



**THE PENSION SCHEME FOR THE  
NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS**

**ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2023**

**SCHEME REGISTRATION NUMBER: 10165258**

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AND ASSOCIATED EMPLOYERS  
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TRUSTEES AND THEIR ADVISERS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**Trustees**

Mr J Halladay (NMC-Nominated) (Chair)

Mr H Aumeer (Member-Nominated) \*\*

Ms F Gill (Member-Nominated) \* (resigned 31 December 2022)

Mr P Hall (NMC-Nominated)

Mr G Probert (DHSC-Nominated)

Ms A Treacy (Member-Nominated) \*\*

\*Employed Deferred member of the Scheme

\*\* Pensioners of the Scheme

**Participating Employers**

Nursing and Midwifery Council ("NMC")

23 Portland Place

London

W1B 1PZ

The Department of Health and Social Care ("DHSC")

Room 2NE

Quarry House

Quarry Hill

Leeds

LS2 7UE

**Actuary**

John Herbert F.I.A.

Isio Group Ltd

AMP House

Dingwall Road

Croydon

CR0 2LX

**Administrator and Consultant**

Isio Group Ltd (formerly Premier Pensions Management Ltd)

AMP House

Dingwall Road

Croydon

CR0 2LX

**Independent Auditor**

Assure UK (appointed 31 March 2023)

107 Cheapside

London

EC2V 6DN

Crowe U.K. LLP (resigned 30 March 2023)

55 Ludgate Hill

London

EC4M 7JW

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**Legal Adviser**

ARC Pensions Law  
80 Coleman Street  
London  
EC2R 5BJ

**Bank**

Clydesdale Bank PLC (trading as Virgin Money)  
48-50 Market Street  
Manchester  
M1 1PW

**Investment Consultant**

Isio Group Ltd  
AMP House  
Dingwall Road  
Croydon  
CRO 2LX

**Investment Managers**

Amundi Luxembourg S.A.  
5, Allee Scheffer  
L-2520 Luxembourg

Bridges Fund Management Ltd  
38 Seymour Street  
London  
W1H 7BP

Columbia Threadneedle  
8<sup>th</sup> Floor  
Exchange House  
12 Primrose Street  
London  
EC2A 2HS

Insight Investment  
33 Old Broad Street  
London  
EC2N 1HZ

Muzinich  
15 Portland Place  
London  
W1B 1PT

Pension Insurance Corporation (PIC)  
14 Cornhill  
London  
EC3V 3ND

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**Enquiries**

Isio Group Ltd  
AMP House  
Dingwall Road  
Croydon  
CR0 2LX

Email: [NMC&AE@ISIO.com](mailto:NMC&AE@ISIO.com)

# **THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL AND ASSOCIATED EMPLOYERS TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2023**

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## **Introduction**

The Trustees of The Pension Scheme for the Nursing and Midwifery Council and Associated Employers ("the Scheme") are pleased to present their report together with the financial statements for the year ended 31 March 2023. The Scheme is a defined benefit scheme.

The Scheme was established by a definitive trust deed effective from 30 August 1983, with subsequent amendments. The Scheme closed to future accrual with effect from 30 June 2021, all active members of the Scheme on the 30 June 2021 became deferred members of the Scheme.

## **Management of the Scheme**

A list of Trustees is included on page 1.

Under the Pensions Act 2004, schemes are required to ensure that at least one third of the Trustees are nominated by and selected by the members. As at 31 March 2023 the Board of Trustees consisted of five Trustees. Three Trustees are nominated by the Employers – two by NMC and one by DHSC – and two Trustees are nominated by the members.

As at 31 March 2023 there are two vacancies for a member-nominated trustee.

The Trustees all have the same responsibilities and share the common aim of representing the interests of all the Scheme members and not just the group they are nominated by.

The Member-Nominated Trustees may be removed before the end of their five-year term only by the agreement of all the remaining Trustees, although this appointment ceases if they cease to be a member of the Scheme. In accordance with the Trust Deed and Rules, the Participating Employers have the power to appoint and remove the other Trustees of the Scheme.

No Trustees received payment for their service from the Scheme. The travelling and other incidental expenses of the Employer and Employee-Nominated Trustees are met by the relevant Employer while those of the Pensioner Trustees are met by the Scheme. Further details on payment for services paid by Employers is provided in Note 21.

Trustees are invited to attend Trustee meetings. Decisions require the majority support of those Trustees present, the Chair having the casting vote.

During the year, four Trustee meetings were held. The Trustees continued to monitor the investment performance and functioning of the Scheme to ensure that the Scheme remained fully compliant with current regulations and that optimum efficiency is achieved.

A GMP Sub Committee has been set up to oversee the GMP Reconciliation, Rectification and GMP Equalisation project, a Term of Reference has been agreed. The GMP Committee met three times during the year.

## **Governance and Risk Management**

The Trustees have set out their obligations in areas such as administration, investment, funding and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustees run the Scheme efficiently and serves as a useful reference document.

The Trustees are also focused on risk management. There is a risk register in place with sets out the key risks to which the Scheme is subject along with the controls in place for mitigating these.

# THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL AND ASSOCIATED EMPLOYERS TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2023

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## Trustee Knowledge and Understanding

The Pensions Act 2004 requires Trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding, to assist Trustees on this matter, which became effective from 6 April 2006. The Trustees receive regular training. This enables the Trustees to meet the Trustee Knowledge and Understanding requirements.

## Calculation of Transfer Values

No allowance is made in the calculation of transfer values for discretionary pension increases.

Transfer values paid during the year are calculated and verified in the manner required by the Regulations. None of the transfer values paid were less than the amounts required by the Regulations.

## Financial Development of the Scheme

The financial statements on pages 19 to 30 have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund has decreased from £151,786,724 at 31 March 2022 to £116,782,666 at 31 March 2023.

## Change of Auditor

Crowe U.K. LLP resigned as the Auditor to the Scheme, with effect from 30 March 2023 and Assure UK were appointed on 31 March 2023. The statement from the resigning Auditor confirmed that there were no circumstances concerned with their resignation which need to be brought to the attention of the members or beneficiaries under the Scheme.

## Pension Increases

The table below shows the increases for pensions in payment applied on 1 April:

<b>Pensionable Service</b>	<b>2023</b> %	<b>2022</b> %
Pre 1997 excess over Guaranteed Minimum Pension (GMP)	<b>5.0</b>	4.9
Pre 1988 GMP	-	-
Post 1988 GMP	<b>3.0</b>	3.0
Post 1997 Pension	<b>5.0</b>	4.9
Post 30/09/05 Pension	<b>5.0</b>	4.9

The Scheme guarantees to provide for the increase of pensions (excluding Guaranteed Minimum Pension) after retirement in accordance with the Retail Price Index, or 5%, whichever is lower. No discretionary increases were applied this year. Post 1988 GMPs are increased in line with statutory requirements.

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**Membership**

Details of the Scheme's membership for the year are given below:

	<b>2023</b>	<i>2022</i>
<b>Active Members</b>		
Active members at the start of the year	-	<b>88</b>
Members leaving with deferred benefits	-	<b>(88)</b>
<b>Active members at the end of the year</b>	<u>-</u>	<u>-</u>
<b>Pensioners</b>		
Pensioners at the start of the year	<b>289</b>	291
Adjustments	<b>(2)</b>	(1)
Retirements	<b>18</b>	7
New spouses and dependents	<b>6</b>	3
Deaths	<b>(10)</b>	(11)
<b>Pensioners at the end of the year</b>	<u><b>301</b></u>	<u>289</u>
<b>Members with Deferred Benefits</b>		
Members with deferred benefits at the start of the year	<b>476</b>	398
Adjustments	<b>(1)</b>	-
Leavers with deferred benefits	-	88
Deferred members becoming pensioners	<b>(18)</b>	(7)
Transfers out	<b>(1)</b>	(2)
Deaths	<b>(4)</b>	(1)
<b>Members with Deferred Benefits at the end of the year</b>	<u><b>452</b></u>	<u>476</u>
<b>Total Membership at 31 March</b>	<u><b>753</b></u>	<u>765</u>

The Scheme closed to future members from 1 November 2013. And closed to future accrual with effect from 30 June 2021, all active members of the Scheme on the 30 June 2021 became deferred members of the Scheme.

Pensioners include individuals receiving a pension upon the death of a member, and include 222 members (2022: 235) who are paid through insurance policies.

In addition to the 222 annuitants who are insured through a policy with PIC, there are also 14 annuitants who are insured through a policy with Liverpool Victoria (LV). These pensioners are paid directly by LV and the income and pension costs are not recognised in the financial statements. Each year the Trustees pay a premium to LV to cover increases to pensions, which are applied to the LV annuitants at the same rate as those for all other Scheme members as set out on page 5. The costs of these LV increases are included in Note 6 of the financial statements.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal, such movements are shown within "Adjustments" the following year.

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**Report on Actuarial Liabilities**

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

A summary of the funding position as at 31 March 2022, the date of the latest actuarial valuation of the Scheme, showed the following:

	<b>£m</b>
Value of liabilities:	(141.6)
Value of assets:	150.5
Funding surplus:	8.9
Funding level:	106%

If the Employer goes out of business or decides to stop contributing to the Scheme, the Scheme may be “wound up” and the Employer would be required to pay additional money to buy all members' benefits from an insurance company. The comparison of the Scheme’s assets to the cost of buying the benefits from an insurance company is known as the “buy-out position”. A pension scheme's buy-out position will often show a larger shortfall than the standard actuarial valuation, as insurers are obliged to take a very cautious view of the future, and they also seek to make a profit.

The actuarial valuation at 31 March 2022 showed that the Scheme’s assets would not have been sufficient to buy all members’ benefits from an insurance company, as the “buy-out position” at that date was as shown below:

	<b>£m</b>
Estimated cost of buying benefits with an insurance company:	(179.7)
Value of assets:	143.4
Deficit:	(36.3)
Funding level:	80%

This does not mean that the Employer is thinking of winding up the Scheme. The fact that there was a shortfall at the last valuation has not affected the pensions paid from the Scheme and all members who have retired have received the full amount of their pension.

It is worth remembering that a valuation is just a “snap shot” of the Scheme’s funding position, and it can change considerably if there are sudden changes in share prices, gilt yields, or members live longer than expected.

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**Report on Actuarial Liabilities (continued)**

**Method**

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

**Significant Actuarial Assumptions**

The key assumptions used for calculating the technical provisions and future contribution requirement for the Scheme were:

Investment return pre-retirement • Non-pensioners	Bank of England yield curve +2.25% p.a. 4.10%
Investment return post-retirement • Non-pensioners • Pensioners	Bank of England yield curve +0.50% p.a. 2.35% 2.25%
RPI price inflation • Non-pensioners • Pensioners	Bank of England inflation yield curve. 3.90% 4.30%
CPI price inflation	RPI less 0.80% before 2030 RPI after 2030
Deferred revaluation: - Pre 09 - Post 09	3.05% (up to 2030) 2.50%
Pension increases - Post 88 GMP (np/p) - Non-GMP (np/p)	3.00% / 3.00% 3.80% / 4.20%

As a result of the latest valuation and the latest Schedule of Contributions dated 3 March 2023, the Employers and the Trustee agreed that:

The Employers will not make any deficit repair contributions and may pay additional contributions of any amount and at any time. Scheme will meet its own operational costs from the Scheme assets.

The Actuarial Certificate in relation to the Schedule of Contributions is shown on page 31 of the Annual Report.

# **THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL AND ASSOCIATED EMPLOYERS TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2023**

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## **Investment Matters**

### **Investment Managers**

All the main investments have been managed during the year under review by the investment managers shown on pages 2 and 3. The Trustees have fully delegated the day to day management of the Scheme's asset portfolio (including all discretion for stock selection) investment function in line with the investment principles to its appointed managers. The investment strategy is agreed by the Trustees after taking appropriate advice.

### **Investment Strategy & Fund Objective**

The Trustees implemented a revised Statement of Investment Principles reflecting an updated investment strategy dated 6 July 2021.

Investment objectives are set with reference to the liability profile of the Scheme and the sponsors' covenants. Trustee meetings focus on the investment strategy, and performance against objectives is monitored.

The Trustees have set out three main objectives for the investment strategy:

1. To ensure sufficiently realisable investments to meet capital calls, including member payments when they fall due;
2. For the value of the assets to be in excess of the value of the liabilities on a Technical Provisions basis, within the timeframe of the Recovery Plan without taking undue risk;
3. To reduce funding level volatility by increasing interest rate and inflation hedges over time, and by considering further buy-in/buy-out when it becomes cost-effective to do so.

These objectives are the key driver of all decision making and overarch all other policies and beliefs.

The Trustees have set actuarial valuation assumptions that have different discount rates applied to pre-retirement liabilities and current pensioner liabilities. The investment strategy is therefore set with reference to this basis and the restrictions that may impose, specifically:

- The assets will be invested such that the expected return on the portfolio will be 30bps above the required return implied by the valuation basis or Recovery Plan, whichever is higher.
- The current portfolio will see a reduction in the allocation to growth in the short to medium term with increasing allocations to LDI assets.
- At the end of the Recovery Plan the required return will fall and the Scheme will be able to invest into cashflow matching assets.

Asset allocation is monitored on a quarterly basis by the investment adviser and the Trustees to ensure the portfolio is still expected to return the required rate.

### **Statement of Investment Principles**

The Trustees have produced a Statement of Investment Principles, dated April 2021, in accordance with Section 35 of the Pensions Act 1995. A copy of the Statement is available at: [www.nmc.org.uk](http://www.nmc.org.uk).

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## **Investment Matters (continued)**

### **Environmental, Social and Governance Considerations (ESG)**

The Trustees believe ESG, including climate change, to be financially material long-term investment decision making factors. It is therefore considered as part of the selections and retention of asset classes and fund managers, using analysis provided by their investment adviser.

The Trustees consider the Sponsoring Employers' policy in respect to ESG and integrate it as far as possible into their own decision making. There is ongoing engagement with the Sponsors.

The Trustees do not have the necessary skills to vote or engage individually with the companies in which they invest through their fund managers. They also recognise that by investing via pooled funds they are unable to directly influence the underlying securities in which their fund managers invest.

However, portfolio managers are expected to engage and influence the companies in which they invest as well as exercise their right to vote, including on performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. The Trustees recognise the importance of their role in relation to stewardship and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying scheme assets.

The Trustees expect managers to report fully on such voting and engagement activity and the Trustees engage with and monitor pooled fund managers, with respect to, for example, conflicts of interest and performance. This is primarily carried out via the Trustees' investment adviser, who provides analysis and advice to the Trustees. Should the Trustees or their advisers be called on to vote on a particular matter, they will do so in the best interests of the Scheme's members.

Fund managers are selected following consultation with advisers and after full due diligence has been undertaken. This will generally include an analytical and qualitative summary of a manager being tabled at a board meeting.

Managers will be selected based on a number of criteria, key components of which are the governance of the investment manager, the strength of the investment team, risk management, track record, ethical approach, and value for money. As part of the fund research process, the investment adviser will consider each fund manager's approach to environmental, social and governance (ESG) issues, ensuring it fits with the Trustees' and Sponsors' own beliefs and policies.

The Trustees believe that it is in the members' best interests to deliver the returns necessary to meet all capital payments (including to members) when they fall due, within an acceptable risk framework. Investment decisions are made with members' best interests at their core. Provided this primary goal is met, decisions are made within the confines of our stated investment beliefs and policies.

However, it is recognised that the size of the Scheme means that investment is made via pooled funds. As such beliefs and policies in selecting and monitoring the funds in which the Scheme invests are applied as far as is practicably possible.

The Trustees, the Sponsoring Employers and the Scheme membership have a strong ethical approach to their investments. With this in mind the Trustees have set out the following beliefs:

- It is preferable to take a long-term approach to investing; trying to time the markets in the short term can be highly risky.
- Managing investment risk in absolute terms and against liabilities is more appropriate than not, provided it is cost effective to do so.

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**Investment Matters (continued)**

**Environmental, Social and Governance Considerations (ESG) (continued)**

- Diversification across different drivers of return is key to delivering strong risk adjusted returns.
- In very efficient markets, our preference is to invest passively, investing actively where there is a demonstrable ability to add value.
- Provided liquidity is well managed against Scheme circumstances and stress tested at a portfolio level, it may be financially beneficial to invest in illiquid assets such as real estate and private equity.
- Inherent reliance on assumptions within complex investment models means we use models to provide guidance to investment decision making and not as the key determinant.
- Investments that have a positive ESG impact, including in respect to climate change, are more than likely to outperform those that do not, and may reduce risk over the long term.
- Well governed businesses are more likely to outperform poorly governed businesses.
- Fund managers who take an active approach to company engagement, are transparent in their reporting and are considered good stewards of assets will generally perform better than those that do not.

**Asset Allocation**

As at 31 March, the allocation of the Scheme's assets was as follows:

	<b>2023</b> %	<b>2022</b> %
Growth	<b>32.5</b>	<b>65.1</b>
Bonds	<b>67.5</b>	<b>34.9</b>

*\*These figures exclude Insurance policies and cash held by the Scheme Administrator.*

**Performance**

The total performance of the Scheme's pooled investment vehicles to 31 March 2023 is shown below:

<b>One Year</b> %	<b>Three Years</b> % (p.a.)	<b>Five Years</b> % (p.a.)
(27.1)	2.9	0.5

**Custodial Arrangements**

Bank of New York Mellon acts as custodian for the pooled funds managed by Insight, CACEIS Bank Luxembourg is the custodian for Amundi and State Street Fund Services (Ireland) Ltd for Muzinich. Bridges do not have a custodian but use Alter Domus Depositary Services. The Trustees receive reports each quarter covering assets held by the investment manager and transactions in the quarter. These are monitored by the Trustees and, if appropriate, followed up with the investment manager on a timely basis.

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**Investment Matters (continued)**

**Investment Management Fees**

The fee scales (which are incorporated in the valuation of the funds) are as follows:

<b>Investment Manager</b>	<b>Fees Scale (% of Assets Under Management)</b>
Insight	0.30% per annum.
Amundi	Management fee – 0.16% p.a. with a minimum of £60,000 per annum Admin fee – 0.11% p.a.
BMO	0.3% for LDI funds 0.1% for Sterling Liquidity Fund per annum.
Bridges	2.5% management fee which is refunded if the manager receives carried interest. Carried interest for manager of 20% with an 8% hurdle.
Hermes	0.75% per annum.
Muzinich & Co	0.45% per annum.

In the prior year, the Amundi fees changed from a management fee of 0.225% with a minimum of £50,000 to 0.16% with a minimum of £60,000. This was as a result of the new investment strategy implemented.

**Employer-Related Investments**

There were no Employer-related investments during the year.

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**Compliance Matters**

**Data Protection**

The Trustees are registered as a Data Controller within the meaning of GDPR guidelines (formerly under the Data Protection Act 1998) to hold such information as is necessary for the management of the Scheme. Isio Group Ltd is registered as a Data Processor under GDPR guidelines (formerly under the Act).

**The Pensions Regulator**

The statutory body that regulates occupational pension schemes is the Pensions Regulator ("TPR") and can be contacted at:

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

Telephone: 0345 600 0707  
Email: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)  
Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

**The Pensions Tracing Service**

A pension tracing service is carried out by the Department for Work & Pensions. This service can be contacted as follows:

Pension Tracing Service  
Post Handling Site A  
Wolverhampton  
WV98 1AF

Telephone: 0800 731 0193  
Website: [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

**The Money and Pensions Service**

For any general enquiries on their pensions, members can contact the The Money and Pensions Service. A local advisor can usually be contacted through the Citizen's Advice Bureau. Alternatively, the Service can be contacted at:

The Money and Pensions Service  
120 Holborn  
London  
EC1N 2TD

Telephone: 0115 965 9570  
Email: [contact@maps.co.uk](mailto:contact@maps.co.uk)  
Website: [www.maps.org.uk](http://www.maps.org.uk)

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**Compliance Matters (continued)**

**The Pensions Ombudsman**

Any concerns connected with the Scheme should be referred to Isio Group Ltd, AMP House, Dingwall Road, Croydon, CR0 2LX as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their Scheme which are not satisfied by the information or explanation given by the administrators or the Trustees can consult with The Pensions Ombudsman. The address is:

The Pension Ombudsman  
10 South Colonnade  
Canary Wharf  
E14 4PU

Telephone: 0800 917 4487

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

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

**Enquiries**

Members can obtain information about their own pension benefits, copies of the Scheme's governing documentation or further information about the Scheme by contacting:

Isio Group Ltd  
AMP House  
Dingwall Road  
Croydon  
CR0 2LX

Email: [NMC&AE@ISIO.com](mailto:NMC&AE@ISIO.com)

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**Statement of Trustees' Responsibilities**

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

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

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

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

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

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

Signed for and on behalf of the Trustees by:

Trustee:



Date: 27/10/2023

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE PENSION SCHEME FOR THE  
NURSING AND MIDWIFERY AND ASSOCIATED EMPLOYERS  
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**Opinion**

We have audited the financial statements of The Pension Scheme for the Nursing and Midwifery Council and Associated Employers ('the Scheme') for the year ended 31 March 2023 which comprise the Fund Account, the Statement of Net Assets and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, The Pension Scheme for the Nursing and Midwifery Council and Associated Employers financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023, 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 Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions Relating to Going Concern**

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

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

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

**Other Information**

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

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE PENSION SCHEME FOR THE  
NURSING AND MIDWIFERY AND ASSOCIATED EMPLOYERS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**Other Information (continued)**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 Trustees**

As explained more fully in the statement of Trustees' responsibilities set out on page 15, the Trustees are responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Scheme or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Capability of the audit in detecting irregularities, including fraud irregularities**

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:

Based on our discussions with the Trustees, we considered the laws and regulations that have a direct impact on the preparation of the financial statements such as 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.

During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity. The engagement team remained alert to non-compliance throughout the audit from planning to completion.

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
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NURSING AND MIDWIFERY AND ASSOCIATED EMPLOYERS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of:

- enquiries of management and the Trustees as to whether the entity complies with such laws and regulations;
- enquiries with the same concerning any actual or potential litigation or claims and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of relevant legal correspondence;
- review of Trustee meeting minutes;
- testing the appropriateness of journal entries; and
- the performance of analytical review to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the Audit Report**

This report is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustees 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 Scheme and the Scheme's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

*Assure UK*

**Assure UK**  
Chartered Accountants and Statutory Auditor  
London

Date: 27/10/2023

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
FUND ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 £	2022 £
<b>Contributions and Benefits</b>			
Employer contributions	4	2,290,766	2,961,961
Employee contributions	4	-	70,208
Other income	5	60,889	3,919
		<u>2,351,655</u>	<u>3,036,088</u>
Benefits paid or payable	6	(4,266,183)	(3,875,599)
Payments to and on account of leavers	7	(9,400)	(1,762,800)
Administrative expenses	8	(476,830)	(157,242)
		<u>(4,752,413)</u>	<u>(5,795,641)</u>
<b>Net Withdrawals from Dealings with Members</b>		<u>(2,400,758)</u>	<u>(2,759,553)</u>
<b>Returns on Investments</b>			
Investment management expenses	9	(45,315)	(42,569)
Investment income	10	3,281,832	3,231,597
Change in market value of investments	11	(35,839,817)	2,940,302
<b>Net Returns on Investments</b>		<u>(32,603,300)</u>	<u>6,129,330</u>
<b>Net (Decrease)/Increase in the Fund</b>		<u>(35,004,058)</u>	<u>3,369,777</u>
<b>Net Assets at 1 April</b>		<u>151,786,724</u>	<u>148,416,947</u>
<b>Net Assets at 31 March</b>		<u>116,782,666</u>	<u>151,786,724</u>

The notes on pages 21 to 30 form an integral part of these financial statements.

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)  
AS AT 31 MARCH 2023**

	Notes	2023 £	2022 £
<b>Investment Assets</b>			
Pooled investment vehicles	12	65,604,919	88,118,073
Insurance policies	13	49,556,000	61,903,000
		<u>115,160,919</u>	<u>150,021,073</u>
<b>Current Assets</b>	18	1,789,303	1,871,977
<b>Current Liabilities</b>	19	(167,556)	(106,326)
<b>Net Assets at 31 March</b>		<u>116,782,666</u>	<u>151,786,724</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with on pages 7 and 8 and the Actuarial Certificate on page 31 of the annual report, and these financial statements should be read in conjunction with these sections.

The notes on pages 21 to 30 form part of these financial statements.

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

Trustee: 

Date: 27/10/2023

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**1. BASIS OF PREPARATION**

The financial statements have been prepared, on a going concern basis, in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – the Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council, and with the guidelines set out in the Statement of Recommended Practice Financial Reports of Pension Schemes (revised 2018) (the “SORP”).

**2. IDENTIFICATION OF THE FINANCIAL STATEMENTS**

The Scheme is registered as a trust under English law. The address for enquiries is included in the Trustees’ Report in the Trustees’ and their advisers section of this report.

**3. ACCOUNTING POLICIES**

The following principal accounting policies have been adopted in the preparation of the financial statements and have been applied consistently.

**3.1 Contributions and Benefits**

- a) Contributions, benefits and payments to leavers are accounted for in the period in which they fall due.
- b) Augmentations relate to the cost of augmenting benefits of certain retiring members, are accounted for as advised by the Actuary.
- c) AVCs are accounted for on an accrual basis, and the resulting investments are included within the net asset statement.
- d) Normal contributions received during the year have been in accordance with the Schedule of Contributions.
- e) Employer deficit funding contributions and expense contributions are accounted for on the dates due in accordance with the Schedule of Contributions.

**3.2 Transfers**

Transfer values have been included in the financial statements when paid or received, they do not take account of members who have notified the Scheme of their intention to transfer.

**3.3 Investment and Other Income**

- a) Interest on cash held with the Scheme Administrator is accounted for as it accrues.
- b) Income from pooled investment vehicles is accounted for when declared by the fund manager.
- c) The buy-in policies are with Pensions Insurance Corporation. The income arising from the buy-ins policies has been included in investment income and the pensions paid to the pensioners included in pension payments. There has been no netting off of these amounts.

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**3. ACCOUNTING POLICIES (CONTINUED)**

**3.4 Valuation of Investments**

- a) The investments are included at fair value.
- b) The market value of pooled investment vehicles is based on the bid price or, if only single priced, the single unit price operating at the accounting date, as advised by the investment managers.
- c) The changes in investment market value are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year-end.
- d) At the year end the buy in policy has been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions.

**3.5 Administrative and Investment Management Expenses**

Administrative and investment management expenses are met by the Scheme and are accounted for on an accruals basis.

**3.6 Other Payments**

Other payments include premiums for term insurance policies held with AIG life (Ellipse) and is accounted for as it accrues.

**3.7 Currency**

The Scheme's functional and presentational currency is Pounds Sterling.

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**4. CONTRIBUTIONS**

	<b>2023</b>	<i>2022</i>
	<b>£</b>	<i>£</i>
<b>Employer</b>		
Deficit funding	<b>2,047,991</b>	<i>2,151,136</i>
Normal	-	<i>422,675</i>
Expenses	<b>226,050</b>	<i>251,850</i>
Augmentations	<b>16,725</b>	<i>136,300</i>
<b>Employee</b>		
Normal	-	<i>69,282</i>
Additional voluntary contributions (AVCs)	-	<i>926</i>
	<b><u>2,290,766</u></b>	<i><u>3,032,169</u></i>

The option for active members to pay AVCs ceased when the Scheme closed to future accrual on 30 June 2021.

In respect of the new Schedule of Contributions certified by the Scheme Actuary on 17 May 2023, no deficit contributions are payable and the Employers may pay additional contributions of any amount and at any time.

Augmentations are to fund ill health retirements for a member, which stopped in June 2022 when the member reached the NRA for the Scheme.

**5. OTHER INCOME**

	<b>2023</b>	<i>2022</i>
	<b>£</b>	<i>£</i>
Interest on cash held with the Scheme Administrator	<b><u>60,889</u></b>	<i><u>3,919</u></i>

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**6. BENEFITS PAID OR PAYABLE**

	<b>2023</b>	<i>2022</i>
	<b>£</b>	<i>£</i>
Pensions	<b>3,806,337</b>	<i>3,635,599</i>
Commutations and lump sums on retirement	<b>430,667</b>	<i>216,816</i>
Death benefits	<b>10,744</b>	<i>16,921</i>
Purchase of annuities – pension increases for annuitants	<b>18,435</b>	<i>6,263</i>
	<b><u>4,266,183</u></b>	<i><u>3,875,599</u></i>

The purchase of annuities represents the cost of purchasing increases for the annuitants covered by historic annuity policies held with LV. These policies are held in the name of the individual members.

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

	<b>2023</b>	<i>2022</i>
	<b>£</b>	<i>£</i>
Individual transfers to other schemes	<b><u>9,400</u></b>	<i><u>1,762,800</u></i>

**8. ADMINISTRATIVE EXPENSES**

	<b>2023</b>	<i>2022</i>
	<b>£</b>	<i>£</i>
Administration	<b>138,829</b>	<i>98,805</i>
PPF Levy	<b>75,877</b>	<i>81,421</i>
Audit	<b>17,989</b>	<i>11,504</i>
Actuarial, consultancy and secretarial	<b>238,115</b>	<i>7,309</i>
Trustees' liability insurance	<b>-</b>	<i>750</i>
Bank charges	<b>668</b>	<i>690</i>
Legal	<b>5,352</b>	<i>(32,737)</i>
Covenant	<b>-</b>	<i>(10,500)</i>
	<b><u>476,830</u></b>	<i><u>157,242</u></i>

The large increase in actuarial, consultancy and secretarial fees is due to the prior year's figure including an accrual of £273,250 for the reimbursement of fees in regard to the closure of the Scheme to future accrual.

During the year a payment was made into the Trustee bank account held with the Scheme administrator for the reimbursement of fees in regard to the closure of the Scheme to future accrual in 2021. The total amount received was £323,803.

The negative figures in the prior year relate to the accrual of the closure fee for the reimbursed fees.

**9. INVESTMENT MANAGEMENT EXPENSES**

	<b>2023</b>	<i>2022</i>
	<b>£</b>	<i>£</i>
Administration, management, and custody	<b><u>45,315</u></b>	<i><u>42,569</u></i>

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**10. INVESTMENT INCOME**

	<b>2023</b>	<i>2022</i>
	£	£
Income from insurance policies	<b>3,294,593</b>	<i>3,231,597</i>
Rebalancing on investments	<b>(12,761)</b>	<i>-</i>
	<b><u>3,281,832</u></b>	<i><u>3,231,597</u></i>

**11. INVESTMENT RECONCILIATION**

	Value at 1 April 2022	Cost of Purchases	Proceeds of Sales	Change in Market Value	Value at 31 March 2023
	£	£	£	£	£
Pooled investment vehicles	88,118,073	41,509,761	(40,530,098)	(23,492,817)	<b>65,604,919</b>
Insurance policies	<u>61,903,000</u>	<u>-</u>	<u>-</u>	<u>(12,347,000)</u>	<b><u>49,556,000</u></b>
	<b><u>150,021,073</u></b>	<b><u>41,509,761</u></b>	<b><u>(40,530,098)</u></b>	<b><u>(35,839,817)</u></b>	<b><u>115,160,919</u></b>

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.

No direct transaction costs have been incurred. Indirect costs are incurred within pooled investment vehicles via bid/offer spreads and charges made within those vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

**12. POOLED INVESTMENT VEHICLES**

The holdings of the Scheme's Pooled Investment Vehicles are analysed below:

	<b>2023</b>	<i>2022</i>
	£	£
Equities	<b>21,376,693</b>	<i>56,920,958</i>
LDI	<b>10,851,369</b>	<i>16,824,076</i>
Bonds	<b>28,408,096</b>	<i>13,665,779</i>
Cash	<b><u>4,968,761</u></b>	<i><u>707,260</u></i>
	<b><u>65,604,919</u></b>	<i><u>88,118,073</u></i>

The LDI funds hold a variety of investments including bonds and derivative instruments used to hedge the Scheme funding position.

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
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**13. INSURANCE POLICIES**

The Trustees entered into a second bulk purchase annuity (BPA) contract with Pension Insurance Corporation (PIC) to cover 49 members whose retirement date from the Scheme was anytime up to 31 December 2017 but who were not covered by the existing Bulk Purchase Annuity Contract with PIC. The contract also covered future pension increases (including the pension increases due on 1 April 2018). The initial premium was £12.7m.

The Trustees also entered into a Side Letter to the existing Bulk Purchase Annuity Contract with PIC to cover future pension increases for the members covered by the Contract. This included the pension increases due on 1 April 2018. The initial premium was £17.9m.

**14. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)**

Included in investments are AVCs paid by members and invested, in order to provide additional benefits in the future. The AVCs do not form part of the pool of investments available generally to members of the Scheme.

**15. INVESTMENT FAIR VALUE HIERARCHY**

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

**Level 1:** The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly

**Level 3:** Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2023</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Pooled investment vehicles	-	<b>62,089,818</b>	<b>3,515,101</b>	<b>65,604,919</b>
Insurance policies	-	-	<b>49,556,000</b>	<b>49,556,000</b>
	-	<b>62,089,818</b>	<b>53,071,101</b>	<b>115,160,919</b>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>2022</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Pooled investment vehicles	-	<i>83,646,725</i>	<i>4,471,348</i>	<i>88,118,073</i>
Insurance policies	-	-	<i>61,903,000</i>	<i>61,903,000</i>
	-	<i>83,646,725</i>	<i>66,374,348</i>	<i>150,021,073</i>

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
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FOR THE YEAR ENDED 31 MARCH 2023**

**16. INVESTMENT RISKS**

FRS 102 requires the disclosure of information in relation to certain investment risks. FRS 102 sets out these risks as follows:

**Credit Risk:** 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:** comprises currency risk, interest rate risk and other price risk, defined as follows:

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

The Trustees determine their investment strategy after taking advice from Premier Investment Consultancy Limited as their professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy. Investment objectives are implemented through the agreements in place with the Scheme's Investment Managers and monitored by the Trustees by regular reviews of the investment portfolio, and more frequently by their investment adviser.

The Scheme is exposed to each of the below risks. This has been the case for 2023 and 2022. The AVCs are not considered below as they are not material to the overall investments held.

**Credit Risk**

The Scheme's bulk annuity policies with PIC is subject to credit risk in relation to the solvency of PIC.

The Scheme is directly exposed to credit risk as it invests into pooled investment vehicles.

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Unitholder (Luxembourg FCP)	<b>36,195,785</b>	69,470,622
Shareholder (England and Wales ICVC)	<b>25,894,033</b>	7,750,432
Shareholder (Irish UCITS)	-	6,425,671
Limited Partnership Agreement (England and Wales)	<b>3,515,101</b>	4,471,348
	<b><u>65,604,919</u></b>	<b><u>88,118,073</u></b>

*\*This excludes cash held in the Trustees bank account held with the Scheme Administrator.*

Credit risk borne by investments into pooled investment vehicles is mitigated by investing across a number of different funds and performing due diligence on each investment's custodial arrangements.

The Scheme is indirectly exposed to credit risk arising on the credit instruments held by pooled investment vehicles. Individual fund manager credit risk within underlying portfolio with the expectation of some reward for the risk taken.

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
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**16. INVESTMENT RISKS (CONTINUED)**

**Currency Risk**

The Scheme has no direct currency risk as all investment's funds are GBP denominated.

The Scheme is subject to currency risk as some of the fund's underlying assets are held in overseas markets through pooled investment vehicles. This is mitigated or managed by each individual fund manager.

**Interest Rate Risk**

The Scheme has no direct interest rate risk.

The Scheme is however exposed to significant interest rate risk through the underlying positions held by pooled investment vehicles.

Most of the Scheme's interest rate risk is via investment vehicles that hold bonds for liability matching purposes. The rest of the Scheme's interest rate risk is managed by fund managers with the expectation of some reward for the risk taken.

The PIC Buy-ins are subject to interest rate risk as the valuation assumptions are sensitive to market interest rate movement.

**Other Price Risk**

The Scheme's return seeking portfolio includes equities held in pooled investment vehicles. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

**17. CONCENTRATION OF INVESTMENTS**

The following investments account for more than 5% of the Scheme's net assets as at 31 March:

	2023		2022	
	£	%	£	%
PIC Insurance Policy	49,556,000	42.4	61,903,000	41.0
Insight UK Index Linked Bond	18,480,004	15.8	-	-
Amundi SIF Global Ethical Equity Fund	17,861,592	15.3	46,616,965	30.8
CT Real Dynamic Fund	8,995,759	7.7	15,551,298	10.2
Insight UK Corp All Maturities Bond Fund	7,414,029	6.3	7,750,432	5.1

**18. CURRENT ASSETS**

	2023	2022
	£	£
Cash held with the Scheme Administrator	1,789,303	1,341,543
Other amounts due from Employer	-	323,803
Employer contributions due	-	206,631
	<u>1,789,303</u>	<u>1,871,977</u>

Other amounts due from the Employer are in relation to the reimbursement of fees due to the Scheme closure to future accrual in June 2021.

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**19. CURRENT LIABILITIES**

	<b>2023</b>	<i>2022</i>
	<b>£</b>	<i>£</i>
Administrative expenses due	<b>67,724</b>	<i>54,960</i>
PAYE due to HMRC	<b>54,710</b>	<i>46,366</i>
Benefits payable	<b>17,479</b>	<i>-</i>
Investment management expenses due	<b>27,643</b>	<i>5,000</i>
	<b><u>167,556</u></b>	<i><u>106,326</u></i>

**20. RELATED PARTY TRANSACTIONS**

F Gill is an employed deferred member of the Scheme. H Aumeer and A Treacy are pensioners of the Scheme and receive benefits in accordance with the Scheme rules and on the same terms as are normally granted to members.

Two of the Trustees J Halladay and P Hall appointed by the Employer receive payments for services provided to the Scheme, these payments are paid by the NMC.

Trustees are reimbursed travel expenses where appropriate.

Apart from the transactions and balances with the Employers shown in the financial statements and notes thereto, there were no other related party transactions during the year under review.

**21. EMPLOYER RELATED INVESTMENTS**

There were no Employer related investments during the year.

**22. TAXATION**

In accordance with the provisions of Schedule 36 of Finance Act 2004, the Scheme is a registered pension scheme under Chapter 2 of part 4 of the Finance Act 2004 with effect from 6 April 2006.

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**23. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

*GMP Equalisation*

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their Scheme must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 5 April 1997. Following the ruling, it is expected that the Trustees will need to equalise guaranteed minimum pensions between men and women. This is likely to result in additional liabilities for the Scheme for equalisation of the benefits already crystallised e.g., historical transfers out, retirement benefits etc.

An allowance has been made for GMP equalisation at the latest actuarial valuation, the Scheme Actuary advised the total increase to the Technical Provisions was estimated to be £108,000.

Subsequently, on 20 November 2020, the High Court issued a follow up judgment in respect of the Lloyds Banking Group ruling that any transfers out paid since 17 May 1990 must potentially be increased to reflect additional liabilities arising from the equalisation of GMPs accrued between 17 May 1990 and 5 April 1997. This could potentially result in top-up payments to members but presents significant challenges for the Trustees and Scheme Administrator in terms of:

- Identifying transfers paid since 1990.
- Equalising the transfer payment.
- Tracking the relevant members and the arrangements they transferred to.

The Trustees are currently reviewing all options with their Scheme Advisers. The Trustees do not expect this to be material to the financial statements and therefore have not included a liability in respect of these matters in the financial statements.

*Capital Commitments*

At the year end the Scheme held Capital Commitments with Bridges Sustainable Growth Fund IV LP £3,515,101 (2022: £4,000,000).

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
ACTUARIAL CERTIFICATE**

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**Certificate of Schedule of Contributions**

**Adequacy of Rates of Contributions**

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2022 to continue to be met for the period for which the schedule is to be in force.

**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 (i.e., signed on behalf of the Trustees on) 3 March 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective could have been expected on 31 March 2022 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:**

*John Herbert*

**Name:**

John Herbert

**Date of signing:**

17 May 2023

**Address:**

Isio Group Limited  
PO Box 721  
Salford  
M5 0QT

**Qualification:**

Fellow of the Institute and Faculty of Actuaries

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEES OF THE  
PENSION FOR THE NURSING AND MIDWIFERY COUNCIL AND ASSOCIATED EMPLOYERS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**Statement about Contributions Payable under the Schedule of Contributions**

We have examined the Summary of Contributions Payable to The Pension Scheme for the Nursing and Midwifery Council and Associated Employers, for the Scheme year ended 31 March 2023 which is set out on page 33.

In our opinion, the contributions for the Scheme year ended 31 March 2023 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary in September 2020.

**Scope of work on Statement about Contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions on page 33 have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

**Respective responsibilities of Trustees and the Auditor**

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

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

**Use of the audit report**

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

*Assure UK*

**Assure UK**

Chartered Accountants and Statutory Auditor  
London

Date: 27/10/2023

**THE PENSION SCHEME FOR THE NURSING AND MIDWIFERY COUNCIL  
AND ASSOCIATED EMPLOYERS  
SUMMARY OF CONTRIBUTIONS PAYABLE  
FOR THE YEAR ENDED 31 MARCH 2023**

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The Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the Employer and member contributions payable to the Scheme under the Schedule of Contributions in respect of the Scheme year ended 31 March 2023. The Scheme Auditor reports on contributions payable under the Schedule in the Auditors' Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year:

**2023**

**£**

**Employer**

Deficit funding

**2,047,991**

Expense

**226,050**

**Contributions payable under the Schedule**

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**2,274,041**

**Other Contributions paid**

Augmentations

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**16,725**

**Total Contributions as reported in Note 4**

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**2,290,766**

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Signed for and on behalf of the Trustee by:

Trustee:



Date: 27/10/2023

## **Implementation Statement for the Year to 31 March 2023**

### **The Pension Scheme for the Nursing and Midwifery Council and Associated Employers ('the Scheme')**

#### **Introduction**

This statement describes the voting and engagement policies of the Trustees of the Pension Scheme for the Nursing and Midwifery Council and Associated Employers ('the Trustees') along with a summary of voting and engagement behaviour related to the Scheme's investments over the 12-month period to 31 March 2023.

This Implementation Statement is to provide evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles ('the SIP'). This report details:

- Actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP;
- The current policy and approach with regards to Environmental, Social and Governance (ESG) factors and the actions taken with managers on managing ESG risks; and
- The extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in which they invest.

#### **Summary of key actions undertaken over the Scheme reporting year**

During the year, the Scheme experienced an improvement in funding as a result of the Gilt crisis in late September/early October at a time when interest rate and inflation risk were not fully hedged. The Trustees therefore undertook a derisking exercise, selling a substantial component of the growth portfolio to increase interest rate and inflation hedges on a Low Dependency basis. As at the end of March a new liability driven investment strategy Liability Driven Investment (LDI) strategy was being implemented with a new LDI provider.

#### **Implementation Statement**

This report demonstrates that the Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

## Managing risks

Risk / Policy	Definition	Policy	Actions
Interest rates and Inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To invest in an increasing amount in assets that move in line with the present value of the Scheme's liabilities.	The Scheme invested in LDI funds and increased hedges during the period, which aim to hedge a very significant part of the Scheme's inflation and interest rate risk..
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 provide collateral to the LDI manager.	The liquidity of the Scheme was severely tested during the Gilt crisis but all capital calls were dealt with in good time. Liquidity is maintained in credit, cash and daily traded funds in the main.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away from any unrewarded risks, where practicable.	The Scheme has materially reduced all market exposure over the period and invests but retains an allocation to public and private equity.
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 where possible	The Scheme invested in well diversified credit funds, which invest across a variety of sectors, diversifying the underlying credit risk.
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 Scheme's investments.	The Trustees have a strong ESG policy which they expect their growth fund managers to adhere to and their bond managers to consider. Fund managers are expected to integrate ESG into their investment process, utilise their right to vote and have good reporting on ESG matters.	As part of the investment management of the Scheme's assets, the Trustees expect the investment managers to make decisions on: <ul style="list-style-type: none"> <li>• The selection, retention and realisation of investments taking into account all financially material considerations.</li> <li>• The exercise of rights (including voting rights) attached to these investments</li> <li>• Undertaking engagement activities with investee companies</li> </ul>

			<p>and other stakeholders where appropriate.</p> <p>The Trustees have undertaken training on ESG and Stewardship and is considering priorities.</p>
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in GBP denominated share classes as far as possible	The Scheme invests in GBP denominated share classes.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financially material ESG factors are considered where it is believed there is a majority membership preference or where the financial impact is unlikely to be detrimental to returns.	

## Changes to the SIP

### Policies added to the SIP

An updated SIP was drafted at the end of the period.

## Implementing the current ESG policy and approach

### ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a long-term risk. The next page details how the Scheme's ESG policy is implemented.

The following table outlines the areas by which the Scheme's investment managers are assessed on when evaluating their ESG policies. The Trustees will review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

### Engagement with the Sponsor

The ESG policy is in line with the Sponsor's ESG policy. The Sponsor is kept updated on all material developments in relation to ESG.

The rest of this statement details the Trustee's view of the managers, the actions for engagement and an evaluation of the stewardship activity.

The following table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies. The Trustee will review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

### Implementing the Current ESG Policy

Areas for monitoring and engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factor and the exercising of rights.	The Trustees have set specific ESG requirements for its public equity investments and receives regular information on the portfolio, including meeting in person.	The manager has not acted in accordance with their policies and frameworks.  The manager's policies are not in line with the Trustees' policies in this area.

## Engagement and Voting

Fund Manager	Policies	Engagement and Voting
Amundi SIF Global Ethical Equities	Documents are available on their website covering general ESG policies and priorities. <a href="#">Our ESG approach</a>   <a href="#">About Amundi</a>	See below for information
Bridges Sustainable Growth	Documents are available on their website covering RI policies. <a href="#">Impact Management - Bridges Fund Management</a>	<p>This is a private equity holding investing across impact themes. The Fund has investments across green energy, children's nutrition and social housing maintenance.</p> <p>The Fund is the major shareholder in all investments it makes, taking board positions with a commitment to positive action across E, S and G.</p> <p>With only 5 investments remaining in the Fund, the Trustees have full transparency.</p>
Insight UK Corporate All Maturities Bond	Documents are available on their website covering RI policies. <a href="#">Responsible investment</a>   <a href="#">Insight Investment</a>	See below for engagement information
Columbia Threadneedle LDI	Documents are available on their website covering RI policies. <a href="#">Responsible Investor</a>   <a href="#">Columbia Threadneedle Investments</a>	See below for engagement information (to December 2022)

Where voting has taken place, which is solely within the Amundi fund, the Trustees have chosen to adopt a definition of "significant votes" that is in line with the definition chosen by the Fund manager.

## Amundi SIF Ethical Equities

Amundi have set high level themes for their engagement:

- The transition to a low-carbon economy
- Protection of ecosystems and biodiversity loss
- Human rights
- Client, product and societal responsibilities
- Strong governance practices that strengthen sustainable development
- Dialogue to foster a stronger voting exercise and a sounder corporate governance

<b>Global Statistics</b>	<b>Voted</b>	<b>Votable</b>	<b>%</b>
Number of companies	69	70	99%
Number of meetings	71	72	99%
% of meetings voted with at least one vote "Against Management"	69%		
Number of items	1 076	1 115	97%
% of items voted "Against Management" (*)	18%		
<b>Votes Against the Management</b>	<b>Voted</b>		
Number of items voted "Against Management"	198		
<b>Breakdown of votes "Against Management"</b>	<b>Voted</b>		
Board structure	64%		
Compensation	19%		
Financial Structures	1%		
Dividends	1%		
Shareholders' proposals	7%		
Others	9%		
<b>% of votes "Against Management" for each category</b>	<b>Voted</b>		
Board structure	20%		
Compensation	28%		
Financial Structures	3%		
Dividends	2%		
Shareholders' proposals (*)	74%		
Other	10%		
<b>Votes in favor of Shareholders' Proposals</b>	<b>Voted</b>		
Number of Shareholders' Proposals	19		
% of votes in favor of Shareholders' Proposals	74%		
<b>% for each theme</b>	<b>Voted</b>		
Compensation	100%		
Governance	100%		
Board structure	50%		
Climate	100%		
Environment	100%		
Social / Health / Human Rights	67%		
Other	50%		
<b>Breakdown per ESG Items</b>	<b>Voted</b>		
Environment / Climate	2		
Social	125		
Governance	949		
<b>Instructions</b>	<b>Voted</b>		
For	882 (82%)		
Against	177 (16%)		
Abstain	17 (2%)		

Proposal number	Company Name	Meeting Date	Approx size of holding (31 March 2023)	Summary of resolution	How voted	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Rationale for the voting decision	Outcome of the vote	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	On which criteria have you assessed this vote to be "most significant"?
7.2	Naturgy Energy Group SA	28/03/2023	0.03%	Reelect Claudi Santiago Ponsa as Director	Against	Yes	There are concerns regarding how the Board is overseeing ESG matters. Remuneration committee members are held accountable for the Company's inadequate executive pay practices or policies.	Accepted (against only 6,9%)	N/A	As determined at Amundi level, significant votes, are a selection of the most important environmental and social shareholder proposals. Emblematic votes, as encountered by the voting analysts from time to time (linked for example to controversies that have been highly mediated), vote of all items for meetings of issuers that have been noted as a conflict of interest as per our voting policy as well as votes against board members of climate & social laggard companies (as defined in our voting policy).
7.3	Naturgy Energy Group SA	28/03/2023	0.03%	Reelect Pedro Sainz de Baranda Riva as Director	Against	Yes	There are concerns regarding how the Board is overseeing ESG matters. The gender diversity of the board is below our guidelines. Remuneration committee members are held accountable for the Company's inadequate executive pay practices or policies. The board is not sufficiently independent as per our voting policy.	Accepted (against only 8,4%)	N/A	As determined at Amundi level, significant votes, are a selection of the most important environmental and social shareholder proposals. Emblematic votes, as encountered by the voting analysts from time to time (linked for example to controversies that have been highly mediated), vote of all items for meetings of issuers that have been noted as a conflict of interest as per our voting policy as well as votes against board members of climate & social laggard companies (as defined in our voting policy).
5	METRO INC	24/01/2023	0.15%	SP 1: Adopt Near and Long-Term Science-Based Greenhouse Gas Emissions Reduction Targets	For	Yes	Additional information on meeting Paris Agreement goals would be useful to shareholders to assess potential risks and increase their understanding on how the company is managing its transition.	Rejected (however, the level of dissent was 28,7%)	N/A	As determined at Amundi level, significant votes, are a selection of the most important environmental and social shareholder proposals. Emblematic votes, as encountered by the voting analysts from time to time (linked for example to controversies that have been highly mediated), vote of all items for meetings of issuers that have been noted as a conflict of interest as per our voting policy as well as votes against board members of climate & social laggard companies (as defined in our voting policy).
4	WALGREEN BOOTS ALLIANCE	26/01/2023	0.10%	Report on Public Health Costs Due to Tobacco Product Sales and the Impact on Overall Market	For	Yes	We concur with the proponent that disclosure to shareholders of the risk associated with the company selling tobacco products would be beneficial.	Rejected (the level of dissent was 11,5%)	N/A	As determined at Amundi level, significant votes, are a selection of the most important environmental and social shareholder proposals. Emblematic votes, as encountered by the voting analysts from time to time (linked for example to controversies that have been highly mediated), vote of all items for meetings of issuers that have been noted as a conflict of interest as per our voting policy as well as votes against board members of climate & social laggard companies (as defined in our voting policy).
1a	Starbucks Corporation	23/03/2023	0.35%	Elect Director Richard E. Allison, Jr.	Against	Yes	There are concerns regarding how this Board member has exercised his or her responsibilities.	Accepted (against only 5,97%)	N/A	As determined at Amundi level, significant votes, are a selection of the most important environmental and social shareholder proposals. Emblematic votes, as encountered by the voting analysts from time to time (linked for example to controversies that have been highly mediated), vote of all items for meetings of issuers that have been noted as a conflict of interest as per our voting policy as well as votes against board members of climate & social laggard companies (as defined in our voting policy).

## Insight UK Corporate All Maturities Bond Fund

Engagement with issuers is a key part of Insight's credit analysis and monitoring and complements their approach to responsible investment. As a matter of policy, credit analysts regularly meet with issuers to discuss ESG related and non-ESG related issues.

With regards to holdings in corporate bonds, 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. They also work 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 in relations to their clients' investments.

The last 12 months' engagement topics are set out below:

Environment - Climate change	701
Environment - Natural resource use/impact (e.g. water, biodiversity)	84
Environment - Pollution, Waste	117
Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying)	104
Social - Human and labour rights (e.g. supply chain rights, community relations)	85
Social - Human capital management (e.g. inclusion & diversity, employee terms, safety)	158
Social - Inequality	6
Social - Public health	112
Governance - Board effectiveness - Diversity	0
Governance - Board effectiveness - Independence or Oversight	127
Governance - Board effectiveness - Other	0
Governance - Leadership - Chair/CEO	0
Governance - Remuneration	78
Governance - Shareholder rights	125
Strategy, Financial and Reporting - Capital allocation	0
Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)	472
Strategy, Financial and Reporting - Financial performance	796
Strategy, Financial and Reporting - Strategy/purpose	975
Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks)	187

An example of a key engagement on the environmental theme is with Heathrow:

Rationale:

Heathrow airport the largest and busiest Airport in the UK. Our engagement objectives included encouraging Heathrow to strengthen and consolidate its net zero strategy (particularly on Scope 3), encouraging Heathrow's participation in the Climate Disclosure Programme (CDP) and obtaining the Science Based Targets initiative (SBTi), which enables ambitious private sector action to set ambitious science-based emissions reduction targets.

This engagement is aligned to SDGs 13 Climate Action.

Overview:

This was our first deep dive engagement with Heathrow on ESG topics. The meetings was hosted by our internal industrials analyst with their Treasurer.

CO2 poses a significant challenge for Heathrow and the sector in general, given the materiality of its Scope 3 emissions and the lack of any clear technological solution to decarbonise the sector. 99.9% of Heathrow's carbon emissions are Scope 3 (95% derives from aircraft flying and moving on the ground, 3.6% are surface access and 1.1% stem from its supply chain).

Heathrow has targeted to achieve Net Zero by 2050 including scope 3. Its 2030 targets include:

- a 15% reduction in CO2 emissions from flying (mainly from use of sustainable aviation fuel SAF).
- a 45% cut in CO2 from surface access, supply chain, vehicles and buildings.

The airport faces two challenges in its effort to decarbonise:

1. the degree to which it can influence airlines to decarbonise fleets.
2. its net zero plan relies on technology which is costly and / or unproven (e.g. SAF, hydrogen plane etc.)

Heathrow is working with SBTi to obtain certification; they are hopeful they will receive it before year-end.

Outcome:

Heathrow were aware of CDP, and were keen to understand how we use the data. We have requested that they participate in future.

In 1Q 2023, Heathrow received approval from the Science Based Targets Initiative (SBTi) for their 2030 carbon reduction targets, confirming they are consistent with a 1.5 degree trajectory. Heathrow is the first airport to achieve this status with SBTi's updated 1.5 degree standard. We will continue to hold their bonds.

## Columbia Threadneedle LDI

After the end of March Columbia Threadneedle will be replaced by insight as the LDI manager, hence the information below is only for a limited period.

### Engagement & Our LDI Investments



Our Approach To Responsible Investing	<p>We take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of our investment process, helping us to manage risk and support long-term returns. Beyond the management of opportunity and risk, we also see responsible investing and broader investment stewardship activities as part of our duty as an investor acting in the best interest of our clients, and as a participant in the global financial system.</p> <p>Our approach draws on national and international codes and standards for responsible investment and ownership, including the <b>United Nations Principles for Responsible Investment</b>, to which we are a founder signatory.</p>	
	International Standards & Guidelines	<p>We are signatories of the <b>UK Stewardship Code 2020</b>, and we apply the twelve principles not only to our UK holdings but to all global holdings. We have supported, and in many cases led, the development of high standards of stewardship and recognise the UK Stewardship Code 2020 as a significant step in the further raising of those standards.</p>
		<p>Columbia Threadneedle Investments has long been an active and leading voice in support of robust corporate governance standards and environmental, social and business ethics practices for companies in all jurisdictions where we invest.</p> <p>We are a founding signatory to the <b>United Nations Principles for Responsible Investment (UNPRI)</b> and have achieved the maximum rating of A+ for key areas of our responsible investment approach. See the literature list below for the full report.</p>

Engagement Milestones	<p>LDI portfolios are very different to traditional equity or bond portfolios and so our engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones.</p>
	<p>Columbia Threadneedle Investments identifies specific objectives for our engagement with investee companies. We record specific outcomes where objectives are achieved as "milestones". We report these to clients. Each milestone is rated on a three-star scale related to the extent to which Columbia Threadneedle Investments assesses it to protect and enhance investor value, which can be viewed in more detail in the report download links towards the bottom of this tab. We include the milestones listed below.</p> <p>The tables below summarise the engagement work and milestones achieved with counterparty banks during H1 2022 and H2 2022, related to the scheme's LDI holdings. These reports, as well as for prior periods, are available in full on our website or at the links included below.</p>

#### Engagement milestones for the period 6 months to 30 Jun 2022

Engagements: H1 2022	Counterparty	Engagement Themes	Milestones
	HSBC Holdings PLC	Climate Change	Publication of new Energy Policy.

#### Engagement milestones for the period 6 months to 30 Dec 2022

Engagements: H2 2022	Counterparty	Engagement Themes	Milestones
	Barclays PLC	Climate Change	Announced that timeline to phase out the financing of thermal coal power has been accelerated
	HSBC Holdings PLC	Climate Change	HSBC has updated its energy policy to include the ending of funding for new oil and gas projects