

APRIL 2025

**STATEMENT OF INVESTMENT PRINCIPLES**  
**for the**  
**CLOSED FUND OF THE ITB PENSION FUNDS**

**1. Introduction**

**1.1. What is the purpose of this Statement of Investment Principles?**

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the ITB Pension Funds ("the Trustee") on various matters governing decisions about the investments of the Closed Fund of the ITB Pension Funds ("the Closed Fund").

**1.2. Who has had input to the SIP?**

This SIP has been formulated after obtaining and considering written professional advice from Lane Clark & Peacock LLP, the Closed Fund's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The SIP also takes into account comments made by GAD, the Closed Fund's actuary. The advice takes into account the suitability of investments and the need for diversification, given the circumstances of the Closed Fund and the principles contained in this SIP.

Each of the Participating Employers was consulted on the SIP.

**1.3. What is the legal and statutory background to the SIP?**

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations") and the Pension Regulator's investment guidance for defined benefit pension schemes (March 2017).

The Closed Fund's assets are held in trust by the Trustee. The investment powers of the Trustee are set out in Clause 8 of the ITB Trust Deed dated 30th March 2012.

**2. What are the Trustee's overall investment objectives?**

The Trustee's objectives are:

- the acquisition of suitable assets to match the cost of current and future benefits which the Closed Fund provides;
- achieve low volatility of the Reserve Assets relative to annuity pricing and expenses; and

- to minimise the long-term costs of the Closed Fund by implementing a simple and low-cost investment strategy and maximising the return whilst having regard to the previous point.

The Management Committee undertakes regular reviews of the investment strategy for the Reserve Assets.

The most recent actuarial valuation of the Closed Fund under the Occupational Pension Schemes (Scheme Funding) Regulations 2005 was carried out as at 31st March 2024. The Trustee has taken into account the results of this valuation in setting the investment policy for the Closed Fund. The valuation of liabilities includes a provision for providing three years' expected benefit payments to cover any delay with compensation from the Financial Services Compensation Scheme if the buy-in insurer was to become insolvent.

### **3. What risks does the Trustee consider and how are these measured and managed?**

When deciding how to invest the Closed Fund's assets, the Trustee considers a wide range of risks, including, but not limited to, those set out in Appendix A. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

## **4. Summary of the Closed Fund's investment strategy**

### **4.1. How was the investment strategy determined?**

The Management Committee undertakes regular reviews of the investment strategy with the help of their advisers, taking into account the objectives described in Section 2 above.

### **4.2. What is the investment strategy?**

The majority of the Fund's assets are invested in a buy-in policy with an insurance company which covers all of the Closed Fund's liabilities. However, it should be noted that whilst the buy-in policy receipts are linked to the Retail Prices Index ("RPI"), the Fund's benefits increase in line with the Consumer Prices Index ("CPI") – for more details see Appendix A. The remaining assets of the Closed Fund are known as "the Reserve Assets".

The Reserve Assets, totalled around £75m as at 31st January 2025 of which £2.3m was held in bank accounts and liquidity funds to meet the cashflow requirements of the Closed Fund. The remainder of the Reserve Assets is invested based on the benchmark allocation below:

| <b>Asset class</b> | <b>Benchmark allocation</b> |
|--------------------|-----------------------------|
| Government bonds   | 100%                        |

### **4.3. What did the Trustee consider in setting the Closed Fund's investment strategy?**

The strategy review included modelling the Closed Fund's assets and liabilities over a wide range of possible scenarios for future economic conditions. In setting the strategy, the Trustee considered:

- the best interests of members and beneficiaries;

- the term and nature of the projected liability cash flows;
- a wide range of asset classes;
- the risks and rewards of a number of possible asset allocation options;
- the suitability of each asset class within each strategy, both across asset classes and within asset classes and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken. The Trustee considers a wide range of risks, including climate risk (the risk of a fall in the value of investments caused either by direct impacts of changes to the global climate or policy changes to mitigate the effects of climate change), and seeks to appoint investment managers who will manage climate risk and other risks appropriately, and from time to time review how risks are being managed in practice.
- the need for appropriate diversification between different asset classes to ensure that both the Closed Fund's overall level of investment risk and the balance of individual asset risks are appropriate;
- any other considerations which the Trustee considers financially material over the time horizon that the Trustee considers is needed for the funding of future benefits by the investments of the Closed Fund;
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustee's key investment beliefs are set out below.

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity and credit are the primary rewarded risks;
- risks that are typically not rewarded, such as interest rate, inflation and currency, should generally be avoided, hedged, or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- climate change risk is likely to have a material impact on financial markets and therefore is a risk that should be explicitly managed where appropriate;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.



The Trustee has a process for identifying, assessing and managing climate related risks and opportunities, and this is documented in the Trustee's "Statement on Governance of Climate Related Risks and Opportunities" which underpins the investment strategy. This statement also documents additional investment beliefs of the Trustee regarding climate change and its impact on the investments of the Fund.

**4.4. What assumptions were made about the returns on different asset classes?**

The key financial assumption made by the Trustee in determining the investment arrangements is that gilts are a low volatility, liability-matching instrument that can be used to broadly match changes in annuity pricing over time.

**5. Appointment of investment managers and custodian**

**5.1. How many investment managers and custodians are there?**

The Trustee has agreed a buy-in policy with an insurance company which covers all of the Closed Fund's liabilities.

The Trustee has appointed two investment managers to manage the Closed Fund's Reserve Assets within pooled funds. The manager arrangements are discussed in Appendix B.

The pooled funds have underlying custodians, which are appointed by those funds.

**5.2. What formal agreements are there with the insurance company and the investment managers?**

The Trustee has signed a policy document with the buy-in insurance company. This sets out the terms of the buy-in policy.

For the Reserve Assets, the Trustee has subscribed to pooled funds, governed by prospectuses which set out the terms for investors. Details of the investment managers and the funds are given in Appendix B.

The Trustee has limited influence over managers' investment practices as the Closed Fund's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the bespoke policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with the Trustee's policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well the role it plays in helping the Closed Fund meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Closed Fund's investment mandates.

### **5.3. What do the investment managers do?**

The investment managers' primary role is the day-to-day management of the Closed Fund's Reserve Assets. The investment managers are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

### **5.4. What do the custodians do?**

The custodians' primary role is the safekeeping of the assets. The custodians are authorised under the Financial Services and Markets Act 2000 to carry out such activities.

## **6. Other matters**

### **6.1. What is the Trustee's policy on the realisation of investments?**

The Trustee will ensure that it holds sufficient cash to meet the likely benefit outgoings. The Trustee holds a buy-in contract, which pays the Closed Fund's benefit cash flows. It is therefore expected that there will be no need to disrupt the investment policy of the Reserve Assets in order to pay benefits, except where the Trustee may grant increases to benefits following the results of triennial valuations.

The Trustee assesses the likely outgoings from the Reserve Assets (e.g. to meet expenses) on a regular basis and ensures that sufficient cash reserves are available to meet the outgoings. It is expected that expenses will be able to be met from the Reserve Assets in such a way that is consistent with the Benchmark Allocation of the Closed Fund.

The Trustee has delegated responsibility for the realisation of investments to the investment managers, within certain guidelines and restrictions.

### **6.2. What is the Trustee's policy on financially material and non-financial matters?**

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Closed Fund and its members.

The Trustee expects the investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to



appoint managers that have the appropriate skills and processes to do this, and from time to time review how the managers are taking account of these issues in practice.

The Trustee encourages its managers to improve their ESG practices, although acknowledge that it has limited influence over managers' investment practices where assets are held in pooled funds and that the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors. The Trustee does not generally take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

### **6.3. What is the Trustee's policy on the exercise of investment rights and Stewardship?**

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attached to investments, protect and enhance the long-term value of investments. The Trustee has an effective system of governance in relation to stewardship. This includes monitoring the engagement activities that the Closed Fund's investment managers undertake on the Trustee's behalf, engaging with them regarding expectations in relation to stewardship, and encouraging improvements in their stewardship practices. The Trustee will review this approach periodically, and at least triennially.

#### Exercise of investment rights

The Trustee has delegated to the investment managers the exercise of rights attached to investments, although the Closed Fund does not currently hold any equity investments which have voting rights, either directly or through pooled funds. Investment managers also have a delegated responsibility to engage with issuers of debt and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship and the Trustee's policy, with consideration given to the long-term financial interests of the beneficiaries. The Trustee believes that strong stewardship policies help manage environmental, social and governance risks associated with the Closed Fund's investments, which it considers to be financially material. The Trustee believes that protecting the Closed Fund's investments from such risks will protect and enhance the long-term value of investments.

#### Stewardship Priorities

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. The themes are reviewed annually and updated if appropriate. The Trustee's stewardship priorities are communicated to the Closed Fund's investment managers each year.

The current priorities are:

- Climate change (Environmental)  
Climate change is one of the most severe global risks and will affect most other environmental factors such as biodiversity loss and water shortages. This risk also poses physical risks (e.g. through flood or fire) as well as transition risks (e.g. the impact of changes in regulation to investments) to investors.

- **Diversity and Inclusion (Social)**  
Studies have shown that firms with good practices regarding Diversity and Inclusion deliver better financial performance than those with poorer practices. There is increased regulatory scrutiny on this theme and it intersects with broader ESG areas.
- **Executive Pay (Governance)**  
Executive pay should be linked to good financial performance from companies. Bonuses or excessive remuneration agreements for executives should not be approved when financial indicators for a company are poor.

#### Manager selection and monitoring

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

The Trustee expects investment managers to undertake engagement activity and it reviews how the investment managers implement its stewardship policies and practices. The investment consultant also reports annually its view of the responsible investment practices of each manager.

The Trustee has established a process for monitoring and engaging with the investment managers about relevant matters through quarterly reporting and has an escalation process where reporting does not satisfy the Trustee that an investment manager is controlling the relevant risk sufficiently. Additionally, the Trustee may also meet with the managers periodically in order to ask questions relating to their engagement and discuss their record on stewardship matters.

#### Implementation statement

The Trustee prepares an annual statement which explains how it has implemented its Statement of Investment Principles during the year, which is published online for members to read. The statement describes how the managers have voted on the Trustee's behalf during the year, including most significant votes cast. The Management Committee selects these votes from a set of significant votes compiled by the investment managers. In doing so, the Trustee has regard to its stewardship priorities, the size of the Closed Fund's holding and whether the vote was high-profile or controversial.

#### **6.4. What are the responsibilities of the various parties in connection with the Closed Fund's investments?**

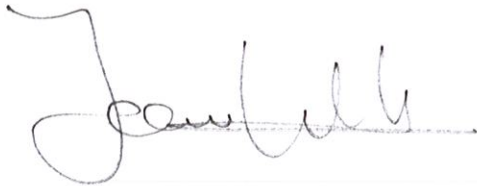
Appendix C contains brief details of the respective responsibilities of the Trustee, the Management Committee, the investment adviser, the Fund's actuary, the buy-in provider and the investment managers. Appendix C also contains a description of the basis of remuneration of the investment adviser, the Fund's actuary and the investment managers.

#### **6.5. Does the Trustee make any investment selection decisions of its own?**

Before making any investment selection decision, it is the Trustee's policy to obtain written advice. The written advice considers the suitability of the investment, the need for diversification and the principles contained in this SIP. It is also the Trustee's policy to review its own investment selection decisions on a regular basis, based on written advice.

7. **Review**

The Trustee will, from time to time, review the appropriateness of this SIP with the help of its advisers, and will amend the SIP as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

A handwritten signature in dark ink, appearing to read 'Jeanette', written over a horizontal line.

28/04/25.

For and on behalf of  
The Trustee of the ITB Pension Funds

Date



## The Trustee's policy towards risk, risk measurement and risk management

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Closed Fund in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long-term objectives before attainment of those objectives is seriously impaired. The Trustee's aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

- the agreed journey plan;
- the Closed Fund's long-term and shorter-term funding targets;
- the strength of the buy-in insurer's covenant;
- the Closed Fund's liability profile;
- the Closed Fund's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")).

As at 31 January 2025, prior to the complete disinvestment from corporate bonds, the 1 year 90% VaR of the investment strategy outlined in s4.2 above was around £4m. This means that there is a 1 in 10 chance that the Closed Fund's Reserve Assets will fall in value by around £4m or more over a one-year period.

When deciding on the current investment strategy, the Trustee believed this level of risk to be appropriate given the Trustee's and Employer's risk appetite and capacity, and the Closed Fund's objectives.

The Trustee considers that there are a number of different types of investment risk that are important for the Closed Fund. These include, but are not limited to:

### A.1. Strategic risk

This is the risk that the performance of the Closed Fund's assets and liabilities diverge in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review, and will be monitored by the Trustee on a regular basis. The buy-in contract covers all of the benefit liabilities.

The Trustee will review the Closed Fund's investment strategy at least every three years in light of the various risks faced by the Closed Fund.

### A.2. Inadequate long-term returns

A key objective of the Trustee is that, over the long-term, the Closed Fund should have adequate resources to meet its liabilities as they fall due. The buy-in contract covers all of the benefit liabilities. The Trustee invests the Reserve Assets to produce an adequate long-term return.

### **A.3. Investment manager risk**

This is the risk that the investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Management Committee undertakes an investment manager selection exercise to be satisfied that the manager will be able to meet its objectives.

The Management Committee holds regular meetings with the bonds investment manager to satisfy itself that the manager continues to carry out its work competently and has the appropriate knowledge and experience to manage the investments of the Closed Fund.

An independent performance measurer provides quarterly updates of performance to assist in the reviews of the Closed Fund's and manager's performance against the benchmarks. A full presentation of the performance is considered annually by the Trustee.

### **A.4. Risk from lack of diversification**

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustee's ability to meet its investment objectives.

A significant proportion of the Closed Fund's assets are invested in the buy-in policy and are, therefore, exposed to the risk of the buy-in insurer defaulting (as discussed below).

The Trustee believes that the rest of the Closed Fund's assets are adequately diversified between different asset classes and within each asset class under the strategy outlined in Section 4.2 and by the guidelines agreed with the investment managers.

### **A.5. Default of the buy-in insurer**

This is the risk that the buy-in insurer defaults and does not, therefore, meet the benefit liabilities in full. The Trustee notes that the buy-in insurer's solvency is monitored by the Prudential Regulation Authority, and that additional protection is provided by the Financial Services Compensation Scheme ("FSCS").

It is understood that FSCS protection covers 100% of the benefits payable under the contract.

### **A.6. Liquidity/marketability risk**

This is the risk that the Closed Fund is unable to realise assets to meet liability cash flows as they fall due. The buy-in policy covers all of the benefit liabilities. The Trustee is aware of the Closed Fund's other cash flow requirements and believe that this risk is managed appropriately via the measures described in Section 6.1.

### **A.7. Climate risk**

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). The Trustee seeks to appoint investment managers who will manage this risk appropriately, and from time to time review how this risk is being managed in practice.

### **A.8. Other Environmental, social and governance (ESG) risks**

Environmental, social and corporate governance (ESG) factors are sources of risk to the Closed Fund's investments which could be financially material, over both the short and longer



term. These potentially include risks relating to factors such as climate change, unsustainable business practices and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on its behalf and from time to time review how these risks are being managed in practice.

**A.9. Currency risk**

This is the risk that the value of the Closed Fund's assets is affected by movements in currency exchange rates. Currency risk is managed within the pooled funds that the Trustee has selected.

**A.10. Custodian risk**

This is the risk that the custodians do not settle trades on time or provide secure safekeeping of the Closed Fund's assets. It is managed by monitoring the custodians' activities and discussing the performance of the custodians with the investment manager when appropriate.

**A.11. Inappropriate investments**

This is the risk that the investments are inappropriate. It is managed through constraints on the use of derivatives, gearing, specific asset limits and other restrictions as set out in the fund prospectuses.

**A.12. Political risk**

This is the risk of an adverse influence on investment values arising from political intervention. It is managed by regular reviews of the actual investments relative to policy and through regular assessments of the levels of diversification across different markets within the existing policy.

**A.13. RPI versus CPI**

This is the risk that CPI increases exceed RPI increases. This is relevant given the buy-in policy proceeds are linked to RPI while the Fund's benefits increase with CPI. The Trustee is comfortable to run this risk given historically CPI has been lower than RPI and the buy-in policy covers all of the Closed Fund's liabilities.

**A.14. Other risks**

The Trustee recognises that there are other, non-investment, risks faced by the Closed Fund including mortality risk (the risk that members live, on average, longer than expected), which has effectively been passed to the buy-in provider; and

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Closed Fund's funding position falls below what is considered an appropriate level. By understanding and considering each of the risks that contribute to funding risk, the Trustee believes that it has addressed and is positioned to manage this general risk.

The risks A.1, A.2 and particularly A.14 will be monitored through regular actuarial valuations and reports.

## **Investment manager arrangements**

The Trustee has purchased a buy-in policy with an insurer, as well as appointed investment managers to manage the Closed Fund's Reserve Assets.

The Trustee has ensured that the managers' objectives are still appropriate given the level of fees paid. Further details on the manager fee structure are given in section C.3.

### **B.1. Buy-in contract**

Following negotiations with several buy-in providers, the Trustee selected a buy-in policy with Pension Insurance Corporation.

### **B.2. Index-linked and nominal gilts**

The Closed Fund's gilts portfolio is held at BlackRock Investment Management (UK) Limited ("BlackRock"). The portfolio is split between Blackrock's All Stocks Index-Linked Gilts Index Fund, Up to 5 Year Index-Linked Gilts Index Fund, All Stocks UK Gilts Fund and Up to 5 Year UK Gilts Fund.

The objectives of the funds are to track the return of the FTSE UK Gilts Index-Linked All Stocks Index, the FTSE UK Gilts Index Linked Up To 5 Years Index, the FTSE Actuaries UK Conventional Gilts All Stocks Index and the FTSE UK Conventional Gilts – Up to 5 Years Index respectively, before the deduction of investment management fees. The funds are priced daily and are not listed on an exchange.

### **B.3. Liquidity fund**

The Trustee has appointed FIL Investment Services (UK) ("Fidelity") to manage the allocation to liquidity funds. The objective of the Fidelity Cash Fund is to maintain the value of the investment and pay an income to investors. There is no formal investment benchmark for the fund. The fund is priced daily, is open-ended and is not listed on any stock exchange.

### **B.4. Custodians**

The pooled funds used have underlying custodians, appointed by the manager of the underlying fund.



## Responsibilities and fees

### C.1. Responsibilities and investment decision-making structure

The Trustee has decided on the following division of responsibilities and decision-making for the Closed Fund. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Closed Fund overall, with access to an appropriate level of expert advice and service.

#### C.1.1. Trustee

The Trustee has delegated to a Management Committee consideration of certain investment matters, authority to carry out certain activities on behalf of the Trustee, and to make recommendations where decisions are required to be taken by the Trustee.

In broad terms, the Trustee retains responsibility in respect of investment matters for:

- reviewing the investment policy following the results of each triennial actuarial valuation, and / or after any review of investment strategy (e.g. any asset liability modelling exercise);
- appointing the actuary;
- consulting with the Open Fund's Participating Employers when reviewing investment policy issues;
- developing a mutual understanding of investment and risk issues with the Open Fund's employers;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged; and
- putting effective governance arrangements in place and documenting these arrangements in a suitable form.

The Trustee has formulated a business plan that provides further information on the processes and structure in place governing the Closed Fund's investments.

#### C.1.2. Management Committee

The Management Committee shall perform its duties within the scope of any general guidelines, policies and instructions established or given by the Trustee from time to time, including the Statement of Investment Principles. The following investment matters are within the authority and scope of the Management Committee:

- establishing general guidelines and policies on investment matters including revising from time to time the Statement of Investment Principles (after having consulted the employers in accordance with section 35 of the Pensions Act 1995);
- establishing overall investment objectives and strategic asset allocations;

## Responsibilities and fees

- making investment decisions in accordance with the investment objectives and strategic asset allocations but not those which are required to be taken by an authorised person under section 191 of the Financial Services Act 1986;
- oversight and management of responsibilities for investment risk and opportunities in relation to climate change, environment, social and governance;
- approving transfers of assets;
- monitor the performance of the investment managers in relation to the portfolios under their control;
- establish a benchmark consistent with the overall investment objectives for performance of each portfolio and appoint a company (or person) to measure performance of each portfolio against that benchmark;
- review performance of each portfolio against the benchmark agreed for that portfolio between the Trustee and the relevant investment manager;
- hold regular meetings with the investment manager to (i) discuss performance, objectives (long and short-term), any divergence, and any other relevant issues, and (ii) monitor voting and engagement activities carried out on the Trustee's behalf, engage regarding expectations in relation to stewardship, and encourage improvements in stewardship practices;
- regularly monitor the performance, service and credit risk of the Buy-in Provider and hold meetings as necessary with it;
- review all investment related matters concerning the ITB Pension Funds and, as and when it considers appropriate (or at any time at the request of the Trustee), make recommendations to the Trustee about actions or changes that should be taken or made. Such investment related matters include developments in and application of relevant laws, regulations, policy, and best practice in connection with pensions related investments and any other matters related to the investments;
- review all Pension Regulator's Codes of Practice matters concerning the ITB Pension Funds and, as and when considered appropriate (or at any time at the request of the Trustee), make recommendations to the Trustee about actions or changes that should be taken or made;
- appoint, manage and dismiss advisers and service providers where considered necessary to assist with the above.

The Management Committee shall have the power to authorise the Chief Executive of the ITB Pension Funds to sign and execute documents on its behalf in order to implement decisions taken by the Management Committee.



## Responsibilities and fees

### C.1.3. Buy-in insurer

The buy-in insurer is responsible for making payments to the Trustee under the buy-in policy. These payments cover members' benefits. As part of their performance monitoring the Management Committee considers the ongoing financial stability of the buy-in provider. The buy-in provider is a regulated insurer and is therefore supervised by the Prudential Regulatory Authority (PRA). Appendix A provides more details.

### C.1.4. Investment managers

In broad terms, the investment managers will have the following responsibilities:

- for active mandates at its discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting securities within each asset class;
- for passive mandates, tracking the relevant benchmark return within an appropriate tracking error;
- providing the Trustee with quarterly statements of the assets along with a quarterly report on actions and future intentions, and any changes to the investment processes applied to the portfolios;
- informing the Trustee of any material changes in the internal objectives and guidelines of any pooled funds used by the Closed Fund and managed by the investment manager or an associate company; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

### C.1.5. Custodians

The Closed Fund invests in a range of pooled funds, each of which has its own custodian. The pooled funds' custodians' responsibilities include:

- the safekeeping of the pooled funds' assets;
- processing the settlement of all transactions within the pooled funds;
- providing the pooled fund investment manager with statements of the assets and the cash flows;
- undertaking all appropriate administration relating to the pooled funds' assets;
- processing all dividends and tax reclaims due to the pooled funds in a timely manner; and
- dealing with corporate actions in relation to the pooled funds' investments.

## Responsibilities and fees

### C.1.6. Investment consultant

In broad terms, the investment consultant will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Closed Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the formulation of an efficient governance structure, particularly in the light of the Pension Regulator's DB investment guidance;
- advising on the regular updating of the Statement of Investment Principles;
- advising on the development of a clear investment strategy for the Closed Fund and on the construction of a strategic asset allocation benchmark, given the liabilities of the Closed Fund and the risk and return objectives of the Trustee;
- advising on an overall investment management structure that meets the objectives of the Trustee;
- advising on the selection and appointment of appropriate investment organisations, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations);
- providing the consultant's current views of the investment managers appointed by the Closed Fund, as requested;
- advising on potential new areas or tools of investment such as hedge funds, currency hedging, interest rate swaps etc;
- providing trustee education, as requested; and
- providing general advice in respect of the Closed Fund's investment activities, as requested.

### C.1.7. Scheme Actuary

The Scheme Actuary's responsibilities include:

- performing the triennial (or more frequently as required) actuarial valuations, providing annual actuarial reports, and advising on the appropriate contribution levels; and
- liaising with the investment consultant on the suitability of the fund's investment strategy given the Statement of Funding Principles and the financial characteristics of the Closed Fund.

## **Responsibilities and fees**

### **C.2. Mandates given to advisers and investment managers**

The Trustee has in place signed agreements with each of the Closed Fund's advisers. These provide details of the specific arrangements agreed by the Trustee with each party.

The pooled funds are governed by a prospectus, setting out the terms for investors.

### **C.3. Fee structures**

The Trustee recognises that the provision of investment management, dealing, custodial and advisory services to the Closed Fund results in a range of charges to be met, directly or indirectly, by deduction from the Closed Fund's assets.

The Trustee has agreed Terms of Business with the Closed Fund's actuarial and investment advisers, under which charges are calculated on a "time-cost" basis.

The investment manager receives base fees calculated by reference to the market value of assets under management. The fee rates are consistent with the manager's general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Closed Fund. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

### **C.4. Performance assessment**

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Closed Fund's investments, investment providers and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

### **C.5. Working with the Open Fund's employers**

The Closed Fund does not have any employers but when reviewing matters regarding the Closed Fund's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to any implications that proposed changes may have for the Open Fund's Employers. While the requirement to consult does not mean that the Trustee needs to reach agreement with the Open Fund's Employers, the Trustee believes that better outcomes will generally be achieved if the Trustee and Open Fund Employers work together collaboratively.



