

3788010 *EEF Staff Pension Fund*

Page 1 of 55 **Trustee's annual report and financial statements for the year ended 31 March 2022**

Pension Scheme Registration Number: 10092555

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Trustee, Participating Employers, and advisers

Trustee	Ross Trustees Services Limited represented by K Hardingham and A Osborne
	Directors
	S Ahmad
	S J Andrews
	P Bhardwaj
	A Bradshaw
	R Cousins
	K Hardingham
	G Jung (appointed 27 April 2021) (resigned 6 June 2022)
	A Livingstone
	R Mattingly
	N Moore
	J Myerson (appointed 27 April 2021)
	A Osborne
	M Sohal
	G Suckling (appointed 27 April 2021)
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 Apollo Management International LLP BlackRock Investment Management (UK) Limited (until 29 September 2021) J.P. Morgan Asset Management Legal & General Assurance (Pensions Management) Limited M&G plc (appointed 1 December 2021) Partners Group Management
Investment consultants	ISIO Group Limited

Trustee, Participating Employers, and advisers continued**Legal adviser**

ARC Pensions Law

Bankers

HSBC UK Bank Plc

Enquiries

EEF Staff Pension Fund
Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

EEFAdmin@lcp.uk.com

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 2022.

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 and A Osborne.

There was one Trustee meeting 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 21 and 22 show that the value of the Fund's assets increased by £3,432,000 to £204,130,000 during the year. The increase was comprised of net withdrawals from dealings with members of £5,059,000 together with net returns on investments of £8,491,000.

Further details of the financial developments of the Fund may be found in the audited financial statements on pages 21 to 38.

Trustee's report continued**Pension increases**

Pension increases awarded during the year with effect from 1 April 2021 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 2020 to September 2021 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.

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 2020 (signed 29 June 2021) 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 £244m with assets valued at £184m leaving a shortfall of £60m. This represents a funding level of 75%. 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 is due as at 31 March 2023 and is to be completed no later than 30 June 2024.

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 latest available yield curve as at the valuation date for fixed interest gilts as published by the Bank of England (adjusted for changes in market conditions between the effective date of the curve and the valuation date) and extrapolated for later durations.
- Price inflation as measured by the Retail Prices Index ("RPI") over each future year is as implied by the latest available yield curves as at the valuation date for fixed interest and index-linked gilts as published by the Bank of England (adjusted for changes in market conditions between the effective date of the curves to the valuation date) and extrapolated for later durations.
- 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.

Trustee's report continued**Report on actuarial liabilities continued****Assumptions continued****Principal actuarial assumptions for the valuation as at 31 March 2020
(single equivalent rates)**

Gilt yield	0.7% pa
Discount rate	The discount rate is set as the return on gilts + 1.5% pa until 31 March 2023 where it then reduces linearly to a return of gilts + 0.5% pa by 31 March 2035 and thereafter.
Rate of RPI price inflation	2.8% pa
Rate of CPI inflation	2.4% pa
Rate of pension increases:	
RPI, maximum 5% pa, minimum 3% pa	3.4% pa
RPI, maximum 5% pa, minimum 0% pa	2.7% pa
CPI, maximum 5% pa, minimum 0% pa	2.4% pa
CPI, maximum 2.5% pa, minimum 0% pa	1.9% pa
Post-retirement mortality	90% of the S3NA tables projected from 2013 in line with the CMI 2019 extended model with a long-term rate of improvement of 1.5% pa; a smoothing (S) parameter of 7, and an "initial adjustment to the mortality improvements parameter (A)" of 0.25% for both males and females, ie CMI_2019_M [1.5%;S=7;A0.25%] and CMI_2019_F [1.5%;S=7;A0.25%]

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.

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.

Trustee's report continued**Guaranteed Minimum Pensions continued**

The Trustee is working with the Employer and their respective advisors 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	2022
Deferred members at the start of the year	395
Late notification	(1)
Retirements	(16)
Commutation	(1)
Deaths	(2)
Deferred members at the end of the year	375
<hr/>	
Pensioners	2022
Pensioners at the start of the year	602
Late notification	1
New dependants	7
Retirements	16
Commutation	(1)
Deaths	(23)
Pensioners at the end of the year	602

Included within pensioners are 103 dependants (2021: 105) in receipt of a pension following the death of a member.

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:

Napier House
Trafalgar Place
Brighton
BN1 4DW

Tel: 0345 600 0707

www.thepensionsregulator.gov.uk

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
Holborn Centre
120 Holborn
London
EC1N 2TD
T: 0800 011 3797

www.moneyhelper.org.uk

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 below. The Trustee has not had to consider any disputes under this procedure during the Fund year covered by these financial statements.

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
95 Wigmore Street
London
W1U 1DQ

Email: EEFAdmin@lcp.uk.com

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")
- Apollo Management International LLP ("Apollo")
- BlackRock Investment Management (UK) Limited ("BlackRock") (until 29 September 2021)
- J.P. Morgan Asset Management ("J P Morgan")
- Legal & General Assurance (Pensions Management) Limited ("Legal & General")
- M&G plc (appointed 1 December 2021)
- Partners Group Management ("Partners Group")

The Trustee has appointed ISIO Group Limited to advise on the Fund's investments.

Custodial arrangements

The Fund's current investment managers and their respective custodians are outlined below:

Manager	Custodian
Alcentra	n/a
Apollo	J.P. Morgan
J.P. Morgan	Citco Fund Administration (Cayman Islands) Limited
Legal & General	HSBC Bank PLC & Citibank N.A
M&G	State Street Custodial Services
Partners Group	Alter Domus Depositary Services S.à.r.l.

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.

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been prepared by the Trustee. The main purpose of the SIP is to set out details of the investment strategy which is to be followed, the Trustee's investment objectives and its attitude to risk. A copy of the SIP is available on request and online at <https://www.makeuk.org/about/constitution-and-governance>.

Trustee's report continued**Statement of Investment Principles continued**

The Fund underwent a de-risking exercise that saw a full redemption from the Legal & General Synthetic Equity mandate, with proceeds being held in the Legal & General Absolute Return Bond mandate before being invested in the M&G Alpha Opportunities Fund.

This exercise was completed as part of a wider exercise to de-risk the Fund's investment strategy, which will also include a new LDI mandate.

It was deemed appropriate to update the Fund's SIP once the new LDI mandate had been implemented. The Fund's SIP was updated in August 2022.

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 Trustee invests the assets of the Fund with the aim of ensuring that all members' current and future benefits can be paid. The Fund's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Fund's circumstances. The objective of the return seeking assets is to achieve growth within the constraints of the risk profile set by the Trustee, while the objective of the liability-driven assets is to protect the Fund against adverse changes in long-term interest rates and inflation expectations.

The Trustee sets the investment strategy for the Fund taking into account considerations such as the nature and duration of the Fund's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Fund, and also the strength of the Employer's covenant.

Following an improvement in the Fund's funding level, the Trustee agreed to de-risk the Fund's portfolio by fully redeeming the Synthetic Equity allocation in May 2021. An allocation to Multi-Asset Credit was made in December 2021. This mandate invests in contractual asset classes, such as corporate bonds, which should provide a greater certainty of return compared to the Synthetic Equity mandate.

Trustee's report continued**Investment performance**

The performance of the Fund's investments can be analysed as follows:

	1 Year %	3 Years % pa	5 Years % pa
Fund	3.8	6.5	n/a
Benchmark*	4.2	8.0	n/a
Objective	-4.5	2.2	n/a

Source: ISIO calculations

*The Fund's benchmark is a composite benchmark (ie a weighted-average of the underlying managers' benchmarks).

Trustee's policies on environmental, social and governance (ESG) factors

The Trustee considers environmental, social and corporate governance factors when selecting, monitoring and engaging in the investments the Fund makes.

The Trustee's policy with regards to ESG, as outlined in the Statement of Investment Principles dated 2022 and separate ESG policy dated the same, is to appoint managers who satisfy the following criteria, unless there is good reason why the manager does not satisfy each criteria:

- Responsible Investment policy / framework
- Implemented via investment process
- A track record of using engagement and any voting rights to manage ESG factors
- ESG specific reporting
- UN PRI signatory

Method for monitoring

The Trustee's investment managers provide reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.

The Trustee receives information from its investment advisers on the investment managers' approaches to engagement.

Trustee's report continued**Trustee's policies on environmental, social and governance (ESG) factors continued**

The Trustee has outlined the following circumstances, for which additional monitoring and engagement are required:

- The manager has not acted in accordance with their policies and frameworks.
- The manager's policies are not in line with the Trustee's policies in this area.

Employer-related investment

There were no direct employer-related investments during the year (2021: £Nil). The Trustee recognises that indirect investment in Engineering Employers' Federation, the Employer's parent company, is possible through holdings in pooled investment vehicles. The Trustee believes that any indirect exposure to shares in Engineering Employers' Federation has been negligible during the year.

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.

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.

Trustee's report continued**Statement of Trustee's responsibilities continued**

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 Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the Members.

Signed for and on behalf of the Trustee:



Date: 29 September 2022

Ross Trustees Services Limited

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

We have audited the financial statements of EEF Staff Pension Fund for the year ended 31 March 2022 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 2022, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Independent Auditor's report to the Trustee of the EEF Staff Pension Fund continued**Conclusions relating to going concern continued**

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

Other information

The 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 15 and 16, 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.

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.

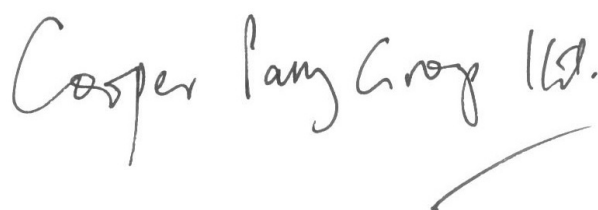
Independent Auditor's report to the Trustee of the EEF Staff Pension Fund continued**Auditor's responsibilities for the audit of the financial statements continued**

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.

**Cooper Parry Group Limited**

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

Date: 3 October 2022

Fund account

	Note	Total 2022 £'000	Total 2021 £'000
Employer contributions		3,252	2,634
Total contributions	4	3,252	2,634
Benefits paid or payable	5	(7,757)	(7,707)
Payments to and on account of leavers	6	-	(2,054)
Administrative expenses	7	(554)	(675)
		(8,311)	(10,436)
Net withdrawals from dealings with members		(5,059)	(7,802)
Returns on investments			
Investment income	8	5,361	1,036
Change in market value of investments	9	3,889	23,966
Investment management expenses	10	(759)	(373)
Net return on investments		8,491	24,629
Net increase in the fund during the year		3,432	16,827
Net assets of the Fund			
At 1 April		200,698	183,871
At 31 March		204,130	200,698

The notes on pages 23 to 38 form part of these financial statements.

Statement of net assets (available for benefits)

	Note	Total 2022 £'000	Total 2021 £'000
Investment assets			
Pooled investment vehicles	9/13	200,092	196,450
Cash deposits	9	-	21
Other investment balances	9	<u>398</u>	<u>1,697</u>
		<u>200,490</u>	<u>198,168</u>
Current assets	17	4,194	2,958
Current liabilities	18	<u>(554)</u>	<u>(428)</u>
Net assets of the Fund at 31 March		<u>204,130</u>	<u>200,698</u>

The notes on pages 23 to 38 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:



 Ross Trustees Services Limited

Date: 29 September 2022

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 Schedule of Contributions and Recovery Plan under which they are being paid.

3.3. Transfer values

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

Notes to the financial statements continued**3. Accounting policies continued****3.4. 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.

3.5. Administrative expenses

- Administrative expenses are accounted for on an accruals basis.

3.6. 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.

3.7. 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.

Notes to the financial statements continued**3. Accounting policies continued****3.8. 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

	2022	2021
	£'000	£'000
Employer contributions:		
Other contributions	-	10
Deficit funding	3,252	2,624
	<u>3,252</u>	<u>2,634</u>

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.

Other contributions in the prior year represent interest payable by the Employer following the deferral of contribution.

Employer	EEF Limited	MGTS	Scottish Engineering	EEF Northern Ireland
Share of liability at 31 March 2021	86.3%	8.3%	2.8%	2.6%
1 April 2020 to 31 March 2021	£2,367,348 (£197,279 per month)	£114,936 (£9,578 per month)	£86,328 (£7,194 per month)	£55,368 (£4,614 per month)
1 April 2021 to 30 June 2021	£270,660 per month	£13,142 per month	£9,867 per month	£6,333 per month
July 2021	-	£718,274	£9,867	£6,333
1 August 2021 to 31 March 2022	£1,488,024 (£186,003 per month)	-	£78,933 (£9,867 per month)	£50,667 (£6,333 per month)
1 April 2022 to date shown below	£2,346,000 pa (£195,500 per month – increased each 1 April)	£157,680 each April – increased each 1 April	£133,903 pa (£11,159 per month – increased each 1 April)	£85,877 pa (£7,156 per month – increased each 1 April)
April 2026	-	£500,000	-	-
End date for contributions	28 February 2038	30 April 2034	31 August 2030	31 January 2034

Notes to the financial statements continued**4. Contributions continued**

For EEF Limited, Scottish Engineering and EEF Northern Ireland contributions will be payable monthly. The amounts from 1 April 2022 will be increased each 1 April by 2% pa for EEF Limited and in line with the increase in the RPI (on the preceding December to December basis, as published each January) for Scottish Engineering and EEF Northern Ireland. The first increase applicable to the payments above will be effective on 1 April 2023.

For MGTS contributions were payable monthly prior to 1 July 2021 and will be payable annually each April thereafter. The amounts labelled as "1 April 2022 to date shown below" in the table above will be increased in line with the increase in the RPI (on the preceding December to December basis, as published each January). The first increase will therefore apply to the April 2022 annual payment.

5. Benefits paid or payable

	2022 £'000	2021 £'000
Pensions	7,339	7,275
Commutation of pensions and lump sum retirement benefits	418	407
Lump sum death benefits	-	25
	<u>7,757</u>	<u>7,707</u>

6. Payments to and on account of leavers

	2022 £'000	2021 £'000
Individual transfers out to other schemes	-	2,054

Notes to the financial statements continued

7. Administrative expenses

	2022 £'000	2021 £'000
Administration, processing and consultancy	343	372
Audit fee	12	9
Legal and other professional fees	65	95
PPF Levy	12	41
Trustee fees and expenses	121	157
Bank and sundry charges	1	1
	<u>554</u>	<u>675</u>

8. Investment income

	2022 £'000	2021 £'000
Gain / (loss) on foreign exchange	(458)	(16)
Income from pooled investment vehicles	5,819	1,053
Interest on cash deposits	-	(1)
	<u>5,361</u>	<u>1,036</u>

Notes to the financial statements continued

9. Reconciliation of investments

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

	Value at 31 March 2021 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2022 £'000
Pooled investment vehicles					
Alcentra	15,679	1,893	(2,577)	98	15,093
Apollo	29,458	-	(1,292)	597	28,763
J P Morgan	29,294	314	(1,026)	291	28,873
Legal & General	102,369	66,851	(81,363)	3,036	90,893
M&G	-	19,603	-	(222)	19,381
Partners LLP	19,650	-	(2,650)	89	17,089
	<u>196,450</u>	<u>88,661</u>	<u>(88,908)</u>	<u>3,889</u>	<u>200,092</u>
Cash deposits	21				-
Other investment balances	<u>1,697</u>				<u>398</u>
	<u>198,168</u>				<u>200,490</u>

£398,000 other investments at 31 March 2022 relate to investment income receivable (2021: £1,697,000 relates to cash in transit from the sale of investments at the prior year end).

10. Investment management expenses

	2022 £'000	2021 £'000
Administration, management and custody	641	275
Advisory fees	134	112
Rebates	<u>(16)</u>	<u>(14)</u>
	<u>759</u>	<u>373</u>

Notes to the financial statements continued**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. 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.

13. Pooled investment vehicles

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

	2022 £'000	2021 £'000
Equities	-	24,662
Bonds	91,330	57,926
Private Equity	32,183	35,329
Multi-Credit	28,873	29,294
LDI	47,706	49,239
	<u>200,092</u>	<u>196,450</u>

Notes to the financial statements continued

14. Concentration of investments

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

	2022		2021	
	£'000	%	£'000	%
Legal & General				
Absolute Return Bonds	43,185	21	28,468	14
Matching Core Real Long	17,347	8	22,359	11
Synthetic Equity GBP Hedged ###	-	-	24,662	12
Matching Core Real Short	13,941	7	10,968	5
Matching Core Fixed Long ##	9,497	5	-	-
J P Morgan				
IIF UK 1 Hedged	28,873	14	29,294	15
Apollo				
Total Return Fund (LUX) LP	28,764	14	29,458	15
M&G				
Alpha Opportunities Fund ####	19,381	9	-	-
Partners				
Private Markets Credit Strategies 2018 (GBP) S.C.A., SICAV-RAIF	17,089	8	19,650	10
Alcentra				
EDL III AIV (Treaty Feeder) SCSp	15,094	7	15,679	8

funds less than 5% in prior year

funds not held in current year

funds not held in prior year

Notes to the financial statements continued

15. 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 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	139,036	61,056	200,092
Cash and other investment balances	398	-	-	398
	398	139,036	61,056	200,490

31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	131,828	64,622	196,450
Cash and other investment balances	1,718	-	-	1,718
	1,718	131,828	64,622	198,168

Notes to the financial statements continued**16. 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 determines its investment strategy after taking advice from a professional investment adviser. The Fund has exposure to these risks because of the investments it makes in following the investment strategy below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by the regular reviews of the investment portfolio.

The Fund is indirectly exposed to investment risks via the underlying assets of the pooled investment vehicles. This indirect risk is mitigated by the diversification of these underlying assets within the individual vehicles as part of a diversified investment strategy.

Investment Strategy

The Trustee invests the assets of the Fund with the aim of ensuring that all members' current and future benefits can be paid. The Fund's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Fund's circumstances. The objective of the return seeking assets is to achieve growth within the constraints of the risk profile set by the Trustee, while the objective of the liability-driven assets is to protect the Fund against adverse changes in long-term interest rates and inflation expectations.

Notes to the financial statements continued**16. Investment risk disclosures continued****Investment Strategy continued**

The Trustee sets the investment strategy for the Fund taking into account considerations such as the nature and duration of the Fund's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Fund, and also the strength of the Employer's covenant.

Following an improvement in the Fund's funding level, the Trustee agreed to de-risk the Fund's portfolio by fully redeeming the Synthetic Equity allocation in May 2021. An allocation to Multi-Asset Credit was made in December 2021. This mandate invests in contractual asset classes, such as corporate bonds, which should provide a greater certainty of return compared to the Synthetic Equity mandate.

Credit risk

The Fund is directly subject to credit risk from its cash balances and pooled investment vehicles. Cash is held within financial institutions which are at least investment grade credit rated. Direct credit risk is mitigated by the ring-fenced nature of the pooled investment vehicles, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager.

Pooled investment vehicles

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

	2022 £'000	2021 £'000
Unit linked insurance contracts	90,891	102,368
Open ended investment companies	48,254	29,294
Shares of limited liability partnerships	32,183	35,329
Limited Partnership	28,764	29,459
	<u>200,092</u>	<u>196,450</u>

Notes to the financial statements continued

16. Investment risk disclosures continued

Direct risks - Credit

	2022 £'000	2021 £'000
Pooled investment vehicles	200,092	196,450
Cash and other investment balances	-	1,718
	<u>200,092</u>	<u>198,168</u>

Cash

Cash is held within financial institutions which are at least investment grade credit rated.

Direct risks – Other price risk

The Fund invests solely in pooled investment vehicles and therefore is not directly subject to other price risk.

Indirect risks

The Fund is indirectly exposed to investment risks via the underlying assets of the pooled investment vehicles. This indirect risk is mitigated by the diversification of these underlying assets within the individual vehicles as part of a diversified investment strategy.

Notes to the financial statements continued

16. 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	2022 £'000	2021 £'000
Legal and General – Liability-Driven Investment	○	○	●	●	47,706	49,239
Legal and General – Absolute Return Bond	●	○	○	○	43,185	28,468
Legal and General – Synthetic Equity	●	○	○	○	-	24,662
M&G Alpha Opportunities Fund	●	○	○	○	19,381	-
Alcentra – Direct Lending	●	○	○	○	15,094	15,679
Partners Group – Direct Lending	●	○	○	○	17,089	19,650
Apollo – Semi-Liquid Credit	●	○	○	●	28,764	29,458
J P Morgan – Infrastructure Equity	○	●	○	●	28,873	29,294

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

Notes to the financial statements continued

17. Current assets

	2022 £'000	2021 £'000
Cash balances	3,924	2,674
Contributions due from Employer in respect of:		
Employer	202	209
VAT recoverable	68	75
	<u>4,194</u>	<u>2,958</u>

The 2022 and 2021 contributions due to the Fund relate to March 2022 and March 2021 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.

18. Current liabilities

	2022 £'000	2021 £'000
PAYE payable	115	110
Accrued expenses	439	318
	<u>554</u>	<u>428</u>

19. Employer-related investments

There were no direct employer-related investments during the year (2021: £Nil). The Trustee recognises that indirect investment in Engineering Employers' Federation, the Employer's parent company, is possible through holdings in pooled investment vehicles. The Trustee believes that any indirect exposure to shares in Engineering Employers' Federation has been negligible during the year.

20. 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;

Notes to the financial statements continued**20. 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 Schedule of Contributions) conditional upon achieving trading profits (calculated on a prescribed basis).

21. 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 advisors 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.

22. Contingent liabilities

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

23. Capital commitments

The Fund had capital commitments at the year end of £4,469,000 (2021: £4,646,000) in respect of investments managed by Alcentra.

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 2022, which is set out on page 41.

Statement about Contributions payable under the Schedule of Contributions

In our opinion, contributions for the Fund year ended 31 March 2022 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 28 November 2018 and 29 June 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 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.

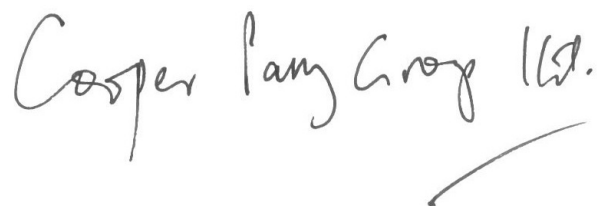
Respective responsibilities of Trustee and Auditor

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 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.

**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.

**Cooper Parry Group Limited**

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

Date: 3 October 2022

Summary of Contributions payable during the year ended 31 March 2022

	£'000
Required by the Schedules of Contributions	
Deficit funding contributions	<u>3,252</u>
Contributions required by the Schedules of Contributions as reported in the Fund account and reported on by the Fund Auditor	<u><u>3,252</u></u>

Signed for and on behalf of the Trustee:



Ross Trustees Services LimitedDate: 29 September 2022

Appendix A - Certification of the Schedule of Contributions

Actuary's certification of schedule of contributions

Engineering Employers' Federation Staff Pension Fund

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 29 June 2021.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 29 June 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: 29 June 2021

Name: Jill Ampleford

Qualification: FIA

Address: Lane Clark & Peacock LLP

95 Wigmore Street, London

W1U 1DQ

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



**Engineering Employers'
Federation Staff Pension
Fund ("the Fund")**

July 2022

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

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require schemes to detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles

The Fund's SIP can be found online at the following web address,
<https://www.makeuk.org/-/media/governance-docs/statement-of-investment-principles.pdf>

Implementation Report

This implementation report provides evidence that the Fund continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustee has taken to manage financially material risks and implement the key policies in the Fund's SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement covering engagement actions with the Fund's investment managers and in turn the engagement activity of the managers with the companies they invest in

Appendix B - Implementation statement (forming part of the Trustee's report) continued**Summary of key actions undertaken over the Fund's reporting year**

- Following an improvement in the funding level, the Trustee agreed to de-risk the investment strategy. This initially involved fully redeeming the Fund's holdings in the LGIM Synthetic Equity mandate in May 2021. The proceeds of this sale were temporarily held in the LGIM Absolute Return Bond fund ('ARB').
- The Trustee made a £19.5m allocation to the M&G Alpha Opportunities Fund in December 2021, a Multi-Asset Credit mandate, which was funded from the ARB fund and excess monies in the Trustee Bank Account.
- The Fund's Alcentra Direct Lending mandate made one drawdown in April 2021. The Fund's investment period runs until April 2023 when Alcentra may draw any undrawn capital and/or reinvest capital which has been distributed early.
- The Trustee agreed to implement a revised LDI mandate with Legal and General and work was completed on this over the second half of the accounting year. The new mandate is expected to better hedge interest rate and inflation risks and was implemented shortly after year end.

Implementation Statement

This report demonstrates that the Engineering Employers' Federation Staff Pension Fund has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed

Position

Date

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

Managing risks and policy actions

The Trustee has included a non-exhaustive list of risks and financially material considerations it has considered whilst implementing the Fund's investment strategy.

On this page we will look at the risks outlined in the Fund's SIP, the Trustee's policy and any actions in the accounting year taken to address those risks.

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Investment	The risk that the Fund's position deteriorates due to the assets underperforming.	<p>Selecting an investment objective that is achievable and is consistent with the Fund's funding basis and the sponsoring company's covenant strength.</p> <p>Investing in a diversified portfolio of assets.</p>	<p>The Trustee received quarterly investment reports from its investment advisor.</p> <p>As part of these reports the funding level was monitored, as well as the risk of the Fund's investment strategy at each quarter end.</p> <p>The Trustee reviewed the Fund's investment performance at the Trustee meeting on 1 November 2021.</p>
Funding	The extent to which there are insufficient Fund assets available to cover ongoing and future liability cash flows.	<p>Funding risk is considered as part of the investment strategy review and the actuarial valuation.</p> <p>The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.</p>	<p>Following improvements in the Fund's funding level, the Trustee agreed to de-risk the investment strategy in May 2021 to protect the funding position.</p> <p>This involved removing the Synthetic Equity allocation and implementing a new Multi-Asset Credit mandate.</p>
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Fund.	When developing the Fund's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Fund is exposed to is at	At the Trustee meeting on 1 November 2021 the Trustee received an update on the financial performance of the company.

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

		an appropriate level for the covenant to support.	The Trustee receives a bi-annual update from the company. The Trustee also receives formal independent advice annually, and more frequently in unstable periods.
Interest rates and inflation	The risk of mismatch between the value of the Fund's assets and present value of its liabilities due to changes in interest rates and inflation expectations.	To hedge these risks in proportion to the funding level on the Technical Provisions basis through the LDI mandate.	The Trustee agreed to implement a refined LDI mandate with Legal and General to more accurately hedge interest rate and inflation risks. Work to implement this started in the second half of the accounting year.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members' benefits as they fall due (including transfer values), and to provide collateral to the LDI and synthetic equity manager.	No action over the period.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustee made a full redemption from the LGIM Synthetic Equity mandate and made an allocation to the M&G Alpha Opportunities Fund. This activity was intended to lower the overall level of risk the Fund is taking in its investment strategy.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.	The Trustee made an allocation to Multi-Asset Credit which was seen to be sufficiently diversified to the Fund's existing credit investments. The Trustee appointed M&G to manage this mandate. M&G are expected to use their resources and research capabilities to reduce the likelihood of defaults in the mandate.

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

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Fund's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory	The Trustee considered ESG factors when selecting the manager for their new Multi-Asset Credit manager.
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	To invest in funds that hedge the majority of currency risk as far as practically possible.	For the Multi-Asset Credit investment, the Trustee decided to invest in a GBP share class.
Non-financial	Any factor that is not expected to have a financial impact on the Fund's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No action over the period.

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

Changes to the SIP

The Trustee amended the SIP over the reporting period to reflect the recent changes to the investment strategy, the full redemption out of Synthetic Equity, investment into Multi-Asset Credit and revision of the LDI mandate.

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

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Fund’s policy with regards to ESG as a financially material risk. This page details how the Scheme’s ESG policy is implemented, and the rest of this statement provides an evaluation of the stewardship activity.

The below table outlines the areas which the Fund’s investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Fund’s ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the current ESG policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights	<p>The Trustee’s investment managers provide reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</p> <p>The Trustee receives information from their investment advisers on the investment managers’ approaches to engagement.</p> <p>The Trustee will work with the investment managers to improve their alignment with the Fund’s policies.</p>	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager’s policies are not in line with the Trustee’s policies in this area.</p> <p>Where sufficient improvement is not observed, the Trustee will review the relevant investment managers’ appointment and will consider terminating the arrangement.</p>

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

ESG summary and actions with the investment managers

Isio, as the Fund's investment consultant, engage with all of the Fund's investment managers on an ongoing basis. ESG and Engagement are specifically covered in both the initial due diligence and ongoing monitoring of funds that Isio actively monitor.

The Trustee has agreed complete a more detailed review of the Fund's managers from an ESG perspective. This will lead to improvement areas being identified for each manager which the Trustee will feedback to them via an engagement process.

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Engagement

As the Fund invests via pooled funds, the Trustee delegates all engagement responsibilities to the investment managers. The managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 31 March 2022.

Fund name	Engagement summary	Commentary
LGIM – Matching Core Funds	LGIM have not been able to provide any engagement data for the LDI funds however expect to be able to provide this later in the year.	For LDI funds, Legal and General ("LGIM") typically communicate strategic aspects of long-term engagement via thought pieces, presentations and meetings. LGIM provide an annual update setting out the firm's approach to stewardship and activities during the year.
LGIM – Absolute Return Bond Fund	Total engagements: 125 Environmental: 80 Social: 34 Governance: 62 Other: 26	LGIM's Investment Stewardship team manage the voting and engagement across all funds, leveraging all possible capital to maximise effectiveness. Engagement activity is recorded in a dedicated data management system. This system is also used to oversee progress and quantify engagement effectiveness. On a quarterly basis, LGIM provide a standalone Active Ownership ESG Impact Report detailing case studies of voting and engagement activities undertaken and/or concluded.
Alcentra – European Direct Lending III	Alcentra have been unable to provide engagement data at a total fund level. However, they have been able to provide one example of an engagement they have been working on recently.	Alcentra believe that as fixed income investors, they have limited influence over engagement. Alcentra do communicate on ESG issues with the companies they invest in. This will include dialogue with the sponsor, ESG issues raised at manager meetings and, where available, board presentations. For a number of positions, Alcentra hold a seat on the board and are able to influence strategy where possible. An example of this occurred in May 2021, when Alcentra engaged with a company through their seat on the board at Managing Director level. The engagement focussed on Health & Safety risk register scores, including reportable accidents and concerns

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		with the aim of reducing reportable accidents. Over the period of engagement around Health & Safety risk register scores, reportable accidents have been consistently reducing (2 years in a row).
Partners Group - Private Markets Credit Strategies 2018	<p>Total engagements: 5 Corporate: 5</p> <p>*Note that Partners Group provide data semi-annually, and as such the engagement data shown reflects their activity over the 2021 calendar year.</p>	<p>Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as lenders they will typically rely on the equity sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information available to assess ESG risks.</p> <p>Whilst Partners Group provided 5 examples of corporate engagements, they did not provide any examples of ESG related engagements.</p>
Apollo - Total Return Fund	<p>Total Engagements: 82 Environmental: 14 Social: 2 Governance: 36 Broad ESG: 30</p>	<p>Apollo have a clear due diligence and engagement framework. The team continually engage with portfolio companies through discussion with management, and these engagements have been a key driver for the production for formal company ESG reports and Key Performance Indicators. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors.</p> <p>Examples of significant engagements include:</p> <p>Banco General, SA - Apollo encouraged the management team to begin reporting Green House Gas's ('GHG') during a roadshow. The firm's management had received similar requests from other investors and subsequently considered measuring their GHG emissions.</p> <p>AngloGold Ashanti Holdings PLC - In a zoom meeting Apollo asked the Treasurer Rob Hayes and CFO Christine Ramon to review the steps taken in response to a fatality at their Obuasi, Ghana mine in May 2021. They ceased mining activity for 4 months to examine the site for any further structural issues that could lead to the collapse of mining structures and further fatalities.</p>
JP Morgan - Infrastructure Investment Fund ('IIF')	<p>JP Morgan did not provide the data in a format where we were able to split the engagements by type.</p>	<p>JP Morgan use their position within their portfolio companies to develop business plans and other strategic initiatives alongside management.</p> <p>JP Morgan work directly with portfolio companies and team members to understand ESG issues and to uncover any risks and opportunities that could be facing the assets.</p> <p>JP Morgan did not provide any examples of ESG related engagements.</p>

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M&G – Alpha Opportunities Fund (“AOF”)	Total Engagements: 22	<p>While M&G engage with companies on a ‘bottom-up’ basis, that is, reactive, company-specific engagements, they also undertake ‘top-down’ thematic engagements on a number of issues.</p> <p>Climate is a central focus of their top-down engagement programme for investee companies in both developed and developing markets, focusing on strategy, disclosure, goals and targets to achieve decarbonisation.</p> <p>BASF – M&G met with the company to persuade them to agree a net zero carbon by 2050 strategy for scope 1, 2 and 3 emissions. BASF agreed to implement a strategy for scope 1 and 2 emissions.</p> <p>Origin Energy LTD – M&G asked Australian energy company Origin to publicly announce, by March 2022, that it will be shutting down coal by 2030. The company responded saying it was ‘99.9%’ certain it could reach the goal.</p>
	Environmental: 18	
	Social: 1	
	Governance: 3	

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