

# **Toolbank Retirement Benefits Scheme (the “Scheme”)**

## **Statement of Investment Principles – DB Section – March 2023**

### **1. Introduction**

The Trustees of the Toolbank Retirement Benefits Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. The Trustees’ investment responsibilities are governed by the Scheme’s Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with the Sponsoring Company (the “Company”) to ascertain whether there are any material issues of which the Trustees should be aware of in agreeing the Scheme’s investment arrangements and, in particular on the Trustees’ objectives.

### **2. Investment Objectives**

- 2.1 In November 2022, the Trustees disinvested all of the liquid assets held with Mercer and with additional support from the Company, completed a “buy-in” transaction with Aviva Life & Pensions UK Limited (“Aviva”) via a bulk purchase annuity policy (the “policy”). Aviva are a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Under the policy Aviva undertake, via the Scheme, to pay the Scheme’s benefit obligations as they fall due. In due course, the intention is that the buy-in asset will be moved to a buy-out contract, with the support of the Company, and the Scheme wound up.

A small proportion of the Scheme’s remaining assets are invested in Mercer illiquid funds, these assets are in the process of being redeemed and managed by Mercer on a care and maintenance basis.

The Trustees’ primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. The main objective of the Trustees is therefore to reach a position such that the assets would be sufficient to at least meet the liabilities. In meeting this objective, the Trustees’ further objectives are to:

- Ensure that the Scheme can meet its obligation to the beneficiaries of the Scheme.
- To fully buy-out the members’ benefits with Aviva and, at that stage wind-up the Scheme.

The objectives set out above alongside the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations.

### 3. Risk Management and Measurement

There are various risks to which any pension Scheme is exposed. The Trustees' policy on risk management is as follows:

- Investment in a bulk annuity policy represents a concentrated risk of the annuity provider not making the requirement payments. The policy in place is governed by substantial insurance market solvency regulations and the Trustees have further mitigated this credit risk through careful choice of provider and contract terms. The Trustees recognise that the investment in the bulk annuity contract is illiquid.
- The Scheme is exposed to operational risk in relation to the buy-in with Aviva, who are taking on the majority of risks in relation to the Scheme's defined benefit liabilities.
- Given that the majority of the Scheme's assets are now invested in the bulk annuity contract with Aviva, the main risk to progressing to buy-out is the ability of the Company to fund the additional premium required to move to buy-out. The Trustees have considered the strength of the Company's covenant in their investment decisions. The Trustees are comfortable with this risk in light of the security of members' benefits provided by purchasing the bulk annuity policy and moving to buy-out.

Should there be a material change in the Scheme's circumstances, the Trustees will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular whether the current investment strategy remains appropriate.

### 4. Realisation of Investments

- 4.1 The Trustees on behalf of the Scheme hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

### 5. ESG, Stewardship, and Climate Change

- 5.1 The Trustees recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. However, given the Scheme's assets are now fully invested in the buy-in policy with Aviva, there is limited scope to apply these principles. Furthermore, as the Trustees' objective is to wind-up the Scheme, the timeframe for consideration of these factors is relatively short. In their assessment of bulk annuity providers the Trustees considered provider's ESG and stewardship policies and are therefore comfortable that due consideration to these factors is given by Aviva.

### 6. Review of this Statement

**The Trustees** will review this Statement without delay after any significant change in investment policy. Any change to this Statement will only be made after having

obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension Scheme investments.

Agreed and adopted by the Trustees of the Toolbank Retirement Benefits Scheme

Date Agreed and Adopted: 15 March 2023

Original version: June 2006

First Amendment: September 2010

Second Amendment: June 2014 (Move to Mercer)

Third Amendment: October 2014 (Revision of investment strategy)

Fourth Amendment: February 2016 (Addition of Liability Driven Investments)

Fifth Amendment: November 2017 (Implementation of Dynamic Delegated Solution, "DDS")

Sixth Amendment: July 2019 (Revision of ESG, Stewardship, and Climate Change)

Seventh Amendment: September 2020 (Addition of Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs)

Eighth amendment: June 2021 (Revision of fully funded target date)

Ninth amendment: March 2023 (Revision of objectives and investment strategy following buy-in transaction with Aviva)