

# BELFAST HARBOUR COMMISSIONERS' PENSION SCHEME

## STATEMENT OF INVESTMENT PRINCIPLES – DEFINED BENEFIT SECTION

### 1. INTRODUCTION

Belfast Harbour Pension Fund Limited the Trustee of the Belfast Harbour Commissioners' Pension Scheme (the "Scheme") has drawn up this Statement of Investment Principles for the Defined Benefit Section of the Scheme ("the Statement") to comply with the following legislation:

- Pensions (Northern Ireland) Order 1995 ("the Act"), as amended.
- The Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015; and
- Subsequent legislation.

As required under the Act, the Trustee has consulted a suitably qualified person in obtaining written advice from Mercer Limited. The Trustee in preparing this Statement has also consulted the sponsoring Employer, Belfast Harbour Commissioners (the "Commissioners"), in particular on the Trustee's Investment objectives.

### 2. INVESTMENT OBJECTIVES AND RISK

#### 2.1 Investment Objectives

The Trustees consider that its broad objective is to invest the Scheme's assets in such a manner that members' entitlements can be paid when they fall due. As a key step to achieving this, the Trustees, following consultation with the Company, has entered into a bulk annuity contract issued by Aviva. Aviva is authorised by the Prudential Regulation Authority to write contracts of long term life insurance of this nature in the UK.

In due course, in order to complete buy-out, the known members' benefits will be secured by means of individual annuity policies issued by Aviva directly to the members, in accordance with the terms of the bulk annuity policies. The Scheme will then be wound up. The aim is to complete the Scheme's buy-out and wind-up as soon as practicable.

Future benefits payable from the Scheme prior to buy-out will be funded by the bulk annuity policy.

#### 2.2 Risk Management Methodology

There are various risks to which any pension scheme is exposed. The Trustees consider the following risks to be relevant to their situation in relation to the Scheme's investments:

**Counterparty risk.** Between now and the completion of the buy-out, the principal risk facing the Trustees and Scheme members is that Aviva may default on its obligations under the bulk annuity policy. Before entering into the bulk annuity contracts, the Trustees obtained and carefully considered professional advice regarding the suitability of Aviva as a provider. In addition the Trustees are aware of regulatory oversight and intervention, and, ultimately that there is a level of protection offered to members by the Financial Services Compensation Scheme (“FSCS”).

**Liquidity risk.** This is measured by the level of cashflow required by the Scheme over a specific period. The Trustees do not expect to be able to obtain cash from the bulk annuity policy other than in respect of benefits insured with Aviva. The Trustee recognises that there could be a high volume of unexpected early retirements with lump-sums, however, in this instance the Trustees would ask Aviva to provide sufficient cash to cover this.

**Lack of diversification.** The Trustees recognise that the decision to invest in a bulk annuity contract with a single provider, whilst reducing operational risks and complexity, represents a concentration of investment risk. However, after careful scrutiny of the provider prior to transaction, the Trustees are satisfied that the degree of risk taken is acceptable. In addition, Aviva invest in a diverse portfolio of assets to mitigate this risk.

## **2.3 Investment Strategy**

The Trustee’s long term objective is to meet its pension obligations by the use of a bulk annuity. To this end the Trustees have purchased one bulk annuity policy with Aviva. All liabilities are expected to be met by the existing annuity policy.

## **3. DAY TO DAY MANAGEMENT OF THE ASSETS**

### **3.1 Main Assets**

The Trustees have appointed Aviva as their annuity provider having obtained and considered the written advice from their investment advisor, Mercer, who the Trustees consider to be suitably qualified to provide such advice, and their legal advisor.

In this context, relevant investment advice relates to that provided in accordance with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustees will also hold cash within the Trustee Bank Account and the LGIM Sterling Liquidity Fund for ongoing expenses some of which will go towards any true up premium following the completion of the data cleanse.

### **3.2 Individual Manager Objectives**

The objective of the Sterling Liquidity Fund is to provide capital stability, liquidity and income.

### **3.3 Engagement with the Investment Managers**

The majority of Scheme assets are invested through the purchase of the bulk annuity policy with Aviva, the Trustees are unable to incentivise the insurer, remunerate or monitor portfolio turnover costs as these are not applicable to the bulk annuity.

With regards to LGIM the Trustees recognise that there is limited ability to engage with LGIM in the management of a pooled cash fund.

### **3.5 Additional Assets**

Assets in respect of members' additional voluntary contributions (AVCs) historically have been held by an Assurance Company and the benefits payable are wholly insured. In addition, members are able to pay additional contributions into the DC section of the Scheme. The Trustee Directors review these arrangements as appropriate to ensure they remain appropriate for the Scheme's members.

## **4. SOCIALLY RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE**

### **4.1 ESG, Stewardship, and Climate Change**

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

The Scheme's assets are invested predominantly in one annuity contract with Aviva. The Trustees are reliant on the policies of Aviva on responsible investment and corporate governance and will review these policies from time to time as appropriate. To the extent that it is applicable, the Trustees have delegated consideration of ESG issues, engagement and stewardship obligations (including the exercising of voting rights) attached to the investments to Aviva. Given the investment arrangements, the Trustees recognise that they have low exposure to risks arising from long-term sustainability issues, including climate change.

The Trustee will not consider the ESG policies of the investment manager of the cash fund or the AVC provider and associated investment funds as these are a small proportion of total assets.

## **5. COMPLIANCE WITH THIS STATEMENT**

The Trustee will monitor compliance with this Statement regularly.

## **6. REVIEW OF THIS STATEMENT**

The Trustee will review this statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of both the Trustee and the sponsoring Employer, which it judges to have a bearing on the stated investment policy.

This review will occur no less frequently than every three years to coincide with the Actuarial Valuation of the Scheme. Any such review will be based on written, expert investment advice and will be prepared in consultation with the sponsoring Employer.

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**For and on behalf of the Belfast Harbour Pension Fund Limited  
Trustee of the Belfast Harbour Commissioners Pension Scheme  
Effective Date: March 2023**

## Appendix A: Fund Information

### **Annual Investment Manager Fee Scales**

#### **Legal & General Investment Management**

##### **Cash fund**

0.125% on the first £5 million per annum

0.10% on the next £5 million per annum

##### **Aviva**

There is no explicit fee, with charges embedded in the price of the annuity in each case.

**Predicted Tracking Errors**

Legal & General Cash Fund

No specific target

