

# *Chair's DC Governance Statement, covering 1 January 2020 to 31 December 2020*

## **1. Introduction**

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustees of the TRP UK Retirement Plan (the "Plan") are required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members can invest (this means the default arrangement and other funds members can select or have assets in, such as "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

The statement covers the period from 1 January 2020 to 31 December 2020 (the "Plan year").

## **2. Default arrangements**

The Plan is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

The Trustees have made available a range of investment options for members. In addition to their DC pension contributions, members also have the option to pay Additional Voluntary Contributions ("AVCs"). The AVC funds available for members are the same as those offered in the DC arrangements and for the same costs.

Members who join the Plan and who do not choose an investment option are placed into the TRP Drawdown Lifestyle Investment Programme, the default investment option. The Trustees recognise that most members do not make active investment decisions and instead invest in the TRP Drawdown Lifestyle Investment Programme. After taking advice, the Trustees decided to make the default investment option a lifestyle strategy which targets income drawdown at retirement – this was implemented in 2018. A lifestyle strategy means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

Another strategy is also classified as a default for some members following past investment changes where members' funds have been transferred without the members expressing a choice. The Trustees also offer alternative lifestyle strategies, one of which targets annuity purchase at retirement, the TRP Annuity Lifestyle Investment Programme. Following the default arrangement review in 2017, some members closest to retirement were not automatically switched to the TRP Drawdown Lifestyle Investment Programme in Q1 2018, instead they were switched to the TRP Annuity Lifestyle Investment Programme. As members did not make a choice to invest in this strategy, this is considered to be a default by the Trustees for the purpose of fulfilling legislative requirements. This strategy is designed to target annuity purchase at retirement.

One other fund is also classified as a default for some members following past investment changes where members' funds have been transferred without the members expressing a choice. This is the BlackRock Sterling Liquidity Fund. Following the suspension of the Scottish Widows UK Property Fund in March 2020, a decision was taken to redirect contributions into the BlackRock Sterling Liquidity Fund until such time as the Scottish Widows UK Property Fund could reopen. Prior to making this decision, the Trustees received advice from their investment adviser confirming this as the most appropriate option for members given the circumstances. As members' contributions were directed into this fund without them making an active selection, this fund was treated as a default for the purpose of fulfilling legislative requirements over the Plan year.

As such, there are three default arrangements available to members and reference to the "default arrangements" in this Statement is applicable to all of these arrangements.

The Trustees are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and the Trustees' policies regarding the default arrangements can be found in the 'Statement of Investment Principles' ("SIP"). The Plan's SIP covering the default arrangements is attached to this document.

The aims and objectives of the TRP Drawdown Lifestyle Investment Programme, as stated in the SIP, are to provide those members who do not actively make their own investment choice with an investment strategy that aims to:

- Optimise returns over the long term at an acceptable (medium) level of risk whilst a member is at least 15 years from retirement; and
- Provide a gradual reduction in risk during the 15 years immediately leading up to a member drawing their Plan account. This includes an increasing allocation to cash in the period before the target retirement date to match the expectation that most members will elect to take their tax-free cash at the point of drawing their benefits.

The objectives of the TRP Annuity Lifestyle Investment Programme, as stated in the SIP, are to:

- Generate capital growth over the long term through investing in a diversified portfolio comprising principally of equities that provides an appropriate balance between risk and return whilst a member is at least 15 years from retirement; and
- Provide a gradual reduction in volatility of the annuity income level that can be secured by members during the 15 years immediately leading up to a member drawing their Plan account. This includes investing in assets (predominately in bonds and gilts) that are expected to rise and fall in value broadly in line with changes in annuity prices.

The objective of the BlackRock Sterling Liquidity Fund, as stated in the SIP, is to better the return of Seven Day LIBID before fees.

### Strategic triennial review

The default arrangements are reviewed at least every three years and were last reviewed during the Plan year. The first stage of the analysis took place on the 3 September 2020, with the second stage taking place on 4 December 2020. The performance and strategy of the default arrangements were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of the default arrangements as stated in the SIP, and to check that they continue to be suitable and appropriate given the Plan's risk profiles and membership. This review included an analysis of member demographics and took into account expectations of how the members will take their pension at retirement.

As a result of this review, the Trustees decided on the following changes to the TRP Drawdown Lifestyle Investment Programme and TRP Annuity Lifestyle Investment Programme, which will be implemented in two phases in March 2021 and September 2021:

- reducing the allocation to the BlackRock Aquila Connect UK Equity Index Fund from 20% to 10% within the T.Rowe Price Growth Blend. This change is designed to reduce the overweight UK equity exposure within the T.Rowe Price Growth Blend.
- reducing the allocation to the actively managed Baillie Gifford International Fund from 25% to 20% within the T.Rowe Price Growth Blend. This change is designed to increase the regional diversification of the equity allocation. This change is designed to reduce the reliance on a single active management investment style within the T.Rowe Price Growth Blend.
- increasing the allocation to the BlackRock Aquila World ex UK Equity Index from 36% to 41% within the T.Rowe Price Growth Blend. This change is designed to increase the regional diversification of the equity allocation within the T.Rowe Price Growth Blend.
- introducing a 10% allocation to the BlackRock ACS Climate Transition World Equity Fund, a passive market-cap weighted, climate-tilted fund, within the T.Rowe Price Growth Blend. This change is designed to increase the regional diversification and reduce the carbon footprint of the T.Rowe Price Growth Blend.
- within the T.Rowe Price Fixed Income Blend, increasing the allocation to corporate bonds and reducing the allocation to fixed interest gilts. These changes are designed to reduce the expected volatility of the blend, whilst improving the correlation with annuity prices as this fund is used within the alternative default arrangement, the TRP Annuity Lifestyle Investment Programme.

As a result of this review and having agreed to the changes outlined, the Trustees are satisfied that the default arrangements remain appropriate.

### Regular monitoring

In addition to the strategy review the Trustees also review the performance of the default arrangements against their objectives on a semi-annual basis. This review includes an analysis of fund performance to check that the risk and return

levels meet expectations. The Trustees' reviews that took place during the Plan year concluded that the default arrangements were performing broadly as expected.

### 3. Requirements for processing core financial transactions

The processing of core financial transactions for the DC and AVC arrangements is carried out by the administrator of the Plan, Scottish Widows. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, switching between investments within the Plan, and payments to members/beneficiaries.

The Trustees have received assurance from Scottish Widows that there are adequate internal controls to ensure that core financial transactions for the Plan are processed promptly and accurately.

The Plan has a service level agreement (SLA) in place with the administrator which covers the accuracy and timeliness of all core financial transactions which the Trustees monitor on a quarterly basis.

The SLAs in place for the Plan have a specific timeframe in which to be addressed and completed and include (but are not limited to) the items in the table on the next page.

Service Type	Service Level
Individual Transfer In	Act on instruction by the end of the following business day
Investment Switches	Act on instruction by the end of the following business day
Retirements, Transfers, Short Service Refunds and Death Claims unit sales	Act on instruction to sell units within two business days

Service Type	Service Level
Retirements, Transfers, Short Service Refunds and Death Claims payments	Payment to follow within a further three business days
Member enquiries	5 business days for simple enquiries and up to 10 business days for more complex enquiries
Fund values and illustrations received in writing	5 business days
Calculation of tax-free cash	5 business days

Following the implementation of Scottish Widows' new workflow system (PEGA), an instruction to act will only begin when Scottish Widows have received all requirements in order to proceed with the transaction.

The key processes adopted by the administrator to help it meet the SLA are as follows:

- A task logging system is in place which is reviewed regularly for forthcoming workloads and tasks are allocated on a daily basis. PEGA is designed to serve staff with the highest priority work based on Time Critical Processes. Staff utilise the workflow system by clicking on 'Get Next Work' to be served the next most important task;
- A regular cash reconciliation is carried out by an SLA team;
- In respect of the monitoring of the bank accounts, all balancing queries are dealt with daily;
- A dedicated bereavement cases team; and
- There is 100% checking set for all claim cases and there are levels of autonomy for payment authorisation.

The Trustees regularly monitored the administrators' performance in the Plan Year, including the SLAs that the Trustees have in place, as follows:

- The quarterly reporting by the administrator provides a summary of the Plan and its members, as well as information on retirements, contributions and assets. Furthermore, it provides a detailed breakdown of all core administrative procedures, the number of cases received over the period and the percentage of procedures that were completed within the agreed SLAs.
- Reports are initially evaluated by the HR/Payroll teams at T. Rowe Price and the Trustees' Administration and Communication sub-committee to verify that transactions are performed in line with the SLAs and to determine if there have been any administration errors or unreasonable delays.
- The Trustees' Administration and Communication sub-committee meets with Scottish Widows on a quarterly basis to discuss service levels and any current issues.
- Scottish Widows, in their quarterly governance reports throughout the second half of 2020, have showed underperformance in relation to manual administration and time critical process SLAs. This can be attributed to the recruitment freeze following Scottish Widows move to a remote operating model due to the Covid-19 pandemic, resulting in a gap in available capacity. Scottish Widows restarted recruitment in Q3 2020 and confirmed that following new members joining the team, they would expect to see SLAs return to previous levels. The Trustees are rigorously monitoring developments and meet Scottish Widows on a quarterly basis to discuss progress against SLAs.
- At the start of the Plan Year, the Trustees arranged weekly meetings with Scottish Widows and the Trustees' investment advisers in light of the Covid-19 pandemic in 2020 to closely monitor the performance of Scottish Widows and the service being provided to members of the Plan during that time.

The Plan's relationship manager at Scottish Widows also attends regular Trustees' meetings to discuss performance. To supplement this, the Trustees receive quarterly updates from their advisers on Scottish Widow's wider service standards at a 'book level'.

Typically, the Trustees undertake an annual site visit at Scottish Widow's offices to assess the ongoing administration quality standards, risk control measures and financial transaction procedures in place. As a result of lockdown measures resulting from the Covid-19 pandemic, the Trustees undertook a virtual visit hosted by Scottish Widows in December 2020. The Trustees also review Scottish Widows' annual AAF01/06 report on internal controls and raise any issues as appropriate.

During the year and while making other agreed to changes to the self-select fund range, Scottish Widows removed the incorrect fund from the self-select fund range. The fund removed was the Scottish Widows BlackRock Aquila Over 15 Years UK Gilt Index. The fund that should have been removed was the Scottish Widows BlackRock Aquila Corporate Bond Over 15 Year Index. Scottish Widows have undertaken a member reconciliation of this error and all members who were detrimentally impacted have been compensated by Scottish Widows. Any members found to have gained because of this error have kept any gain. Scottish Widows have confirmed that they have now introduced an additional check in their fund removal process to prevent this type of risk from reoccurring.

The Trustees became aware of some isolated anomalies during the Plan year with regard to the payment of contributions and allocation of AVCs by the payroll team at T. Rowe Price. These have been rigorously investigated by the Trustees in order to have these swiftly rectified. The Trustees are carefully monitoring the steps which have been taken to ensure that no further issues arise.

Based on its review processes and from using and assessing the information provided by the administrators, the Trustees, are satisfied that over the Plan year:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions on the whole have been processed promptly and accurately to an acceptable level during the Plan year.

#### 4. Member-borne charges and transaction costs

The Trustees are required to set out the on-going charges incurred by members over the Plan year, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges also include administration and investment costs, since members incur these costs.

The Trustees are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Scottish Widows who are the Plan's platform provider and are applicable for both the DC and AVC arrangements. When preparing this section of the Statement, including illustration of charges and transaction costs, the Trustees have taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustees have shown any negative figure as zero.

#### Default arrangements

As noted above, the TRP Drawdown Lifestyle Investment Programme and the TRP Annuity Lifestyle Investment Programme have been set up as lifestyle approaches, which means that members' assets are automatically moved between different investment funds as they approach their retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to retirement and in which funds they are invested.

Annualised charges and transaction costs for these default arrangements over the Plan year are set out in the following tables. The Trustees can confirm that over the year the default arrangements' charges are all compliant with charge cap of 0.75% pa.

#### TRP Drawdown Lifestyle Investment Programme - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.40	0.02
10 years to retirement	0.38	0.01
5 years to retirement	0.35	0.01
At retirement	0.32	0.00

#### TRP Annuity Lifestyle Investment Programme - charges and transaction costs

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.40	0.02
10 years to retirement	0.34	0.01
5 years to retirement	0.29	0.00
At retirement	0.24	0.00

#### Scottish Widows BlackRock Sterling Liquidity Fund - charges and transaction costs

Annualised charges and transaction costs over the Plan year for the Scottish Widows BlackRock Sterling Liquidity Fund are shown in the table below.

Fund	TER (% pa)	Transaction costs (%)
Scottish Widows BlackRock Sterling Liquidity Fund	0.21	0.01

## Self-select options

In addition to the default arrangements, under the self-select options, members also have the option to invest in one other lifestyle strategy, the TRP Lump Sum Lifestyle Investment Programme (which targets cash withdrawal), and several other self-select funds.

If members elect to pay into the TRP Lump Sum Lifestyle Investment Programme, the annual charges for this lifestyle for the Plan year are set out in the table below.

### Self-select fund charges and transaction cost: TRP Lump Sum Lifestyle Investment Programme

Years to target retirement date	TER (% pa)	Transaction costs (%)
15 or more years to retirement	0.40	0.02
10 years to retirement	0.40	0.01
5 years to retirement	0.34	0.01
At retirement	0.27	0.01

The level of charges for each self-select fund (including those used in the default arrangements) and the transaction costs for the Plan year are set out in the following table. The underlying funds used within the default arrangements are shown in **bold**.

### Self-select fund charges and transaction costs: Other self-select funds (if not included above)

Fund name	TER (% pa)	Transaction costs (%)
<b>T.Rowe Price Lifestyle Growth Blend</b>	<b>0.40</b>	<b>0.02</b>
<b>T.Rowe Price Lifestyle Fixed Income</b>	<b>0.22</b>	<b>0.00</b>
<b>Scottish Widows Legal &amp; General Diversified</b>	<b>0.41</b>	<b>0.00</b>
Scottish Widows BNY Mellon Global Equity	0.77 <sup>1</sup>	0.00 <sup>2</sup>

Fund name	TER (% pa)	Transaction costs (%)
Scottish Widows Baillie Gifford International	0.54	0.03
Scottish Widows Ardevora Global Long-only Equity Fund <sup>3</sup>	1.06	0.39
Scottish Widows T.Rowe Price Global Focused Growth Equity	1.06	0.57
Scottish Widows T.Rowe Price Global Growth Equity	1.10	0.29
Scottish Widows Henderson Global Sustainable Equity	1.09 <sup>1</sup>	0.10 <sup>2</sup>
Scottish Widows T.Rowe Price Frontier Markets Equity	1.45	0.43
Scottish Widows T.Rowe Price Emerging Markets Equity	1.29	0.12
Scottish Widows Stewart Investors Global Emerging Market Leaders	1.02 <sup>1</sup>	0.22 <sup>2</sup>
Scottish Widows Artemis UK Special Situations	1.01	0.26
Scottish Widows UK Equity	0.52 <sup>1</sup>	0.49 <sup>2</sup>
Scottish Widows Threadneedle UK Smaller Companies	1.08	0.28
Scottish Widows T.Rowe Price European Equity	1.00	0.30
Scottish Widows JPM Continental Europe Equity	0.54	0.49
Scottish Widows T. Rowe Price European Smaller Companies Equity	1.30	0.12
Scottish Widows T.Rowe Price US Large Value Cap Equity	1.00	0.09
Scottish Widows Threadneedle American	0.73	0.23
Scottish Widows T.Rowe Price US Smaller Companies Equity	1.22	0.21

Fund name	TER (% pa)	Transaction costs (%)
Scottish Widows Stewart Investors Asia Pacific Leaders	0.92	0.37
Scottish Widows T.Rowe Price Asian Ex-Japan Equity	1.10	0.30
Scottish Widows T.Rowe Price Global Aggregate Bond	0.80	0.28
Scottish Widows T.Rowe Price Global High Yield Bond	0.86	0.18
Scottish Widows Fidelity Moneybuilder Income	0.68	0.15
Scottish Widows UK Preference & Fixed Interest	0.32 <sup>1</sup>	0.06 <sup>2</sup>
Scottish Widows Property	0.69	0.06
Scottish Widows JPM Natural Resources	0.95	0.91
Scottish Widows T.Rowe Price Global Natural Resources Equity	1.10	0.23
Scottish Widows Baillie Gifford Managed	0.51	0.23
Scottish Widows Passive Multi-Asset III	0.23 <sup>1</sup>	0.00 <sup>2</sup>
Scottish Widows BlackRock Aquila Corporate Bond All Stocks Index	0.22	0.00
Scottish Widows BlackRock Aquila Corporate Bond Over 15 Year Index	0.22	0.00
Scottish Widows BlackRock Aquila European Equity Index	0.22	0.00
Scottish Widows BlackRock Aquila Index-Linked Over 5 Year Gilt Index	0.21	0.00
Scottish Widows BlackRock Aquila Japanese Equity Index	0.22	0.00
Scottish Widows BlackRock Aquila Over 15 Years UK Gilt Index	0.21	0.00
Scottish Widows BlackRock Aquila Pacific Rim Equity Index	0.22	0.00

Fund name	TER (% pa)	Transaction costs (%)
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Scottish Widows BlackRock Aquila UK Equity Index

Scottish Widows BlackRock Aquila US Equity Index

Scottish Widows BlackRock Aquila World ex UK Equity Index

Scottish Widows BlackRock Aquila Emerging Markets Equity Index<sup>4</sup>

Source: Scottish Widows, at 31 December 2020.

<sup>1</sup>These funds were removed from the self-select fund range on 25 September 2020. TERs are shown at 1 September 2020.

<sup>2</sup>These funds were removed from the self-select fund range on 25 September 2020. Scottish Widows were unable to provide the transaction costs for the time period members were invested in these funds i.e. from 1 January 2020 to 25 September 2020. The transaction costs shown therefore represent the period from 1 January 2020 to 31 December 2020.

<sup>3</sup>The Scottish Widows Ardevora Global Long-only Equity Fund was added to the self-select fund range on 23 June 2020. Scottish Widows were unable to provide the transaction costs for the time period members were invested in these funds i.e. from 23 June 2020 to 31 December 2020. The transaction costs shown therefore represent the period from 1 January 2020 to 31 December 2020.

<sup>4</sup>The Scottish Widows BlackRock Aquila Emerging Markets Equity Index was added to the self-select fund range on 20 April 2020. Scottish Widows were unable to provide the transaction costs for the time period members were invested in these funds i.e. from 20 April 2020 to 31 December 2020. The transaction costs shown therefore represent the period from 1 January 2020 to 31 December 2020.

### Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustees have had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.

- The transaction cost figures used in the illustration are those provided by the managers over the past year subject to a floor of zero (so the illustration does not assume a negative cost over the long term).
- The illustration is shown for the TRP Drawdown Lifestyle Investment Programme (one of the default arrangements) since this is the arrangement with the most members invested in it, as well as four funds from the Plan's self-select fund range. The four self-select funds shown in the illustration are:
  - the fund with the highest before costs expected return – this is the Scottish Widows T.Rowe Price Frontier Markets Equity Fund. As this fund has both the highest before costs expected return and highest annual member borne costs, we have used the fund with the second highest before costs expected return for the purpose of this illustration. This is the Scottish Widows BlackRock US Equity Index.
  - the fund with the lowest before costs expected return – this is the Scottish Widows BlackRock Aquila Over 15 Years UK Gilt Index
  - the fund with highest annual member borne costs – this is the Scottish Widows T.Rowe Price Frontier Markets Equity
  - the fund with lowest annual member borne costs – this is the Scottish Widows BlackRock Aquila UK Equity Index

### ***Projected pension pot in today's money***

TRP Drawdown Lifestyle Investment Programme		Scottish Widows BlackRock Aquila US Equity Index		Scottish Widows BlackRock Aquila Over 15 Years UK Gilt Index		Scottish Widows T.Rowe Price Frontier Markets Equity		Scottish Widows BlackRock Aquila UK Equity Index		
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£17,400	£17,300	£17,400	£17,400	£17,000	£17,000	£17,500	£17,300	£17,400	£17,400
3	£40,700	£40,400	£41,000	£40,900	£38,400	£38,300	£41,300	£40,000	£41,000	£40,900
5	£64,700	£64,000	£65,600	£65,200	£59,000	£58,700	£66,300	£63,000	£65,600	£65,200
10	£128,000	£125,000	£131,000	£129,000	£107,000	£105,000	£134,000	£121,000	£131,000	£129,000
15	£196,000	£190,000	£203,000	£200,000	£150,000	£148,000	£210,000	£181,000	£203,000	£200,000
20	£269,000	£258,000	£283,000	£276,000	£190,000	£186,000	£296,000	£242,000	£283,000	£276,000
25	£348,000	£330,000	£370,000	£360,000	£225,000	£220,000	£393,000	£304,000	£370,000	£360,000
30	£429,000	£402,000	£467,000	£451,000	£258,000	£251,000	£501,000	£369,000	£467,000	£451,000
35	£504,000	£468,000	£574,000	£550,000	£287,000	£278,000	£624,000	£434,000	£574,000	£551,000
40	£568,000	£523,000	£691,000	£658,000	£314,000	£303,000	£761,000	£501,000	£691,000	£659,000

## Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £6,000. This is the approximate average (median) pot size for members under 25.
- The projection is for 40 years, being the approximate duration that the youngest plan member has until they reach the Plan's Normal Pension Age.
- Total contributions (employee plus employer) are assumed to be £950 per month and are assumed to increase in line with inflation at 2.5% per year. These are the approximate average (median) contributions for members under 25.
- The projected annual real terms investment return used are as follows:
  - TRP Drawdown Lifestyle Investment Programme (one of the default arrangements): 1.5% above inflation for the initial years, gradually reducing to a return in-line with inflation at the ending point of the lifestyle.
    - Scottish Widows BlackRock Aquila US Equity Index: 1.9% above inflation
    - Scottish Widows BlackRock Aquila Over 15 Years UK Gilt Index: 2.0% below inflation
    - Scottish Widows T.Rowe Price Frontier Markets Equity: 2.3% above inflation
    - Scottish Widows BlackRock Aquila UK Equity Index: 1.9% above inflation
  - No allowance for active management outperformance has been made.

## 5. Value for members assessment

The Trustees are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustees in relation

to value for member considerations is set out below. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustees review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The date of the last review which covered the same period as this Statement was 16 June 2021.

The Trustees note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustees' investment advisers have confirmed that the fund charges are competitive for the types of fund available to members. In particular, the charges borne by members for the passive funds are low when compared with their peer groups. Many of the fees for the Plan's active funds are above the median when compared with their peer groups, however the Trustees believe these funds offer strong expected returns.

This summary sets out the Trustees' rating and the high-level rationale behind it. The Trustees have chosen a rating ranging across poor, fair, good to very good.

1. **Charges – Good** - Members bear the cost of administration and investment charges but fees are competitive compared to Schemes of a similar size. The Trustees will continue to look for opportunities to negotiate lower fees for members where appropriate.
2. **Administration – Fair** – the administration services provided by Scottish Widows is of a reasonable standard. Despite challenging circumstances over the period due to the Covid-19 pandemic, Scottish Widows compared reasonably with other providers. The Trustees note that an independent review by the Trustees' investment adviser was performed to obtain the "fair" rating and they confirmed that most providers are rated as "fair" or "good", as they believe there is room for improvement in administrative standards for the majority of providers. The Trustees are working closely with the provider to ensure improvements to their service to members, where appropriate.
3. **Governance – Very good** – The Trustees and pensions team are very committed to the Plan, demonstrated by the dedicated level of resources.

Over the Plan year the Trustees undertook a review against the Code of Practice as well as receiving regular training from advisors.

- 4. Communications – Good** – The Trustees issue timely and relevant information to members including the production of an annual newsletter and annual member sessions which approximately 20% of active members attended during the Plan year.
- 5. Default investment arrangements – Very good** – The default strategy for members who join the Plan and who do not choose an investment option targets drawdown at retirement. The Trustees monitor the default investment arrangements risk and return profiles regularly to ensure they remain appropriate. The Trustees undertook a performance and strategy review of all of the default investment arrangements in 2020 with changes to be implemented to the TRP Drawdown Lifestyle Investment Programme and TRP Annuity Lifestyle Investment Programme over two phases in 2021 to reduce member exposure to adverse market movements on one day.
- 6. Investment range – Very good** – The self-select fund range provides access to all major asset classes, many specialist options and alternative lifestyle strategies. The Trustees reviewed the self-select fund range in 2019 and changes were implemented throughout 2020. Further changes were agreed throughout the year and these are to be implemented in the first half of 2021.
- 7. At-retirement services – Good** - Support and guidance offered to members are reasonable. The Trustees have recently reviewed communications to members approaching retirement to ensure early clarity on retirement options is offered.
- 8. Plan design – Very good** – The Plan design and contribution structure are generous and encourage members to take advantage of the extra matching contributions.

The Trustees believe the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and we expect this to lead to greater investment returns net of fees over time.

Overall, based on this value for members' assessment, the Trustees believe that members of the Plan received good value for money for the charges and cost that they incurred during the Plan year. The Trustees believe this because the fees paid by members are generally competitive for a Plan of this size, the Plan's contribution structure is generous and encourages members to take advantage of the extra matching contributions, and communications have been timely and relevant. The Trustees aim to improve this in future through:

- Looking for opportunities to negotiate lower fees for members; and
- Continuing to monitor SLAs, reporting and pushing for improvement from the administrator, Scottish Widows.

## 6. Trustee knowledge and understanding

The Plan's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustees have measures in place, including a training programme, to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met over the Plan year are set out below.

The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees' advisers would typically deliver training on such matters at Trustee meetings if they were material. Over the Plan year, the Trustees have ensured their knowledge and understanding is up to date by attending training covering:

- implementation statements;
- the PLSA Retirement Living Standards;
- market opportunities related to Covid-19;

- multi-asset credit;
- cognitive diversity; and
- climate change.

In addition, the Trustees receive quarterly updates and training on hot topics in the DC market from their investment advisors. During 2020, these topics consisted of:

- changes to the annual allowance threshold;
- movements in the DC provider market;
- TPR guidance regarding Covid-19;
- responsible investment; and
- the Pension Scheme Bill 2019-2021.

Furthermore, the Trustees attended external forums and industry conferences throughout the year as appropriate, in order to enhance their knowledge of the DC market. Over the Plan year the Trustees attended and/or participated in the following events:

- Goldman Sachs Sustain Conference;
- PLSA Conference;
- Scottish Widows Responsible Investing Seminar;
- Baker McKenzie's Pension Autumn Briefing Seminar, with a focus on climate change; and
- LCP's Annual DC Conference.

As well as learning, this provides an external perspective of other DC Schemes and whether there are learnings which could be taken.

All the Trustees are familiar with and have access to copies of the Plan's governing documentation and documentation setting out the Trustees' policies, including the Trust Deed & Rules, the SIP (which sets out the policies on investment matters) and the documents setting out the Trustees' current policies.

In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan's investments. Further, the Trustees believe they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustees have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date and that it covers suitable topics for the Trustees. Additionally, the Scheme has in place a structured induction process for new trustees, including a requirement to complete the Pensions Regulator's Trustee Toolkit within six months of their appointment.

During the Plan year the Trustees undertook a DC Code of Practice Review 13, which included an informal effectiveness review against TPR's expectations, which were all met. This review considered six core criteria and concluded that the Plan is in a strong position where all standards are met from both a legal perspective and from a best practice perspective. The Trustees identified some actions to help improve the Plan such as considering including an allocation to a responsible investment fund within the default arrangements and looking to recruit a member to the board that will better diversify the Trustee Board's skill set and demographics, both of which have been actioned following the Plan year end.

Considering the knowledge and experience of the Trustees and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (eg investment consultants, legal advisors), the Trustees believes they are well placed to exercise their function as Trustees of the Plan properly and effectively.

Date: 22/7/2021

Signed by the Chair of Trustees of the TRP UK Retirement Plan

TRP UK Retirement Plan

## **Statement of Investment Principles**

June 2021

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# Section 1: Introduction

## Plan information

- 1.1 This document describes the investment policy pursued by the Trustees of the TRP UK Retirement Plan (respectively, the "Trustees" and the "Plan").
- 1.2 The Plan operates for the exclusive purpose of providing Defined Contribution ("DC") retirement benefits and death benefits to eligible participants and beneficiaries.
- 1.3 The Plan is a registered pension scheme under the Finance Act 2004.
- 1.4 Scottish Widows operates the Plan on a 'bundled' basis providing administration, investment and communication services.
- 1.5 Scottish Widows is regulated under the Financial Services and Markets Act 2000 and authorised in the UK by the Financial Conduct Authority and the Prudential Regulation Authority.

## Relevant legislation

- 1.6 The purpose of this Statement is to document those investment principles, guidelines and procedures which are appropriate for the Plan, in a manner consistent with the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the 1995 Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.
- 1.7 The Trustees of the Plan have received written advice from their investment adviser (Lane Clark & Peacock) (the "Investment Adviser"), whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice considers the suitability of investments including the need for diversification given the circumstances of the Plan and the principles contained in this Statement of Investment Principles ("SIP"). When preparing this Statement, the Trustees have also consulted T. Rowe Price International Ltd (the "Principal Employer") and will consult the Principal Employer if revising this document in future as required by the 1995 Act. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustees.
- 1.8 When choosing investments, the Trustees and the investment managers, to the extent delegated, are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the principles contained in this Statement.
- 1.9 In accordance with their duties under the Pensions Act 1995 and with the Financial Services and Markets Act 2000 ("FSMA"), the Trustees will set a general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers authorised under FSMA, which may include an insurance company or companies. The investment managers shall provide the skill and expertise necessary to manage the investments of the Plan competently. With proper written investment advice (as defined by Section 36 of Pensions Act 1995), the Trustees have chosen funds considering their high-level asset allocation and investment objectives. Investment choice within each fund is made by the managers subject to defined tolerances relative to their respective fund benchmarks.
- 1.10 New members are auto-enrolled into the Plan, so a default investment option is required if members do not specify a preferred investment choice themselves.

## Section 2: Division of responsibilities

2.1 The Trustees have put in place the following division of responsibilities for the efficient operation and governance of the Plan's investment arrangements.

### **The Trustees**

2.2 The Trustees' core responsibilities are:

- a developing a mutual understanding of investment and risk issues with the employer;
- b setting the investment strategy, in consultation with the employer;
- c formulating a policy in relation to financially material considerations, such as those relating to Environmental, Social and Governance ("ESG") considerations (including but not limited to climate change);
- d formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- e setting the policy for rebalancing between asset classes;
- f setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- g putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- h reviewing the content of this SIP and modifying it if deemed appropriate at least every three years or without delay after any significant change in investment policy or, in relation to the default arrangement, after any significant change in the demographic profile of relevant members or updates to relevant regulation;
  - i consulting with the employer(s) when reviewing the SIP;
  - j monitoring and considering the appropriateness of the investment strategy (including having regard to the need for diversification of investments so far as is appropriate);
  - k monitoring investment choices made by members including fund choices, contribution rates, opt out rates and decisions made at retirement;
  - l reviewing the bi-annual performance monitoring reports from the Investment Adviser;
  - m monitoring, selecting and deselecting investment managers, investment advisers and other service providers;

- n monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- o communicating with members as appropriate on investment matters such as the Trustees assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- p reviewing the investment policy as part of any review of the investment strategy; and
- q reviewing the administration and investment charges applied to members of the Plan including adherence to the charging controls for the default investment strategy.

### **Investment Sub-Committee (ISC)**

- 2.3 An Investment Sub-Committee ("ISC") of the Trustees has been established to oversee the Trustees' core investment responsibilities in relation to the Plan (as set out above).
- 2.4 The ISC provides input and recommendations (where applicable) to the full Trustee Board. Overall decision-making power rests with the full Trustee Board.
- 2.5 The ISC's role and powers are documented in its Terms of Reference. This is reviewed periodically (at least every three years).

### **Investment Adviser**

- 2.6 The Investment Adviser's core responsibilities are as follows:
  - a making recommendations to the Trustees on:
    - I. the Statement of Investment Principles;
    - II. the DC default investment arrangements, any alternative investment strategies and the range of self-select investment funds, and how material changes to legislation or within the Plan's benefits and membership may impact this; and
    - III. the selection and deselection of investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations).
  - b supporting the Trustees in monitoring the Plan's investment arrangements including:
    - I. performance against key objectives; and
    - II. investment manager monitoring.
  - c supporting the Trustees and Scottish Widows in implementing the Plan's investment strategy.

## **Scottish Widows**

2.7 Scottish Widows' responsibilities include:

- a providing the Trustees with quarterly statements of the assets and fund factsheets;
- b ensuring the underlying funds are priced correctly;
- c provision and maintenance of the fund investment platform and review of the continued structural suitability of the underlying funds;
- d being available for meetings or discussions with the Trustees and/or their appointed advisers;
- e administration of member records; and
- f member communication materials and on-line services.

## **Investment managers**

2.8 The underlying investment managers' responsibilities include:

- a managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- b taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- c exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- d at their discretion, but within any guidelines agreed by the Trustees for each individual fund, implementing changes to the asset mix and selecting securities within each asset class;
- e informing the Trustees and/or the provider of any planned changes in the internal performance objectives and guidelines of any pooled fund used by the Plan before they occur;
- f having the need for diversification of investments so far as appropriate and to the suitability of investments;
- g giving effect to the principles contained in this Statement as far as reasonably practicable; and
- h having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

- i The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustees or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

# Section 3: Investment objectives and policy

## Objectives

- 3.1 The Trustees' general investment objectives for the Plan (including in relation to decisions about investments for the purposes of the default arrangement) are as follows:
- a to offer suitable funds and lifestyle strategies reflecting the membership profile and variety of ways that members can draw their benefits in retirement and for members to have sufficient investment choice to satisfy their differing risk appetites and risk profiles;
  - b to offer an appropriate default investment option that the Trustees believe to be reasonable for those members who do not feel able to make decisions on how their fund should be invested;
  - c the objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement;
  - d to offer a range of suitable funds for members to invest in whilst being able to mitigate the range of risks faced; and
  - e to monitor the fund choices to ensure they are consistent with the strategic objectives.
- 3.2 The Trustees are aware that members' investment needs change as they progress towards retirement age. Younger members have a greater need for real growth to attempt to ensure their investments keep pace with inflation and if possible, salary escalation. Younger members will also, all other things being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement in which markets may come back in line from any temporary low. Older members will have differing investment needs depending on how they wish to withdraw their retirement savings.
- 3.3 The Trustees are aware that different members will have different personal circumstances and different attitudes to risk. The Trustees therefore believe that members should be given freedom over the investment policy of their own pension accounts subject to reasonable practical constraints.
- 3.4 The Trustees' intention is that all members should understand the investment choices they make so that their chosen strategies are appropriate to their own circumstances.

## Policy

- 3.5 The Trustees' policy is to seek to achieve its investment objectives through offering a suitable mixture of asset classes and funds. Pooled funds are made available across the main asset classes, reflecting the changing requirements of members as they progress towards retirement.
- 3.6 The Trustees make available three lifestyle investment programmes where members' investments are initially allocated to a 'Growth Blend' and are progressively switched into lower risk investments as retirement approaches. Each strategy is focussed towards a different retirement outcome – annuity purchase, lump sum withdrawal and drawdown, and reflect these target outcomes in their asset allocations at retirement.

- 3.7 As an alternative to the lifestyle strategies, members can elect to invest in a range of actively managed and passively managed funds covering the main asset classes.
- 3.8 Further details on the ‘Growth Blend’ and a full list of member investment options is contained in **Appendix B**.

### **Default investment strategy**

- 3.9 Members of the Plan who do not make an explicit choice on how to invest their pension savings are automatically invested in the “TRP Drawdown Lifestyle Investment Programme” being the default investment strategy under the Plan. This is managed as a “lifestyle” strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).
- 3.10 The overall objective of the “TRP Drawdown Lifestyle Investment Programme” is to provide those members who do not actively make their own investment choice with an investment strategy that aims to:
  - a optimise returns over the long term at an acceptable level of risk whilst a member is at least 15 years from retirement; and
  - b provide a gradual reduction in risk during the 15 years immediately leading up to a member drawing their Plan account. This includes an increasing allocation to cash in the period before the target retirement date to match the expectation that most members will elect to take their tax-free cash at the point of drawing their benefits.
- 3.11 The default strategy aims to generate a level of return that is expected to provide adequate retirement income for its target population. It also aims to manage a member’s exposure to risk throughout their working life, ensuring that members are not unduly exposed to investment risk at any given point.
- 3.12 The default option targets drawdown at retirement, since the Trustees believe that this represents the most appropriate option for members.
- 3.13 In designing both the default strategy and the other investment options under the Plan to ensure that assets are invested in the best interests of members, the Trustees in conjunction with their Investment Advisers gave in-depth consideration to the Plan’s demographic profile and the retirement outcome needs and risk tolerance of the membership. Due consideration was also given to charge cap compliance.
- 3.14 The Trustees’ wider investment policy and considerations as disclosed throughout this document apply equally to the design and construction of the default investment strategy.
- 3.15 The Trustees will monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.
- 3.16 Further details in relation to the default investment strategy are contained in **Appendix A**.
- 3.17 As well as the TRP Drawdown Lifestyle Investment Programme, the Plan also makes use of the BlackRock Sterling Liquidity Fund as a temporary default arrangement. Following the suspension of the Scottish Widows UK Property Fund in March 2020, a decision was taken to redirect contributions into the BlackRock Sterling Liquidity Fund until such time as the Scottish Widows UK Property Fund could reopen. Prior to making this decision, the Trustees received advice from their investment adviser confirming this as the most appropriate option for members given the circumstances. As members’ contributions are to be directed into this fund without them making an active selection, this fund will

be treated as a default for the purpose of fulfilling legislative requirements. The objective of the fund is 'to better the return of Seven Day LIBID before fees'. The Trustees' wider investment policy and considerations as disclosed throughout this document apply equally to this default.

### **Expected level of return**

- 3.18 The Trustees' policy is to make available a wide variety of funds across all the major asset classes, including equities, fixed interest, cash and multi-asset strategies. They also seek to ensure that these funds are diversified, in terms of objectives, sectors, investment styles and management approach (including active and passive options).
- 3.19 The differing characteristics of the asset classes ensures members have a broad access to market returns which are structured to cater for the evolving risks members face (as outlined in Section 4).
- 3.20 **Appendix C** lists each of the individual fund options and their expected level of returns by reference to their specific benchmark and objective (this information is also made available to members through the Plan's investment guide).

## Section 4: Considerations in setting the investment arrangements

- 4.1 When deciding how to invest the Plan's assets, the Trustees consider several risks, including, but not limited to, those set out in Section 5. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.
- 4.2 The Trustees considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate.
- 4.3 In determining the investment arrangements, the Trustees considered:
  - the best interests of all members and beneficiaries;
  - the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
  - the risks, rewards and suitability of a number of possible asset classes and lifecycle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
  - the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
  - the need for appropriate diversification within the other investment options offered to members;
  - any other considerations which the Trustees consider financially material over the periods until members' retirement, or any other timeframe which the Trustees believe to be appropriate; and
  - the Trustees investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.
- 4.4 The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:
  - asset allocation is the primary driver of long-term returns;
  - risk-taking is necessary to achieve return, but not all risks are rewarded;
  - equity, credit, illiquidity, duration and volatility are the primary rewarded risks;
  - risks that do not have an expected reward should generally be avoided, hedged or diversified;
  - investment markets are not always efficient and there may be opportunities for good active managers to add value;
  - ESG factors may be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;

- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is often better value;
  - long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
  - costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.
- 4.5 The Trustees' key investment beliefs and understanding of the Plan's membership are reflected in the design of the default and other lifestyle options, and in the range of other funds made available to members.

## Section 5: Risk management

- 5.1 The Trustees recognise a number of risks involved in the investment of assets of the Plan, including:
- a **Capital risk** – the risk that the value of the investment will fall in value over any period of time. The Trustees have made available a cash fund for the purpose of managing this risk.
  - b **Risk of inadequate returns** - as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustees have made the default option a "lifestyle" strategy.
  - c **Inflation risk** – the risk that the contributions fail to provide an adequate amount of benefit. This could be by failing to achieve an adequate amount of return in excess of price inflation commensurate with the term of investment. The Trustees have made available a range of actively and passively managed equity funds for the purpose of managing this risk.
  - d **Investment Manager risk** - This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.
  - e **Risk from lack of diversification** - This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan's assets. The Trustees believe that the Plan's DC default strategy are adequately diversified between different asset classes and within each asset class and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Plan's investment arrangements and is monitored by the Trustee on a regular basis.
  - f **Pension conversion risk** – the risk that the value of a member's account does not reflect the change in the cost of purchasing an annuity at retirement. The Trustees have made available an index-linked gilt fund (for those members wanting an annuity that increases during retirement) and a number of fixed interest bond and gilt funds as well as an annuity targeting lifestyle strategy for the purpose of managing this risk.
  - g **Currency risk** – where members invest in funds with an exposure to overseas securities, there will be an element of currency risk as these securities are converted back into Sterling.
  - h **Environmental, social and governance (ESG) risks** - ESG factors are sources of risk to the Plan's investments which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

- i **Contribution shortfall risk** – the risk that members do not contribute sufficiently to the Plan and are therefore left with an inadequate pension at retirement. This is a difficult risk for the Trustees to address as all members' circumstances will be different, but where possible and appropriate, encouragement will be given to contribute adequately to the Plan.
  - j **Political risk** - the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
  - k **Illiquidity/marketability risk** – the risk that assets are not easily realisable such that cash is not readily available to meet cash flow requirements. The Trustees have had regard to this in selecting appropriate funds, such as pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment. Furthermore, this is also the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments.
  - l **Risk from excessive charges** - if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustees are comfortable that the charges applicable to the Plan are in line with market practice and assess regularly whether these represent good value for members.
  - m **Credit risk** - This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Plan is subject to credit risk because it invests in bonds via pooled funds. The Trustees manage members' exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers.
- 5.2 The Trustees seek to offer investment funds which allow members to mitigate the above risks, however acknowledge that it is not possible to mitigate all of the risks at the same time. Therefore, members are encouraged to consider the risks that are most relevant to them and to invest to mitigate these risks.
- 5.3 The Trustees continue to monitor these risks on a regular basis.

## Section 6 - Implementation of the investment arrangements

- 6.1 Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments. Details of the investment managers are set out in **Appendix C**.
- 6.2 The Trustees have entered into a contract with a platform provider, who makes available the range of investment options to members. There is no direct relationship between the Plan and the underlying investment managers of the DC investment funds.
- 6.3 The Trustees have signed agreements with the platform provider setting out in detail the terms on which the portfolios are to be managed. The investment managers used have agreements with the Trustees' platform provider. The investment managers' primary role is the day-to-day investment management of the Plan's investments.
- 6.4 The Trustees and investment managers to whom discretion has been delegated exercise their powers giving effect to the principles in this SIP, so far as is reasonably practicable.
- 6.5 The Trustees encourage their managers to improve their practices where appropriate.
- 6.6 The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to meet the stated objectives, guidelines and restrictions of the fund. However, in practice, managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.
- 6.7 It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.
- 6.8 The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.
- 6.9 The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.
- 6.10 The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

- 6.11 The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.
- 6.12 The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

# Section 7: Monitoring and reviewing investments

- 7.1 The Trustees will monitor investment performance and review the nature of the Plan's investments periodically. In carrying this out, the Trustees will consider all relevant factors in determining whether this Statement and the associated risks remain appropriate.
- 7.2 The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

## **Monitoring investment performance**

- 7.3 Whilst the Trustees are not involved in each investment managers' day to day method of operation and therefore cannot directly influence attainment of the performance target, they will regularly assess performance and review appointments.
- 7.4 The Trustees have a framework in place for monitoring investment performance including key metrics and the process undertaken if a fund is underperforming. This is outlined in the 'Performance Review Process' document, which is maintained by the ISC.
- 7.5 It is the Trustees policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustees will also periodically assess the effectiveness of their decision-making and investment governance processes and will decide how this may then be reported to members

## **Reviewing the investment options under the Plan**

- 7.6 The Pensions Regulator expects trustees to regularly review their investment fund ranges and consider the demographics of the membership when doing so.
- 7.7 In light of the new pension flexibilities which became available from April 2015, and as part of the Trustees' ongoing governance of the Plan, the Trustees undertook a full review of the Plan's default investment strategy in 2017 and made a number of changes, including amending the objective of the default from a lifestyle targeting annuity purchase to one targeting income drawdown at retirement since the Trustees believe that this represents the most appropriate option for the majority of members. These changes were implemented in Q1 2018. A further review of the default investment offering was undertaken in 2020 and whilst the objective of the lifestyle remains appropriate some changes to underlying funds were agreed to be implemented throughout 2021. These changes are outlined in the Appendices.
- 7.8 The Trustees periodically review the wider fund range and make changes where appropriate.

## **Investment manager monitoring**

- 7.9 The continuing suitability of the Plan's investment managers will be reviewed by the Trustees at least bi-annually. The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. The managers are also monitored on their compliance with the requirements of the 1995 Act concerning diversification and suitability of investments, where relevant. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

## Section 8: Other matters

### **Fee basis**

- 8.1 Members bear the management charges on the funds in which they invest which cover the provision of administration and investment services. These fees are charged by an adjustment to the unit prices within the funds, calculated daily on the value that day.
- 8.2 The Trustees have agreed Terms of Business with the Plan's investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis. The investment adviser's fees are paid for by the employer.
- 8.3 The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Plan. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

### **Financially material considerations and non-financial matters**

- 8.4 The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.
- 8.5 The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice.
  - a In relation to pooled funds designed to track an index (passive funds) – the choice of index dictates the assets held by the manager. The Trustees accept that the role of the passive manager is to deliver returns in line with the index, however, the Trustee also recognises the importance of Stewardship and the role passive managers have in engaging with the underlying companies they hold and expects that their passive manager is able to demonstrate strong credentials in this regard.
  - b In relation to funds where the manager is permitted to make active decisions about the selection, retention and realisation of investments, the Trustees expect the managers to consider all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions.
- 8.6 The Trustees encourage their managers to improve their practices where appropriate and, as set out in 6.11 and 6.12 above, to maintain good stewardship practices.
- 8.7 The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments in the default strategy.

## **Liquidity and realisation of investments**

- 8.8 The investment managers have discretion over the timing of realisation of underlying investments within the funds that they manage, and the liquidity of the underlying assets is considered when the Trustees decide which funds to offer to members.

Members' DC accounts are held in funds which offer frequent dealing to enable benefits to be realised on retirement, or earlier on transfer to another pension arrangement or change their investments.

## **Working with the Plan's employer**

- 8.9 When reviewing matters regarding the Plan's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the Principal Employer's perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the Principal Employer, the Trustees believe that better outcomes will generally be achieved if the Trustees and Principal Employer work together collaboratively.

## **Compliance and review of this Statement**

- 8.10 The Trustees will monitor compliance with this Statement annually.
- 8.11 The Trustees will review this Statement in response to any material changes to any aspects of the Plan, its membership profile and the attitude to risk of the Trustees, which they judge to have a bearing on the stated investment policy.
- 8.12 This review will occur no less frequently than every three years or at the time of any changes to the fund range or, in relation to the default strategy, member demographics. Any such review will be based on written expert investment advice and the Principal Employer will be consulted.

## Appendix A: Lifestyle investment programmes

The Trustees make available a range of passively and actively managed self-select funds and lifestyle strategies. The default option is a lifestyle strategy. Details of the options are set out below. The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The TRP Drawdown Lifestyle Investment Programme is the default investment option for the Plan and targets income drawdown at retirement as being the most appropriate retirement benefit option for the majority of the membership. The ongoing suitability of this lifestyle was reviewed in the final quarter of 2020.

The TRP Annuity Lifestyle Investment Programme targets annuity purchase at retirement. Following the default arrangement review in 2017, some members closest to retirement were not automatically switched to the TRP Drawdown Lifestyle Investment Programme in Q1 2018, instead they were retained in the TRP Annuity Lifestyle Investment Programme. As members did not make a choice to invest in this strategy, this is considered to be a default by the Trustees for the purpose of fulfilling legislative requirements. This strategy is designed to target annuity purchase at retirement and was also last reviewed in the final quarter of 2020. .

The Trustees also make available one further lifestyle as a self-select option, targeting members expecting to take a Lump Sum at retirement.

As a result of the review of these three lifestyles in the final quarter of 2020, it was decided to implement some changes to two of the underlying funds used in all three lifestyles: the TRP Growth Blend and the TRP Fixed Income Blend. The changes were agreed to be implemented in two phases throughout the calendar year 2021.

The fund options are provided to members via an investment only platform arrangement with Scottish Widows. The funds are open ended priced daily.



Name	Objective	Chart
<b>Drawdown (default)</b>	The Drawdown Lifestyle Investment Programme aims to generate capital growth over the long term through investing in a diversified portfolio comprising principally of equities that provides an appropriate balance between risk and return. In the 15 years prior to retirement, the strategy aims to reduce the volatility of the member's expected pension fund by gradually increasing asset diversification and reducing the overall risk profile. This option is predominantly designed for members looking to use their retirement account to draw their tax-free cash entitlement whilst at the same time maintaining investment growth to facilitate a transition to a drawdown arrangement, which allows members to take income as and when required.	<p>100% 75% 50% 25% 0%</p> <p>20+ 15 10 5 SRA</p> <p>Years to Selected Retirement Age (SRA)</p>
<b>Annuity</b>	The Annuity Lifestyle Investment Programme aims to generate capital growth over the long term through investing in a diversified portfolio comprising principally of equities that provides an appropriate balance between risk and return. In the 15 years prior to retirement, the strategy aims to gradually reduce the volatility of the annuity income level that can be secured by members through investing in assets (predominately in bonds and gilts) that are expected to rise and fall in value broadly in line with changes in annuity prices. This option is predominantly designed for members looking to use their retirement account to draw their tax-free cash entitlement and use the remaining balance to purchase an annuity (a pension income that provides a guaranteed level of income).	<p>100% 75% 50% 25% 0%</p> <p>20+ 15 10 5 SRA</p> <p>Years to Selected Retirement Age (SRA)</p>
<b>Lump Sum</b>	The Lump Sum Lifestyle Investment Programme aims to generate capital growth over the long term through investing in a diversified portfolio comprising principally of equities that provides an appropriate balance between risk and return. In the 15 years prior to retirement, the lifestyle aims to gradually reduce the absolute volatility of fund values by increasing investment in cash, whilst still maintaining some level of diversification. This option is predominantly designed for members looking to take their retirement account as a single cash lump sum(s), including the tax-free element.	<p>100% 75% 50% 25% 0%</p> <p>20+ 15 10 5 SRA</p> <p>Years to Selected Retirement Age (SRA)</p>

## Appendix B: Growth and Fixed Income Blends

The TRP Growth and Fixed Income Blends are made up of a variety of underlying funds, selected by the Trustees to offer an appropriate blend of risk and return. They form a key component of the lifestyle options and also feature in the self-select range. The funds and asset allocations outlined in the tables below are those agreed by the Trustees in December 2020 and implemented in two tranches in 2021.

The TRP Growth Blend:

<b>TRP Growth Blend</b>	<b>Asset Allocation</b>
BlackRock UK Equity Index Fund	10%
BlackRock Global Ex-UK Equity Index Fund	41%
BlackRock ACS Climate Transition World Equity Fund	10%
Baillie Gifford International Fund	20%
TRP Global Emerging Market Fund	9%
BlackRock Corporate Bond All Stocks Index Fund	10%
<b>Total</b>	<b>100%</b>

The Fixed Income Blend:

<b>TRP Fixed Income Blend</b>	<b>Asset Allocation</b>
SW Aquila Over 15 Years UK Gilt Index	30%
SW Aquila Corporate Bond All Stock Index	70%
<b>Total</b>	<b>100%</b>

## Appendix C: Self-select fund range

Asset class	Active / Passive	Fund	Objective	Benchmark
Global equities	Active	Baillie Gifford International	To produce attractive returns, mainly through capital growth, over the long term. To invest mainly in shares of companies worldwide excluding the UK.	MSCI ACWI ex UK NR
		T. Rowe Price Global Focused Growth Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a portfolio of stocks that have the potential for above average and sustainable rates of earnings growth. The companies may be anywhere in the world, including emerging markets.	MSCI ACWI NR
		T. Rowe Price Global Growth Equity	The fund aims to achieve long-term capital appreciation.	MSCI ACWI NR
		Ardevora Global Long-only Equity Fund		
	Passive	Aquila World ex UK Equity Index	This fund invests in the shares of overseas companies, (Europe, Japan, Far East, US and Canadian markets) according to market capitalisation weightings. Within each of those markets, the fund aims to generate returns consistent with those of each country's primary share market. This fund aims to achieve a return in line with the FTSE All-World Developed ex-UK Index.	FTSE Developed Ex UK TR
		BlackRock ACS Climate Transition World Equity	To provide exposure to companies within the MSCI World Index that are well-positioned to maximise the opportunities and minimise the potential risks associated with a transition to a low carbon economy, relative to other companies within that index.	MSCI World NTR
	Emerging market equities	T. Rowe Price Frontier Markets Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of frontier markets companies.	MSCI Frontier Markets NR
		T. Rowe Price Emerging Markets Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of emerging market companies.	MSCI EM NR
		Aquila Emerging Markets Equity Index	To achieve a return consistent with the MSCI Global Emerging Markets Index.	MSCI EM
UK equities	Active	Artemis UK Special Situations	The investment objective of the fund is to provide long-term capital growth by exploiting special situations. The fund invests principally in UK equities and in companies which are	FTSE AllSh TR

			headquartered or have a significant part of their activities in the UK which are quoted on a regulated market outside the UK. The manager's investment policy may mean that at times it may be appropriate for the fund not to be fully invested but to hold cash or near cash.	
		Threadneedle UK Smaller Companies	The investment objective of the fund is to achieve capital growth. The investment policy is to invest primarily in equities of smaller companies in the UK.	Numis SC Ex Invt Com TR
	Passive	Aquila UK Equity Index	The fund invests in the shares of UK companies and aims to achieve a return that is consistent with the return of the FTSE All-Share Index. This index is widely regarded as the benchmark for UK pension fund investment in shares of companies in the UK.	FTSE AllSh TR
		T. Rowe Price European Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of European companies	MSCI Europe NR
		JPM Continental Europe Equity	The fund aims to achieve strong returns by investing in the shares of companies across Europe, excluding the UK.	FTSE AW Dv Europe Ex UK TR
		T. Rowe Price European Smaller Companies Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of smaller publicly traded European companies.	MSCI Europe Small Cap GR
Regional equities	Active	T. Rowe Price US Large Cap Value Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks from large capitalization companies in the United States that are selling at discounted valuations relative to their historical average and/or the average of their industries.	Russell 1000 Value TR
		Threadneedle American	The investment objective is to achieve capital growth. The investment policy is to invest the assets of the fund in equities of companies domiciled in North America or which have significant North American operations. If the Authorised Corporate Director (ACD) considers it desirable, it may further invest in other securities (including fixed-interest securities, other equities and money market securities).	S&P 500 TR
		T. Rowe Price US Smaller Companies Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a widely diversified portfolio of stocks from smaller capitalization companies in the United States.	Russell 2500 NR

		Stewart Investors Asia Pacific Leaders	The fund aims to achieve long-term capital growth and invests in the shares of large and medium sized companies in the Asia Pacific region (excluding Japan, including Australasia).	MSCI AC Asia Pac Ex JPN NR
		T. Rowe Price Asian Ex-Japan Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a diversified portfolio of stocks of companies in Asia (excluding Japan).	MSCI AC Asia Ex Japan NR
		Aquila European Equity Index	This fund invests in the shares of companies in Europe and aims to achieve a return that is consistent with the return of the FTSE All World Developed Europe ex-UK Index. This index is widely regarded as the benchmark for UK pension fund investment in European company shares.	FTSE AW Dv Europe Ex UK TR
		Aquila US Equity Index	The fund invests in the shares of US companies with the return of the FTSE All-World USA Index. This index is widely regarded as the benchmark for UK pension fund investment in shares of companies in the US.	FTSE USA TR
		Aquila Pacific Rim Equity Index	This fund invests in the shares of Pacific Rim companies and aims to achieve a return that is consistent with the return of the FTSE All-World Developed Asia Pacific ex-Japan Index. This index is widely regarded as the benchmark for UK pension fund investment in shares of companies in the Pacific Rim.	FTSE AW Dv AP Ex JPN TR
		Aquila Japanese Equity Index	This fund invests in the shares of Japanese companies and aims to achieve a return that is consistent with the return of the FTSE All-World Japan Index. This index is widely regarded as the benchmark for UK pension fund investment in shares of companies in Japan.	FTSE Japan TR
		Baillie Gifford Managed	The fund has a balanced strategy and invests in equities, fixed-interest securities and cash, either directly, or through other Baillie Gifford pooled funds. The fund aims to outperform its benchmark by 1% – 1.5% p.a. (before fees) over rolling 3-year periods.	(ABI) Mixed Investment 40%-85% Shares (Pen)
		Legal & General Diversified	The investment objective of the fund is to provide long-term investment growth through exposure to a diversified range of asset classes.	ICE LIBOR 6 Month + 3.5%
		TRP Growth Blend	The Growth Fund aims to provide capital and dividend growth from primarily investing in a diversified portfolio of equity-based investments and an allocation to fixed income at a tolerable risk level through the use of a series of underlying funds. The performance and volatility of the Growth Fund at the overall fund level should be consistent with the benchmarks of the underlying funds that make up the Growth Fund.  Once the 2021 changes have been implemented the underlying asset allocation will be as follows: Baillie Gifford	Composite

			International CS1 – 20%, SW Aquila UK Equity Index CS1 – 10%, SW Aquila World Ex-UK Equity Index CS1 – 41%, SW Aquila Corporate Bond All Stocks Index CS1 – 10%, SW T. Rowe Price Global Emerging Market Equity CS1 – 9%, SW BlackRock ACS Climate Transition World Equity Fund – 10%.	
<b>Commodity and energy</b>	Active	JPM Natural Resources	To invest primarily in the shares of companies throughout the world, engaged in the production and marketing of commodities. The fund aims to provide capital growth over the long term.	Euromoney Global Mining Gold & En NR
		T. Rowe Price Global Natural Resources Equity	To increase the value of its shares, over the long term, through growth in the value of its investments. The fund invests mainly in a widely diversified portfolio of stocks of natural resources or commodities-related companies. The companies may be anywhere in the world, including emerging markets.	MSCI World Select Natural Resources Index
<b>Bond</b>	Active	T. Rowe Price Global High Yield Bond	To maximise the value of its shares through both growth in the value of, and income from, its investments. The fund invests mainly in a diversified portfolio of high yield corporate bonds from issuers around the world, including emerging markets	JPM Global High Yield Index
		T. Rowe Price Global Aggregate Bond	To maximise the value of its shares through both growth in the value of, and income from, its investments. The fund invests mainly in a diversified portfolio of bonds of all types from issuers around the world.	BBgBarc Global Aggregate TR
		TRP Fixed Income Blend	The Fixed Income fund invests in an equal combination of government and investment grade corporate bonds through the use of two underlying funds. The fund's objective is to achieve a return comprising of interest income and capital appreciation with low volatility. It aims to achieve a return consistent with its underlying benchmarks. The underlying funds are as follows: SW Aquila Over 15 Years UK Gilt Index CS1 – 30%, SW Aquila Corporate Bond All Stocks Index CS1 – 70%.	Composite
		M&G Total Return Credit	The fund will aim to provide investors with attractive returns from capital and income typically from a diversified pool of debt and debt-like assets. The fund seeks a total return of one month Libor +3 to 5% gross of fees per annum over an investment cycle.	LIBOR GBP 1 Month
	Passive	Aquila Corporate Bond All Stocks Index	This fund invests in investment grade corporate bonds denominated in sterling. The fund aims to achieve a return consistent with the iBoxx £ Non-Gilts Index. This index covers the broad spectrum of investment grade corporate bonds in issue.	Markit iBoxx Non-Gilts TR
		Aquila Index-Linked Over 5 Year Gilt Index	This fund invests in UK government index-linked securities (index-linked gilts) that have a maturity period of 5 years or	FTSE Index Linked Over 5 Yr TR

			longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK index-linked gilt market	
		Aquila Over 15 Years UK Gilt Index	This fund invests in UK government fixed-income securities (gilts) that have a maturity period of 15 years or longer. The fund aims to achieve a return consistent with the FTSE UK Gilts Over 15 Years Index, which is widely regarded as the benchmark for UK pension fund investment in the longer dated end of the UK gilt market.	FTSE Gilts Over 15 Yr TR
<b>Cash</b>	Active	BlackRock Sterling Liquidity Fund	The fund aims to achieve an investment that is in line with wholesale money market short-term interest rates. Specifically, the fund will aim to better the return of Seven Day LIBID before fees.	7 Day LIBID