MACMILLAN CANCER SUPPORT

Taking care of your future

How we invest for your pension

Enter

Macmillan Cancer Support Pension Scheme – Statement of Investment Principles or SIP

What does it mean for us, as pension trustees, to "take care of your future"? How do we make sure the Scheme provides your benefits in a way that is sustainable for the long term?

In this document you can find out the answers to these questions. We explain:

- what our objectives are when we make decisions around investing the money to provide for your pension,
- how we plan to achieve those objectives, and
- how we seek to make good choices on your behalf.

Next

The Scheme is a defined benefit pension scheme, which means it provides a predetermined level of retirement and death benefits to members based on their earnings and the duration of their membership. It's been closed to new entrants since 30 April 2005. Existing members stopped earning benefits for future employment on 30 June 2010, but the Scheme still provides retirement and death benefits to members and their beneficiaries, based on their membership up to that date. The Scheme is a Registered Pension Scheme under the Pensions Act 2004. It is managed by the Trustees who are responsible for the investment of the Scheme assets.

Contents

Find your way around

Click on any arrow in this document (such as those in the boxes above) to go directly to information that interests you.
Click on the arrows in the bottom left hand corner to navigate forwards and backwards or click on the home icon to return to this page.

Legal...the small print

Terms explained

We've tried to keep this document as jargon-free as possible. However, where we've used more technical pensions and investment terms, we've explained these in the 'Terms explained' section.

1. Our objectives

Our long-term objectives are taken into account when we decide on our investment strategy and strategic investment objective.

Next →

We set long-term objectives for the Scheme

We take these into account when we decide on our investment strategy, including the objective needed to guide investment decision-making (our strategic investment objective). We have recently changed our long-term objectives due to purchasing an insurance contract to pay all current and future pension payments due to members of the Scheme.

Our new long-term objectives are:

A. To ensure the benefits promised to members and their beneficiaries (the promised benefits) can be paid.

B. For the Scheme to be self-sufficient, so we do not need to ask the Principal Employer for additional funding.

C. To consider the investment and other risks that might prevent these objectives from being achieved.

Our strategic investment objective

To achieve our long-term objectives, in July 2024 we used most of the Scheme assets to purchase an insurance policy from Aviva Life & Pensions UK Limited. Under the terms of the policy, Aviva is now responsible for funding the current and future pension payments due to all members and their beneficiaries. Our responsibility is to ensure Aviva complies with the terms of this insurance policy.

We are still responsible for running the Scheme and require a limited amount of additional funds to be able to do this. We have delegated the investment of these funds to our Fiduciary Manager. Our Fiduciary Manager is an expert adviser who has the skill and expertise necessary to manage the Scheme's investments in accordance with our investment strategy and achieve our strategic investment objective.

We have agreed our new strategic investment objective with our Fiduciary Manager. It is to maintain enough low-risk, easily accessible, pounds sterling assets to be able to run the Scheme, without requiring additional funding from the Principal Employer, until such time as the Scheme ceases to need to exist.

Our strategic investment objective guides our investment decision-making.

Additional Voluntary Contributions

Until 30 June 2010, members of the Scheme could choose to pay Additional Voluntary Contributions (AVCs). We have appointed the Prudential Assurance Company Ltd to invest these AVCs, which will remain invested until the member takes their benefits. This SIP governs our decisions about AVC investments. In addition:

A. Our policy is to regularly review AVC investments to ensure that acceptable investment performance is achieved and to check the investment profile of the funds they are invested in remains consistent with our objectives and members' needs.

B. If we think AVC investments are no longer appropriate, we would consider investing them elsewhere.

C. Normally, AVC investments for a particular member become available when promised benefits are due or when a member has chosen to transfer the value of their pension to a different provider or scheme.

This SIP is also used to guide our AVC investment decisions, although AVCs are held separately from other Scheme investments.

2. Achieving our objectives

To meet the Scheme's strategic investment objective, we aim to invest in the right types of investment and get the appropriate balance between risk and reward.

Next →

Choosing the right types of investment

Since purchasing the Aviva insurance policy, choosing the right types of investments has become a much simpler process.

When investing and at regular reviews, we need to:

A. Comply with our legal obligations,

B. Take advice from our Fiduciary Manager,

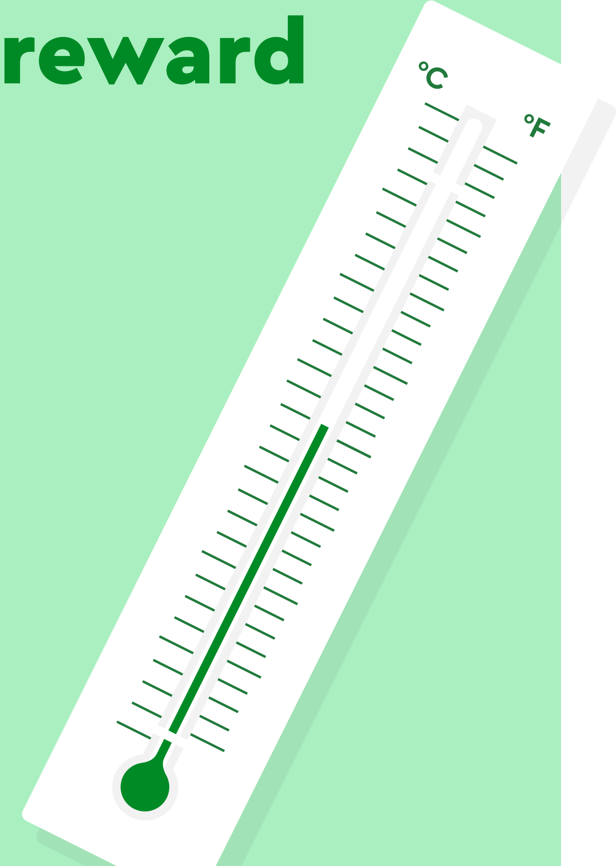
C. Ensure our investment choices are in the best interests of the Scheme's members and their beneficiaries, and

D. Aim to ensure the appropriateness, security, quality, liquidity and profitability of the Scheme's assets, taking into account that our strategic investment objective is to invest in low risk, easily-accessible, pounds sterling assets.

Our Fiduciary Manager has advised that it is now appropriate for us to invest in pounds sterling cash and money market funds. We delegate our legal obligations for choosing such funds to our Fiduciary Manager in accordance with the Fiduciary Management Agreement (FMA) and this SIP.

In the past, we ensured we diversified our assets to spread risk and we considered ethical investing and sustainability and corporate governance and socially responsible investment (SRI) to reduce the risk of them negatively impacting on the value of our investments. However, we now have little, if any, ability or need to do this due to our investments being only in pounds sterling cash and cash equivalent instruments (not necessarily limited to, deposits, money market instruments and money market funds.)

The right balance between risk and reward



Since we have insured the payment of members' pensions with Aviva, there is only a low level of risk that our invested assets will not meet our strategic investment objective.

Risks such as currency risk, interest rate risk, price risk, credit risk and liquidity risk no longer impact us as significantly as before. We rely on our Fiduciary Manager to manage any small remaining risks.

In addition, we are assisted by not requiring high levels of reward from our remaining assets. Now we have insured the payment of members' benefits with Aviva, we just need our remaining assets to be able to pay the Scheme's ongoing running costs.

The risk of our invested assets not meeting our strategic investment objective is low. We rely on our Fiduciary Manager to manage this.

3.
Making good choices

We can invest in a way that makes good choices for Scheme members and their beneficiaries by:

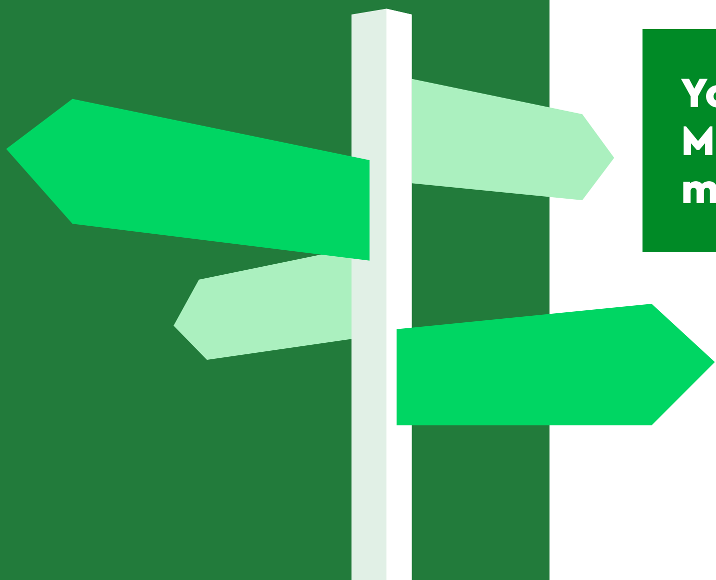
A. Going about investing in the right way: Following best practice when it comes to good governance and how we achieve our strategic investment objective.

B. Having the right people involved: The advisers and systems we need to have in place – including each Trustee.

Next →

Going about investing in the right way

Any Scheme decision may be made either by a majority of the Trustees present at a quorate Trustees' meeting (one with sufficient of us present to conduct official business) or by written resolution signed by all of us.



Our principal responsibilities in relation to investments include:

A. Setting an appropriate division of responsibilities between us and each of our advisers.

B. Appointing and removing our Fiduciary Manager.

C. In consultation with the Principal Employer, our Fiduciary Manager and the Scheme actuary, setting and regularly reviewing this SIP so that it's consistent with legislation.

D. Appointing and terminating money market fund managers who select funds on our behalf. Though, in practice, we have delegated to our Fiduciary Manager the appointment and selection of money market managers.

E. Monitoring the performance of our investments and their compliance with our investment strategy and strategic investment objective documented in this SIP.

F. Monitoring the performance of our Fiduciary Manager.

You can read more how we and our Fiduciary Manager work with the Scheme's money market fund managers in Appendix 1.

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Having the right people involved

Ultimate power and responsibility for investment decision-making lies solely with the Trustees. However, we believe effective governance of the Scheme's assets and management of risk is achieved by dividing responsibilities between our:

A. Fiduciary Manager

B. Legal adviser

C. Scheme actuary

D. Scheme administrator

E. Scheme secretary

MACMILLAN CANCER SUPPORT

In detail: working with money market fund managers

This appendix outlines our policy in relation to interaction with money market fund managers.

Money market fund manager arrangements

We have delegated to our Fiduciary Manager responsibility for ensuring that, before any new appointment, the approaches adopted by money market fund managers are consistent with our policies, and for monitoring and considering the termination of any arrangements that appear to be investing contrary to those policies.

We expect money market fund managers to make decisions based on assessments of the financial and non-financial performance of debt issuers and financial institutions which provide deposit facilities.

Our Fiduciary Manager assesses this when selecting and monitoring money market fund managers. The policy we have agreed with our Fiduciary Manager for selecting, monitoring, evaluating and (where necessary) terminating these arrangements is set out on the following pages.

We agree a policy for selecting, monitoring, evaluating and terminating money market fund managers with our Fiduciary Manager.

Compatibility of money market fund managers with our investment strategy

When selecting money market fund managers, we expect our Fiduciary Manager to consider various factors, including:

- the investment strategy of the money market fund manager;
- the risks associated with the investment and the return that is expected;
- the money market fund manager's objective and whether it is consistent with our expected performance from the investment; and
- the investment's fee structure to ensure it is reasonable and doesn't incentivise the money market fund manager to manage the fund differently from our Fiduciary Manager's expectations.

After analysing the above characteristics, our Fiduciary Manager identifies how that investment would fit within our investment strategy for the Scheme and how it is expected to help us meet our strategic investment objective.

Duration of money market fund manager arrangements

We normally expect investments to be held for several years. However, as part of the Scheme's periodic strategic asset allocation reviews (which take place at least every three years), our Fiduciary Manager reviews whether the ongoing use of each investment remains consistent with our investment strategy, including our strategic investment objective. Our Fiduciary Manager regularly monitors the financial and non-financial performance of the investments held and details of this monitoring process are in the next section, 'Monitoring Investments'. If we or our Fiduciary Manager become concerned about the ongoing suitability of an investment, our Fiduciary Manager may reduce our exposure to it or disinvest entirely. Such action is expected to be infrequent.

Monitoring investments

Our Fiduciary Manager regularly assesses the performance of each investment held and this monitoring includes an assessment of whether the money market fund manager continues to operate in a manner consistent with the original factors used to select the investment.

When assessing an investment's performance, our Fiduciary Manager does not usually place too much emphasis on short-term performance, although they will seek to understand the reasons for short-term performance (whether favourable or unfavourable). If an investment is not being operated consistently with the factors originally used to select it, our Fiduciary Manager may look to replace that investment. However, in the first instance, we would normally expect our Fiduciary Manager to raise any concerns with the money market fund manager. Then, our Fiduciary Manager would monitor the performance of the investment to assess whether the situation improves.

In detail: roles and responsibilities

Our principal advisers and their roles and responsibilities are detailed below. Our Fiduciary Manager and money market fund managers are paid a fixed fee by deductions from the Scheme's assets. Our other advisers are remunerated by the Scheme on either a fixed fee or time cost basis as appropriate.

Fiduciary Manager

Our Fiduciary Manager is responsible for all aspects of advising on and implementing our investment strategy, including our strategic investment objective. They select and liaise with money market fund managers and other service providers on our behalf, and provide investment advice and monitoring reports. Our Fiduciary Manager's powers and responsibilities are specified in the FMA. We believe that using a Fiduciary Manager can achieve a better balance of return, risk and cost.

Our Fiduciary Manager is required to exercise its powers having regard to the criteria for investment as set out in the Occupational Pension Schemes (Investment) Regulations 2005.

Our Fiduciary Manager's principal responsibilities in an investment advisory capacity include, but are not limited to:

A. Advising us on this SIP and our strategic investment objective, considering the Scheme's obligations.

B. Advising us on all other investment matters for which we are responsible (other than on the monitoring of our Fiduciary Manager).

C. Attending Trustees' meetings.

In detail: roles and responsibilities (continued)

Our Fiduciary Manager's principal responsibilities in an investment implementation capacity, include but are not limited to:

A. Appointing and monitoring of the Scheme custodian. Where a pooled fund is used, the custodian for the pooled fund is generally selected by the manager of the pooled fund. The Scheme custodian is responsible for their own compliance with prevailing legislation.

B. Implementing, monitoring and managing the Scheme's investments in accordance with this SIP and the FMA. In particular:

- Appointing, monitoring and dismissing money market fund managers.
- Entering into legal agreements on behalf of the Scheme, including for money market fund management and obtaining legal advice where appropriate.

C. Ensuring the Scheme has cash readily available to meet payments due.

D. Record keeping and reporting on the performance and risk of the Scheme's investments, including providing sufficient information in an agreed format and to an agreed timescale for the Scheme administrator to prepare the Scheme's annual report and accounts for audit.

Scheme legal adviser

We have appointed a legal adviser who provides us with legal advice about the investments including:

A. Advice on this SIP and on other legal aspects of investment governance.

B. Advice on the FMA.

Scheme actuary

We have appointed a Scheme actuary whose responsibilities in relation to investments include:

A. Liaising with our Fiduciary Manager on the suitability of the Scheme's investment strategy, including our strategic investment objective, given the characteristics of the Scheme's obligations.

B. Performing the Scheme's triennial actuarial valuation.

Scheme administrator

We have appointed a Scheme administrator whose principal responsibilities in relation to investments include:

A. Together with the Scheme secretary, ensuring payment of promised benefits, and receipt of funding from Aviva where applicable.

B. Providing advance cash projections based on estimated requirements where possible.

C. Preparing the Scheme's annual report and accounts with input from our Fiduciary Manager.

Scheme secretary

We have appointed a Scheme secretary whose principal responsibilities in relation to investments include:

A. Operating and keeping records in relation to our bank account.

B. Ensuring payment of Scheme expenses.

C. Together with the Scheme administrator, ensuring payment of Scheme benefits, and receipt of funding from Aviva where applicable.

D. Requesting cash from our Fiduciary Manager as required.

E. Transferring any surplus cash beyond a reasonable buffer level to the Scheme custodian for investment by our Fiduciary Manager.

The small print

The Scheme is governed by its Trust Deed and Rules and subsequent amending deeds. The Trustees' powers of investment are granted under clause 6 of the Consolidated Trust Deed and Rules dated 17 December 2012 (as amended from time to time).

This SIP documents the Scheme's investment strategy – the principles, policies and beliefs governing decisions about investments in relation to the Scheme's assets. This SIP has been prepared to comply with the Pensions Act.

This SIP takes account of the requirements of:

- the Pensions Act,
- Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010,
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018, and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

It also takes account of the principles of the Myners Review of Institutional Investment published in 2001 and updated in 2008.

In July 2010, we appointed Mn Services Vermogensbeheer B.V. (MN) to undertake on our behalf certain investment advisory and management functions in relation to the Scheme as more fully specified in the FMA. From 1 October 2015, the FMA was novated to Kempen Capital Management (the Fiduciary Manager) following the acquisition of MN UK by Kempen Capital Management.

On 30 September 2020, the FMA was replaced with a new version. On 1 January 2023, Kempen Capital Management changed its name to Van Lanschot Kempen Investment Management.

Before adoption of this SIP we have:

- Received the written advice of our Fiduciary Manager, who has confirmed to us that they are qualified by ability in, and practical experience of, financial matters, and have appropriate knowledge and experience of the management of the investments of UK occupational pension schemes established under trust.
- Consulted with the Scheme actuary.
- Consulted with the Principal Employer.

We consider that our investment strategy and strategic investment objective are consistent with the Scheme's current financial position and will review them in the light of triennial actuarial valuations and certificates produced to comply with the Pensions Act. We intend to review this SIP at least every three years or if there is a need for a significant change in our investment strategy, including our strategic investment objective. The Scheme's funding strategy is set out in the Scheme's Statement of Funding Principles.

Terms explained

Additional Voluntary Contributions (AVCs) – Contributions members may have paid, on top of any standard member contributions required, to provide additional benefits on death or retirement.

Employer – Macmillan Cancer Support (or the National Association of Laryngectomee Clubs, an employer with current and/or former employees in the Scheme). Unless the Scheme is winding up, Employers must pay any contributions due to the Scheme, as required by the Scheme's Trust Deed and Rules.

Fiduciary Management Agreement (FMA) – The agreement that specifies the investment advisory and management functions the Fiduciary Manager will undertake on our behalf in relation to the Scheme.

Fiduciary Manager – The organisation which acts on our behalf to manage the Scheme's investments. They are bound legally and ethically to act in the best interest of the Scheme.

Money Market Fund – A stable, low-risk investment which aims to give a slightly higher return than cash by investing in short-term debt from governments, banks and companies with strong balance sheets and high credit ratings. The return is paid as interest. The underlying investments are more diversified than holding cash at one bank.

Pensions Act – Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004.

Pooled funds – Also known as collective investment schemes, these are a way of putting sums of money from many people into a large fund spread across many investments and managed by professionals. Investing this way can be easier and less risky than buying shares directly in individual companies, and there are lots of funds to choose from. Some of the Scheme's assets are invested in pooled funds.

Principal Employer – Macmillan Cancer Support, who has special powers and duties under the Scheme's Trust Deed and Rules, for example, the power to agree amendments to the Scheme.

Scheme actuary – A named individual advising us on the management of the Scheme. A key role is to design, test, and evaluate pension plans to determine if the expected assets available in the future will be enough to ensure payment of promised benefits.

Scheme custodian – Responsible for looking after the Scheme's assets, including settling transactions and undertaking activities relating to the administration of investments. Pooled funds have their own custodians.

Socially Responsible Investment (SRI) – The process of selecting investments based on their social impact as well as on their potential financial returns. It is also known as sustainable investing, socially conscious investing, green investing and ethical investing.

Terms explained (continued)

Statement of Funding Principles (SFP) – Introduced by the Pensions Act 2004, we must prepare and maintain an SFP, which sets out our policy for ensuring the Scheme can provide all promised benefits when they are due, as well as other prescribed information.

Triennial actuarial valuation – A formal review by the Scheme actuary of the financial position of the Scheme, which is carried out every three years (or more frequently as required). The valuation considers the value of the insurance policy purchased from Aviva to meet the promised benefits owed to members as they fall due and determines whether additional funding may be required from the Employer. This is effectively the Scheme's three-yearly budgeting exercise.

Trust Deed and Rules – The legal documents by which the Scheme is governed. The Trust Deed sets out the provisions for operating the Scheme as a trust, whereas the Rules gives full details of all the Scheme's benefits.