The Co-operative Pension Scheme (Pace): The Co-operative Bank Section

Financial Statements
For Year Ended 5 April 2024

PENSION SCHEME REGISTRY NO. 19023302

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Trustee's Annual Report

We are pleased to present the audited financial statements for The Co-operative Pension Scheme (Pace): The Co-operative Bank Section ("Bank Section") for the year ended 5 April 2024. The financial statements (set out on pages 9 to 35) have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

Further details about the Bank Section, including the investment report, are set out in the consolidated Pace Scheme report and accounts for the year ended 5 April 2024 and these financial statements should be read in conjunction with them. Definitions for the defined terms used in this document can also be found in the consolidated Pace Scheme report.

Report on Actuarial Liabilities

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

In 2018 the Scheme was sectionalised into two sections: the Co-op Section and the Bank Section. The second full actuarial valuation of the Bank Section of the Scheme was carried out as at 5 April 2022.

This showed that on that date:

The value of the technical provisions was:	£1,750 million
The value of the assets at that date was:	£1,982 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles).

Method

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

Significant actuarial assumptions

- **Discount interest rate (pre and post retirement):** The discount rate used is a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available yields) plus an additional:
    - 0.5% per annum for the period to 31 December 2027; and
    - 0.25% per annum thereafter

  to reflect the allowance we have agreed for additional expected investment returns based on the investment strategy.

- **Future Retail Price inflation (RPI):** The assumption for the rate of increase in the Retail Prices Index (RPI) will be a term structure derived from the difference between the yield on conventional and index-linked UK Government bonds at the date of each future cash flow (extrapolated for cashflows beyond the longest available bonds).

- **Future Consumer Price inflation (CPI):** Derived from the RPI assumption, with an appropriate adjustment to recognise the long term difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each valuation; it has been assumed for the purpose of this valuation that the appropriate adjustment will be 0.7% per annum up to 2030 and 0.0% per annum thereafter.

- **Pension increases:** In line with the provisions in the Scheme's rules, the assumption for the rate of pension increases applying to each benefit tranche is a full curve of annual gilt-implied inflation forward rates, adjusted for the probability that future inflation is above or below any applicable maximum and minimum annual increase entitlements. A stochastic model is used to derive the adjustment at each point on the curve. The model allows for the volatility of inflation to vary with time.

- **Pay increases:** No members in the Bank Section of the Scheme have benefits which increase in line with changes in salaries.

- **Mortality:** The mortality assumptions are based on up to date information published by the Continuous Mortality Investigation ("CMI") and National Statistics, making allowance for future improvements in longevity and the experience of the Bank Section of the Scheme. The mortality tables are the S3PA Year of Birth tables (standard for male and middle for female) with weightings of 101% for male pensioners, 107% for male non-pensioners, 101% for female pensioners and 106% for female non-pensioners. Future improvements are based on the CMI 2021 model with a long term improvement rate of 1.5% p.a., an S-Kappa of 7.5 and no initial adjustment factor.

Further details of the completed actuarial valuation and funding arrangements for the Bank Section are available in the consolidated Pace Scheme accounts.

Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with United Kingdom 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 Bank Section during the Bank Section year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Bank Section year; and

- have been prepared in accordance with the Trust Deed.

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 preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Bank Section will not be wound up.

The Trustee is responsible under the trust deed for the preparation of the non-statutory financial statements in accordance with the requirements of the trust deed, applicable law and United Kingdom Accounting Standards.

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 Bank Section and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of PACE Trustees Limited

Christopher Martin for
Independent Trustee Services Limited,
Trustee Director

Thomas Taylor
Secretary

Date: 4 November 2024

Independent Auditor's Report to the Trustee of The Co-operative Pension Scheme (Pace): The Co-operative Bank Section

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Co-operative Pension Scheme (Pace) – The Co-operative Bank Section (the "Bank Section"):

- show a true and fair view of the financial transactions of the Bank Section during the year ended 5 April 2024 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- has been prepared in accordance with the Trust Deed.

We have audited the non-statutory financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 21.

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).

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 non-statutory financial statements section of our report.

We are independent of the Bank Section in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 non-statutory financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the non-statutory 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

Independent Auditor's Report to the Trustee of The Co-operative Pension Scheme (Pace): The Co-operative Bank Section (continued)

Conclusions relating to going concern (continued)

the Bank Section's ability to continue as a going concern for a period of at least twelve months from when the non-statutory financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Trustee's report, other than the non-statutory financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the non-statutory 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 non-statutory 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 non-statutory 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, the Trustee is responsible for the preparation of the non-statutory 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 non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the Trustee is responsible for assessing the Bank Section'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 Bank Section or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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

Independent Auditor's Report to the Trustee of The Co-operative Pension Scheme (Pace): The Co-operative Bank Section (continued)

Auditor's responsibilities for the audit of the non-statutory financial statements (continued)

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 non-statutory financial statements.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Bank Section's industry and its control environment, and reviewed the Bank Section's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Bank Section's Trustee about their own identification and assessment of the risks of irregularities, including those that are specific to the Scheme's business sector.

We obtained an understanding of the legal and regulatory framework that the Bank Section operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the non-statutory financial statements. These included the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1966 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and;
- do not have a direct effect on the non-statutory financial statements but compliance with which may be fundamental to the Bank Section's ability to operate or to avoid a material penalty. These included the Bank Section's regulatory requirements.

We discussed among the audit engagement team including relevant internal specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets. In response we have: obtained an understanding of the relevant controls over investment holdings and transactions; agreed investment holdings to

Independent Auditor's Report to the Trustee of The Co-operative Pension Scheme (Pace): The Co-operative Bank Section (continued)

independent confirmations; and agreed investment and cash reconciliations to independent sales and purchase reports and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the non-statutory financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee and subcommittee meetings, and reviewing correspondence with the Pensions Regulator.

Use of our report

This report is made solely to the Bank Section's Trustee, as a body, in accordance with the Trust Deed and our engagement letter. Our audit work has been undertaken so that we might state to the Bank Section's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank Section's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Reading
United Kingdom

Date: 04/11/24

Fund Account

for the year ended 5 April 2024

What does this show? The Fund Account shows all contributions, investment income and asset returns received by the defined benefit section (DBS) and defined contribution section (DCS) of the Bank Section, minus the benefits and expenses paid out during the year ended 5 April 2024. The result is the Bank Section's net asset position at the end of the reporting year.

		Year ended 5 April 2024			Year ended 5 April 2023		
		DBS	DCS	Total	DBS	DCS	Total
Contributions and Benefits	Note	£'000	£'000	£'000	£'000	£'000	£'000
Employer contributions		-	15,385	15,385	-	11,903	11,903
Employee contributions		-	955	955	-	486	486
Total contributions	3	**-**	**16,340**	**16,340**	**-**	**12,389**	**12,389**
Transfers in	4	-	1,757	1,757	-	247	247
Other income	5	-	252	252	-	264	264
		-	**18,349**	**18,349**	**-**	**12,900**	**12,900**
Benefits paid or payable	6	(45,065)	(860)	(45,925)	(41,475)	(698)	(42,173)
Payments to and on account of leavers	7	(2,484)	(1,680)	(4,164)	(13,100)	(1,175)	(14,275)
Administrative expenses	8	(3,923)	(64)	(3,987)	(6,978)	(61)	(7,039)
Other (payments)/receipts	9	(68)	-	(68)	40	-	40
		(51,540)	**(2,604)**	**(54,144)**	**(61,513)**	**(1,934)**	**(63,447)**
Net (withdrawals)/additions from dealing with members		**(51,540)**	**15,745**	**(35,795)**	**(61,513)**	**10,966**	**(50,547)**
Returns on investments							
Investment income	10	47,054	-	47,054	83,358	-	83,358
Change in market value of investments	11	(116,780)	7,879	(108,901)	(785,493)	(3,017)	(788,510)
Investment management expenses	12	(18)	-	(18)	(1,456)	-	(1,456)
Net returns on investments		**(69,744)**	**7,879**	**(61,865)**	**(703,591)**	**(3,017)**	**(706,608)**
Net (decrease)/ increase in the Bank Section during the year		(121,284)	23,624	(97,660)	(765,104)	7,949	(757,155)
Transfers between sections		503	(503)	-	301	(301)	-
Net assets of the Bank Section:							
As at 6 April		**1,257,177**	**78,891**	**1,336,068**	**2,021,980**	**71,243**	**2,093,223**
As at 5 April		**1,136,396**	**102,012**	**1,238,408**	**1,257,177**	**78,891**	**1,336,068**

The notes on pages 12 to 35 form part of these financial statements

Statement of Net Assets

(available for benefits) as at 5 April 2024

What does this show?	The Statement of Net Assets below provides a snapshot of the financial position of the Bank Section as at 5 April 2024. It sums up the Bank Section's assets and liabilities at this date. It does not take account of obligations to pay pensions and benefits, which fall due after the end of the Bank Section year; this is dealt with in the Report on Actuarial Liabilities.

		5 April 2024			5 April 2023		
	Note	**DBS** £'000	**DCS** £'000	**Total** £'000	**DBS** £'000	**DCS** £'000	**Total** £'000
Investment assets	11-15						
Pooled investment vehicles		20,783	100,129	120,912	-	77,466	77,466
AVC investments		5,541	-	5,541	5,168	-	5,168
Cash deposits		-	-	-	1,316	-	1,316
Sales awaiting settlement		14	-	14	-	-	-
Income received in advance		155	-	155	-	-	-
Insurance policies		1,107,000	-	1,107,000	1,225,000	-	1,225,000
Investment liabilities							
Purchases awaiting settlement		-	-	-	(149)	-	(149)
Income received in advance		-	-	-	(164)	-	(164)
Total net investments		1,133,493	100,129	1,233,622	1,231,171	77,466	1,308,637
Current assets	16	3,571	1,940	5,511	26,960	1,484	28,444
Current liabilities	17	(668)	(57)	(725)	(954)	(59)	(1,013)
Net assets of the Bank Section		**1,136,396**	**102,012**	**1,238,408**	**1,257,177**	**78,891**	**1,336,068**

The notes on pages 12 to 35 form part of these financial statements.

The financial statements summarise the transactions of the Bank Section 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 Bank Section year. The Actuary deals with the actuarial position of the Section, which does take account of such obligations, in the Report on Actuarial Liabilities within the annual report in the Pace Scheme consolidated report and accounts as at 5 April 2024, and these financial statements should be read in conjunction with them.

The Trustee Directors approved these financial statements on 4 November 2024.

Signed for and on behalf of the Trustee Directors:

Christopher Martin for Independent Trustee Services Limited, Trustee Director	Thomas Taylor Secretary

Notes to the Financial Statements

What does this show?	This section outlines the general accounting policies of the Bank Section that relate to the financial statements as a whole.

1.1 Basis of preparation

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

These non-statutory accounts have been prepared for the purpose of the scheme funding valuation for the Bank Section. Separate audited statements have been prepared for the Pace Scheme in accordance with Audit Accounts Regulations. Full SORP disclosures can be found in the Pace Scheme financial statements.

1.2 Identification of the financial statements

The Section is established as a trust under English law. The address for enquiries to the Section is Co-operative Group Limited, Pensions Department, Department 10406, 1 Angel Square, Manchester, M60 0AG.

2 Accounting policies

The principal accounting policies of the Bank Section are as follows:

Contributions and benefits

Employee normal and additional contributions are accounted for when deducted from pay and in the period to which the corresponding pay relates. Employer normal contributions are accounted for on the same basis as employee contributions.

Benefits are accounted for in the period in which the member notifies us of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Transfers

Individual transfers in or out represent the capital sums either received in respect of members from other pension schemes or paid to other pension schemes for members who have left the Bank Section. Transfer values are accounted for when the liability is accepted, or discharged.

Expenses

Expenses are accounted for on an accruals basis.

Investment income

Investment income is reported net of attributable tax credits but gross of withholding taxes, which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

Investment income arising from the underlying assets within pooled investment vehicles is reinvested in those vehicles and is reflected in the unit price. This income is reported within 'change in market value'.

Income arising from annuity policies held in our name as Trustee for the Bank Section is accounted for as investment income on an accruals basis.

Valuation of investments

Investments are included in the statement of net assets at market value. Pooled investment vehicles are stated at the bid price for funds with bid/offer spreads, single price, or dealing price where there are no bid/offer spreads, as provided by the investment manager at the year end.

The fair value of annuities (excluding the buy-ins) purchased by the Trustee, which fully provide the benefits for certain members, are estimated to be immaterial by the Trustee. The asset has therefore been excluded from these financial statements. The cost of purchasing these annuities is reported within the Fund Account under 'Benefits paid or payable'.

The valuation of the buy-in annuity policies has been performed by the Actuary using an approximate roll forward of the results of the 5 April 2022 actuarial valuation (but updated for market conditions as at 5 April 2024 and allowing for known cashflows to 5 April 2024).

In future years, the Actuary will roll forward the data, in a similar manner to the above, from the latest actuarial valuation.

The buy-in annuity policies described above is recognised within the Net Asset Statement under 'Insurance Policies'.

AVC investments are included at market value, as provided by the AVC provider.

3 Contributions

What does this show?	This note shows what contributions have been received by the Bank Section from the Bank during the year.

	DBS year ended 5 April 24 £000	**DCS year ended 5 April 24** £000	**Total year ended 5 April 24** £000
Employer			
normal	-	15,315	15,315
expense allowance	-	70	70
	-	**15,385**	**15,385**
Employee			
additional voluntary contributions	-	955	955
	-	**955**	**955**
	-	**16,340**	**16,340**

	DBS year ended 5 April 23 £000	**DCS year ended 5 April 23** £000	**Total year ended 5 April 23** £000
Employer			
normal	-	11,833	11,833
expense allowance	-	70	70
	-	**11,903**	**11,903**
Employee			
additional voluntary contributions	-	486	486
	-	**486**	**486**
	-	**12,389**	**12,389**

Further details on the Schedules of Contributions agreed for the year can be found on pages 15 to 16 of the consolidated Pace Scheme accounts.

4 Transfers in

What does this show?	This note shows the value of transfers in which have been transferred into the Bank Section during the year.

	DBS year ended 5 April 24 £000	DCS year ended 5 April 24 £000	Total year ended 5 April 24 £000
Individual transfers in	-	1,757	1,757
	DBS year ended 5 April 23 £000	**DCS year ended 5 April 23** £000	**Total year ended 5 April 23** £000
Individual transfers in	-	247	247

5 Other income

What does this show?	This note shows income received from the life insurance provider for the Scheme during the year.

	DBS year ended 5 April 24 £000	DCS year ended 5 April 24 £000	Total year ended 5 April 24 £000
Life assurance claims	-	252	252
	DBS year ended 5 April 23 £000	**DCS year ended 5 April 23** £000	**Total year ended 5 April 23** £000
Life assurance claims	-	264	264

6 Benefits paid or payable

What does this show?	This note shows the types and values of benefits been paid out to members of the Bank Section during the year.

	DBS year ended 5 April 24 £000	**DCS year ended 5 April 24** £000	**Total year ended 5 April 24** £000
Pensions	37,384	-	37,384
Commutations and lump sum	7,569	532	8,101
Lump sum death benefits	112	252	364
Purchases of annuities	-	76	76
	45,065	**860**	**45,925**

	DBS year ended 5 April 23 £000	**DCS year ended 5 April 23** £000	**Total year ended 5 April 23** £000
Pensions	35,298	-	35,298
Commutations and lump sum	6,085	394	6,479
Lump sum death benefits	92	300	392
Purchases of annuities	-	4	4
	41,475	**698**	**42,173**

7 Payments to and on account of leavers

What does this show?	This note shows how much has been paid out to members and other pension schemes for members who have left the Bank Section during the year.

	DBS year ended 5 April 24 £000	**DCS year ended 5 April 24** £000	**Total year ended 5 April 24** £000
Individual transfers to other schemes	2,484	1,680	4,164

	DBS year ended 5 April 23 £000	**DCS year ended 5 April 23** £000	**Total year ended 5 April 23** £000
Individual transfers to other schemes	13,100	1,175	14,275

8 Administrative expenses

What does this show?	This note shows the different types of expenses the Bank Section has incurred during the year. It splits expenses into key categories, such as actuarial and administration fees.

	DBS year ended 5 April 24 £000	**DCS year ended 5 April 24** £000	**Total year ended 5 April 24** £000
Administration	2,540	64	2,604
Actuarial	255	-	255
Audit	43	-	43
Legal and other	1,085	-	1,085
	3,923	**64**	**3,987**

8 Administrative expenses (continued)

	DBS year ended 5 April 23 £000	DCS year ended 5 April 23 £000	Total year ended 5 April 23 £000
Administration	2,397	60	2,457
Actuarial	677	-	677
Audit	44	-	44
Legal and other	3,860	1	3,861
	6,978	**61**	**7,039**

The Co-operative Bank plc meets all DCS costs directly, with the exception of costs charged by the Co-operative Group Limited in respect of the provision of services to the DCS, which is met by way of contributions payable to the DCS. The DBS meets all costs in respect of the DBS.

9 Other payments/(receipts)

What does this show?	This note shows the total amount of levies paid to the Pensions Regulator and the Pension Protection Fund during the year.

	DBS year ended 5 April 24 £000	DCS year ended 5 April 24 £000	Total year ended 5 April 24 £000
Pension levies	68	-	68

	DBS year ended 5 Apr 23 £000	DCS year ended 5 Apr 23 £000	Total year ended 5 Apr 23 £000
Pension levies*	(40)	-	(40)

*Pension levies for 2023 include an accrual release of £138k as the provision for the 2006/07 levy was no longer required.

10 Investment Income

What does this show?	The Bank Section receives income and interest from its assets; this note shows the different types of income and interest received during the year.

DBS	Total year ended 5 April 24 £000	Total year ended 5 April 23 £000
Income from bonds	18	50,070
Interest on cash deposits	1	770
Foreign exchange gain	-	2,078
Income from collateral	-	42
Income from securities lending	-	8
Annuity income*	47,030	30,158
Other	5	232
	47,054	**83,358**

Investment income shown above reflects income earned by investments within the DB Section. All income received on pooled investment vehicles is re-invested and is included in the change in market value. All income earned on pooled investment units held by the DC Section is accounted for within the value of those funds.

*In December 2022, the Trustee entered into an additional bulk annuity policy with Rothesay in respect of the remainder of the Defined Benefit Section's pensioner and deferred liabilities. During the year, £30m (2023: £12m) was received from Rothesay and £17m (2023: £18m) from PIC to cover pensions and benefits paid to members.

11 Reconciliation of investments

What does this show?	This note provides a reconciliation of the sales, purchases and change in market value during the year between the opening and closing value of investments and analysed by asset class as disclosed on the face of the Statement of Net Assets.

		5 April 2023	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	5 April 2024
DB Assets	Note	£000	£000	£000	£000	£000
Bonds		-	21	-	(21)	-
Pooled investment vehicles	11.1	-	20,010	(5)	778	20,783
AVC investments	11.2	5,168	660	(750)	463	5,541
Insurance Policies	11.3	1,225,000	-	-	(118,000)	1,107,000
		1,230,168	**20,691**	**(755)**	**(116,780)**	**1,133,324**
Cash deposits		1,316				-
(Income received in advance) and accrued income		(164)				155
Sales awaiting settlement		-				14
Purchases awaiting settlement		(149)				-
TOTAL DB ASSETS		**1,231,171**				**1,133,493**
DC Assets		£000	£000	£000	£000	£000
Pooled investment vehicles*	11.1	77,466	16,916	(2,132)	7,879	100,129
TOTAL DC ASSETS		**77,466**	**16,916**	**(2,132)**	**7,879**	**100,129**

*During the year £0.2m (2023: £0.1m) of Bank section assets were moved from Pace DC to L&G's Mastertrust. These switches were not included in the purchase and sales figures in the above table.

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.

Transaction costs

Included within the DB Section purchases and sales figures are direct transaction costs of comprising of commission for which were nil for this year (2023: £4,559). These costs are attributable to the key asset classes as follows:

	Fees £	Commission £	Stamp Duty £	Total £
Cash instruments	-	-	-	-
Derivatives	-	-	-	-
For the year to 5 April 2024	**-**	**-**	**-**	**-**
For the period to 5 April 2023	-	4,559	-	4,559

Transaction costs are also borne by the Bank Section in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

For the DC section, investments purchased by the Bank Section are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. Legal & General holds the investment units on a pooled basis on our behalf. Legal & General allocates investment units to members. We may hold investment units representing the value of employer contributions that have been retained by the Bank Section that relate to members leaving the Bank Section prior to vesting.

DC investment assets are allocated to members and the Trustee as follows:

	Total 5 Apr 24 £000	**Total 5 Apr 23** £000
Members	100,129	77,466
Trustee	-	-
	100,129	**77,466**

11.1 Pooled investment vehicles

DBS	Total 5 Apr 24 £000	Total 5 Apr 23 £000
Cash fund	20,783	-
	20,783	**-**

DCS	Total 5 Apr 24 £000	Total 5 Apr 23 £000
Multi-asset	67,675	53,215
Equity	25,497	19,411
Cash	6,858	4,754
Bonds	99	86
	100,129	**77,466**

11.2 AVC investments

DBS	Total 5 Apr 24 £000	Total 5 Apr 23 £000
Royal London (CIS) Ltd	2,069	2,415
Legal & General	3,472	2,753
	5,541	**5,168**

Contributions to Additional Voluntary Contribution investments made by both DBS and DCS members are invested separately from the investments of the Bank Section on a money purchase basis with Legal & General. As Legal & General does not distinguish between investments held for DBS and DCS members, all Legal & General AVCs are reported as DBS assets.

Royal London (CIS) Ltd provided AVCs for DBS members up to October 2015, when the Pace DB Section closed. It is no longer possible for any further contributions to be made to Royal London since the Pace DB Section closed.

11.3 Insurance policies

DBS	Total 5 Apr 24 £000	Total 5 Apr 23 £000
Pension Insurance Corporation	236,000	256,000
Rothesay	871,000	969,000
	1,107,000	1,225,000

11.4 Concentration of investments

The following investments represented more than 5% of the net assets of the Bank Section:

		2024		2023	
		Market value £000	**Net assets %**	**Market value £000**	**Net assets %**
Rothesay	Insurance policy	871,000	70.3	969,000	72.5
PIC	Insurance policy	236,000	19.1	256,000	19.2
LGIM	Growth Mixed Fund	67,674	5.5	53,215	4.3

The insurance policies above match the vast majority of pension payments due members of the Bank Section. The insurance policies are part of the Trustee's investments and will provide improved security for all members as they remove the risk of there being insufficient assets to meet those future liabilities.

12 Investment management expenses

What does this show?	This note shows the investment management expenses incurred by the Bank Section during the year.

DBS	**Total year ended 5 Apr 24** £000	**Total year ended 5 Apr 23** £000
Investment management fees	(18)	649
Custody fees	26	113
Performance measurement services	1	23
Other advisory fees	7	658
Other investment expenses	2	13
	18	**1,456**

Investment management fees reduced significantly during the year as a result of the completion of the buy-in in the prior year.

There were no performance fees included in investment management fees during the year.

13 Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax. The tax charge in the Fund Account (see note 9) represents irrecoverable withholding taxes arising on investment income.

14 Fair value determination

What does this show?	This note categorises the investment assets and liabilities held by the Bank Section into specific levels which correspond to how its market value has been determined. Market values can be determined from a number of sources including taking pricing information from market data i.e. a stock exchange, or using a valuation model not widely available.

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

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

The Bank Section's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 5 April 2024	**Held at cost not FV £000**	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
DB Section					
Pooled investment vehicles	-	-	20,783	-	20,783
AVC investments	-	-	5,541	-	5,541
Insurance policies	-	-	-	1,107,000	1, 107,000
Cash deposits	-	-	-	-	-
Accrued Income / (income received in advance)	-	155	-	-	155
Sales awaiting settlement	-	14	-	-	14
Purchases awaiting settlement	-	-	-	-	-
	-	**169**	**26,324**	**1,107,000**	**1,133,493**
DC Section					
Pooled investment vehicles	-	-	100,129	-	100,129
TOTAL	-	**169**	**126,453**	**1,107,000**	**1,233,622**

At 5 April 2023	Held at cost not FV £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
DB Section					
Pooled investment vehicles	-	-	-	-	-
AVC investments	-	-	5,168	-	5,168
Insurance policies	-	-	-	1,225,000	1,225,000
Cash deposits	-	1,316	-	-	1,316
Accrued income/ (income received in advance)	-	(164)	-	-	(164)
Sales awaiting settlement	-	-	-	-	-
Purchases awaiting settlement	-	(149)	-	-	(149)
	-	**1,003**	**5,168**	**1,225,000**	**1,231,171**
DC Section					
Pooled investment vehicles	-	-	77,466	-	77,466
TOTAL	-	**1,003**	**82,634**	**1,225,000**	**1,308,637**

15 Investment risk disclosures

What does this note show?	This note provides additional information to enable readers to evaluate the nature and extent of credit, market and other risks arising from certain investment assets which the Bank Section is exposed to. Information about how the Bank Section manages these risks is also provided.

FRS 102 requires that we, the Trustee, provide information in relation to certain investment risks. The risks are set out by FRS 102 are:

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, e.g. the risk that a borrower may not repay a loan or a debt to the Bank Section.

Market Risk: this includes “currency risk”, “interest rate risk”, “inflation risk” and “other price risk”.

- **Currency risk**: this is the risk that the value of an investment changes because of changes in foreign exchange rates.

- **Interest rate risk**: this is the risk that the value of an investment increases or decreases because of changes in interest rates.

- **Inflation risk**: this is the risk that the value of an investment increases or decreases because of changes in inflation expectations.

- **Other price risk**: this is the risk that the value of an investment decreases or increases because of changes in market prices (apart from changes in value as a result of movements in interest rates, inflation or currencies).

15.1 Defined Benefit Section

Other Defined Benefit Risks:

Apart from the risks listed above, we make sure the following investment related risks are managed for the Bank Section of Pace:

- **Counterparty credit risk** – the risk that the Bank Section's annuity providers do not make the required payments to the Bank Section.

- "**Liquidity risk**": the risk that the Bank Section does not hold enough cash to meet short term requirements to pay benefits

- **Environmental, social and governance ("ESG") risk (including climate change)** – the risk that the Scheme's investment returns and/or reputation are damaged due to the failure to implement and adhere to its responsible investment policy.

15.1.1 Defined Benefit Investment Strategy

We make investment decisions after taking advice from a professional investment adviser.

In 2020, the Trustee entered into a bulk annuity policy with PIC in respect of a portion of the Defined Benefit section's pensioner liabilities. In December 2022, the Trustee entered into an additional bulk annuity policy with Rothesay in respect of the remainder of the Defined Benefit Section's pensioner and deferred liabilities, transferring the majority of the Section's assets to Rothesay (c. £1.1bn). These bulk annuity policies will provide all benefits due from the Section to members. The only remaining defined benefit assets consist of cash held by the Section to meet future costs.

This therefore limits the risks set out under section 15 that the Bank Section is exposed to as at 5 April 2024 to credit risk; prior to December 2022 the Bank Section was subject to the risks above because of the investments it made to implement its strategy.

A more detailed description of our approach to risk management and the Bank Section's exposures to credit and market risks is set out below. This does not include AVC investments, because these are considered immaterial compared to the overall investments of the Bank Section. Where the term 'invested assets' is used below, it includes the value of the annuity policies.

15.1.2 Defined Benefit Investment Risk Management

(i) Credit risk

The Bank Section is subject to credit risk because:

- it held 'buy-in' bulk annuity policies with PIC and Rothesay;
- it held cash in bank accounts, and,
- it had holdings in a pooled investment vehicle, which is an open ended investment company and is therefore directly exposed to credit risk in relation to the pooled investment vehicle.

Credit risk – Insurance policies:

The Bank Section is subject to credit risk arising from the buy-in policies with PIC and Rothesay.

This risk is, however, mitigated by the fact that both PIC and Rothesay are regulated by the Financial Conduct Authority and in the event of insurer default, the benefits secured by the buy-in will be protected by the Financial Services Compensation Scheme ("FSCS"). As at 5 April 2024, the value attributed to the buy-in policies was approximately £1,107m. (2023: £1,225m).

Credit risk – cash:

Cash is currently held within financial institutions which are at least investment grade credit rated. We have appointed a banking services provider with an investment grade credit rating at year end, the total cash held is 0.2% of the Bank Section's total net assets (2023: 2.1%).

Credit risk – pooled investment vehicles ("PIVs"):

The Bank Section has holdings in one pooled liquidity fund which invested in underlying money market instruments on behalf of a number of investors, and was therefore directly exposed to credit risk in relation to the fund itself (as the PIV could default on its obligations to the Bank Section); this was implemented in 2023 to reduce the credit risk associated with holding cash in a bank account. This fund was rated investment grade by external credit ratings agencies. A summary of pooled investment vehicles by type of arrangement can be found in note 11.1.

Direct credit risk arising from PIVs is reduced because:

- the underlying investments held by the pooled funds are legally ring-fenced from the investment manager(s); and
- the investment managers that operated the PIVs need to meet the requirements of various financial regulations.

	2024 £'000	**2023 £'000**
Open Ended Investment Company		
- BlackRock Liquid Environmentally Aware Fund	20,783	-
TOTAL	**20,783**	**-**

At year end, 2% of the Bank Section's invested assets were held in pooled investment vehicles (2023: nil%).

Credit risk – custody:

We appointed a global custodian for the safe-keeping of assets. The risk that the custody of the Bank Section's assets is not secure was addressed by monitoring the custodian's activities and creditworthiness. In addition, cash balances held by the custodian were transferred to a ring-fenced fund each night to reduce the risk of losses occurring should the custodian become un-creditworthy overnight.

The custodian agreement was terminated on 31 October 2023 following the conclusion of activity related to the transition to the buy-in providers.

The investment managers for the PIVs appoint their own custodians to ensure the safe-keeping of the assets within their mandates.

Indirect credit risk:

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicle that the Bank Section invests in (2% of assets at year end; 5 April 2023: 0%). For example, the Bank Section invests in a pooled investment, which itself invests in underlying money market instruments issued by other financial institutions, primarily banks. There is therefore a risk that these financial institutions default on their repayments to the pooled fund. This is mitigated by:

- assessment by the pooled fund provider of the credit-worthiness of the underlying instruments and counterparties, with investments limited to those the fund provider considers "High Quality";
- limits within the fund's guidelines to the duration of money market instruments it is allowed to hold (the Fund will invest only in securities with a maturity at issuance or residual term to maturity of 397 days or less, and is required to maintain a weighted average maturity of 60 days or less and a weighted average life of 120 days or less.
- the fund investing in a range of sterling-denominated money market instruments diversified by issuer and region.

(ii) Currency risk

The Bank Section was not subject to currency risk in this Scheme year (2023: £nil)

(iii) Interest rate and inflation risk

The Bank Section was not subject to interest rate and inflation risk in this Scheme year (2023 nil%) although the bulk annuity policies purchased by the Bank Section provide interest rate and inflation protection in relation to the liabilities they match.

(iv) Other price risk

At the year end, the Bank Section's exposure to investments subject to other price risk was nil% (2023: nil%).

(v) Other Defined Benefit risks

Other Defined Benefit investment risks are managed as outlined below:

- **Counterparty credit risk** – this is mitigated as the annuity policies in place are governed by insurance market solvency requirements and the protections provided by the Financial Services Compensation Scheme; the Trustee has further mitigated this risk through careful choice of insurance providers and negotiation of contract terms.

- **Liquidity risk** - while the buy-in policy held by the Section can only be liquidated by the Trustee in specific and limited pre-defined circumstances, it is designed to match the liquidity requirements of the relevant liabilities as exactly as possible, and so the requirement to hold liquid assets to meet these liabilities as they are due falls away.

- **Environmental, social and governance ("ESG") risk (including climate change)** – with the purchase of insurance policies, the Trustee's responsibility for the management of these risks is limited and passed on to PIC and Rothesay (and the two insurers' management of these risks was considered as part of their selection).

15.2 Defined Contribution Section

Other Defined Contribution Risks:

As well as considering the risks that apply to the underlying funds, summarised in Note 14 above, we consider the following investment related risks:

- Purchasing power risk
- Conversion risk
- Manager risk
- Lack of diversification risk
- ESG risk

15.2.1 Defined Contribution investment strategy

Our objective is to make available to members of the Bank Section, an appropriate range of investment options designed to generate income and capital growth, which together with contributions from members and their employer, will provide a retirement amount which the member can use for the provision of retirement income; either by taking their defined contribution account as cash, using it to purchase a pension annuity (or other type of retirement product) or transferring it out of the Bank Section to provide alternative retirement benefits.

We have an insurance policy with Legal & General. The value of the policy is linked to the value of the underlying assets or pooled funds in which we choose to invest. The day to day management of the underlying investments of the funds is the responsibility of Legal & General, including the direct management of credit and market risks.

We have determined the defined contribution investment strategy, after taking professional investment advice and following consultation with the Sponsor. We provide three Target investment options for members which are designed to be an appropriate match for the different retirement options a member can take.

The default option is Target: Lump Sum, which has been selected as appropriate for members who want to take their account as a one-off cash sum on retirement. As a member approaches retirement, the funds are steadily moved into lower risk funds. These funds may not grow so quickly but are less likely to have large falls in value in the short term.

The other options available to members are Target: Secure Income and Target: Flexible Income.

Target: Secure Income is designed to be an appropriate match for members who want to use their account to buy a pension (annuity) at retirement.

Target: Flexible Income is designed to be an appropriate match for members who want to leave their account invested after retirement, taking sums of money from it (drawdown) over time. Drawdown is not currently offered through the Bank Section so members will need to transfer their account to another arrangement at retirement to take advantage of it.
Although the Target funds have been designed to be a good match for the different retirement options a member can take, they do not guarantee a particular outcome at retirement. Members are advised to consider taking independent financial advice if they are unsure as to what investment fund is right for them.

Members who would rather make their own investment decisions can select from the following range of funds:

- Pace Growth (Shares) 2021 Fund
- Pace Growth (Ethical Shares) Fund
- Pace Growth (Mixed) Fund
- Pace Pre-retirement (Inflation-linked) Annuity Aware Fund
- Pace Pre-retirement Fund (Annuity Aware)
- Pace Cash Fund
- Pace Growth (Shariah) Fund

The three Target options invest in the following Funds over a member's working life:

- Target: Lump Sum - Pace Growth (Mixed) Fund, Pace Growth (Shares) 2021 Fund and Pace Cash Fund
- Target: Secure Income - Pace Growth (Mixed) Fund, Pace Growth (Shares) 2021 Fund, Pace Pre-retirement Fund and Pace Cash Fund
- Target: Flexible Income: Pace Growth (Mixed) Fund, Pace Growth (Shares) 2021 Fund and Pace Cash Fund

15.2.2 Defined Contribution Investment Risk Management

Member level exposure to the risks outlined in Note 15 will be dependent on the funds invested in by members. The funds which have significant exposure to these risks are set out below:

	Credit risk	Interest rate risk	Inflation risk	Currency risk	Other price risk	Asset Value 5 April 2024 £000
Pace Growth (Shares) 2021 Fund	YES	-	-	YES	YES	23,548
Pace Growth (Ethical shares) Fund	YES	-	-	YES	YES	1,777
Pace Growth (Mixed) Fund	YES	YES	YES	YES	YES	67,675
Pace Pre-retirement (inflation-linked) Annuity Aware Fund	YES	YES	YES	-	YES	82
Pace Pre-retirement (Annuity Aware) Fund	YES	YES	-	-	YES	17
Pace Growth (Shariah) Fund	YES	-	-	YES	YES	172
Pace Cash Fund	YES	YES	-	-	-	6,858

(i) Credit risk

Credit risk – Insurer:

The Defined Contribution Section (DC Section) is subject to direct credit risk in relation to the Bank Section's holding in unit-linked funds provided by Legal & General. Legal & General is regulated by the Financial Conduct Authority and they maintain separate funds for policyholders. We monitor the creditworthiness of Legal & General by reviewing published credit ratings. Legal & General invests all the Bank Section's funds in its own investment funds, reinsured to Legal & General Assurance (Pension Management) Ltd funds, with the exception of the Pace Growth (Shariah) Fund which is managed by HSBC.

Credit risk – cash:

Cash is currently held within financial institutions which are at least investment grade credit rated. Over the reporting year, cash balances were held in a bank with an investment grade credit rating. The cash balance at year end was £113k for the Bank Section (2023: £108k).

Indirect Credit risk:

The DC Section is also subject to indirect credit arising from the underlying investments held in the funds. Indirect credit risk is mitigated by the spread of assets held in the funds, which provides diversification. Within the Pre-retirement Funds, indirect credit risk is also mitigated by the funds only holding government bonds or investment grade corporate bonds. The Cash Fund invests in short-term money markets such as bank deposits or Treasury Bills. All investments are held with institutions with investment grade credit ratings.

In addition, the DC Section is subject to indirect credit risk arising from the custodians appointed by the fund provider for the safe-keeping of assets. The selection and assessment of the on-going appropriateness of the custodians is delegated to the fund provider and the indirect credit risk is addressed through the fund provider's monitoring of the custodian's activities and creditworthiness.

(ii) Indirect Currency risk

The DC Section is subject to currency risk because some of the funds invest in investments denominated in overseas currencies. The Growth (Shares) 2021 Fund mitigates this risk by currency hedging 50% of overseas assets (excluding emerging markets) to Sterling. The Growth (Mixed) Fund mitigates currency risk through the overall risk framework of the Fund. The Growth (Ethical Shares) Fund and the Growth (Shariah) Fund do not hedge overseas currency risk.

(iii) Indirect Interest rate risk

The Pre-retirement Fund and Pre-retirement (inflation-linked) Funds are subject to indirect interest rate risk. This risk is mitigated through the construction of the Funds, which are designed to change in value when interest rates change in a similar way to how the price of buying a retirement income changes.

The Cash Fund is also subject to indirect interest rate risk. The Fund aims to provide capital protection and provide a return in line with short term interest rates. The value of the assets would only fall should the interest earned by the Fund's assets be insufficient to cover the Fund management charge and any additional Fund expenses.

(iv) Indirect Inflation risk

The Pre-retirement (inflation-linked) and Growth (Mixed) Funds are subject to indirect inflation risk as they invest in assets that are affected by changes in inflation expectations.

This inflation risk associated with the Pre-retirement (inflation-linked) Fund is mitigated through the construction of the Fund, which is designed to change in value when inflation expectations change in a similar way to how the price of buying an inflation-linked retirement income changes. For example, if inflation expectations increase, the value of the Fund will rise in a similar, but not exact, amount to the cost of buying an inflation-linked retirement income. Similarly, if inflation expectations fall, the value of the Fund will fall in value in a similar, but not exact, amount as the cost of buying an inflation-linked retirement income.

The inflation risk of the Growth (Mixed) Fund is considered by the Fund provider as part of the overall risk and return framework in place.

(v) Other Price risk

Other price risk arises principally in relation to the Growth Funds and the Pre-retirement Funds. Other price risk in these Funds is mitigated through the diversification of assets within the Funds (in particular, the Pace Growth (Shares) 2021 Fund caps its exposure to individual companies and is therefore has a more diversified range of holdings than a traditional market capitalisation weighted index-tracking fund).

(vi) Other Defined Contribution investment risks

- **Purchasing power risk** - the purchasing power risk to members is that the investment return over members' working lives does not keep pace with inflation and does not therefore secure an adequate retirement income. This risk is mitigated through the design of the Target Funds, which aim to provide sufficient investment returns over a members working life. In addition, we have made available three Growth Funds, should members wish to select their own investment options.

- **Conversion risk** - the risk that relative market movements in the years just prior to retirement lead to substantial reduction in the retirement income and cash lump sum secured. This risk is mitigated through the design of the three Target Funds, which aim to protect members from relative market movements in the years just prior to retirement. In addition, we have made available two Pre-retirement Funds and a Cash Fund, should members wish to select their own investment options.

- **Manager risk** - the risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed. This risk is mitigated through the regular review of investment performance by the Trustees.

- **Lack of diversification risk** – we recognise the risks that may arise from a lack of diversification within the investments. We therefore invest in pooled fund vehicles, to ensure an adequately diversified portfolio for each fund option. As noted above, the Pace Growth (Shares) 2021 Fund caps its exposure to individual companies and is therefore has a more diversified range of holdings than a traditional market capitalisation weighted index-tracking fund.

- **ESG risk (including climate change)** – the Bank Section incorporates Pace's Responsible Investment Policy when implementing its investment strategy for the DC Section. In 2019 the strategy for the Pace Growth (Mixed) Fund, which is used in the default option, was reviewed and in June 2019 the underlying holdings were switched into a multi-asset fund which explicitly considers ESG factors when determining how much to invest in companies' shares and bonds, as the Trustee believed this strategy was better aligned with the Responsible Investment Policy and would reduce ESG risk to members. The Pace Growth (Shares) 2021 fund follows a similar approach.

  In addition, the Trustee recognises that some members may wish to take more explicit account of ethical issues or their personal religious beliefs in their investments, and so it offers an ethical equity fund, the Pace Growth (Ethical Shares) Fund, and an Islamic equity fund, the Pace Growth (Shariah) Fund.

16 Current assets

What does this show?	This note shows the value of current assets held by the Bank Section at the year end.

	DBS 5 Apr 24 £000	**DCS 5 Apr 24** £000	**Total 5 Apr 24** £000
Contributions due:			
Employer's normal contributions	-	1,306	1,306
Members' AVCs	-	513	513
Cash balances	2,433	113	2,546
Pensioner payroll paid in advance	779	-	779
Tax debtor	238	3	241
Other debtors	121	-	121
Expense paid in advance	-	5	5
	3,571	**1,940**	**5,511**

	DBS 5 Apr 23 £000	**DCS 5 Apr 23** £000	**Total 5 Apr 23** £000
Contributions due:			
Employer's normal contributions	-	1,150	1,150
Members' AVCs	-	218	218
Cash balances	26,174	108	26,282
Pensioner payroll paid in advance	302	-	302
Tax debtor	375	3	378
Other debtors	109	-	109
Expense paid in advance	-	5	5
	26,960	**1,484**	**28,444**

17 Current liabilities

What does this show?	This note shows the value of current liabilities owed by the Bank Section at the year end.

	DBS **5 Apr 24** £000	**DCS** **5 Apr 24** £000	**Total** **5 Apr 24** £000
Unpaid benefits	(98)	(57)	(155)
Accrued expenses	(47)	-	(47)
Tax creditor	(523)	-	(523)
Other creditors	-	-	-
	(668)	**(57)**	**(725)**

	DBS **5 Apr 23** £000	**DCS** **5 Apr 23** £000	**Total** **5 Apr 23** £000
Unpaid benefits	(120)	(57)	(177)
Accrued expenses	(503)	-	(503)
Tax creditor	(331)	-	(331)
Other creditors	-	(2)	(2)
	(954)	**(59)**	**(1,013)**

18 Related party transactions

What does this show?	Related parties include people (such as directors and key personnel) as well as entities. This note outlines the nature of the relationship of any related parties.

Apart from the payment of contributions to the Section by the Bank, other related party transactions are:

- The DB Administrator is the Co-op.
- The Trustee Directors during the year were all professional Independent Trustee Directors who are pension experts and received remuneration from the Scheme based on rates negotiated with the Co-op or the Bank, depending on which entity appointed them.
- The total of all Trustee Director remuneration paid from the Section during the year ended 5 April 2024 was £180k (2023: £178k).

19 Employer related investments

What does this show?	Employer related investments include securities issued by the employer, loans to the employer and any investment property occupied by the employer. They also include investments made indirectly through pooled investment vehicles.

During the year, there were no direct or indirect employer related investments.

20 Virgin Media case

What does this show?	This note shows possible but uncertain obligation or a present obligation that is not probable and/or cannot be reliably determined in relation to the Virgin Media case.

In June 2023 the High Court found in the Virgin Media case that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 required an actuarial certificate in line with section 37 of the Pensions Schemes Act 1993, and that changes without this certification are to be considered void. This requirement applies to both past service rights and future service rights, and to changes to the detriment or benefit of scheme members. The Court of Appeal upheld the High Court's decision in July 2024. The Trustee will keep this issue under review however it is not possible at present to estimate the potential impact, if any, on the Scheme.

21 GMP Equalisation

What does this show?	This note shows possible but uncertain obligation or a present obligation that is not probable and/or cannot be reliably determined in relation to GMP equalisation.

On 26 October 2018, in the *Lloyds Banking Group* legal case, the High Court ruled that schemes that were contracted out of the State Earnings Related Pension Scheme (SERPS) between 1990 and 1997 need to equalise benefits overall, to address the effect of unequal GMPs. A further ruling followed in November 2020 relating to equalising GMPs in respect of historic transfer values paid out, going back to May 1990.

An interim solution has been implemented for equalising GMPs for transfer values and trivial commutation payments made by the Scheme, ahead of when GMP equalisation is completed for all benefits in the Scheme.

The Trustee, with the assistance of its legal and actuarial advisers, is in the process of considering with the Co-op and Bank, the most appropriate GMP equalisation methodology for equalising GMPs for main scheme benefits and also for revisiting historic transfer values.

GMP equalisation is expected to increase the liabilities of the Scheme. The liability impact will vary depending on the equalisation methodology approach taken, although the differences in liability impact on the Scheme's technical provisions basis are expected to be immaterial in the context of total Scheme liabilities. Therefore, we have not included a liability in respect of GMP equalisation in these financial statements. They will be accounted for in the year they are determined.