Mactaggart & Mickel Limited Retirement Benefits Scheme

Statement of Investment Principles

23 April 2024

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01 **Introduction**

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Mactaggart & Mickel Limited Retirement Benefits Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme 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 Schemes (Investment) Regulations 2005, as amended.

The Scheme Actuary is Gerry Devenney of XPS Pensions Group, and the Investment Adviser is XPS Investment (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with Mactaggart & Mickel Limited ('the Employer') and have obtained and considered written advice from the Investment Adviser. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme's assets and arrange administration of the Scheme. Where it is required to make an investment decision, the Trustees receive advice from the relevant Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

Purchase of a bulk annuity policy

On 21 March 2024, the Trustees completed the purchase of a bulk annuity policy with Aviva, insuring all accrued member liabilities. The insurance policy is now the sole asset of the Scheme. The Trustees are in the process of 'buying out' the Scheme, which involves Aviva creating individual policies for each member in line with the benefits due under the Scheme Rules. This process will take several months to complete. Once the process has been completed, the Scheme will hold no assets or liabilities and therefore the Trustees will seek to wind-up the Scheme.

While the bulk annuity policy is now the sole asset of the Scheme, and as such many of the Trustees' previous investment responsibilities are no longer relevant, the Trustees are required to ensure there is appropriate ongoing investment governance until the point at which the Scheme is wound up. This governance responsibility includes setting out this Statement of Investment Principles document.

Declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy it has implemented for the Scheme. The Trustees acknowledges that it is their responsibility, with guidance from the relevant Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

[redacted] 14/05/24

Signed: **Date:**

ALAN HARTLEY

Name:

For and on behalf of the Trustees of the Scheme

02 **Investment Policy and Objectives**

Scheme governance

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Insurance Provider or the relevant Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

Choosing investments

On 21 March 2024, the Trustees completed the purchase of a bulk annuity policy with Aviva insuring all accrued member liabilities. Following this purchase the insurance policy is the sole asset of the Scheme.

The selection of the insurance policy was made having taken written investment advice. The advice covered the suitability of the insurance policy, whether there was any need for diversification given Scheme circumstances and the principles within this Statement.

If the Trustees were to make any new investments within the Scheme, the Trustees will obtain written advice. 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

Following the purchase of a bulk annuity policy covering all accrued member liabilities, the Trustees are in the process of 'buying out' the Scheme, which involves Aviva creating individual policies for each member in line with the benefits due under the Scheme Rules. Once the process has been completed, the Scheme will hold no assets or liabilities and therefore the Trustees will seek to wind-up the Scheme.

Expected returns

As the accrued liabilities of the Scheme have been fully insured there is no future investment return requirement. The Trustees expect that the change in value of the insurance policy will match the change in value of the benefits due under the Scheme.

Range of assets

All of the Scheme's assets are held in a bulk annuity policy. The Trustees have no direct influence on the range of assets which support the payments due under the policy. The Insurance Provider will invest in an appropriate range of assets in line with the risk profile of their annuity business and the regulatory and capital regime they are required to comply with. All assets of the Scheme are invested with a sole insurance provider (Aviva). The Trustees deem this concentration of assets appropriate as it closely matches the objective of the Scheme.

The Trustees consider the arrangements with the Insurance Provider to be aligned with the Trustees' overall strategic objectives. The Insurance Provider is incentivised to perform in line with expectations for its specific mandate to enable the Insurance Provider to meet all of the benefits insured and comply with regulatory and capital requirements.

When the Trustees considered which Insurance Provider to purchase buy-in policies from, they took the ESG factors and climate change risk credentials of the Insurance Provider were considered. XPS Investment consider Aviva to have an ESG rating of amber.

03 **Monitoring**

SIP

The Trustees are required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.

Portfolio Turnover

Given that the Trustees have secured buy-in policies, the portfolio turnover on the underlying assets and costs is a matter for the Insurance Provider.

Insurance Provider

The Trustees' buy-in policy with the Insurance Provider is illiquid and it is unlikely that the Trustees will be able to change Insurance Provider.

04 **Fees**

Insurance Provider

The Insurance Provider's fees are met through a combination of some or all of the following:

- A margin added to the cost of securing the benefits which reflects the charges paid to the Insurance Provider.
- Any excess of assets over Scheme benefits paid out, throughout the life of the policy.

Advisers

Any fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

Custodian

There is no custodian appointed directly by the Trustees.

Trustees

None of the Trustees are paid directly for their duties. Their expenses are met and they are given time off from their other employment duties to attend appropriate training, meetings with their advisers and the periodic Trustee meetings.

05 **Risks**

The Trustees recognise a number of risks involved in the investment of assets of the Scheme:

i. The risk of failing to meet the objectives as set out in Section 3 – the Trustees considered this when deciding to purchase the buy-in policy.

ii. The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position – the Trustees have addressed this through the purchase of a buy-in policy which is expected to match the payments of the benefits due.

iii. Risk of lack of diversification of investments – although there is a concentration of assets in a single buy-in policy, the Trustees deem this concentration appropriate as it closely aligns with the Scheme's objectives.

iv. Risk of holding assets that cannot be easily sold should the need arise – addressed through holding a buy-in policy which is designed to deliver income payments meeting the benefits due.

v. Sponsor risk – the risk of the Employer ceasing to exist, which for reasons of prudence, the Trustees have taken into account when setting the investment strategy.

vi. Environmental, Social and Governance risk – the risk that environmental, social and governance factors are not given significant consideration. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Insurance Provider.

The Trustees will keep these risks under regular review.

06 **Other Issues**

Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustees will consider with the Advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

Environmental, Social and Governance

The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Insurance Provider. The Trustees require the Scheme's Insurance Provider to take ESG and climate change risks into consideration within its decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Insurance Provider and encourage it to vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Voting rights

As all of the Scheme's assets have been used to purchase a buy-in policy, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the Insurance Provider invests. It has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Insurance Provider.

Appendix A
Responsibilities

Trustees

As the Scheme has purchased a bulk annuity policy covering all accrued member liabilities, which is the sole asset of the Scheme, the Trustees' investment responsibilities have been significantly reduced. The remaining investment responsibilities include:

i. Determining the investment objectives of the Scheme and reviewing these from time to time.

ii. Complying with all investment governance requirements, including reviewing triennially the content of this SIP.

iii. Assessing the ongoing effectiveness of the Advisers.

iv. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

v. Advising the Advisers of any changes to Scheme benefits, significant changes in membership.

Insurance Provider

The Insurance Provider (Aviva) will be responsible for making the agreed payments to the Scheme in accordance with the insurance policy in place.

Investment Adviser

As the Scheme has purchased a bulk annuity policy covering all accrued member liabilities, which is the sole asset of the Scheme, the role of the Investment Adviser has been significantly reduced. The ongoing role of the Investment Adviser will be to support the Trustee on:

i. Participating with the Trustees in reviews of this SIP.

ii. Ensuring the Trustees continue to comply with all investment governance requirements.

iii. Advising on any investment aspects of the planned eventual wind-up of the Scheme.

Contact us
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