

# ST ANDREW'S HEALTHCARE PENSION SCHEME

## INVESTMENT POLICY IMPLEMENTATION DOCUMENT

### SEPTEMBER 2020

#### 1. Introduction

This document is supplemental to the Statement of Investment Principles (“the Statement”) and contains the investment policy of the St Andrew’s Pension Trustee Limited (“the Pension Trustee”) on behalf of the St. Andrew’s Healthcare Pension Scheme (“the Scheme”). The investment policy falls into two parts: (1) the strategic management, the setting of which is one of the fundamental responsibilities of the Pension Trustee, and (2) the day-to-day management of the assets, which has been delegated to professional investment managers (“the Investment Managers”).

#### 2. Strategic Management

The current strategic asset allocation is shown below:

Asset Class	Strategy %
Growth	45.0%
Bond-Like	55.0%

#### 2.1 De-risking policy

In addition to the above, a process has also been agreed for how the growth / bond-like split will evolve over time. This is set out in the table below:

End Year	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)	2025 (%)	2026 (%)	2027 (%)
Growth	70	65	60	55	50	45	40	35	30	25	20
Bond-Like	30	35	40	45	50	55	60	65	70	75	80

The implementation of the de-risking has been delegated to the Investment Committee who have flexibility to deviate from the above taking into account the Scheme’s funding position and / or market conditions. However, in normal circumstances the expectation is that the growth allocation will reduce by 5% each year. The current target allocation is the 2022 split reflecting the Pension Trustee’s belief that the Scheme can take less risk going forward than the proposed path above.

#### 3. Day-to-Day Management of the Assets

The investment managers are responsible for day-to-day management of the Scheme’s assets. The majority of the Scheme’s assets are invested in pooled funds managed respectively by AXA, Majedie, Cantillon, Orbis, Genesis, CQS and Aberdeen Standard. A small illiquid holding (c.0.5% of Scheme’s assets) is invested in a segregated account at Pershing Nominees managed by Odey Wealth Management (‘Odey’) on behalf of the Scheme on a discretionary basis.

The investment managers have full discretion to buy and sell investments on behalf of the Scheme, subject to the constraints of their mandates. The Pension Trustee has entered into

signed Agreements with the investment managers, the terms of which are consistent with the principles contained in the Statement.

The Agreements provide important protection for the Scheme itself and for the Pension Trustee. They also set out the terms, including performance objectives, risk parameters, and timescales, on which the specific mandates are managed. The investment briefs, guidelines and restrictions under which the investment managers work have therefore been agreed in writing.

The Agreements with the investment managers include a number of guidelines and restrictions which, among other things, are designed to ensure that only suitable investments are held by the Scheme. Whilst the Investment Committee regularly monitors each manager against specific outperformance targets, both the Investment Committee and the Pension Trustee recognise that there may be other reasons for continuing to hold assets with specific investment managers (for example due to attractive positioning of the underlying portfolio, or for the purposes of diversification).

Investments with the investment managers are in pooled funds (other than a legacy illiquid holding at Odey). The safekeeping of all assets is performed on the Pension Trustee's behalf by custodian banks specifically appointed to undertake this function, and whose appointment is reviewed at regular intervals by the investment managers.

The strategic benchmark for the Scheme's investment arrangements is set out on the table below:

Asset Class	Investment Manager	Allocation (%)	Benchmark	Outperformance Target (% p.a.)
<b>Growth</b>		<b>45.0</b>		
<b>UK Equity</b>		<b>16.0</b>		
UK	AXA	8.0	FTSE All-Share	2.0 <sup>1</sup>
UK	Majedie	8.0	FTSE All-Share	2.0 <sup>1</sup>
<b>Global Equity</b>		<b>29.0</b>		
Global	Cantillon	11.0	MSCI World Hedged	2.0 <sup>1</sup>
Global	Orbis	11.0	FTSE World	2.0 <sup>1</sup>
Emerging Markets	Genesis	7.0	MSCI Emerging	2.0 <sup>1</sup>
<b>Bond/Bond-Like</b>		<b>55.0</b>		
<b>Bonds</b>		<b>50.0</b>		
Multi-Asset Credit	CQS	10.0	LIBOR	4.0 – 5.0
Corporate Bonds	Aberdeen Standard	10.0	ML UK Non-Gilt All	0.5 <sup>2</sup>
Index-Linked Gilts	Aberdeen Standard / Vanguard	30.0	Bar UK Govt Inf-Link	0.0
<b>Cash</b>		<b>5.0</b>		
Cash	Aberdeen Standard	5.0	SONIA	0.0
<b>Total</b>		<b>100.0</b>		

Outperformance targets are quoted net of fees

<sup>1</sup> These equity managers manage their portfolios on an unconstrained basis. They do have benchmarks, but are not officially measured against them. Consequently, they do not have official outperformance or tracking error targets. However, we believe it is reasonable to measure them against a target level of outperformance of 2.0% p.a. net of fees.

<sup>2</sup> Calculated by Mercer using Aberdeen Standard's 0.8% p.a. gross of fees outperformance target, and deducting the 0.3%p.a. management fee on assets less than £20m, to give a net of fees outperformance target.

The individual investment managers' mandates are set out in more detail overleaf.

The Pension Trustee have instructed Odey to realise the illiquid holding following the disposal of the Odey International Allegra Fund when sufficient market opportunities arise to sell the asset at, or close to, its intrinsic value. The Pension Trustee will be consulted on any required action when liquidity events occur. Pershing Nominees as custodian charges a 0.05% p.a. custody charge whilst Odey does not charge a management fee.

## 4. Investment Managers

**UK Equities**

Manager	Fund	Expected Tracking Error	Fees
AXA	AXA UK Select Opportunities	n/a <sup>1</sup>	0.75% p.a. (including client rebate)
Majedie	UK Equity Service	2.0% - 6.0% p.a.	Flat fee: 0.45% on first £20m, 0.40% on next £10m Performance fee: 20% of gross return in excess of 1% above benchmark

<sup>1</sup> AXA manage their portfolio on an unconstrained basis. They do have a benchmark but are not formally measured against it. Consequently, they do not have an official tracking error target.

**Global Equities**

Manager	Fund	Expected Tracking Error	Fees
Cantillon	Cantillon Global Value	n/a <sup>1</sup>	1.25% p.a.
Orbis	Orbis Global Equity Fund	Consistent with past performance (approx 10% p.a.)	Performance related from 0.5% p.a. to 2.5% p.a, depending on the three-year trailing performance against benchmark
Genesis	Genesis Emerging Markets Investment Company	6.0% p.a.	0.9% p.a. for assets less than US\$100m, 0.75% p.a. for next US\$150m and 0.65% p.a. thereafter

<sup>1</sup> These equity managers manage their portfolios on an unconstrained basis. They do have benchmarks but are not formally measured against them. Consequently, they do not have official outperformance or tracking error targets.

4.1 **Bonds**

Manager	Fund	Expected Tracking Error	Fees
CQS	Credit Multi-Asset Fund	4.0% - 5.0% p.a. <sup>1</sup>	0.65% p.a. on the first £125m, 0.50% p.a. on the next £875m, 0.40% p.a. thereafter <sup>2</sup>
Aberdeen Standard	Corporate Bonds	0.5% - 2.0% p.a.	0.3% p.a. for assets less than £20m, 0.25% on next £30m
Aberdeen Standard / Vanguard	Index-Linked Gilts	Up to 0.35% p.a.	0.09% p.a.

<sup>1</sup> Estimate of absolute volatility, over a full market cycle.

<sup>2</sup> Based on assets in the overall share class. The current blended fee as at 28 February 2019 is 0.52% p.a.

**Cash**

Manager	Fund	Expected Tracking Error	Fees
Aberdeen Standard	Deposit & Treasury Fund	n/a	0.10% p.a.

5. **Rebalancing**

The Pension Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise. Thus, the majority of the assets held are realisable at short notice through the sale of units in pooled funds.

There is no formal rebalancing between managers in order to maintain the overall strategic benchmark or the allocation between the managers as set out in the table above. The Pension Trustee will use cashflows or transfers between the managers in order to maintain or move towards the desired asset allocation depending on where the Scheme is relative to its target allocation for that year.

The Pension Trustee has a formal cashflow monitoring policy which is implemented by the Investment Committee. Mercer provides cashflow and rebalancing advice prior to Investment Committee meetings based on cashflow forecasts provided on behalf of the Pension Trustee. The Investment Committee considers the advice and agrees a course of action which is signed off at each Investment Committee meeting.

**6. Additional Voluntary Contributions**

Scheme members have additional voluntary contribution (“AVC”) investment options with the following investment managers:

The Equitable Life Assurance Company Limited  
Standard Life Assurance Company Limited