

**STATEMENT OF INVESTMENT PRINCIPLES**  
**H E STRINGER LIMITED RETIREMENT BENEFITS SCHEME**  
**SEPTEMBER 2020**

**1. Introduction**

This document is the 'Statement of Investment Principles' (SIP) for the H E Stringer Limited Retirement Benefits Scheme (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 Scheme was closed to new members from 1<sup>st</sup> September 2001. The Scheme was not contracted out.

The Scheme invests in funds managed by Prudential to reflect the benefit due to the members and the investment is an integral component of the package of services obtained by the Principal Employer when the Trust was instigated. The Plan is not being used as a qualifying scheme for automatic enrolment purposes. The Trustee has considered the desired and appropriate outcomes and decided that the funds already in use and the packaged services of Prudential remains appropriate. This helps to keep operational and management costs proportionate. Members do not have an option to invest elsewhere.

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 where appropriate, 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 failing 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 overriding investment objective of the Trustee 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 benefits are likely to be settled as cash with potentially a very few exceptions. Where settlement is in excess of the tax free element this is taxable under the PAYE system. The decision on benefit type at vesting is that of the member concerned.

#### **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 Manager used in the policy provide adequate diversification to manage volatility, investment and inflation risk. The underlying Investment Manager can use their influence to ensure that the companies they invest in integrate ESG factors into their culture.

#### **6. Investments**

The position as regards to the investment funds are shown below:

<b>Fund Name</b>	<b>AMC</b>	<b>FFC</b>	<b>Assumed growth Rate</b>
Prudential With-Profits Pension Fund 3a (ex SA)	0.875%	0.03%	1.5% above inflation
Prudential With-Profits Pension Fund 5a (ex SA)	0.875%	0.18%	1.5% above inflation
Prudential Cash Pre A Fund	0.857	0.00%	1% below inflation

Annual Management Charge (AMC) is the annual charge expressed as a percentage, charged by the fund manager. The charge covers the cost of running the fund and any product charges. The Further Fund Costs (FFC) is in addition to the AMC, covering costs

such as maintenance costs for underlying properties and costs associated with investing in infrastructure.

The charges and costs of the With-Profits Fund are implicit as is the nature with this type of contract, so members will not see charges being deducted from their plan. Instead, policyholders may share in the investment profits made through the addition of regular annual bonuses, after all charges are deducted. These bonus rates may vary, except for members invested in the Prudential With-Profits Pension Fund 3a (ex SA) (pre 01/01/2006 contributions) who are guaranteed to average a return of not less than 4% per annum. In addition, a final bonus may be added, but not guaranteed, when the member takes money out of the With-Profits Fund.

The primary aim of the fund is to make sure all guarantees are met and that all policyholders are treated fairly. To protect existing policyholders from being disadvantaged when the underlying funds have performed poorly a market value adjustment may apply when units are encashed, other than on a contractual event.

## **7. Trustee Investment Policies**

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

The Trustee consults with their investment adviser 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 funds with an appropriate level of diversification 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 Manager. This gives comfort to the Trustee that the Investment Manager has 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 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 Prudential that states that only authorised signatories can realise investments.

### **8. Bank Accounts**

The Trustee maintains 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 the 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 Manager 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 may receive information from the underlying Investment Manager 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 Manager 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 2020