

## **STATEMENT OF INVESTMENT PRINCIPLES**

### **STABLE EMPLOYEES PENSION PLAN**

**SEPTEMBER 2019**

#### **1. Introduction**

This document is the 'Statement of Investment Principles' (SIP) for Stable Employees Pension Plan (the Scheme). It has been produced in line with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

The arrangement is a Defined Contribution Occupational Pension Scheme and is not being used as a qualifying Scheme for automatic enrolment. The Scheme was closed to new members on 1 September 2001 and is in the process of being wound up.

The investment powers of the Trustee are set out in the Trust Deed and Rules governing the Scheme and this statement is consistent with those powers. There is an investment restriction in the Deed in respect of members formerly under the fixed benefit section, now on a defined contribution basis, that permits the Trustee to invest in an appropriate selection of government gilts and cash.

Investment funds are held on the Mobius Life institutional investment platform. The funds are chosen by the Trustee and branded, or white labelled to the Trustee. This facilitates administration and in particular, should the need arise, future changes in the composition or make up of those funds.

Each member is allocated units, the value of which provides the benefit available when a claim is made (for example at retirement, transfer out or death). If a member requires a pension income then the value of the nominal member account is used, via the open market option, under the rules to obtain an annuity for that member, in such characteristic as the member shall choose.

#### **2. Preparation and review of the SIP**

The Trustee is responsible for the investment strategy of the Scheme and has obtained written investment advice from their Investment Adviser, Professional Pensions and Investments Limited (PPI). The Trustee believes that PPI has suitable knowledge, qualifications and experience to offer this investment advice and otherwise fulfils the legislative requirements to be able to offer financial advice.

The Trustee has considered when to take advice, the circumstances of that advice, the types of investment to be held and when to seek further investment advice.

The Trustee is aware of the penalties for falling to comply with the Pension Act 1995, the Pensions Act 2004 and subsequent regulations.

The Statement of Investment Principles will be reviewed every 3 years or immediately after a significant change in the investment policy. The statement itself may not however change simply as a result of the review.

### **3. Investment Objective**

The Trustee acknowledges that members have different investment needs and that these needs may change during their working lives. The Trustee considers that most members do not want to manage their pension investments.

When setting the investment objective there may be significant investment risk. The Trustee considers these risks constantly. The Trustee takes appropriate investment advice and reviews the existing investment strategy when required.

The Trustee overriding investment objective is to provide a return consistent with the benefit that a member may select at retirement. Since April 2015, with the introduction of Pension Freedoms, the Trustee has concluded that all benefits will be settled as cash with potentially a very few exceptions. Often all the settlement is tax free. Where settlement is in excess of the tax free element this is taxable under the PAYE. The decision is that of the member concerned.

In respect to the former fixed benefit section and the member entitlement that arises under this section, the Trustee has selected a cash based investment fund in accordance with the Deed. This fund is known as the SEPP Cash Fund and invests in money market investments. The fund value is not guaranteed and could fall under extreme market conditions. It is recognised that the annual management charge and Trustee administration costs do have the ability to exceed the actual cash instrument returns during periods of very low or even negative interest rates. This could deliver a reducing return to member accounts and although unlikely for a prolonged period, would simply be a reflection of the monetary policy of the Central Bank and so largely outside of the control of the Trustee. More generally positive returns are expected. The underlying Investment Manager is Legal and General Investment Management and the fund is generally a 'lower risk' fund. Members with entitlement in this section do not have an option to invest elsewhere.

In respect of the bulk of the membership and their entitlement, the Trustee, after considering the introduction of Pension Freedoms in 2015, require a fund that could maintain value on a real basis and be less volatile in difficult markets. Advice was to use a Diversified Growth Fund. The aim is to control volatility and preserving real capital values. The Black Rock Aquila Life Market Connect Fund is the component of the SEPP Diversified Growth Fund. This can be amended or adjusted at any future date as deemed appropriate. The expectation is that this fund will provide to members over time a return that is greater than cash but generally less volatile than a Managed Fund or pure Equity Fund and unlikely to see changes in capital value that a Fixed Interest investment would give if overall yields rose considerably. Members with entitlement in this section do not have an option to invest elsewhere.

### **4. Investment Risks**

The Trustee recognises that the member assumes the investment risks and that they are exposed to different types of risk during different stages of the membership. The main investment risks are:

- Volatility Risk. The risk that the value of the member's pension pot will fluctuate during the investment period
- Investment Risk. The risk that the member is not investing in growth assets over the long term and requires lower risk assets nearer to retirement
- Ethical, Environmental, Social and Governance (ESG) risk. Long term performance of an asset may be significantly affected by this risk
- Inflation Risk. The risk that the members investment will not grow enough to keep pace with the cost of living

## 5. Addressing Investment Risks

The Trustee believes the risks identified above are best managed by using pooled funds and are satisfied that the Investment Managers used in the policy provide adequate diversification to manage volatility, investment and inflation risk. The pooled funds all provide daily dealing. The underlying Investment Managers use their influence to ensure that the companies they invest in integrate ESG factors into their culture.

## 6. Scheme Assets

The position as regards to the investment funds as at the time of this SIP (05/09/2019) is shown below:

### **Mobius Life Funds**

SEPP Cash Fund	£371,530.25
SEPP Diversified Growth Fund	£4,788,732.74
Total	£5,160,262.99

From time to time the Trustee may hold cash and other assets in their bank account.

## 7. Trustee Investment Policies

*The kinds of Investments held and the balance between Investment Classes.*

The Trustee consults with their investment advisers when choosing investments in order to secure compliance with the legislation surrounding pension scheme investment.

*Investment Risk Measurement and Risk Management Procedures*

The Trustee recognises that as for many defined contribution schemes, the member takes the investment risk and both the benefits of good performance and the risk of underperformance are borne directly by the member. It is therefore the policy of the Trustee to invest in pooled cash and diversified funds in order to control risk.

The Trustee is aware of the benchmarks for the funds they hold and believes that these are suitable to meet the Trustee objectives and maintain a suitable level of risk within the Scheme.

The Trustee reviews the Scheme investment performance and suitability of the investment on a periodic basis taking advice from their Investment Adviser. If the Trustee identifies any significant issues relating to either investment performance or other associated aspects connected with the investment of the assets, they will seek advice from their advisers.

The Trustee is also aware of the governance processes for the Investment Managers used. This gives comfort to the Trustee that the Investment Managers have suitable internal risk controls to run suitably diversified funds and offer funds that do not incur excessive risk relative to their benchmark.

*The Expected Return on Scheme Investments*

The funds that the Trustee has selected may contain equities, fixed interest investments and other financial instruments.

The Trustee expects such funds to produce a rate of return that will reflect the markets they are invested in and the assets that the funds contain. In a low interest rate

environment, the returns will reflect that situation.

### *Realisation of investments*

The Trustee is comfortable that due to the liquidity of these assets, the investments can be realised when required.

There is a documented procedure between the Trustee and Mobius that states that only authorised signatories can realise investments.

## **8. Bank Accounts**

The Trustee maintain a working bank account under the Scheme to assist in the day to day management of the cash flow both into and out of the Scheme.

## **9. Social, Environmental and Ethical Investment Considerations**

The Trustee believes that companies with good stewardship and governance could help to build sustainable business models and are beneficial to society. The Trustee also appreciates sustainable investing extends to “inclusion and diversity”. The Trustee and their adviser will seek pooled fund managers that hold an ESG culture without creating a prejudicial financial impact to the Scheme. The Trustee does review and will continue to review from time to time the policies operated by each fund manager in respect of corporate governance, environmental, social governance, ethical and diversity issues.

With specific regard to climate change impact the Trustee is monitoring the actions of their investment managers and may consider the suitability of their market capitalisation approach to indices.

## **10. Voting Rights**

As the Trustee is invested in units of pooled funds voting rights as such do not pass to the Trustee.

The Trustee receives information from the underlying Investment Managers on how they exercise the voting rights entrusted to them on behalf of the Scheme and in the interests of the members. These matters are considered at Trustee meetings. The Trustee, via the investment adviser, encourages the Investment Managers to engage with companies that they invest in on matters relating to beneficial ESG issues.

## **11. Representation**

The Trustee welcomes comment from the members on matters of governance decisions. Contact information is provided in the Annual Report and Financial Statements produced by the Trustee.

September 2019