# Ultra Electronics Pension Scheme

## Chair's Statement

6 April 2022 to 5 April 2023

# Contents

# 01 Introduction

**This is the Chair's Statement for the Ultra Electronics Pension Scheme (the "Scheme") covering the DC Section for the period 6 April 2022 to 5 April 2023.**

As the Chair of the Trustee, I am required to provide you with a yearly statement which explains what steps have been taken by the Trustee Board, with help from our professional advisers, to meet governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Scheme is a hybrid scheme with a Defined Benefit Section (the 'DB Section') and a Defined Contribution underpin for the PMES members (the 'DC Section') (members may know this Section as the 'Money Purchase' Section). The funds available under the DC Section are also available for investments relating to 'Additional Voluntary Contributions' ('AVCs') made by members of the DB and DC Sections.

The DC section has no default investment options and this is explained further in Section 2. The Scheme is not used as a Qualifying Scheme for auto-enrolment purposes.

## 01.01 Governance and Queries

The Trustee is committed to having high governance standards and has an investment sub-committee which meets regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration.

If you have any questions about anything that is set out below, or any suggestions about what can be improved, please contact the XPS Administrator at ultra@XPSGroup.com or on 0118 918 5504.

The Scheme was established by an Interim Trust Deed and Rules on 23 February 1994 with the first Definitive Trust Deed and Rules dated 20 July 1995, in order to provide benefits for employees of Ultra Electronics Limited.

The Law Debenture Pension Trust Corporation PLC was appointed as the Chair of the Trustee in May 2017, and as the appointed representative of Law Debenture I am signing this Statement in that capacity.

# 02 **Investment Strategy**

## Statement of Investment Principles (SIP)

A copy of the SIP can be found in Appendix A

## 02.01 The investment options

Following the acquisition of the business of Power Magnetics and Electronics Systems Limited by Ultra Electronics Holdings plc in 1999, Active Members of the PMES Retirement & Death Benefits Scheme ("PMES Scheme") were given an option to transfer their benefits into the Ultra Electronics Pension Scheme. Members who chose to exercise this option had to do so before 12th November 1999. The PMES Scheme was a money purchase arrangement which was contracted out of the State Earnings Related Pension Scheme (SERPS) on a 'Protected Rights' basis. This meant that a rebate of National Insurance contributions was paid directly into each Member's individual account and that no guarantee had to be given on the amount of pension that had to be provided. The rebates had to be kept separate from any other contributions, and the pension provided had to be in a certain form, but the amount was determined solely by what could be purchased by the individual account.

When the benefits were transferred to the Ultra Electronics Pension Scheme, which was contracted out of SERPS on a defined benefit basis, the Protected Rights funds became subject to a requirement that they had to provide a minimum level of benefits from State Pension Age. This arrangement is known as an "underpin".

The transferring PMES Members were given the choice, within an Equitable Life policy, to invest in one or more of the funds within the range available within the policy. There was no "default" investment option. Members needed to choose which funds to invest in and to make changes as their personal circumstances changed.

Following an announcement by Equitable Life that there would be an enhancement to the value paid out of their With Profits Fund when these investments were paid to another investment arrangement, and an increase in charges on their remaining unit linked funds, the Trustee concluded that a transfer was likely to be in the members' interest. Members with investments within this fund, and also members invested in any other Equitable Life fund, were offered the opportunity to transfer to the Scheme's main AVC provider, Legal & General. Those members that selected this option were able to select one, or more, of the Legal & general self-select funds or lifestyle strategies made available to members through the Legal and General policy. This occurred in January 2017.

In 2019, Equitable Life, announced it would be selling its business to Utmost Life. As part of this process, it converted existing with profits funds into unit linked funds. This was completed on 1 January 2020, with members' With Profits holdings switched into the Utmost Life Secure Cash Fund on a temporary basis. Following this, the Trustee agreed, based on advice from the Scheme's investment advisers, to transfer these affected members' benefits to the Legal & General 50:50 Global Equity 10 Year CPS Lifestyle. This was implemented in March 2020. As a result, no Scheme members remain invested with Equitable Life / Utmost Life.

In 2019, Legal & General confirmed their decision to transfer its traditional insurance-based savings, pensions, life and with-profits to ReAssure Limited (ReAssure). This included the Scheme's AVC policy in which members of the Ultra Pension Scheme's AVC benefits were invested. Following High Court approval in August 2020, the transfer of these policies to ReAssure was completed on 7 September 2020. The members' AVC funds would remain invested in the same underlying L&G Funds; but the responsibility for administering the policy was passed to Reassure.

# Investment Strategy
continued

## 30 September 2020

The most recent review of the DC arrangement's strategy and performance was concluded on 30 September 2020.

Members of the Scheme with DC assets can invest in a range of self-select unit-linked funds and lifestyle options with Legal & General. A summary of the lifestyle options, which the majority of members invest in, is provided below:

Ultra Electronics Annuity Lifestyle. This is designed to reduce investment risk in the last few years before retirement, but is intended for those members who wish to draw 25% of their funds as a tax free lump sum and use the balance to buy a pension.

Ultra Electronics Cash Lifestyle. This is specially designed to automate the process of reducing investment risk in the last few years before retirement, for members who are anticipating taking advantage of the tax free lump sum option.

The 50:50 Global Equity 10 Year CPS Lifestyle; The Lifestyle Profile gradually reduces risk by switching investments over a 10-year period up to retirement. It was put in place for those members previously invested in the Equitable Life With-Profits Fund.

The self-select unit-linked funds available to members through Legal & General are as follows:

> L&G Global Equity Fixed Weights (50:50) Index Fund

> L&G World (ex-UK) Equity Index Fund

> L&G UK Equity Index Fund

> L&G Ethical UK Index Equity

> L&G Consensus Index Fund

> L&G Property Fund

> L&G AAA-AA-A Corporate Bond All Stocks Index Fund

> L&G Pre-Retirement Fund

> L&G All Stocks Index Linked Gilts Index Fund

> L&G Cash Fund

The Scheme has also historically offered the option for members to make Additional Voluntary Contributions into the Scheme, although this ceased on 1 April 2015. Members could choose to invest AVCs in any of the Legal & General self-select unit-linked funds or lifestyle options (as detailed above), or in a with-profits fund or self-select unit-linked funds through a policy with Clerical Medical.

## 02.02 Reviewing the DC arrangements

LCP, the Scheme's Investment Consultant, undertook a high-level review of the Scheme's current Defined Contribution ("DC") and Additional Voluntary Contribution ("AVC") arrangements on 30 September 2020. The review considered several aspects, including a review of the performance of the underlying funds, the reasonableness of charges, fund performance and communications to members. The outcome of the review concluded that the annual management charge, including the administration costs, was reasonable, particularly given the historical nature and size of this arrangement. The review recommended that the Trustee regularly communicate with members regarding their DC and AVC benefits, to remind members of the options available to them. It was also recommended that members should be informed of the transfer of L&G policies to ReAssure. This was subsequently communicated to members in November 2020.

The Trustee is required to undertake a detailed review of the investment strategy and objectives of the investment options every three years. Therefore, the Trustee with the assistance of its investment advisers is in the process of reviewing the DC and AVC strategy. The conclusion of this review will be communicated in next year's Chair Statement.

# 03 Charges and transaction costs

## 03.01 Investment Manager Charges

Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose

The Trustee has considered statutory guidance when preparing this section of the statement.

The Trustee has selected a range of funds which it believes to be appropriate for members of the Scheme. All the funds are managed by Legal & General.

The majority of funds offered via Legal & General are "passively managed", which means they aim to track an index, rather than make regular trades to try to achieve excess returns. Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose, or select from the three investment lifestyle options.

Transaction costs are costs associated with the buying and selling of investments and include for example stamp duty and brokerage fees. Transaction costs are incurred when contributions are invested, on switching between funds and when selling investments to take benefits. The following table indicates transaction costs incurred by each of the funds.

The charges and other expenses applied to the investment options (which are averaged across the membership based on the split of their investments), along with the other available portfolio options and self-select funds available to members during the Scheme year, were:

| **Fund Name** | Total Expense Ratio (TER) | Transactions Costs |
|---|---|---|
| **Ultra Electronics Annuity Lifestyle (formerly** 60:40 Global Equity 5y CPS Lifestyle Profile) | | |
| Global Equity Fixed Weights (50:50) Index Fund | 0.50% | 0.0% |
| Pre-Retirement Fund | 0.50% | 0.0% |
| Cash Fund | 0.50% | 0.0% |
| **Ultra Electronics Cash Lifestyle** | | |
| Global Equity Fixed Weights (50:50) Index Fund | 0.50% | 0.0% |
| Consensus Index Fund | 0.50% | 0.0% |
| Cash Fund | 0.50% | 0.0% |
| **The 50:50 Global Equity 10 Year CPS Lifestyle Profile** | | |
| Global Equity Fixed Weights (50:50) Index Fund | 0.50% | 0.0% |
| Pre-Retirement Fund | 0.50% | 0.0% |
| Cash Fund | 0.50% | 0.0% |
| Self Select | | |
| L&G World (ex-UK) Equity Index Fund | 0.50% | 0.0% |
| L&G UK Equity Index Fund | 0.50% | 0.0% |
| L&G AAA-AA-A Corporate Bond All Stocks Index Fund | 0.50% | 0.0% |
| L&G All Stocks Index Linked Gilts Index Fund | 0.50% | 0.0% |
| L&G Property Fund | 0.50% | 0.05% |
| L&G Ethical UK Index Equity | 0.50% | 0.0% |
| L&G Global Equity Fixed Weights (50:50) Index Fund | 0.50% | 0.0% |
| L&G Pre-Retirement Fund | 0.50% | 0.0% |
| L&G Consensus Index Fund | 0.50% | 0.0% |
| L&G Cash Fund | 0.50% | 0.0% |

(Source: information as at 31 March 2023 - Legal & General Investment Managers via Reassure platform). *TER represents the sum of the Annual Management Charge (AMC) and Additional Fund Expenses (AFEs).

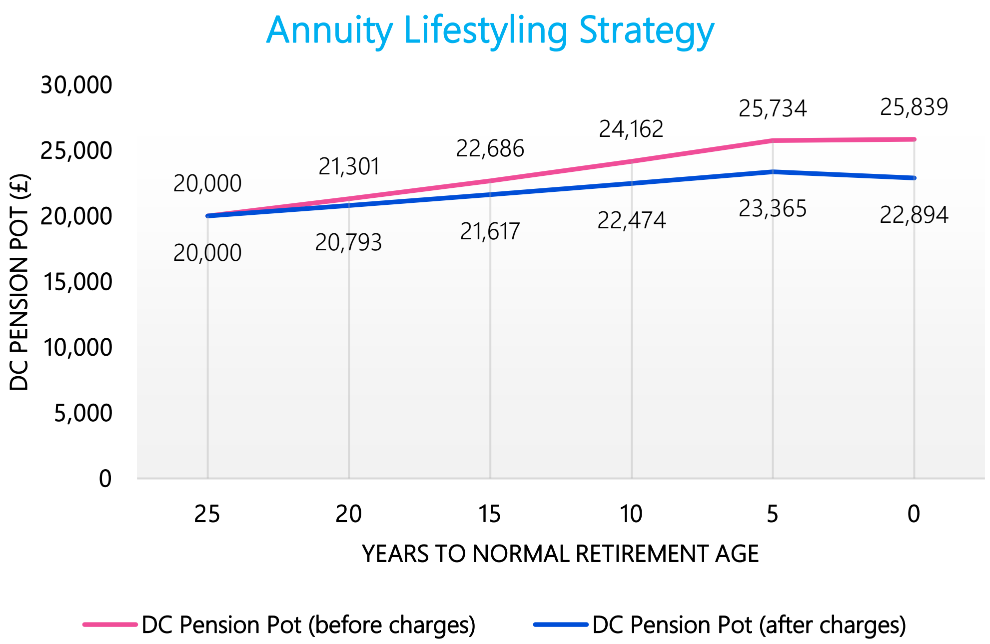
# Charges and transaction costs
continued

## 03.02 Administration Charge

The members currently meet the administration costs (included in the TERs, above) in relation to the Legal & General policy.

## 03.03 An illustration of the charges levied on members

An illustration of the effect of the Total Expense Ratio and transaction costs met by members on an example pension pot in the three investment options over time is shown below.




This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

> The Scheme's investment option (as detailed in section 2)

> An initial pension pot of £20,000;

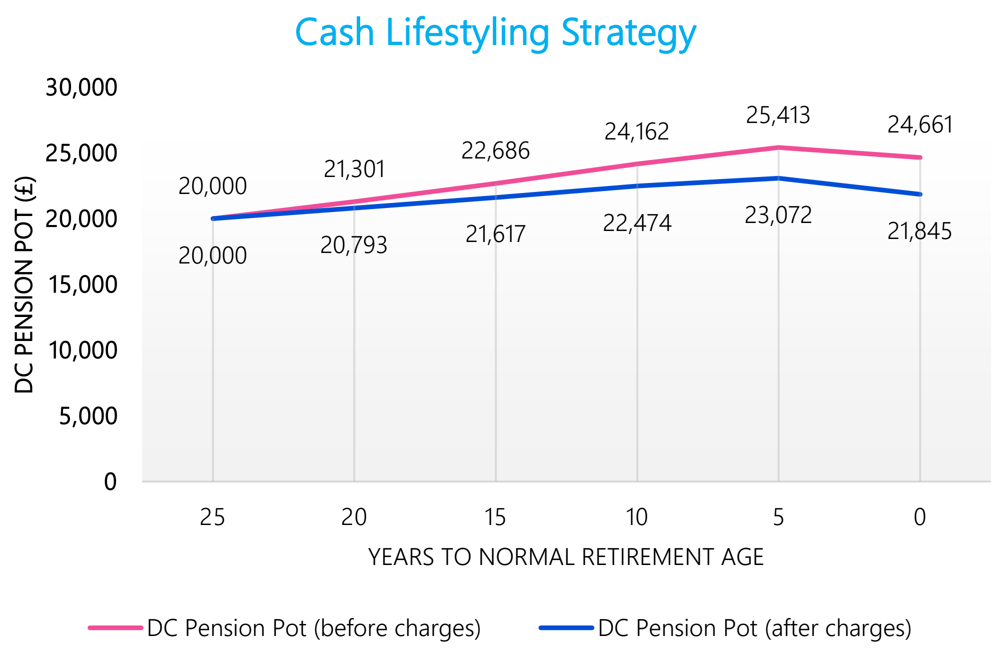
> The member is currently 25 years from Normal Retirement Date.

> No further contributions being made throughout the period to Normal Retirement Date;

> Investment returns (before charges) are estimated as 3.8% p.a. for the Global Equity Fixed Weights (50:50) Index Fund, 0.8% p.a. for Pre-Retirement Fund and 0% for Cash Fund.

> Inflation of 2.5% p.a

# Charges and transaction costs continued




This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

> The Scheme's investment option (as detailed in section 2)

> An initial pension pot of £20,000;

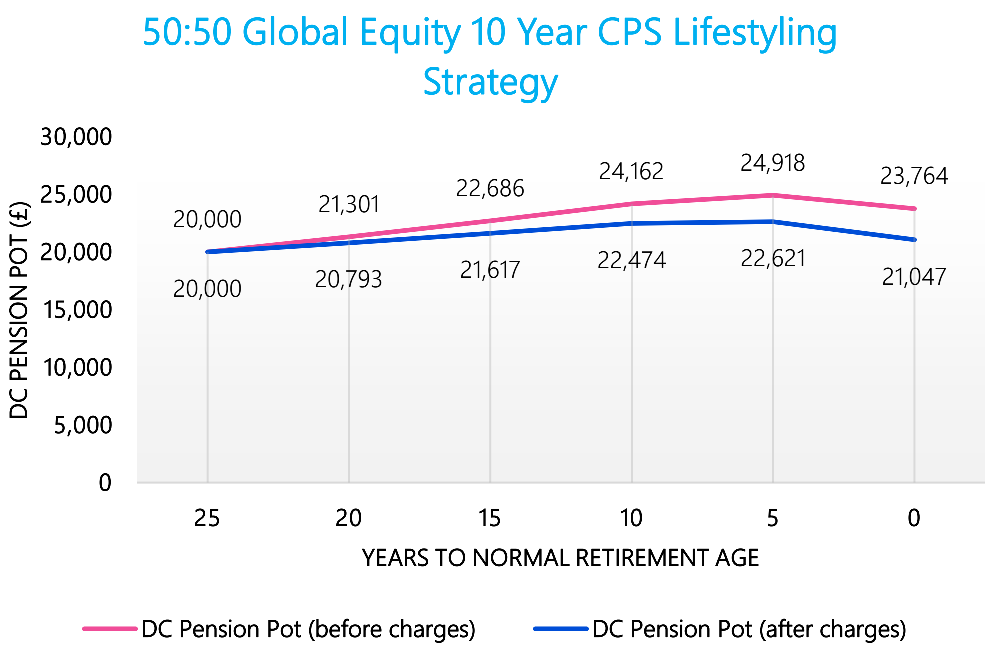
> The member is currently 25 years from Normal Retirement Date.

> No further contributions being made throughout the period to Normal Retirement Date;

> Investment returns (before charges) are estimated as 3.80% p.a. for the Global Equity Fixed Weights (50:50) Index Fund, 2.5% p.a. for the Consensus Index Fund and 0% for the Cash Fund.

> Inflation of 2.5% p.a.

# Charges and transaction costs continued




This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

> The Scheme's investment option (as detailed in section 2)

> An initial pension pot of £20,000;

> The member is currently 25 years from Normal Retirement Date.

> No further contributions being made throughout the period to Normal Retirement Date;

> Investment returns (before charges) are estimated as 3.80% p.a. for the Global Equity Fixed Weights (50:50) Index Fund, 0.8% p.a. for Pre-Retirement Fund and 0% for Cash Fund.

> Inflation of 2.5% p.a

Illustrations for the highest and lowest charging funds are shown in Appendix B of this Statement

## 03.04 What are the assumptions based on?

In preparing these illustrations, the Trustee has had regard to:

> The Department for Work and Pensions' 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes'.

> The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

## 03.05 Investment Performance

Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the arrangement(s) and for each fund in which scheme members are invested during the scheme year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this statement is intended to help members understand how their investments are performing.

## 03.06 Fund Performance

This table shows how the arrangements have performed for members at three different ages, over the last year with a target retirement date of 65. The five-year returns were not available as at the Scheme year end but the Trustee has included the five-year returns at the date available from Reassure.

| Ultra Electronics Annuity Lifestyle | 1 year % | 5 year* % (annualised) |
|---|---|---|
| **Age 25** | (0.4) | 4.7 |
| **Age 45** | (0.4) | 4.7 |
| **Age 55** | (0.4) | 4.7 |

| Ultra Electronics Cash Lifestyle | 1 year % | 5 year* % (annualised) |
|---|---|---|
| **Age 25** | (0.4) | 4.7 |
| **Age 45** | (0.4) | 4.7 |
| **Age 55** | (0.4) | 4.7 |

| The 50:50 Global Equity 10 Year CPS Lifestyle Profile | 1 year % | 5 year* % (annualised) |
|---|---|---|
| **Age 25** | (0.4) | 4.7 |
| **Age 45** | (0.4) | 4.7 |
| **Age 55** | (2.7) | 3.4 |

*Source: Legal & General Investment Managers via Reassure platform are net of fees as at 31 March 2023 for one year returns, and as at 10 August 2023 for five year returns. Clerical Medical Figures are net of fees as at 31 March 2023, Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.*

| | 1 year % | 5 year % (annualised) |
|---|---|---|
| **Self-Select Funds** | | |
| L&G World (ex-UK) Equity Index Fund | (4.8) | 8.7 |
| L&G UK Equity Index Fund | 0.9 | 3.2 |
| L&G AAA-AA-A Corporate Bond All Stocks Index Fund | (9.5) | (2.1) |
| L&G All Stocks Index Linked Gilts Index Fund | (26) | (5.3) |
| L&G Property Fund | (8.7) | 2.9 |
| L&G Ethical UK Index Equity | 1.5 | 2.7 |
| L&G Global Equity Fixed Weights (50:50) Index Fund | (0.4) | 4.7 |
| L&G Pre-Retirement Fund | (18.9) | (4.5) |

| | | |
|---|---|---|
| L&G Consensus Index Fund | (2.2) | 3.8 |
| L&G Cash Fund | 1.8 | 0.7 |
| Clerical Medical Cash Fund | 1.3 | 0.3 |
| Clerical Medical With Profits Fund | 8.0 | 1.9 |
| Clerical Medical UK Growth Fund | 0.8 | 2.1 |
| Clerical Medical Balanced Fund | (4.3) | 2.6 |

*Source: Legal & General Investment Managers via Reassure platform are net of fees as at 31 March 2023 for one year returns, and as at 10 August 2023 for five year returns. Clerical Medical Figures are net of fees as at 31 March 2023, Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.*

# 04 **Core financial transactions**

## 04.01 Assessing Core Transactions

During the year, the Trustee ensured that the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately by:

> having an agreement in place with XPS (as Scheme administrator), committing them to defined service level agreements ("'SLAs"'). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions;

> having XPS report on their performance against the SLAs above as a means of monitoring that the SLA requirements are being met. These reports also provide details of any breaches or complaints identified in the period and explain the action taken.

Where any error or issue is identified, the Trustee board takes appropriate steps to resolve and take action as required. We can confirm there were no material issues in the Statement period on which to report. A risk register is maintained in order to minimise the occurrence of any issues and to understand any root cause.

The core financial transactions include:

> **The transfer of assets relating to members into and out of the Scheme** – The Scheme's administrator maintains and reconciles comprehensive records of individual member's contributions and fund values. There are no new contributions as the Scheme is closed. Any investments withdrawn or transferred to another scheme are processed following receipt of all relevant paperwork, subject to any investigations required where there is evidence of a pensions scam.

> **Monitoring of bank accounts** – There is a dedicated contribution processing team, checking investment and banking transactions.

> **Payments to members** – All payments out of the Scheme in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Scheme rules and legislation and also complies with HMRC rules and guidance. In addition, every effort is made to check for possible pension scams.

Noting the requirement for accurate member data to process contributions and payments correctly, the Trustee is taking steps to continually review and where necessary, correct any problems with the member data which is held by the Scheme administrator. This is reported each year to the Pensions Regulator in the online scheme return.

## 04.02 Administration

The Trustee monitors the administration function to ensure the best service possible in order to provide good value for members. The Trustee has regular meetings with the current provider to assess the quality and levels of service (i.e. SLAs) to ensure that financial transactions are dealt with promptly and accurately.

# 05 **Value for Members**

## 05.01 Assessment of Value

The Trustee has reviewed value for members considering the latest guidance from the Pensions Regulator. The value assessment included the consideration of the member borne charges. The charges paid by members in the last year for the L&G lifestyle options and self-select funds ranged between 0.50% to 0.55%. This was within the “charge cap” within defined contributions schemes as required under the regulations.

Within the assessment, the Trustees also considered a number of other areas.

## 05.02 Administration

The Trustee has a service level agreement in place with the service providers covering all expected tasks, with varying timescales for different tasks. The Trustee receives quarterly reports from the Scheme administrators that enable it to monitor the administration service and that agreed service levels are being met. The Trustee keeps providers' service levels under review and ensures that the services provided reflect the SLA and continue to meet the needs of the members. There have been no material errors in relation to the service providers and the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA.

## 05.03 Governance

The Trustee has adopted a governance structure that provides the Trustee with sufficient resource to govern the Scheme. Guidance is provided to the Trustee concerning technical matters of relevance by their professional advisors. Resources are also made available to individual Trustees should they wish to enhance their own knowledge.

Overall, the governance of the Scheme (which includes the Trustee’s knowledge and understanding’, along with the general oversight and governance), continued in the period, to a level which the Trustee considers as suitable.

## 05.04 Communications

Good member communications are crucial to achieving good value. The Trustee has participated in efforts by the Company to improve communications, including efforts to increase communication via email.

As an example, the Trustee reminds all members annually which lifestyle and funds they are invested in and stresses the importance of reviewing their investments on a regular basis to make sure they remain appropriate to their needs. This is detailed on the members’ annual benefit statement. An additional note is also included in the annual member newsletter.

The online portal was set-up and made available to members before the end of 2022. During 2023, the Trustee continued to add online features to improve the overall member experience (such as making payslips available online).

## 05.05 Flexibility - accessing benefits

The range of options available to members has increased since the introduction of the 'Freedom and Choice' legislation which came into effect from April 2015. This legislation affords members the opportunity to draw their benefits more flexibly than previously possible. However, these options are not offered by the DC Section, but members are able to transfer their benefits to an alternative pension arrangement to access them.

## 05.06 Conclusion

Assessment of value for members is an ongoing process and the Trustee undertakes a review each year to ensure the Scheme continues to offer good value, and that any changes in legislation, market conditions or member views are reflected for the benefit of members. Following this year's assessment of value undertaken in October 2023, the Trustee has decided that the Scheme currently does provide good value for members.

# 06 Trustee Knowledge and understanding

## 06.01 Knowledge and understanding of the Trustee

The Trustee's Board is satisfied that they have complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004.

The Trustee Board has knowledge of the law relating to pensions and trusts, principles of investment and the requirements for funding a pension scheme. This is evidenced by the Board's interaction with its advisers as shown in the Trustee Meeting minutes, and the governance framework established by the Trustee to review the performance of the Scheme.

The Trustee Board has access to key scheme documentation through a central portal called 'Gateway': an online portal service that allows easy storage and access to pension documents and meeting papers.

The Trustee has exercised its discretions and powers in line with the Trust Deed and Rules, current legislation and, where required, legal advice has been taken, demonstrating its working knowledge of the Scheme's Trust Deed and Rules, the current Statement of Investment Principles and a working knowledge of all documents setting out the Trustee's current policies.

## 06.02 Trustee Training

In-house training is offered, use of the Pensions Regulator's (TPR's) online Trustee Toolkit is encouraged, and Trustee Directors receive updates from their advisers. Any new trustee director is expected to carry out this training and be fully conversant with the Scheme's documentation within 6 months. A log of trustee participation in training is maintained by the Scheme Secretary, and trustee directors are regularly polled regarding the training that they would find most valuable and to identify any gaps in knowledge. The Trustee's lawyers are available to provide in-meeting training on new legislation and literature published by TPR relating to its Codes of Practice, in particular Code of Practice no. 13 regarding the governance and administration of pension schemes.

During the period covered by this Statement the Trustee Board had training sessions, which covered the following areas:

> Ongoing training on General code of practice.

> Further discussions on next steps following the results of the Trustee Effectiveness Survey review.

> Ongoing review of TPR's Pension scams requirement relating to both defined benefits and defined contribution schemes

The Trustee also makes use of a team of expert advisers. Investment advisers, representatives from the administrator, and other experts including legal advisors regularly attend meetings of the Trustee Board.

## 06.03 Professional Trustee

The Law Debenture Pension Trust Corporation P.L.C. (Law Debenture), a provider of professional trustee services, has acted as the independent trustee since its appointment in 2017. All Law Debenture's trustee directors are Accredited Members of the Association of Professional Trustees, or are in the process of obtaining accreditation, and undertake continuous professional development activity. Over the latest Scheme year, this consisted of a formal training programme including regular meetings with industry participants and bi-annual away days where business strategy, regulatory matters and client case studies were discussed.

## 06.04 Conclusion

As a result of the training activities completed by the Trustee (both individually and collectively as a Trustee Board) and taking into account the experience of the independent trustee and professional advice available, I am confident that the combined knowledge and understanding of the Board has enabled the Trustee to exercise properly its functions.

# 07 **Conclusion**

“The Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly”

The annual production of this Statement provides members with a narrative of how the Trustee Board looks after members’ interests, especially in the areas of the 5 key elements within this Statement listed below.

> Investment strategy

> Charges and transaction costs

> Core financial transactions

> Providing value for members

> Trustee Knowledge and understanding

The Board will continue to monitor these key areas and report to members both via the annual Chair’s Statement and other communications as appropriate. In conclusion, with the continual monitoring and the reviews detailed here, the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly.

| **Signature** | **Date** |
| --- | --- |
| | |

| **Name** | **Qualification** |
| --- | --- |
| Mike Jaffe<br>Director for The Law Debenture Pension Trust Corporation p.l.c. | Chair of the Trustee<br>Ultra Electronics Pension Scheme |

# Appendix A
# Statement of Investment Principles

## *Statement of Investment Principles*

**For the Ultra Electronics Pension Scheme**

**Effective from: 28 March 2023**

# Statement of Investment Principles
continued

## 1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustee of the Ultra Electronics Pension Scheme.

It sets out our policies on various matters governing investment decisions for the Ultra Electronics Pension Scheme ("the Scheme"), which has Defined Benefit ("DB") and Defined Contribution ("DC") sections. This SIP also covers the Additional Voluntary Contribution arrangements ("AVCs").

This SIP replaces the previous SIP dated December 2020.

This SIP has been prepared after obtaining and considering written advice from LCP, our independent investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted the sponsoring employer, Ultra Electronics Limited ("the Company") in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy or in the demographic profile of the DC membership, and at least once every three years.

This SIP contains the information required by legislation and considers the Pensions Regulator's guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme's investments that are not required to be included in the SIP.

## 2. Investment objectives

The primary objective of the DB Section of the Scheme is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have agreed the following objectives:

- To invest the Scheme's assets to achieve full funding on a low dependency basis, with a secondary target of being fully funded on a buy-out basis in the longer term;
- To limit the risk of the assets failing to meet the liabilities over the long-term, by considering the liability profile of the Scheme;
- To ensure that there will be sufficient liquid assets available to meet benefit payments as they fall due; and
- To reduce the overall volatility of the funding level.

Our investment objective for the DC Section and AVCs is to make available a suitable range of investment options to meet members' risk / return objectives.

The ultimate responsibility for the investment policies, and the setting of investment objectives, lies with the Trustee. The Trustee has, however, delegated responsibility for matters such as recommending and implementing an investment policy to achieve these objectives, to an Investment Sub-Committee ("ISC"). The terms of reference of the ISC have been set out in a separate document which is available to members upon request.

## 3. Investment strategy

With input from LCP, and in consultation with the employer, we reviewed the investment strategy for the DB Section in November 2022, having regard for the objectives described in Section 2.

The result of that review was that the investment strategy for the **DB Section** should be based on the initial strategic allocation set out in the following table.

| Asset class | Strategic Allocation |
|---|---|
| **Return-seeking assets** | **23.0%** |
| Equities | 4.0% |
| Absolute return | 4.0% |
| Long-lease property | 7.5% |
| Private market assets | 7.5% |
| **Liability-matching assets** | **77.0%** |
| Buy and maintain credit | 26.0% |
| Absolute return bonds | 12.5% |
| Liability driven investment | 38.5% |
| Cash / Money market | |
| **Total** | **100.0%** |
| *Target interest rate and inflation hedging aims to be in line with the funding level on the technical provisions basis, or other liability basis as deemed appropriate.* | |

The actual allocation of the Scheme's assets may deviate from this initial strategic allocation over time as a result of de-risking, as the Scheme makes progress against the objectives described in Section 2.

There is no formal rebalancing policy for the DB Section. The ISC, on behalf of the Trustee, will monitor the asset allocation over time. If material deviations from the strategic allocation occur, the ISC will consider with our advisers, whether it is appropriate to rebalance the assets in line with the investment strategy, taking into account factors such as market conditions and anticipated future cashflows. In particular, the actual allocations to long-lease property and private market assets are expected to deviate from the strategic allocation over time, given the illiquid nature of these investments.

For the **DC Section**, we make available a range of investment funds for members with different levels of expected return. These include customised "lifestyle" strategies and a range of individual equity and bond-based funds as well as a money market fund. Each member is responsible for specifying one or more funds for the investment of their account.

## 4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the funding objectives, expected returns and risks associated with those asset classes. We also take account of our beliefs about investment markets and which factors are most likely to impact the investment outcomes. The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments.

For the DB Section investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in the separate SIP addendum.

In setting the strategy for the **DB Section**, it is our policy to consider:

- Our investment objectives, including the target return required to meet them;
- The circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- The need for appropriate diversification between different asset classes to manage investment risk, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

In determining the investment arrangements for the **DC Section** and for the AVCs it is our policy to consider:

- The overall best interests of members and beneficiaries;
- The profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;

- The need for appropriate diversification to manage investment risk within the options made available to DC members, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate;
- The need for appropriate diversification between and, where appropriate, within the investment options offered to members.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the DB, DC and AVC benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- Asset allocation is the primary driver of long-term returns;
- Costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important;
- There is a role for both passive and active management - passive management may be used for a number of reasons, including:
  - to reduce costs as ongoing monitoring requirements and management fees are significantly lower for passive management than for active management
  - to invest in markets deemed efficient where the scope for active management to add value is limited
- To help diversify manager specific risk, multiple manager appointments are preferred to the extent that this is practical and desirable;
- Risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified;
- Responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Scheme returns;
- ESG factors (including but not limited to climate change) should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this.

## 5. Implementation of investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser, LCP, in relation to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers and a platform provider in respect of the DC Section and AVCs setting out the terms on which the portfolios are to be managed. The DC platform provider makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying managers of the DC investment funds.

Details of the investment managers are set out in the separate SIP addendum.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer-term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter- and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment adviser to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

## 6. Realisation of investments

For the DB Section, we instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable, but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation, and to receive income from some of the portfolios where appropriate.

The activities carried out by the Investment Managers are governed by the appointment documentation between the Trustee and the Investment Managers. These are reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

For the DC Section and AVCs, our policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

## 7. Financially material considerations and non-financial matters

We consider how ESG considerations (including but not limited to climate change) should be addressed in the setting of the Scheme's investment strategy and in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We expect all our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice, including engaging with managers on this topic at regular ISC meetings.

All the Scheme's assets are invested in pooled funds. We have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of their funds.

We do not explicitly consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments. However, we review, from time to time, whether and how the managers are taking account of non-financial matters, such as by engaging with managers on this topic at ISC meetings.

Within the DC Section and AVCs we recognise that some members may wish for ethical matters to be considered in their investments and therefore have made available an ethical equity fund as an investment option to members.

We will continue to review our policies on financially material and non-financial matters, including as advice is received from our professional advisors and further guidance is released on these matters by the Pension's Regulator and other industry bodies.

## 8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

As all of our investments are held through pooled funds we do not monitor or engage directly with issuers or other holders of debt or equity. However we monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

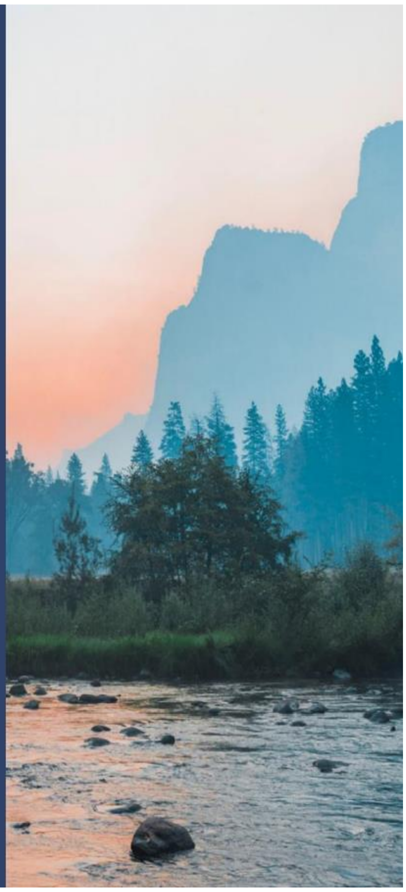
We have selected some priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We review the themes regularly and update them if appropriate. We communicate these stewardship priorities to our managers and also confirm our more general expectations in relation to ESG factors, voting and engagement. If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.

# *Addendum to the Statement of Investment Principles*

**For the Ultra Electronics Pension Scheme**

**Effective from: 28 March 2023**

**This addendum to the Statement of Investment Principles ("SIP") for the Ultra Electronics Pension Scheme (the "Scheme") has been produced by the Trustee of the Scheme. It sets out a description of various matters which are not required to be included in the SIP, but which are relevant to the Scheme's investment arrangements.**



## *Part 1: Investment governance, responsibilities, decision-making and fees*

**We have decided on the following division of responsibilities and decision making for the Scheme. This division is based upon our understanding of the various legal requirements placed upon us and our view that the division of responsibility allows for efficient operation and governance of the Scheme overall. Our investment powers are set out within the Scheme's governing documentation.**

### 1. Trustee

Our responsibilities include:

- setting the investment strategy, in consultation with the employer
- setting investment policies, including those relating to financially material factors and the exercise of rights and engagement activities in respect of the investments
- putting effective governance arrangements in place and documenting these arrangements in a suitable form
- monitoring, reviewing, and replacing investment managers, investment advisers, actuary, and other service providers
- monitoring the exercise of investment powers that we have delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995 (as amended)
- communicating with members as appropriate on investment matters, such as our assessment of our effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged
- reviewing the SIP and modifying it as necessary.

We have delegated consideration of certain investment matters to an investment sub-committee ("ISC"), although any decisions remain our responsibility. The terms of reference for the ISC detail its responsibilities.

### 2. Investment managers and platform provider

The investment managers' responsibilities include:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments
- providing regular information concerning the management and performance of their respective portfolios
- having regard to the provisions of Section 36 of the Pensions Act insofar as it is necessary to do so.

The investment platform provider for the DC Section and AVCs will be responsible for:

- providing access to a range of funds
- providing us with regular information concerning the management and performance of the assets.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

### 3. Investment adviser

The investment adviser's responsibilities include:

- advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
- advising on the strategic asset allocation and the selection, and review,

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of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations)

### 4. Fee structures

The provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets. We have agreed terms of business with the Scheme's investment advisers, actuary and other service providers under which work undertaken is charged for by on a time-cost or fixed fee basis, or with pre-agreed budgets.

The investment managers receive fees calculated by reference to the market value of assets under management and in some cases a performance related fee.

The fee structure used in each case has been selected with regard to existing custom and practice, and our view as to the most appropriate arrangements for the Scheme, and we keep the fee structures under review.

### 5. Performance assessment

We are satisfied that there are adequate resources to support our investment responsibilities, and that we have sufficient expertise to carry out our role effectively. It is our policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. We will also periodically assess the effectiveness of our decision-making and investment governance processes and will decide how this may then be reported to members.

### 6. Working with the sponsoring employer

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, we seek to give due consideration to the employer's' perspective. Whilst the requirement to consult does not mean that we need to reach agreement with the employer, we believe that better outcomes will generally be achieved if we work with the employer collaboratively.

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## *Part 2:*
## *Policy towards risk*

### 1. Risk capacity and appetite

Risk capacity is the maximum level of risk that we consider to be appropriate to take in the investment strategy. Risk appetite is how much risk we believe is appropriate to take in order to meet the investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. We aim to strike the right balance between risk capacity and risk appetite.

When assessing risk and reviewing the investment strategy, we consider:

- the strength of the employer covenant and how this may change over time
- the Scheme's long-term and shorter-term funding targets and required return to achieve these objectives
- the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged
- the Scheme's cash flow requirements and employer contributions
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

Following implementation of the Scheme's current investment strategy, as at 30 November 2022, the Scheme's 1 year 95% Value at Risk is expected to be £12m. This means that there is expected to be a 1 in 20 chance that the Scheme's funding position will worsen by £12m or more, compared to the expected position, over a one-year period. When deciding on the current investment strategy, we believed this level of risk to be appropriate given the Scheme's objectives.

### 2. Approach to managing and monitoring risks

There are different types of investment risk that are important to manage, and we monitor these on a regular basis. These include, but are not limited to:

#### Risk of inadequate returns

A key objective is that the assets produce a sufficient long-term return in excess of the liabilities, and we have set an appropriate target return for the assets accordingly. There is a risk that the return experienced is not sufficient. This risk has been considered in setting the investment strategy.

For the DC and AVC arrangements, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made available a range of lower risk funds. In addition, the Trustee has made available three lifestyle options.

#### Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type (eg equities), could materially adversely affect the Scheme's assets. We believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class and the DC and AVC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Scheme's investment arrangements.

#### Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, we receive written professional advice, and we will typically undertake a manager selection exercise. We monitor the investments regularly against their objectives and receive ongoing professional investment advice as to their suitability.

#### Equity risk

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We believe that equity risk is a rewarded investment risk, over the long term. We consider exposure to equity risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

### Credit risk

The Scheme is subject to credit risk because it invests in bonds, loans, derivatives, and other money market instruments via pooled funds.

Credit risk is mitigated through the diversification of credit instruments, within and between funds, the application of risk limits by the individual managers as well as security in the form of assets pledged against the debt. Credit risk arising on cash held within financial institutions is mitigated by ensuring cash is held with a diversified range of institutions, which are at least investment grade credit rated.

### Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. We consider the overseas currency exposure in the context of the overall investment strategy, and believe that it diversifies the strategy and is appropriate.

Furthermore, we manage the amount of currency risk by investing in pooled funds that hedge currency exposure or implement separate currency hedging arrangements.

### Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds and Liability Driven Investment ("LDI") funds. However, the interest rate and inflation exposure of the Scheme's assets provides protection (hedges) part of the corresponding risks associated with the Scheme's liabilities. Given that this should reduce the volatility of the funding level, we believe that it is appropriate to manage exposures to these risks in this manner.

### Climate-related risks

Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (eg extreme weather). We seek to appoint investment managers who will manage this risk appropriately, and from time-to-time review how this risk is being managed in practice.

### Other environmental, social and governance (ESG) risks

ESG factors are sources of risk, which could be financially material over both the short and longer term. These include risks relating to unsustainable or socially harmful business practices, and unsound corporate governance. We seek to appoint investment managers who will manage these risks appropriately, and from time-to-time review how these risks are being managed in practice.

### Illiquidity/marketability risk

This is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. We are aware of the Scheme's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments and by investing in income generating assets, where appropriate.

For the DC and AVC arrangements, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. We manage this risk by only using pooled funds with daily dealing and, within the lifestyle options, diversifying the strategy across different types of investment.

### Counterparty risk

This is the risk that one party to a contract (such as a derivative instrument) causes a financial loss to the other party by failing to discharge a contractual obligation. This risk applies in particular for those contracts that are traded directly between parties, rather than traded on a central exchange.

In particular, the LDI manager makes use within its LDI funds of derivative and gilt repurchase contracts and these funds are used to match efficiently a portion of the Scheme's liabilities. Counterparty risk is managed within the fund through careful initial selection and ongoing monitoring of trading counterparties, counterparty diversification and a robust process of daily collateralisation of each contract, to ensure that counterparty risk is limited, as far as possible, to one day's market movements.

### Collateral adequacy risk

The LDI manager may call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that we are not able to post additional cash to the LDI fund within the required timeframe when requested. A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result. In order to manage this risk, our objective is that the Scheme has a sufficient allocation to highly liquid

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assets that could be used to meet LDI collateral calls. This is achieved by having an agreed collateral management framework in place with the LDI manager.

### Risk from excessive charges

Within the DC arrangements, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. We are comfortable that the charges applicable to the Scheme are in line with market practice and assess regularly whether these represent good value for members.

### Valuation risk

Some of the Scheme's assets (such as listed equities) can be valued regularly based upon observable market prices. For other assets (such as property and private market assets), prices may only be estimated relatively infrequently using one or more of a range of approximate methods – eg mathematical models or recent sales prices achieved for equivalents.

At times of market stress, there is a risk for all assets that the valuations provided by investment managers do not reflect the actual sale proceeds which could be achieved if the assets were liquidated at short notice. This risk is particularly relevant for assets such as property.

We consider exposure to valuation risk in the context of the Scheme's overall investment strategy and believe that the level of exposure to this risk is appropriate.

### Other non-investment risks

We recognise that there are other non-investment risks faced by the Scheme. We take these into consideration as far as practical in setting the investment arrangements.

Examples include:

- longevity risk (risk that members live, on average, longer than expected); and
- sponsor covenant risk (risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Both investment and non-investment risks can lead to the funding position materially worsening. We regularly review progress against the funding target.

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# Part 3:
## Investment manager arrangements

Details of the investment managers are set out below.

### Defined Benefit Section

#### BlackRock – Equities

The Scheme invests in passive equities via a pooled fund called the BlackRock Aquila Life Overseas Fixed Benchmark Equity Fund.

- The objective of this fund is to match the benchmark index of 33.3% FTSE USA Index, 33.3% FTSE AW Developed Europe ex-UK Index, 16.7% FTSE Japan Index and 16.7% FTSE AW Developed Asia Pacific (ex-Japan) Index, before the deduction of fees.
- The target tracking error of the fund is up to 1% pa
- The fund is priced daily. It is open ended and unlisted.

#### BlackRock – Liability Driven Investment (LDI)

The Scheme invests in dynamic LDI via pooled funds called the BlackRock Long Liability Nominal Profile Fund, BlackRock Long Liability Real Profile Fund, BlackRock Short Liability Nominal Profile Fund and BlackRock Short Liability Real Fund.

- The objective of these funds is to provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme.
- The overall allocation to the LDI funds has been designed to have a similar sensitivity to changes in interest rates and inflation as that of the Scheme's liabilities.
- The funds are priced daily. They are open ended and unlisted.

#### BlackRock – Absolute Return Bonds

The Scheme can invest in absolute return bonds via a pooled fund called the BlackRock Absolute Return Bond Fund.

- The objective of this fund is to deliver a return 3% - 5% pa above the benchmark index of 3-month SONIA compounded in arrears, before the deduction of fees, over a market cycle.
- The fund is priced daily. It is open ended and unlisted.

#### BlackRock – Money Market

The Scheme can invest in Sterling money market instruments via a pooled fund called the BlackRock ICS Sterling Liquidity Fund.

- The objective of this fund is to maximise income consistent with maintaining and ensuring underlying assets can easily be bought or sold in the market. The performance of the fund is measured against a benchmark of the SONIA Overnight rate.
- The fund is daily priced. It is open ended and unlisted.

#### Insight – Buy and Maintain Credit

The Scheme invests in buy and maintain bonds via pooled funds called the Insight IIFIG Maturing Buy and Maintain Bond Funds.

- The objective of these funds is to generate a return investing primarily in a portfolio of debt securities.
- The maturity of investments will vary between each fund in line with the fund's target maturity profile.
- The funds are priced bi-monthly. They are open ended and unlisted.

#### Abrdn plc – Long Lease Property Fund

The Scheme invests in long lease property via a pooled fund with Abrdn called the Standard Life Long Lease Property Fund.

- The objective of this fund is to outperform its benchmark index of the FTSE A All-Stocks Gilts Index by 2% pa, after the deduction of fees, over a 3 year rolling period.
- The fund is priced daily (with monthly dealing). It is open ended and unlisted.

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#### Ruffer LLP – Diversified Growth Fund

The Scheme invests in a diversified growth fund via a pooled fund called the Ruffer Absolute Return Fund.

- The objective of this fund is to deliver a positive return in all market conditions over any 12 month period, after the deduction of fees.
- The fund is priced weekly. It is open ended and unlisted.

#### SL Capital Partners – Private Market Assets

The Scheme invests in private equity via a pooled fund called the Standard Life European Strategic Partners 2008 Fund.

- The objective of this fund is to maximise return subject to prudent diversification.
- The fund is priced quarterly. It is closed ended and unlisted.

#### BlueCrest Capital Management (UK) LLP – Private Market Assets

The Scheme invests in a hedge fund via a pooled fund called the BlueCrest Absolute Return Fund.

- The objective of this fund is to deliver an absolute return of 10% - 15% pa after the deduction of fees over a rolling 3 year period.
- The fund is now in the process of winding down following which, BlueCrest will cease to be an investment manager of the Scheme.

#### M&G Investment Management – Private Market Assets

The Scheme invests in real estate debt via a pooled fund called the M&G Real Estate Debt Fund III.

- The objective of this fund is to deliver internal rate of return of 7% - 10% pa before the deduction of fees.
- The fund is now in the process of winding down following which, M&G will cease to be an investment manager of the Scheme.

#### Arcmont Asset Management LLP – Private Market Assets

The Scheme invests in private credit via a pooled fund called the Arcmont Senior Loan Fund 1.

- The objective of this fund is to deliver an internal rate of return of 9% pa before the deduction of fees.
- The Fund is priced quarterly. It is closed ended and unlisted.

#### Barings Asset Management Limited – Private Market Assets

The Scheme invests in private credit via a pooled fund called the Barings Global Private Loan Fund 2.

- The objective of this fund is to deliver an absolute return of 7.5% - 8.5% pa after the deduction of fees.
- The fund is priced quarterly. It is closed ended and unlisted.

#### DRC Capital LLP – Private Market Assets

The Scheme invests in real estate debt via a pooled fund called the DRC UK Whole Loan Fund 2.

- The objective of this fund is to deliver an absolute return of 6% - 7% pa after the deduction of fees.
- The fund is priced quarterly. It is closed ended and unlisted.

#### Custody arrangements

We are not responsible for the appointment of the Custodian of the assets contained within the various pooled fund investments. The exception is for assets invested with BlackRock where we have a separate agreement in place with Bank of New York Mellon to act as custodian for these funds. We are comfortable that the Scheme's other investment managers have procedures in place for the appointment and monitoring of the relevant custodians.

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## DC and AVC arrangements

We make available a range of self-selection funds and lifestyle strategies. Members are provided with clear information on the investment options and their characteristics, so they can make an informed choice. Members can choose from a range of passively managed self-select funds and three lifestyle strategies. There is no "default" fund available (ie members had to select their own funds). Details of the options are set out below.

The fund options are provided to members via investment only platform arrangements with ReAssure Limited and Clerical Medical. The funds are priced daily. The funds are open ended and are listed.

### Lifestyle strategies

There are three lifestyles that members can invest in through the DC platform with ReAssure, as detailed below.

1. **Ultra Electronics Annuity Lifestyle:**

   This is intended for those members who wish to draw 25% of their DC / AVC savings as a tax-free lump sum and use the balance to buy a pension. It is designed to gradually reduce investment risk over a 5-year period up to retirement.

2. **Ultra Electronics Cash Lifestyle:**

   This is intended for those members who anticipate taking all of their DC / AVC savings as a tax-free lump sum. It is designed to gradually reduce investment risk over a 10-year period up to retirement.

3. **The 50:50 Global Equity 10 Year CPS Lifestyle:**

   This lifestyle option was put in place for those members previously invested in the Equitable Life With-Profits Fund. It is designed to gradually reduce investment risk by switching investments over a 10-year period up to retirement.

### Self-select fund options

| Fund | Benchmark | Tracking error |
|---|---|---|
| **ReAssure** | | |
| LG Global Equity Fixed Weights (50:50) Index Fund | Composite of 50/50 FTSE UK and overseas equity indices | +/- 0.5% pa for 2 out of 3 years |
| LG World (ex-UK) Equity Index Fund | FTSE World (ex UK) Index | +/- 0.5% pa for 2 out of 3 years |
| LG UK Equity Index Fund | FTSE All-Share Index | +/- 0.25% pa for 2 out of 3 years |
| LG Consensus Index Fund | ABI Mixed Investment 40-85 Shares | N/A |
| LG AAA-AA-A Corporate Bond All Stocks Index Fund | Markit iBoxx £ Non-Gilts (ex-BBB) Index | +/- 0.5% each year for 2 out of 3 years |
| LG Pre-Retirement Fund | Composite of gilts and corporate bond indices | N/A |
| LG All Stocks Index Linked Gilts Index Fund | FTSE-A Index Linked (All Stocks) Index | +/- 0.25% each year for 2 out of 3 years |
| LG Cash Fund | SONIA | N/A |
| LG Property Fund | AREF/IPD UK Quarterly All Balanced Property Funds Index | N/A |
| LG Ethical UK Equity Index Fund | FTSE4Good UK Equity Index | +/- 0.25% each year for 2 out of 3 years |
| **Clerical Medical** | | |
| Clerical Medical With-Profits Fund | N/A | N/A |
| Clerical Medical UK Growth Fund | FTSE All Share Index | |
| Clerical Medical Balanced Fund | ABI Mixed Investment 40-85% Shares | N/A |
| Clerical Medical Cash Fund | ABI Money Market | N/A |

# Appendix B
# Projections

The chart shows in monetary terms the cumulative effect of charges taken from a member's fund over time.

| L&G Property Fund (Highest charging) | | | | | |
|---|---|---|---|---|---|
| Years from Now | *Pension Pot (before Charges)* | *Pension Pot (after charges)* | Years from Now | *Pension Pot (before Charges)* | *Pension Pot (after charges)* |
| 1 | 19,945 | 19,848 | 14 | 19,039 | 17,972 |
| 2 | 19,891 | 19,697 | 15 | 18,987 | 17,835 |
| 3 | 19,837 | 19,547 | 16 | 18,935 | 17,699 |
| 4 | 19,782 | 19,398 | 17 | 18,883 | 17,564 |
| 5 | 19,728 | 19,251 | 18 | 18,832 | 17,431 |
| 6 | 19,674 | 19,104 | 19 | 18,780 | 17,298 |
| 7 | 19,621 | 18,959 | 20 | 18,729 | 17,166 |
| 8 | 19,567 | 18,814 | 21 | 18,678 | 17,036 |
| 9 | 19,514 | 18,671 | 22 | 19,039 | 16,906 |
| 10 | 19,460 | 18,529 | 23 | 18,987 | 16,777 |
| 11 | 19,407 | 18,388 | 24 | 18,935 | 16,650 |
| 12 | 19,354 | 18,248 | 25 | 18,883 | 16,523 |
| 13 | 19,301 | 18,109 | | | |

**Assumptions**
Projected pension pots are shown in today's terms and do not need to be reduced further for the effects of inflation. The assumed investment returns before the effect of inflation are:*

Before Charges: 2.22% p.a. to retirement.

After charges: 1.72% p.a. to retirement

The assumed level of inflation is 2.5% pa

Pension Pot Value at Start: £20,000

Deferred Member with a no further contribution.

** The figures illustrated above are only examples and are not guaranteed - they are not minimum or maximum amounts*

# Projections
continued

The chart shows in monetary terms the cumulative effect of charges taken from a member's fund over time.

| L&G World (ex-UK) Equity Index Fund (Lowest charging) | | | | | |
|---|---|---|---|---|---|
| Years from Now | *Pension Pot (before Charges)* | *Pension Pot (after charges)* | Years from Now | *Pension Pot (before Charges)* | *Pension Pot (after charges)* |
| 1 | 20,254 | 20,156 | 14 | 23,859 | 22,300 |
| 2 | 20,511 | 20,313 | 15 | 24,162 | 22,474 |
| 3 | 20,771 | 20,472 | 16 | 24,468 | 22,649 |
| 4 | 21,034 | 20,632 | 17 | 24,779 | 22,826 |
| 5 | 21,301 | 20,793 | 18 | 25,093 | 23,004 |
| 6 | 21,571 | 20,955 | 19 | 25,411 | 23,184 |
| 7 | 21,845 | 21,119 | 20 | 25,734 | 23,365 |
| 8 | 22,122 | 21,283 | 21 | 26,060 | 23,547 |
| 9 | 22,402 | 21,450 | 22 | 26,390 | 23,731 |
| 10 | 22,686 | 21,617 | 23 | 26,725 | 23,916 |
| 11 | 22,974 | 21,786 | 24 | 27,064 | 24,103 |
| 12 | 23,265 | 21,956 | 25 | 27,407 | 24,291 |
| 13 | 23,561 | 22,127 | | | |

**Assumptions**
Projected pension pots are shown in today's terms and do not need to be reduced further for the effects of inflation. The assumed investment returns before the effect of inflation are:*

Before Charges: 3.80% p.a. to retirement.

After charges: 3.30% p.a. to retirement

The assumed level of inflation is 2.5% pa

Pension Pot Value at Start: £20,000

Deferred Member with a no further contribution.

** The figures illustrated above are only examples and are not guaranteed - they are not minimum or maximum amounts*

# Additional Voluntary Contribution Funds

The chart shows the member borne charges for AVC vehicles.

Information as at 31 March 2023

| Fund Name | Total Expense Ratio | Transactions costs |
|---|---|---|
| L&G World (ex-UK) Equity Index Fund | 0.50% | 0.0% |
| L&G UK Equity Index Fund | 0.50% | 0.0% |
| L&G AAA-AA-A Corporate Bond All Stocks Index Fund | 0.50% | 0.0% |
| L&G All Stocks Index Linked Gilts Index Fund | 0.50% | 0.0% |
| L&G Property Fund | 0.50% | 0.05% |
| L&G Ethical UK Index Equity | 0.50% | 0.0% |
| Clerical Medical Cash Fund | 0.50% | 0.02% |
| Clerical Medical With Profits Fund | 0.50% | 0.33% |
| Clerical Medical UK Growth Fund | 0.50% | 0.38% |
| Clerical Medical Balanced Fund | 0.50% | 0.38% |

## Contact us
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**Registration**

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

Penfida Limited, Registered No. 08020393

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

**Authorisation**

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).