

# Lansing Linde Executive Pension Scheme

## Investment Policy Implementation Document – July 2023

### 1. Introduction

The Investment Policy Implementation Document (IPID) of the Lansing Linde Executive Pension Scheme (the “Scheme”) sets out the guiding principles upon which the Scheme’s investments are based. The purpose of this document is to provide details of the specific investments in place alongside other information relevant to the management of the investments.

Mercer Ltd (“Mercer”) is appointed as the investment consultant for the Scheme. Mercer is regulated by the Financial Conduct Authority (“FCA”) in relation to investment services.

Investment policy can be considered in two parts; (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Trustee and (2) the day-to-day management of the assets, which has been delegated to professional investment managers.

### 2. Scheme Assets

The assets in the Scheme are invested in pooled liability driven investments (“LDI”) and a pooled Buy and Maintain Corporate Bond portfolio with Insight Investment Management (“Insight”). The Scheme’s assets are also invested in a pooled absolute return fixed income (“ARFI”) fund with Mercer.

### 3. Day-to-Day Management of the Scheme Assets

#### 3.1 Investment Structure

The following manager appointments have been made:

<b>Manager</b>	<b>Mandate</b>
Mercer	ARFI
Insight	Buy & Maintain Corporate Bonds
	LDI

Both investment managers are regulated by the FCA.

The Buy and Maintain and LDI investments with Insight and the ARFI investments with Mercer are held in pooled funds, the Trustee’s entitlement being to the cash value of the pooled fund units.

Various limitations and restrictions apply to the Scheme’s investment managers. The purpose of these restrictions is to ensure diversification and suitability of investments.

Full details can be found in the individual Investment Management Agreement agreed between the Trustee and the investment managers.

Following a review of the strategy in 2022, the following revised strategy has been agreed for the Scheme:

	<b>Target Allocation %</b>
ARFI	10.0
LDI	
Buy & Maintain Corporate Bonds	90.0
Cash	0.0
<b>Total Scheme</b>	<b>100.0</b>

### 3.2 Insight (c. 90% of total assets)

Insight manage two sub-portfolios for the Scheme; the LDI sub-portfolio and the pooled Buy & Maintain sub-portfolio. All assets held by Insight are invested in a pooled fund basis.

	<b>Target Allocation %</b>	<b>Benchmark Index</b>	<b>Performance Target in Excess of Index % p.a. (net of fees)*</b>
LDI	100.0	Bespoke liability benchmark	Achieve leveraged exposure to interest rates and inflation through the use of a broad range of techniques
Pooled Buy & Maintain Corporate Bonds		iBoxx Sterling Corporate & Collateralised Index	Harvest efficient credit spread premium (buy and maintain investment approach)
Cash	-	n/a	Preservation of capital and provision of liquidity
<b>Total</b>	<b>100.0</b>	<b>-</b>	<b>n/a</b>

\* Over a 3 - 5 year timeframe

#### Collateral management – Insight

Given the geared nature of the LDI funds there is the potential for either (a) further assets to be called to recapitalise the funds or (b) cash to be paid out of the funds to re-leverage them.

Collateral management is delegated to Insight with assets required for recapitalisation being taken from fund in this priority order (moving down the order only if one asset class has been exhausted):

- Cash
- Corporate bonds

In the event of cash being paid out, it will be transferred to the cash fund.

The Trustee is responsible for monitoring the level of cash held and considering whether rebalancing is required.

### **Performance Objective**

- ***LDI*** - Investments managed on basis where the assets are invested so as to change in value in the same way as (i.e. to hedge) a proportion of the Scheme's liabilities in response to changes in interest rates and inflation. This is achieved by investing in a range of pooled funds that, in aggregate, have a similar level of sensitivity to changes in interest rates and inflation as the Scheme's liabilities. The portfolio has the ability to invest in a range of pooled funds managed by Insight that hold cash, bonds and derivatives and may use leverage instruments. The long term level of hedging is 100% of the Scheme's liabilities on a Gilts + 0.5% p.a. basis for both the interest rate and inflation sensitivity. Full details are set out in the Investment Management Agreement
  
- ***Buy & Maintain Corporate Bonds*** - The informal investment objective is to invest in a diversified portfolio of long duration corporate bonds in a way that harvests the credit spread premium in the most efficient way. Insight seek to achieve its investment objective by investing primarily in a portfolio of fixed and floating rate bonds and debt securities issued by Corporates and other commercial issuers and banks including asset backed securities.

### Fee Structure - Insight

The management fee structure with Insight is set out below, these fees a subject to a 7.5% reduction on all fees in excess of £100,000 per annum:

<b>Asset Class</b>	<b>Management Fee p.a.%</b>
	0.06 on the first £100m <sup>1</sup>
LDI	0.055 on the next £150m <sup>1</sup>
	0.05 on the balance over £250m <sup>1</sup>
Buy & Maintain Corporate Bonds	0.15 <sup>2</sup>

1. On the leverage exposure amount

2. On the Net Asset Value

### 3.3 Mercer (c. 10% of total assets)

Mercer have been appointed by the Trustee to manage the ARFI portfolio. The Trustee delegates responsibility for the selection, appointment, removal and monitoring of the underlying investment managers to Mercer. The underlying investment managers have full discretion to buy and sell investments on behalf of the Scheme subject to agreed constraints.

<b>Asset Class</b>	<b>Target Allocation %</b>	<b>Benchmark Index</b>	<b>Performance Target in Excess of Index % p.a. (net of fees)</b>
ARFI	100.0	Citigroup GBP 1 Month Euro Deposit Index	To outperform the relevant benchmark by 2-3% p.a. (gross of fees), over rolling three year periods

The investment objective of the fund is to achieve a positive total return. The Fund will invest primarily in investment grade bonds and fixed income securities but may invest up to 100% of its assets in bonds and fixed income securities that are lower rated or unrated.

### Fee Structure - Mercer

The Trustee will pay fees to Mercer as a result of the investments in the ARFI portfolio. For investment in the Mercer Funds the manager's fees for its services will be an aggregate of a fixed fee per annum on funds under management ("Management Fee") and a variable fee, where applicable. The variable fee comprises the underlying manager fees which vary depending on the make-up of the solutions at any point in time.

The Management Fee for the ARFI portfolio is 0.13% p.a. The fee payable to the underlying managers is currently 0.37% p.a. giving a total management fee of 0.5% p.a.

#### 4. **Additional Voluntary Contributions (“AVCs”)**

Members Additional Voluntary Contributions (“AVCs”) are invested with Standard Life Assurance Company.

#### 5. **Advisors**

##### 5.1 **Custodian**

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers.

The Trustee is not responsible for the appointment of the custodian of the assets contained within the Mercer platform. In relation to the investments with Insight, Northern Trust is the custodian.

##### 5.2 **Actuary**

The actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree the employer’s contribution rate

Zafar Basit of Mercer Limited is the appointed Scheme Actuary.

##### 5.3 **Investment Consultant**

Whilst the day-to-day management of the Scheme’s assets is delegated to investment managers, all other investment decisions including strategic asset allocation and selection and monitoring of investment managers is based on advice received from the Investment Consultant. Mercer Limited has been appointed for this purpose.

##### 5.4 **Fee Structures**

The investment managers levy fees based on a percentage of the value of the assets under management. The custodian has a fee basis that is a mixture of fixed fees and a percentage of the value of the assets under their custody in line with standard industry practice. The Scheme Actuary and the Investment Consultant typically work on the basis of time cost. However, in certain circumstances a fixed fee will be agreed.