

Mid Kent Group Pension Scheme

Annual Report and Financial Statements

31 March 2024

Scheme Registration number 10233493

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Section 1 – Trustee and its Advisers

Trustee

Water Pension Trustee Limited was appointed as Trustee of the Mid Kent Group Pension Scheme (“MKGPS”) in December 2016. They are also the Trustee of the related South East Water Pension Scheme (“SEWPS”).

The Trustee Directors

| Company appointed | Member nominated |
|------------------------------------|--|
| J Stimpson (Chair) | M Giel (appointed by the members of both SEWPS and MKGPS) |
| R Loh | D Chung (appointed by the members of both SEWPS and MKGPS) |
| M Hersey | R J Allison (appointed by the members of both SEWPS and MKGPS) |
| S Jenkins | P Seeley (appointed by the members of both SEWPS and MKGPS) |
| N A Morton | |
| Secretarial Support to the Trustee | Peter Carver FIA CERA, Hymans Robertson LLP |

Advisers

The advisers to the Trustee are set out below:

| | |
|------------------------|---|
| Actuary | Shireen Anisuddin FIA CERA, Hymans Robertson LLP |
| Auditor | Mazars LLP (Resigned 29 February 2024) Cooper Parry Group Limited (appointed 24 March 2024) |
| Legal Adviser | Squire Patton Boggs (UK) LLP |
| Administrator | Hymans Robertson LLP |
| Investment Consultant | Hymans Robertson LLP |
| Investment Managers | Just Group Plc Legal and General Investment Management Limited |
| Banker | Barclays Bank Plc |
| Life Assurance Company | Legal & General Assurance Society Limited |
| Principal Employer | South East Water Limited |
| Contact Address | Ms Tracey Smith Reward Manager South East Water Limited Rocfort Road Snodland Kent ME6 5AH |

Section 2 – Trustee’s Report

The Trustee of the Mid Kent Group Pension Scheme is pleased to present its report together with the audited financial statements and actuarial statements of the Scheme for the year ended 31 March 2024. The purpose of the report is to describe how the Scheme and its investments have been managed during the year.

Management of the Scheme

Legal Status

The Scheme is governed by a Definitive Trust Deed and Rules dated 28 December 2016.

The Scheme is a defined benefit scheme and is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

Members of the Scheme were contracted-out of the State Second Pension, prior to the closure of the Scheme to future benefits (see below).

The Scheme was closed from 1 April 2015. The closure means that active members earn no further benefits from 31 March 2015. Any benefits built up in the Scheme prior to this date are protected and all members will still receive them as expected. Ongoing pension benefits are provided through the Company’s Defined Contribution scheme.

Trustee

The Trustee of the Mid Kent Group Pension Scheme is Water Pension Trustee Limited whose Directors are listed on page 1.

In accordance with the trust deed the Principal Employer has the power to appoint and remove Company appointed Trustee Directors.

In accordance with the Occupational Pension Scheme (Member Nominated Trustees and Directors) Regulations 1996, four of the Trustee Directors are nominated by the members of the South East Water Pension Scheme and Mid Kent Group Pension Scheme to serve for a period of up to five years.

The Member Nominated Trustee Directors may be removed before the end of their term only by agreement of all of the remaining Trustee Directors, although their appointment ceases if they cease to be members of the Scheme.

The Trustee met formally for regular Trustee meetings four times (2023: four) during the year. In addition, there were further meetings for other activities including additional meetings in respect of specific projects and a number of meetings of subcommittees. From December 2016, as the Trustee of the Mid Kent Group Pension Scheme, Water Pension Trustee Limited, is also the Trustee of the South East Water Pension Scheme all Trustee meetings and most subcommittee meetings are joint meetings of the two Schemes.

Change of Auditor

During the year, the Trustee appointed Cooper Parry Group Limited as the Scheme auditor on 24 March 2024. During this process, the outgoing auditor, Mazars LLP who resigned on 29 February 2024, confirmed that they were not aware of any circumstances connected with their resignation which, in their opinion, affected the interest of members or beneficiaries.

Full scheme buy-in

On 5 December 2022, the Trustee signed a buy-in contract and completed a transaction with Just Group Plc to cover all uninsured liabilities of the Scheme. The contract covered all members, except for those members whose liabilities are already insured under the existing buy-in policy with Just Group Plc. The premium paid was £84.3m and the approximate valuation of this policy is £74.3m as at 31 March 2024.

Trustee's Report (continued)

Financial Development of the Scheme

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

The fund account shows that the net assets of the Scheme decreased from £81,532k at 31 March 2023 to £77,637k at 31 March 2024. The decrease in net assets is accounted for by:

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|------------------------|------------------------|
| Contributions paid in by the Company | - | 1,133 |
| Benefits paid to members and payments in respect of leavers | (5,151) | (4,952) |
| Administrative expenses | (413) | (578) |
| Net withdrawals from dealings with members | (5,564) | (4,397) |
| Net returns on investments | 1,680 | (39,738) |
| Investment manager expenses | (11) | (284) |
| Total decrease in net assets for the year | (3,895) | (44,419) |
| Net assets at the start of the year | 81,532 | 125,951 |
| Net assets at the end of the year | 77,637 | 81,532 |

Pension Increases

During the Scheme year, pension increases were applied in accordance with the Scheme Rules as follows:

- Effective date – 1 April 2023
- Pensions in payment:
 - Guaranteed Minimum Pension ("GMP"s) accrued pre 6 April 1988 = Nil% (increases in line with the annual rise in Consumer Price Index ("CPI") may be payable by the State)
 - GMPs accrued post 5 April 1988 = 3% (in accordance with the statutory revaluation orders)
 - non GMP benefits accrued pre 6 April 1997 for Category A members = 5%
 - benefits accrued post 5 April 1997 for Category A members = 5%
 - non GMP benefits accrued pre 6 April 1997 for Category B members = 10.1%
 - benefits accrued post 5 April 1997 for Category B members = 10.1%

Deferred pensions are increased in accordance with statutory requirements

Transfer Values

All transfer values paid during the year were calculated and verified as required under Section 97 of the Pension Schemes Act 1993.

Transfer values paid represented the full value of members' guaranteed benefits. There were no transfers paid at less than the cash equivalent.

No allowance is made for any discretionary benefits when assessing transfer values.

Trustee's Report (continued)

Schedule of Contributions

Following the actuarial valuation on 31 March 2023, a Schedule of Contributions was agreed and certified by the Scheme Actuary on 18 December 2023. No deficit reduction contributions are due to be paid to the Scheme under this schedule.

The Schedule of Contributions is available on request from the Trustee.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, the Scheme has adopted a 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 (also known as the liabilities). This value is assessed using the assumptions agreed between the Trustee and the Employer as set out in the latest Statement of Funding Principles dated 18 December 2023, which is available on request.

The most recent signed actuarial valuation of the Scheme was carried out as at 31 March 2023. This showed that on that date:

The value of the Technical Provisions was: £80.4 million

The value of the Scheme's assets was: £81.5 million

On this basis the Scheme had a funding surplus of £1.1 million at 31 March 2023 corresponding to a funding level of 101%.

Between triennial actuarial valuations, trustees of defined benefit schemes with more than 100 members must commission an annual funding report called an "Actuarial Report". The actuarial report must have an effective date of no later than one year from the date of the previous actuarial valuation or actuarial report, and must be completed within one year of the report's effective date. An Actuarial report for the Scheme has been prepared as at 31 March 2022 and 31 March 2023, the results of which are summarised below along with the results from the 31 March 2020 valuation.

| | Actuarial Valuation as at 31 March 2020 | Actuarial Report as at 31 March 2022 | Actuarial report as at 31 March 2023 |
|----------------------|--|---|---|
| Assets | 124.4 | 126.4 | 81.5 |
| Technical Provisions | 120.8 | 113.9 | 80.4 |
| Surplus/(deficit) | 3.6 | 12.5 | 1.1 |
| Funding level | 103% | 111% | 101% |

An Actuarial report for the Scheme as at 31 March 2024 will be prepared before 31 March 2025.

In December 2022, the Trustee secured all Scheme benefits via an insurance contract with Just. These contracts fully match the Scheme's liabilities (apart from any liabilities in respect of GMP equalisation and expenses). This has largely fulfilled the previous Long-Term Objective of being fully funded on a solvency basis.

The next actuarial valuation of the Scheme is due as at 31 March 2026.

Trustee's Report (continued)**Report on Actuarial Liabilities (continued)**

The liability and asset values relating to the insured benefits for the formal valuation as at 31 March 2023 were set in line with the insurer's valuation of the insurance contract, which we understand was calculated on an accrued benefits method by the insurer. The only assumptions required for the Scheme's valuation as at 31 March 2023 were therefore those underlying the reserves for GMP equalisation and expenses. The method and actuarial assumptions used to determine these are as follows:

- GMP equalisation: An additional reserve equal to 0.1% of total liabilities.
- Expenses: A reserve equal to the expected expenses required to fully wind up the Scheme.

Further details of the method and assumptions adopted are set out in the Statement of Funding Principles dated 18 December 2023.

Trustee's Report (continued)

GMP

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 Trustee is aware that the issue affects the Scheme and is well progressed in implementing changes to equalise the GMP benefits in the Scheme, which is expected to take place by the end of 2024. The impact on the Scheme is not expected to be material and has therefore not been recognised in the accounts.

In November 2020, a further judgement was passed down on the Lloyds Bank GMP equalisation case, requiring pension scheme trustees to investigate historic transfer payments since 17 May 1990 and check whether the payment would have been higher had the member's benefits been equalised for the effects of unequal male and female GMPs. In cases where payments would have been higher, trustees may have an obligation to make "top-up" payments. The Trustee has taken advice on the matter as part of the larger project of implementing GMP equalisation, but the impact on the Scheme is not expected to be material and has therefore not been recognised in the accounts.

Pension increases

The Trustee and Employer agreed in April 2020, after taking actuarial advice, that the Index referred to in the Scheme rules which is used to calculate pension increases should be CPI going forward rather than the Retail Price Index. This will mean the pension increases in the Scheme from 1 April 2021 onwards will be awarded in line with CPI, until such time as the Index is reviewed again. The Index was reviewed 2023 and it was agreed to continue awarding pension increases in line with CPI. The funding impact of this change was taken into account in the 2020 formal valuation of the Scheme, and is allowed for in the funding position disclosed in the Report on Actuarial Liabilities above.

Scheme Membership

The reconciliation of the Scheme membership during the year ended 31 March 2024 is shown below:

| Pensioner Members (including spouses and dependants) | Number |
|--|------------|
| As at 31 March 2023 | 394 |
| Prior period adjustments | 2 |
| Restated as at 31 March 2023 | 396 |
| Spouses pensions | 5 |
| Deaths | (15) |
| Retirements | 8 |
| Pensioner members as at 31 March 2024 | 394 |

| Deferred Pensioner Members | Number |
|---|------------|
| As at 31 March 2023 | 175 |
| Retirements | (8) |
| Transfer out | (1) |
| Deferred pensioner members as at 31 March 2024 | 166 |

Investment Policy

Investment manager

The Scheme's investments are handled by investment managers appointed by the Trustee. The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to the investment strategy set by the Trustee, day to day management of the Scheme's portfolio, which includes full discretion over stock selection, is the responsibility of the investment managers. The investment managers are shown on page 1.

Investment Strategy

The historical investment strategy was designed to reduce the risk to the development of the Scheme's funding position through investing in assets which generated cash along with the benefits due. In December 2022, the Scheme implemented a full Scheme buy-in with Just Group Plc. The buy-in policy is held as an investment of the Scheme ahead of the long-term funding target of buy-out. It removes the Scheme's exposure to longevity risk, key financial risks such as credit risk, and provides protection against interest rate and inflation risk.

A cash holding is retained in the Trustee bank account to cover ongoing expenses and other cashflow needs during the Scheme's endgame journey.

Asset allocation

The asset allocation of the Scheme at 31 March 2024 is summarised in the table below.

| | Valuation £'000 | Total Fund % |
|----------------|--------------------|-----------------|
| Annuity buy in | 74,330 | 95.5 |
| Cash | 3,507 | 4.5 |
| Total | 77,837 | 100 |

Pricing methods of managers

| Manager | Fund | Pricing point |
|---|-------------------------|---------------|
| Legal & General Investment Management Limited | Sterling liquidity fund | Daily |

Statement of Investment Principles ("SIP")

The Trustee has prepared a SIP, which sets out the principles governing how investments are chosen. A copy of the Scheme's SIP can be found at <https://www.mkgpensionscheme.co.uk/resources/statement-of-investment-principles-2024/>.

Trustee’s Report (continued)

Custodial Arrangements

The custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Underlying investments are held in the name of the custodian’s nominee companies, in line with common practice for pension scheme investments. The table below shows the custodial arrangements for each investment manager.

| Investment Manager | Custodian |
|---|---|
| Legal and General Investment Management Limited | Northern Trust Fiduciary Services (Ireland) Limited |

Employer Related Investments

There were no employer related investments during the year (2023: £nil).

Statement of Trustee's Responsibilities

The audited financial statements, which are to be 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, is the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- 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 the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- Assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- Making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

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

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Statement of Trustee's Responsibilities in Respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that, once required, there is prepared, maintained and from time to time revised 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 Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the Schedule.

Further Information

Internal Dispute Resolution (“IDR”) Procedures

It is a requirement of the Pensions Act 1995 that the trustees of all occupational pension schemes must have IDR procedures in place for dealing with any disputes between the Trustee and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustee, details of which can be obtained by writing to the Secretary to the Trustee at the following address:

Secretary to the Trustee
Mid Kent Group Pension Scheme
Hymans Robertson LLP
One London Wall
London EC2Y 5EA

Email: midkent@hymans.co.uk

Contact for Further Information

Any enquiries or complaints about the Scheme, including requests from individuals about their benefits or for a copy of Scheme documentation, should be sent to the Secretary to the Trustee at the above address.

The Money and Pensions Service (“MaPS”)

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

The Money and Pensions Service
Bedford Borough Hall
138 Cauldwell Street
Bedford
MK42 9AP
Tel: 0800 011 3797
www.moneyhelper.org.uk

The Pensions Ombudsman

Members have the right to refer a complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the events(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London
E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

Members can also submit a complaint form online:
www.pensions-ombudsman.org.uk/making-complaint

Trustee’s Report (continued)

The Pensions Regulator (“TPR”)

TPR has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund (“PPF”). TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Telecom House
125 -135 Preston Road
Brighton
BN1 6AF
www.thepensionsregulator.gov.uk

Pension Tracing Service

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
Tel: 0800 731 0469
www.gov.uk/find-pension-contact-details

Approval of the Report by the Trustee

The investment report included in this annual report and financial statements forms part of the Trustee’s report.
Signed for and on behalf of the Trustee of the Mid Kent Group Pension Scheme by:

| | |
|--|------------------|
| <div>Signed by:  DD4D4CC5E9CD4FF...</div> | Trustee Director |
| <hr/> | |
| <div>DocuSigned by:  62F2D7FAEE9142F...</div> | Trustee Director |

| | |
|-----------------|------|
| 21 October 2024 | Date |
| <hr/> | |

Section 3 – Independent Auditor's Report to the Trustee of the Mid Kent Group Pension Scheme

Opinion

We have audited the financial statements of the Mid Kent Group Pension Scheme for the year ended 31 March 2024 which comprise the fund account, the statement of net assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

Independent Auditor's Report to the Trustee of the Mid Kent Group Scheme (continued)

Other information (continued)

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

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 10, the Scheme's 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 liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Independent Auditor's Report to the Trustee of the Mid Kent Group Scheme (continued)**Auditor's responsibilities for the audit of the financial statements (continued)**

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (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 report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 21 October 2024

**COOPER PARRY GROUP LIMITED**

Statutory Auditor

Section 4 – Financial Statements

Fund Account for year ended 31 March 2024

| | Note | 2024 £000 | 2023 £000 |
|---|-------------|----------------------|------------------------|
| CONTRIBUTIONS AND BENEFITS | | | |
| Contributions | 4 | | |
| Employer | | - | 1,133 |
| Benefits | 5 | (4,789) | (4,623) |
| Leavers | 6 | (362) | (329) |
| Administrative expenses | 7 | (413) | (578) |
| | | <u>(5,564)</u> | <u>(5,530)</u> |
| Net withdrawals from dealings with members | | (5,564) | (4,397) |
| RETURNS ON INVESTMENTS | | | |
| Investment income | 8 | 5,073 | 1,306 |
| Change in market value of investments | 10 | (3,393) | (41,044) |
| Investment management expenses | 11 | (11) | (284) |
| Net returns on investments | | <u>1,669</u> | <u>(40,022)</u> |
| Net decrease in the Scheme during the year | | (3,895) | (44,419) |
| Balance of the Scheme at the start of the year | | 81,532 | 125,951 |
| Balance of the Scheme at the end of the year | | <u>77,637</u> | <u>81,532</u> |

The notes on pages 18 to 26 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 31 March 2024

| | Note | 2024 £000 | 2023 £000 |
|--|-----------|---------------|---------------|
| Investment assets | 10 | | |
| Pooled investment vehicles ("PIVs") | | 3,507 | 3,610 |
| Insurance policies | | 74,330 | 77,900 |
| Accrued income | | 5 | 4 |
| | | <u>77,842</u> | <u>81,514</u> |
| Current assets | 12 | 255 | 421 |
| Current liabilities | 13 | (460) | (403) |
| Net assets of the Scheme at the end of the year | | <u>77,637</u> | <u>81,532</u> |

The financial statements summarise the transactions of the Scheme 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 Scheme year.

The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on actuarial liabilities on page 4 of these financial statements and should be read in conjunction therewith.

These financial statements were approved by the Trustee of the Mid Kent Group Pension Scheme and signed for and on their behalf by:

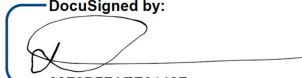
Signed by:



DD4D4CC5E9CD4EF...

Trustee Director

DocuSigned by:



62F2D7FAEE9142F...

Trustee Director

21 october 2024

Date

The notes on pages 18 to 26 form part of these financial statements.

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 31 March 2024

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS 102) – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland issued by the Financial Reporting Council (FRS 102) and the guidance set out in the Statement of Recommended Practice, “Financial Reports of Pension Schemes” (Revised November 2018) (the “SORP”).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months.

The Scheme’s functional and presentational currency is Pounds Sterling (GBP).

2 IDENTIFICATION OF FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the scheme is

Secretary to the Trustee
Mid Kent Group Pension Scheme
Hymans Robertson LLP
One London Wall
London EC2Y 5EA
Email: midkent@hymans.co.uk

3 ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied during the year, are set out below.

3.1 Contributions

Deficit and expense contributions are accounted for in accordance with the terms of the Schedule of Contributions.

3.2 Benefits

Pensions payable in respect of the Scheme year are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for by reference to the later of the date of retirement or leaving the Scheme, or the date the option is exercised.

3.3 Transfers

Transfer values to other pension arrangements are accounted for when the liability for any pension benefits in respect of a transferring member passes from the Scheme.

3.4 Income

Interest on bank deposits is accounted for on an accruals basis. Income from investment vehicles is accounted for on an accruals basis.

3.5 Expenses

Expenses are accounted for on an accruals basis.

Notes to the financial statements for the year ended 31 March 2024 (continued)**3 ACCOUNTING POLICIES (continued)****3.6 Investments**

The fair value of unit trusts and managed fund units is taken as the bid price at the accounting date as advised by the investment managers.

The Just Group Plc insurance policies are allocated to the provision of pensions for all members of the Scheme. Income received from these policies is treated as investment income and the corresponding expenditure is included in Benefits within the pension payment account. The buy in policies remain an asset of the Scheme and are valued at the year-end using an “actuarial value” approach. This approach places a value on the policies based on the present value of the underlying pension cashflows. The valuation has been prepared by the Scheme Actuary on a technical provisions basis which is consistent with the valuation of the Scheme’s liabilities.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

4 CONTRIBUTIONS

| | 2024 | 2023 |
|--------------------------------|-------------|--------------|
| | £000 | £000 |
| Employer | | |
| Deficit funding | - | 918 |
| Contribution to cover expenses | - | 215 |
| | <u>-</u> | <u>1,133</u> |

Deficit funding contributions of £nil (2023: £918,000) and expense contributions of £nil (2023: £215,000) were received as per the Schedule of Contributions. Following the completion of the insurance contract with the Just Group Plc, it was agreed to stop paying deficit funding and expense contributions into the Scheme.

5 BENEFITS

| | 2024 | 2023 |
|---|---------------------|--------------|
| | £000 | £000 |
| Pensions | 4,513 | 4,279 |
| Commutations and lump sum retirement benefits | 276 | 344 |
| | <u>4,789</u> | <u>4,623</u> |

Notes to the financial statements for the year ended 31 March 2024 (continued)

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| | 2024 | 2023 |
|---------------------------------------|------|------|
| | £000 | £000 |
| Individual transfers to other schemes | 362 | 329 |

7 ADMINISTRATIVE EXPENSES

| | 2024 | 2023 |
|-----------------------------------|------|------|
| | £000 | £000 |
| Administration and actuarial | 355 | 466 |
| Audit fee | 14 | 13 |
| Legal and other professional fees | 39 | 92 |
| PPF levy | 5 | 7 |
| | 413 | 578 |

8 INVESTMENT INCOME

| | 2024 | 2023 |
|----------------|-------|-------|
| | £000 | £000 |
| PIV income | - | 322 |
| Annuity income | 5,060 | 965 |
| Bank interest | 13 | 17 |
| Other income | - | 2 |
| | 5,073 | 1,306 |

Income from pooled investment vehicles in the prior year was generated from the Scheme's holdings in Insight and M&G, these funds were fully disinvested as at 31 March 2023 and no further income is receivable to the Scheme in respect of these investments.

9 TAX

The Mid Kent Group Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

Notes to the financial statements for the year ended 31 March 2024 (continued)

10 INVESTMENT ASSETS

10.1 Investment Assets Reconciliation

The movements in investments during the year were:

| | <i>Opening value</i> | <i>Purchase cost</i> | <i>Sales proceeds</i> | <i>Change in market value</i> | <i>Closing value</i> |
|--------------------|--------------------------|--------------------------|---------------------------|---------------------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| PIVs | 3,610 | - | (280) | 177 | 3,507 |
| Insurance policies | 77,900 | - | - | (3,570) | 74,330 |
| Total | 81,510 | - | (280) | (3,393) | 77,837 |
| Accrued interest | 4 | | | | 5 |
| | 81,514 | | | | 77,842 |

The change in the market value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within the pooled investment vehicles.

Insurance Policies

The Trustee holds two buy-in annuity policies with Just Group Plc, which are allocated to the provision of pensions for all members of the Scheme. Income received from these policies is treated as investment income and the corresponding expenditure is included in benefits within the pension payment account. The buy in policies remains an asset of the Scheme and are valued by the insurer at the year-end using an “actuarial value” approach. This approach places a value on the policies based on the present value of the underlying pension cashflows. As part of the 31 March 2023 actuarial valuation, this same value will be defined to be the technical provisions value of the insured benefits.

The Scheme also holds an annuity contract with Standard Life with an estimated value of £33,000 (2023: £38,000) which pays part of the pensions of some of the Scheme’s pensioner members. In particular, this covers some of the pensions of members who transferred into the Scheme from the Mid Kent Water Company Pension and Life Assurance Scheme, as the policy was previously held by the Trustee of that Scheme, and was transferred to the Trustee of the Scheme as part of the transfer. It has not been included within investments as it is not deemed material to the Scheme.

All fund managers operating the PIVs are registered in the United Kingdom.

Notes to the financial statements for the year ended 31 March 2024 (continued)

10 INVESTMENT ASSETS (continued)

10.2 PIVs

| | 2024 | 2023 |
|-------------------------|-------|-------|
| | £000 | £000 |
| Sterling Liquidity Fund | 3,507 | 3,610 |

10.3 Concentration Of Investments

The following investments account for more than 5% of the Scheme’s net assets as at 31 March 2024:

| | 2024 | | 2023 | |
|-----------------------|--------|-----------------|--------|-----------------|
| | £000 | % of net assets | £000 | % of net assets |
| Just annuity policies | 74,330 | 95.7 | 77,900 | 95.6% |

Notes to the financial statements for the year ended 31 March 2024 (continued)**10 INVESTMENT ASSETS (continued)****10.4 Investments Fair Value Hierarchy**

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

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

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

| As at 31 March 2024 | Level | Level | Level | 2024 |
|----------------------------|--------------|--------------|---------------|---------------|
| | 1 | 2 | 3 | Total |
| | £000 | £000 | £000 | £000 |
| PIVs | 3,507 | - | - | 3,507 |
| Insurance policies | - | - | 74,330 | 74,330 |
| Accrued interest | 5 | - | - | 5 |
| | 3,512 | - | 74,330 | 77,842 |

| As at 31 March 2023 | Level | Level | Level | 2023 |
|----------------------------|--------------|--------------|---------------|---------------|
| | 1 | 2 | 3 | Total |
| | £000 | £000 | £000 | £000 |
| PIVs | 3,610 | - | - | 3,610 |
| Insurance policies | - | - | 77,900 | 77,900 |
| Accrued interest | 4 | - | - | 4 |
| | 3,614 | - | 77,900 | 81,514 |

Notes to the financial statements for the year ended 31 March 2024 (continued)

10 INVESTMENT ASSETS (continued)

10.5 Investment Risks

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

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

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

The Scheme has exposure to these risks via the investments held to implement the Scheme's investment strategy. The Trustee determines the investment strategy after taking advice from the investment adviser. The Trustee manages investment risks, including credit risk and market risk, considering the Scheme's investment objectives and the investment strategy and the advice of their investment advisers.

The Scheme invests in sterling denominated PIVs. The Scheme therefore has direct credit risk to the PIV and indirect credit and market risks arising from the underlying investments of the PIVs. The Trustee selects the PIVs based on the investment mandates and monitor the PIV at the fund level. The investment managers are responsible for managing the underlying credit and market risks within the PIVs.

The Scheme's investment strategy has been disclosed within the Trustee's report.

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

Direct Credit risk

Direct credit risk arising from PIVs is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

All the PIVs are unrated. Cash is held within financial institutions which are at least investment grade credit rated. Insurance policies are held with Just Group Plc. The Scheme has direct credit risk with Just Group Plc arising from these contracts.

Notes to the financial statements for the year ended 31 March 2024 (continued)

10 INVESTMENT ASSETS (continued)

10.5 Investment Risks (continued)

Indirect credit and market risks

The table below summarises which PIVs have significant exposure to indirect credit and market risks through 2024 and 2023.

| 2024 | | | | |
|---|-------------|-----------------------|--------------------|------------------|
| | Credit risk | Foreign exchange risk | Interest rate risk | Other price risk |
| Legal & General Investment Management Sterling Liquidity Fund | ✓ | - | ✓ | - |

| 2023 | | | | |
|---|-------------|-----------------------|--------------------|------------------|
| | Credit risk | Foreign exchange risk | Interest rate risk | Other price risk |
| Legal & General Investment Management Sterling Liquidity Fund | ✓ | - | ✓ | - |

11 INVESTMENT MANAGEMENT EXPENSES

| | 2024 | 2023 |
|--|------|------|
| | £000 | £000 |
| Administration, management and custody | 11 | 284 |

12 CURRENT ASSETS

| | 2024 | 2023 |
|---------------|------|------|
| | £000 | £000 |
| Cash balances | 255 | 421 |
| | 255 | 421 |

Notes to the financial statements for the year ended 31 March 2024 (continued)

13 CURRENT LIABILITIES

| | 2024 | 2023 |
|------------------|------------|------------|
| | £000 | £000 |
| Unpaid benefits | 360 | 354 |
| Accrued expenses | 100 | 49 |
| | <u>460</u> | <u>403</u> |

14 RELATED PARTY TRANSACTIONS

Certain Trustee Directors in office during the financial year were members of the Scheme. The pension payments for the pensioner Trustee Directors are paid in accordance with the Scheme rules.

15 EMPLOYER RELATED INVESTMENTS

There were no employer related investments at 31 March 2024 (2023: £nil) or at any time during the year.

16 GMP

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 Trustee is aware that the issue affects the Scheme and is well progressed in implementing changes to equalise the GMP benefits in the Scheme, which is expected to take place by the end of 2024. The impact on the Scheme is not expected to be material and has therefore not been recognised in the accounts.

In November 2020, a further judgement was passed down on the Lloyds Bank GMP equalisation case, requiring pension scheme trustees to investigate historic transfer payments since 17 May 1990 and check whether the payment would have been higher had the member's benefits been equalised for the effects of unequal male and female GMPs. In cases where payments would have been higher, trustees may have an obligation to make "top-up" payments. The Trustee has taken advice on the matter as part of the larger project of implementing GMP equalisation, but the impact on the Scheme is not expected to be material and has therefore not been recognised in the accounts.

17 SECTION 37 LEGAL RULING

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. We do not know at this stage whether the case will be appealed but, as matters stand, the case has the potential to cause significant issues in the pensions industry. The Trustee has investigated the possible implications with their advisers and it concluded that any relevant deeds held include a document dated on or before the date of the deed which appear to give the necessary confirmation by the Scheme's actuary for the purpose of section 37.

Section 6 – Independent Auditor’s Statement about Contributions

Independent Auditor’s Statement about Contributions to the Trustee of the Mid Kent Group Pension Scheme

We have examined the Summary of Contributions of the Mid Kent Group Pension Scheme payable in respect of the Scheme year ended 31 March 2024 to which this statement is attached.

In our opinion the contributions for the scheme year ended 31 March 2024 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the scheme actuary on 15 December 2022 and 18 December 2023.

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 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of trustee and auditor

As explained more fully in the Statement of Trustee’s Responsibilities, the scheme’s trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules 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 report

This statement is made solely to the Scheme’s Trustee, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work on contributions has been undertaken so that we might state to the Scheme’s Trustee those matters we are required to state to them in such an auditor’s statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme’s Trustee, for our work on contributions, for this statement, or for the opinions we have formed.



COOPER PARRY GROUP LIMITED

Statutory Auditor

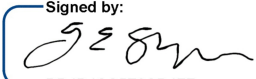
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 21 October 2024

Summary of Contributions payable in the year

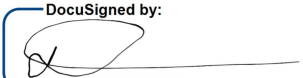
During the year, the contributions payable to the Scheme were as follows:

| | Employer £000 |
|--|------------------|
| Required by the schedules of contributions | |
| Deficit funding | - |
| Contributions to cover expenses | - |
| Total (as per Fund Account) | - |

Signed for and on behalf of the Trustee of the Mid Kent Group Pension Scheme by:

Signed by:

DD4D4CC5E9CD4FF...

Trustee Director

DocuSigned by:

62F2D7FAEE9T42F...

Trustee Director

21 October 2024

Date

Section 7 – Schedule of Contributions



Mid Kent Group Pension Scheme | [Water Pension Trustee Ltd](#)

Schedule of Contributions

This schedule sets out the contributions that will be paid to the Mid Kent Group Pension Scheme ('the Scheme'). This schedule is dated 18 December 2023 and applies from 1 January 2024 until 31 December 2028. It replaces the previous schedule dated 15 December 2022.

This schedule has been prepared with the agreement of South East Water Ltd. ('the Employer') and after taking the advice of Shireen Anisuddin (the 'Scheme Actuary'). This schedule has been certified by the Scheme Actuary and the certificate is included in the appendix.

Contributions for new benefits

The Scheme has no active members. No member contributions or Employer contributions for new benefits are due to be paid to the Scheme under this schedule.

Employer deficit reduction contributions

No deficit reduction contributions are due to be paid to the Scheme under this schedule.

The Employer shall also pay to the Scheme any additional contributions required from time-to-time on the advice of the Scheme Actuary as required from time-to-time under the Scheme's trust deed and rules. The Employer may also pay additional contributions from time-to-time as it chooses.

Expenses, Levies, Fees, and Insurance Premiums

The Trustee will be responsible for meeting the following ongoing expenses, as they are incurred from time-to-time (where applicable and not exclusively) directly from the Scheme:

- the Pension Protection Fund levy.
- the Pension Protection Fund administration levy.
- the Pension Regulator's general levy.
- fees payable to the Scheme's administrators, investment managers and other professional advisors.
- investment charges and expenses.
- other Scheme expenses that are reasonably incurred in the course of the Trustee performing their duties.

The Scheme Actuary will monitor the residual assets in the Scheme and inform the Trustee and the Employer in writing if the remaining assets become insufficient to meet projected expenses. If this occurs, then (unless otherwise agreed in writing between the Trustee and the Employer) the Employer will commence paying expense contributions to the Scheme at a rate of £327,794 pa. These contributions should commence no later than 90 days after receiving the written notification from the Scheme Actuary and will not be payable beyond 31 March 2025 unless otherwise agreed.

Expense contributions shall be made in equal instalments on a monthly basis, or faster than this at the Employer's discretion. They shall be paid to the Scheme no later than 19 days after the end of the month to which they relate and shall increase in line with RPI inflation on 1 April each year, with reference to the increase in RPI over the 12 months to the preceding November. The amount shown above is correct as at the date of signing this Schedule, due to be increased every year starting from 1 April 2024.

Life insurance cover is not provided through the Scheme, instead by a separate Trust, with premiums payable directly by the Employer.

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Prepared by the Trustee of the Scheme

Mid Kent Group Pension Scheme | [Water Pension Trustee Ltd](#)

| | | |
|------------|---|--------------------------|
| Signature |  | on behalf of the Trustee |
| Print name | Joanne Stimpson | Chair of Trustee |
| Date | 18-Dec-2023 13:13 GMT | Position |

Agreed by the Employer

| | | |
|------------|---|---------------------------|
| Signature |  | on behalf of the Employer |
| Print name | Andrew Farmer | CFO |
| Date | 18-Dec-2023 15:25 GMT | Position |

This schedule of contributions is provided to meet the requirements of section 227 of the Pensions Act 2004.

Section 8 – Actuarial Certificate



Mid Kent Group Pension Scheme | Water Pension Trustee Ltd

Schedule of Contributions – Actuarial Certificate

Scheme: Mid Kent Group Pension Scheme


Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 18 December 2023.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the scheme's full liabilities with annuities if the Scheme were to wind up.

| | |
|------------------|---|
| Signature |  |
| Date | 18 December 2023 |
| Name | Shireen Anisuddin |
| Qualification | Fellow of the Institute and Faculty of Actuaries |
| Name of Employer | Hymans Robertson LLP |
| Address | One London Wall London EC2Y 5EA |

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Section 9 – Implementation Statement

Statement of Compliance with the Mid Kent Group Pension Scheme's Stewardship Policy for the year ending 31 March 2024

Introduction

The Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the Pensions Regulator's General Code of Practice. It sets out how the Trustee has complied with the Mid Kent Group Pension Scheme's Stewardship Policy as set out in the Statement of Investment Principles (SIP) (www.mkgpensionscheme.co.uk) during the period 1 April 2023 to 31 March 2024.

Overall, the Trustee is satisfied that:

- The Scheme's investments have been managed in accordance with the Scheme's Stewardship Policy during the period;
- The Scheme's investments have been managed in accordance with the remainder of the Scheme's SIP; and
- The provisions of the SIP remain suitable for the Scheme's members.

Statement of Investment Principles (SIP)

The Trustee reviewed and updated the SIP on 4 March 2024. The main change was to explicitly comment on the consideration given to the Sponsor, South East Water Ltd, as well as the Trustee when setting the investment strategy. This reflects best practice suggested by the General Code of Practice, which came into force in March 2024. The Scheme's SIP between 1 April 2023 and 4 March 2024 was fundamentally the same as the SIP signed on 4 March 2024 from an investment policy, objective and risk management perspective. The next review will take place in February 2025.

The Trustee has prepared this Implementation Statement on the basis of the SIP in force at 31 March 2024, as well as the SIP which was in place between 1 April 2023 and 4 March 2024, with reporting within this document in line with the SIP applicable at the relevant time.

Scheme year investments

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee has overall responsibility for how the Scheme's investments are governed and managed, in accordance with the Scheme's Trust Deed and Rules, as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee has also established an Investment Sub-Committee, which focuses on investment issues and makes recommendations to the full Trustee Board.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the investment managers.

The Trustee monitor how well the investment adviser meets the objectives agreed with them, which are designed to align with the Trustee's own objectives and investment strategy set out in the SIP. The Trustee has set the following objectives for the adviser:

- To advise on a suitable investment strategy, and amendments to the strategy, for the Scheme's residual investments post the full buy-in, in order to efficiently manage the Plan's cashflow requirements
- Support the process of winding up the Plan.
- Provide relevant and timely advice.
- Develop Trustee knowledge and understanding of the Scheme's remaining investments.
- Helping ensure the governance framework facilitates good and timely investment decision making.
- Help the Trustee to review Investment Sub-Committee Terms of Reference on a timely matter.
- Ensure their advice complies with relevant pensions regulations, legislation and supporting guidance.
- Ensure the Trustee meets the relevant pensions regulations and legislation relating to investment, including the Schemes' Statement of Investment Principles and approach to Responsible Investment.

The Trustee has carried out an evidence-based review of the investment adviser's performance against these objectives on 8 November 2023. This involved rating the adviser against the different objectives. The Trustee were satisfied that the objectives had been achieved for the year.

The Trustee has undertaken training during the last year to ensure that their knowledge of investment matters remains up to date.

The investment risks relating to the Scheme are described in the SIP on pages 3 and 4, and the expected return is described in the SIP on page 4.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e., what type of assets and areas of the world the Scheme invests in over the longer-term), and the style of management adopted by the Scheme.

The Trustee expect fund managers to invest the Scheme's assets in the members' best interests. With the aim of ensuring long-term, sustainable returns to provide benefits to the Scheme's members, the fund managers are expected to exercise voting power (where applicable) with the objective of preserving and enhancing long-term shareholder value. The Trustee meet regularly with the fund managers to monitor their performance and conflicts of interest, whilst asking them to evidence the implementation of environmental, social and governance risk factors into their investment decision-making, including voting rights.

The Scheme's asset managers have conflicts of interest policies in place. The Trustee formally ask managers to confirm any conflicts of interest when managers meet with the Trustee. Managers have not disclosed any potential or actual conflict over the period.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

You can review the Scheme Stewardship Policy which can be found within the Scheme's SIP, at www.mkgpensionscheme.co.uk.

The Stewardship Policy is reviewed on an annual basis in line with the Scheme's SIP review which was last completed on 4 March 2024.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance. The Trustee expects its investment managers to engage with portfolio companies regarding their ESG practices and to consider exclusion only when engagement fails to achieve a satisfactory outcome

The Scheme is not a part of investor collaborations or initiatives itself but does recognise that such efforts can be supportive of the Scheme's investment objectives. As such, the Trustee welcomes that its appointed investment managers (and advisers) are active participants in relevant groups – be this to support overall well-functioning financial markets or through focussed thematic engagement efforts. This is consistent with its approach of delegating certain rights and responsibilities and is considered to be a component of an investment manager's stewardship efforts.

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with their investment advisers. The Trustee meets regularly with its managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustee also monitors its compliance with its Stewardship Policy on a regular basis and is satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

The Scheme completed a full Scheme buy-in in December 2022 transferring all remaining assets to Just Retirement.

Engagement activity

The Trustee holds meetings with its investment managers on a regular basis where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee met the Scheme's buy-in provider Just on 8 November 2023.

Table 1: Trustee's engagement activity over the year to 31 March 2024

| Date | Fund manager | Subject discussed | Outcome |
|-----------------|--------------|---|--|
| 8 November 2023 | Just | <ul style="list-style-type: none"> Business update on Just and the team. Update on the risk transfer market and volume of deals completed over the year. Significant increase in risk transfer demand, and limits on insurer capacity. Just's investment process, and recent change in outsourced admin team, as Mercer sold its admin department to Aptia. | <p>The ISC were disappointed with Just's presentation, particularly their lack of clarity on ESG and diversity, and the lack of information provided on the sale of Mercer's admin division to Aptia.</p> <p>The ISC asked their investment advisers to perform due diligence on Aptia, reporting their findings to the Trustee, and asked Just to share further information and reporting on ESG integration.</p> |

| | | | |
|--|--|--|---|
| | | <ul style="list-style-type: none">• ESG integration.• Firm-wide Diversity, Equity and Inclusion (DE&I) practices. | The ISC asked their investment advisers to perform due diligence on Aptia, reporting their findings to the Trustee, and asked Just to share further information and reporting on ESG integration. |
|--|--|--|---|

Review of policies

The Trustee has committed to reviewing the managers’ RI policies on an annual basis. This last review was undertaken by the Trustee on 13 May 2024. The review considered managers broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year. The Trustee also considered changes to their managers’ voting policies.

The Trustee and its advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.