Staff Pension Scheme of Nottingham Building Society

Annual report for the year ended 31 March 2023

Scheme Registration Number 10047112

Table of contents

Chairman's Statement

I am pleased to present the Trustees' Report and Accounts for the year ended 31 March 2023, which I hope you will find of interest.

In last year's statement, I noted how most of us were beginning to feel more confident about moving on from the worst of the COVID-19 pandemic, but immediately recognised the devastating impact of war on the citizens of Ukraine, which brought fresh challenges for global economies through rising energy and fuel prices, and the direct effect this has had on the cost of most goods and services.

Moving to the present, although the Ukraine conflict continues, there has recently been some encouraging signs that UK inflation may have peaked during the first half of 2023. However, while the government expects to see it fall further by the end of the year, this has, to a degree, been counter-balanced by the Bank of England announcing its 14th consecutive interest rate rise at the beginning of August, with rates now at the highest they have been for 15 years.

While higher interest rates have, undoubtedly, added to the financial pressures on many households and businesses, the recent rise will have been welcome news for those who have money on deposit. It is also predominately good news for defined benefit pension schemes, as higher long term interest rates reduce the scheme's liabilities (i.e. the cost of providing pension benefits to members and their dependants).

Though not all schemes will have been affected in exactly the same way, I am pleased to report that the impact on our scheme has been broadly favourable. At the time of the last triennial actuarial valuation, in March 2020, the Scheme was 86% funded. A further valuation is now underway to assess the position at 31 March 2023 and early indications are that it is now around 100% funded, thanks mainly to contributions paid by the Society, investment returns and the rise in interest rates over the last 3 years.

The Trustees continue to work closely with their advisers and with the Society's management team towards the common goal of maintaining a strong, well-managed scheme, optimising returns and reducing risks wherever possible. The triennial actuarial valuation is a significant piece of work for the Scheme that will keep us busy this year and into 2024, and the results will be shared with members in next year's Chairman's Statement.

As usual, I would like to remind members that you can contact the Scheme Administrator, Barnett Waddingham, with any questions about the Scheme. They can also provide a quotation of the current transfer value and/or projections of future retirement benefits for members who are not yet in receipt of their pension.

Can I also remind you, should you have any questions or want to find more information about the Scheme in general, that we now have a dedicated website that hosts various Scheme documents and includes our Scheme Administrator's contact details. You can visit the Scheme's website at: www.thenottingham.com/staffpensionscheme.

Finally, on a personal note, I have decided that the time has come for me to step down as a Trustee and I will be leaving the role later this year, making this my last Chairman's Statement. I would, therefore, like to take this opportunity to record my thanks for the support of my co-trustees, to our advisers and to representatives of the Society that I have worked with during my 10 year tenure, the last 6 of which have been as Chair.

Whoever succeeds me in the role, I am confident that the future of the Scheme will remain in good hands and will continue to deliver on its primary objective of looking after the interests of its members.

Mark Griffin

Chairman of Staff Pension Scheme of Nottingham Building Society

The Trustees' Report

Introduction

This report relates to the operation of the Staff Pension Scheme of Nottingham Building Society ("the Scheme") during the year ended 31 March 2023.

The Scheme was a contracted-out salary related pension arrangement until 31 January 2009 and provides its members with retirement benefits. This type of arrangement is also known as a defined benefits arrangement.

The Scheme was closed to new entrants on 1 January 1998 and then closed to future accrual of benefits for existing members with effect from 31 January 2009. Prior to 2009, members were able to make additional voluntary contributions (AVCs) to secure additional benefits.

Full details of the Scheme's benefits can be found in the member's explanatory booklet (see "Contact for further information" on page 6).

Management of the Scheme

The names of the Trustees of the Scheme who served during the year and those serving at the date of approval of this report are as follows:

Name	Nominated/appointed by
M J W Griffin – Chairman	Employer
C N Gardner	Employer
C J Hayes	Members
M Bettle	Members

The power of appointment of a new Trustee and the power of removal of a Trustee is vested in the Sponsoring Employer and this power must be exercised by deed.

At least one third of the Trustees must be nominated by the Scheme's members. The Scheme has set its own procedure for appointment of member nominated Trustees. Member nominated Trustees are nominated by the membership of the Scheme and formally appointed by the Sponsoring Employer.

The Trustees held four full meetings during the year under review. Each Trustee is entitled to receive at least ten days' notice of meetings, although in practice dates are normally fixed well in advance. The Scheme rules provide that decisions of the Trustees may be made by a majority of the Trustees present at any meeting and the Chairman has a casting vote.

The Trustees have delegated some of the day-to-day operational management functions of the Scheme to appropriately qualified professional organisations.

Changes to Scheme Rules

There have been no changes to the Scheme Rules during the year under review.

The Sponsoring Employer

The name and address of the Sponsoring Employer is as follows:

Nottingham Building Society, Nottingham House, 3 Fulforth Street, Nottingham, NG1 3DL

The Trustees' Report (Cont)

Scheme advisers

While the Trustees retain overall responsibility for the management of the Scheme, a number of professional advisers are retained in connection with the operation of the Scheme. The advisers currently appointed are as follows:

Scheme Actuary	Ben Roach FIA
Advising Actuaries	Barnett Waddingham LLP
Administrator of the Scheme benefits	Barnett Waddingham LLP
Scheme Adviser	MHM Pension Services Ltd
Investment Consultant	Barnett Waddingham LLP
Investment Managers	Legal & General Investment Management Ltd Baillie Gifford & Co Ltd Barings Asset Management Ltd
AVC Managers	ReAssure Ltd
Legal Adviser	ARC Pensions Law
Bankers	Lloyds Bank plc
Independent Auditor	Ernst & Young LLP

Changes in and other matters relating to Scheme advisers

There have been no changes to Scheme advisers and other matters during the Scheme year under review.

Financial development of the Scheme

During the year the value of the net assets decreased by £15,626,846 to £46,092,189 as at 31 March 2023. The decrease comprised net withdrawals from dealings with members of £726,024 together with a net decrease from the return on investments of £14,900,822. The fall in the value of investments was primarily due to a significant increase in yields on long-dated UK government bonds. The Scheme holds a significant LDI portfolio to hedge liability risks, and as such, whilst the value of investments fell, the value of the Scheme liabilities also fell.

Following the Government's policy announcement on 23 September 2022, the financial markets experienced a period of volatility, in particular the UK Government Bond markets. As a consequence, several collateral calls were made from the Scheme's LDI funds over 2022, particularly in September/ October 2022. The Trustees agreed a loan facility with the Society in October 2022 to cover the Scheme's short-term liquidity needs, this facility was extended for a further six months in April 2023.

On 25 October 2022, the Scheme received a loan of £3,250,000 from the Employer, which was settled on 28 November 2022, including interest payment of £18,676, as disclosed in the financial statements.

Scheme Audit

The financial statements on pages 22 to 31 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

The Trustees' Report (Cont)

Tax status of Scheme

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustees' knowledge, there is no reason why the Scheme's registered status should be prejudiced or withdrawn.

Scheme membership

	Number as at start of year	Changes in year	Number as at end of year
Current employees with preserved pension	17		
left (preserved pensioners)		(1)	
retired		(1)	
		(2)	15
Preserved pensioners	87		
new		1	
retired		(5)	
retired (trivial commutation)		(1)	
		(5)	82
Pensioners and dependants	209		
new pensioners		6	
new dependant		2	
died		(2)	
		6	215
Total members	**313**		**312**

Deferred members as at 31 January 2009 who remain in service with the Society as at 31 March 2023 are shown as active members, as their benefits retain a salary link until they leave employment.

The member numbers shown above reflect the number of member records held by the Scheme.

Pension increases

Pensions in excess of the Guaranteed Minimum Pension, accrued prior to 6 April 1997, will increase at 3.0% per annum (Guaranteed Minimum Pension benefits accrued between 6 April 1988 and 5 April 1997 must increase in line with the Consumer Price Index each year subject to a maximum of 3.0% per annum).

Pensions accrued after 6 April 1997 will increase in line with the Retail Price Index each year subject to a minimum of 3.0% and a maximum of 5.0% per annum.

Pensions accrued after 6 July 2002 will increase in line with the Retail Price Index each year subject to a maximum of 5.0% per annum.

Pensions accrued after 6 April 2006 will increase in line with the lower of 2.5% or the Retail Price Index.

Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pension Schemes Act 1993 and subsequent amendments. No discretionary benefits are included in the calculation of transfer values.

A cash equivalent is the amount which a Scheme member is entitled under social security legislation to have applied as a transfer payment to another permitted pension arrangement or a buy-out policy.

The Trustees' Report (Cont)

Data Protection Act 2018 and General Data Protection Regulation

Under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 regulations, pension scheme trustees are classed as data controllers, with legal responsibility for compliance falling to them. Scheme Actuaries are also classed as data controllers (jointly with the trustees) in accordance with guidance issued by the Actuarial Profession. Barnett Waddingham LLP act as a data processor as the administrators of the Scheme.

The Trustees have worked with their advisers to receive relevant training, and continue to do so to ensure continued compliance with data protection legislation.

Codes of Practice

The Trustees are aware of and adhere to the Codes of Practice issued by The Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good governance.

The Pensions Regulator: Record Keeping

TPR issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the Trustees) and those who administer pension schemes. The guidance covers both common data and scheme-specific (conditional) data. The guidance sets out good practice in helping trustees to assess risks associated with record keeping. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded. More information can be found at:

https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/record-keeping

GMP equalisation

On 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the Lloyds schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustees of the Scheme are aware that the issue will affect the Scheme, and have already considered this in detail. Work is ongoing as further guidance becomes available. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Further details are disclosed in Note 23 of the financial statements.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females.

The Trustees' Report (Cont)

GMP equalisation (Cont)

This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustees will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements in future years.

The actuarial valuation as at 31 March 2020 allows for 0.3% as an approximate allowance for GMP equalisation. The 0.3% pa GMP equalisation was "rounded up" for prudence by the Scheme Actuary and any allowance for past transfers is unlikely to change this adjustment significantly. The Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements.

Contact for further information

If, as a Scheme member, you wish to obtain further information about the Scheme, including copies of the Scheme documentation, your own pension position, or who to contact in the event of a problem or complaint, please write to or telephone the Scheme administrators:

Barnett Waddingham LLP, Pinnacle, 67 Albion Street, Leeds, LS1 5AA

Tel: 0333 11 11 222

Alternatively, you may contact the Scheme administrators online at:
https://logon.bwebstream.com/shared/contact.

The Trustees' Report (Cont)

Statement of Trustees' Responsibilities

Trustees' responsibilities in respect of the financial statements

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

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

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the 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 them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustees' responsibilities in respect of contributions

The Trustees are responsible under pensions legislation for preparing, maintaining, and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustees' Report (Cont)

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, the 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 at the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2020. This showed that on that date:

The value of the Technical Provisions was:	£64.2 million
The value of the assets at that date was:	£55.3 million

An updated funding position has also been calculated for the Actuarial Reports as at 31 March 2021 and 31 March 2022. The reports showed that:

	31 March 2021	31 March 2022
The value of the Technical Provisions was:	£60.3 million	£59.8 million
The value of the assets at that date was:	£59.9 million	£57.5 million

The method and significant 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

Pre-retirement discount interest rate: Bank of England gilt yield curve plus 3.0% per annum.

Post-retirement discount interest rate: Bank of England gilt yield curve plus 0.75% per annum.

Future Retail Price inflation: Bank of England implied inflation yield curve.

Future Consumer Price inflation: Based on the assumption for future retail price inflation less 0.5% per annum.

Pension increases: derived from the relevant inflation assumption allowing for the caps and floors on pension increases according to the provisions in the Scheme's Rules. Allowance is made for Post 1988 GMP increases to be provided at 3.0% per annum.

Pay increases: Based on the future retail price inflation assumption plus 0.5% per annum.

Mortality: for the period in retirement, S3PMA_L for males and S3PFA for females, with CMI_2019 mortality projections with a long-term improvement rate of 1.5% pa and an initial addition parameter of 0.5%.

Commutation: Members are assumed to exchange 25% of the maximum cash available using commutation factors in force at the valuation date.

GMP equalisation allowance: An allowance of 0.3% of the total liabilities has been made for the impact of GMP equalisation.

The financial statements on pages 22 to 31 do not take into account liabilities which fall due after the year end. As part of the triennial valuation, the Scheme Actuary considers the funding position of the Scheme and the level of contributions payable.

The Trustees' Report (Cont)

Investment managers

The Scheme's Trust Deed and Rules permit the Trustees to delegate the task of investment management to outside experts. Baillie Gifford & Co Ltd (Baillie Gifford), Barings Asset Management Ltd (Barings) and Legal & General Investment Management ("LGIM") are professional external investment managers and have taken full responsibility for investing the Scheme's assets. The Trustees set the investment strategy for the Scheme after taking advice from the Scheme's investment consultant, Barnett Waddingham LLP. The Trustees have put in place a mandate with their investment managers that implements this strategy. The investment managers are remunerated by fees based on a percentage of funds under management and these fees are met by the Scheme. There are no performance-related fee arrangements.

When choosing investments, the Trustees and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (Regulation 4). The Trustees' responsibilities also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

The Trustees expect that the investment managers will take into account these responsibilities in the exercise of their delegated duties. These matters are, however, kept under review by the Trustees, in consultation with their investment consultant and investment managers.

Investment principles

The Trustees have produced a Statement of Investment Principles ("SIP") as required by section 35 of the Pensions Act 1995 and a copy of the statement is available online at:

www.thenottingham.com/staffpensionscheme.

The SIP incorporates the Trustees' investment strategy.

The Trustees' primary objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules can be met as they fall due;
- to achieve a long-term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with the contributions from the Employer, the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by optimising the return on the assets whilst having regard to the above objectives.

The Trustees set the investment strategy for the Scheme taking into account considerations such as the strength of the Employer Covenant, the long-term liabilities of the Scheme and the funding agreed with the Employer.

The Trustees' Report (Cont)

Strategy as at 31 March 2023

At 31 March 2023, the Scheme's assets were invested in eight funds, with the strategic allocation confirmed in the most recent SIP update, as at August 2021. The strategic allocation is as follows:

	Strategic allocation
Growth Portfolio	**68%**
LGIM Future World Global Equity Index Fund (GBP Hedged)	20%
Baillie Gifford Multi Asset Growth Fund	23%
Barings Global High Yield Credit Strategies Fund	25%
Protection Portfolio	**32%**
LGIM Matching Core Funds	32%
Total	**100%**

The Trustees hold a small allocation of readily available cash in the LGIM Sterling Liquidity Fund for the purpose of meeting collateral calls and cashflow requirements.

Changes to investments to 31 March 2023

Over the year to 31 March 2023, there were no changes to the Scheme's investment strategy. The Scheme's allocation as at 31 March 2023 (shown below) has deviated from the strategic allocation set out above following several collateral calls from the Scheme's LDI funds over 2022, particularly in September/ October 2022, as a result of rising gilt yields. Collateral calls were met through the LGIM Sterling Liquidity Fund and the LGIM Future World Global Equity Index Fund. The Trustees also agreed a loan facility with the Society in October 2022 to cover the Scheme's short-term liquidity needs.

Rebalancing took place from the Baillie Gifford Multi Asset Growth Fund and the Barings Global High Yield Credit Strategies Fund in October and December 2022 respectively. Further rebalancing is expected in Q2 2023 to top up the LGIM Future World Global Equity Index Fund back towards its target using proceeds from the LGIM Sterling Liquidity Fund.

The Trustees' Report (Cont)

Assets as at 31 March 2023

Fund	31 March 2023		31 March 2022	
	Value (£)	Allocation	Value (£)	Allocation
LGIM Future World Global Equity Index Fund (GBP Hedged)	5,233,164	12.0%	14,158,949	23.8%
Baillie Gifford Multi Asset Growth Fund	9,659,744	22.2%	15,245,487	25.7%
Baring Global High Yield Credit Strategies Fund	10,694,286	24.6%	15,631,004	26.3%
LGIM Matching Core Fixed Short Fund	6,223,752	14.3%	5,580,441	9.4%
LGIM Matching Core Fixed Long Fund	1,315,269	3.0%	1,086,119	1.8%
LGIM Matching Core Real Short Fund	1,884,367	4.3%	2,304,802	3.9%
LGIM Matching Core Real Long Fund	2,274,186	5.2%	2,017,970	3.4%
LGIM Sterling Liquidity Fund	6,254,461	14.4%	3,357,948	5.7%
Total	**43,539,229**	**100.0%**	**59,382,720**	**100.0%**

Note: Totals may not sum due to rounding

The Trustees' Report (Cont)

Performance to 31 March 2023

	3 months (%)	1 year (%)	3 years p.a. (%)
Total Scheme performance	4.6	-25.2	-6.2

Note: Scheme performance makes an allowance for cashflows over the period.

Fund	3 months (%)		1 year (%)		3 years p.a. (%)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
LGIM Future World Global Equity Index Fund (GBP Hedged)	7.1	7.1	-6.0	-6.2	n/a	n/a
Baillie Gifford Multi Asset Growth Fund	2.7	1.8	-8.9	5.8	n/a	n/a
Baring Global High Yield Credit Strategies Fund	2.8	2.0	-4.2	6.6	n/a	n/a
LGIM Matching Core Fixed Short Fund	9.0	8.9	-80.0	-79.7	-52.8	-52.7
LGIM Matching Core Fixed Long Fund	5.2	4.9	-93.8	-93.1	-68.9	-67.8
LGIM Matching Core Real Short Fund	12.1	12.0	-76.7	-76.5	-33.5	-33.3
LGIM Matching Core Real Long Fund	9.6	9.4	-93.9	-93.0	-59.4	-57.5
LGIM Sterling Liquidity Fund	0.9	0.9	n/a	n/a	n/a	n/a

Note: Performance figures above are shown gross of fees for LGIM and Barings, and net of fees for Baillie Gifford.

Economic and market conditions over the year to 31 March 2023

Economic Environment

The 12-month period to 31 March 2023 began with inflation in the developed world at its highest rate in several decades. Inflation had risen over 2021 as the global economy reopened following the COVID pandemic. However, just as inflation appeared to be peaking, the Russian invasion of Ukraine in February 2022 provided a secondary inflationary impulse to the economy. The rest of the period to 31 March 2023 was therefore dominated by rising inflation, central banks raising interest rates in an attempt to bring inflation under control, and elevated volatility as markets struggled to adjust to higher interest rates. These factors resulted in most asset classes producing deeply negative returns over the year.

Following the Russian invasion of Ukraine in February 2022, western governments responded to the invasion by imposing sanctions on Russia and their ally, Belarus. This included sanctions on the Russian financial system, including restrictions on trading Russian government bonds. However, the bigger impact on global markets came through commodity prices, particularly natural gas, as both sides gradually introduced measures to reduce the supply of Russian gas to Europe. Natural gas prices rose to an all-time high and would remain highly elevated in Europe throughout the middle of the year as gas was stockpiled for winter. However, the end of the stockpiling period and a relatively warm winter helped natural gas prices to fall nearly 60% over the final quarter of 2022.

The Trustees' Report (Cont)

US CPI inflation peaked in June 2022 at 9.1%, before falling to 5.0% in March 2023 as supply chain disruption and pandemic stimulus measures passed through the system. However, European gas prices meant that UK and EU inflation reached a higher and later peak in October 2022, with UK CPI inflation reaching 11.1% and Eurozone inflation reaching 10.6%. This high level of inflation forced central banks to raise interest rates at the fastest pace for several decades and reduce or reverse asset purchase programmes. From May 2022, central banks started to step up the pace of rate rises from 0.25% increments to 0.5% or 0.75% increments at each meeting. By the end of 2022, interest rates had reached 3.5% (Bank of England), 4.25-4.50% (Federal Reserve) and 2.5% (ECB), their highest levels since the Global Financial Crisis. The scale and pace of the rate rises enacted by central banks contributed to significant disruption across markets, including a UK gilt crisis in 2022 and a banking crisis in 2023, and this led to central banks looking to slow the pace of rate rises to limit further disruption.

Rising inflation and interest rates resulted in rising government bond yields across the world. The pace of the rise was steep with UK 15-year nominal gilt yields rising from 1.2% on 31 December 2021 to 3.2% on 31 August 2022, broadly in line with other developed market government bonds. However, on 23 September, the new UK government produced a fiscal statement that significantly increased borrowing. This contributed to a further sharp rise in gilt yields. 15-year gilt yields spiked as high as 4.9% on the morning of 28 September. The speed and scale of this rise in long-term gilt yields was far larger than at any time since the early 1970's and later that day the Bank of England stepped in to calm markets. It announced that it would purchase up to £65bn of long dated gilts. Purchases were later extended to include index-linked gilts and the maximum daily purchase limit increased, although only around £19bn of total purchases were made. This intervention, alongside the replacement of Liz Truss as Prime Minister by Rishi Sunak, calmed markets and by 23 November, 15-year yields had fallen back to 3.3%. The Bank of England was therefore also able to sell the gilts purchased during this intervention back into the market, selling the final gilts in the first week of 2023.

In March 2023 two US banks, Silicon Valley Bank and Signature Bank, failed with the US government having to step in to guarantee deposits. These were the first failures of a large US bank since 2008. The failure of Silicon Valley Bank in particular was closely tied to its inability to adjust to the swift rise in central bank interest rates. The failures caused wider disruption in banking markets that spread to Credit Suisse, which had been suffering from falling deposits for some time. This required the Swiss government to step in and arrange for UBS to purchase Credit Suisse. By the end of the quarter the disruption had subsided, and the overall market impact was limited outside the banking sector.

Over the year, all major central banks tightened monetary policy as economies recovered to pre-pandemic levels and inflation rose far above target.

- The Bank of England (BoE) raised the base rate from 0.75% to 4.25% over the year. After the BoE's intervention in September and October, it was able to sell all the gilts it had bought during that period by the first week of 2023.

- The Federal Reserve (The Fed) raised the Federal Funds Rate range from 0.75%-1.00% at the beginning of the year to 4.75%-5.00% in March 2023. The Fed began the process of reducing its balance sheet in June 2022 as it announced that the proceeds from its US Treasury holdings would no longer be reinvested below a monthly cap of $30bn from June to August and $60bn after that.

- The European Central Bank (ECB) raised its main lending rate from 0.0% to 3.5% over the year to 31 March 2023. The ECB decided to end its Asset Purchase Programme (APP) effective from 1 July 2022 and to cease reinvestment of the proceeds from the APP assets in March 2023 at a rate of €15 billion per month.

The Trustees' Report (Cont)

Market Performance

The 12 months to 31 March 2023 saw negative returns across almost all asset classes.

- **Equities:** Overall, global equities produced negative total returns over the year to 31 March 2023, falling by 5.0% in local currency terms. The best performing region, in local currency terms, was Japan (+5.0%), and the worst performing region was North America (-8.2%).

- **Bonds:** Over the year to 31 March 2023, UK gilt yields rose significantly across all maturities. UK fixed interest gilts (all stocks) produced very deep negative returns (-16.3%) and UK index-linked gilts (all stocks) delivered even deeper negative returns (-26.7%) as implied inflation fell over the year. UK corporate bond spreads (all stocks) widened significantly (0.4%) over the year.

- **Property:** The MSCI UK All Property Index fell by 13.0% over the 12 months to 31 March 2023.

Employer-related investments

There were no Employer-related investments at the year-end.

Custodian arrangements

As the investments are held in pooled funds and in accordance with normal practice, the Scheme's assets are registered with a custodian's nominee company with designation for the Scheme. The Trustees' investment management agreement with each of the managers covers custodian arrangements.

LGIM has appointed two custodians in respect of its assets, HSBC Bank Plc and Citibank, N.A. (London Branch). Baillie Gifford appoints The Bank of New York Mellon (London branch) as its custodian for the Multi Asset Growth Fund. Barings appoints State Street as its custodian for the Global High Yield Credit Strategies Fund.

The Trustees’ Report (Cont)

Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

Financially material considerations

The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) may be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.

The Trustees have elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the managers of the underlying funds, takes into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: Assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of their investment process to determine a strategic asset allocation and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows: -

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant, the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

Non-financially material considerations

The Trustees do not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

The Trustees will review their policy on whether or not to take account of non-financial matters on an annual basis.

The Trustees' Report (Cont)

The exercise of voting rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including business performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the pooled fund in which the Scheme holds units.

Approval of Trustees' Report

This was approved by the Trustees on

Date: ______________________________

Signed on behalf of the Trustees:

______________________________	______________________________
Trustee	Trustee

Independent Auditor's Report to the Trustees of the Staff Pension Scheme of Nottingham Building Society

Opinion

We have audited the financial statements of Staff Pension Scheme of Nottingham Building Society for the year ended 31 March 2023 which comprise Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 23, 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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give 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 Trustees' 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 12 months from when the Scheme's 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Independent Auditor's Report to the Trustees of the Staff Pension Scheme of Nottingham Building Society (Cont)

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 7, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Explanation as to what extent 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 irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustees.

Independent Auditor's Report to the Trustees of the Staff Pension Scheme of Nottingham Building Society (Cont)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.
- We understood how the Scheme is complying with these legal and regulatory frameworks by making enquiries of the Trustees. We corroborated our enquiries through our review of the Trustees' meeting minutes.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Scheme has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. In our assessment, we considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustees for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustees' minutes.
- The Scheme is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Scheme with these regulations as part of our audit procedures.

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. The description forms part of our Auditors' report.

Use of our report

This report is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Manchester

Date:

Summary of Contributions Payable in the Year

During the year, the contributions payable to the Scheme by the Employer under the Schedule of Contributions were as follows:

	£
Employer deficit funding contributions	1,500,000
Contributions payable under the Schedule of Contributions	1,500,000

Signed on behalf of the Trustees:

Trustee

Trustee

Date:

Independent Auditor's Statement about Contributions to the Trustees of the Staff Pension Scheme of Nottingham Building Society

Statement about Contributions

We have examined the summary of contributions to the Staff Pension Scheme of Nottingham Building Society for the year ended 31 March 2023, which is set out on page 20.

In our opinion contributions for the Scheme year ended 31 March 2023 as reported in the summary of contributions on page 20 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 Actuary on 23 December 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 20 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 our statement

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 audit work 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 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 opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Manchester

Date:

The Financial Statements

Fund Account

for the year ended 31 March 2023

	Note	31 March 2023	31 March 2022
		£	£
Contributions and benefits			
Employer contributions		1,500,000	1,500,000
Total contributions	4	1,500,000	1,500,000
Benefits paid or payable	5	(2,207,046)	(2,054,673)
Payments to and on account of leavers	6	-	(36,636)
Administrative expenses	7	(302)	(296)
Other payments	8	(18,676)	-
		(2,226,024)	(2,091,605)
Net withdrawals from dealings with members		(726,024)	(591,605)
Returns on investments			
Investment income	9	916,789	905,151
Change in market value of investments	10	(15,767,951)	(890,920)
Investment management expenses	11	(49,660)	(69,212)
Net return on investments		(14,900,822)	(54,981)
Net decrease in the fund during the year		(15,626,846)	(646,586)
Net assets of the Scheme			
At 1 April		61,719,035	62,365,621
At 31 March		46,092,189	61,719,035

The notes on pages 24 to 31 form part of these financial statements.

The Financial Statements (Cont)

Statement of Net Assets

available for benefits as at 31 March 2023

	Note	31 March 2023	31 March 2022
		£	£
Investment assets:	10		
Pooled investment vehicles	13	43,539,229	59,382,720
Insurance policies	14	1,686,000	1,686,000
AVC investments	15	266,272	273,344
Accrued income	10	176,346	210,454
		45,667,847	61,552,518
Current assets	19	467,952	220,805
Current liabilities	20	(43,610)	(54,288)
Net assets of the Scheme at 31 March available for benefits		46,092,189	61,719,035

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 takes into account such obligations is dealt with in the Report on Actuarial Liabilities on page 8 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 24 to 31 form part of these financial statements.

These financial statements were approved by the Trustees on

Date: ____________________

Signed on behalf of the Trustees:

Trustee	Trustee

Notes to the Financial Statements

Details of general information for the Scheme are available in the Trustees' Report.

1. Basis of preparation

The individual 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 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

2. Identification of the financial statements

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

3. Accounting policies

The principal accounting policies of the Scheme which are applied consistently are as follows:

Currency

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

Contributions

- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and Trustees.

Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Benefits are accounted for in the period in which the member notifies the Trustees of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- Where members have a choice regarding the form and timing of their benefit, benefits are accounted for on an accruals basis on the later of the date of retiring or leaving and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retiring or leaving.
- Individual transfers out of the Scheme are accounted for when member liability is discharged which is normally when the transfer amount is paid.

Expenses and other payments

- Expenses, where payable by the Scheme, are accounted for on an accruals basis.
- Administrative expenses are met by the Sponsoring Employer.
- Investment management expenses and rebates are accounted for on an accruals basis and shown net within "Returns on investments". Transaction costs are included in the cost of purchases and sale proceeds.

Investment income

- Income from pooled investment vehicles is accounted for when declared by the fund manager.
- Income from cash and short term deposits is accounted for on an accruals basis.
- Receipts from annuity policies are accounted for as investment income on an accruals basis.
- Investment income arising from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".

Investments

- Unitised pooled investment vehicles, which are not traded on active markets, have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment manager.
- Annuities are valued by the Scheme actuary in line with the value placed on the annuities as part of the Section 179 valuation and are only updated at each triennial actuarial valuation date.
- AVC investments include policies of assurance. The market value of these policies has been taken as the value of the policies at the year end, as advised by the AVC provider.

Notes to the Financial Statements (Cont)

4. Contributions

	2023	2022
	£	£
Employer contributions		
Deficit funding	1,500,000	1,500,000

Deficit funding contributions of £125,000 per month are being paid by the Employer until 30 November 2024.

5. Benefits paid or payable

	2023	2022
	£	£
Pensions	1,950,290	1,851,926
Commutation of pensions and lump sum retirement benefits	248,114	204,380
Lump sum death benefits	8,642	(1,633)
	2,207,046	2,054,673

6. Payments to and on account of leavers

	2023	2022
	£	£
Individual transfers to other schemes	-	36,636

7. Administrative expenses

	2023	2022
	£	£
Bank charges	302	296

All other administrative expenses are met by the Sponsoring Employer.

8. Other payments

	2023	2022
	£	£
Interest paid	18,676	-

The interest payment was made in respect of a loan of £3.25m provided by the Employer on 25 October 2022. The Scheme repaid the loan in full on 28 November 2022.

9. Investment income

	2023	2022
	£	£
Annuity income	111,000	108,000
Interest on cash deposits	2,603	-
Income from pooled investment vehicles	803,186	797,151
	916,789	905,151

Notes to the Financial Statements (Cont)

10. Reconciliation of investments

	Value at 31 March 2022 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 March 2023 £
Pooled investment vehicles	59,382,720	29,296,948	(29,379,560)	(15,760,879)	43,539,229
Insurance policies	1,686,000	-	-	-	1,686,000
AVC investments	273,344	-	-	(7,072)	266,272
	61,342,064	29,296,948	(29,379,560)	(15,767,951)	45,491,501
Accrued income	210,454				176,346
	61,552,518				45,667,847

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

11. Investment management expenses

	2023 £	2022 £
Administration, management and custody	49,660	69,212

12. 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.

13. Pooled investment vehicles

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

	2023 £	2022 £
LDI	11,697,574	10,989,331
Equities	5,233,164	14,158,949
Cash	6,254,461	3,357,948
Multi-Asset	9,659,744	15,245,487
High yield credit	10,694,286	15,631,005
	43,539,229	59,382,720

The Multi-Asset fund holds a variety of investments including equities, bonds, derivatives, commodities and Property.

Notes to the Financial Statements (Cont)

14. Insurance policies

The Scheme held insurance policies at the year-end as follows:

	2023	2022
	£	£
Insurance policies	1,686,000	1,686,000

The value used for the Scheme's insured assets is in line with the value placed on the annuities as part of the Section 179 valuation. The annuitant valuation is updated every 3 years in line with the triennial valuation of the Scheme, with the latest valuation being as at 31 March 2020.

As the annuitant members represent a very small proportion of the Scheme's liabilities, we do not expect a significant change to the annuitant valuation should market conditions and membership movements be allowed to 31 March 2023. Over time the value is expected to decrease as benefits are paid out to members. We are not aware of any significant membership changes.

15. AVC investments

The Trustees hold assets invested separately from the main investments to secure additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to the Scheme year end confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2023	2022
	£	£
ReAssure (Unit Linked)	266,272	273,344
	266,272	273,344

16. Fair value hierarchy

The fair value of financial instruments has been disclosed 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.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

Notes to the Financial Statements (Cont)

16. Fair value hierarchy (Cont)

The Scheme's investment assets and liabilities fall within the above hierarchy levels as follows:

	As at 31 March 2023			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	43,539,229	-	43,539,229
Insurance policies	-	-	1,686,000	1,686,000
AVC investments	-	-	266,272	266,272
Accrued income	176,346	-	-	176,346
	176,346	43,539,229	1,952,272	45,667,847

	As at 31 March 2022			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	59,382,720	-	59,382,720
Insurance policies	-	-	1,686,000	1,686,000
AVC investments	-	-	273,344	273,344
Accrued income	210,454	-	-	210,454
	210,454	59,382,720	1,959,344	61,552,518

17. Investment risk disclosures

Investment risks

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

- Credit risk – one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk – comprises the following three types of risk:
    1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
    2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
    3. Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

The Trustees determine their investment strategy after taking advice from a professional investment consultant. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits, which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and are monitored by the Trustees by regular reviews of the investment portfolio.

Further information is set out below on the Trustees' approach to risk management, credit and market risk.

Market risk: Interest rates

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in Liability Driven Investment ("LDI") funds and indirectly in fixed income assets held in the Barings Global High Yield Credit Strategies Fund. At 31 March 2023, this amounts to a monetary value of £22.4m (2022: £26.6m).

Generally speaking, if interest rates fall, the value of the Scheme's LDI and bond investments will rise to help match the increase in the value of the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI and bond investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Notes to the Financial Statements (Cont)

17. Investment risk disclosures (Cont)

Market risk: Currency

The Scheme is exposed to currency risk because some of its investments are held in overseas markets. The Scheme invests indirectly in overseas equities, bonds and property through its pooled investment in the Baillie Gifford Multi Asset Growth Fund. At 31 March 2023, the total value of assets exposed to this risk through the fund amounts to a monetary exposure of £9.7m (2022: £15.2m). Baillie Gifford invest over a wide range of currencies and geographies, diversifying the risk from individual currency movements.

The LGIM Future World Global Equity Index Fund also invests in overseas equities, however the majority of the currency risk from these holdings are hedged back to sterling. The Barings Global High Yield Credit Strategies Fund also invests in overseas bonds, however the currency risk from these holdings is fully hedged.

Market risk: Other price

Other price risk arises principally in relation to the Scheme's return seeking portfolio, which includes indirectly held equities through pooled investments in the LGIM Future World Global Equity Index Fund and the Baillie Gifford Multi Asset Growth Fund. At 31 March 2023, the monetary amount invested in the LGIM Future World Global Equity Index Fund was £5.2m (2022: 14.2m), while the monetary amount invested in the Baillie Gifford Multi Asset Growth Fund was £9.7m (2022: £15.2m).

The Scheme manages this exposure by investing in pooled funds, which invest in a diverse portfolio of instruments across various markets. According to the Scheme's SIP, the investment managers are expected to manage a broadly diversified portfolio and to spread assets across a number of individual shares and securities.

Credit risk

The pooled investment arrangements used by the Scheme comprise unit-linked insurance contracts and open ended investment companies. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled fund manager, the regulatory environments in which the pooled fund manager operates and the ongoing due diligence of the pooled manager.

Indirect credit risk arises in relation to the underlying investments of pooled investment vehicles, particularly in bonds held in the Barings Global High Yield Credit Strategies Fund and the Baillie Gifford Multi Asset Growth Fund. The indirect credit risk amounts to a monetary exposure of £20.4m (2022: £41.9m).

The indirect credit risk arising on the Scheme's LDI funds is mitigated by investing in high quality government bonds, where the credit risk is minimal.

Cash is held within financial institutions which are at least investment grade rated, for example in relation to the Scheme bank account.

The Trustees monitor the performance of the Scheme's investment managers on a regular basis in addition to having meetings with the managers from time to time as necessary. The Trustees have written agreements with their investment managers, which contain a number of restrictions on how the investment managers may operate.

Notes to the Financial Statements (Cont)

17. Investment risk disclosures (Cont)

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

	2023	2022
	£	£
Unit linked insurance contracts	23,185,199	28,506,228
Open ended investment companies	20,354,030	30,876,492
	43,539,229	59,382,720

18. Concentration of investments

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

	2023		2022	
	£	%	£	%
Barings Global High Yield Credit Fund	10,694,286	23.2	15,631,004	25.3
Baillie Gifford Multi Asset Growth Fund	9,659,744	21.0	15,245,487	24.7
Legal & General Sterling Liquidity Fund	6,254,461	13.6	3,357,948	5.4
Legal & General Matching Core Fixed Short Fund	6,223,752	13.5	5,580,441	9.0
Legal & General Global Equity Index Fund	5,233,164	11.4	14,158,949	22.9

19. Current assets

	2023	2022
	£	£
Cash balances	467,952	220,805

20. Current liabilities

	2023	2022
	£	£
Accrued benefits	(31,737)	(28,140)
Accrued expenses	(11,873)	(26,148)
	(43,610)	(54,288)

21. Related party transactions

During the year two Trustees were active members of the Scheme and received no benefit payments. The Sponsoring Employer provides secretarial and certain administration services to the Trustees and bears these costs. The costs borne by the Sponsoring Employer in relation to the Scheme are not reflected in these financial statements.

Transactions with related parties of the Scheme have been disclosed in the annual report as follows:

- Contributions receivable from the Employer are disclosed in note 4.
- The Trustees agreed a loan facility with the Society in October 2022 to cover the Scheme's short-term liquidity needs, this facility was extended for a further six months in April 2023.
- On 25 October 2022 the Scheme received a loan of £3,250,000 from the Employer, which was settled on 28 November 2022 including interest payment of £18,676, as disclosed in note 8.

All of the above transactions were made in accordance with the Scheme Rules.

Notes to the Financial Statements (Cont)

22. Employer-related investments

There were no direct employer-related investments at the year end. Any potential indirect employer-related investment through pooled investment vehicles is unintentional and would represent less than 0.1% of Scheme net assets.

23. GMP equalisation

As explained on pages 5 to 6 in the Trustees' Report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustees of the Scheme are aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

Based on an initial assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and this assessment is still a reasonable assessment of the GMP Equalisation impact as at 31 March 2023. There have been no significant changes since the last assessment that could significantly impact the estimate, therefore the Trustees have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The actuarial valuation as at 31 March 2020 allows for 0.3% as an approximate allowance for GMP equalisation. The 0.3% pa GMP equalisation was "rounded up" for prudence by the Scheme Actuary and any allowance for past transfers is unlikely to change this adjustment significantly. The Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements.

Certificate of Adequacy of Contributions

Staff Pension Scheme of Nottingham Building Society

Certification of the Schedule of Contributions

Adequacy of rates of contributions

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 2020,to be met by the end of the period specified in the Recovery Plan dated December 2020.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated December 2020.

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

Signature:		Date:	23 DECEMBER 2020
Name:	Ben Roach	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Pinnacle 67 Albion Street Leeds LS1 5AA	Employer:	Barnett Waddingham LLP

Schedule of Contributions

Staff Pension Scheme of Nottingham Building Society Schedule of Contributions

Status

This Schedule of Contributions has been prepared by the Trustees of the Staff Pension Scheme of Nottingham Building Society (the Scheme), following an Actuarial Valuation of the Scheme as at 31 March 2020, after obtaining the advice of the Scheme Actuary.

Contributions to be paid by the Employer from 1 January 2021 to 1 January 2026

In respect of the shortfall in funding as set out in the Recovery Plan dated December 2020:	£1,500,000 pa payable monthly from 1 January 2021 to 30 November 2024.

The Employer shall separately pay Scheme expenses, including the Pension Protection Fund levy and insurance premiums.

The monthly contributions are to be paid to the Scheme no later than the 19th of the calendar month following that to which the payment relates.

The Employer may pay contributions in addition to the amounts shown above at any time.

This schedule has been agreed by the Trustees and the Employer.

....
Signed on behalf of the Trustees of the Nottingham Building Society Staff Pension Scheme

23rd December 2020
....
Date

B Nisbett
Signed on behalf of Nottingham Building Society

23/12/2020
Date