

Annual Implementation Statement – For Scheme Year Ending 31 December 2023

Army and Air Force Exchange Service United Kingdom Area Exchange Managed Pension Plan

Introduction

This document is the Annual Implementation Statement, as required by the UK Government, under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulation 2013, as amended and guidance published by The Pensions Regulator (TPR).

The regulations require that the Trustees of the Exchange Pension Scheme disclose any actions taken by the Trustees and how these actions adhere to the Exchange’s Statement of Investment Principles (SIP) for the benefit of the Exchange’s UK employees.

This is the Exchange’s Implementation Statement the Trustees has prepared and covers the year ending 31 December 2023.

A copy of the Implementation Statement is available at the following link:

- <https://publicaffairs-sme.com/applymyexchange/>
 - Under “Additional Information” in the blue area at the bottom of the page.

SIP Objectives and Disclosure of Changes

The following changes to the SIP were implemented and published in May 2024.

Section 4.5 Rates of Return	Added table for asset class and return assumptions as of year ending December 31, 2023.
Section A	Updated administrator name to Mercer / Aptia.

As of the year ending December 31, 2023, no changes to the investment manager, BlackRock, or asset allocation to portfolio which remains at 80% Gilts or 20% Equities.

A copy of the SIP is available at the following link:

- <https://publicaffairs-sme.com/applymyexchange/>
 - Under “Additional Information” in the blue area at the bottom of the page.

Scheme’s Investment Summary of Voting Behavior for the year ending 31st December 2023

The Scheme’s investments are comprised of the following BlackRock funds:

- Aquila Life World (excl. UK) Equity Index Fund
- Aquila Life Currency Hedged World (excl. UK) Equity Index Fund
- iShares Emerging Markets Index Fund (IE) Aggregate

- Aquila Life All Stocks UK Index-Linked Gilt Index Fund
- Aquila Life Over 25 Years Gilt Index Fund

Given the nature of the investment portfolio, pooled funds, the Trustees do not have any legal right to votes (no proxy votes) under the arrangements nor does BlackRock authorize or ask clients to provide feedback and/or direction on the voting of pooled funds. The Trustees accepts it has limited influence on the investment managers and are satisfied that the investment manager has an explicit strategy clarifying the circumstances in which they will intervene in a company.

There are over 16,000 shareholder meetings in 85 markets each year with targeted 100% voting to take place on behalf of their clients by BlackRock Investment Stewardship (BIS). The BIS team confers regularly with their equity and credit analysts/portfolio managers to share insight to their pre-vote engagements, research and set of circumstances surrounding a particular company.

As fiduciary manager, BlackRock exercises their duty and responsibility to protect and enhance the value of their clients’ assets and vote in alignment of the clients’ long-term interest. BlackRock’s governance and voting guidelines help assist in the decision-making process, however, on occasions, there may be a compelling reason to divert from those guidelines. If there are any concerns with a company’s approach to corporate governance and/or business practice(s), to include ESG (and climate change) related, voting against company management or with a shareholder proposal may occur. Maintaining shareholder interests and engagement with company’s management on governance or business practices is a critical function to ensuring company’s directors are held accountable when shareholder interests are not in alignment.

The Trustees believe that the Scheme has adhered to the policies set forth in its SIP over the course of the year ending 31 December 2023. The Trustees will continue to work closely with their investment consultant and investment manager, Wilshire and BlackRock, respectively, in providing annual status updates to the Scheme, reporting on stewardship and voting behavior.

Engagement Activities for the year ending 31st December 2023.

Administration Transition	Scottish Widows no longer administers pension plans, and the duties were transitioned to Mercer / Aptia, effective 1 March 2024.
Member Statement	The required annual statement showing the Plan’s financial health was provided to members in May 2023.
Preservation Requirements	The Trustees approved for Scottish Widow to calculate any 2023 early retirement benefit on a case-case-by case basis to ensure the preservation requirements due to inflation are met.
Discretionary COLA Pension Increase – Pre-1997	The Trustees discussed at the Trustee meeting held in November 2023. Due to inflation, a discretionary increase of 3.5% was approved out of session in February 2024.

Discretionary COLA Pension Increase – Post-2005	The Trustees discussed at the Trustee meeting held in November 2023. Due to inflation, a discretionary increase of 5.0% was approved out of session in February 2024.
Contribution Rate	The employer contribution rate increased from 44% in 2022 to 49% in 2023.
Scheme Valuation	A full valuation of the scheme for 2023 is currently being conducted by Willis Towers Watson. Preliminary results are expected in July 2024 for the Trustees review.