

EEF Staff Pension Fund

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Pension Scheme Registration Number: 10092555

EEF Staff Pension Fund

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Trustee's annual report and financial statements for the year ended 31 March 2024

Trustee, Participating Employers, and advisers

Trustee	Ross Trustees Services Limited (trading as Independent Governance Group) represented by K Hardingham (until May 2023), A Osborne, D Brickman (from May 2023)
	Directors
	S J Andrews
	D Best
	P Bhardwaj
	A Bradshaw
	R Cousins
	K Hardingham
	C M Kember
	A Livingstone
	R Mattingly
	N Moore
	J Myerson
	A Osborne
	M Sohal
	G Suckling
Participating Employers	EEF Limited (trading as Make UK) EEF Northern Ireland Scottish Engineering Midland Group Training Services (MGTS)
Scheme Actuary	Jill Ampleford FIA, Lane Clark & Peacock LLP
Pension administrators	Lane Clark & Peacock LLP
Independent auditor	Cooper Parry Group Limited
Investment managers	Alcentra Limited Legal & General Assurance (Pensions Management) Limited (until February 2024) Partners Group Management Insight Investment Management (Global) Limited (appointed February 2024)

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Trustee, Participating Employers, and advisers continued

Investment consultants	Lane Clark & Peacock LLP (appointed July 2023) ISIO Group Limited (until July 2023)
Legal adviser	ARC Pensions Law
Banker	HSBC UK Bank Plc
Enquiries	EEF Staff Pension Fund Lane Clark & Peacock LLP St Paul's House St Paul's Hill Winchester SO22 5AB EEFAdmin@lcp.uk.com

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Trustee's annual report and financial statements for the year ended 31 March 2024

Trustee's report

The Trustee of the EEF Staff Pension Fund (the "Fund") presents its report together with the financial statements for the year ended 31 March 2024.

Constitution of the Fund

The Fund is comprised of a defined benefit (DB) section and until 1 April 2019 a defined contribution (DC) section. The DB section closed to new members in 2006 and ceased to have any active members accruing benefits with effect from 31 August 2010.

The Fund has four participating employers, details of which are included on page 3.

Management of the Fund

The Fund is managed by a sole corporate Trustee, Ross Trustees Services Limited represented by K Hardingham (until May 2023), A Osborne and D Brickman (from May 2023).

Independent Governance Group is the trading name of Ross Trustees Services Limited, Independent Trustee Services Limited, Independent Trustee Limited, Clarity Trustees Limited, Clark Benefit Consulting Limited, Leadenhall Independent Trustees Limited all registered in England and Wales.

There were two Trustee meetings during the year.

Financial statements and financial development of the Fund

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

The fund account and statement of net assets (available for benefits) on pages 22 and 23 show that the value of the Fund's assets decreased by £9,125,000 to £133,522,000 during the year. The decrease was comprised of net withdrawals from dealings with members of £6,249,000 together with net losses on investments of £2,876,000.

Further details of the financial developments of the Fund may be found in the audited financial statements on pages 22 to 40.

EEF Staff Pension Fund

Trustee's report continued

Pension increases

Pension increases awarded during the year with effect from 1 April 2023 are detailed in the table below:

Description	Increase %
Guaranteed minimum pension (GMP) accrued before 6 April 1988 in payment after GMP Age.	Nil
Excess - 3.5% fixed increase (Ex-BISPA members only)	3.50
Excess - Limited Price Index (LPI) 5% - the increase in the Retail Prices Index (RPI) subject to a maximum of 5% and a minimum of 3.5% (Ex-BISPA members only)	5.00
Excess - 3% fixed increase	3.00
Excess - LPI 5% - the increase in the RPI subject to a maximum of 5% and a minimum of 3%	5.00
Excess - LPI 5% - the increase in the RPI subject to a maximum of 5%	5.00
Excess - LPI 2.5% - the increase in the RPI subject to a maximum of 2.5%	2.50
GMP accrued after 5 April 1988 in payment after SPA (the increase in the September 2021 to September 2022 CPI subject to a maximum of 3%)	3.00
GMP in payment before GMP Age for members who left before 6 April 1988	8.50
GMP in payment before GMP Age for members who left between 5 April 1988 and 6 April 1993	7.50
GMP in payment before GMP Age for members who left between 5 April 1993 and 6 April 1997	7.00
GMP in payment before GMP Age for members who left between 5 April 1997 and 6 April 2002	6.25
GMP in payment before GMP Age for members who left between 5 April 2002 and 6 April 2007	4.50
GMP in payment before GMP Age for members who left after 5 April 2007	4.00
Excess - CPI 2.5% - the increase in the CPI subject to a maximum of 2.5% (applies to post 6 April 2005 benefits for post 1 April 2004 joiners)	2.50
Excess - CPI 5% - the increase in the CPI subject to a maximum of 5% (applies to pre 6 April 2005 benefits for post 1 April 2004 joiners)	5.00

There were no discretionary increases awarded during the year.

EEF Staff Pension Fund

Trustee's report continued

Report on actuarial liabilities

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

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

The actuarial valuation undertaken as at 31 March 2023 (signed 14 December 2023) showed the Fund to have insufficient assets to meet all of its liabilities. The past service position on the technical provisions basis showed a total funding target of £161m with assets valued at £143m leaving a shortfall of £19m. This represents a funding level of 88%. Following consideration of the valuation results, the Trustee and Employers agreed the level of contributions to be paid by the Employers into the Fund. The next actuarial valuation due as at 31 March 2026 and is to be completed no later than 30 June 2027.

Assumptions

The valuation adopted the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made. The technical provisions were calculated on the following key assumptions:

- The return from gilts over each future year is taken from the LCP gilt yield curve as at the valuation date for fixed interest gilts.
- Price inflation as measured by the Retail Prices Index ("RPI") over each future year from the LCP breakeven RPI curve.
- Price inflation as measured by the Consumer Prices Index ("CPI") over each future year is calculated as the corresponding assumption for RPI less 1.0% pa until 2030, and then reducing to a gap of 0.1% pa from 2030 onwards.

EEF Staff Pension Fund

Trustee's report continued

Report on actuarial liabilities continued

Assumptions continued

Principal actuarial assumptions for the valuation as at 31 March 2023 (single equivalent rates)

Gilt yield	3.8% pa
Discount rate	The discount rate is set as the return on gilts + 1.3% pa until 31 March 2025 where it then reduces linearly to a return of gilts + 0.5% pa by 31 March 2030 and thereafter.
Rate of RPI price inflation	3.6% pa
Rate of CPI inflation	3.2% pa
Rate of pension increases:	
RPI, maximum 5% pa, minimum 3% pa	3.8% pa
RPI, maximum 5% pa, minimum 0% pa	3.5% pa
CPI, maximum 5% pa, minimum 0% pa	3.1% pa
CPI, maximum 3% pa, minimum 0% pa	2.5% pa
CPI, maximum 2.5% pa, minimum 0% pa	2.2% pa
Fixed pension increases at 3% pa	3.0% pa
Post-retirement mortality	
Base mortality table	90% of S3NA tables
Allowance for future improvements	In line with the CMI 2022 projections from 2013 with a long-term annual rate of improvement of 1.5% pa, a smoothing parameter of 7, an initial addition parameter of 0.25% and allowance for 2020/2021/2022 date of 0%/0%/25% respectively.

Transfers

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and in accordance with the regulations under the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008, Pensions Act 2004.

No discretionary benefits were included in the calculation of the transfer values.

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Trustee's report continued

Guaranteed Minimum Pensions

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. Subsequently, on 20 November 2020 the High Court ruled that historical individual transfers from the Fund would also be due a top-up payment where the original transfer payment fell short of what it would have been had the inequalities in Fund benefits from GMP been removed.

The Trustee is working with the Employer and their respective advisers to assess the adjustments to benefits (if any) required. At this stage the Trustee and Employer have not agreed the equalisation methodology to be used and therefore the Trustee is not in a position to obtain a reliable estimate of any backdated benefits and related interest that might be payable. Therefore, the cost of any such payments has not been recognised in these financial statements. They will be recognised once the Trustee is able to reach reliable estimate, if material.

Membership

The membership of the Fund at the beginning and end of the year and changes during the year are set out below.

Deferred members		2024
Deferred members at the start of the year		355
Retirements		(20)
Deferred members at the end of the year		335
<hr/>		
Pensioners		2024
Pensioners at the start of the year		600
Late notification		1
New dependants		8
New pensioners		20
Commutations		(2)
Deaths		(20)
Pensioners at the end of the year		607

Included within pensioners are 103 dependants (2023: 99) in receipt of a pension following the death of a member.

EEF Staff Pension Fund

Trustee's report continued

Regulatory bodies

The Pensions Ombudsman is appointed by the Secretary of State for the Department for Work and Pensions to investigate and determine any complaint or dispute of fact of law in relation to occupational pension schemes.

The Pensions Ombudsman can be contacted at:

Email: enquiries@pensions-ombudsman.org.uk

Tel: 0800 917 4487

www.pensions-ombudsman.org.uk

The Pensions Regulator is responsible for occupational pension schemes and enforcing the law that relates to them. It has wide ranging powers which include the ability to:

- suspend, disqualify and remove trustees for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for information to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary; and
- take action to prevent schemes being left in deficit with nobody to meet the liability.

The Trustee, its advisers, the Employers and anyone connected with the administration of the Fund have a statutory duty to report in writing to The Pensions Regulator if there are any breaches of legislation which are deemed to be materially significant to The Pensions Regulator.

The Trustee also has certain responsibilities in respect of contributions which are set out in the Statement of Trustee's responsibilities.

The Pensions Regulator can be contacted at:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton
BN1 6AF

Tel: 0345 600 0707

www.thepensionsregulator.gov.uk

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Trustee's report continued

Regulatory bodies continued

The Pension Tracing Service is designed to help former members of pension schemes trace their benefits if they have lost contact with the pension scheme in question. The Pension Tracing Service can be contacted at:

Tel: 0800 731 0193

www.gov.uk/find-pension-contact-details

The Money & Pensions Service (MaPS) is available at any time to assist members and beneficiaries with pensions questions and issues they have been unable to resolve with the Trustee of the Fund. MaPS has launched MoneyHelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get help with money and pension choices. MoneyHelper is impartial, backed by the government and free to use.

The Money and Pensions Service

Bedford Borough Hall

138 Cauldwell Street

Bedford

MK42 9AP

Tel: 0800 011 3797

<https://www.moneyhelper.org.uk/en>

Further information

Any enquiries about the Fund or a member's own pension position should be addressed to:

EEF Staff Pension Fund

Lane Clark & Peacock LLP

St Paul's House

St Paul's Hill

Winchester

SO22 5AB

Email: EEFAdmin@lcp.uk.com

Internal Dispute Resolution Procedure

The Pensions Act 1995 requires all schemes to have a written Internal Dispute Resolution Procedure (IDRP). This has been produced, and copies made available to all participating employers. This procedure has been updated in line with the requirements of the Pensions Act 2004. Any member who wishes to receive a copy may do so by writing to the Trustee at the address above. The Trustee has not had to consider any disputes under this procedure during the Fund year covered by these financial statements.

EEF Staff Pension Fund

Trustee's report continued

Investment management

The investments of the Fund are managed on behalf of the Trustee by the Fund's investment managers:

- Alcentra Limited ("Alcentra")
- Legal & General Assurance (Pensions Management) Limited ("Legal & General") (until February 2024)
- Partners Group Management ("Partners Group")
- Insight Investment Management (Global) Limited ("Insight") (appointed February 2024)

The Trustee has appointed Lane Clark & Peacock LLP to advise on the Fund's investments with effect from July 2023.

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been produced by the Trustee following consultation with the Employer. The main purpose of the SIP is to set out details of the investment strategy that is to be followed, the Trustee's investment objectives and its attitude to risk.

The SIP was last reviewed and updated in March 2023, although was under review following year end due to recent investment strategy changes detailed on page 13. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Employers are consulted during the review. A copy of the latest SIP is available online at the following address:

<https://eefstaffpensionfundqa.lcptest.co.uk/information>

Custodial arrangements

The underlying assets are held by a number of custodians who have agreements with the investment manager of the assets. There is no direct relationship between the investment managers' custodians and the Trustee.

Manager	Custodian
Alcentra	n/a
Legal & General (until February 2024)	HSBC Bank PLC & Citibank N.A
Insight (appointed February 2024)	Northern Trust International Fund Administration Services (Ireland) Ltd
Partners Group	Alter Domus Depository Services S.à.r.l.

EEF Staff Pension Fund

Trustee's report continued

Custodial arrangements continued

The custodians are responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodians' nominee companies, in line with common practice for pension scheme investments.

Implementation statement

The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 requires the Trustee to include an annual statement confirming the extent to which the Trustee has followed its SIP, including details of any reviews or subsequent changes to the SIP during the Fund year.

The Implementation Statement relating to the Fund has been appended to the end of these Financial Statements as Appendix B. The Statement forms part of this Trustee's report.

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Employers. Within the context of these risk and return objectives, the Trustee, taking advice from the Fund's investment consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

The Trustee reviewed the Fund's investment strategy, in consultation with the Employers, in 2023. The move to the new agreed strategic asset allocation took place in February 2024. The Trustee is currently updating the SIP to reflect the new investment strategy.

The table below sets out the agreed strategic asset allocation at the end of the Fund year:

Asset class	Strategic allocation (%)
Private credit	25
Short duration credit	15
Asset backed securities	20
Liability driven investment	40
Total	100

EEF Staff Pension Fund

Trustee's report continued

Investment performance

The performance of the investment managers is reviewed periodically at the Trustee's meetings. The following table shows the performance of the Fund over the one and three year periods to 31 March 2024, based on the performance of the investment managers after the deduction of fees.

	1 Year %	3 Years % pa	5 Years % pa
Fund	-2.7	-9.8	n/a
Benchmark*	-2.5	-11.2	n/a

The Fund invests in assets that aim to partly match the movement in the Fund's liabilities. Over recent periods, gilt yields have increased significantly which has led to negative returns from the Fund's liability matching assets. However, the rise in gilt yields also caused the Fund's liabilities to fall in value, thus resulting in a broadly stable overall funding position.

Trustee's policies in relation to voting rights

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and environmental, social and governance ("ESG") considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council.

The Trustee has identified climate change as the priority it will focus engagements on with investment managers moving forward.

EEF Staff Pension Fund

Trustee's report continued

Trustee's policies on ESG factors

The Trustee considers how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Fund and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee has limited influence over investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Trustee's policy on the implementation of asset manager arrangements

The Trustee has limited influence over managers' investment practices because all the Fund's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

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Trustee's report continued

Trustee's policy on the implementation of asset manager arrangements continued

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Fund meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

Employer-related investment

As at 31 March 2024 there were no assets invested in Employer-related investments in the Fund, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Funds (Investment) Regulations 2005. (2023: £Nil).

Statement of Trustee's responsibilities

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

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

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Trustee's annual report and financial statements for the year ended 31 March 2024

Trustee's report continued

Statement of Trustee's responsibilities continued

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

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

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

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the Employer and the active members of the Fund and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the Schedules of Contributions. Where breaches of the Schedules occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the Members.

Signed for and on behalf of the Trustee:

/s/ David Brickman

Ross Trustees Services Limited

Date: 18 September 2024

EEF Staff Pension Fund

Independent Auditor's report to the Trustee of the EEF Staff Pension Fund

We have audited the financial statements of the EEF Staff Pension Fund for the year ended 31 March 2024 which comprise the Fund Account, the Statement of Net Assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Fund during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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Independent Auditor's report to the Trustee of the EEF Staff Pension Fund continued

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's responsibilities set out on pages 16 and 17, the Fund's Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

EEF Staff Pension Fund

Independent Auditor's report to the Trustee of the EEF Staff Pension Fund continued

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the Fund has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Pensions Act 1995 and United Kingdom Generally Accepted Accounting Practice.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Fund and how the Fund is complying with that framework, including agreement of financial statement disclosures to underlying documentation and other evidence;
- obtaining an understanding of the Fund's control environment and how the Fund has applied relevant control procedures, through discussions and sample testing of controls;
- obtaining an understanding of the Fund's risk assessment process, including the risk of fraud;
- reviewing Trustee meeting minutes throughout the year; and
- performing audit testing to address the risk of management override of controls, including testing the appropriateness of journal entries and other adjustments made.

Whilst considering how our audit work addressed the detection of irregularities, we also considered the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

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Trustee's annual report and financial statements for the year ended 31 March 2024

Independent Auditor's report to the Trustee of the EEF Staff Pension Fund continued

Auditor's responsibilities for the audit of the financial statements continued

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 Fund's Trustee, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it 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 Fund and the Fund's Trustee, for our audit work, for this report, or for the opinions we have formed.

/s/ Cooper Parry Group Ltd

Cooper Parry Group Limited

Statutory Auditor

Sky View

Argosy Road

East Midlands Airport

Castle Donington

Derby

DE74 2SA

Date: 19 September 2024

EEF Staff Pension Fund

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Fund account

	Note	Total 2024 £'000	Total 2023 £'000
Employer contributions		<u>2,830</u>	<u>2,735</u>
Total contributions	4	2,830	2,735
Other income	5	<u>1</u>	<u>1</u>
		<u>2,831</u>	<u>2,736</u>
Benefits paid or payable	6	(8,258)	(7,815)
Payments to and on account of leavers	7	-	(774)
Administrative expenses	8	<u>(822)</u>	<u>(836)</u>
		<u>(9,080)</u>	<u>(9,425)</u>
Net withdrawals from dealings with members		(6,249)	(6,689)
Returns on investments			
Investment income	9	1,221	4,005
Change in market value of investments	10	(3,968)	(57,753)
Investment management expenses	12	<u>(129)</u>	<u>(1,046)</u>
Net return on investments		<u>(2,876)</u>	<u>(54,794)</u>
Net decrease in the fund during the year		(9,125)	(61,483)
Net assets of the Fund			
At 1 April		<u>142,647</u>	<u>204,130</u>
At 31 March		<u><u>133,522</u></u>	<u><u>142,647</u></u>

The notes on pages 24 to 40 form part of these financial statements.

EEF Staff Pension Fund

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Statement of net assets (available for benefits)

	Note	Total 2024 £'000	Total 2023 £'000
Investment assets			
Pooled investment vehicles	10/14	128,348	109,888
Other investment balances	10/15	<u>498</u>	<u>30,622</u>
		<u>128,846</u>	<u>140,510</u>
Current assets	19	4,966	2,540
Current liabilities	20	<u>(290)</u>	<u>(403)</u>
Net assets of the Fund at 31 March		<u><u>133,522</u></u>	<u><u>142,647</u></u>

The notes on pages 24 to 40 form part of these financial statements.

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 7 and 8 of the Trustee's report and these financial statements should be read in conjunction with this report.

These financial statements were approved for and on behalf of the Trustee by:

/s/ David Brickman

Ross Trustees Services Limited

Date: 18 September 2024

EEF Staff Pension Fund

Notes to the financial statements

1. Basis of preparation

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements have been prepared on the going concern basis which the Trustee believes to be appropriate based on their expectations for a 12 month period from the date of approval of these financial statements which indicate that sufficient funds should be available to enable the Fund to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

2. Identification of the financial statements

The Fund is established as a trust under English law. The address for enquiries to the Fund is included in the Trustee's Report on page 11.

3. Accounting policies

The principal accounting policies of the Fund have been consistently applied and are as follows:

3.1. Currency

- The Fund's functional currency and presentational currency is pounds sterling (GBP). Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

3.2. Contributions

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedules of Contributions and Recovery Plan under which they are being paid.

3.3. Other income

- Other income is accounted for on an accruals basis.

EEF Staff Pension Fund

Notes to the financial statements continued

3. Accounting policies continued

3.4. Transfer values

- Individual transfers out of the Fund are accounted for on a cash basis which is when the member's liability is discharged.

3.5. Benefits paid or payable

- Pensions in payment are accounted for in the period to which they relate.
- Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is communicated.
- Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate.

3.6. Administrative expenses

- Administrative expenses are accounted for on an accruals basis.

3.7. Investment income and change in market value

- Income from pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend, or in the case of unquoted instruments, when the dividend is declared.
- Investment income arising from the underlying investments of the pooled investment vehicles which do not distribute income is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in market value'.
- Other interest on cash and short-term deposits and income from other investments are accounted for on an accruals basis.
- 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.

3.8. Investment management expenses and transaction costs

- Investment management expenses and rebates are accounted for on an accruals basis and shown net within investment returns.
- Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees.

EEF Staff Pension Fund

Notes to the financial statements continued

3. Accounting policies continued

3.9. Investment assets/liabilities

- Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing price, single dealing price or most recent transaction price is used.
- Pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

4. Contributions

	2024 £'000	2023 £'000
Employer contributions:		
Deficit funding	<u>2,830</u>	<u>2,735</u>

EEF Staff Pension Fund

Notes to the financial statements continued

4. Contributions continued

The Employers will pay the contributions detailed below in respect of deficit funding contributions in accordance with the Schedule of Contributions.

Employer	EEF Limited	MGTS	Scottish Engineering	EEF Northern Ireland
Share of deficit at 31 March 2023	88.1%	6.7%	2.5%	2.7%
1 April 2023 to 31 March 2024	£2,392,920 (£199,410 per month)	£192,220 (paid annually each 1 April)	£151,848 (£12,654 per month)	£97,380 (£8,115 per month)
Year from 1 April 2024	£2,000,000 (£166,667 per month)	£170,000 (paid annually each 1 April)	£56,000 (£4,667 per month)	£70,000 (£5,833 per month)
Year from 1 April 2025	£2,100,000 (£175,000 per month)	£173,400 (paid annually each 1 April)	£57,120 (£4,760 per month)	£71,400 (£5,950 per month)
Year from 1 April 2026	£2,205,000 (£183,750 per month)	£176,868 (paid annually each 1 April)	£58,262 (£4,855 per month)	£72,828 (£6,069 per month)
Year from 1 April 2027	£2,315,250 (£192,938 per month)	£180,405 (paid annually each 1 April)	£59,428 (£4,952 per month)	£74,285 (£6,190 per month)
Year from 1 April 2028	£2,431,013 (£202,584 per month)	£184,013 (paid annually each 1 April)	£60,616 (£5,051 per month)	£75,770 (£6,314 per month)
Year from 1 April 2029	£2,552,563 (£212,714 per month)	£187,694 (paid annually each 1 April)	£61,829 (£5,152 per month)	£77,286 (£6,440 per month)

EEF Staff Pension Fund

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Notes to the financial statements continued

4. Contributions continued

Employer	EEF Limited	MGTS	Scottish Engineering	EEF Northern Ireland
Year from 1 April 2030	£2,680,191 (£223,349 per month)	£191,448 (paid annually each 1 April)	£47,299 (£5,255 per month until 31 December 2030)	£59,124 (£6,569 per month until 31 December 2030)
Year from 1 April 2031	£1,407,100 (£234,517 per month until 30 September 2031)	Nil	Nil	Nil

For EEF Limited, Scottish Engineering and EEF Northern Ireland contributions will be payable monthly. The amounts from 1 April 2024 will be increased each subsequent 1 April by 5% pa for EEF Limited and by 2% pa for Scottish Engineering and EEF Northern Ireland. For MGTS contributions will be payable annually each April. The amount from 1 April 2024 will be increased each subsequent 1 April by 2% pa.

5. Other income

	2024 £'000	2023 £'000
Other income	<u>1</u>	<u>1</u>

6. Benefits paid or payable

	2024 £'000	2023 £'000
Pensions	7,561	7,337
Commutation of pensions and lump sum retirement benefits	<u>697</u>	<u>478</u>
	<u>8,258</u>	<u>7,815</u>

EEF Staff Pension Fund

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Notes to the financial statements continued

7. Payments to and on account of leavers

	2024 £'000	2023 £'000
Individual transfers out to other schemes	<u>-</u>	<u>774</u>

8. Administrative expenses

	2024 £'000	2023 £'000
Administration, processing and consultancy	525	563
Audit fee	15	11
Legal and other professional fees	73	67
PPF Levy	25	14
Trustee fees and expenses	183	180
Bank and sundry charges	<u>1</u>	<u>1</u>
	<u>822</u>	<u>836</u>

9. Investment income

	2024 £'000	2023 £'000
Gain / (loss) on foreign exchange	(1,200)	(841)
Income from pooled investment vehicles	2,288	4,780
Interest on cash deposits	<u>133</u>	<u>66</u>
	<u>1,221</u>	<u>4,005</u>

EEF Staff Pension Fund

Notes to the financial statements continued

10. Reconciliation of investments

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

	Value at 31 March 2023 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2024 £'000
Pooled investment vehicles					
Alcentra	15,966	-	(1,618)	(185)	14,163
Legal & General	78,356	181,086	(250,538)	(8,904)	-
Insight	-	112,490	(15,200)	4,308	101,598
Partners LLP	15,566	-	(3,792)	813	12,587
	<u>109,888</u>	<u>293,576</u>	<u>(271,148)</u>	<u>(3,968)</u>	<u>128,348</u>
Other investment balances	<u>30,622</u>				<u>498</u>
	<u>140,510</u>				<u>128,846</u>

11. Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Fund such as fees, commissions and stamp duty. There were no direct transaction costs during the year.

Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect cost is not separately provided to the Fund.

12. Investment management expenses

	2024 £'000	2023 £'000
Administration, management and custody	159	856
Advisory fees	(15)	207
Rebates	(15)	(17)
	<u>129</u>	<u>1,046</u>

Following the appointment of LCP as Investment consultants in July 2023, advisory fees are included within consultancy fees disclosed in note 8.

EEF Staff Pension Fund

Page 31 of 47 **Trustee's annual report and financial statements for the year ended 31 March 2024**

Notes to the financial statements continued

13. Taxation

The Fund 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.

14. Pooled investment vehicles

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

	2024 £'000	2023 £'000
Asset backed securities funds	25,991	10,012
Private credit funds	26,750	31,533
Short duration credit funds	19,148	-
Cash funds	9,566	26,565
LDI funds	46,893	41,778
	<u>128,348</u>	<u>109,888</u>

15. Other investments

	2024 £'000	2023 £'000
Cash in transit	-	29,895
Investment income receivable	498	727
	<u>498</u>	<u>30,622</u>

The cash in transit is in respect of the funds from J P Morgan which was fully redeemed on 31 March 2023.

EEF Staff Pension Fund

Notes to the financial statements continued

16. Concentration of investments

The following investments represent more than 5% of the net assets of the Fund:

	2024	%	2023	%
	£'000		£'000	
Insight				
Absolute Return Bonds Fund####	25,991	19	-	-
LDI Short Duration Buy & Maintain Credit Fund####	19,148	14	-	-
LDI LDI Enhanced Selection Longer Real Fund####	14,857	11	-	-
LDI Enhanced Selection Longer Nominal Fund####	14,007	10	-	-
LDI GBP Liquidity Holding Fund####	9,566	7	-	-
LDI Enhanced Selection Shorter Nominal Fund####	9,189	7	-	-
LDI Enhanced Selection Shorter Real Fund####	8,839	7	-	-
Alcentra			-	-
EDL III AIV (Treaty Feeder) SCSp Fund	14,163	11	15,966	11
Partners				
Private Markets Credit Strategies 2018 (GBP) S.C.A., SICAV-RAIF Fund	12,587	9	15,566	11
J P Morgan				
Cash in transit###	-	-	29,895	21
Legal & General				
Sterling Liquidity Fund ###	-	-	26,565	19
Absolute Return Bonds Fund###	-	-	10,012	7

funds not held in current year

funds not held in prior year

EEF Staff Pension Fund

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Trustee's annual report and financial statements for the year ended 31 March 2024

Notes to the financial statements continued

17. Fair value hierarchy

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

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

The investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	101,598	26,750	128,348
Cash and other investment balances	498	-	-	498
	<u>498</u>	<u>101,598</u>	<u>26,750</u>	<u>128,846</u>

31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	78,355	31,533	109,888
Cash and other investment balances	30,622	-	-	30,622
	<u>30,622</u>	<u>78,355</u>	<u>31,533</u>	<u>140,510</u>

EEF Staff Pension Fund

Notes to the financial statements continued

18. Investment risk disclosures

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

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.
- Currency risk: is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- Interest rate risk: this is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined the Fund's investment strategy after obtaining written professional advice from its professional investment adviser. The Fund has exposure to the aforementioned risks because of the investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Fund's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Fund's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the Trustee's approach to risk management is set out below.

Investment Strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Employers. Within the context of these risk and return objectives, the Trustee, taking advice from the Fund's investment consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

The Trustee reviewed the Fund's investment strategy, in consultation with the Employers, in 2023. The move to the new agreed strategic asset allocation took place in February 2024. The Trustee is currently updating the SIP to reflect the new investment strategy.

EEF Staff Pension Fund

Notes to the financial statements continued

18. Investment risk disclosures continued

Investment Strategy continued

The table below sets out the agreed strategic asset allocation at the end of the Fund year:

Asset class	Strategic allocation (%)
Private Credit	25
Short duration credit	15
Asset backed securities	20
Liability Driven Investment	40
	<hr/>
	100

Credit risk

Direct credit risk – pooled funds

The Fund is subject to direct credit risk through its investments in pooled investment vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Fund's investments across a number of pooled funds.

The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds.

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe-keeping, monitoring and reconciliation of documentation relating to these securities.

EEF Staff Pension Fund

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Trustee's annual report and financial statements for the year ended 31 March 2024

Notes to the financial statements continued

18. Investment risk disclosures continued

Credit risk continued

Pooled investment vehicles

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

	2024 £'000	2023 £'000
Unit linked insurance contracts	-	78,356
Open ended investment companies	-	-
Public limited company	14,163	15,966
Shares of limited liability partnerships	12,587	15,566
Umbrella ICAV*	101,598	-
	<u>128,348</u>	<u>109,888</u>

*ICAV - Irish Collective Asset-management Vehicle

Indirect credit risk – bonds

The Fund is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The indirect exposure to credit risk arises from the Fund's investments in the Alcentra Limited Direct Lending Fund, Partners Group Direct Lending Fund, Insight Global ABS Fund, Insight Short Duration Buy and Maintain Credit Fund and Insight LDI Enhanced Selection funds. The amount invested in each of these mandates is shown in the table on page 38.

The managers of the pooled funds that invest in fixed income manage credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

EEF Staff Pension Fund

Notes to the financial statements continued

18. Investment risk disclosures continued

Currency risk

As the Fund's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Fund's assets is to Sterling, the Fund is subject to currency risk because some of the Fund's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure.

All of the Fund's pooled funds are accessed via a Sterling share class.

Interest rate and inflation rate risk

Interest rate risk and inflation risk is a material risk for the Fund given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some of the Fund's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Fund's assets hedges part of the corresponding risks associated with the Fund's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

The only assets the Fund invests in with material exposure to changes in interest rates are the Insight LDI Enhanced Selection funds. The amount invested in each of these mandates is shown in the table on page 38.

Other price risk

The Fund's assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold equities being subject to movements in equity prices.

The Trustee monitors this risk on a regular basis, looking at the performance of the Fund as a whole as well as each individual portfolio. The Trustee believes that the Fund's assets are adequately diversified between different asset classes and within each asset class to manage this risk. The only assets the Fund invests in with material exposure to other price risk is the Insight Global ABS Fund.

EEF Staff Pension Fund

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Notes to the financial statements continued

18. Investment risk disclosures continued

Credit and market risks

The table below summarises the allocations that have significant exposure to these risks:

	Credit risk	Currency risk	Interest rate risk	Other price risk	2024 £'000	2023 £'000
Insight - Global ABS Fund	●	○	○	●	25,991	-
Insight - Short Duration Buy and Maintain Credit Fund	●	○	○	○	19,148	-
Insight - LDI Enhanced Selection Longer Nominal Fund	●	○	●	○	14,007	-
Insight - LDI Enhanced Selection Longer Real Fund	●	○	●	○	14,857	-
Insight - LDI Enhanced Selection Shorter Nominal Fund	●	○	●	○	9,189	-
Insight - LDI Enhanced Selection Shorter Real Fund	●	○	●	○	8,839	-
Insight - Liquidity Fund	○	○	○	○	9,566	-
Alcentra – Direct Lending	●	○	○	○	14,163	15,966
Partners Group – Direct Lending	●	○	○	○	12,587	15,566
Legal and General – Liability-Driven Investment	○	○	●	●	-	41,779
Legal and General – Absolute Return Bond	●	○	○	○	-	10,012
Legal and General – Sterling Liquidity Fund	○	○	○	○	-	26,565

Key: The risk noted affects the fund significantly (●) & negligible exposure (○).

EEF Staff Pension Fund

Notes to the financial statements continued

19. Current assets

	2024 £'000	2023 £'000
Cash balances	4,665	2,205
Contributions due from Employer in respect of:		
Employer	216	214
VAT recoverable	85	121
	<u>4,966</u>	<u>2,540</u>

The 2024 and 2023 contributions due to the Fund relate to March 2024 and March 2023 respectively and were paid in full to the Fund in accordance with, and within the timescales of, the Schedules of Contributions in force for the year, and therefore do not constitute employer-related investments.

20. Current liabilities

	2024 £'000	2023 £'000
Unpaid benefits	13	57
Amounts due to HMRC	133	118
Accrued expenses	144	228
	<u>290</u>	<u>403</u>

21. Employer-related investments

As at 31 March 2024 there were no assets invested in Employer-related investments in the Fund, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Funds (Investment) Regulations 2005. (2023: £Nil).

22. Related-party transactions

To support the Participating Employers' obligations under the statutory funding requirement of the Pensions Act 2004, the Employer debt requirements of the Pensions Act 1995 and the Rules of the Fund. The Fund has the following:

- fixed charges over EEF Limited's properties Broadway House, Woodland Grange and Engineers' House;
- a fixed charge over Midland Group Training Services Limited's property;

EEF Staff Pension Fund

Notes to the financial statements continued

22. Related-party transactions continued

- a floating charge over EEF Limited's investment holding of units in Schroder's Income Fund A Inc. up to a maximum amount of £15,000,000;
- a negative pledge in relation to EEF Limited's investment holding of units in Schroder's Income Fund C Inc; and
- a contingent profit sharing mechanism under which EEF Limited will pay contributions to the Fund (in addition to those payable under the Schedules of Contributions) conditional upon achieving trading profits (calculated on a prescribed basis).

Included within note 8 is £183,000 (2023: £180,000) in respect of Trustee fees of which £18,000 (2023: £13,000) was outstanding at year end.

23. Guaranteed Minimum Pensions (GMP)

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. Subsequently, on 20 November 2020 the High Court ruled that historical individual transfers from the Fund would also be due a top-up payment where the original transfer payment fell short of what it would have been had the inequalities in Fund benefits from GMP been removed.

The Trustee is working with the Employer and their respective advisers to assess the adjustments to benefits (if any) required. At this stage the Trustee is not in a position to obtain a reliable estimate of any backdated benefits and related interest that might be payable. Therefore, the cost of any such payments has not been recognised in these financial statements. They will be recognised once the Trustee is able to reach reliable estimate, if material.

24. Contingent liabilities

The Trustee is investigating a possible alternative interpretation benefit entitlement due to certain groups of members. Once there is clarity on the issue and the financial impact (if any) this will be reflected in future accounts.

25. Capital commitments

The Fund had capital commitments at the year end of £4,675,051 (2023: £3,056,000) in respect of investments managed by Alcentra.

EEF Staff Pension Fund

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Trustee's annual report and financial statements for the year ended 31 March 2024

Independent Auditor's Statement about Contributions to the Trustee of the EEF Staff Pension Fund

We have examined the Summary of Contributions to the EEF Staff Pension Fund in respect of the year ended 31 March 2024, which is set out on page 43.

Statement about Contributions payable under the Schedules of Contributions

In our opinion, contributions for the Fund year ended 31 March 2024 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 29 June 2021 and 14 December 2023.

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 Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and Auditor

As explained more fully in the statement of Trustee's responsibilities, the Fund's Trustee is 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 Fund by the Employers in accordance with the Schedules of Contributions.

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

EEF Staff Pension Fund

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Independent Auditor's Statement about Contributions to the Trustee of the EEF Staff Pension Fund continued

Use of our report

This statement is made solely to the Fund's Trustee, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work on contributions has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in such 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 Fund and the Fund's Trustee, for our work on contributions, for this statement, or for the opinions we have formed.

/s/ Cooper Parry Group Ltd

Cooper Parry Group Limited

Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 19 September 2024

EEF Staff Pension Fund

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Summary of Contributions payable during the year ended 31 March 2024

		£'000
Required by the Schedules of Contributions		
Employer contributions:		
Deficit funding contributions	<u>2,830</u>	
Contributions required by the Schedules of Contributions as reported in the Fund account and reported on by the Fund Auditor	<u><u>2,830</u></u>	

Signed for and on behalf of the Trustee:

/s/ David Brickman

Ross Trustees Services Limited

Date: 18 September 2024

EEF Staff Pension Fund

Appendix A - Certification of the Schedule of Contributions

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **Engineering Employers' Federation Staff Pension Fund**


Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 14 December 2023.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 14 December 2023.

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: 14 December 2023

Name: *Jill Ampleford*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "can be expected to be met as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 14 December 2023 and their Recovery Plan dated 14 December 2023 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

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EEF Staff Pension Fund

Appendix B - Implementation statement (forming part of the Trustee's report)

Implementation Statement, covering the Fund Year from 1 April 2023 to 31 March 2024 (the "Fund Year")

The Trustee of the EEF Staff Pension Fund (the "Fund") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Fund Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the guidance on "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement", issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Fund Year.

The Fund did not invest in listed equities during the Fund Year. Consequently, the Trustee's focus in implementing DWP's guidance has been on the engagement undertaken in relation to its non-equity holdings.

The Trustee has, in its opinion, followed the Fund's voting and engagement policies during the Fund Year.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. The links to the Fund's investment managers investment policies are below:

- Partners Group: [Responsible Investment Policy](#)
- LGIM: [UK corporate governance and responsible investment policy](#)
- Insight: [Responsible Investment Policy](#)
- Alcentra: [Responsible Investment Policy](#)

The Trustee takes ownership of the Fund's stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser, LCP (who was appointed during the Fund Year), incorporates its assessment of the nature and effectiveness of managers' approaches to engagement.

In particular, in February 2024, the Trustee fully redeemed from its LGIM assets and invested the proceeds with Insight. In selecting and appointing Insight, the Trustee reviewed LCP's Responsible Investment assessment of the manager to ensure their approach was aligned with its own beliefs.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with its investment managers on specific ESG factors. The Trustee discussed and agreed to make climate change a stewardship priority for the Fund. This priority was selected because the Trustee believes climate change is a key market-wide risk and an area where it believes that good stewardship and engagement can improve long-term financial outcomes for the Fund's members.

3. Description of voting behaviour during the Fund Year

The Trustee has delegated the exercise of voting rights of the underlying holdings and engagement with investee companies and other stakeholders as appropriate to its investment managers. Over the Fund Year, the Fund did not invest in any funds that held listed equities. As expected, given the nature of the assets held, the investment managers confirmed that there were no voting opportunities over the year.

EEF Staff Pension Fund

Appendix B - Implementation statement (forming part of the Trustee's report) continued

The Trustee has therefore included a summary on the managers' approaches to engagement and the number of engagement actions over the year, split between environmental, social and governance.

Alcentra

Alcentra defines ESG engagement as the direct communication logged from management meetings, sponsor meetings, diligence reviews etc on environmental, social and governance matters. Alcentra believes that its stewardship activities directly support its objective of delivering strong, long-term investment returns. It engages with companies and stakeholders to promote its ESG expectations.

Engagement example: Consumer markets insights provider

Alcentra took ownership of this company in 2020 and since then has installed ESG as a central pillar to the company's strategy.

Alcentra has pushed for a balanced governance structure at the board level between the management team, independent expertise and itself as shareholder. The Group's governance used to concentrate all decision-making with the executive directors and shareholders. Alcentra addressed this by ensuring that an independent external non-executive director was appointed Chairman of the Board. Their appointment contributes to better board-level decision-making. ESG matters and initiatives are on the board agenda at least quarterly, which is something Alcentra has asked for, though pertinent discussions around a variety of ESG topics.

The business is naturally asset-light, but its environmental responsibility has been thoroughly reviewed as part of the ESG agenda (e.g. travel policy, cost structure). Since late 2019, the Group has embarked onto a digital transformation project and now has a digital first approach, which has led to a reduction in consumption of materials (e.g. less print, reduced shipping). The business also increasingly works with clients marketing products with high environmental and social objectives: e.g. meat-free, dairy-free products.

Partners Group

Engagement with companies is a key component of Partners Group's investment process. It uses a proprietary ESG assessment to raise awareness and concerns and encourage positive change. Its engagement consists of constructive dialogue with the investee companies on how they manage ESG risks and seize business opportunities associated with sustainability challenges.

Engagement example: Aroma-Zone, a French natural beauty brand

Partners Group had a call with the head of ESG to discuss how the company could improve its recycling and reduce the use of single-use packaging for its products. The company agreed to set some key performance indicators (KPIs) to help it transition to improve its recycling practices.

Following the engagement, Aroma-Zone has managed to achieve all its KPIs that it was set, these included the following:

- 96% of products only have 1 wrapping (instead of the customary two);
- 92% of its products are packaged with recycled paper; and
- 100% of the company's electricity comes from renewable sources.

LGIM

Approach to engagement

LGIM believes companies should take account of the interests of their stakeholders on material issues. Therefore, regular dialogue with key stakeholders is encouraged to ensure a good understanding of material concerns. LGIM expects companies to report in its annual disclosures on how engagement with key stakeholders has fed into board discussions.

LGIM believes that engagement constitutes a vital risk-mitigation tool for the Board of investee companies. Engagement with investors should be a two-way discussion. Board directors should aim to use engagement meetings with investors as an opportunity to explain company decisions and to make sure they are well understood by the market. Such meetings should also be an opportunity to listen to investors, use their experience and act on their feedback.

EEF Staff Pension Fund

Appendix B - Implementation statement (forming part of the Trustee's report) continued

No specific engagement examples were provided by LGIM.

Insight

Engagement with issuers is a key part of Insight's credit analysis and complements its approach to responsible investment. Insight's credit analysts regularly meet with issuers to discuss ESG related and non-ESG related issues. Given the size and depth of its credit analyst resource, one of the key inputs into its ESG analysis is the direct information which Insight receives from companies via its engagements.

Insight has a dedicated stewardship programme, which includes its prioritised ESG engagement themes. Insight's prioritised themes for 2023 were climate change, water management, and diversity and inclusion. Insight uses a research-led approach to identify poor performers to initiate targeted engagement to encourage positive improvements across each of these themes.

In 2022, Insight conducted 1,178 engagements with corporate bond issuers, including derivative counterparties, the majority of which incorporated discussions of environmental, social and governance (ESG) issues. Insight also worked with governments, companies and civil society organisations to build knowledge and awareness, to share expertise and to create a common voice on these issues when engaging with stakeholders. For example, in recent years Insight has engaged with the industry on the transition from LIBOR, central clearing for European pension schemes, and RPI reform.

No specific engagement examples were included for Insight as the Fund started investing with Insight in February 2024.

Total engagements over the year

The table below shows the number of engagements that took place for Alcentra, Partners Group and the LGIM Absolute Return Bond Fund across the ESG categories:

Fund	Environmental	Social	Governance	Other	Total
Alcentra – Direct Lending Fund III	32	22	37	0	91
Partners Group – Private Market Credit Strategies 2018	1	1	0	3	5
Legal and General – Absolute Return Bond Fund	78	18	46	18	156

Note: Engagement analysis excludes LGIM LDI (lack of data) and Insight (due to the investment being made towards the end of the accounting period).