

**STATEMENT OF INVESTMENT PRINCIPLES  
FOR THE ANGUS MONTGOMERY LIMITED PENSION PLAN**

**1. Introduction**

This document is the 'Statement of Investment Principles' (SIP) for the Angus Montgomery Limited Pension Plan. It has been produced in line with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004 and associated regulations.

The Angus Montgomery Limited Pension Plan is in two parts and includes benefits on a defined benefit basis as well as a section with benefits on a defined contribution (DC) basis. The DC section is used for the purposes of auto enrolment. Benefits in the DC section are provided on a money purchase basis to members with a range of investment funds either for self selection or by way of a Lifestyle Investment Strategy. That might sometimes be known as the 'default' investment option and will apply where members have not exercised a self select choice. It is anticipated that the majority of members will not exercise a self select choice but will instead be comfortable with the Lifestyle investment.

Benefits under the defined benefit (DB) section are in the form of a benefit promise to members whereby the Company is obliged to fund the balance of cost of that benefit. As such the Trustees, after consultation with the Company as Principal Employer pursue an investment strategy designed to assist the delivery of the appropriate benefit promise.

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

Before preparing this SIP, the Trustees have:-

- Consulted with the Principal Employer.
- Obtained and considered written investment advice from Professional Pensions and Investments Ltd. The Trustees believe that Professional Pensions and Investments Ltd has suitable knowledge, qualifications and experience to offer this investment advice and otherwise fulfils the legislative requirements to be able to offer financial advice (as defined in the Pensions Act 1995).

This document was prepared in March 2017 following consideration and a change in investment strategy made at the Trustee meeting. The SIP will be reviewed no later than the earlier of March 2020 or immediately after a significant change in the scheme's investment policy.

**3. Compliance with Section 36 of the Pensions Act 1995**

The Trustees are aware of the need to comply with Section 36 of the Pensions Act 1995. In particular:-

They have obtained investment advice as specified.

They have considered at what intervals, the circumstances, and the nature of the investments, make it desirable to obtain further investment advice, in particular with reference to their governance responsibilities both in respect to the funds that the DC

section uses and with regards to the DB funding. Accordingly, the Trustees have decided that they will seek investment advice periodically as changes in regulation or other matters should arise.

They are aware of the penalties for failing to comply with the Pensions Act 1995 or Pensions Act 2004.

#### **4. Investment Objective :**

##### **The DC section of the Plan**

The Trustees' primary investment objective is to ensure that member outcomes at the point of claiming benefit at retirement are appropriate. The Trustees are also concerned with the security of assets. The Trustees therefore have an investment policy that, when combined with future contributions to the Plan, is expected to deliver an appropriate outcome for members of the Plan.

The Trustees have chosen investments that they believe will achieve this objective, whilst maintaining an appropriate degree of risk and diversification in the Plan. The Trustees have also considered the employer's requirements in operating the DC section of the Plan.

##### **The DB section of the Plan**

The Trustees' investment objective is to maintain funding at an acceptable level with respect to their technical provisions for the actuarial valuation.

#### **5. Investments :**

##### **The DC section of the Plan**

The Trustees' main investments are in unitised funds with Legal and General Investment Management (LGIM) and this gives access to a suitable range of different asset classes and low cost reliable investment management. As benefits are based on the DC principle the overall cost of investments is important to member outcomes and therefore to the Trustees.

The Trustees have invested in the following unitised funds:-

- Global Equity 60: 40 Index Fund
- Over 5 year Index Linked Gilts Index Fund
- Cash Fund
- Diversified Fund

As required by members at retirement, historically the Trustees purchased annuity policies to provide an income to those members who required an annuity. These were purchased in the name of the Trustees and as such remained assets of the Plan. For the DC section only and in order to assist the efficient management of the Plan it is intended that from 2017 onwards, any such future annuity policies will be set up in the name of the plan member concerned. In this way such annuity policy will become the personal property of the Plan member.

##### **The DB Section of the Plan**

The Trustees have invested in the following unitised funds

- Consensus Index Fund
- Over 15 Year Gilts Index Fund

The Consensus fund itself invests in a range of passive global equity and bond funds. This fund is being amended by the investment manager to a diversified multi asset

fund and the Trustees are maintaining a watch on the changes as the manager migrates to the new fund during 2017.

## **6. Trustees' Investment Policies :**

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

### **The DC section of the Plan**

The Trustees have considered and reviewed the impact of Pension Freedoms. The Trustees have also considered that the majority of members will seek outcomes that contain the level of volatility in asset values and that many members will avail themselves of Pension Freedoms. The prevalence of annuity purchase in the future is therefore likely to be rather lower than hitherto.

Against this background the Trustees will use a Diversified Fund going forward for the Lifestyle Investment with the use of a Cash Fund in the Lifestyle investment strategy in the last 5 years before a member reaches their selected retirement age. This will operate such that at the selected retirement date the member invested in the Lifestyle strategy will have unit values that are approximately 25% Cash Fund and 75% Diversified Fund.

The Diversified Fund will hold assets that are invested between 20-50% in bonds, with the remaining, so 50-80% in a range of assets that may include equity, bonds, property, commodities, listed infrastructure, private equity and global real estate. Sometimes these diversified assets are referred to as 'Alternatives'.

The Trustees will also make available a range of funds as outlined in 5 above for member self selection. This combination of funds is considered sufficiently diverse and appropriate for use by members of the Plan in addressing their retirement saving need.

### **The DB Section of the Plan**

The Trustees will generally use passive type funds and in selecting their investments will have in mind the nature of the liability that the plan funding has to meet.

*Investment Risk Measurement and Risk Management Procedures :*

### **Both Sections of the Plan**

The Trustees have investigated and are aware of the potential volatility of the asset classes in which they invest. The Trustees have also reviewed the advice provided to them by their Investment Adviser.

In particular, the Trustees recognise that market linked investment may produce a return that is volatile and can include material short term drawdowns of value that will impact directly on member account values. The inclusion of the Diversified Fund is designed to assist in the management of this but in itself can not fully solve that challenge.

Such volatility may also impact on plan funding for the DB section and in this respect the Trustees have considered the financial strength (covenant) of the Principal Employer.

The Trustees review the scheme's investment performance on a regular basis taking investment advice from a suitable person. If the Trustees identify any significant issues relating to either investment performance or other risk management issues, they will seek further investment advice from their advisers.

The Trustees are aware of the benchmarks for the funds they hold and believe that these are suitable to meet both the members and Trustees overall objectives and maintain a suitable level of risk within the Plan, thereby preserving the real value of both member savings over the long term and an appropriate balance of risk with respect to DB funding.

The Trustees are also aware of LGIM governance process and their engagement with the directors of leading quoted companies that they invest in on behalf of the Trustees.

This gives comfort to the Trustees that the investment managers have suitable internal risk controls, run suitably diversified funds within the objectives of that fund and offer expertise that does not incur excessive risk relative to the fund benchmark.

The Trustees do not hold any investments in the sponsoring employer and do not intend to make any such investments.

*The Expected Return on Plan Investments :*

#### **The DC Section of the Plan**

The funds that the Trustees have selected contain equities, property, cash and fixed interest.

The Trustees believe that equity investment will provide a high, real and potentially variable long-term return and this will assist in maintaining the real value of a members savings over the long term.

The Trustees believe that Diversified Growth investments have a real return that is likely to be both lower and more stable than equities over time. The Trustees feel that these investments may provide a broad match to pension outcome requirements and offer a diverse correlation in relation to the equity risk. Such Alternative assets may lower the return but smooth the journey to retirement for members using the Lifestyle Investment.

#### **The DB Section of the Plan**

The expected returns are linked to the market experience as the Trustees are primarily using passive funds. Over the longer term the Trustees consider that their investment strategy is likely to meet the discount rates outlined in their valuation technical provision and will do so with a level of volatility that is broadly acceptable to the Principal Employer and consistent with the covenant standing. This will assist ongoing funding of the benefit liability.

*Realisation of investments :*

#### **Both Sections of the Plan**

The Plan investments are held in unitised funds. Accordingly, the Trustees are comfortable that due to the liquidity of these assets, the investments can be realised when required.

There is a documented procedure between Trustees and Administrator that states that only authorised signatories can realise investments.

## *Social, Environmental and Ethical Investment Considerations*

### **Both Sections of the Plan**

The Trustees have no fixed policy on Social, Environmental and Ethical Investment Considerations, other than accepting the policies of the underlying fund managers on this issue. The Trustees are however well aware that good governance by the investment manager both assist the well being of society and the reliability of investment returns.

### *Voting Rights*

The Trustees have no fixed policy on the exercise of rights (including voting rights) that they may have in respect of assets held, other than, again, accepting the policies of the underlying fund managers on this issue. Generally by participating in pooled pension funds the Trustees do not acquire any voting rights relating to the underlying holdings of the pooled funds.

## **7. Summary**

The Trustees have considered and discussed this SIP at their Trustee meeting. The SIP is presented to the Trustees by Jon Collins, Chartered Financial Planner of Professional Pensions and Investments Ltd who are authorised and regulated by the Financial Conduct Authority, registration number 208951.

The Trustees have consulted with the Principal Employer on their investment strategy and offering. Neither the Trustees nor the Principal Employer are able to offer any form of investment advice to members of the Plan and none is implied in the publication of this SIP.

March 2017