

**Fluor Limited Retirement Benefits Scheme**  
**Statement of Investment Principles**  
**August 2020**

**1. Introduction**

- 1.1 This Statement of Investment Principles (the "Statement") has been prepared by Fluor Pension Trustee Limited (the "Trustee"), the Trustee of the Fluor Limited Retirement Benefits Scheme (the "Scheme") to comply with the requirements of the Pensions Act 1995 ("the Act") and the Occupational Pension Schemes (Investment) Regulations 2005. It sets out the principles that underlie the Trustee's decisions about the investment of the Scheme's assets.
- 1.2 In preparing this Statement, the Trustee has obtained written advice from the Scheme's Investment Consultant. Where matters described in this Statement may affect the Scheme's funding policy, input has also been obtained from the Scheme Actuary. The Trustee has also consulted the Principal Employer, Fluor Limited (the "Company"), as sponsor of the Scheme. The Trustee will do likewise whenever the Statement is reviewed.
- 1.3 The Trustee's investment powers are governed by the Scheme's Trust Deed. A copy of the relevant clause, of which this Statement takes full regard, is available for inspection.
- 1.4 The Trustee intends its investment principles and their implementation to be in keeping with best practice, for example as set out in the Myners Code for pension fund investment.
- 1.5 The Scheme was closed to new accrual in April 2011 and all active members became deferred members of the Scheme.
- 1.6 In August 2018, the Trustee entered into a bulk annuity contract with Legal & General Assurance Society Limited ("LGAS") in respect of all of the Scheme's members who have accrued benefits in the Scheme. This was funded out of existing assets and a balancing payment from the Company. Their intention is to ultimately wind up the Scheme.
- 1.7 The Trustee believes that many of the requirements around the contents of a Statement of Investment Principles are no longer applicable to the Scheme, as all of the Scheme assets are represented by this annuity contract, with the exception of a small amount of assets invested in additional voluntary contributions ("AVC"). The Trustee does not expect to revise this Statement frequently because it covers broad principles. They will review it at least once every three years, and without delay if there are relevant, material changes to the Scheme and/or the Company.

**2. Fund Governance**

- 2.1 The Trustee is accountable for the investment of the Scheme's assets. It has appointed a firm of professional investment consultants, Mercer, to provide advice to the Trustee. Advice is also taken as appropriate from the Scheme Actuary and other professional advisers.

2.2 The Trustee makes decisions on a number of issues, including the Scheme's investment strategy.

### **3. Investment Policy**

#### **3.1 Investment Objectives**

The Trustee's ultimate objective is to ensure the security of the members' benefits. In light of this objective, the Trustee has agreed to enter into a bulk annuity policy with LGAS.

LGAS is an insurance company authorised and regulated by the Prudential Regulation Authority. The policy has not been structured with expected return in mind, but instead aims to exactly match the Scheme's benefit obligations.

The Trustee's ultimate objective is to ensure it can meet its obligations to the beneficiaries of the Scheme. To this end, existing assets in conjunction with a balancing payment from the Company were used to fund the purchase of a bulk annuity contract. Under the contract, LGAS will provide payments to the Trustee in line with the benefits promised by the Scheme.

#### **3.2 Investment Strategy and Structure**

All of the Scheme's assets are represented by their contract with LGAS, with the exception of residual AVC assets which remain invested with Prudential.

It is anticipated that Additional Voluntary Contribution ("AVC") policies in respect of deferred members will be reviewed and assigned appropriately as part of the wind up.

The Trustee has selected LGAS as their annuity provider having obtained and considered the written advice of Mercer Limited, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). Should anything change that brings into question the suitability of LGAS the Trustee will take appropriate advice.

#### **3.3 Aligning Manager Appointments with Investment Strategy**

For the AVC section, Prudential has been appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

As the Trustee invests in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

### **3.4 The Trustee's Policy With Regard To Risk**

The Trustee recognises the following main sources of risk as relevant to their situation in relation to investment:

- Failure of the annuity provider. The Trustee has taken appropriate advice and paid close attention to the security and operational soundness of the chosen annuity provider at the point of purchase.
- Lack of diversification. The Trustee recognises that a decision to invest in an annuity contract with a single provider represents a concentration of risk and has addressed this through scrutiny of the provider and regulatory framework.
- Default by the Scheme Sponsor. The Trustee proceeded with the purchase of the bulk annuity contract only after the Company committed sufficient funds to ensure solvency on wind-up. The Trustee notes that the purchase of the annuity contract materially reduces the Scheme's exposure to the risks arising from any potential default by the Company.
- Illiquidity. The Trustee does not expect to be able to obtain cash from the bulk annuity policy other than to meet promised benefits as agreed with the provider. It has therefore ensured that the contract meets all required benefits or if there are small differences prior to wind-up, funds will be obtained from the Company in order to settle them. The Trustee will therefore be reliant on the Company to meet any unexpected expenses that may arise.

### **4. Evaluating Investment Manager Performance**

- 4.1 The Trustee receives AVC provider performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 and 5 years. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustee's focus is on long term performance but will put a manager 'on watch' if there are short term performance concerns.
- 4.2 If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review their fees – either the Annual Management Charge or the performance related fee element.

### **5. Portfolio Turnover Cost**

- 5.1 The Trustee does not currently actively monitor portfolio turnover costs across the whole portfolio, but investment manager performance is generally reported net of all fees and costs, including transaction costs, and therefore the AVC provider is incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.
- 5.2 The Trustee does not currently actively monitor the portfolio turnover costs of the assets for members' Additional Voluntary Contributions. In the future the Trustee expects these to be available upon request.
- 5.3 The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs.

## **6. Manager Turnover**

6.1 The Trustee is a long term investor and are not looking to change the investment arrangements on a frequent basis. For open-ended funds in the AVC section, there is no set duration for the manager appointments. The Trustee will retain the AVC provider unless:

- The manager appointment has been reviewed and the Trustee has decided to terminate – see policy statement on realisation of assets.
- The Scheme is wound up

## **7. Cashflow Policy**

7.1 Benefits are met out of the annuity contract. The Trustee has maintained an appropriate level of cash for residual payments anticipated prior to wind-up.

## **8. Additional Voluntary Contributions (“AVCs”)**

8.1 The Trustee also has arrangements for members of the DB section to invest AVCs with Prudential. These arrangements are closed.

## **9. Responsible Investment and Corporate Governance**

9.1 The Trustee believes that good stewardship and environmental, social and governance (“ESG”) issues may have a material impact on investment returns. With respect to the AVC investments with Prudential, the Trustee has given the Investment Manager full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme’s investments.

9.2 The Trustee does not make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by Prudential, who are in a position to engage directly with such issuers in order to improve their performance in the medium to long term.

9.3 The Trustee expects details of voting and engagement activities associate with each of the AVC funds invested in, to be available if requested. Should the need arise, the Trustee may challenge manager decisions that appear out of line with the investment fund’s objectives or the objectives/policies of the scheme.

## **10. Buying and selling investments**

10.1 With regard to the AVC assets, the Trustee has delegated the responsibility for buying and selling investments to the AVC provider, Prudential.

## **11. Compliance with this statement**

11.1 The Trustee will monitor compliance with this Statement on a regular basis and will review this Statement in response to any material change to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and Company which they judge to have a bearing on the stated policy.



16 SEP 2020

Trustee

Date

Signed on behalf of Fluor Pension Trustee Limited

