

## **METTLER TOLEDO PENSION SCHEME**

### **STATEMENT OF INVESTMENT PRINCIPLES IN RESPECT OF THE DEFAULT INVESTMENT OPTION FOR THE DC SECTION**

#### **1. Introduction**

1.1 The Trustees of the Scheme have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 and subsequent legislation, relating to provision of information specific to default investments, referred to as “default arrangement”. This should be read in conjunction with the main Statement.

1.2 The default arrangement covered by this Statement is:

- the Mettler Pension Lifestyle Strategy

#### **2. Principles**

2.1 The Trustees recognise that many members do not consider themselves competent to take investment decisions. The Trustees have provided a default arrangement. Unless members make a specific request for their contributions to be invested in a different manner, they are invested in the default arrangement.

The default arrangement is the Mettler Pension Lifestyle Strategy which has two phases: the accumulation phase and the consolidation phase.

- When a member is younger, their account is invested in funds that aim for long-term growth (accumulation phase) in excess of inflation.
- As the member approaches retirement, their account is switched automatically into lower-risk, lower-growth funds (consolidation phase) that aim to provide greater stability by targeting the purchase of a fixed annuity and the withdrawal of tax free cash.

#### **3. Default Arrangement**

##### **Objectives**

3.1 The aims of the default arrangement and the ways in which the Trustees seek to achieve these aims are detailed below:

- To generate returns in excess of inflation during the accumulation phase of the strategy whilst managing downside risk.

*The default arrangement's accumulation phase invests 100% of members' accounts in a fund comprised wholly of global equities, and this exposure is expected to provide long term growth in excess of inflation.*

- To provide a strategy that reduces investment risk for members as they approach retirement.

*The Trustees believe that a strategy that seeks to reduce investment risk as the member approaches retirement is appropriate to protect the level of savings built up as a fall in markets will have a greater impact on member outcomes at this stage.*

*Moreover, as members approach retirement, the Trustees believe the primary aim should be to provide protection against a mismatch between asset values and the costs of buying annuities and providing a tax-free cash lump.*

*The Mettler Pension Lifestyle Strategy therefore aims to reduce volatility near retirement via automated switches over a 10 year period to a member's selected retirement date.*

*Investments are gradually switched from a growth oriented fund (the BlackRock Aquila Global Equity (50:50) Fund), into lower risk / return funds (the BlackRock Aquila Long Gilt Fund and the Royal London Deposit Fund).*

- To provide exposure at retirement to assets that are broadly appropriate for an individual planning to use their savings in the Scheme to buy a fixed annuity and to take a 25% tax-free cash lump sum at retirement.

*At the member's selected retirement date, 75% of the member's assets will be invested in a fixed interest gilt fund and 25% in a cash fund.*

### **Policies in relation to the default arrangement**

3.2 The Trustees' policies in relation to the default arrangement are:

- The default arrangement manages investment risks in the accumulation phase through a diversified allocation within equity markets, spread geographically across the main developed markets. Section 4 provides further information on the Trustees' risk policies in relation to the default arrangement.
- In designing the default arrangement, the Trustees have considered the trade-off between expected risk and return. This policy is reviewed regularly to ensure that the design remains appropriate for members and reflects developments in the market
- The Trustees have also taken into account the needs of members with regards to the security, quality, liquidity and profitability of a member's portfolio as a whole.
- If members wish to, they can opt to choose their own investment options at any time from a limited range that has been agreed by the Trustees.
- The Trustees monitor performance of the components of the default, relative to objectives, albeit the Trustees will not provide advice to members on their individual choice of investment options.
- Assets in the default arrangement are invested in daily traded pooled funds which hold highly liquid assets. The pooled funds are commingled investment vehicles, which are managed by BlackRock and Royal London which are accessed via an investment platform provided by Royal London Life.
- The selection, retention and realisation of assets within the pooled funds are delegated to these managers in line with the mandates of the funds. They also have full discretion (within the constraints of their mandates) on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

The structure of the default options is shown in the table below:

Time to Retirement (years)	BlackRock Aquila Global Equity (50:50) Fund	BlackRock Aquila Long Gilt Fund	Royal London Deposit Fund
>10	100.0	0	0
9	90.0	7.5	2.5
8	80.0	15.0	5.0
7	70.0	22.5	7.5
6	60.0	30.0	10.0
5	50.0	37.5	12.5
4	40.0	45.0	15.0
3	30.0	52.5	17.5
2	20.0	60.0	20.0
1	10.0	67.5	22.5
0	0.0	75.0	25.0

#### 4. Risk

- 4.1 The Trustees have considered risks from a number of perspectives. The list below is not exhaustive but covers the main risks that the Trustees considers and how they are managed.

Risk	How it is managed	How it is measured
<p><b>Inflation Risk</b> The real value (i.e. post inflation) value of members' accounts decreases.</p>	<p>The default lifestyle strategy invests in equities in the accumulation phase which are expected to produce returns in excess of inflation</p>	<p>Considering the real returns (i.e. return above inflation) of the funds, with positive values indicating returns that have kept pace with inflation.</p>
<p><b>Pension Conversion Risk</b> Member's investments do not match how they would like to use their pots in retirement.</p>	<p>The risk that, as the cost of an annuity rises, the value of the investment fund that will be used to purchase the annuity does not change by an equal amount. The cost of purchasing a pension is closely linked to the value of long term bonds. The Trustees have sought to reduce this risk by switching member funds gradually into a fixed interest gilts fund in the run up to retirement</p>	<p>Considering the returns of the funds used within the switching phase of the lifestyle strategy both in absolute terms as well as relative to inflation, cash or annuity prices (depending on their selected retirement destination).</p>

Risk	How it is managed	How it is measured
<p><b>Market Risk</b> The value of securities, including equities and interest bearing assets, can go down as well as up.</p>	<p>The default lifestyle strategy invests across a range of equity markets during the accumulation phase.</p>	<p>Monitors the performance of external investment funds on a quarterly basis.</p>
<p><b>Counterparty Risk</b> A counterparty, either an underlying holding or pooled arrangement, cannot meet its obligation.</p>	<p>Delegated to external investment manager.</p>	<p>Monitors the performance of external investment funds on a quarterly basis.</p>
<p><b>Currency Risk</b> The value of an investment in the member's base currency may change as a result of fluctuating foreign exchange rates.</p>	<p>During the accumulation phase of the default, members assets are invested in an equity fund that invests in Sterling denominated UK equities as well as overseas equity markets and currencies.</p>	<p>Monitors the performance of external investment funds on a quarterly basis. Considers the movements in foreign currencies relative to pound sterling.</p>
<p><b>Operational Risk</b> A lack of robust internal processes, people and systems.</p>	<p>Members are able to set their own investment allocations, in line with their risk tolerances.</p>	<p>Consider the ratings of investment strategies from their Investment Consultant and monitoring these on a quarterly basis.</p>
<p><b>Liquidity Risk</b> Assets may not be readily marketable when required.</p>	<p>The Trustees access daily dealt and daily priced pooled funds through a unit-linked insurance contract from Royal London.</p>	<p>The pricing and dealing terms of the funds underlying the unit-linked insurance contract</p>
<p><b>Valuation Risk</b> The value of an illiquid asset is based on a valuer's opinion, realised value upon sale may differ from this valuation.</p>	<p>The majority of investment managers invest solely in liquid quoted assets.</p>	<p>The Trustees monitor performance of funds on a quarterly basis, and where relevant delegates the monitoring of valuation risk to the Investment Consultant.</p>
<p><b>Environmental, Social and Governance Risk</b> ESG factors can have a significant effect on the performance of the investments held by the Plan e.g. extreme weather events, poor governance.</p>	<p>Delegated to external investment managers. The Trustees' policy on ESG risks is set out in Section 8 of the main SIP.</p>	

Risk	How it is managed	How it is measured
<p><b>Manager Skill / Alpha Risk</b></p> <p>Returns from active investment management may not meet expectations, leading to lower than expected returns to members.</p>	<p>Within the default lifestyle strategy, only the allocation to the Royal London Deposit Fund is actively managed. There is no alternative to active management for cash type investments.</p>	<p>Trustees monitor performance and rating of funds on an ongoing basis relative to the fund's benchmark and stated targets/objective</p>

In selecting assets, the Trustees consider the liquidity of the investments in the context of the likely needs of members. All assets are daily dealing and therefore should be realisable based on member demand.

The items listed above are in relation to what the Trustees consider 'financially material considerations'. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and their Selected Retirement Age.

## 5. Suitability of the Default

5.1 Based on their understanding of the Plan's membership, the Trustees believe that the above objectives and policies reflect members' best interests. The rationale underpinning this belief is as follows:

- The Trustees believe that most members save into a pension plan to achieve a stable income in retirement that will provide real long terms growth and enable them to access a secure income in retirement. The targeting of an annuity purchase at retirement during the consolidation phase is aligned with that objective.
- The default arrangement is aimed largely at members who do not feel capable of taking investment decisions. Again, the Trustees believe that an annuity purchase which provides a secure income at retirement is likely to be the preferred course for many such members.
- Almost all members withdraw tax free cash at retirement. The allocation to the Royal London Deposit Fund in the run-up to retirement within the default addresses that requirement.

5.2 The Trustees intend to monitor members' decisions and other inputs from time to time to ensure that the default arrangement remains suited to their needs. They will also review the investment choices available to members to ensure that those who regard the default arrangement as unsuited to their needs have suitable alternative investment funds to select from.

## 6. Review of this Statement

6.1 The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial

matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed:

Date: