

Meggitt Pension Plan

March 2024

Statement of Investment Implementation

Introduction

This document should be read in conjunction with the Statement of Investment Principles ('the SIP'). The SIP sets out the broad investment policy being pursued by the Meggitt Pension Plan ('the Plan').

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustee sets general investment policy, but has delegated the day-to-day investment of the Plan's assets to a Fiduciary Manager. The Fiduciary Manager is authorised under the FSMA and provides the expertise necessary to manage the investments of the Plan.

This Statement of Investment Implementation ('SII') sets out in more detail how the investment policy being pursued by the Trustees is implemented in practice.

Investment Strategy

Having considered advice from the Fiduciary Manager, and having due regard for the objectives, the liabilities of the Plan, the risks of and to the Plan and the covenant of the Employer, the Trustee has decided upon the following ranges of strategic asset allocation targets for each Section of the Plan.

The management of the strategic target is then delegated to Schroders Solutions subject to minimum and maximum permitted allocations to various strategic building blocks and achieving the target return stated in the SIP.

All references to 'Technical Provisions' ('TP') in this document relate to the Technical Provisions liabilities as set out in the Plan's Statement of Funding Principles.

Main Section	Minimum	Strategic Target	Maximum
Growth Assets	25.0%	30.5%	37.5%
Structured Equity	5.0%	10.0%	15.0%
Cashflow Matching Credit	7.5%	10.0%	25.0%
Liability Hedging Assets	45.0%	49.5%	70.0%
Liability Hedging Level (vs Technical Provisions)		97% for interest rates and inflation of total TP liabilities	

Executive Section	Minimum	Strategic Target	Maximum
Growth Assets	10.0%	15.5%	20.0%
Structured Equity	5.0%	6.0%	12.5%
Cashflow Matching Credit	7.5%	30.0%	35.0%
Liability Hedging Assets	45.0%	48.5%	70.0%
Liability Hedging Level (vs Technical Provisions)		100% for interest rates and inflation of total TP liabilities	

The performance target of each strategic building block is set out as follows:

	Performance Target
Growth Assets	SONIA + 4.125%
Structured Equity	SONIA + 3.625%
Cashflow Matching Credit	Gilts + 1.0%
Liability Hedging Assets	To reduce the interest rate and inflation risk inherent in the Technical Provisions liabilities

Schroders Solutions manage the Growth Assets to the following guidelines.

The below restrictions are expressed as percentages of the Growth Assets portfolio:

Asset class	Minimum (%)	Maximum (%)
Equities	20	65
Property	0	20
Return seeking credit	0	45
Commodities	0	15
Alternatives	0	40
Cash & sovereign bonds	0	40
Additional constraints	Minimum (%)	Maximum (%)
Equities plus Commodities	20	70
Sub Investment Grade Debt	0	30
Equities and Sub Investment Grade Debt	20	80
Illiquid Investments	0	20*

* For the Executive Section, this is 0%. The Fiduciary Manager shall use reasonable endeavours to sell down all residual Illiquid Investments and may not purchase any new ones.

Custody of Assets

The Trustee has appointed Bank of New York Mellon as the custodian for all of the Plan's Assets.

Schroders Solutions will monitor the custodian exposure and its credit ratings. Schroders Solutions will advise the ISC if at any time it believes the exposure to a custodian is excessive given its view of their financial strength.

Fees

The fee arrangements in place are set out below and applicable to each Section of the Plan:

Portfolio aspect	Fee basis
Fiduciary Management Fee	0.095% Based on the value of each Section's total assets
Structured Equity	0.06% Aggregate of EDOS Notional Value, backed by synthetic cash
Cashflow Matching Credit	First £50m: 0.12% Thereafter: 0.10% Chargeable on asset value of this building block. Not payable to SISL
Liability Hedging Assets*	0.04% Maximum of Inflation Hedge and Interest Rate Hedge Interest Rate Hedge: <ul style="list-style-type: none"> • Notional of interest rate swaps; • Notional of other derivatives providing interest rate exposure, excluding inflation swaps; • Market value of UK Government Securities in the Liability Hedge; plus • Market value of the cashflow matching credit assets at the end of each calendar quarter. Inflation Hedge <ul style="list-style-type: none"> • Notional of inflation swaps; • Notional of other derivatives providing inflation exposure; plus • Market value of index-linked UK Government Securities in the Liability Hedge.

*A minimum charge per month in respect of the liability hedging and Structured Equity applied for the Main Section of £5,800 and £3,333 for the Executive Section

In addition to the above, the Plan pays fees to managers underlying the Growth Assets. Fees vary between managers and by asset class but typically range between 0.1% and 1.5% although that is not a maximum.

The Trustee or Fiduciary Manager will ensure that the fees paid to the Investment Managers are consistent with levels typically available in the industry and the nature of services provided.

The Fiduciary Manager is aware of each Investment Manager's policy regarding soft commission arrangements. The Investment Managers disclose their fees, commissions and other transaction costs in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

Custodian

The custodian fees are 0.022% p.a. on assets up to £200m and 0.0175% thereafter.