# Triplex Lloyd Final Salary Plan

## Statement of Investment Principles

January 2022

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# 01 Introduction

## Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Triplex Lloyd Final Salary Plan ('the Plan'). It describes the investment policy being pursued by the Trustee of the Plan and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Plans (Investment) Regulations 2005.

## Plan details

The exclusive purpose of the Plan is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension Plan, registered under Chapter 2 of Part 4 of the Finance Act 2004.

The Plan previously consisted of two distinct sections, the Triplex Section and the Doncasters Section. The Triplex Section of the Plan was fully bought out in March 2021. This SIP now solely covers the assets held to fund the remaining liabilities relating to Doncasters Section members of the Plan.

## Advice and consultation

Before preparing this Statement, the Trustee has sought advice from the Plan's Investment Consultant, XPS Investment Limited. The Trustee has also consulted the Principal Employer. The Trustee will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

## Investment powers

The Plan's Trust Deed and Rules set out the investment powers of the Trustee. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustee's investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy but delegates responsibility for the selection of the specific securities and any financial instruments in which the Plan invests to the Investment Managers.

## Review of the Statement

The Trustee will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustee will also review this Statement in response to any material changes to any aspect of the Plan, its liabilities, finances and attitude to risk of either the Trustee or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustee will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

## Definitions

Capitalised terms in this document mean the following:

*Act* - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

*AVCs* - Additional Voluntary Contributions;

*Investment Manager* – An organisation appointed by the Trustee to manage investments on behalf of the Plan;

*Principal Employer* – Doncasters Limited;

*Recovery Plan* - The agreement between the Trustee and the Principal Employer to address the funding deficit;

*Plan* – The Triplex Lloyd Final Salary Plan;

*Statement* - This document, including any appendices, which is the Trustee's Statement of Investment Principles;

*Technical Provisions* - The amount required, on an actuarial calculation, to make provision for the Plan's liabilities;

*Trust Deed and Rules* - the Plan's Trust Deed and Rules dated 4 July 2018;

Trustee – Cranford 1040 Limited as the collective entity responsible for the investment of the Plan's assets and managing the administration of the Plan;

*Value at Risk* - a technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets.

# 02 Strategic investment policy and objectives

## Choosing investments

The Trustee relies on professional Investment Managers for the day-to-day management of the Plan's assets. However, the Trustee retains control over some investments. In particular, the Trustee makes decisions about pooled investment vehicles in which the Plan invests and any AVC investment vehicles.

The Trustee's policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

## Long-term objectives

The Trustee has set the following objectives:

- The primary investment objective of the Trustee is to seek to ensure the Plan holds sufficiently liquid assets to meet any remaining costs due prior to completion of the buy-out of the Doncasters Section liabilities.
- To adhere to the provisions contained within this SIP.

## Investment Policy

The Trustee considers that the combination of the investment policy detailed in Appendix I and the specific manager mandates detailed in Appendix II will ensure that the assets of the Plan include suitable investments that provide a reasonable expectation of meeting the objectives.

Based on the structure set out in the Appendices, the Trustee considers the arrangements with the Investment Managers to be aligned with the Plan's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with the Investment Manager (LGIM).

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameters set by the Trustee or governing the pooled funds in which the Plan is invested.

The Trustee will ensure that the Plan's assets are invested in regulated markets to maximise their security.

## Investment manager alignment

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Plan's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection / deselection criteria set out in Section 6

The Trustee encourages Investment Managers to make decisions in the long-term interests of the Plan. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. The Trustee therefore makes decisions about the retention of Investment Managers accordingly.

# 03 Responsible investment

The Trustee has considered its approach to environmental, social and corporate governance ("ESG") factors and believes there can be financially material risks relating to them in the long-term.

However, given the current extremely low-risk investment strategy expected to be held until the Plan is wound-up, the Trustee does not consider ESG risks to be material to the Plan.

# 04 Risk measurement and management

The Trustee recognises a number of risks involved in the investment of the assets of the Plan. The Trustee measures and manages these risks as follows:

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustee cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustee's policy on realisation of assets (see below).

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustee is addressed through the Trustee's policy on the range of assets in which the Plan can invest (see section 2).

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Manager risk - The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in Appendix II and through the monitoring of the Investment Managers as set out in section 6. In monitoring the performance of the Investment Managers, the Trustee measures the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustee will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken.

Fraud/Dishonesty - The risk that the Plan assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Currency risk – The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Plan to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

# 05 Realisation of assets and investment restrictions

## Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will closely monitor the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Plan.

The Trustee has considered how easily investments can be realised for the types of assets in which the Plan is currently invested. As such, the Trustee believes that the Plan currently holds an acceptable level of readily realisable assets.

The Trustee will hold cash to the extent that it considers necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

## Investment restrictions

The Trustee has established the following investment restrictions:

- The Trustee or the investment managers may not hold in excess of 5% of the Plan's assets in investments related to the Principal Employer;
- Whilst the Trustee recognises that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustee has received advice from the Investment Consultant that the Plan's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;
- Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustee may impose additional restrictions and any such restrictions are specified in Appendix II.

# 06 Investment Manager Arrangements and fee structure

## Delegation to Investment Manager(s)

In accordance with the Act, the Trustee has appointed one or more Investment Managers and delegated to them the responsibility for investing the Plan's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Plan. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Plan invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Plan.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Plan.

## Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in Appendix II.

## Review process

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustee's investment policies.

In addition, any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

The Investment Consultant has also carried out a review of how well ESG factors are incorporated into each Investment Manager's processes and the Trustee will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

## Selection / Deselection Criteria

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

**Parent** - Ownership of the business;
**People** - Leadership/team managing the strategy and client service;
**Product** - Key features of the investment and the role it performs in a portfolio;
**Process** - Philosophy and approach to selecting underlying investments including operational risk management and systems;
**Positioning** - Current and historical asset allocation of the fund;
**Performance** - Past performance and track record;
**Pricing** - The underlying cost structure of the strategy;
**ESG** – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

# 06 Investment Manager Arrangements and fee structure (continued )

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- The Investment Manager fails to meet the performance objectives set out in Appendix II;
- The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future;
- The Investment Manager fails to comply with this Statement.

## Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Plan's assets under management and, in some cases, through the application of a flat fee. Details of the fee arrangements are set out in Appendix II. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustee.

## Portfolio turnover

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

## Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee in undertaking their responsibilities.

# 07 Compliance Statement

## Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustee that it has the appropriate knowledge and experience to give the advice required by the Act.

Adopted by the Trustee in January 2022.

## Trustee's declaration

The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustee acknowledges that it is its responsibility, with guidance from the Investment Consultant, to ensure the assets of the Plan are invested in accordance with these Principles.

# Appendix I: Investment Strategy & Structure

## Overall strategy

The majority of the assets of the Plan is invested in a buy-in policy with Legal & General Assurance Society. This insurance policy exactly covers the liabilities of the Plan.

The remaining assets of the Plan are held in the LGIM Sterling Liquidity Fund and will be used to meet expenses and any other costs arising in the period until the Plan is wound-up.

## Rebalancing and cashflow

The Trustee reviews the asset allocation on a periodic basis to ensure that the Plan assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

# Appendix II: Fund benchmarks, objectives & fees

## LGIM

**LGIM Sterling Liquidity Fund**

| | |
|---|---|
| *Benchmark* | 7-Day LIBID |
| *Objective* | Outperform 7-day LIBID |
| *Fees* | AMC: 0.125% p.a.<br>OCF: 0.125% p.a. |
| *Execution cost* | No explicit transaction costs |

| | |
|---|---|
| *Note*: | AMC: Annual Management Charge<br>OCF: Ongoing Charges Figure<br>ADL: Anti-Dilution Levy<br>Any execution costs and OCFs stated above are the latest available at the time of writing and are subject to change |

## Contact us
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