

KeyMed Pension and Assurance Scheme (“the Scheme”)

Investment Policy Implementation Document – February 2024

1. Introduction

1.1 This Investment Policy Implementation Document (the “IPID”) has been prepared by the Trustees of the KeyMed Pension and Assurance Scheme (the “Scheme”). The IPID sets out the detailed day-to-day implementation of the investment policy documented in the Statement of Investment Principles (the “Statement”). It should be read in conjunction with the Statement, which outlines the broader framework of principles governing decisions about the Scheme’s assets.

1.2 The Trustees have obtained written professional advice from the Scheme’s Investment Consultant in preparing this IPID.

1.3 Sections of the IPID

- Section 2 sets out the governance framework
- Sections 3 and 4 set out the Scheme Strategy and Manager mandate details
- Section 5 concerns measuring risk and return
- The Appendix sets out the fee arrangements with the Scheme’s fund managers.

2. Scheme Governance

2.1 The Trustees are responsible for the investment of the Scheme’s assets. The Trustees take some decisions and delegate the balance, within the framework documented in the Statement.

2.2 The Trustees have retained the following duties and responsibilities to:

- Maintain overall responsibility for the Scheme’s investments.
- Comply with Legislation and Regulation.
- Appoint the Scheme Actuary.
- Appoint the Investment Consultant.
- Decide on investment strategy, in consultation with the Investment Consultant and the Scheme Actuary.
- Consider proposed changes, agree final changes to the Statement and consult with the Principal Employer before amending the Statement.
- Appoint the Investment Managers in consultation with the Investment Consultant.
- Monitor the Investment Consultant and Investment Managers.

- 2.3 The Investment Consultant has been appointed by the Trustees. The Investment Consultant's duties and responsibilities are to:
- Advise the Trustees on the preparation, annual review and any amendments to the Statement.
 - Advise the Trustees on investment policy as required.
 - Advise the Trustees on performance measurement.
 - Aid and advise the Trustees in its responsibility of reviewing the Investment Managers' performance including how changes at the Investment Managers' organisations could affect the interests of the Scheme.
 - Advise the Trustees on how changes in the investment environment could either present opportunities or problems for the Scheme.
 - Advise the Trustees on the selection of new Investment Managers.
 - Undertake project work as requested.

The details of the Investment Consultant's appointment, including the scope of its remit and its fees are set out in a contract entered into between the Trustees and the Investment Consultant.

- 2.4 The Investment Consultant is Mercer Limited trading as Mercer.

- 2.5 The Trustees have chosen to delegate day-to-day management of the Scheme's investments to the Investment Managers, in accordance with Section 34 of the Pensions Act 1995. The Trustees have implemented the investment arrangements by entering into long-term insurance policies and investing in pooled funds. The day-to-day management of the assets underlying this policy and held within the pooled funds are delegated to investment managers. The policy and investment management agreement (the "Agreement") set out the terms on which the underlying assets are managed. The Investment Managers' responsibilities are also governed by applicable law. The Investment Managers' roles in practice include the responsibility to:

- Manage the portfolios of assets within the investment guidelines, objectives and restrictions set out in the respective Agreements but, subject to that, exercising discretion as appropriate when investing the portfolio.
- Have regard to the need for diversification of investments so far as appropriate and to the suitability of investments.
- Exercise the powers of investment with a view to giving effect to the content of the Statement, so far as reasonably practicable.
- Provide the Trustees with a quarterly statement of the assets and cash flows and a quarterly report on the results of past actions and any changes to the investment process and, where possible, on corporate actions and their future policies in that regard.
- Inform the Trustees of any changes in the internal performance objective guidelines of any pooled fund used by the Scheme as soon as practicable.

Details of the Scheme's current Investment Managers (including a description of their mandates, benchmarks and the basis of their remuneration) are set

out in Section 3 and 4. The funds available to members investing AVCs are also set out in Section 5.

- 2.6 For the pooled funds, the safekeeping of the underlying assets is undertaken by parties selected by the fiduciaries of the pooled funds. The Custodians are responsible for the safekeeping of the Scheme's assets and performs the associated administrative duties (e.g. trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting). The Custodian's duties and responsibilities are to:
- Hold the Scheme's assets for safekeeping
 - Settle all investment trades as instructed by the Investment Managers.
- 2.7 The Scheme Actuary assesses the financial position of the Defined Benefit Section of the Scheme at least every three years, in accordance with regulatory requirements. The Scheme Actuary's role with regard to investments is to:
- Perform the triennial (or more frequently as required) valuations and advise the Trustees on the appropriate contribution levels.
 - Provide the Investment Consultant with information regarding the financial characteristics of the Scheme and to enable the Investment Consultant to review the suitability of the Scheme's investment strategy.
 - Advise the Trustees, in conjunction with the Investment Consultant, on how changes in the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested.
- 2.8 The Principal Employer is KeyMed (Medical and Industrial Equipment) Limited.

3. Scheme Benchmarks and Investment Manager Mandates

Defined Benefit Section

- 3.1 The Trustees have set a longer-term objective to buy out all of the Scheme's liabilities. As an interim step, an annuity policy for the remaining members has been purchased in the form of a buy-in with an annuity provider (i.e. an insurance company). The insurance company selected is Aviva Life & Pensions UK Limited ("Aviva").
- 3.2 The Trustees also seek to preserve the capital of the residual assets held by the Scheme, whilst producing an appropriate level of return, via low-risk investments in UK government bonds and a cash fund.
- 3.3 The majority of the residual assets are held in cash with a small holding in gilt funds to broadly replicate the liability profile and act as an interim source of assets to meet additional transfer value payments out of the Scheme not covered by Aviva. The Scheme's current actual asset allocations are set out below.

Asset Type	Benchmark Allocation %
UK index-linked gilts	4.1
UK fixed interest gilts	5.1
Sterling Liquidity Fund	90.8
Total	100.0

Source: LGIM. As at 30 June 2021

- 3.4 There is no automatic rebalancing, the split between fixed and index-linked securities is left to develop in line with the returns on the relevant pooled funds.
- 3.5 The Trustees review the Scheme's overall asset allocation every six months by receiving and reviewing reports from the Investment Consultant.
- 3.6 The mandate details established for the Scheme's investment manager are set out in the following sections.
- 3.7 **Legal & General Investment Management ("L&G")**
- 3.8 L&G manage the Scheme's residual assets in pooled funds consisting of gilts and index-linked gilts with the aim of broadly matching the return in the Scheme's liabilities using physical gilts, as well as cash.

The assets managed by L&G are not benchmarked against a specific benchmark albeit the assets were invested in line with the benchmark asset allocation shown in the table above at the outset of the mandate managed by L&G.

4. Defined Contribution Section

- 4.1 The following sections set out details of each of the funds offered to DC members as managed by Mercer Global Investments Europe Limited.

Lifestyling

- 4.2 As set out in the Statement of Investment Principles, members have the choice of investing in one of three lifestyle options. Each option invests in either the High Growth, Growth or Moderate Growth (default option) fund during the "Growth Phase" and over 5 years switches into the Defensive Fund to gilts and cash as members approach retirement.
- 4.3 The following matrix, showing the quarterly de-risking glidepath from the Growth Phase fund to the Defensive Fund is in place for all three lifestyle options:

Lifestyle switch	Growth Phase Fund	Defensive Fund	Total
5 years to retirement	100%	0%	100%
	97.5%	2.5%	100%
	95%	5%	100%
	92.5%	7.5%	100%
4 Years to retirement	90%	10%	100%

Lifestyle switch	Growth Phase Fund	Defensive Fund	Total
	85%	15%	100%
	80%	20%	100%
	75%	25%	100%
3 Years to retirement	70%	30%	100%
	65%	35%	100%
	60%	40%	100%
	55%	45%	100%
2 Years to retirement	50%	50%	100%
	45%	55%	100%
	40%	60%	100%
	35%	65%	100%
1 Year to retirement	30%	70%	100%
	22.5%	77.5%	100%
	15%	85%	100%
	7.5%	92.5%	100%
Retirement	0%	100%	100%

Freestyle (Risk Profiled and Standalone) Funds

- 4.4 The Trustees have made available the following risk-profiled funds – Mercer High Growth, Mercer Growth, Mercer Moderate Growth and Mercer Defensive – if a member chooses to invest under freestyle, which the member decides the investment portfolio for themselves.

Objective (in terms of long term capital growth)	High	Moderate to High	Low to Moderate	Stable	
Risk Profiled Fund	Mercer High Growth	Mercer Growth	Mercer Moderate	Mercer Defensive	Benchmark
UBS Multi Factor Global Equity	12.0%	7.5%	-	-	MSCI Diversified Multi Factor Custom (NDR) Index
LGIM Sustainable Global Equity	14.0%	9.5%	8.0%	-	Solactive Sustainable Global Developed Equity EU-Paris Aligned Index
BlackRock - UK Equity	2.5%	3.0%	2.5%	-	MSCI UK Index
BlackRock - Europe Equity Ex-UK	3.5%	4.0%	3.5%	-	MSCI Europe ex UK Index
ILIM Emerging Markets Equity	13.0%	11.0%	8.0%	-	MSCI Emerging Markets (ex Selected Securities) Index

UBS Low Volatility Equity	8.0%	8.0%	7.0%	10.5%	Morningstar Developed Markets Large-Mid Cap Minimum Volatility Reduced Carbon Select Index
UBS Global Small Cap Equity	10.0%	8.0%	4.0%	-	MSCI World Small Cap (NDR) Index
LGIM Passive Climate Transition Listed Infrastructure	5.0%	7.5%	5.0%	2.0%	FTSE Global Core Infrastructure TPI Climate Transition Index
LGIM Global REITS	5.0%	7.5%	5.0%	2.0%	FTSE EPRA/NAREIT Developed REITs Index
Acadian Systematic Macro	5.0%	4.0%	5.0%	5.0%	FTSE GBP 1 Month Euro Deposit Index
ILIM Emerging Markets Debt – Hard Currency	4.0%	4.0%	4.0%	2.5%	JP Morgan ESG EMBI Global Diversified Index
ILIM Emerging Markets Debt	4.0%	4.0%	4.0%	2.5%	JPM ESG Government Bond Index - EM Global Diversified Index
SSgA Passive Global High Yield Bonds	14.0%	7.0%	9.5%	7.0%	JPM ESG Global High Yield BB-B Rated Liquid Corporate Index
BlackRock UK Credit	-	1.5%	2.3%	7.0%	iBoxx Sterling Non-Gilts Index
BlackRock US Credit	-	2.0%	3.0%	4.8%	FTSE Euro Dollar Bond Index
SSgA Eurozone Credit	-	1.5%	2.3%	2.3%	Bloomberg Barclays Euro Aggregate Corporate Index
Mercer Short Duration Bonds	-	2.0%	6.0%	8.0%	JP Morgan GBI Global 1-3 year Hedged
Mercer Absolute Return Fixed Income	-	3.0%	5.0%	6.0%	FTSE GBP 1 Month Euro Deposit Index
BlackRock UK Gilts	-	-	5.0%	14.0%	FTSE A UK Conventional Gilts All Stocks Index
BlackRock - UK Inflation Linked Gilts	-	-	2.3%	11.0%	FTSE A Over 5 Year Index-Linked Gilts Index
BlackRock - Global Inflation-Linked Bond	-	3.0%	4.8%	5.0%	Bloomberg World Government Inflation-Linked Bond Index
Invesco - Gold	-	2.0%	-	-	LBMA Gold Price
UBS Cash	-	-	4.0%	10.5%	FTSE GBP 1 Month Euro Deposit Index
Total	100.0%	100.0%	100.0%	100.0%	
Target p.a. (FTSE GBP 1 month Euro)	+4.5%	+4.0%	+3.0%	+1.0%	

As at 30 September 2023

Information of the fees to these funds can be found in the appendix.

- 4.5 Additionally the Trustees have made the below standalone funds available to freestyle members

Fund	Benchmark
Passive Global Sustainable Equity	Solactive Sustainable Global Developed Equity EU Paris-Aligned Index
BlackRock Aquila MSCI World Index	MSCI World
BlackRock Sterling Liquidity (Cash)	Bank Of England Sterling Overnight Index Average

As at 30 September 2023

Information of the fees to these funds can be found in the appendix.

5. Additional Voluntary Contributions (“AVC”)

5.1 Defined Benefit Section

- 5.2 Members are offered the ability to accrue additional years of service or a higher accrual rate in exchange for AVCs. In the past members have been given the option to choose to invest AVCs in one or a combination of the following funds with Standard Life, although this is now closed to new contributions:

With Profits Fund
Managed Fund
Pension Sterling Fund

5.3 Defined Contribution Section

- 5.4 Members can choose to invest AVCs in the same range of options that are offered for their main contributions, as set out Sections 4.2, 4.3, 4.4 and 4.5.

6. Monitoring of Risk and Return

- 6.1 The Trustees receive six monthly reports for DB section and quarterly reports for DC section from the investment managers and investment consultant. The investment consultant advises the Trustees when there are significant changes to their rating of the investment managers' products in which the Scheme invests.
- 6.2 Returns and risk are assessed through the performance reports and for the Defined Benefit section by assessing performance against the liabilities.

Appendix

1. This Appendix to the IPID of the KeyMed Pension and Assurance Scheme (the "Scheme") contains the fee scales negotiated with the Scheme's Investment Managers. The fee scales are regarded as commercially sensitive information. Consequently, distribution of this Appendix is restricted to the Trustees, Investment Consultant, Scheme Actuary and Scheme Auditor.

2. **Investment Advisor Fee Schedules**

3. **Manager Fees**

Set out below are the fee schedules for each manager in relation to both the DB and DC investments.

4. **Legal & General DB Section**

For each pooled fund, the following fees apply:

Fund	Ad Valorem charge % p.a.
Single Pooled Gilt Funds	0.100% on the first £5m of assets, 0.075% on the next £5m of assets, 0.050% on the next £20m of assets, and 0.030% on the balance above £30m
Sterling Liquidity Fund	0.125% on the first £5m of assets, 0.100% on the next £5m of assets, 0.075% on the next £20m of assets, and 0.050% on the balance above £30m

5. **Mercer Global Investments - DC Section**

Fund	TER % pa
High Growth fund	0.275
Growth Fund	0.251
Moderate Growth Fund	0.267
Defensive Fund	0.280
Passive Global Sustainable Equity Fund	0.130
BlackRock Aquila MSCI World Index Fund	0.084
BlackRock Sterling Liquidity Fund (Cash)	0.140

As at 30 September 2023

There are no additional charges incurred for switching DC funds. All charges are deducted within the unit price and included in the Total Expense Ratio (TER) which varies on an annual basis.