%	0.74%	0.03%
<b>RLP Emerging EMEA1</b>			
Age 25	3.84%	1.11%	0.49%
Age 45	3.84%	1.11%	0.49%
Age 55	3.84%	1.11%	0.49%

Source: Royal London. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest

<sup>1</sup>Royal London have advised that performance returns for the Emerging EMEA fund equal that of the RLP Deposit fund which has been used in this report

The TER applicable to the default strategies may vary throughout a member's lifetime as a result of the changing investment mix.

# Default Investment Strategy

## continued

### 02.07 Self-Select Funds

As self-select funds are constant profiles and unlike lifestyle funds do not move in line with age or time to retirement, they can be shown as a single value for each fund. To help members understand how this changes over time, fund performance has been shown for 5 years, 3 years and the last Scheme Year.

	1 year (31/12/2022 - 31/12/2023)	3 years (31/12/2020 – 31/12/2023)	5 years (31/12/2018 – 31/12/2023)
<b>Self-select funds</b>			
RLP Absolute Return Government Bond	5.25	2.28	1.86
RLP American Tilt	19.22	10.76	14.59
RLP Asia Pac Core Plus (Invesco Asian)	9.67	2.25	6.60
RLP Commodity	-13.45	11.57	5.17
RLP Deposit	3.84	1.11	0.49
RLP Emerging Markets ESG Leaders Equity Tracker*	-0.79	-5.58	2.06
RLP Emerging Mkts Core Plus (JPM Emerging Markets)	-0.49	-9.42	3.93
RLP Emerging Mkts Spec (Fidelity Emerging Markets)	1.29	-9.00	-7.19
RLP Euro Spec (Columbia Threadneedle Euro Select)	18.23	4.20	10.55
RLP European	13.75	7.26	10.19
RLP Fixed Interest	4.71	-8.57	-2.51
RLP Glo Man Eq Specialist (Invesco Global Equity)	22.67	12.44	11.25
RLP Global Blend Core Plus (RLP Global Growth)	10.93	-0.15	6.00
RLP Global Equity	12.04	8.12	9.27
RLP Global High Yield Bond	10.35	-1.15	2.46
RLP Global Managed	11.92	7.22	8.56
RLP Japan Core Plus (Baillie Giff Japan Inc Grwth)	0.31	-2.59	0.88
RLP Japan Specialist (Baillie Gifford Japanese)	0.59	-4.91	-2.63
RLP Japan Tilt	12.15	1.99	5.82
RLP Long (15yr) Corporate Bond	7.75	-11.82	-2.14
RLP Long (15yr) Gilt	3.18	-12.72	-4.49
RLP Long (15yr) Index Linked	3.68	-7.44	-2.25
RLP Managed	7.56	4.56	5.40
RLP Medium (10yr) Corporate Bond	9.08	-7.58	-0.59
RLP Medium (10yr) Gilt	5.39	-7.71	-2.50
RLP Short (5yr) Corporate Bond	8.43	-2.78	0.35
RLP Short (5yr) Gilt	5.41	-3.09	-0.96
RLP Short (5yr) Index Linked	5.44	1.22	1.05
RLP Short Duration Global High Yield	7.92	1.95	1.93

## Default Investment Strategy

continued

	1 year (31/12/2022 - 31/12/2023)	3 years (31/12/2020 – 31/12/2023)	5 years (31/12/2018 – 31/12/2023)
RLP Short Term Fixed Income	4.26	1.95	1.93
RLP Sterling Extra Yield Bond	8.81	1.12	0.73
RLP UK Income Core Plus (Artemis Income)	8.70	3.30	3.81
RLP UK Mid Cap	7.64	7.55	6.85
RLP UK Mid Cap Spec (FTF Martin Currie UK Midcap)	8.49	-0.83	4.37
RLP UK Small Cap Spec (Ninety One UK Smaller Co)	-1.64	0.55	4.04
RLP UK Smaller Companies	3.46	-10.10	1.82
RLP/Blackrock ACS Global Blend	11.13	-3.63	5.00
RLP/Blackrock ACS UK Equity Index	5.88	6.63	8.04
RLP/Blackrock ACS US Equity Index	20.37	6.63	5.20
RLP/BlackRock Emerging Markets Tracker	0.93	10.77	14.51
RLP/BNY Mellon Global Income	3.80	8.32	9.06
RLP/BNY Mellon Multi-Asset Balanced	8.44	6.18	8.23
RLP/Fidelity Asia	-4.53	-8.12	2.77
RLP/First Sentier Global Listed Infrastructure	-4.37	5.19	5.39
RLP/FTF Royce US Smaller Companies	15.01	11.08	12.61
RLP/Invesco Monthly Income Plus	10.38	1.60	4.12
RLP/M&G Global Dividend	7.35	7.99	10.28

Source: Royal London. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.

# 03 Charges and transaction costs

Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose.

## 03.01 Investment Manager Charges

The Trustees have selected a range of funds which they believe to be appropriate for members of the Scheme. Each of these funds is provided by Royal London. Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose, or select the Main Default arrangement. Alternatively, if they do not make a choice, their funds will be invested in the Main Default arrangement.

Irrespective of the funds they are invested in, members will pay two annual charges in respect of their DC pension benefits. These are as follows:

### Ongoing Charges Figure

Members meet what is known as the Ongoing Charges Figure ('OCF') in respect of their individual pension pots. This is comprised of a Fund Management Charge ('FMC') and other indirect fees which are incurred; plus the costs of Royal London services including administration and communications. The OCF is calculated as a percentage of all applicable assets under management.

### Transaction costs

Transaction costs are costs associated with the buying and selling of investments and include for example stamp duty and brokerage fees.

The OCF and transaction costs are detailed below for the year to 31 December 2023.

	OCF	Transaction Costs
Scheme default		
RLP Governed Portfolio 7	0.40%	0.131%
RLP Governed Portfolio 5	0.40%	0.081%
RLP Governed Portfolio 6	0.40%	0.036%
RLP Governed Retirement Income Portfolio 4	0.40%	0.055%
Additional Defaults*		
RLP Property	0.40%	0.068%
RLP Emerging EMEA	0.40%	0.053%
Self-select funds		
RLP Absolute Return Government Bond	0.40%	0.311%
RLP American Tilt	0.40%	0.116%
RLP Asia Pac Core Plus (Invesco Asian)	1.30%	0.290%
RLP Commodity	0.40%	0.010%
RLP Deposit	0.40%	0.053%
RLP Emerging Markets ESG Leaders Equity Tracker	0.40%	0.210%
RLP Emerging Mkts Core Plus (JPM Emerging Markets)	1.10%	0.544%
RLP Emerging Mkts Spec (Fidelity Emerging Markets)	1.10%	0.230%
RLP Euro Spec (Columbia Threadneedle Euro Select)	1.10%	0.448%
RLP European	0.40%	0.000%
RLP Fixed Interest	0.40%	0.030%
RLP Glo Man Eq Specialist (Invesco Global Equity)	1.17%	0.390%
RLP Global Blend Core Plus (RLP Global Growth)	0.40%	0.210%
RLP Global Equity	0.40%	0.132%

## Charges and transaction costs continued

	OCF	Transaction costs
RLP Global High Yield Bond	0.40%	0.000%
RLP Global Managed	0.40%	0.150%
RLP Japan Core Plus (Baillie Giff Japan Inc Grwth)	0.97%	0.096%
RLP Japan Specialist (Baillie Gifford Japanese)	0.97%	0.760%
RLP Japan Tilt	0.40%	0.028%
RLP Long (15yr) Corporate Bond	0.40%	0.000%
RLP Long (15yr) Gilt	0.40%	0.000%
RLP Long (15yr) Index Linked	0.40%	0.000%
RLP Managed	0.40%	0.060%
RLP Medium (10yr) Corporate Bond	0.40%	0.000%
RLP Medium (10yr) Gilt	0.40%	0.000%
RLP Short (5yr) Corporate Bond	0.40%	0.000%
RLP Short (5yr) Gilt	0.40%	0.000%
RLP Short (5yr) Index Linked	0.40%	0.000%
RLP Short Duration Global High Yield	0.40%	0.000%
RLP Short Term Fixed Income	0.40%	0.000%
RLP Sterling Extra Yield Bond	0.40%	0.000%
RLP UK Income Core Plus (Artemis Income)	1.10%	0.235%
RLP UK Mid Cap	0.40%	0.060%
RLP UK Mid Cap Spec (FTF Martin Currie UK Midcap)	1.10%	0.260%
RLP UK Small Cap Spec (Ninety One UK Smaller Co)	1.10%	0.000%
RLP/First Sentier Global Listed Infrastructure	1.10%	0.404%
RLP/FTF Royce US Smaller Companies	1.10%	0.000%
RLP/Invesco Monthly Income Plus	1.07%	0.120%
RLP/M&G Global Dividend	1.25%	0.111%

Source: Royal London

\*Note: The RLP Property fund, together with Emerging EMEA Fund have been made available to members as an additional default arrangement.

# Charges and transaction costs

## continued

### 03.02 Asset allocation disclosure requirements

The new 2023 regulations require trustees of relevant occupational pension schemes with a scheme year end of 1 October 2023 onwards to disclose and explain the percentage of assets allocated in the default arrangement(s) to specified asset classes.

The regulator believes that publication of asset allocation data will be an important step towards transparency, standardisation and comparability across the pensions market and that it is important that members have access to all relevant information surrounding the investments being made using their savings and the outcomes these investments could have on their future retirement.

### 03.01 Asset allocation

XPS has received a report on how the Scheme's default investment strategy is invested in light of these new regulations and have provided a breakdown of the default strategy's asset allocation at ages 25, 45 and 55 and one day before State Pension Age (SPA).

	Percentage allocation: Age 25 (%)	Percentage allocation: Age 45 (%)	Percentage allocation: Age 55 (%)	Percentage allocation: Day before SPA (%)
<b>Moderately Adventurous Tracker Lifestyle</b>				
Cash	-	-	5.00%	10.00%
Bonds	2.50%	2.50%	22.50%	35.00%
Listed equities	80.00%	80.00%	57.50%	40.00%
<b>Private equity</b>				
Venture capital	-	-	-	-
Growth equity	-	-	-	-
Buyout funds	-	-	-	-
Property	12.50%	12.50%	10.00%	10.00%
Infrastructure	-	-	-	-
Private debt	-	-	-	-
Other	5.00%	5.00%	5.00%	5.00%

Source: Royal London

## Charges and transaction costs continued

	Percentage allocation: Age 25 (%)	Percentage allocation: Age 45 (%)	Percentage allocation: Age 55 (%)	Percentage allocation: Day before SPA (%)
RLP Property	-	-	-	-
Cash	19.93%	19.93%	19.93%	19.93%
Bonds	-	-	-	-
Listed equities	-	-	-	-
Private equity				
Venture capital	-	-	-	-
Growth equity	-	-	-	-
Buyout funds	-	-	-	-
Property	80.07%	80.07%	80.07%	80.07%
Infrastructure	-	-	-	-
Private debt	-	-	-	-
Other	-	-	-	-

Source: Royal London

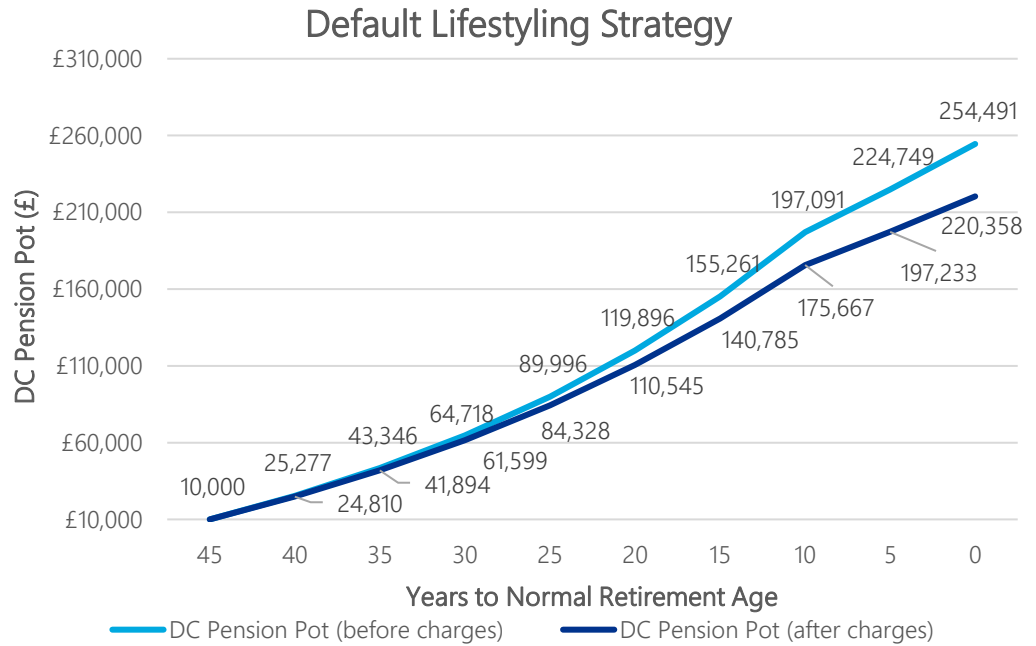
**RLP Emerging EMEA:** Royal London did not provide this information for the RLP Emerging EMEA when requested, and XPS on behalf of the Trustees continue to request this information and the Trustees will make this available in future statements on receipt.



## Charges and transaction costs continued

### 03.02 An illustration of the charges levied on members

Below you can find an illustration of the effect of the OCF and transaction costs met by members on an example pension pot in the default investment option over time.



This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. The Trustees had regard to the statutory guidance in preparing these examples. This illustration is based on:

- > The Scheme's Main Default arrangement
- > Member is 45 years from retirement
- > An initial pension pot of £10,000 – which was the average pot size in the period
- > Contributions of 12.5% throughout the period, on earnings of £20,000 pa at the start
- > No salary increases (above inflation) throughout the period.
- > Net (after charges, before inflation) returns estimated as 6.00% p.a. for the Governed Portfolio 7 (in which all monies are invested 15+ years from Normal Retirement Date) and is moved by a differing percentage each year into the Governed Portfolio 5 (4.00% p.a.), Governed Portfolio 6 (4.00% p.a.) and Governed Retirement Income Portfolio (4.00% p.a.).
- > Inflation of 2.5% p.a.
- > Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

# Charges and Transaction Costs

## continued

### 03.03 What are the assumptions based on?

---

In preparing these illustrations, the Trustees have had regard to:

- > The Department for Work and Pensions' 'Reporting of costs, charges, and other information: Guidance for trustees and managers of relevant occupational schemes'
- > Actuarial Standards Technical Memorandum 1 issued by the Financial Reporting Council and;
- > The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20; and

The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix.

# 04 Core financial transactions

## 04.01 Assessing Core Transactions

During the year, the Trustees ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately by:

- > The Trustees receive governance reports from Royal London, however the content of these reports are high level and therefore limits the potential for reviewing core financial transactions. Royal London do not provide administration reports to the Trustees and therefore transactional performance standards cannot be reviewed. Whilst unable to review the performance of the administrators, the Trustees do keep a record of any complaints that are logged by members.
- > Royal London provided a copy of the AAF 01/06 assurance report ('Assurance reports on internal controls of service organisations made available for thirds parties') to the Trustees.
- > Considering the ongoing suitability of the complaint procedure, to ascertain whether there may be any weaknesses in their processes and controls. All complaints are addressed by Royal London and, depending on the nature of the complaint, a response may be provided to the member by the Trustees.

Examples of the core financial transactions – as well as how Royal London carry these out – are as follows:

- > **The investment of contributions** – Royal London monitor the payment of contributions to the Scheme by the employer. Any late payment outside the required timescales is reported directly to the Trustees and appropriate action is taken. The settlement of all DC funds is actioned promptly and the Trustees monitor the service standards of Royal London. The investment of contributions – including amount and timescales – are detailed in each Governance report.

During the period all contributions were paid on time.

- > **Monitoring of bank accounts** – There is a dedicated contribution processing team, checking investment and banking transactions.
- > **Payments to members** – All payments out of the Scheme in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Scheme rules and legislation and also complies with HMRC rules and guidance.

# Core financial transactions

## continued

### 04.02 Administration

---

The Trustees recognise that good administration often correlates with positive member outcomes. The Trustees will regularly review the following:

- > Membership compliments and complaints during the period of review. If a complaint is received, then the Trustees are provided with the background to the case and what has been done to resolve the issue with the member. The Trustees will also take this opportunity to discuss whether a member complaint is the result of an underlying issue regarding the Scheme's design.
- > Whether there have been any data breaches that would be reportable to the Information Commissioner Office ("ICO") under the General Data Protection Regulation ("GDPR").
- > Any cases that require the Trustees' discretion. Such examples would include the payment of discretionary benefits to a partner or dependant on the death of a member, or where a formal complaint has been made under the Scheme's dispute resolution process.
- > Any forthcoming legislation or guidance that will have an impact on the administration of the Trust.

The Trustees have concluded, that based on the information they have, core transactions were processed promptly and accurately in the period. However, it is clear that Royal London provides limited reporting and in order to be able to support this conclusion the Trustees are planning to engage further with Royal London to determine if they can provide further reporting and clarity on this in future.

# 05 Value for Members

## 05.01 Assessment of Value

---

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which the investment options and benefits offered by the Scheme (including administration and governance) represent good value for members. As the Scheme had total assets of under £100m at the date of its last set of audited accounts, it is deemed as a 'specified scheme' under the appropriate regulations. Therefore, the Trustees must also compare the net returns, costs and charges against three comparator arrangements. The Trustees can confirm that they have done so.

The Trustees take professional advice on this and having considered the advice provided by XPS Pensions, have concluded that the Scheme does overall, offer good value for members. In summary, the Trustees concluded that:

- > The net returns achieved by the Main Default Arrangement are good value versus the comparator schemes within the assessment over a longer term (3-year) period. The Trustees note that returns for the one-year period are behind the comparators and will ensure they maintain close oversight of this. The Trustees consider the longer term (3-year) period as the most relevant to consider value and therefore are comfortable that good value is being provided. The Trustees wish to note that they requested both five year and longer-term figures from Royal London for comparison, but these were not provided. The Trustees continue to seek these from Royal London, and will consider these when available and provide them to members in future statements.
- > The net returns for both the RLP Property fund and Emerging EMEA funds have not performed well against the three comparator defaults, however this is primarily due to the make-up of these funds not being comparable versus the lifestyle strategies of the comparator schemes.
- > The costs and charges for the default arrangements are good value versus the comparators and we believe them to be reasonable.
- > The Trustees have concluded, that based on the information they have, core transactions were processed promptly and accurately in the period. However, it is clear that Royal London provides limited reporting and in order to be able to support this conclusion the Trustees are planning to engage further with Royal London to determine if they can provide further reporting and clarity on this in future.
- > The Trustees keep suitable records and have processes in place to maintain the current level of record keeping of scheme information.
- > The Main Default Arrangement is targeting drawdown at retirement. The Trustees note that this is aligned with market take up on how members typically access their benefits in retirement.
- > DC investments are monitored on an annual basis and the Trustees meet with the investment consultants regularly.
- > The Trustees have a clear policy and structure of review for managing conflicts.

# 06 Trustees Knowledge and understanding

## 06.01 Knowledge and understanding of the Trustees

---

The Trustees are required to have appropriate levels of knowledge and understanding. This includes a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles and documents setting out the Trustee's current policies. Further, they must have sufficient knowledge and understanding of the law relating to pensions and trusts; and the principles relating to the funding and investment of Occupational Pension Schemes.

The Trustees are satisfied that they have complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004, for the following reasons:

- > The Trustees have access to, and knowledge of, the Scheme's documentation (e.g. Deed and Rules, Statement of Investment Principles and Implementation Statement). These documents are available to the Trustees via their advisors and the Chair of the Trustees.
- > Individual Trustees are to maintain their own CPD logs, however there is no formal training log in place.
- > The Trustees receive updates from its advisors on pensions law developments and any other areas of particular importance, including appropriate training.
- > There is no formal training plan in place, however some of the Trustees received training on DC Governance and Master Trusts during the period. The Trustee board also completed a knowledge evaluation in which individuals were encouraged to address any areas where knowledge could be improved.

New Trustees undertake a process of introduction including training on the key knowledge and understanding topics. They are encouraged to complete the relevant sections of The Pensions Regulator's 'Toolkit'. Further, they are provided with the documents needed to ensure they have a working knowledge of the Scheme (e.g. the Trust Deed and Rules).

The Trustees have also appointed professional advisers who provide advice and support. The Trustees therefore believe that they meet the requirements to be able to exercise its functions as the Trustees of the Scheme.

# 07 Conclusion

## 07.01 Conclusion

---

In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair's Statement requirements, in the belief that the Scheme was operated and governed appropriately during the reporting period, and the scheme provides good value to members.

---

**Signature**

**Date**

*David Wood*

17/6/2024

---

**Name**

**Qualification**

Roger David Wood

Chair of the Trustees

---

# Appendix A

## Projections

Assumes: i) that the member is currently 45 years from Normal Retirement Date; ii) Inflation is assumed at 2.5% p.a.; iii) projected pension pot values are shown in today's terms; iv) contributions at 12.5% p.a. based on salary of £20,000 p.a. at the start of the projection, with no escalation of salaries above inflation in the period; and v) £10,000 starting pot at commencement.

	Default Strategy		RLP Short (5yr) Gilt (Lowest charging fund)		RLP Japan Specialist (Baillie Gifford Japanese) (Highest charging fund)	
Inv Rtn	GP 7 (6.00%), GP 5 (4.00%), GP 6 (4.00%), GRIP 4 (4.00%)		2.00%		6.00%	
Charges	GP 7 (0.53%), GP 5 (0.48%), GP 6 (0.47%), GRIP 4 (0.46%)		0.00%	0.40%	0.00%	1.73%
Years to Normal Retirement Age	DC Pension Pot	DC Pension Pot	DC Pension Pot	DC Pension Pot	DC Pension Pot	DC Pension Pot
	before charges	after charges	before charges	after charges	before charges	after charges
45	10,000	10,000	10,000	10,000	10,000	10,000
40	25,277	24,810	21,956	21,647	25,277	23,787
35	43,346	41,894	33,623	32,792	43,346	38,806
30	64,718	61,599	45,009	43,456	64,718	55,167
25	89,996	84,328	56,119	53,660	89,996	72,991
20	119,896	110,545	66,961	63,424	119,896	92,408
15	155,261	140,785	77,541	72,767	155,261	113,560
10	197,091	175,667	87,866	81,707	197,091	136,603
5	224,749	197,233	97,941	90,261	246,567	161,705
0	254,491	220,358	107,773	98,446	305,087	189,050



**Contact us**  
**xpsgroup.com**

**Registration**

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

Penfida Limited, Registered No. 08020393

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

**Authorisation**

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).