

The General Council of the Bar Pension and Life Assurance Fund

Statement of Investment Principles

September 2020

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1 Introduction

1.1 Fund Background

This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for The General Council of the Bar Pension and Life Assurance Fund (the “Fund”). The Fund operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries. The Fund provides benefits calculated on a defined benefit basis.

In preparing this Statement the Trustees have taken appropriate written advice from Buck (the “Investment Consultant”). The Trustees have also consulted with The General Council of the Bar (the “Sponsoring Employer”) and Alan Wilkes of XPS Pensions (the “Scheme Actuary”) in respect of the Statement.

The Trustees have provided a copy of the Statement to the Fund’s “Investment Managers”, as follows:

- Legal & General Investment Management Limited (“LGIM”);
- BlackRock Investment Management (“BlackRock”).

1.2 Statement Structure

This Statement is divided into two main sections as follows:

- **Statutory Section:** This section covers the requirements of and the Fund’s compliance with the provisions of the Pensions Act 1995 and 2004 as amended by the Occupational Pension Schemes (Investment) Regulations 2005.
- **Myners Section:** This section includes additional non-statutory information that was recommended by the Myners Principles and is now included in Statements of Investment Principles.

2 Statutory Information

2.1 Introduction

This section of the Statement covers the requirements of the Pensions Act 1995 and 2004 as amended by the Occupational Pension Schemes (Investment) Regulations 2005. In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the Investment Consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.

The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of types of investments, the need to diversify, the custodianship of assets and any self-investment.

The Investment Managers will prepare detailed quarterly reports on their activities and the Trustees will meet with them periodically.

This Statement will be reviewed periodically or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken on the advice of the Investment Consultant, as will any appointment or review of the Investment Managers.

All investment decisions of the Fund are under the control of the Trustees, with no constraint by the Sponsoring Employer. All investment decisions are taken by the Trustee board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when a sub-committee may be set up. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.

2.2 Statutory Requirements

This part of the Statement details the Trustees' policy to secure compliance with the requirements of sections 35 and 36 of the Pensions Act 1995.

2.2.1 Investment objectives and suitability of investments

The Trustees' agreed investment strategy is based on an analysis of the liability profile of the Fund, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objective.

The primary objective of the Trustees is to operate an investment strategy that provides sound long-term growth and appropriate security for all beneficiaries.

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Fund, details of which are included in the appendices.

In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to the Investment Managers authorised under the Act. Details are included in the appendices.

The Trustees consider their current strategic asset allocation to be consistent with the current financial position of the Fund.

2.2.2 Diversification

The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark (see Appendix 1).

Subject to their respective benchmarks and guidelines, the Investment Managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

Given the size and nature of the Fund, the Trustees have decided to invest on a pooled fund basis; any such investment is effected through a direct agreement with an investment manager and/or through an insurance contract.

The Trustees are satisfied that the range of pooled vehicles in which the Fund's assets are invested provides adequate diversification.

2.2.3 Balance between different kinds of investments

The appointed Investment Managers will hold a diversified mix of investments in line with their agreed benchmark and discretion to move away from the benchmark. Within each major market each manager will maintain a diversified portfolio of stocks within pooled vehicles.

2.2.4 Risk

The Trustees consider the main risk to be that of the assets being insufficient to meet the Fund's liabilities. The Trustees have assessed the likelihood of future undesirable financial outcomes arising in the future. The adopted investment strategy is outlined in Appendix 1.

The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Trustees with assistance from the Fund's investment consultant. A representative of the Trustees will discuss any deviation from the target asset allocation on a periodic basis with the Investment Consultant.

2.2.5 Expected return on investments

The investment strategy is believed to be capable of meeting, in the long-run, the overall required rate of return as set out in the Scheme Actuary's published actuarial valuation report.

2.2.6 Kind of investments to be held

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash and property or via pooled investment vehicles considered appropriate for tax-exempt registered occupational pension funds. The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Fund.

2.2.7 Realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the Investment Managers to be able to realise the Fund's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Fund. The majority of assets are not expected to take an undue time to liquidate.

2.2.8 Financially material considerations

The Trustees expect their Investment Managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance ("ESG") factors as part of their investment analysis and decision-making process. The Trustees review the Investment Managers' policies in respect of financially material considerations from time to time.

2.2.9 Non-financial matters

The financial interests of the Fund members is the Trustees' first priority when choosing investments. The Trustees have decided not to take members' preferences into account.

2.2.10 Stewardship in relation to the Fund's assets

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through their Investment Managers.

The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the Investment Managers and they expect the Investment Managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers and to encourage them to exercise those rights. The Investment Managers are expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing Investment Managers.

2.2.11 The Trustees' policy in relation to their Investment Managers

In detailing below the policies on the Investment Manager arrangements, the over-riding approach of the Trustees is to select Investment Managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the Investment Managers, the Trustees consider how well each Investment Manager meets the Trustees' policies and provides value for money over a suitable timeframe.

How the arrangement incentivises the Investment Manager to align its investment strategy and decisions with the Trustees' policies

- The Trustees expect their Investment Managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the Investment Managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.
- If the Trustees determine that the Investment Managers are no longer managing the assets in line with the Trustees' policies they will make their concerns known to the Investment Managers and may ultimately disinvest.
- The Trustees pay their Investment Managers a management fee which is a fixed percentage of assets under management.
- Prior to agreeing a fee structure, the Trustees, in conjunction with their Investment Consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the Investment Managers.

How the arrangement incentivises the Investment Manager to engage and take into account financial and non-financial matters over the medium to long-term

- The Trustees, in conjunction with their Investment Consultant, appoint their Investment Managers and choose the specific pooled funds to use in order to meet specific Fund policies. They expect that their Investment Managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Fund's performance) over an appropriate time horizon.
- The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

How the method (and time horizon) of the evaluation of the Investment Manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies

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How the Trustees monitor portfolio turnover costs incurred by the Investment Manager, and how they define and monitor targeted portfolio turnover or turnover range

- The Trustees, in conjunction with their Investment Consultant, have processes in place to review investment turnover costs incurred by the Fund on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the Investment Managers used by the Fund.
- The Trustees expect turnover costs of the Investment Managers to be in line with their peers, taking into account the style adopted by the Investment Manager, the asset class invested in and prevailing market conditions.
- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the Investment Managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with Investment Managers

- The Trustees do not in general enter into fixed long-term agreements with their Investment Managers and instead retain the ability to change Investment Managers should the performance and processes of the Investment Managers deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

3 Myners Principles

The original Myners review of “Institutional Investing in the UK” was published in March 2001. It included a set of 10 Principles that pension fund trustees are recommended to use when considering their investment policy for final salary pension funds and 11 Principles for money purchase pension funds. The Government endorsed the report with some minor modifications on 2 October 2001. Pension fund trustees were asked to comply with the Principles on a voluntary basis. The Myners Principles recommend that certain issues are included in a Statement of Investment Principles (“SIP”).

The Myners Principles was subsequently reviewed in October 2008; the explicit requirement to include certain items in a strengthened SIP was removed and replaced with a requirement for Trustees to act in a transparent and responsible manner. By making the following statements the Trustees believe that they are complying with the spirit of these principles.

3.1 Responsible Ownership

Details of the responsibility for the exercising of rights (including voting rights) attaching to the Fund’s investments are included in Section 2.2.10.

3.2 Transparency and Reporting

The Trustees have discretion over the form of reporting they wish to undertake. This Statement provides the following details of the Trustees’ investment approach:

- ***Who is taking which decisions and why has the structure been selected*** – Details of the Trustees’ decision making structure are included in Section 2.1.
- ***The Trustees’ investment objective*** – details of the Trustees’ investment objective are included in Section 2.2.1, with the appointed Investment Managers’ specific objectives in Appendix 1.
- ***The Trustees’ asset allocation strategy, including projected investment returns in each asset class, and how the strategy has been selected*** – details of the Trustees’ asset allocation strategy are included in Appendix 1. The strategy was agreed to after taking advice from the Investment Consultant and consultation with the Sponsoring Employer.
- ***The mandates given to all advisers and managers*** – the responsibilities of the Trustees, Investment Managers and the Investment Consultant are outlined in Section 3.3, while the Investment Managers’ mandates are specified in Appendices 1 and 2.
- ***The nature of the fee structures in place for all advisers and managers; and why this set of structures has been selected*** – details of the fees charged by the Investment Consultant and Investment Managers are included in Appendix 2. The Trustees have discussed and agreed these fees following consultation with their advisers, where appropriate, and believe they are reasonable for the services they receive.

3.3 Appointments and Responsibilities

3.3.1 Trustees

The Trustees' primary responsibilities regarding investments include:

- preparation of the Statement and reviewing/modifying its content if deemed appropriate, in consultation with the Sponsoring Employer and the Investment Consultant, at least every three years; the Statement will also be reviewed following a significant change in investment strategy;
- appointing investment managers and investment consultants as necessary for the good stewardship of the Fund's assets;
- reviewing the investment strategy following the results of each triennial Actuarial Valuation, and/or asset liability modelling exercise, and/or significant changes to the Fund's liabilities, taking advice from the Investment Consultant;
- assessing the performance and processes of the investment managers by means of regular, but not less than annual, reviews of investment performance and other information;
- monitoring compliance of the Fund's investment arrangements with this Statement on a regular basis; and
- monitoring risk and the way in which the Investment Managers have cast votes on behalf of the Trustees in respect of the Fund's equity holdings (including those equities held indirectly through the diversified growth fund mandate).

3.3.2 Investment Consultant

The main responsibilities of the Investment Consultant include:

- assisting the Trustees in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer;
- undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees;
- advising the Trustees on the selection and review of Investment Managers; and
- monitoring and advising upon where contributions should be invested/disinvested on a periodic basis.

3.3.3 Investment Managers

The Investment Managers' main responsibilities include:

- investing assets in a manner that is consistent with the objectives set;

- ensuring that investment of the Fund's assets is in compliance with prevailing legislation and within the constraints detailed in this Statement;
- providing the Trustees with quarterly reports including a review of the investment performance and any changes to their investment process;
- attending meetings with the Trustees as and when required;
- informing the Trustees of any changes in the internal performance objective and guidelines of any pooled fund used by the Fund as and when they occur; and
- exercising voting rights on share holdings in accordance with their general policy.

3.3.4 Custodian

The custodians' main responsibilities include:

- The safe-keeping of the Fund's assets in respect of which they are responsible.
- The custodianship arrangements are those operated by the investment manager(s) for all clients investing in their pooled funds.

3.3.5 Administrators

The administrators' main responsibilities in respect of investment matters include:

- The day to day administration of the Fund and the submission of specified statutory documentation, as delegated by the Trustees.

The Fund's administrator is XPS Administration.

3.3.6 Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- commenting on the suitability of the Fund's investment strategy given the financial characteristics of the Fund; and
- performing the triennial (or more frequently as required) Actuarial Valuation and advising on the appropriate level of contributions and the Fund's funding level in order to aid the Trustees in balancing short term and long-term investment objectives.

3.4 Investment Monitoring

The Myners Principles recommend the following actions in respect of investment monitoring:

- each of the funds in which the Fund invests has a stated performance objective by which the performance is measured;

- the Trustees will review the performance of the Investment Managers from time-to-time, based on the results of their performance and investment process;
- the Investment Managers are expected to provide written reports on a quarterly basis and report orally on request to the Trustees; and
- the Trustees receive independent investment performance monitoring reports from the Investment Consultant on a quarterly basis.

4 Review of Statement

This Statement will be reviewed at least once in each three-year period or following any material change in investment policy.

The Trustees will also monitor as appropriate at the formal meetings with the Investment Managers, Investment Consultant and Scheme Actuary that the various reviews mentioned in this Statement are carried out.

For and on behalf of the Trustees of The General Council of the Bar Pension and Life Assurance Fund

Date: 24 September 2020

Distribution: Trustees, Sponsoring Employer, Investment Consultant, Scheme Actuary,
Investment Managers, Auditor

Appendix 1 – Strategic Benchmark

Total Fund Strategic Benchmark

The Fund's assets are split into a 'Growth Portfolio' and a 'Bond Portfolio'.

The table below summarises the long-term strategic target asset allocation for the Fund.

Asset Class	Investment Style	Long-Term Target Allocation %
UK Equity	Passive	3.3
Overseas Equity	Passive	3.3
Diversified Growth	Active	13.4
Growth Portfolio		20.0
Corporate Bonds	Active	25.6
Fixed Interest Gilts	Passive	26.0
Index-Linked Gilts	Passive	28.4
Bond Portfolio		80.0
Total		100.0

Appendix 2 – Investment Manager Benchmarks and Objectives

LGIM

LGIM manages an 'Equity Portfolio' and a 'Bond Portfolio' on behalf of the Fund.

The Equity Portfolio is invested in UK and overseas equity index tracking pooled funds. The table below summarises the benchmark and performance objectives for the Equity Portfolio, including the target allocations and control ranges set for LGIM, as well as the target tracking error ("TTE") for each fund.

Fund	Benchmark Index	Target Allocation %	Control Range %	Objective/TTE %
UK Equity Index	FTSE All Share	50.0	±5.0	±0.25 ¹
World (ex-UK) Equity Index	FTSE All World (ex-UK)	50.0	±5.0	±0.50 ¹
Total		100.0		

¹ TTEs are before fees for two years out of three.

The Bond Portfolio is invested in an active long-dated corporate bond pooled fund, a range of single-stock fixed interest gilt pooled funds, a passively managed index-linked gilt pooled fund and two single-stock index-linked gilt pooled funds. The table below summarises the benchmark and performance objectives for the Bond Portfolio, including the target allocations and control ranges set for LGIM, as well as the performance objective for each fund.

Fund	Benchmark Index	Target Allocation %	Control Range %	Objective/TTE %
Active Corp Bond Over 10 Year	iBoxx £ Non-Gilt Over 10 Year	32.0	±5.0	+0.75 ²
2038 Gilt	Treasury 4.75% 7 Dec 2038 Gilt	6.5	±2.5	Match
2042 Gilt	Treasury 4.50% 7 Dec 2042 Gilt	6.5	±2.5	Match
2046 Gilt	Treasury 4.25% 7 Dec 2046 Gilt	6.5	±2.5	Match
2049 Gilt	Treasury 4.25% 7 Dec 2049 Gilt	6.5	±2.5	Match
2060 Gilt	Treasury 4.00% 22 Jan 2060 Gilt	6.5	±2.5	Match
Over 5 Year Index-Linked Gilts Index	FTSE Over 5 Years Index-Linked Gilts	20.5	±5.0	±0.50 ³
2062 Index-Linked Gilt	Treasury 22 Mar 2062 Index-Linked Gilt	7.5	±2.5	Match
2068 Index-Linked Gilt	Treasury 22 Mar 2068 Index-Linked Gilt	7.5	±2.5	Match
Total		100.0		

² Performance target is before fees over rolling three-year periods.

³ TTEs are before fees for two years out of three.

BlackRock

BlackRock manages a diversified growth pooled fund on behalf of the Fund.

The performance objective of the **BlackRock Dynamic Diversified Growth Fund** is to outperform a cash return (UK 3 Month LIBOR) by 3% p.a. after fees over rolling three-year periods.

Appendix 3 – Remuneration and Costs

Investment Management Fees and Costs

The Investment Managers are remunerated by way of an annual management fee, as summarised in the table below.

Manager	Fund	Investment Style	Management Fee % p.a.
LGIM ⁴	UK Equity Index	Passive	0.100
LGIM ⁴	World (ex-UK) Equity Index	Passive	0.220
LGIM	Active Corporate Bond Over 10 Year	Active	0.250
LGIM ⁴	2038 Gilt	Passive	0.100
LGIM ⁴	2042 Gilt	Passive	0.100
LGIM ⁴	2046 Gilt	Passive	0.100
LGIM ⁴	2049 Gilt	Passive	0.100
LGIM ⁴	2060 Gilt	Passive	0.100
LGIM ⁴	Over 5 Year Index-Linked Gilts Index	Passive	0.100
LGIM ⁴	2062 Index-Linked Gilt	Passive	0.100
LGIM ⁴	2068 Index-Linked Gilt	Passive	0.100
BlackRock	Multi-Asset	Active	0.650

⁴ LGIM operates ad valorem fee structures for its passive funds based on the total assets invested in each fund; the fees shown are the first (highest) fee levels for each fund, which are applicable given the Fund's assets invested in each LGIM fund are not expected to exceed the threshold for the first level.

In addition to the management fees, there are a number of additional costs that are charged to the Fund by the Investment Managers. These will likely include legal fees, custodian fees, costs relating to the trustees of the pooled funds, audit fees, bank charges and other administrative costs.

Upon buying and selling units in the Investment Managers' pooled funds, there are likely to be costs relating to the 'dealing spread' on the fund.

Investment Consulting Fees

The Investment Consultant provides agreed core services on a fixed fee basis. Additional work outside the scope of the fixed fee agreement is provided on a time cost basis, subject to agreement in advance of the approximate total fee for the work being carried out. The basis of remuneration is kept under review.