

Building Societies Association Pension and Assurance (No.3) Scheme

Statement of Investment Principles

1.1 Purpose of the Statement

The Trustee of the Building Societies Association Pension and Assurance (No. 3) Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (the “Statement”). In doing so, they comply with the requirements of the Pensions Act 1995 as amended (the “Act”) and fulfil the spirit of the Code of Best Practice for Institutional Investment (the “Myners Code”).

1.2 Advice

The Trustee has obtained written advice on the content of this Statement from Mercer Ltd (the “Investment Consultant”), as appointed by the Trustee. The Investment Consultant provides strategic and other investment advice as agreed with the Trustee from time to time.

1.3 Consultation

The Trustee in preparing this Statement have also consulted the Building Societies Association, the sponsoring employer of the Scheme, in particular on the Trustee’s investment objectives and strategy. The Trustee has taken advice from the Investment Consultant. However, the Trustee has made all the decisions taken in drawing up this Statement.

1.4 Investment Powers

The investment powers of the Trustee is set out in the Trust Deed and Rules of the Scheme. This Statement relates to and is consistent with those powers. Neither the Statement nor the Trust Deed restricts the Trustee’s investment powers by requiring the consent of the sponsoring employer.

1.5 **Investment Objectives**

The Scheme is a Defined Benefit Scheme with a Defined Contribution underpin.

The Trustee has secured the liabilities of the Scheme through an insurance contract with Aviva. The Scheme has also retained a pool of liquid cash assets to cover any remaining payments that may be required to allow for equalisation top-up payments that may be due, winding up payments, Trustee Indemnity Insurance premiums and other expenses.

1.6 **Risk**

There are various risks to which any pension scheme is exposed, which are considered to be financially material to the Scheme over its anticipated lifetime. The primary investment risk arises from a mismatch between the Scheme's assets and liabilities, however, this is minimised through implementation of the buy-in policy covering 100% of the liabilities of the Scheme.

The Trustee recognises that the buy-in policy places significant counterparty risk with the provider, Aviva, but the Trustee notes that the policy is governed by insurance market solvency regulations and the Trustee sought to mitigate counterparty risk through careful choice of the provider, having considered the associated contractual terms.

1.7 **Investment Strategy**

Following implementation of the buy-in policy with Aviva, the investment strategy makes use of the following investments:

- a. Aviva buy-in policy
- b. Liquid cash or other money markets instruments

It is anticipated that the buy-in policy will only be held until such time as it can be converted into a buyout to enable the Scheme to be wound-up. In the interim period, the balance between the investments will simply be a reflection of the underlying cashflows over time, rather than being determined strategically.

The expected return of these assets is effectively nil and the focus is on distributing capital as necessary to meet member benefit obligations.

1.8 **Other matters**

In view of the (a) limited kinds of investment held by the Scheme and (b) the short period until the Scheme is expected to be wound up, the Trustee considers that it is reasonable that there should be no formal policy in relation to the balance between different investments, the expected return on investments, financially material considerations and non-financial matters, stewardship and voting, and arrangements with asset managers.

With regards to non-financial matters, the focus is on collecting proceeds from these assets and so non-financial matters are not applicable to the assets.

There are no outstanding assets with voting rights attached.

1.9 **Review of this Statement**

The Trustee will review this Statement on a periodic basis and also in response to any material changes to any aspects of the Scheme, its liabilities, finances and attitude to risk of the Trustee and sponsoring employer, which they judge to have a bearing on the stated investment policy. Any such review will again be based on expert investment advice and will be in consultation with the sponsoring employer.

December 2021 (Previous version dated May 2021)