

**THE EDINBURGH FUND MANAGERS GROUP PLC  
RETIREMENT AND DEATH BENEFITS PLAN**

**STATEMENT OF INVESTMENT PRINCIPLES**

**1. INTRODUCTION**

Aberdeen Pension Trustees Limited, Trustee of the Edinburgh Fund Managers Group Plc Retirement and Death Benefits Plan (“the Plan”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) and subsequent Regulations (as amended). As required under the Act, the Trustee has consulted a suitably qualified person and obtained written advice from Mercer Limited (“Mercer”). In preparing this Statement, the Trustee has also consulted the sponsoring Company, in particular on the Trustee’s objectives.

The Trustee has entered into a bulk annuity contract with Legal & General Assurance Limited (“L&G”) in respect of all of the Plan’s members who have accrued benefits in the Plan. This was funded out of the Plan’s existing assets.

The policy does not insure all members’ benefits in full (although the Trustee has the option to insure some or all of these excluded benefits in the future). In particular:

- Benefit payments in respect of current pensioners at the policy inception date (9 November 2015) that fall due prior to November 2029 are not insured. Consequently, the Trustee will continue to rely on future contributions from the Sponsor in order to pay these benefits from the Plan.
- Accrued benefits in relation to members who were non-pensioners at the policy inception date have been insured in full, with the exception of certain enhancements to entitlements provided to certain members who are subject to special terms.

As all of the Plan assets are represented by this annuity contract, with the exception of a reserve to meet residual cashflow requirements, the Trustee believes that the general requirements around the contents of a Statement of Investment Principles are no longer applicable to the Plan. The remainder of this Statement sets out the Trustee’s policies where relevant.

The Trustee has selected L&G as the Plan’s annuity provider having obtained and considered the written advice of Mercer whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

**2. INVESTMENT OBJECTIVES AND RISK**

**2.1 Investment Objectives**

The Trustee’s ultimate objective is to ensure they can meet their obligations to the beneficiaries of the Plan. Existing assets were used to fund the purchase of a bulk annuity contract.

Future contribution payments, over and above that required to meet the pensioner and expense cashflow are invested to ensure security, liquidity, and an element of low volatility excess return above cash by investing in a well-diversified money market fund and a diversified growth fund.

## **2.2 Risk Monitoring and Management**

The Trustee has considered the following risks relevant to its situation in relation to investment:

- i. Failure of the annuity provider. Before entering into the bulk annuity contract, the Trustee obtained and carefully considered professional advice regarding the current financial strength of L&G and concluded that the risk of failure was acceptably low. In addition, the Trustee is aware that regulatory oversight and, ultimately, the Financial Services Compensation Scheme, provide a degree of statutory protection to policyholders of long term insurance contracts such as the bulk annuity policy, in the event that an insurer gets into financial difficulty or becomes insolvent.
- ii. Lack of diversification. The Trustee recognises that the decision to invest in a bulk annuity contract with a single provider represents a concentration of risk. However, after careful scrutiny of the provider prior to transaction, the Trustee is satisfied that the degree of risk taken is acceptable.
- iii. Default by the Scheme Sponsor. The Trustee proceeded with the purchase of the bulk annuity contract only after the Sponsor committed itself to providing future contributions to cover benefit outgo from the Plan that is not insured under the bulk annuity policy (or else to fund the cost to the Trustee of purchasing additional insurance cover under the policy in relation to some or all of these excluded benefits). In the event that the Sponsor becomes unable to meet its obligations to the Plan, the Trustee would be able to restructure the bulk annuity policy to enable it to meet any short term liquidity requirements (over and above its existing cash reserve at that time) and ultimately to wind up the Plan in accordance with relevant legislation.
- iv. Illiquidity. The Trustee does not expect to be able to obtain cash from the annuity contract other than to meet promised benefits as agreed with the provider. It has therefore ensured that the contract meets all required benefits (with the exception of benefits that remain uninsured, as described above). With certain exceptions, the policy also covers future corrections to benefits and entitlements for any overlooked beneficiaries, without the need for the Trustee to pay an additional premium. The Trustee also holds an additional cash reserve to meet residual cash flow requirements. The Sponsor's ongoing contributions to the Plan will meet uninsured benefit payments and Plan expenses. These contributions are also expected to continue at a level that will increase the cash reserve over time, to enable the Trustee to insure some or all of the excluded benefits described above under the bulk annuity policy in the future.

## **3. DAY TO DAY MANAGEMENT OF THE ASSETS**

### **3.1 Cashflows and Realisation of Investments**

Insured benefits are met out of the annuity contract with L&G. Uninsured benefits will be met from ongoing Sponsor contributions to the Plan.

The Trustee maintains a reserve to meet any residual cash flow requirements, in particular for expenses and the un-insured pensioner payroll. Any expenses above the reserve held will be met by the Sponsor.

### 3.2 Engagement with the Investment Managers

The majority of the assets are invested in the annuity contract with L&G, and the Trustees are unable to incentivise the insurer, remunerate or monitor portfolio turnover costs as these are not applicable to a bulk annuity.

### 3.3 Social, Environmental or Ethical Investment and Corporate Governance

Given that the majority of the assets are invested in an annuity contract; the Trustee has decided it is no longer relevant to adopt a policy on these issues.

In addition, there are no voting rights attached to the annuity contract, so the control of corporate governance issues have been ceded by the Plan to L&G.

### 3.4 Additional Assets

The Trustee invests the remaining reserve of the Plan in pooled funds operated by Aberdeen Asset Managers Limited, the Aberdeen Sterling Liquidity Fund and the Aberdeen Diversified Growth Fund.

The funds are managed according to the below benchmark.

<b>Asset class</b>	<b>Allocation (% of fund)</b>	<b>Benchmark</b>	<b>Target (% p.a.)</b>
Money Market Fund	50.0	7 Day Sterling LIBID	n/a
Diversified Growth Fund	50.0	1 Month Sterling LIBOR	+4.5
<b>Total</b>	<b>100.0</b>		<b>+2.3</b>

The Aberdeen Sterling Liquidity Fund's investment objective is to preserve capital and a stable value whilst maintaining high liquidity and achieving returns. The Fund is benchmarked against the 7 Day Sterling LIBID Index.

The Aberdeen Diversified Growth Fund's investment objective is to achieve a combination of growth and income with lower volatility than equities, by investing in a wide range of asset classes. The Fund aims to return 4.5% p.a. above 1 Month Sterling LIBOR.

Aberdeen Asset Managers manages the Plan's cashflows in order to maintain the benchmark allocation shown in the table above.

The management fees paid on the Aberdeen Funds are rebated to the Trustee by the creation of additional units in the Funds.

Assets in respect of non-pensioner members' additional voluntary contributions are held in with-profits arrangements with the Phoenix Group. With the assistance of the Plan's consultants, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remains consistent with the objectives of the Trustee and needs of the members.

#### **4. COMPLIANCE WITH THIS STATEMENT**

The Trustee will monitor compliance with this Statement annually.

The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustee and the sponsoring Company which they judge to have a bearing on the stated Investment Policy.

Further reviews will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

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**On behalf of the Aberdeen Pension Trustees Limited  
Trustee of the Edinburgh Fund Managers Group Plc Retirement and Death Benefits  
Plan**

#### **Date of Amendments**

Date of last amendment: August 2020