

Hays Pension Scheme

Investment Policy Implementation Document May 2024

1. Introduction

- 1.1 This Investment Policy Implementation Document (the “IPID”) has been prepared by the Trustee of the Hays Pension Scheme (the “Scheme”). The IPID sets out the detail of the Scheme’s investment arrangements, based on the principles documented in the Statement of Investment Principles (the “Statement”) dated May 2024.

2. Scheme Governance

- 2.1 The Trustee has established an Investment Sub-Committee (the “ISC”) to focus on investment matters. In addition, the Trustee has appointed a firm of professional consultants (the “Investment Consultant”) to provide relevant advice to the ISC and the Trustee.
- 2.2 As Trustee, we are accountable for the investment of the Scheme assets. We delegate some aspects of the Scheme’s investment arrangements to the ISC and to the Investment Consultant in order to provide greater focus on investment matters and to improve the efficiency of the investment decision - making process.
- 2.3 The Trustee retains responsibility for setting investment objectives and the Scheme’s strategic benchmark, approving any changes to the Statement and IPID, selecting asset classes and exposures and the termination and appointment of the Investment Consultant, custodian and Investment Managers.
- 2.4 Under delegated authority and along with the advice taken from the Investment Consultant, the ISC has the responsibility in the following areas:
- 2.4.1 Strategic Asset Allocation
- Reviewing the Scheme’s asset allocation against the Statement and making recommendations to the Trustee Board (“the Board”) on any changes;
 - Approving the rebalancing of the portfolio as required to meet the strategic asset allocation agreed by the Board;
 - Approving investment benchmarks within each asset class;

- Reviewing the outlook for capital markets and making investment related recommendations to the Board on changes to the investment policy;

2.4.2 Monitoring the Investment Managers

- Meeting with each of the Scheme's investment managers to discuss their performance, actions and future strategy. Typically the ISC will meet with each manager on a regular basis, ideally once a year;
- Reporting to the Board any material concerns resulting from these meetings;
- Negotiating fee scales for investment managers;
- Monitoring investment consultant activity in line with the "Strategic Objectives for Investment Consultancy Services" agreed for the Scheme, and reporting annually to the Board on the investment consultant's performance;

2.4.3 Monitoring investment policy

- Reviewing the Statement and making recommendations for changes to the Statement to the Board. Any changes to the Statement must be approved by the Board;
- Maintaining the IPID to record how the Scheme's investment strategies are implemented. The IPID will be reviewed by the Investment Sub-Committee at least annually. Any material changes to the IPID must be approved by the Board;

2.4.4 Monitoring Risk

- Keeping under review the nature, probability and severity of investment risks within the Scheme and the adequacy of controls and to report to the Board thereon.

2.5 In addition, the Trustee may, on an ad hoc basis, delegate work or power to the ISC to make decisions within defined parameters and in the following areas:

- Approving and executing all documentation relating to a fund manager's or transition manager's appointment and the implementation of transitions;
- Implementing the investment strategy as set out in the Statement and IPID, including manager selection and the timing and extent of any commitment to asset classes within limits set out by the Statement and IPID, and any limits set by the Trustee;

- 2.6 The Investment Managers are responsible for the day-to-day management of the Scheme’s assets in accordance with guidelines agreed with the Trustee. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines.
- 2.7 The Scheme has two sections:
- A Defined Benefit section which comprises the majority of the Scheme’s assets and;
 - Members’ Additional Voluntary Contributions (“AVCs”).

Defined Benefit Section

3. Overview

- 3.1 This document sets out the current investment arrangements.
- 3.2 Investment policy can be considered in two parts; (1) the strategic management, which is one of the fundamental responsibilities of the Trustee; and (2) the day-to-day management of the assets, which has been delegated to professional investment managers.

4. Strategic Management

- 4.1 The strategic asset allocation of the Scheme’s physical assets between the major asset classes is detailed in the table below.

Asset Class	Strategic asset Allocation (%)
Matching Assets	69.0
Corporate Bonds	33.5
LDI / Collateral portfolio ¹	35.5
Bulk Annuity²	31.0
Total	100.0

¹ Consisting primarily of UK Gilts, Network Rail bonds and cash.

² Based on latest available buy-in value as at 31 March 2024.

- 4.2 The strategic asset allocation of the assets, excluding the bulk annuity is shown below.

Asset Class	Strategic asset Allocation (exc buy-in) (%)
Matching Assets	100.0
Corporate Bonds	48.5
LDI / Collateral portfolio ¹	51.5

Asset Class	Strategic asset Allocation (exc buy-in) (%)
Total	100.0

¹ Consisting primarily of UK Gilts, Network Rail bonds and cash.

- 4.3 Given the Trustee’s investment objectives (as set out in the Statement of Investment Principles), the Trustee has decided to pursue a strategy which aligns with its objective to pursue a buy-in transaction with an insurance company in the near-term future.
- 4.4 This has led to the Trustee adopting a solvency funding target which broadly represents the actuary’s view of average insurer pricing at a point in time. This calculation is based on the investment returns that would be expected on insurer portfolios, as well as other factors influencing insurer pricing such as mortality pricing, demographic assumptions and supply-demand dynamics in the insurance market.
- 4.5 The Trustee’s investment strategy consists of a “terminal portfolio” which broadly aligns with the Scheme’s liabilities, valued on the actuary’s solvency (proxy for insurer pricing) basis. The solvency basis has been approximated using a gilt yield curve with an outperformance margin of – 0.22%.

It was agreed to target an interest rate hedge ratio of 95% and an inflation hedge ratio of 95% on the gilts-0.22% p.a. basis, as a percentage of the Scheme’s residual liabilities.

5. Expected Return

- 5.1 The Trustee expects the current strategy (total scheme) to generate a return, over the long term, of circa 0.2% per annum above that which would have been achieved had the Trustee invested solely in a portfolio of long dated Government bonds. This is based on Mercer’s “best estimate” asset class return (“beta”) assumptions.

6. Day-to-Day Management of the Assets

- 6.1 The Trustee has selected Investment Managers to manage the Scheme’s defined benefit assets on its behalf. Details of the Scheme’s mandates (and the performance objective the Trustee monitors the managers against) are shown below:

6.1.1	Investment Manager:	Insight
	Product:	Enhanced Buy and Maintain Bond Fund
	Investment Type:	Segregated
	Asset Class:	Investment Grade Credit
	Mandate Benchmark:	n/a
	Tracking Error Target:	n/a
	Performance Objective:	Avoid material credit-related loss on portfolio of investment-grade corporate bonds
	Performance Review Period:	n/a
	Strategic Allocation (exc buy-in):	48.5%

6.1.2

Investment Manager	Deutsche Bank Group DB Advisors (“Deutsche”)
Product:	Managed Sterling Fund
Investment Type:	Pooled
Asset Class:	Cash
Mandate Benchmark:	1 Week £ LIBID
Tracking Error Target:	n/a
Performance Objective:	To maximise current income consistent with the preservation of principal
Performance Review Period:	Rolling three year periods
Strategic Allocation (exc buy-in):	N/A – does not form part of the strategic benchmark

6.1.3

Investment Manager	Insight Investment Funds Management Limited (“Insight”)
Product:	Liability Driven Investment
Investment Type:	Segregated
Asset Class:	Bonds, Cash and Derivatives
Mandate Benchmark:	n/a
Tracking Error Target:	n/a
Performance Objective:	Objective is to target an interest rate hedge ratio of 95% and an inflation hedge ratio of 95% on the gilts – 0.22% p.a. basis (proxy for solvency funding basis) as a percentage of residual Scheme liabilities and to outperform the bespoke benchmark as defined in the Insight LDI Guidelines
Performance Review Period:	n/a
Strategic Allocation (exc buy-in):	51.5%

6.1.4	Investment Manager	Canada Life Financial
	Product:	Bulk Annuity
	Investment Type:	Segregated
	Asset Class:	Bulk Annuity
	Performance Objective:	Objective is to meet liabilities of all pensioners as at 31 December 2017. Therefore provides hedge against all pensioner liabilities at this date.
	Performance Review Period:	n/a
	Strategic Allocation (exc buy-in):	-

6.2 The Investment Managers provide quarterly investment reports to the Trustee including:

- A valuation of all investments held for the Scheme at prevailing market value on the last day of the quarter;
- Records of all transactions together with a cash reconciliation; and
- A review of recent actions undertaken on behalf of the Scheme together with a summary of the Investment Manager's current stated policy.

Rebalancing Policy

6.3 Within the quarterly reporting provided by the Investment Consultant there is a summary of the Scheme's actual asset allocation relative to that being targeted. Based on the advice of the Investment Consultant, the Trustee will normally direct cash flows to help rebalance the portfolio back towards the benchmark allocation. Circumstances will periodically arise when this is not appropriate and this is minuted accordingly.

6.4 Working alongside this, a rebalancing policy has been introduced. This is required to cover market movements for which the regular cashflow is not sufficient to move the managers close enough to the overall benchmark asset allocation. There is no strategic rebalancing range for the bulk annuity, as the policy will move in line with the value of the insured liabilities. The rebalancing is expected to occur when the ranges set out in the table below are breached, though is subject to decision by the ISC as part of their quarterly monitoring of the investment strategy.

Asset Class/Mandate	Investment Manager	SAA (exc buy-in) (%)	Rebalancing Range (%)
Matching Allocation		100.0	
Corporate Bonds	Insight	48.5	±10.0
LDI / Collateral portfolio	Insight	51.5	±10.0
Total	-	100.0	-

7. **AVC Section**

7.1 Members' Additional Voluntary Contributions ("AVCs") are invested with Aviva and Prudential Assurance Company Limited.

7.2 Members no longer have the opportunity to invest contributions into AVCs.

8. **Advisors**

Custodian

8.1 The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers.

8.2 Given that the Scheme invests predominately in pooled funds, the safekeeping of the underlying assets is undertaken by parties selected by the fiduciaries of the pooled funds.

8.3 In relation to the segregated investments with Insight, the Trustee has appointed BNY Mellon Asset Servicing B.V (BNY Mellon) as custodian.

Scheme Actuary

8.4 The Scheme Actuary performs a valuation of the Scheme at least every three years, in accordance with regulatory requirements. The latest actuarial valuation was performed as at 30 June 2021 by the Scheme Actuary. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree the employer's contribution rate.

8.5 Alec Day of Hymans Robertson is the appointed Scheme Actuary.

Investment Consultant

8.6 Whilst the day-to-day management of the Scheme's assets is delegated to investment managers, all other investment decisions including strategic asset allocation and selection and monitoring of investment managers is

based on advice received from the Investment Consultant. Mercer Limited has been appointed for this purpose.

Investment Accounting Services

8.7 As part of the range of services BNY Mellon provide as custodian, the Trustee has requested that they provide investment accounting services in relation to the segregated assets.

9. Fee Structures

9.1 The investment managers generally levy fees based on a percentage of the value of the assets under management and performance related element.

9.2 The custodian has a fee basis that is a mixture of fixed fees and a percentage of the value of the assets under their custody in line with standard industry practice.

9.3 The Scheme Actuary typically works on the basis of time cost; however in certain circumstances a fixed fee will be agreed.

9.4 The Investment Consultant typically works on the basis of time cost; however, in certain circumstances a fixed fee will be agreed.

Signed on behalf of Hays Pension Trustee Limited, Trustee of the Hays Pension Scheme.

Signed: _____ Date: _____

Name: _____

Signed: _____ Date: _____

Name: _____