

# Yuill Group Pension Scheme

## Statement of Investment Principles

August 2020

## 1. Introduction

This Statement of Investment Principles has been drawn up by the Trustee of the Yuill Group Pension Scheme ('the Scheme') in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

## 2. Decision Making Process

### The Trustee

The investment of the Scheme's assets is the responsibility of the Trustee and the Scheme Rules give the Trustee broad powers of investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

The Trustee's policy is to seek professional advice on investment strategy. The Trustee decides on the investment strategy after considering investment advice from the Investment Consultant. The Trustee recognises that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustee meets regularly and ensure that adequate time is set aside to discuss investment issues. In determining their investment strategy, the Trustee addresses the following:

- the need to consider a full range of asset classes
- the risks and rewards of a range of alternative asset allocation strategies
- the suitability of each asset class
- the need for appropriate diversification
- the Scheme's Investment and Funding Objectives

### The Investment Consultant

The Investment Consultant advises on an investment strategy appropriate to the investment objectives. This advice is provided after each formal actuarial valuation and on a regular basis between formal valuations. The Investment Consultant also monitors and reports on the performance of the Investment Managers.

The Investment Consultant is paid a fee for their advice and their appointment is reviewed from time to time by the Trustee.

Broadstone Corporate Benefits Limited has been appointed as Investment Consultant to the Trustee on the basis that the Trustee believe them to be suitably qualified and have the appropriate knowledge and experience of the management of the investments of such schemes.

Broadstone Corporate Benefits Limited is authorised and regulated by the Financial Conduct Authority.

## Delegation

The Trustee has secured a policy of insurance for the bulk of the assets and has appointed an Investment Manager to manage the remaining assets through an investment platform.

The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

## 3. Investment Objectives

The Employer has ceased to trade. The Scheme entered the Pension Protection Fund assessment period, but did not transfer to the PPF as the Scheme is sufficiently funded on a PPF basis to pay benefits above PPF compensation levels.

The primary funding and investment objective of the Scheme is to secure the benefits of members with an insurance company who will ultimately provide benefits to the Scheme members as and when these fall due.

Once each individual member's benefits have been secured through an insurance policy, the Scheme will be wound up.

## 4. Investment Strategy

During May 2017, the Scheme arranged an insurance "buy-in" of the current liabilities for all members to more effectively manage the investment, interest and longevity risks.

The Scheme now holds the majority of the assets in an annuity policy, the value of which will change depending on the pricing assumptions used, including market conditions and mortality expectations. Payment from the policy will match payments due to members.

The Trustee has maintained approximately £1m in a cash fund through an investment platform to meet Scheme expenses associated with winding up the Scheme. The pooled fund is fully and readily realisable.

The Trustee expects the return on assets to be consistent with the investment objective and investment strategy outlined on the previous pages.

## 5. Investment Manager Structure

### Insurance Provider

The Trustee has secured members' benefits through a policy of insurance with Aviva. The Trustee purchased a buy-in contract from Aviva Life & Pensions UK Limited ('Aviva' and the 'insurance company') in May 2017. The contract is held in the Scheme's name as an asset within the Scheme. As the insurance company, Aviva will guarantee the Scheme's ongoing cash flow needs for future benefit

payments as projected for the participants and agreed in the contract. The Scheme will remain responsible for ensuring pension benefits are paid until the assets are irrevocably transferred to a buy-out policy and the Trustee will then be discharged from their contractual obligation. Upon buyout, Aviva will assume financial and administrative responsibilities of paying the benefits.

### Platform Provider

The remaining assets held to meet expected expenses associated with winding up the Scheme are invested in the Legal & General Cash Fund through the Platform Provider, Mobius Life. The Trustee entered into a contract with Mobius in January 2019. The investment managers are regulated under the Financial Conduct Authority and the Prudential Regulation Authority.

Both Aviva and Legal & General will supply the Investment Consultant with sufficient information when requested in order to monitor financial and non-financial performance.

The Scheme does not invest directly in stocks, shares, bonds, derivatives etc.

The Investment Managers appoint individual custodians to hold the securities owned by the Scheme.

## 6. Investment Monitoring

Mobius will provide the Trustee with regular reports setting out a valuation of the cash fund.

## 7. Exercise of voting rights

The Trustee cannot directly influence Aviva's policies on the exercise of investment rights (such as voting and engagement) for their bulk annuity policy. This is due to the nature of these investments. The Trustee also cannot directly influence Legal & General's policies on voting and engagement for the assets held in the cash fund.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code, and is supportive of the Code. The Trustee understands that investment rights will be exercised by Aviva and Legal & General in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the Code, and which are provided to the Trustee from time to time.

## 8. Social, environmental and ethical considerations

The Trustee has appointed Aviva to manage the buy-in policy and Legal & General to manage the cash assets. The Trustee has given them both discretion in relation to the selection, retention and realisation of investments.

The Trustee expects the investment managers to take steps to ensure environmental, social and corporate governance factors are implicitly incorporated into the investment decision-making process

and expect their appointed investment managers to be cognisant of climate change risks and opportunities within their investment processes as applied to the assets of the Scheme.

The Trustee does not take into account social, environmental and ethical factors in making their investment decisions, except to the extent set out in this section.

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to Aviva and Legal & General. The Trustee expects the extent to which the Aviva and Legal & General monitor capital structure to be limited.

## 9. Portfolio Turnover Costs

The Trustee understands that Aviva and Legal & General may change underlying holdings to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustee therefore does not set a specific portfolio turnover target for their investment strategy.

The Investment Managers when requested by the Investment Consultant shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

## 10. Conflicts of Interest

The Trustee maintains a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or Aviva, while also setting out a process for their management.

## 11. Incentivisation of Insurance Provider and Investment Manager

The Trustee cannot directly incentivise Aviva or Legal & General to align the approach they adopt for the assets held within the bulk annuity policy and cash assets with the Trustee's policies and objectives, given the nature of these investments.

Neither does the Trustee directly incentivise Aviva to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

## 12. Employer Related Investments

There are no employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

### 13. Risks

The Trustee recognises that a number of risks are involved in the investment of the assets of the Scheme. The Trustee has identified the following principle risks within the Scheme:

- **Mismatching risk:** The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors
- **Manager risk:** The failure by the Investment Managers to achieve their objectives.
- **Liquidity risk:** The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities
- **Custodian risk:** The risk of failed or inadequate performance by the custodian
- **Concentration Risk:** The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets
- **Political risk:** The financial risk that a country's government will suddenly change its policies
- **Counterparty risk:** The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Scheme.

The Bulk Purchase Annuity policy significantly reduces the level of mismatching and liquidity risks within the Scheme.

### 14. Fee Structures

The annuity provider, Aviva, factored their fees into the pricing for the bulk annuity purchase. Aviva receives no explicit ongoing remuneration for the management of the assets held in the bulk annuity policy. The Platform Provider (Mobius Life) and Investment Manager (Legal & General) are paid a management fee on the basis of assets under management. The Investment Consultant is paid on a project basis which may be a fixed fee or based on time cost, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

### 15. Best Practice Principles

In October 2008, the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six high level 'Best Practice' principles set out below, supported by best practice guidance and trustee tools that can be used to assess compliance.

1. Effective decision-making
2. Clear objectives
3. Risk and Liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and Reporting

The Trustee periodically reviews its compliance with the best practice Principles. The Trustee believes it complies with the spirit of the Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustee believe this to be justified.

## 16. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believe to be qualified by their ability in, and experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Rosemary Kennell

For and on behalf of the Trustee of the Yuill Group Pension Scheme

3 September 2020

Date

<u>Version</u>	<u>Date</u>	<u>Comment</u>
Version 1	March 2019	
Version 2	August 2020	Update for new regulatory requirements