

# Aeromet International Plc Retirement Benefits Scheme

Statement of Investment Principles

December 2019

# Statement of Investment Principles

## Background

The Trustee of Aeromet International Plc Retirement Benefits Scheme (“the Scheme”) has prepared this Statement of Investment Principles (“the SIP”) in accordance with the Pensions Act 1995<sup>1</sup> (“the Act”) and the Occupational Pension Scheme (Investment) Regulations 2005 as well as the principles recommended by the Myners Code.

It supersedes any previous SIP and reflects the investment policy agreed by the Trustee.

The Scheme operates on defined contribution basis where contributions are invested to accumulate capital sums to provide the member with retirement and death benefits.

The benefits each member receives at retirement depend upon the size of the member’s capital sum and the financial conditions prevailing at the time.

Certain members previously had the option to continue to build up State pension benefit or to contract out via the Scheme.

- For those members contracted out through the Scheme, when their benefits are purchased a guarantee applies which equates to the minimum pension that the Scheme must provide (GMP). The insurance policy held with Royal London Assurance Limited, funds any shortfall between the cost of securing these GMPs and the value of the money purchase funds at the appropriate ages.
- For members that did not choose to contract out via the Scheme, their benefits are invested on a money purchase basis and no defined benefit underpin applies.

Individual member money purchase funds are held partly in specialist unit linked funds and deposit funds (where the value of the units reflects the underlying value of the funds’ assets) and the rest in with-profits funds. As above, Royal London holds an insurance policy for the Scheme which covers any excess funds required to meet the Scheme’s GMP guarantees for those members who chose to contract out via the Scheme. This insurance policy however does not cover those GMP liabilities arising from the impact of GMP equalisation.

The Scheme is fully paid up and no additional contributions are due from members nor the Employer in respect of future service or death benefits. Additional liabilities may need to be funded by the Employer resulting from GMP equalisation.

The Scheme benefits are provided by and investments are managed by Royal London. Given the insured nature of the Scheme there is limited flexibility on the investment approach. The Trustee has delegated responsibility for investment management to Royal London Asset Management under the policy that is held with Royal London.

The Scheme also holds assets invested separately from the main funds in the form of insurance policies securing additional benefits on a money purchase basis for those members who elected to pay additional voluntary contributions (AVCs). These funds are also invested in funds managed by Royal London Asset Management.

This SIP will be reviewed at least every three years or immediately after any significant change in investment policy.

In preparing this SIP the Trustee has:

- Obtained and considered the written advice from an investment consultant who is suitably qualified through ability and experience and has appropriate knowledge.
- Consulted the Employer, Aeromet International Limited.

## Choosing investments

The Trustee is ultimately responsible for setting the investment strategy and investment policies for the Scheme.

The Trustee has considered the Scheme's liabilities and strength of Employer covenant when setting the investment strategy and policies.

Given the insured nature of the Scheme there is limited flexibility on the investment approach. The Trustee has delegated responsibility for investment management to Royal London Asset Management under the policy of insurance that is held with Royal London.

Where the investment manager has delegated discretion under Section 34 of the Act, the investment manager will exercise its investment powers in accordance with the Act, relevant and subsequent regulations, and this SIP.

The Trustee relies on the investment manager to appoint appropriate Custodians for pooled funds in which assets are invested. The Custodians are responsible for the safekeeping of the assets of the Scheme.

The Trustee relies on the investment manager to appoint appropriate Administrators or Registrars for pooled funds who are responsible for keeping records of the Scheme's entitlement within the pooled funds.

## Investment objective and strategy - Member with DB underpins

### Investment objective

The investment objective is to invest in such a way that the members benefits can be provided as they fall due.

Those members who elected to contract out via the Scheme have a DB GMP underpin in respect of their benefits. As detailed above, any shortfall of assets against the value of the GMP underpin is covered by a policy of insurance provided by Royal London. For these members, the Trustee's objective is to ensure that the Scheme holds sufficient assets in order to meet the members' benefits as they fall due and at least cover the GMP DB underpin.

### Investment strategy

The Trustee has delegated investment responsibility to Royal London Asset Management for the assets applicable to these members. Royal London Asset Management invest these assets in the Royal London Crest Secure Plan. The Crest Secure Plan is operated on deposit administration principles, which is similar to a with-profits arrangement but with a lower exposure to the stock market. The policy is invested in a mix of backing assets with a smoothed regular bonus rate being declared every year, which stabilises the rate of return on the underlying assets over the longer term. There is no terminal bonus on this policy.

## Investment objective and strategy – Members without DB underpins

### Investment objective

For members who did not elect to contract out via the Scheme, their benefits are invested in a number of unit linked funds which are provided and managed by Royal London Asset Management. Details of the funds in which member funds are invested are provided in Appendix 1.

In relation to these members the Trustee has set the following objectives:

- To ensure members are given an appropriate range of investment options and guidance on the suitability of those options.
- To give members investment options that enable them to maximise their returns at acceptable levels of risk.
- To give members investment options that provide them protection against volatility.
- To ensure that members' invested funds make allowance for change in risk preference as members approach retirement.
- To adhere to the provisions contained within this SIP.
- To adhere to the Pension Regulator's DC code and DC regulatory guidance.

### Investment strategy

The Trustee meets the investment objective by:

- Providing members with an appropriate range of investment options to enable them to reasonably expect to meet their retirement aspirations, together with guidance on those options, allowing members to make informed decisions on their pension savings. This will include a range of different choices with different return and risk characteristics.
- As the Scheme is paid up and closed to new entrants and no further contributions are payable there is no requirement for the Trustee to set a default investment fund.

## Investment restrictions

The Trustee intends to adhere to the following restrictions:

- No more than 5% of Scheme assets can be held in investments related to the Employer.
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management. Responsibility for this has been delegated to the investment manager.
- Stock lending is permitted at the discretion of the Scheme's investment manager in line with their overall investment objectives, policies and procedures.

## Investment risk

The Trustee has identified a number of risks including (but not limited to):

- Employer covenant risk
- Liability risks: Interest rate risk, Inflation risk, Longevity risk
- Asset risks: Equity risk, Property risk, Currency risk, Credit risk, Interest rate risk, Inflation risk
- Strategy risks: Asset allocation risk, Liquidity risk (including collateral risk), Growth asset risk (including currency risk)
- Implementation risks: Investment manager risk, Counterparty risk, Operational risk

These risks are measured and managed by the Trustee as follows:

- The Trustee has set an investment strategy that adheres to the contents of this SIP.
- The Trustee will seek strategic investment advice from an investment consultant, as required, that may include risk modelling and quantification whenever strategic changes are considered.
- The Trustee will undertake monitoring of the Scheme's investments supplemented by information provided by the investment manager, as well as advice from an investment consultant as and when required.
- The Trustee assess the strength of the Employer covenant, to the extent required, and will consider the use of external expertise where appropriate.
- The Trustee delegates the day-to-day management of some of these risks to the appointed Investment Manager.
- The Trustee considers the investment manager's role and approach to managing risk is considered when selecting an appropriate investment managers.
- The Trustee considers issues around custodian relationships to ensure Scheme assets are held securely.
- The Trustee assesses whether appropriate controls are put in place by themselves, investment managers and Custodians (where there is a direct relationship).

## Realising investments

The Trustee recognises that assets may need to be realised to meet Scheme obligations at any time. The Trustee will ensure that an appropriate amount of readily realisable assets are held at all times.

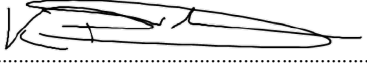
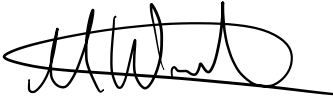
## Responsible investment

The Trustee has not explicitly incorporated social, environmental or ethical considerations into the setting of the investment strategy or its implementation. This extends to resource and environmental considerations, such as climate change. Therefore, the extent to which these considerations are taken into account is delegated to, and left to the discretion of, the investment manager.

Given the nature of the insurance policy with Royal London, under which benefits are provided to members, and the way in which responsibility is delegated to Royal London Asset Management for investment matters, the Trustee is reliant upon Royal London Asset Management to incorporate social, environmental and ethical considerations into the way in which they manage Scheme assets.

The Trustee's policy is to delegate responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment manager.

Signed on behalf of the Trustee:

Signature:		
Name:	K. DOLAN	M. WOMACK
Date:	4/1/2020	4/1/2020

FOR AND ON BEHALF OF 2020  
TRUSTEES LIMITED

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# Appendix 1 – Money purchase fund options

## Fund availability

The Trustee and Royal London Asset Management have made the following funds available to those non-contracted out members of the Scheme. These funds are shown in the table below.

Asset class	Manager Fund	Objective
Equity	RLP UK Equity Fund	Outperform the FTSE All Share Index
Cash	RLP Deposit Fund	Outperform the LIBID GBP 7 Day Index
Bonds	RLP Fixed Interest Fund	Outperform the FTSE A British Govt All Stocks Index
Multi Asset	RLP Managed Fund	Maximise "real returns" over a ten year period





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