

Royal Engineers Officers' Widows Society and Samaritan Fund Investment Policy Statement 2021/22

1. Introduction

a. The Royal Engineers Officers' Widows Society (REOWS) is a private unlimited company whose purpose is:

'To establish, maintain and administer a fund for the better support and maintenance of the spouses and dependants of Officers of the Corps of Royal Engineers and such other persons related to or otherwise connected with such Officers as the Society may from time to time approve in general meeting'.

b. The Royal Engineers Officers' Widows Society Samaritan Fund (REOWSSF) is a charity whose objects are:

(1) The relief of hardship amongst widows {spouses/partners} and orphans of Officers of the Corps of Royal Engineers.

(2) To carry out such other legal charitable purposes for the relief of hardship as the Trustees being not less than five in number shall from time to time by deed executed with their unanimous consent declare.

c. Current funds under investment are, approximately:

(1) **REOWS Annuity Fund:** £7.00M

(2) **REOWSSF:** £0.50M

d. Both the Annuity Fund and REOWSSF delegate investment decisions to Investment Management Companies (IMCo) whose activities are overseen by an Investment Management Committee (IMC) reporting to the Council as required.

(1) REOWS IMCo is selected based on a comparative analysis of options by the IMC for an initial term of two years, up to a total duration of six years. James Hambro & Partners (JH&P) were re-appointed following the September 2021 Beauty Parade process with effect 1 October 2021.

(2) REOWSSF IMCo is selected by the Armed Forces Charity Advisory Company (AFCAC).

e. The principal activities of the REOWS are the payment of lump sums following the deaths of members, and the payment of subsequent annuities to beneficiaries. Benefit levels are ratified triennially by the Council at the Society AGM, informed by an Actuarial Report.

f. The principal activity of the REOWSSF is the provision of grants and loans to eligible persons. The level of routine grant is set by reference to the Joseph Rowntree Foundation¹.

¹ As set out in Samaritan Fund Charitable Giving dated 7 Sep 20

One-off grants are authorised by a Nominated Trustee under powers delegated from the Council.

g. The financial objective of the Annuity Fund is to maintain its ability to fund lump sums and annuities. The viability of the fund to achieve this is calculated every three years by an actuary on the assumption that the fund will invest to achieve a return equivalent to 20 Year Gilts plus two percent. This is viewed as a prudent assumption in the context of investment firms currently aspiring to deliver CPI+4% growth.

h. The financial objective of the Samaritan Fund is to maintain the real value of its assets over the investment cycle whilst generating a stable and sustainable return to fund grants. Loans are assumed to be made at no cost to the beneficiary and are therefore a depreciating asset. The inflation measure considered to be most relevant to the Samaritan Fund is the Retail Price Index.

i. In 2020 approximate distribution of funds was:

| | |
|------------------------------------|---|
| (1) REOWS Lump Sums: | £70k |
| (2) REOWS Annuities: | £60k (including £10K income tax deducted at source) |
| (3) Society Administration: | £55k |
| (4) Samaritan Fund Annual Grants: | £34k |
| (5) Samaritan Fund One Off Grants: | Nil |
| (6) Samaritan Fund Loans: | £12.5k |
| (7) Samaritan Fund Administration: | £3.5k |

j. The Society Council has delegated the development of an investment strategy to meet the requirements of this policy to an IMC.

2. **Investment Objectives**

a. The Society seeks to produce the best financial return within an acceptable level of risk.

b. Annuity Fund. The investment objective is to generate a return better than 20 Year Gilts plus two percent in order to match the actuarial assessment of fund viability. As at Sep 21 this equates to a figure of 3.02%². The Council aspires to increase benefit rates in line with the prevailing CPI/RPI, whilst minimising increases to subscription rates.

c. REOWSSF. On the assumption that a fund of the current size would not achieve results equivalent to that of the AFCIF no precise investment objective is set. The IMC monitors the activities of the AFCAC and IMCo.

² [Noting](#) that during 2021 the figure has fluctuated between a low of 2.7% (Jan 21) and a high of 3.37% (May 21).

3. **Time Horizon**

- a. The REOWS and REOWSSF are expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.
- b. Both can therefore adopt a long-term investment time horizon. For the Annuity Fund this is formalised as 50 to 60 years.

4. **Liquidity Needs.**

a. **Annuity Fund.** Annual benefit requirements are unpredictable due to the varied number of units held by members and in order to ensure the Society can act swiftly in the event of multiple deaths of members, it must be possible to ensure £140K is available within three working days. The Fund Manager must also be prepared, slower time, to make available amounts of between £20K to £40K following larger lump sum payments. The £10K biannual payments from investment portfolio into the REOWS bank account made in previous years have been suspended due to higher routine subscription income. This approach remains open to review.

b. **REOWSSF.** The Charity is committed to just under £30K of annual grants in 2021. Around 50% comes from dividend income the balance is raised by selling off units of investment. These funds are available within three to five days.

5. **Ability to bear losses.**

a. **Annuity Fund.** The portfolio can sustain a temporary fall in value by up to 20% before it has a material impact upon the Council's financial objectives. This figure is reviewed by the IMC in conjunction with the IMCo on a regular basis..

b. **REOWSSF.** Governed by the AFCAC.

6. **Ethical Investment Policy.** The REOWS assets should be invested in line with its aims. The Council Members (also Samaritan Fund trustees) do not wish to adopt an exclusionary policy, but individual investments may be excluded if perceived to conflict with the Society's purpose and objects. Ethical restrictions will be reviewed annually and recorded by the IMC. Currently, companies are excluded from investment if they generate more than 5% of turnover from gambling, tobacco, alcohol and pornography. The resultant impact upon portfolio performance is to be briefed to the IMC by the IMCo.

7. **Roles and Responsibilities**

a. REOWS Council Members, elected in accordance with the REOWS Articles of Association, act as Company Directors, as well as Trustees to the Samaritan Fund, in accordance with the Charity's Deeds of Trust.

b. The REOWS Council will be responsible for appointing the IMC to whom they will delegate authority for decision making. They will be responsible for confirming the investment strategy

recommended by the IMC in the context of the overall REOWS business strategy and this investment policy statement.

c. Currently the IMC comprises the Council Chair, three Council Members and an Investments Adviser. One of the three Council members is normally the next designated Council Chair.

d. The Investments Adviser is appointed by the Chair following a selection process. The current Adviser (Mr Mark Sherwood) was appointed in January 2020 for an initial period of five years.

e. The IMC will be responsible for developing the investment strategy required to meet the needs of this policy document, for the appointment of appropriately qualified investment managers and for monitoring the investment assets. The IMC will meet on at least a biannual basis.

8. **Management, Reporting and Monitoring**

a. The IMC will recommend and define a suite of performance indicators for reporting by the IMCOs. These indicators will support the achievement of the objectives set out within this statement of investment policy. The IMC will also agree suitable benchmarks with the IMCOs for each performance indicator selected.

b. Investment managers will be required to provide a three-monthly valuation statement and performance report against the indicators set out above. They will also be required to provide a three-monthly movements report in a format to be agreed by the IMC.

c. The IMC is to review the information provided and produce a summary for circulation to the annual Council Meeting in October, and to any AGM.

9. **Approval and Review.** This investment Policy Statement was prepared by the IMC for approval by the REOWS Council and the trustee board, to provide a framework for the management of its investment assets. It will be formally reviewed at the October Council Meeting and AGM each year to ensure continuing appropriateness.