

TM Pension Plan - Implementation Statement for the year ended 31 March 2024

Welcome to the Trustee's Statement of how they implemented the policies and practices in the Plan's Statement of Investment Principles (SIP) during the year ended 31 March 2024.

This statement covers the DB section of the Plan.

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Plan's Stewardship Policy during the period from 1 April 2023 to 31 March 2024 and other policies and practices within the Statement of Investment Principles.

The DB section of the Plan provides you with benefits on a defined benefit ("DB") basis. This means that the size of the benefits paid to you when you retire will depend on your salary and service.

Defined Benefit (DB) Section

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustee follows when governing the Plan's investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Plan's SIP that was in place as at 31 March 2024. The SIP was last reviewed in October 2023.

The majority of the Plan's assets are invested in liability-hedging assets, bonds and other debt-based investments. As such, the Trustee recognises the importance of stewardship activity in relation to the engagement activity of non-equities investment managers.

If you want to find out more, you can find a copy of the Plan's SIP at:

<https://www.tmpensions.co.uk/media/lc3ctev5/231013-tm-pension-plan-statement-of-investment-principles-website-version.pdf>

What is the Implementation Statement for?

Every year from 2020, the Trustee is required to prepare an Implementation Statement, which sets out how they have complied with the Plan's SIP relating to DB benefits during the last year.

Overall, the Trustee is satisfied that:

- The Plan's DB investments have been managed in accordance with the SIP; and
- The provisions in the SIP remain suitable for the Plan's DB members.

How the Plan's investments are governed

The primary objective of the DB Section of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Trustee's overriding funding principles for the Plan are to set the employer contribution at a level which is sufficient:

- To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- To ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The Trustee monitors how well their investment adviser meets the objectives agreed with them, which are designed to align with the Trustee objectives and investment strategy set out in the SIP. The Trustee assesses the Plan's investment adviser relative to the following DB objectives:

- Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from each of the Plan's investments to support the Technical Provisions and long-term funding objectives;
- Implement a strategy, and amendments to the strategy, that delivers the target return whilst minimising the associated risk;
- Deliver an investment approach that reflects the Plan's cashflow positions, and likely evolution, and minimises the risk of forced disinvestment at unattractive prices;
- Assist the Trustee in monitoring the collateral adequacy position of the Plan and the interaction between collateral and liquidity needs within the investment strategies;
- Ensure all risks, including liquidity risk, are monitored as part of the Plan's integrated risk management framework;
- Highlight the probability of extension requests on illiquid mandates;
- Provide advice on cost efficient implementation of the Trustee's strategy, including but not limited to advice on the use of suitable benchmarks, active or passive management, selection of managers;
- Issue relevant and timely advice;
- Provide suitable reporting for the Trustee to understand the Plan's progress towards its investment objectives;
- Develop the Trustee's policies and beliefs, including those in relation to Responsible Investment;
- Ensure advice reflects the Trustee's own policies and beliefs, including those in relation to Responsible Investment;
- Provide timely and relevant updates on new ESG regulations to ensure suitable knowledge on these topics;
- Ensure advice complies with relevant pensions regulations, legislation and supporting guidance; and
- Support the Trustee in meeting the relevant pensions regulations and legislation relating to investment, including the Plan's SIP and approach to Responsible Investment.

To facilitate meeting those objectives, the Trustee undertook the following activities during the last year to ensure that their knowledge and understanding of investment matters remains up to date:

Date	Topic	Aim	Trainer
26 June 2023	Exit options for Private Debt funds	Trustee Directors to better understand what exit options are available for the Plan's illiquid mandates	Hymans Robertson LLP
11 September 2023	Growth assets and diversified growth funds	Trustee Directors received training on various replacement options for the Plan's existing infrastructure mandate with a focus on improving liquidity and achieving stated long-term objective.	Hymans Robertson LLP

From 14 June 2023, the Plan moved to a professional sole corporate trusteeship with Independent Trustee Services Limited (ITS), therefore the majority of training is carried out in-house, and professional standards and knowledge are maintained by ITS. This is supported by additional training from the Trustee's investment advisers as necessary.

The Trustee carried out an evidence based review of the investment adviser's performance against these objectives and was satisfied that they had been achieved for the year.

Overall, the Trustee is satisfied that:

- **The Plan's DB governance structure was appropriate;**
- **The Trustee has maintained its understanding of investment matters; and**
- **Its investment advisers met the agreed objectives.**

How the investment strategy is managed

The objectives and rationale for the investment strategy is set out on page 1 in the Plan's current SIP.

The Trustee reviewed aspects of the investment strategy in June 2023 and September 2023. As part of this review, the Trustee agreed to reduce the Plan's allocation to illiquid growth assets to improve the liquidity position of the investment strategy.

How investments are chosen

The Trustee's approach to the selection of new investments is set out in the SIP on page 2 and 3.

The Trustee reviews the performance of their manager and mandates on a regular basis against a series of metrics, including, but not limited to, financial performance against the benchmark; objectives of the mandate and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

For any manager appointments, the Trustee will consider the policies set out in the SIP, especially around the remuneration of managers. The Trustee has considered the duration of the Plan's liabilities when choosing and reviewing the funds.

The Trustee monitors the performance of the funds used by the DB section of the Plan by:

- Reviewing quarterly investment performance reports;
- Meeting with managers on a periodic basis; and
- Engaging with the Plan's investment adviser.

Over the year, the Trustee monitored fund performance relative to the manager's respective benchmarks and targets on a quarterly basis. The macroeconomic backdrop and ongoing uncertainty were the primary reasons why certain mandates failed to deliver their long-term target levels.

The Trustee is satisfied that during the last year:

- **The Plan's overall investment strategy was appropriate;**
- **The actions taken by the managers to navigate market conditions were appropriate.**

The expected risks and returns in the DB Plan

The investment risks relating to the DB Plan are described in the SIP on pages 3 and 4, and the expected return is described on page 4.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Plan invests in over the longer-term) and the style of management adopted by the Plan.

The Trustee believes that monitoring and managing collateral and liquidity risk has become increasingly important in recent years given the updated regulatory guidance received with respect to managing LDI portfolios.

The Trustee is satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks.

The Trustee is satisfied that through a diversified portfolio, systemic risk can be mitigated, and accepts that it is not possible to make specific provision for all possible eventualities.

Ability to invest / disinvest promptly

It is important that member benefits can be received promptly, and that the Plan's investments can be realised quickly if required, as set out on page 5 of the SIP. The Trustee also ensures that the Plan has a robust process for the administration team processing cash payments to/from the Plan and to/from the investment funds.

The Trustee is satisfied that money can be invested in and taken out of the majority of DB investments without delay, as set out in the SIP.

Portfolio turnover within funds

The Trustee monitors the performance of the assets (net of costs) on a quarterly basis and any material deviation in performance relative to target returns or benchmarks will warrant an investigation into the activity carried out by the fund manager, including the buying and selling of assets. In this way, the Trustee indirectly monitors portfolio turnover and the associated transaction costs.

Short-term changes in the level of turnover may be expected when a manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

Over the year, the Trustee has monitored performance for all of the funds on a quarterly basis and discussed performance with the Plan's investment advisors. The Trustee has not identified any instances of material deviations in performance which would warrant further investigation into portfolio turnover.

Conflicts of interest

Over the year, the Trustee considered any conflicts of interest arising in the management of the Plan and its investments, as set out on pages 6 and 7 of the SIP. The managers have not disclosed any potential or actual conflict over the year but have ensured that the appropriate conflicts of interest policies are in place.

The Trustee is satisfied that there have been no material conflicts of interest during the year which might affect members' benefit expectations or the running of the Plan.

Manager incentives

The Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

The Trustee is satisfied that the managers are suitably incentivised to deliver good outcomes for the Plan over the year.

Responsible Investment

The Trustee believes that responsible investing covers both sustainable investment and effective stewardship of the assets the Plan invests in.

The Trustee has not made any changes to their approach to responsible investing over the year.

Sustainable Investment

The Trustee believes that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called "ESG" factors) can have on the value of the Plan's investments and in turn the size of member's retirement benefits.

The Trustee is satisfied that during the year the Plan's investments were invested in accordance with the policies on sustainable investing and consideration of financially material factors set out in the SIP.

Policy implementation

In line with the SIP, no specific actions over the past year have been considered with respect to non-financially material factors in the development and implementation of the Plan's investment strategy. As outlined on page 6 of the SIP, the Trustee has delegated voting and engagement activity in respect of the underlying assets to the Plan's investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest, by engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on their dialogue with the investment managers which is undertaken in conjunction with the investment adviser. The Trustee meets regularly with its managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by the investment adviser. A dedicated manager engagement meeting was held on 16 August 2023 for the Trustee to meet with the majority of the Plan's investment managers.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Plan's assets which includes the Trustee's approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Plan's Stewardship Policy is reviewed on a periodic basis in line with the Plan's SIP review.

The Trustee and its advisors remain satisfied with the stewardship policies of the managers.

Voting activity

Over the year, the Plan was not directly invested in equities, therefore there are no associated direct voting rights. Therefore, this statement does not include details on any votes cast on the assets on the Trustee's behalf.

Trustee's engagement activities

The Trustee holds meetings with their investment managers on a regular basis where stewardship issues are discussed in further detail. The Trustee met all their investment managers on 16 August 2023 as part of a dedicated manager engagement day. The following topics were discussed during the manager engagement sessions:

- How does the current market backdrop impact the manager's ability to achieve the stated investment objective?
- What proportion of engagement discussions are centred around responsible investment?
- How are engagement escalation policies enforced and provision of case studies?
- What collaborative initiatives are the investment managers signatories to and what is the rationale for signing up to these specific initiatives?

- Are sustainability linked loans or green gilts considered for inclusion within the Scheme's investment portfolios?
- How are ESG considerations integrated into different stages of the investment process?
- What plans do the managers have to enhance reporting of climate-related risks and opportunities?
- How do the managers engage with industry bodies to establish best practice on climate reporting?
- What steps are being taken to improve data quality from an emissions perspective?
- How does the manager overcome ESG limitations within certain segments of the market?

Manager's engagement activity

The following table summarises the key engagement activity for the 12-month period ended 31 March 2024.

Summary of management activity

Manager: Fund	Number of engagements	Topic engaged on
Fidelity Short Dated Corporate Bond Fund ¹	26 engagements	Climate change, biodiversity, human rights / modern slavery, business strategy, board structure and executive remuneration.
LGIM ARB fund ²	100 engagements	Majority of engagements were in relation to the LGIM Climate impact pledge, climate change, remuneration, corporate strategy and board composition.
Insight Global ABS fund	Between 60 and 70 engagements	ESG considerations in loan origination and underwriting, and improving ESG data provision provided by originators.
Partners MAC III fund ³	4 engagements	Corporate restructuring and maximising value of remaining investments
Partners MAC V fund ³	5 engagements	Corporate matters and governance such as refinancing, IT infrastructure, ESG targets and ESG strategy.
JP Morgan Infrastructure Investments Fund ⁴	JP Morgan engages with all underlying companies (20 as at 30 September 2023) on an ongoing basis.	Environmental, social, governance issues including climate change and human rights, alongside company strategy.

¹ The Fidelity Short Dated Corporate Bond fund was introduced on 17 May 2023. Engagement data for this fund covers the period 17 May 2023 to 31 March 2024.

² The LGIM ARB fund was introduced on 21 September 2023. Engagement data for this fund covers the period 21 September 2023 to 31 March 2024.

³ This information represents engagement activity between 1 January 2023 and 31 December 2023. Given the private markets nature of its investments, Partners Group produce engagement data on a semi-annual basis in June and December each year.

⁴ The Plan fully disinvested from the JP Morgan Infrastructure Investments Fund on 30 September 2023.

The Plan has a structured equity mandate with Schroders. However, given the manner in which this exposure is achieved (via the use of derivatives), the Trustee does not consider stewardship and engagement issues relevant to the mandate.

The Plan also has a Liability Driven Investment (“LDI”) mandate with Schroders. Integrating ESG considerations into LDI portfolios is centred around the inclusion of green gilts and embedding ESG factors into counterparty reviews and engaging with counterparties to drive positive change.

Review of policies

The Trustee has committed to reviewing the managers’ RI policies on an annual basis. A review was carried out in Q3 2023 which involved assessing managers broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year.

Additional Voluntary Contributions (AVCs)

The Trustee has been able to obtain voting data for the period 1 April 2023 to 31 March 2024 for the following AVC funds.

	Aegon Mixed Fund	Utmost JP Morgan Multi- Asset Cautious	Utmost JP Morgan Multi- Asset Moderate
Meetings eligible to vote at	428	1	1
Resolutions eligible to vote on	5,969	6	6
% resolutions voted on	55.45%	100.0%	100.0%
% voted with management	95.77%	100.0%	100.0%
% voted against management	3.26%	0.0%	0.0%
% abstained from	0.97%	0.0%	0.0%
% of meetings voted at least once against management	14.25%	0.0%	0.0%
% of resolutions voted contrary to recommendation of proxy advisor	3.66%	0.0%	0.0%

More information

The Trustee hopes that this Statement helps you understand how the Plan’s investments been managed over the year.

Overall, for the year ended 31 March 2024, the Trustee is satisfied that:

- The DB investments have been managed in accordance with the Plan’s SIP; and
- The provisions in the SIP remain suitable for the Plan’s members.

If you want any more information on how the Plan is run, please contact:

TMsharedmailbox@hymans.co.uk