

## **IMPLEMENTATION STATEMENT FOR THE FIRMIN COATES RETIREMENT BENEFITS SCHEME**

### **1. Introduction**

This is the Implementation Statement for the Firmin Coates Retirement Benefits Scheme ('the Scheme') and reflects the position at 1st October 2020. This Implementation Statement should be read in conjunction with the Statement of Investment Principles (SIP).

The SIP was last reviewed and updated in September 2019 and reflects the Trustees' policies relating to responsible investment, including Environmental, Social and Governance (ESG) considerations. Stewardship was also considered together with the ability of the Trustees to influence the actions of their investment managers.

The selection of investment managers is considered, including their objectives, fees and basis of charging, as well as ensuring there are no conflicts of interest.

As a part of the investment review the sponsoring Employer was consulted on the content of the 2019 SIP and the strategy.

### **2. Investment Objective**

This is effectively outlined in the SIP and remains as stated with specifically the achievement of a rate of return as required in the most recent actuarial valuation.

### **3. Investment Strategy**

The Trustees continue to implement the strategy as outlined in the SIP and as updated from time to time.

### **4. Setting the Investment Arrangements**

In managing the assets of the Scheme the Trustees own policies of assurance. As the Grantee of the policy the Trustees have the benefit of the protection offered under the Financial Services Compensation Scheme (FSCS) and the terms of the specific policy of assurance.

#### **Scottish Widows**

The Trustees hold a long term insurance policy with Scottish Widows accessing appropriate pooled pension funds. As Grantee under the policy the Trustees may pay premium to Scottish Widows who will allocate units to the policy. The allocation of units is notional and references to both units and funds are solely for the purpose of calculating benefits under the policy. Neither the Grantee (which is the Trustees) nor any other person has any right or interest in the Units, the funds or any other specific assets or income of Scottish Widows by virtue of the policy.

The wide range of asset classes available to the Trustees is considered as is the ease of access to institutional style investment management funds at an acceptable annual management charge. During the past 12 months the Trustees have received information on how to achieve their objectives and how to access appropriate investment funds in a secure way.

### **5. Implementation of the Investment Arrangements**

The arrangements are assessed on an ongoing basis at Trustee meetings.

The Trustees are aware of the need to consider the impact of costs on the long-term

performance of the investments in the pooled funds. In an effort to reduce cost and the risks associated with 'active' fund management, the Trustees have invested most of the Scheme's assets in passive or index funds.

The funds are accessed via the Scottish Widows investment platform using a Trustee Investment Plan which is technically a policy of assurance. This route of access avoids de-minimis fees and can benefit from aggregation discounts on annual management charges. Reporting is co-ordinated and this represents a significant benefit to the Scheme.

## **6. Realisation of Investments**

Investments are reviewed on a regular basis in the light of net cash flow requirements. The pooled funds may be accessed on a daily basis and the Trustees believe that this supplies adequate liquidity for the Scheme.

## **7. Investment Governance and Financially Material Considerations**

The matter of investment and investment governance is taken seriously by those who manage the Scheme (The Trustees). To this end the Scheme has a Statement of Investment Principles (SIP), which is reviewed periodically as appropriate.

The current SIP was agreed in 2019 and that followed consideration of the environmental, social and governance requirements, considering both financial and non-financial aspects, in respect to the asset types as required in the long term for the Scheme. The Scheme is investing appropriately against this background and there has not been a need to make further amendments.

Those that manage the Scheme collectively have the necessary experience appropriate to a Scheme of this size. They meet regularly as required by the business of the Scheme. Investment matters are on the agenda for all Trustee regular meetings. The Scheme has access to professional advisers as necessary including, but not limited to, Investment Adviser, Actuary, and Lawyer.

## **8. Approach to Non-Financial Matters**

The Scheme invests in pooled pension funds. This is appropriate to a Scheme of this size, and the assets are covered by the Financial Services Compensation Scheme (FSCS).

The Scheme will always prefer an investment that is beneficial to society and the environment over one that is not. In making such a statement the managers of the Scheme are noting that by using pooled investment vehicles they are not the direct owners of the underlying assets. They do however have access (sometimes limited by availability of information) to a copy of the content of the underlying portfolios of the pooled investment managers.

## **9. Strategic Asset Allocation**

During the past 12 months the Scheme has followed the allocation as outlined in the SIP and where there has been any variation this has either been intentional or as an indirect consequence of the use of pooled funds. Those that manage the Scheme continue to consider that the asset allocation is appropriate and have considered this at their meetings in the year.

## **10. Mandate Parameters**

The Scheme has selected pooled pension funds with specific objectives. Each of the pooled funds that the Scheme is invested in has its own specific objective and in selecting these funds the managers of the Scheme have considered their merits including fees and past performance, as well as consulting a financial adviser of appropriate standing.

When reviewing the investments during the year it was noted that the pooled funds were being managed to their objectives and that the results were as the Scheme expected. Further the financial standing of the managers of the pooled funds has been considered and noted that it continues to be appropriate. The managers of the pooled funds that the Scheme participates in are required to report to the Prudential Regulatory Authority (PRA) who in turn supervise the solvency of these managers on behalf of the Bank of England.

The Scheme has considered this position during the year and remains comfortable with the approach in place, including the capital structure and financial standing of the investment managers that the Scheme invests with. Specifically the Trustees take considerable comfort at investing via a policy of assurance and the protections that brings.

## **11. Voting Rights and Description of Voting Behaviour during the Year**

Participants in pooled investment funds do not generally acquire rights over the underlying holdings of the pool. There is no direct relationship between the Scheme and the companies whose shares are held within the pooled investment funds that we are using. In effect this means that the manager of the pool exercises voting rights on our behalf (as a participant in the pool) but without any obligation to consult with us. The Scheme does not use a proxy voting service, in practice it does not have the right to exercise votes at the general meetings of companies held within the pooled investment funds. Generally, other than for matters of financial reconstruction, holders of gilts, bonds, physical property and other alternative investments may not have voting rights.

Where the Scheme holds units of investment in pooled equity funds the Scheme is able to see how the manager has voted in the summary stewardship reports that the manager may produce for information. These matters are currently only reported at overall manager level and not in a specific way in respect to the funds that we invest in. This may change in the future and the Scheme is aware that there are many initiatives in the investment markets generally to improve access information and reporting in this area.

It is challenging for the Scheme to influence the manager of a pooled fund on matters of voting for individual companies. The Scheme does however take its responsibilities seriously in this area and notes that it always has the option to divest from the manager if, in the view of the Scheme, expressed by those who manage it, this was deemed appropriate. Set against this is an overall fiduciary responsibility of the Trustees as to management of the Scheme assets.

In future years we are expecting our manager to provide us with further summary stewardship reports that highlight key voting issues, particularly around matters of diversity and the environment as regards the underlying holdings in the relevant pooled fund portfolio. See:

<https://www.aberdeenstandard.com/en/responsible-investing>  
[https://www.schroders.com/en/uk/pensions/strategic-capabilities/sustainability/?gclid=EAlaIQobChMIupKGqWJ7AIVT-btCh1k9A7IEAAYASACEgLvavD\\_BwE&gclsrc=aw.ds](https://www.schroders.com/en/uk/pensions/strategic-capabilities/sustainability/?gclid=EAlaIQobChMIupKGqWJ7AIVT-btCh1k9A7IEAAYASACEgLvavD_BwE&gclsrc=aw.ds)

## **12. The Trustees**

At each of their annual meetings, the Trustees receive an investment presentation on the strategy that they are pursuing and the pooled funds that they participate in.

The Trustee group includes experienced individuals with relevant qualifications and practical working experience of investment matters and governance. This method of operation facilitates an excellent understanding at Scheme level of the requirements when exercising 'good governance'.

### **13. Trustee Knowledge and Understanding**

The Trustees meet regularly and in their individual capacity also undertake specialist knowledge and understanding training. A number of the Trustees act in a like capacity on other schemes and as such benefit from wider exposure to industry best practice and developments.

### **14. Processes around Managing Scheme Investments**

Having set a strategic asset allocation this process has revolved mainly around managing cash flow during the year. In this respect, where funds have been required for additional cashflow, retirements or member transfers, the Trustees have taken appropriate advice and sold investments to provide the necessary liquidity.

### **15. Holding Advisers and Managers to Account**

The Scheme is managed by the Trustees and they in turn take advice where required. Those that act as advisers to the Scheme have objectives to deliver service as required and the Trustee group consider the success of this on an ongoing basis.

No action has been necessary during this year in respect of shortcomings of advisers or service providers to the Scheme. The Trustees note that the management of a Scheme such as this can be a challenging matter, and that in particular budgets must be appropriate. These matters are regularly considered with assistance from the principal employer and the Trustees consider that overall the Scheme functions well, achieving good value from its service providers.

### **16. Manager Selection, Review and Monitoring**

The Scheme has made no change in its holding of pooled funds during the year. This is intentional. Change can be relatively expensive due to implicit dealing costs in the underlying assets and although not fully transparent such costs are apparent in wholesale rearrangement of assets. The Trustees seek to avoid such costs.

### **17. Transparency**

The assets held by the Scheme are transparent and it is anticipated that in future years all transaction costs on the underlying assets of the pooled funds that the Scheme owns assets in will be available for general publication. We are aware that the investment industry is considering how to report on such matters and are therefore waiting for more information in this area.

### **18. Conclusion**

The Scheme has managed its assets successfully throughout the period under review. This Implementation Statement should be read in conjunction with the SIP.

### **19. Further Information**

If further information is required on any of the matters covered in the Scheme's first Implementation Statement please contact the Trustees administrator, the Chair of the Trustees or the Principal Employer.

**September 2020**