

# The James Gibbons Pension Scheme (1981)

**Statement of Investment Principles**

February 2024

## 1 Introduction

- 1.1 This Statement sets out the principles governing decisions about the investment of assets of the James Gibbons Pension Scheme (1981) ("the Scheme") in accordance with the following legislation and regulations:
- 1) Section 35 of the Pensions Act 1995 ("the Act").
  - 2) Section 244 of the Pensions Acts 1995 & 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.
  - 3) The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
  - 4) Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

It is subject to periodic review by the Trustees.

- 1.2 In finalising this Statement, the Trustees have taken advice from their appointed Investment Adviser, Broadstone Corporate Benefits Limited, who have confirmed that they have the appropriate knowledge and experience to give advice required by section 35(5)(a) of the Act.
- 1.3 The Trustees have consulted the Principal Employer under the Scheme, and agreed the approach taken in this Statement.
- 1.4 In December 2023, the Trustees transferred the Scheme's Defined Benefits (DB) liabilities via a buy-in transaction. The majority of the Scheme's assets were used to purchase the buy-in contract but, due to the strong funding position of the DB Scheme, some assets remained invested (the "Additional Assets"). This Statement relates solely to the 'Additional Assets' and how these are managed by the Trustees.
- 1.5 This Statement is consistent with the investment powers of the Trustees as set out in the Rules, and the Trustees will refer to the Rules for any clarification of their investment powers. Neither this Statement nor the Rules restrict the Trustees' investment powers by requiring the consent of the Principal Employer.
- 1.6 Except for cash, the Trustees do not themselves conduct any day-to-day management of any of the Scheme's investments. Such management is delegated to appropriately qualified investment managers.

## 2 Choosing Investments and Engagement

- 2.1 The Trustees expect any fund manager appointed by them to have regard to the need for diversification of investments, in so far as this is appropriate to the circumstances of the Scheme.
- 2.2 Before investing in any manner, the Trustees will obtain and consider advice from their appointed Investment Adviser and/or their appointed fund managers as appropriate on the suitability of such investment and its appropriateness in accordance with this Statement.
- 2.3 The Trustees purchased a buy-in contract from Just Retirement in December 2023. The contract is held in the Scheme's name and is an asset of the Scheme. As the insurance company, Just Retirement will guarantee the Scheme's ongoing cash flow needs for future benefit payments as

projected for the participants and agreed in the contract. The Trustees' intention is to convert the buy-in contract into a buy-out (where individual annuity contracts are be assigned to each member) so that the Scheme can be wound up in due course.

- 2.4 At the date of the buy-in transaction, the value of the investments was greater than the premium payable to Just Retirement, meaning that the Scheme retained these 'Additional Assets' (value of investments at transaction date minus premium paid).
- 2.5 The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.
- 2.6 The Trustees are of the belief that ESG and climate risk considerations may extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.
- 2.7 The Trustees considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.
- 2.8 The Trustees consider it to be part of their investment managers' role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.
- 2.9 Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.
- 2.10 Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry, and its regulators, place on them.
- 2.11 The Trustees expect the investment manager to have a conflicts of interest policy in relation to their engagement and ongoing operations. In doing so, the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.
- 2.12 In selecting and reviewing their investment managers, where appropriate, the Trustees will, where relevant, consider investment managers' policies on engagement and how these policies have been implemented.

### **3 Governance**

- 3.1 The Trustees remain responsible for the investment of the 'Additional Assets' and take some decisions themselves whilst delegating others to the appointed investment manager. When deciding which decisions to take themselves and which to delegate, the Trustees have considered

whether they have the appropriate training and expert advice to take an informed decision. The Trustees have established the following decision-making structure:

#### Trustees

- Set structures and processes for carrying out their role.
- Select and monitor asset allocation.
- Select and monitor investment managers.
- Make day to day decisions relevant to the operation of the Scheme's investment strategy.
- Consider new investment ideas and approaches

#### Investment Adviser

- Advises on all aspects of the investment of the 'Additional Assets', including implementation.
- Advises on this Statement.
- Provides training as required to Trustees

#### Investment Managers

- Operate within the terms of this Statement and their written contracts.
- Select individual investments regarding their suitability and diversification.

## 4 Types of investments held

- 4.1 The 'Additional Assets' are solely invested with Abrdn (the "Investment Manager") and totalled approximately £2.5 million as at 30 January 2024.
- 4.2 Following discussions with the Principal Employer, the Trustees agreed to solely invest the 'Additional Assets' in a cash fund with the Investment Manager with the aim of preserving capital value.

## 5 Concentration of investments

- 5.1 To avoid undue concentration in any geographical region or sector, where segregated mandates are used, will impose on the appointed Investment Manager requirements to diversify and such restrictions as they deem appropriate.

## 6 Risk

- 6.1 The Trustees have considered the following risks, in respect of the buy-in transaction and the ongoing management of the 'Additional Assets', which are kept under review:
- the risk of financial markets not performing in line with expectations ("market risk"), which may adversely impact the value of the 'Additional Assets'.
  - the risk of an increase in inflation ("inflation risk"), which may erode the capital value of the 'Additional Assets'
  - the risk of changes in pension regulations ("regulatory risk"), which may impact how the 'Additional Assets' are managed.
  - the risk of the data calculations used for the buy-in not accurately reflecting the liabilities of the Scheme when it is in preparation for a buy-out ("calculation risk").



- the risk of the insurer failing to meet its obligations ("counterparty risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the insurer and on an on-going basis thereafter.
- to ensure that the 'Additional Assets' are invested in such a way that any unexpected cash needs of the Scheme can be met in a timely and cost-efficient manner ("liquidity risk").
- the risk that the Investment Manager, who manages the 'Additional Assets', does not meet the stated objectives of the strategy held ("manager risk"). This risk is monitored by the Trustees (and their advisers) on an ongoing basis.
- the risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

## **7 Realisation of investments**

- 7.1 The realisation of investments is delegated to the appointed Investment Manager as part of their day-to-day activities.

## **8 Environmental, social, and governance (ESG) criteria**

- 8.1 The Trustees believe that environmental, social and governance factors are financially material and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments to ensure sustainability of any investment selected. However, given that the 'Additional Assets' are solely invested in a cash fund, the Trustees note that the application of this policy is limited.
- 8.2 The Trustees' voting and engagement policy is to use their investments to improve the Environment, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests. The Trustees will aim to monitor the actions taken by the Investment Manager, on their behalf, and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Manager.
- 8.3 The Trustees expect the Investment Manager to exercise voting rights and engage with investee companies and this will be monitored within the Implementation Statement in the Scheme's Annual Report and Accounts.
- 8.4 Further, the Trustees expect that, when selecting investments for purchase, retention, or sale, social, environmental, and ethical considerations will be among the factors that the Investment Manager will consider in the pursuit of long-term returns.

## **9 Assessing Performance**

- 9.1 The Trustees expect the Investment Manager to exercise the rights attaching to the 'Additional Assets' on behalf of all participants in the manner which supports the investment and performance objectives of the Scheme.

- 9.2 The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.
- 9.3 The Investment Manager is primarily remunerated via an agreed fixed annual percentage of the 'Additional Assets'. The Trustees do not directly incentivise the Investment Manager to align its investment strategy and decisions with their policies and objectives, and ask the Investment Advisor to assess the ongoing appropriateness of the fixed annual percentage as part of any review of the Statement of Investment Principles.
- 9.4 The Trustees expect the Investment Manager to change underlying holdings only to extent required to meet the stated objective of the strategies held. The reasonableness of such turnover will vary by strategy and change according to market conditions. Therefore, the Trustees do not set a specific turnover target for the 'Additional Assets' but expect the Investment Manager to provide information on portfolio turnover on request.
- 9.5 The Scheme's investments are in open-ended pooled funds and as such there are no pre-agreed timeframes for investment.

#### **10 Additional voluntary contributions (AVC's)**

- 10.1 The Trustees have full discretion as to the appropriate vehicles made available for the investment of members' AVC's. Only investment vehicles considered suitable for AVC investments are considered by the Trustees, having taken appropriate advice.
- 10.2 The Trustees review their policy regarding the investment of AVC's periodically and take account of the returns achieved for members and any comments from members.
- 10.3 The AVC provider is Standard Life.

#### **11 Compliance**

- 11.1 The Trustees require the Investment Manager to report at regular intervals on the 'Additional Assets' of the Schem under their control.
- 11.2 A review of this Statement will coincide with the triennial actuarial valuation or immediately following any material event impacting the Scheme. Any such review will be based on written, expert investment advice and will be in consultation with the Principal Employer.



Signed for and on behalf of the Trustees of the James Gibbons Pension Scheme (1981)

Date: 12/3/24