

**THE BIRDS (DERBY) LIMITED RETIREMENT BENEFITS PLAN**

**STATEMENT OF INVESTMENT PRINCIPLES**

Prepared by Berkeley Burke  
September 2020

# THE BIRDS (DERBY) LIMITED RETIREMENT BENEFITS PLAN

## STATEMENT OF INVESTMENT PRINCIPLES

### 1. BACKGROUND

**1.1** This Statement of Investment Principles ("SoIP") sets out the principles governing decisions about investments for the **Birds (Derby) Limited Retirement Benefits Plan** ("the Scheme"). It has been prepared in accordance with the requirements of:

- Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

It replaces the previous edition of the SoIP, dated 30<sup>th</sup> September 2019.

The SoIP describes the investment policy, guidelines and procedures being pursued by the Trustees of the Scheme which they believe are in compliance with the Government's voluntary code of conduct for institutional investment in the UK (the "Myners Principles").

In its preparation Birds (Derby) Pension Trustee Limited ("the Trustees") has obtained appropriate professional advice from their Investment Consultants, Berkeley Burke & Company Limited ("Berkeley Burke"), and have consulted the Principal Employer, Birds (Derby) Limited, about the content of this SoIP. However, the ultimate power and responsibility for deciding investment policy lies with the Trustees.

This SoIP may require amendment as general investment conditions alter and as the liabilities of the Scheme change over time. It is therefore the intention of the Trustees to review this SoIP from time to time. This SoIP is consistent with the Scheme's governing documents.

**1.2** The Scheme is Registered and provides final salary benefits. It is closed for the accrual of benefits. There is no formal employer-related investment made by the Trustees, and none is intended.

**1.3** The Scheme's assets are held in trust by the Trustees. The Trustees' powers of investment are set out in Clause 7 of the Definitive Deed and Rules dated 20<sup>th</sup> May 2008, as detailed in Appendix 1. This SoIP is consistent with those powers.

**1.4** As required by the Pensions Act 1995, the Trustees have appointed fund managers, for the day-to-day management of the majority of the Scheme's assets: BlackRock Investment Management (UK) Limited ("BlackRock"), Ruffer LLP ("Ruffer") and Invesco Perpetual Life Limited ("Invesco Perpetual"), (the "Fund Managers"). The Fund Managers employed by the Trustees to manage the assets of the Scheme as at the date of this SoIP are set out in Appendix 2. The Trustees have a signed client agreement or Letter of Appointment with the Fund Managers setting out in detail the terms on which each portfolio is managed. The Fund Managers are responsible for the day-to-day investment management of the Scheme's assets. The Fund Managers are suitably authorised under the Financial Services and Markets Act 2000.

The custody and safekeeping of the assets is provided by the custodians of the relevant funds.

The Fund Managers and custodians are required to abide by this SoIP and, where appropriate, the Letter of Appointment and/or Client Agreement.



- 1.5 The Trustees employ Berkeley Burke as their Investment Consultants to help them monitor their fund managers and custodians, to advise them in general on matters relating to the Scheme's investments and to maintain this investment statement.
- 1.6 The SoIP must be made available to members but it does not have to be circulated automatically. The Trustees' annual report will explain how members may obtain a copy of the latest SoIP.
- 1.7 The Trustees monitor investments on a **regular** basis (currently quarterly). Advice is received as required from professional advisers.
- 1.8. In determining the Scheme's investment strategy the Trustees have consulted the Principal Employer. The Principal Employer will also be consulted if the SoIP is revised. The consultations with the Principal Employer are not negotiations and the Trustees' decision is final. The Principal Employer does, however, fund the Scheme and therefore the Trustees consider it prudent for the Principal Employer to be kept informed.

All investment decisions for the Scheme are under the Trustees' control with no constraint from the Principal Employer.

- 1.9 The Trustees are responsible in respect of investment matters for:
  - a) Reviewing triennially and following any significant change in investment policy, the content of this SoIP and modifying it if deemed appropriate.
  - b) Reviewing the investment policy following the results of each actuarial valuation, and/or any asset/liability modelling exercise.
  - c) Based on advice received from the Investment Consultants and the Scheme Actuary, the Trustees must take into account the liabilities of the Scheme, review the asset allocation, the suitability of investments and the need for diversification.
  - d) Appointing (and, when necessary, dismissing) fund managers.
  - e) Appointing (and, when necessary, dismissing) Independent Advisers.
  - f) Appointing (and, when necessary, dismissing) Actuaries.
  - g) Assessing the quality of the performance and processes of the fund manager by reviewing the performance statistics against agreed benchmarks and by regular meetings with the Fund Managers.
- 1.10 The Trustees are responsible for the Scheme's Governance. They consider that the governance structure, as set out in this SoIP, to be appropriate for the Scheme. It allows the Trustees to make decisions about the investment strategy whilst delegating the day-to-day aspects of investment management to the fund manager.

## 2. **OVERALL INVESTMENT STRATEGY AND POLICY FOR MEETING THE STATUTORY FUNDING OBJECTIVE ("SFO")**

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their Investment Consultants. The other element of the policy is the day-to-day management of the assets which is delegated to the Fund Managers. Having considered advice from Berkeley Burke, the Trustees have set the investment policy, as described in this SoIP, with regard to the Scheme's liabilities and funding level.



The Trustees require the Scheme Actuary to review the funding level of the Scheme regularly. The Trustees must aim to have sufficient and appropriate assets to cover the technical provisions under the SFO.

**2.1** Taking these factors into account, together with the expected returns and risks relative to the liabilities on different types of investment, the Trustees believe that it is appropriate to adopt the following overall objectives for the Scheme:

- a) The acquisition of suitable assets, having regard to the risks which are summarized in section 7 of this SoIP, of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the employer, the cost of the benefits which the Scheme provides.
- b) To ensure that sufficient assets are available to meet the liabilities of the Scheme as they fall due.
- c) To limit the risk of the assets failing to meet the liabilities over the long term.
- d) To minimise periods when the Scheme is in deficit and to achieve and maintain a position of being at least 100% funded on a Statutory Funding Objective (Technical Provisions) basis.
- e) To minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the volatility of pension costs in the Principal Employer's accounts.

It is accepted that at different times within the economic cycle, acceptable levels of risk may change according to market conditions.

**2.2** The Trustees aim to meet the long term objectives by:

- primarily seeking to ensure that the strategic allocation of the Scheme's assets takes into account the liability profile and the Statutory Funding Objective; and
- targeting buy-out as the long-term objective.

**2.3** The policy on choosing investments is as follows:

- To allocate the assets into two portfolios – the Matching Portfolio and the Growth Portfolio. The purpose of the Matching Portfolio is to manage risk relative to the liabilities. The assets in the pooled funds within this portfolio are those which tend to mirror the liabilities by nature and/or term. They include fixed interest gilts, index-linked gilts, corporate bonds and liability driven derivative overlays such as interest rate swaps. The characteristics of the Scheme's liabilities are considered in setting the strategic asset allocation. This includes consideration of interest rates, inflation, mortality plus other financial and demographic factors.

The purpose of the pooled funds in the Growth Portfolio is to generate return relative to the liabilities without a requirement to track changes in the value of the liabilities. Assets in this portfolio include, but are not limited to, equities, property, emerging market debt, bonds, commodities and "alternative" investments.

- To meet the objectives set out in 2.1, the Trustees have set an investment return target with a risk appetite which is consistent with their philosophy and long-term investment objectives.



- To keep the split between the Growth and Matching Portfolios under review. The current split is 32% in the Matching Portfolio and 68% in the Growth Portfolio.
- To review the allocations to the BlackRock LMF and to the Profile Funds in the Matching Portfolio no less frequently than every three years.

The current allocation within the Matching Portfolio is:

- Liability Funds Leveraged £ Profile Funds
  - ❖ Long Liability Nominal 2%
  - ❖ Short Liability Nominal 16%
  - ❖ Long Liability Real 7%
  - ❖ Short Liability Real 67%
- Sterling Liquidity Fund Premier Account (cash) 8%

It is intended that the Liability Matching Funds will hedge approximately 90% of the Scheme's interest rate and inflation risks.

- To review the allocation to the funds in the Growth Portfolio no less frequently than annually. The current target allocation within the Growth Portfolio is:
  - Diversified growth funds 39% (½ with Ruffer and ½ with Invesco Perpetual)
  - UK equities 33% (BlackRock)
  - Overseas equities 18% (BlackRock)
  - Property (BlackRock) 10% (BlackRock)

**2.4** To achieve these overall objectives, the Trustees have set the fund managers the following performance objectives against the benchmarks which are recorded in Appendix 2 over rolling 3-year periods:

Aquila Life Currency Hedged World ex UK Equity Fund	- To match the returns on the FTSE All-World Developed ex UK Index
BlackRock UK Equity Fund	- FTSE All-Share Total Return Index
Ruffer Absolute Return	- No explicit benchmark
Invesco Perpetual Global Targeted Returns Pension Fund	- To achieve a positive total return in all market conditions over a rolling 3 year period. The fund targets a gross return of 5% p.a. above UK 3-month LIBOR and aims to achieve this with less than half the volatility of global equities, over the same rolling 3 year period.
BlackRock Property	- IPD All Balanced Funds Weighted Average Index
BlackRock Sterling Liquidity Fund Premier Account	- LIBID 7 day Notice
BlackRock Liability Matching Funds	- The annual cashflows of a representative set of pension scheme liabilities

**2.5 Expected return on investments**

The investments are expected to produce a return over the medium term at least equal to the investment return assumed in the valuation of the liabilities in the actuarial valuation.

**3. THE TRUSTEES' POLICY TOWARDS RISK**

The following measures have been implemented to reduce the risks associated with making investments:



### **3.1 Number of managers**

The Trustees have delegated the management of the assets to three fund managers after a careful selection process. Having taken into account the Fund Managers' reputations, past performance and the size of assets under management, the Trustees believe three fund managers to be appropriate.

### **3.2 Risk versus the Liabilities**

Some of the Scheme's liabilities are linked to inflation. Deferred pensions and pensions in payment are linked to inflation, in each case up to 5% each year (Guaranteed Minimum Pensions have fixed annual increases). Long-term returns from the Growth Portfolio are expected to exceed inflation in the long term, although returns and capital values can be variable over short periods.

### **3.3 Range of assets**

The Trustees currently invest in a range of funds as recorded in appendix two.

The current split is approximately 13% in overseas equities, 23% in UK equities, 6% in property, 25% in diversified growth funds, 6% in Nominal LMFs, 24% in Real LMFs and 3% in cash.

### **3.4 Manager restrictions**

In their agreements with the Fund Managers, the Trustees may set restrictions on the way the portfolios are managed which may be amended from time to time. The purpose of restrictions would be to limit the risks from each individual investment and to prevent unsuitable investment activity.

### **3.5 Employer-related investment**

The Trustees' policy is not to hold any employer-related investments.

### **3.6 Manager controls**

Powers of investment delegated to the Fund Managers must be exercised with a view to giving effect to the principles contained in this SoIP so far as is reasonably practicable. The Fund Managers will also ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

### **3.7 Trustees' policy towards risk**

There are various risks to which any pension scheme is exposed. The Trustees have considered the following risks:

- The risk of a deterioration in the Scheme's funding level over the long term.
- The risk of a shortfall of assets relative to the liabilities as determined if the Scheme were to wind up.
- The risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. They recognise that the use of active investment managers involves such a risk.



### **3.8 Risk from lack of diversification**

The Trustees believe that there is a need for an adequately diversified overall asset allocation to avoid the risk of overexposure to any one particular sector, relative to the liabilities. The funds which have been selected are viewed as appropriate investment vehicles for the investment strategy of an on-going pension scheme.

### **3.9 Use of Derivatives**

Derivatives or other financial instruments may be used to hedge the Scheme's liability risks (principally interest rate and inflation risks) or other risks (e.g. equity or currency risks).

At any given time, a minimum level of assets of sufficient liquidity and quality will be held to ensure that the Scheme is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions which BlackRock holds within the Matching Portfolio.

### **3.10 Environmental, Social and Governance ("ESG") risks**

Each Fund Manager is expected to undertake good stewardship and positive engagement in relation to the Scheme's investments. The Trustees monitor this and will report on the Fund Managers' records in their annual Implementation Statement. The Trustees consider that the long-term financial risks to the Scheme and ESG factors, including climate risk, are potentially financially material. They will evolve their policy in the light of these and other factors in developing the investment strategy with a view to reducing the chances of unexpected losses.

### **3.11 Realisation of investments**

The Trustees' policy is to ensure that the assets invested are sufficiently realisable to enable the Trustees to meet their obligation to provide benefits as they fall due. The Trustees are satisfied that the arrangements in place conform to this policy.

### **3.12 Approach to managing the portfolio**

The Trustees have given consideration to the investment management of the Scheme and whether it should be managed on a passive or active basis. The former aims to create a portfolio of assets which mirrors a market index whilst the latter involves analytical research, forecasts, experience and manager judgement when deciding which investments to hold in a portfolio. Active management tends to result in higher fees than passive investment.

The Trustees have opted for active management where they believe that it can result in added value but have decided on passive management for asset classes where experience suggests that it is difficult for active managers to justify their higher fees.

### **3.13 Criteria for fund manager selection**

The Trustees have identified the criteria by reference to which managers should be selected. These include:

- Past performance
- Quality of the investment process
- Level of fees
- Reputation of the manager
- Familiarity with such mandates
- Service
- Reporting
- Administration
- Team proposed

- The quality of the individual fund managers

### **3.14 Criteria for Dismissal**

Fund managers may be replaced if:

- a) they fail to meet the performance targets;
- b) the Trustees believe that a manager is not capable of achieving these performance objectives in the future; and/or
- c) they fail to maintain satisfactory standards in respect of the other criteria.

## **4. ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS**

### **Financially material considerations**

The Trustees have considered how financially material considerations (including ESG factors such as climate change) should be taken into account in the selection, retention and realisation of investments over the length of time over which benefits will be provided by the Scheme. The Trustees consider these and other factors when selecting and reviewing the Scheme's investments.

ESG issues may, along with other issues, be financially material to the Scheme's investment portfolio. The Trustees consider the long-term financial interests of the Scheme to be paramount and, where appropriate and practical, expect the Fund Managers to:

- consider financially material ESG issues in investment decision making; and
- practice good stewardship.

### **Non-financially material considerations**

Non-financial matters, including the ethical views of members, are not ordinarily taken into account in the selection, retention and realisation of investments and the Trustees do not therefore consult members on such issues.

### **Stewardship and Voting Rights**

The Trustees have elected to invest the Scheme's assets via pooled funds. The direct control of the process of engaging with the companies which issue the debt and equities which are held within these funds and for the exercise of rights (including voting rights) is delegated to the managers of the funds. The Trustees acknowledge that they cannot directly control the investments held within pooled funds but they encourage the fund managers to engage with the companies in which they invest and to vote when it is practical to do so. The Trustees expect that the fund managers will use their influence as substantial investors to exercise their rights and duties as shareholders and where appropriate to promote good corporate governance and accountability and to assess how the companies take into account ESG factors in running their businesses.

### **Incentivising fund managers to align with the Trustees' policies**

Before appointing fund managers, the Trustees consider its approach to the management of ESG and climate-related risks with their investment consultant to assess how that approach compares with their policies. If any aspects of the fund manager's approach varies markedly from their policies, they will consider appointing another manager for the mandate. If a fund manager's approach varies from the Trustees' policies, its appointment will be reviewed and it may ultimately result in the termination of its mandate.



The fees paid to the fund managers are based on the size of the assets they manage, and the possibility of mandates being terminated, ensure that they are incentivised to align their approaches with the Trustees' policies. The better the performance of a fund manager, the greater its remuneration.

Before selecting a fund manager, the Trustees obtain confirmation from their investment consultant that the fee is in line with the market and the level of fees is then periodically reviewed.

### **Incentivising decisions based on assessments of medium to long-term financial and non-financial considerations**

The Trustees appreciate that the wider impacts of ESG factors and climate change are likely to be most apparent over the long-term but note that changes in the value of investments as a result of these factors can materialise over a much shorter period of time. The Trustees consider that the use of rolling 3 and 5 year timeframes is consistent with incentivising fund managers to make decisions which are based on an appropriate period.

### **Monitoring portfolio turnover and costs**

The Trustees recognise that portfolio turnover, i.e. the frequency with which assets are bought and sold, and the associated transaction costs are a necessary part of investment management. They accept too that turnover costs can have a detrimental impact on performance which is why net performance figures are considered as part of the quarterly monitoring process. When new fund managers are under consideration, the Trustees will assess past and anticipated portfolio turnover levels. If underperformance is subsequently identified, deviations from anticipated turnover levels may be investigated if it is felt that they may have been a significant contributor to that underperformance.

The Trustees expect the fund managers to divulge portfolio turnover on an annual basis.

### **Duration of fund manager agreements**

The durations of the Trustees' agreements with fund managers are not pre-determined but the Trustees anticipate that all appointments will be long-term unless fund managers underperform or the Scheme's investment strategy is changed.

## **5. COMPLIANCE WITH THIS STATEMENT**

**5.1** The Fund Managers will supply the Trustees with sufficient information each quarter to facilitate a review of their activities, including:

- (a) A review of recent performance and of the manager's proposed stance for the future, including a summary of how the fund manager has managed short-term asset allocation relative to the Scheme's long-term investment objectives.
- (b) A summary of recent portfolio activity, including changes in asset allocation and the rationale for the changes.
- (c) Any changes at either the Fund Managers or the custodian which might affect the suitability of the Fund Managers to manage the Scheme's assets.
- (d) A full valuation of the assets, a transaction report and a cash reconciliation.

In addition, the Fund Managers will inform the Trustees as soon as practicable about any serious breach of internal operating procedures which may affect the Scheme.



## 5.2 The Trustees will:

- (a) Review this SoIP each year in conjunction with their Investment Consultants taking particular note of the impact of any changes in the Scheme's liabilities and of the SFO.
- (b) Review this SoIP in response to any material change to any aspect of the investment arrangements detailed above in conjunction with their Investment Consultants.
- (c) Review the investment performance of the Fund Managers on a regular basis using independent performance measurement benchmarks, if appropriate.
- (d) Keep under review the suitability of the Fund Managers.
- (e) Keep under review the fee levied by the Fund Managers.
- (f) Note compliance with this SoIP at a Trustees' meeting, no less frequently than annually.
- (g) Make a copy of this SoIP available for inspection by Scheme members on request.

## 6. COMPLIANCE WITH THE MYNERS REPORT RECOMMENDATIONS

The extent to which the Scheme complies with the ten investment principles which were set out in the Myners Report on Institutional Investment is laid out in appendix 3.

## 7. RISKS

The Trustees recognize that there are a number of risks involved with the investment of the Scheme's assets. The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the Fund Managers. The Trustees will monitor and review the Fund Managers' performance on a regular basis.

The Trustees recognize that there are various types of investment risk involved in the investment of the assets of the Scheme and that these include, but are not restricted to:

### **Cashflow risk**

The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustees and their advisors will manage the Scheme's cash flows taking into account the timing of future payments.

### **Liquidity Risk**

The risk that the Scheme is unable to realise assets to meet benefit payments as they fall due. The Trustees monitor the cash requirements and believe that the risk is managed by maintaining the necessary degree of liquidity across the Scheme's investments.

### **Financial mismatching risk**

The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors, in particular inflation and interest rates. This risk has been taken into account in the construction of the Matching Portfolio which has been designed to mitigate the risk of a divergence in the asset and liability values in response to short-term financial and economic variations.



**Inadequate Returns**

The risk that the returns on the assets are insufficient over the long-term to meet the liabilities. This risk has been taken into account in the design of the Growth Portfolio and is monitored by the Trustees on a regular basis.

**Demographic risk**

Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustees recognize that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustees will measure liabilities using mortality assumptions recommended by the Scheme Actuary.

**Fund Manager risk**

The failure by the Fund Managers to achieve the rate of investment return assumed by the Trustees. This issue has been considered by the Trustees on the initial appointment of the Fund Managers and thereafter will be considered as part of the investment review procedures the Trustees have put in place.

**Concentration risk**

The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the Trustees' ability to meet the objectives. The Trustees consider that the Scheme's assets are adequately diversified between different asset classes and within each asset class.

**Credit risk**

The Scheme invests in pooled funds and is therefore directly exposed to credit risk in relation to the investments it holds in the pooled funds. Direct credit risk is mitigated by the underlying assets in the pooled funds being ring-fenced from the fund managers, the regulatory environments in which the fund managers operate and the diversification of the investments across a number of pooled funds.

The Scheme is indirectly exposed to credit risks which arise from the bonds and derivatives which are held within the pooled funds in which it invests. The diversified growth funds also hold gilts and bonds. The exposure to credit risk in those funds will vary over time.

The Matching portfolio invests in gilts, bonds and derivatives. Credit risk relating to the derivatives is mitigated by limits on the maximum exposure to any individual counterparty. BlackRock also carries out research into the credit-worthiness of the counterparties.

**Custody risk**

The Trustees will assess and consider the actions of the custodians of the Scheme's assets and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.

The custodians ring fence the Scheme assets from their own assets and those of their other clients.

**Derivative risk**

Where derivatives are used by the Scheme, the Scheme will have additional risk with the counterparty to that derivative. These risks are managed through the use of collateral arrangements.

**Currency risk**

The Scheme is exposed to indirect currency risk through those investments which are held in the Growth Portfolio which are denominated in a foreign currency. It is partially mitigated as a



result of the currency hedging which takes place within the diversified growth funds. All of the investments are held via a Sterling share class which means that the Scheme is not subject to direct currency risk.

**Other price risk**

Other price risk arises principally in relation to the Growth Portfolio which includes investments in equities, fixed income and index-linked debt, money markets and property which are held in pooled funds. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

The Trustee will keep these risks under regular review.

Copies of this SoIP and the investment powers contained in the Scheme's Trust Deed will be supplied to the Scheme Auditor, Scheme Actuary and the Fund Managers, so that they are aware of any constraints it imposes on them.

Signed for and on behalf the Trustee of the Birds (Derby) Limited Retirement Benefits Plan:

H J Herbert

Director

Date: 25<sup>th</sup> September 2020

*Note: Appendices 1, 2, 3 and 4 form part of this document*

**THE BIRDS (DERBY) LIMITED RETIREMENT BENEFITS PLAN  
INVESTMENT POWERS OF THE TRUSTEES  
(Clause 7 of the Definitive Deed and Rules)**

**7 Investment powers and application of the Fund**

7.1 The Trustees may retain in any bank account such monies as they consider proper and shall have full powers of investment and application of any monies and other assets which form part of the Fund including all such powers which they could exercise if they were absolutely and beneficially entitled to the Fund. In particular and without prejudice to the generality of the foregoing the Trustees may invest or apply all or any part of the Fund in any part of the world:

7.1.1 in deferred or immediate annuity policies, like assurance policies, retirement, endowment or sinking fund contracts or policies each of which shall be effected with an Insurer;

7.1.2 in any interest in land or property;

7.1.3 in units, unit trusts or mutual funds or other common investment funds or securitised issues;

7.1.4 in the purchase of or subscription for or in underwriting, sub-underwriting or guaranteeing the subscription of any stocks, shares, debenture stocks or other investments;

7.1.5 in entering into and engaging in any obligations or contracts or dealings including dealing in currencies, traded options, financial futures, commodities or commodity futures;

7.1.6 by making a deposit in an account with any local authority, bank, insurance company, building society or finance company upon such terms as the Trustees think fit;

7.1.7 by participating in any scheme of deposit administration or any managed fund administered by an Insurer;

7.1.8 by participating in any investment (whether income producing or not) or in the acquisition, and/or development of any interest in land or property jointly with any other party or parties whether as partners or as trustees to hold it upon trust for sale or otherwise, even if the interest of the Trustees in any such venture is a minority interest; and

7.1.9 by engaging in stock lending,

PROVIDED THAT any power under this Clause 7 shall be restricted in the case of "employer-related investments" (as defined in the 1995 Act) in accordance with the 1995 Act.

7.2 In the exercise of any of their powers the Trustees may join with the trustees of any other Registered Pension Scheme:

7.2.1 in having a joint deposit or current account subject to such arrangements as may be agreed with the Trustees of such scheme or schemes;

7.2.2 in borrowing money subject to such arrangements as may be agreed with the trustees of the other scheme or schemes for sharing the liability for repayment and for any interest due;



- 7.2.3 in taking out annuity or insurance contracts or policies with an Insurer;
  - 7.2.4 in the exercise and delegation (and authorisation of sub-delegation) of powers of investment, application and insuring of Fund assets;
  - 7.2.5 in appointing a nominee to hold investments or engage in transactions, and
  - 7.2.6 in sharing a portfolio of investments to the intent that any money paid towards and investments put into a combined portfolio shall be regarded as securing or representing a share in it on such basis as shall be agreed with the trustees of the other scheme or schemes.
- 7.3 The Trustees may either in their names or those of their nominee or nominees:
- 7.3.1 make other suitable arrangements (in addition to those mentioned in Clause 7.1.1) with an Insurer for the provision of all or any of the pensions or other benefits for which the Rules provide; and
  - 7.3.2 with the consent of the Principal Employer enter into any arrangements with an Insurer to reinsure the whole or any portion of the risks undertaken, and in particular including reinsuring against any excess of claims that might fall upon the Plan owing to a catastrophe or epidemic, and may pay out of the Fund all premiums and other monies (if any) required for effecting and maintaining any such policies or arrangements PROVIDED THAT the cost of any insurance effected under this Clause shall be borne by the Fund if the Actuary considers this would not materially jeopardise the Plan's financial position but otherwise shall be met out of additional contributions by the Employers.
- 7.4 The Trustees shall be entitled with the consent of the Principal Employer to deal with any policies or contracts by way of surrender, exchange, mortgage or otherwise or to make such other arrangements as they think fit.
- 7.5 Any provision made under Clause 7.3 or 7.4 in respect of any benefit (whether immediate or contingent) payable under the Rules to or in respect of a Deferred Pensioner or Pensioner may be made by effecting an individual annuity contract or policy in his name or in the names of the Trustees or (if the contract or policy was initially effected in the names of the Trustees) by assigning it to him. Each contract or policy shall be subject to any terms and conditions necessary to comply with the 1993 Act.
- 7.6 The Trustees may, with the consent of the Principal Employer:
- 7.6.1 borrow or raise any monies (including borrowing from the Principal Employer or any Associated Employer) upon any terms and conditions including securing of repayment; and
  - 7.6.2 apply money borrowed in any manner which they think fit for the purposes of the Plan.
- The said powers shall be subject to the requirements of the Finance Act and s36A of the 2004 Act.
- 7.7 The Trustees may insure or procure the insurance of any assets of the Fund against such risks and for such amounts as they may determine and may apply any part of the Fund whether income or capital in effecting and maintaining the insurance. The Trustees shall hold the proceeds of the insurance upon the trusts of the Plan with power to pay or apply the proceeds in whole or in part in or towards the repair, replacement, reinstatement or preservation of the asset insured or (as the case may be) in indemnifying the Trustees or the Fund against any claim made in relation to that asset. These powers may be exercised by the Trustees as if they were the absolute owner of the Fund.

7.8 The Trustees shall (except as provided by Clause 7.3 or 7.5) ensure that each asset of the Fund is at all times held in the names of the Trustees or their nominee or nominees or jointly in the names of the Trustees and one or more of their nominees or in the name of a nominee or nominees of their appointed investment manager.

7.9 In consultation with the Principal Employer, the Trustees shall prepare, maintain and revise from time to time a statement of investment principles governing their decisions in relation to the Fund, and in relation thereto shall obtain written advice from a person who is reasonably believed by the Trustees to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The statement shall contain the following details:

7.9.1 the type of investments to be held,

7.9.2 the balance between the different types of investments,

7.9.3 the expected return on the investments,

7.9.4 the realisation of investments,

7.9.5 such other matters as may be required by the 1995 Act.

7.10 The Trustees shall prepare and from time to time review and if necessary revise a statement of funding principles in accordance with the provisions of the Finance Act and any other applicable legislation.



**THE BIRDS (DERBY) LIMITED RETIREMENT BENEFITS PLAN**

**STATEMENT OF INVESTMENT PRINCIPLES**

**FUND MANAGER**

<b>Manager</b>	<b>Funds</b>	<b>Benchmarks</b>
BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL	Aquila Life Currency Hedged World ex-UK Equity Fund	The FTSE All-World Developed ex UK Index
	UK Equity Fund	FTSE All-Shore Total Return Index
	Property Fund	IPD All Balanced Funds Weighted Average Index
	BlackRock Liability Matching Funds Leveraged £ Long Liability Nominal Profile Fund	The annual cash flows of a representative set of pension scheme liabilities
	BlackRock Liability Matching Funds Leveraged £ Short Liability Nominal Profile Fund	The annual cash flows of a representative set of pension scheme liabilities
	BlackRock Liability Matching Funds Leveraged £ Long Liability Real Profile Fund	The annual cash flows of a representative set of pension scheme liabilities
	BlackRock Liability Matching Funds Leveraged £ Short Liability Real Profile Fund	The annual cash flows of a representative set of pension scheme liabilities
Ruffer LLP 80 Victoria Street London SW1E 5JL	Sterling Liquidity Fund Premier Account	LIBID 7 day Notice
	Absolute Return Fund	No explicit benchmark
Invesco Perpetual Life Limited Perpetual Park Perpetual Park Drive Henley-on-Thames Oxfordshire RG9 1HH	Invesco Perpetual Global Targeted Returns Pension Fund	To achieve a positive total return in all market conditions over a rolling 3 year period. The fund targets a gross return of 5% p.a. above UK 3-month LIBOR and aims to achieve this with less than half the volatility of global equities, over the same rolling 3 year period.

### Appendix 3 - Compliance with Myners Report Principles

Principle	Recommendation	Comments
<b>Principle 1: Effective decision-making</b>	Trustees are asked to consider critically their collective capacity to take decisions and what skills, information and resources they need to support them in their tasks.	<b>Full Compliance.</b> <b>Decisions are taken by the Trustees on the strategic investment strategy based on advice from the Investment Adviser and Actuary.</b>
<b>Principle 2: Clear Objectives</b>	The scheme should demonstrate it has set investment objectives related to its liabilities and future expected contributions and its maturity profile.	<b>Full Compliance.</b> <b>Based on an assessment of the Scheme against its liabilities and market conditions.</b>
<b>Principle 3: Focus on Asset Allocation</b>	Myners encourages schemes "to consider all asset classes". All asset classes permitted within the regulations are considered and should be compatible with liabilities and the need for diversification.	<b>Full Compliance.</b> <b>All classes have been considered in line with the SoIP.</b>
<b>Principle 4: Expert Advice</b>	The scheme should consider whether separate tenders for actuarial and investment consultant services should be obtained.	<b>Full Compliance.</b> <b>Separate mandates are in place.</b>
<b>Principle 5: Explicit Mandates</b>	<p>The principle requires schemes to set explicit written mandates for investment managers against which they should be judged.</p> <p>The principle also requests schemes to understand the cost of transactions. Schemes should not allow "soft" commissions.</p>	<p><b>Full Compliance.</b> <b>An agreed objective, benchmark, risk profile and asset classes have been agreed with the Investment Manager.</b></p> <p><b>Full Compliance.</b></p>
<b>Principle 6: Activism</b>	The Government is considering legislation to impose an express statutory duty to use shareholder activism in line with the US Department of Labor Interpretative Bulletin.	<b>Compliance with this objective has been delegated to the Investment Managers.</b>



<p><b>Principle 7: Appropriate Benchmarks</b></p>	<p>Explicitly consider, in consultation with their investment manager(s), whether the benchmarks they have selected are appropriate.</p> <p>Consider explicitly for each asset class invested, whether active or passive management would be more appropriate given the efficiency, liquidity and level of transaction costs in the market concerned.</p> <p>Where they believe active management has the potential to achieve higher return, set both targets and risk controls that reflect this, giving the managers the freedom to pursue genuinely active strategies.</p>	<p><b>Full Compliance.</b> <b>A benchmark has been set in agreement with the Investment Managers.</b></p> <p><b>Full compliance. The Trustees have agreed on active management to achieve the scheme benchmark return.</b></p>
<p><b>Principle 8: Performance Measurement</b></p>	<p>Trustees should arrange for measurement of the performance of the Scheme and make formal assessment of their own procedures and decisions as Trustees. They should also arrange for a formal assessment of performance and decision-making delegated to advisers and managers.</p>	<p><b>Full compliance. The Trustees meet on a regular basis (at Trustees' meetings) with the Investment Consultant to review the performance of the Scheme and to discuss future objectives in the light of the liabilities of the Scheme. Based upon this the asset allocation and benchmarks may be modified as appropriate.</b></p>
<p><b>Principle 9: Transparency</b></p>	<p>The statement of investment principles looks at decision-making, the investment objective, asset allocation including projected investment returns on each asset class and how the strategy has been arrived at. This should also include the fee structure for advisers and managers.</p>	<p><b>Full Compliance. The Trustees have signed fee agreements with the Investment Managers.</b></p>
<p><b>Principle 10: Regular Reporting</b></p>	<p>Trustees should publish their Statement of Investment Principles and the results of their monitoring of advisers and managers. They should send key information from these annually to members of the scheme, including an explanation of why the Scheme has chosen to depart from any of these Principles.</p>	<p><b>Full Compliance.</b></p> <p><b>The Annual Trustees' Report and Accounts contain information about the SoIP.</b></p> <p><b>These are available to all scheme members and pensioners on request.</b></p>

**Section 4: Investment by trustees<sup>1</sup>**

- (1) The trustees of a trust scheme must exercise their powers of investment, and any fund manager to whom any discretion has been delegated under section 34 of the 1995 Act (power of investment and delegation) must exercise the discretion, in accordance with the following provisions of this regulation.
- (2) The assets must be invested –
  - (a) in the best interests of members and beneficiaries; and
  - (b) in the case of a potential conflict of interest, in the sole interest of members and beneficiaries.
- (3) The powers of investment, or the discretion, must be exercised in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.
- (4) Assets held to cover the scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the scheme.
- (5) The assets of the scheme must consist predominantly of investments admitted to trading on regulated markets.
- (6) Investment in assets which are not admitted to trading on such markets must in any event be kept to a prudent level.
- (7) The assets of the scheme must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the scheme to excessive risk concentration.
- (8) Investment in derivative instruments may be made only in so far as they –
  - (a) contribute to a reduction of risks; or
  - (b) facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income with an acceptable level of risk),and any such investment must be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.
- (9) For the purposes of paragraph (5) –
  - (a) an investment in a collective investment scheme shall be treated as an investment on a regulated market to the extent that the investments held by that scheme are themselves so invested; and
  - (b) a qualifying insurance policy shall be treated as an investment on a regulated market.
- (10) To the extent that the assets of a scheme consist of qualifying insurance policies, those policies shall be treated as satisfying the requirement for proper diversification when considering the diversification of assets as a whole in accordance with paragraph (7).

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<sup>1</sup> Extract – full regulations can be found at <http://www.opsi.gov.uk/si/si2005/20053378.htm>