IET Superannuation & Assurance Scheme (“the Scheme”) Investment Implementation Plan

INTRODUCTION

The purpose of this Investment Implementation Plan ('the IIP') is to provide details of the specific investments in place.

INVESTMENT OBJECTIVE

The Trustees aim to invest the assets of the Scheme prudently to ensure the benefits promised to members are provided. In setting the investment strategy, the Trustees first considered an asset allocation that would result in a low investment risk relative to the Scheme’s expected liabilities. This asset allocation would have generated low investment returns and would have made it more likely that the Scheme would fail to meet its long-term obligations. The Trustees have adopted an asset allocation strategy that is designed to achieve a higher investment return, while maintaining a prudent approach and providing a framework within which investment risk can be reduced as the funding position relative to the Scheme’s long-term liabilities improves.

INVESTMENT MANAGEMENT STRUCTURE

ASSET CLASSES

The Trustees recognise that investment strategy has to achieve a balance between the need to secure future cash flows through matching assets (such as LDI and annuities) in order to meet future pension payments and the need to generate higher long term returns through growth assets (such as equities). Generating higher returns than matching assets will both reduce the overall long-term funding costs of providing pensions and offer some protection against the possibility that the actual cost of pensions paid proves to be higher than expected – for example, if the Scheme's active or deferred members enjoy further improvements in life expectancy.

When making decisions on investment strategy and asset choice, the Trustees consider written advice from their investment advisers and in doing so address the following:

- The need to consider a full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies
- The suitability of each asset class
- The need for appropriate diversification

In order to ensure that decisions are taken in a timely manner, the Trustees work with their advisers to oversee the timing and implementation of the agreed investment strategy and to instruct the appointed manager to execute asset allocation switches.

The Multi-Asset Credit ("MAC") allocation managed by M&G Investments aims to provide genuine diversification from the existing equity allocation and invest across the credit fixed income spectrum to add value through active management, while also being liquid and incorporating positive environmental, social and governance (“ESG”) attributes. The LDI allocation seeks to reduce risk by protecting against most of the interest rate and inflation risk on the non-insured liabilities. This involves the use of tools such as gilt repurchase agreements ("repo") and swaps to increase protection in a capital efficient way.

The Trustees have adopted an investment strategy that involves an actively managed MAC fund and bulk annuity insurance contracts written on most of the pensioner liabilities.

The Trustees have adopted an investment strategy that involves passive management of a portfolio of equities alongside an actively managed Multi-Asset Credit ("MAC") fund, a segregated Liability Driven Investment (“LDI”) portfolio and bulk annuity insurance contracts written on most of the pensioner liabilities.

In a passive arrangement the fund manager seeks to replicate the index return rather than to add additional returns through active stock selection. Passive management, or index tracking, involves much lower investment management fees.

ASSET ALLOCATION

It is expected that the Scheme’s funding level will improve over time as the assets rise in value relative to the liabilities, but that the actual funding level at any point of time will be volatile. The asset values will reflect volatile financial markets, particularly in respect of the growth investments, while the liability estimate will also be volatile reflecting changing expectations for interest rates and inflation.

As at 28 September 2022, the Scheme's strategic target asset allocation for invested assets (i.e. excluding the bulk annuity contracts) is shown in the table below. The actual asset allocation may vary from the strategic target to reflect medium term market views (based on appropriate investment advice) and/or other factors e.g. working capital requirements.

Asset Class	Investment Manager	Strategic Target
Global Equities	BlackRock	6.0%
MAC	M&G	15.0%
LDI	BlackRock	79.0%

Note: Holdings within the global equity and LDI portfolios are managed by BlackRock to agreed benchmark allocations and are subject to rebalancing if the actual allocation falls outside agreed tolerances. In contrast, the asset allocation within the MAC portfolio managed by M&G Investments is not set with reference to any particular benchmark. The Scheme’s holding in the With-Profits policy, the Aviva Life & Pensions UK Limited Provident Mutual Sub Fund are not included in the asset allocation.

Choice of return seeking assets

The Scheme’s return seeking assets are invested in equities and MAC. Within the equity portion, the regional split is line with the FTSE All World Developed Index with a c.50% currency hedge. The Trustees, working with their advisers, regularly review the choice of appropriate return seeking assets.

Choice of matching assets

The matching assets are intended to provide the Scheme with protection against changes in the expected cost of meeting its long-term liabilities. The Trustees delegate the responsibility of deciding on the most appropriate mix of matching investments based on market conditions and the Scheme’s liability profile to BlackRock, the Scheme’s LDI manager. The Trustees currently hold two bulk annuity policies written on most of the pensioner liabilities with the balance invested in LDI.

ASSET CLASS BENCHMARKS

The performance of the Scheme will be benchmarked against a proxy for the performance of its liabilities.

The performance within each asset class is assessed relative to a relevant index. For passive equity management the effectiveness of each underlying fund is judged by its ability to track the relevant index as closely as possible quarter by quarter. M&G Investments is judged by its ability to deliver against its target return of SONIA plus 3 - 5% per annum over a market cycle gross of fees. The performance of the LDI allocation is considered against a proxy of the Scheme's liabilities and the interest rate and inflation sensitivities it is designed to match.

FEES

Manager	Asset Class	Annual Management Charge (AMC)	Total Expense Ratio (TER)
BlackRock	Aquila Life World Fund	0.06% p.a.	0.0694% p.a.
	Aquila Life Currency Hedged World ex UK Equity Fund	0.09% p.a.	0.0998% p.a.
	Aquila Life UK Equity Index Fund	0.06% p.a.	0.063% p.a.
	Segregated LDI Portfolio	Minimum fee of £25K per quarter	Minimum fee of £25K per quarter
	Institutional Sterling Liquid Environmentally Aware Fund (LEAF)	0.07% p.a.	0.07% p.a.
	Aquila Over 5-year Index-Linked Gilts Index Fund	0.04% p.a.	0.0436% p.a.
M&G Investments	M&G Sustainable Total Return Credit Investment Fund	0.35% p.a.	0.35% p.a.

Source: Investment managers

Note: The Total Expense Ratio is a measure of the total cost associated with managing and operating an investment fund. It includes the AMC and additional expenses such as custody, legal fees, auditor's fees and other operational expenses.

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Signed on behalf of the Trustees Date

Version Control Record

The following table records changes to this document:

Version	Date	Document Name	Nature of Change
2020 V1	July 20	s:\clients\IET\093SIP S&A Scheme	Initial creation
2021 V2	March 21	s:\clients\IET\093SIP S&A Scheme	Trigger protocol and strategic changes
2022 V3	September 2022	s:\clients\IET\093SIP S&A Scheme	Strategic changes
2022 V4	June 2023	s:\clients\IET\093SIP S&A Scheme	Fund change
2024 V5	September 2024	s:\clients\IET\093SIP S&A Scheme	Fund change