

# SME CENTRALISED PENSION SCHEME:

H BOWERS

JOHN F HUTCHINGS

KEITH MOTORS

PERTWEE & BACK

REYNARDS

## STATEMENT OF INVESTMENT PRINCIPLES

AUGUST 2020

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# 1 INTRODUCTION

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This Statement of Investment Principles (the “Statement”) has been prepared by Punter Southall Governance Services (the “Trustee”), in its capacity as Trustee of the SME Centralised Pension Scheme (containing the following Sections: H Bowers; John F Hutchings; Keith Motors; Pertwee & Back and Reynards) (the “Scheme”) in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustee to ensure the effective implementation of these principles.

In preparing the Statement, the Trustee has:

- previously obtained and considered written advice from a suitably qualified individual, employed by their investment adviser, CPRM Limited (“CPRM” now a firm within Mercer, a Marsh & McLennan company), whom it believes to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employers, although the Trustee affirms that no aspect of the strategy is restricted by any requirement to obtain the consent of any of the Sponsoring Employers.

The previously given advice and the consultation process considered the suitability of the Trustee’s investment policy for the Scheme.

The Trustee will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustee will review the Statement without delay after any significant change in investment policy for any of the Sections. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employers as appropriate.

# 2 INVESTMENT OBJECTIVES

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The Trustee's primary investment objective for each Section is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of that Section.

When the investment strategy was last reviewed the investment adviser also acted as the Scheme Actuary, hence, the investment objectives and the resultant investment strategy for each Section are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

# 3 INVESTMENT RESPONSIBILITIES

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## 3.1 TRUSTEE'S DUTIES AND RESPONSIBILITIES

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives. It carries out its duties and fulfils its responsibilities as a single body.

The duties and responsibilities of the Trustee include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at on Section level and manager by manager
- The approval and review of the asset allocation benchmark for each Section of the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement and section 36 of the Pensions Act 1995

## 3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustee has appointed CPRM as investment adviser to the Scheme. CPRM provides advice as and when the Trustee requires it, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which CPRM, on request, expects to provide advice to the Trustee include the following:

- Participating with the Trustee in reviews of this Statement
- Setting of investment objectives
- Advising on investment strategy and asset allocation
- Recommending an appropriate investment structure
- Liaising with JLT Investment Management ("JLT IM") to determine funds and investment managers that are suitable to meet the Trustee's objectives
- Monitoring the underlying investment managers to ensure their continuing appropriateness to the mandates given
- Production of performance monitoring reports
- Advising on cashflow management (investment and disinvestment) policies (see Appendix 2)

Section 3.3 describes the responsibilities of JLT IM as investment manager to the Scheme.

The Trustee may seek advice from CPRM with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, it recognises that it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). CPRM may be proactive in advising the Trustee regarding tactical investment decisions; however, there is no responsibility placed on CPRM to be proactive in all circumstances.

The Trustee monitors the performance of the underlying investment managers for each Section of the Scheme against the managers' benchmarks. CPRM will provide performance monitoring reports to aid the Trustee in this process.

Under the TEAMS funds in which the Scheme invests, a fund based charge is levied, which covers the investment management expenses. In addition, there is a charge that covers the services of both JLT Investment Management (JLT IM) and CPRM.

Any additional services provided by CPRM will be remunerated primarily on a time-cost basis.

CPRM does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice.

The Trustee is satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

CPRM is an Appointed Representative of Mercer, which is authorised and regulated by the Financial Conduct Authority ("FCA").

### 3.3 ARRANGEMENTS WITH INVESTMENT MANAGERS

The Trustee is a long term investor and does not look to change the investment arrangements on a frequent basis.

The Trustee, after considering appropriate investment advice, has invested in TEAMS funds managed by JLT IM on the Phoenix Life Limited investment platform. Under the TEAMS funds, JLT IM selects investment managers suitable for each Section's mandate and monitors the underlying investment managers to ensure their continuing appropriateness to the mandate.

Investment managers are appointed by JLT IM based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

JLT IM will only invest in pooled investment vehicles. The Trustee therefore accepts that it cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

If Mercer's Manager Research Team downgrades a manager, JLT IM will replace that manager with a suitable alternative.

The underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within their fund.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of each Section of the Scheme.

None of the underlying managers in which each Section of the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustee therefore considers that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustee accepts that it cannot influence the charging structure of the pooled funds in which the each Section of the Scheme is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

JLT IM is authorised and regulated by the Financial Conduct Authority.

All of the investment managers that will be selected within the TEAMS funds will be authorised and regulated by the Prudential Regulation Authority (“PRA”), the FCA or both.

JLT IM does not receive commission or any other payments in respect of any Section of the Scheme that might affect the impartiality of its actions.

JLT IM and the underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage.

The Trustee believes that this is the most appropriate basis for remunerating managers.

### 3.4 SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the Scheme’s administrators, so far as they relate to the Scheme’s investments, is set out at Appendix 3.

# 4 INVESTMENT STRATEGY

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## 4.1 SETTING INVESTMENT STRATEGY

The Trustee has determined the investment strategy for each Section after considering that Section's liability profile and requirements of the Statutory Funding Objective, the Trustee's appetite for risk, the relevant Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustee previously received written advice from its investment adviser.

The basis of the Trustee's strategy is to divide the assets between those seeking long term growth ("growth" portfolio) and those looking to provide protection against the changing value placed on the liabilities ("hedging" portfolio). The allocations are also set with regard to the overall required return objective on each Section's assets, which is determined by the funding objective and current funding level. Thus, the Trustee regards the basic distribution of the assets to be appropriate for each Section's objectives and liability profile.

The Trustee recognises the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where considered appropriate, the Trustee has invested in funds which provide diversification across a variety of asset classes.

Taking all of these factors into consideration, the Trustee has established a benchmark allocation to each asset class, which is set out in Appendix 1.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustee has set out its approach in Appendix 2.

## 4.2 INVESTMENT DECISIONS

The Trustee distinguishes between three types of investment decision: strategic, tactical and stock-level.

### **Strategic Investment Decisions**

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of each Section of the Scheme.

The Trustee takes all such decisions themselves. It does so after receiving written advice from its investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and hedging portfolios
- Determining the allocation to asset classes within these portfolios
- Determining each Section's benchmarks
- Reviewing the investment objectives and strategic asset allocation

### **Tactical Investment Decisions**

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustee. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

### **Stock Selection Decisions**

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

## **4.3 TYPES OF INVESTMENTS TO BE HELD**

The Trustee is permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment
- Cash

All of the funds in which the each Section of the Scheme invests are pooled and unitised. The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

## **4.4 FINANCIAL CONSIDERATIONS**

In setting the investment strategy, the Trustee has prioritised assets which provide protection against the changing value placed on the Scheme's liabilities and also assets which provide long term growth and considers the financially significant benefits of these factors to be paramount.

The Trustee understands that it must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance ("ESG") factors.

The Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Trustee further recognises that investing with a manager who approaches investments in a responsible way and takes account of ESG related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustee accepts the fact that it has very limited ability to influence the ESG policies and practices of the companies in which its managers invest.

However, the Trustee notes that the TEAMS funds invest in well-respected investment managers where ESG principles are an established part of the investment decision making process. The Trustee will therefore rely on the policies and judgement of the investment managers when assessing the impact on the value of the Scheme's investments. Thus, the Trustee has delegated the task of incorporating ESG, including climate change issues, to

the investment managers and that these matters will be included in the consideration of the appointment of these managers going forward.

The Trustee is therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

The Trustee will review ESG considerations at future reviews of this Statement, to make sure that the policy evolves in line with emerging trends and developments.

JLT IM, on behalf of the Trustee, will take ESG considerations into account in the selection, retention and realisation of investments.

## 4.5 NON-FINANCIAL CONSIDERATIONS

The Trustee recognises that it is likely that members and beneficiaries will hold a broad range of views on ESG and other non-financial matters. Hence, it is not currently practical to take into account these potentially wide ranging views when setting the Scheme's investment strategy. The Trustee will, however, continue to remain open to consideration of members' views in the future.

Thus, on balance, the Trustee believes that its duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as and when they fall due. Hence, the Trustees' investment objectives are designed to ensure this duty is achieved on an on-going basis.

## 4.6 STEWARDSHIP

The Trustee has concluded that the decision on how to exercise voting rights should be left with the investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are available online and on request from the managers, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Where the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee will exercise its right in accordance with what it believes to be in the best interests of the majority of the Scheme's membership.

# 5 RISK

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The Trustee is aware, and seeks to take account of a number of risks in relation to the Scheme's investments, including the following:

Under the Pensions Act 2004, the Trustee is required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

## **Solvency Risk and Mismatching Risk**

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a Section-specific strategic asset allocation with an appropriate level of risk.

## **Manager Risk**

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by investing in TEAMS funds where JLT IM monitors and will replace any managers where concerns exist over their continued ability to deliver the investment mandate.

## **Liquidity Risk**

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

## **Political Risk**

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through assessment of the levels of diversification within the investment policy.

## **Corporate Governance Risk**

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are available online and on request and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

## **Sponsor Risk**

- This is assessed as the level of ability and degree of willingness of each sponsor to support the continuation of each Section and to make good any current or future deficit.
- It is managed by assessing the interaction between each Section and the relevant sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.

## **Legislative Risk**

- This is the risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

## **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 Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.
- Indirect credit risk arises in relation to underlying bond investments held in the pooled funds. This risk is mitigated by investing in funds with diversified portfolios.

## **Market Risk**

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk

### **Currency Risk**

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the Scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- This risk is managed by investing a large portion of the Scheme's growth assets in DGFs. Within the DGFs the management of currency risk related to overseas investments is delegated to the underlying investment managers. However, the DGFs have a Sterling benchmark and by investing in a diversified investment portfolio, the impact of currency risk is mitigated.

### **Interest/inflation rate risk**

- This is the risk that an investment's value will change due to a change in the level of interest/expected inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustee recognises that the Scheme's liabilities are exposed to a significant level of interest rate risk and for this reason it is desirable for the assets to be exposed to a similar level of interest rate risk. The Trustee manages the Scheme's interest rate risk by considering the net risk when taking account of how the liabilities are valued.

### **Other Price risk**

- This is the risk that principally arises in relation to the growth portfolio.
- The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets and has therefore invested a large proportion of the Scheme's growth assets in DGFs in order to achieve a diversified exposure to different investment markets and manage this risk.

## ESG Risk

- This is the risk that ESG concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- The Trustee manages this risk by using TEAMS funds which invest in well-respected investment managers where ESG principles are an established part of the investment decision making process as stated above.
- The Trustee is aware that responsible investing is one of the core beliefs of the investment manager and the investment adviser. As a result, part of the rating process of the investment adviser and decision-making process of the investment manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

# 6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

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## 6.1 INVESTMENT ADVISER

The Trustee continually assesses and reviews the performance of its adviser in a qualitative way.

## 6.2 INVESTMENT MANAGERS

The Trustee receives quarterly monitoring reports on the performance of the TEAMS funds from Mercer on a quarterly basis, which presents performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers' performance.

The reporting also reviews the performance of the Scheme's assets at a total Section level against the corresponding Section's strategic benchmark.

JLT IM, as investment manager, has the role of replacing the underlying investment managers where appropriate. It takes a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will also be made to the underlying managers if there is a strategic change to the overall strategy such that a Section no longer requires exposure to that asset class or manager.

## 6.3 PORTFOLIO TURNOVER COSTS

Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustee does not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs.

The Trustee is also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustee does not have an overall portfolio turnover target for any Section of the Scheme.

The Trustee is working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested.

# 7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Trustee has historically provided for AVC facilities to be made available to members.

The Scheme's AVC arrangements are provided by Standard Life and also invested in the TEAMS funds.

The Trustee reviews the AVC arrangement periodically in line with its responsibilities to the Scheme.

# 8 CODE OF BEST PRACTICE

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The Trustee notes that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes' and is satisfied the principles contained within this guidance are applied to the Scheme as far as relevant to the Scheme's circumstances.

# 9 COMPLIANCE

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The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of this Statement is also supplied to the Sponsoring Employer, the Scheme Auditor and the Scheme Actuary.

This Statement supersedes all others and was approved by the Trustee:

**Name:** Gerald Wellesley  
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**Date:** 18th September 2020  
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# APPENDIX 1: ASSET ALLOCATION BENCHMARK

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The **H Bowers** Section's strategic asset allocation benchmark is set out below.

<b>Asset Class/Fund</b>	<b>Strategic Asset Allocation Benchmark (%)</b>
TEAMS Diversified Growth	50
TEAMS Absolute Return Bond	25
TEAMS Active UK Long Corporate Bond	25
<b>Total</b>	<b>100</b>

The **John F Hutchings** Section's strategic asset allocation benchmark is set out below.

<b>Asset Class/Fund</b>	<b>Strategic Asset Allocation Benchmark (%)</b>
TEAMS Diversified Growth	70
TEAMS Absolute Return Bond	15
TEAMS Active UK Long Corporate Bond	15
<b>Total</b>	<b>100</b>

The **Keith Motors** Section's strategic asset allocation benchmark is set out below.

<b>Asset Class/Fund</b>	<b>Strategic Asset Allocation Benchmark (%)</b>
TEAMS Diversified Growth	60
TEAMS Active UK Corp Bond (All Stocks)	10
TEAMS Active Bond	15
TEAMS Active Index Linked Gilts	15
<b>Total</b>	<b>100</b>

The **Pertwee & Back** Section's strategic asset allocation benchmark is set out below.

<b>Asset Class/Fund</b>	<b>Strategic Asset Allocation Benchmark (%)</b>
TEAMS Diversified Growth	35
TEAMS Active Bond	15
TEAMS Active UK Corporate Bond (All Stocks)	25
TEAMS Active Index Linked Gilts	25
<b>Total</b>	<b>100</b>

The **Reynards** Section's strategic asset allocation benchmark is set out below.

<b>Asset Class/Fund</b>	<b>Strategic Asset Allocation Benchmark (%)</b>
TEAMS Diversified Growth	50
TEAMS Absolute Return Bond	25
TEAMS Active UK Long Corporate Bond	25
<b>Total</b>	<b>100</b>

# APPENDIX 2: CASHFLOW AND REBALANCING POLICY

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## **Cashflow Policy**

Where possible, cash outflows will be met from cash balances held by the relevant Section in order to minimise transaction costs.

Investments or disinvestments will be applied in line with each Section's financial management policy.

The Trustee will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in each Section's cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

## **Rebalancing Policy**

There is no formal rebalancing of the assets, but the Trustee will review the asset allocation on an on-going basis and consider rebalancing back to the central allocation if there is significant divergence.

# APPENDIX 3: RESPONSIBILITIES OF PARTIES

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## TRUSTEE

The Trustee's responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the investment adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the investment adviser and Scheme Actuary
- The appointment and review of the investment adviser
- Appointing the investment manager(s) and custodian (if required)
- The assessment and review of the performance of each investment manager
- Assessing the quality of the performance and processes of the investment manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the investment adviser
- The assessment of the risks assumed by the Scheme at a Section level and underlying manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis and section 36 of the Pensions Act 1995 on a continuing basis

## INVESTMENT ADVISER

The investment adviser's responsibilities include the following:

- Participating with the Trustee in reviews of this Statement
- Production of performance monitoring reports
- Advising the Trustee, at its request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the investment managers' organisation, or that of the underlying investment managers, could affect the interests of the Scheme
  - How any changes in the investment environment could present either opportunities or threats for the Scheme
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of investment managers
- Advising on the selection of new managers and/or custodians
- Advising on cashflow management (investment and disinvestment) policies (see Appendix 2)

## INVESTMENT MANAGERS

As noted in this Statement, the Scheme's assets are invested in the TEAMS funds, managed by JLT IM on the Phoenix Life Limited investment platform.

JLT IM's responsibilities include the following:

- Providing the Trustee on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios

- Informing the Trustee of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Replacing a manager that is significantly downgraded by Mercer's Manager Research Team with a suitable alternative

The responsibilities of the underlying investment managers include:

- Informing the Platform provider of any changes in the internal performance objectives and guidelines of their funds
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Managing their funds in accordance with their stated mandates

## SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of each Section's investment strategy given the financial characteristics of each Section
- Assessing the funding position of each Section and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

## ADMINISTRATOR

The administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the investment managers according to the Trustee's instructions.