

STATEMENT OF INVESTMENT PRINCIPLES

Ballylumford Power Pension Scheme

December 2023

STATEMENT OF INVESTMENT PRINCIPLES

Ballylumford Power Pension Scheme

Section	Page
1 Introduction	1
2 Division of Responsibilities	2
3 Objectives and Long Term Policy	3
4 Asset Allocation Guidelines	4
5 Investment Manager Arrangements	5
6 Monitoring and Implementation of Investment Policy	6
7 Risk Management	7

1. INTRODUCTION

Pensions (Northern Ireland) Order 1995 and 2005

- 1.1 The Pensions Order requires the Trustees of the Ballylumford Power Pension Scheme ("the Scheme") to prepare a statement of the principles ("the Statement") governing investment decisions for the purposes of the Scheme. This document fulfils that requirement.
- 1.2 In preparing this Statement the Trustees have consulted the employer and will do so whenever the Trustees intend to revise the Statement. Responsibility for maintaining the Statement and deciding investment policy rests solely with the Trustees.
- 1.3 In preparing this Statement and for the purposes of the Pensions Order the Trustees have to receive written advice from someone appropriately qualified. Such advice has been received from the Scheme's Actuarial Adviser. The Trustees will similarly obtain such advice as appropriate whenever the Statement is reviewed or revised.
- 1.4 The Trustees will review this Statement every three years and on such other occasions as may appear to them to be appropriate. The Trustees will provide copies of this Statement, as updated from time to time, to the Scheme's Investment Manager. The Investment Manager will be required to follow the principles which the Statement sets out and to report regularly showing how they have complied with the Statement.

Scheme Details

- 1.5 The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries.
- 1.6 The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.
- 1.7 Management of the Scheme and investment of the Scheme is the responsibility of the Trustees, who comprise two Members' Trustees and two Employer's Trustees.
- 1.8 In effect, the Protected Persons Regulations apply to all the members of the Scheme. The Trustees consider the investment policy and asset allocation described in this Statement are appropriate to the Protected Persons Regulations.

Financial Services and Markets Act 2000

- 1.9 In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy, but delegate responsibility of managing specific investments to the appointed Investment Manager (see paragraph 5.1). The Investment Manager provides the skill and expertise necessary to manage the investments of the Scheme competently.

2. DIVISION OF RESPONSIBILITIES

Trustees

2.1 The Trustees' responsibilities include:

- a. Determining the investment objectives of the Scheme and reviewing these from time to time.
- b. Reviewing annually the content of this Statement and modifying it if deemed appropriate, in consultation with the Actuarial Adviser.
- c. Consulting with the employer before amending this Statement.
- d. Appointing the Investment Manager.
- e. Monitoring the security and performance of the Investment Manager (see Section 6).
- f. Reviewing the long-term investment strategy following each valuation and/or any asset liability study, in consultation with the Actuarial Adviser.
- g. Monitoring the exercise of the investment powers which have been delegated to the Investment Manager.
- h. Assessing annually the service provided by the Actuarial Adviser, in particular in relation to investment advice.
- i. Informing the Actuarial Adviser of any significant Scheme changes and, if appropriate, asking the Actuarial Adviser to consider whether the changes will impact the long-term investment strategy.

Investment Manager

2.2 The Investment Manager's responsibilities include:

- a. Providing the Trustees with regular statements of the assets and transactions, sufficient for the Trustees to monitor the Investment Manager's performance.
- b. Giving effect to the principles contained in this Statement as far as reasonably practicable and informing the Trustees of any breaches.
- c. The safekeeping of the relevant assets of the Scheme.
- d. Processing all coupons and tax reclaims in a timely manner.

Actuarial Adviser

2.3 The Trustees have appointed Willis Towers Watson to provide actuarial and investment advice in connection with the Scheme. This advice will include:

- a. Performing the actuarial valuations and advising on the appropriate contribution levels.
- b. Reviewing the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme, including changes in benefits, membership and funding position as well as any other relevant external factors.
- c. Participating with the Trustees in reviews of this Statement.

3. OBJECTIVES AND LONG TERM POLICY

Objectives

- 3.1 To attempt to match the cost of securing members' accrued benefits (payable from NRA) on a buy-out basis, given the likelihood that the Scheme will be wound up.
- 3.2 To formulate investment policy prudently in the best interests of current members and beneficiaries, having due regard to relevant advice.

Policy

- 3.3 The investment policy seeks to achieve the objectives through investing in a buy-in policy already purchased and the appropriate UK Government Index-linked Gilts and cash, as set out in section 6. To the extent that the buy-in policy has met the objectives above, this Statement of Investment Principles focuses on the remaining elements of the investment strategy.

Expected Return on Investments

- 3.4 The Trustees have not set an expected return for the buy-in policy as its value will always be equal to the liability it covers.
- 3.5 The Trustees have not invested in the index-linked bonds or cash with a view to achieving excess return.

4. ASSET ALLOCATION GUIDELINES

Asset Allocation Policy

- 4.1 Excluding assets held by the buy-in policy, the Scheme may hold funds in the following asset classes:

	Minimum %	Maximum %
Index-Linked Gilts	95	100
Cash	0	5

Departures from investment policy, as defined by the asset allocation bands, are to be agreed with the Trustees.

Diversification and Suitability

- 4.2 The asset allocation policy shown above is intended to ensure that the risk of failing to meet the liabilities is reduced. The Trustees accept that the policy involves limited diversification. The Trustees have received advice from the actuarial adviser and believe that the asset allocation policy is suitable for the Scheme.

Liquidity

- 4.3 The Trustees, through the Investment Manager and the Scheme's administrators, will ensure that benefit outgo is secured through the annuity policy.

Environmental, social and governance considerations

- 4.4 The Trustees take into account financially material considerations, which include (but are not limited to) environmental, social and governance (ESG) considerations, including climate change. However, as the time horizon of the Scheme is very short (less than 2 years) and as the Scheme is invested in gilts and a buy-in policy, ESG considerations are not expected to have an impact on / be relevant to the Scheme's investment strategy.
- 4.5 From 1 October 2020, regulations require that the Statement of Investment Principles must cover the Trustees' policies in relation to the Trustees' arrangement with any asset manager. As noted in the regulations if the Trustees choose not to do so they must explain the reasons. The Trustees of the Scheme have decided against including such policies due to the nature of the Scheme's investments and the fact the Scheme is expected to be wound up within the next twelve months, The majority of the Scheme assets are held in a buy-in policy with Rothesay with the remaining assets held in UK index-

linked government bonds and cash via pooled investment vehicles. The expectation is that within the next twelve months, the policies will be assigned to the individual members and the Scheme wound up. As such the intended consequences of the new requirements are largely irrelevant. Should the wind up of the Scheme not occur in the next twelve months, the Trustees will review this determination and, if necessary, make further updates to this Statement of Investment Principles.

5. INVESTMENT MANAGER ARRANGEMENTS

Manager Structure

- 5.1 The Trustees have delegated day-to-day investment management to Legal & General Assurance (Pensions Management) Limited.
- 5.2 The terms of delegation are set out in a formal investment management agreement. This agreement includes such matters as investment objectives, investment restrictions, procedures for instructions, fees, underwriting, use of derivatives and pooled funds, and reporting and administration requirements.

Investment Objectives

5.3 The investment objectives are:

- In respect of benefits which are not held under the insurance policy to hold. UK Government 4 1/8 % Index-linked Treasury 2030 Gilts and UK Government 1 1/4 % Index-linked Treasury 2055 Gilts in broadly the following:

Asset Allocation	Weights	Target range
UK Government 4 1/8 % Index-linked Treasury 2030 Gilts	50%	+/-20%
UK Government 1 1/4 % Index-linked Treasury 2055 Gilts	50%	+/-20%

- to follow such other written instructions as the Trustees may give from time to time.

Rights attaching to investments

5.5 The investments of the Scheme do not have any rights attaching to them.

6. MONITORING AND IMPLEMENTATION OF INVESTMENT POLICY

Monitoring

- 6.1 The appointment of the Investment Manager is reviewed periodically by the Trustees. The Investment Manager has been provided with a copy of this Statement and the Trustees will monitor compliance with it.

7. RISK MANAGEMENT

7.1 The Trustees recognise a number of risks involved in the investment of the assets of the Scheme; including:

Solvency risk and mismatching risk - addressed through the asset allocation policy – both in terms of the buy-in policy and investment in gilts - and through ongoing triennial actuarial valuations.

Manager risk - addressed through the employment of a specialist manager and the monitoring arrangements described in Section 6.

Liquidity risk - addressed through the holding of investments of sufficient liquidity to meet benefit outgo from time to time.

Sponsor risk – managed through an agreed contribution and funding schedule and annual assessments on the sponsor's ability to support the Scheme

7.2 The Trustees will monitor the risks outlined in section 7.1 above.