

VP Pension Scheme

Statement of Investment Principles

July 2023

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1. Definitions

ESG	Environmental, Social and Governance
Investment Adviser	<p>The Trustee is advised on investment matters by First Actuarial LLP.</p> <p>First Actuarial LLP is regulated by the Institute and Faculty of Actuaries and is qualified to provide the required advice through knowledge and practical experience of financial matters relating to pension schemes.</p>
Legislation	<p>This statement has been drafted to comply with relevant legislation.</p> <p>In particular, consideration has been given to:</p> <ul style="list-style-type: none">• the Pensions Act 1995;• the Occupational Pensions (Investment) Regulations 2005;• the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and• the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
Scheme	VP Pension Scheme
Trustee	The Trustee of the Scheme

2. Introduction

This statement is made in accordance with the requirements of legislation. The main body of the document sets out the principles and policies that govern investments made by the Trustee whilst details of the specific investment arrangements in place are provided in the Appendices.

Throughout the statement, wording in blue represents actions that will be taken by the Trustee in the implementation and monitoring of the Scheme's investment arrangements.

Investment advice

The Trustee received and considered written investment advice from the Investment Adviser to help with the preparation of this statement.

The Trustee will obtain and consider written advice from the Investment Adviser when reviewing the Scheme's investment strategy or when considering the suitability of potential investments. The Trustee expects that such advice will be consistent with any guidance issued by The Pensions Regulator.

Legal advice

The Trustee will seek legal advice relating to investment matters whenever deemed necessary.

Consultation with the sponsoring employer

In preparing this statement, the Trustee consulted with the sponsoring employer.

The Trustee will consult with the sponsoring employer before making any changes to the Scheme's investment strategy.

Conflicts of interest

The Trustee is satisfied that the Scheme's investment strategy meets its responsibility to invest the assets in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

3. Investment Beliefs

The investment beliefs stated below have been developed by the Trustee and are reflected in the Scheme's investment strategy.

Basic investment principles

The Trustee believes that the following three basic investment principles should be taken into account in the construction of the Scheme's investment strategy:

- i) Targeting higher levels of investment return requires increased levels of investment risk (which, in the case of the DB Section, increases the volatility of the funding position and, in the case of the DC Section, increases the volatility of a member's assets).
- ii) Long-term performance of the Scheme's assets is attributable primarily to the strategic asset allocation rather than the choice of investment managers.
- iii) Asset diversification helps to reduce risk.

Financially material considerations and the appropriate time horizon

The Trustee believes that the potential impact of any financially material considerations that may affect the Scheme's investments should be assessed over the period during which benefits are expected to be paid from the Scheme. In the terminology used by legislation, the Trustee considers this period of time to be "the appropriate time horizon of the investments".

ESG

The Trustee believes that the impact of ESG risks and opportunities can be financially material and the Trustee recognises that ESG matters, particularly climate change, should be assessed over the appropriate time horizon.

Use of active management

The Trustee believes that active management has the potential to add value either through offering the prospect of enhanced returns or through the control of volatility.

The Trustee also believes that active management may help to mitigate the financial impact of ESG risks.

3. Investment Beliefs (continued)

Stewardship

The Trustee believes that good stewardship can help create, and preserve, value for companies and markets as a whole.

Members' views (non-financial matters)

Legislation defines non-financial matters as meaning the views of the members and beneficiaries including (but not limited to) ESG matters and the present and future quality of life of the members and beneficiaries of the Scheme.

The Trustee believes that its duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as they fall due and the Trustee's Investment Objectives are designed to ensure this duty is achieved.

In reaching this conclusion, the Trustee considered whether to take members' views into account when determining a suitable investment strategy and in the selection, retention and realisation of investments. However, the Trustee has determined that it would not be practical to do so. In particular, the Trustee concluded that it is likely that members and beneficiaries would hold a broad range of views which would be difficult to accommodate.

At least every three years, the Trustee will:

- review the suitability of its investment beliefs; and
- review its policy on whether to take account of members' views within the Scheme's investment strategy and in the selection, retention and realisation of investments.

4. Investment Objectives and Investment Strategy

Defined Benefit Assets – Investment Objectives

The Trustee's primary investment objectives are:

- to ensure that the assets are sufficient and available to pay members' benefits as and when they fall due;
- to generate an appropriate level of investment returns – to improve the funding position and thereby improve security for members; and
- to protect the funding position – limiting the scope for adverse investment experience reducing security for members.

The Trustee's investment approach is designed to strike a balance between the above primary objectives but also considers:

- the nature and timing of benefit payments;
- expected levels of investment return on different asset classes;
- expected levels of investment return variability and, specifically, the expected level of short-term volatility of the funding position;
- the sponsoring employer's ability to withstand additional contribution requirements that may arise from volatility in the funding position; and
- the full range of available investments (within the bounds of practicality).

Defined Benefit Assets – Investment Strategy

The Trustee has taken advice from its investment adviser to construct a portfolio of investments consistent with these objectives. In doing so, consideration is given to all matters which are believed to be financially material over the appropriate time horizon.

The Trustee does not take account of non-financial matters when determining the Scheme's investment strategy.

Defined Contribution Assets – Investment Objectives

The Trustees set an investment strategy that reflects the following primary investment objectives:

- **Offering an appropriate range of investment options** – The range of funds that is offered is intended to offer sufficient investment flexibility for members of all ages.
- **Offering suitable lifestyle strategies** – The Trustees consider the likely form of benefits that will be paid to members and determine the lifestyle strategies accordingly.
- **Offering a default investment option** – The Trustees set a default investment option which will be used by those members who do not select their own investment strategy.

The range of funds selected by the Trustees, along with information on the lifestyle strategies and default option are detailed in Appendix 3.

In determining their investment objectives, the Trustees consider the investment requirements of the membership. It is expected that the investment strategy for an individual member is likely to change over time:

- For younger members the investment priority is likely to be to achieve long-term investment growth.
- As retirement approaches, members are likely to look to reduce investment risk. The way such risk can be controlled will vary depending on whether the member intends to take benefits as an annuity, as cash or via an income drawdown product.

Whilst some members might set their own investment strategy and adjust this themselves over time, others might prefer a lifestyle strategy under which the asset allocation is automatically adjusted as retirement approaches.

[The Trustees will review their investment objectives and the Scheme's strategic asset allocation at least every three years.](#)

5. Investment Manager Arrangements

Use of pooled funds

Day-to-day management of the Scheme's assets, including the selection, retention and realisation of investments, is delegated to one or more investment managers.

Taking into account the size of the Scheme's assets, the Trustee has concluded that pooled funds represent the most pragmatic way of implementing the Scheme's investment strategy rather than establishing segregated mandates with investment managers.

To ensure safekeeping of the assets, ownership and day-to-day control of the assets is undertaken by custodian organisations which are independent of the sponsoring employer and the investment managers. Where a pooled fund is held, the custodian will typically be appointed by the investment manager.

The assets held by the Scheme are invested predominantly on regulated markets, as so defined in legislation. Any investments that do not trade on regulated markets are kept to a prudent level.

The Trustee will primarily hold pooled funds and will ensure the Scheme's assets are predominantly invested on regulated markets.

Use of derivatives

The Trustee may select pooled funds which are permitted to use derivative instruments to reduce risk or for efficient portfolio management. Risk reduction would include mitigating the impact of a potential fall in markets or the implementation of currency hedging whilst efficient portfolio management would include using derivatives as a cost-effective way of gaining access to a market or as a method for generating capital and/or income with an acceptable level of risk.

Leverage – DB Section only

Investments held to match the sensitivity of the Scheme's liabilities to changes in interest rates and inflation may be leveraged. The use of such assets reduces the volatility of the Scheme's funding position.

5. Investment Manager Arrangements (continued)

Alignment with the Trustee's investment principles

As the Scheme's assets are held in pooled funds, the Trustee has limited influence over the investment managers' investment decisions. In practice, investment 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.

It is therefore the Trustee's responsibility to ensure that the approaches adopted by investment managers are consistent with the Trustee's 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 Trustee expects 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. The Trustee assesses this when selecting and monitoring managers.

Duration of Investment Manager Arrangements

Although the Trustee regularly reviews the ongoing suitability of the pooled funds held, the expectation is that pooled funds will normally be held for several years.

6. Selection of a Pooled Fund

In assessing the suitability of a pooled fund, the Trustee, in conjunction with the Investment Adviser, considers how the fund would fit within the Scheme's investment strategy and how the fund is expected to help the Trustee meet its investment objectives. As part of this consideration, all matters which are deemed to be financially material are taken into account including:

- whether the investment manager has appropriate knowledge and experience;
- the pooled fund's objective and whether that objective is consistent with the performance that the Trustee expects from that fund;
- the risks associated with the pooled fund;
- whether the pooled fund's return is expected to exceed inflation over the long-term;
- past performance – with the emphasis being on assessing long-term performance;
- the assets that will be held within the pooled fund, including whether the asset allocation is expected to change over time, and the extent of any exposure to overseas currencies;
- the pooled fund's fee structure – to ensure that this is reasonable and that it does not provide an incentive for the investment manager to manage the pooled fund in a way that differs from the expectations of the Trustee;
- (where appropriate) whether the higher fees associated with active management are justified;
- how frequently underlying investments within the pooled fund are expected to be traded by the investment manager;
- portfolio turnover costs;
- the investment manager's approach to ESG matters;

6. Selection of a Pooled Fund (continued)

- the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund; and
- the investment manager's policy in relation to undertaking engagement activities in respect of the investments held within the pooled fund*.

**This includes engaging with an issuer of debt or equity regarding matters including (but not limited to) performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, and ESG considerations. It also includes engaging on these matters with other investment managers, other holders of debt or equity and persons or groups of persons who have an interest in the issuer of debt or equity.*

At least every three years, the Trustee will review whether the ongoing use of each fund remains consistent with its investment strategy.

The Trustee will ensure any new pooled funds introduced into the investment strategy are appropriate to the circumstances of the Scheme.

7. Monitoring

The Trustee regularly reviews the Scheme's investments for all matters considered to be financially material (including ESG matters). This includes reviewing that each fund continues to operate in a manner that is consistent with the factors used by the Trustee to select the fund and that the choice of funds remains appropriate.

When assessing the performance of a fund, the Trustee does not usually place too much emphasis on short-term performance although it will seek to ensure that reasons for short-term performance (whether favourable or unfavourable) are understood.

To assist with the monitoring of the investment managers, the Trustee receives regular information from the Investment Adviser providing details of investment manager performance and asset allocation decisions. This analysis includes comparisons with benchmarks and relevant peer-group data.

The analysis assesses whether performance has been in line with expectations given market conditions and whether the level of risk has been as expected.

The Investment Adviser also provides regular updates on the investment managers' actions regarding ESG matters and shareholder engagement.

The Investment Adviser regularly meets with the managers of pooled funds on its approved list.

In monitoring portfolio turnover costs for a pooled fund, the Trustee expects investment managers to provide cost data under the framework developed by the Cost Transparency Initiative.

Action when a pooled fund is causing concern

Where concerns about a fund are identified, the Trustee may look to reduce exposure to that fund or disinvest from it entirely. However, such action is expected to be infrequent and, in the first instance, the Trustee would normally expect the Investment Adviser to raise the concerns with the investment manager. Thereafter, the Trustee, in conjunction with the Investment Adviser, would monitor the position to assess whether the situation improves.

The Trustee will regularly assess the ongoing suitability of each pooled fund held for all matters deemed to be financially material (including ESG matters and portfolio turnover costs).

8. Stewardship

The Trustee's policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that it wishes to encourage best practice in terms of stewardship.

However, because the Scheme's assets are invested in pooled funds, the Trustee accepts that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters. Consequently, the Trustee recognises that its ability to directly influence the action of companies is limited.

The Trustee recognises that members might wish the Trustee to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustee's priority is to select investment managers which are best suited to help meet the Trustee's investment objectives. In making this assessment, the Trustee will receive advice from the Investment Adviser.

The Trustee recognises that investment managers' engagement policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.

Nevertheless, the Trustee expects that each investment manager should discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice, such as the UK Stewardship Code and the UN Principles for Responsible Investment.

The Trustee also expects that, where appropriate, each investment manager should take ESG considerations into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.

The Trustee expects that the investment managers selected to manage the Scheme's assets should invest for the medium to long term and should engage with issuers of debt or equity with a view to improving performance over this time frame.

[The Trustee will review the stewardship policies of the investment managers on an annual basis.](#)

9. Risks

The principal investment risks identified by the Trustee are listed below together with an explanation of how they are mitigated.

Indirect credit risk

The risk that an investment held within a pooled fund will suffer a financial loss because of a third party failing to pay monies that it owes.

Currency risk

The risk that the value of an investment will fall because of adverse movements in currency markets.

Real return risk

The risk that the Scheme's assets do not deliver a long-term return in excess of inflation.

ESG risk

The risk that ESG factors will adversely impact the value of the Scheme's investments.

Investment manager risk

The risk that an investment manager does not deliver returns in line with expectations.

Mitigation of the above risks

The risks listed above are mitigated by the Trustee monitoring the suitability of the pooled funds used by the Scheme. This monitoring is carried out in conjunction with the Investment Adviser.

9. Risks (continued)

Solvency and employer covenant risk – DB Section only

The risk that the Scheme's assets fall short of the amount required to pay all benefits and expenses as they fall due and that insufficient assets could be recoverable from the Employer to meet the shortfall.

Mitigation

The Trustee's funding approach is designed to be prudent and, in determining the funding and investment strategy, the Trustee considers the strength of the covenant of the sponsoring employer.

Self-Investment risk

The risk that the Scheme's assets are linked to the sponsoring employer which could mean a reduction in the covenant of the sponsoring employer would simultaneously decrease the value of the Scheme's assets.

Mitigation

The Trustee will ensure exposure to employer-related assets does not exceed limits prescribed in legislation.

Direct credit risk

The risk that disruption with an investment manager (such as fraud or insolvency) could adversely impact the value of the Scheme's investments.

Mitigation

Any pooled funds held are structured such that the Scheme's assets are ringfenced from the assets of the investment manager and other investors. Details of the legal structures of the funds held are provided in Appendix 2.

9. Risks (continued)

Interest rate risk and inflation risk – DB Section only

The risk that movements in interest rates/expectations for future inflation will adversely impact the value of the Scheme's investments.

Mitigation

Any assets held which have significant interest rate/inflation exposure will be selected to offset the sensitivity of the Scheme's liabilities to interest rate/inflation movements. This approach mitigates interest rate risk and inflation risk.

Liquidity Risk

The risk that assets cannot be realised for cash when required.

Mitigation

The Trustee will invest the majority of the Scheme's investments in funds which can be realised for cash at relatively short notice without incurring high costs. However, the Trustee recognises that the Scheme's liabilities are long-term in nature and that a modest allocation to less-liquid investments may be appropriate.

Details of the liquidity characteristics of the funds held are provided in Appendix 2.

The Trustee will:

- review the investment risks faced by the scheme at least every three years;
- ensure the Scheme does not hold any direct employer-related assets and that any indirect exposure is expected to be less than 5% of total assets; and
- ensure that the majority of the Scheme's investments can be realised for cash at relatively short notice without incurring high costs.

10. Future Amendments

The Trustee will review this statement at least every three years and without delay after any significant change in circumstances or investment strategy.

The Trustee will consult with the sponsoring employer before amending this statement.

The Trustee will obtain and consider written advice from the Investment Adviser before amending this statement.

The principles set out in this Statement have been agreed by the Trustee:

Signed:.....

Date:

For and on behalf of the Trustee of the VP Pension Scheme

Appendix 1: Investment Strategy – DB Section

Strategic Asset Allocation

In determining the strategic asset allocation, the Trustee views the investments as falling into two broad categories:

1. **Growth Assets** – Assets that are expected to deliver long-term returns in excess of liability growth. The use of Growth Assets is expected to deliver a level of investment returns deemed appropriate by the Trustee given the risk involved.
2. **Liability Matching Assets** – Assets that are expected to react to changes in market conditions in a similar way to the liabilities. The use of Liability Matching Assets is expected to protect the funding position of the Scheme.

At the time of preparing this statement, the split of the Scheme's assets between Growth and Liability Matching Assets was 54% Growth and 21% Liability Matching and 25% cash. This split is not regularly rebalanced and will fluctuate over time as market conditions change.

In addition, the Trustee may hold cash in the Trustee's bank account – particularly if it is to be used to make payments due in the short-term.

Investment Strategy Implementation

The Trustee has selected funds managed by Legal & General Investment Management (LGIM) to implement the Scheme's investment strategy. All funds are held via the LGIM investment platform.

Further details of the investment strategy and the funds used are provided below.

Appendix 1: Investment Strategy – DB Section (continued)

Design of the Growth Asset Portfolio

The structure of the Scheme's Growth Assets has been designed to offer diversification across a range of underlying asset classes.

The strategic allocation for the Scheme's Growth Assets is as follows:

Pooled Fund	Strategic Allocation
LGIM Dynamic Diversified Fund	100%
<i>Total Growth Assets</i>	<i>100%</i>

Appendix 1: Investment Strategy – DB Section (continued)

Design of the Liability Matching Portfolio

The Scheme's Liability Matching Assets are invested in the following funds:

- LGIM Matching Core Fixed Short Fund
- LDI Matching Core Real Short Fund

The LGIM Matching Core funds are leveraged Liability Driven Investment (LDI) funds which are designed to match the sensitivity of a pension scheme's liabilities to changes in gilt yields and inflation.

The Scheme also currently holds an allocation to the LGIM Sterling Liquidity Fund, which is a cash fund, to support the LDI Leverage Management Policy below.

The Liability Matching Portfolio is currently designed to match approximately 100% of the sensitivity of the SFO liabilities to changes in gilt yields and inflation.

LDI Leverage Management Policy

In an environment of rising yields, a recapitalisation payment may need to be paid into one or more of the LGIM LDI funds. This will ensure that leverage within the LDI funds remains within a permissible range. The Trustee has provided LGIM with authority to raise money for such a payment by surrendering units from the LGIM Sterling Liquidity Fund.

If the leverage of an LGIM LDI fund falls below a minimum threshold, LGIM will make a cash payment from the relevant fund to raise the leverage. The Trustee has provided LGIM with authority to invest any such cash proceeds in the LGIM Sterling Liquidity Fund.

Appendix 1: Investment Strategy – DB Section (continued)

Cashflow Management Policy

Any investments or disinvestments will be made at the discretion of the Trustee, but the Trustee would normally expect that:

- investments will be allocated to the LGM Dynamic Diversified Fund; and
- disinvestments will normally be taken from the LGIM Sterling Liquidity Fund.

Appendix 2: Fund Details – DB Section

This Appendix provides a summary of the funds used to implement the Scheme's investment strategy. The details provided below were correct at the time of writing.

The following points should be noted:

- **AMC:** The Annual Management Charge applicable to each fund represents the fee payable to the fund manager.
- **Additional expenses:** These are third party costs associated with the operation of a fund such as fees paid to the administrator, the custodian and the auditor and the costs associated with the use of third-party funds where these are used. The level of the additional expenses may vary over time.
- **T:** Trade Date

LGIM Dynamic Diversified Fund	
Objective	The LGIM Dynamic Diversified Fund aims to provide long-term investment growth through dynamic exposure to a diversified range of asset classes. The long-term expected rate of return is the Bank of England Base Rate + 4.5% per annum over a full market cycle.
Legal Structure	Unit-linked insurance policy
Trading Frequency	Weekly
Notice Period	T-1
Settlement Period	T+2
Fee	AMC: 0.50% per annum
	Additional Expenses (approx.): 0.03% per annum

Appendix 2: Fund Details – DB Section (continued)

LGIM Matching Core Funds	
Objective	To deliver leveraged liability matching
Legal Structure	Unit-linked insurance policy
Trading Frequency	Weekly
Notice Period	T-2
Settlement Period	T+3
Fee	AMC: 0.24% per annum
	Additional Expenses (approx.): Up to 0.05% per annum

LGIM Sterling Liquidity Fund	
Objective	The principal investment objective of the Sterling Liquidity Fund is to provide capital stability, liquidity and income through investment in a diversified portfolio of high credit quality short term fixed income and variable rate securities including but not limited to certificates of deposit, fixed and floating rate notes, fixed rate commercial paper and bonds listed or traded on one or more Recognised Exchanges.
Legal Structure	Unit-linked insurance policy
Trading Frequency	Weekly
Notice Period	T-1
Settlement Period	T+2
Fee	AMC: 0.125% per annum
	Additional Expenses (approx.): 0.010% per annum

Appendix 3: Investment Strategy – DC Section

Fund Manager

The Trustees have appointed LGIM to manage the assets of the DC Section.

The mandate the Trustees have given to LGIM reflects the principles and policies as set out in the main body of this Statement.

Funds Available to Members

Trustees have made the following funds available for members to invest in. Members can choose to invest in the funds in any proportion.

Pooled investment fund	Fund objective	Total Expense Ratio (TER)
LGIM Future World Global Equity Index Fund	To track the performance of the Solactive L&G ESG Global Markets Index (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.	0.23% p.a.
LGIM UK Equity Index Fund	To track the performance of the FTSE All-Share Index to within +/-0.25% p.a. for two years out of three.	0.13% p.a.
LGIM Future World Multi-Asset Fund	To provide long-term investment growth through exposure to a diversified range of asset classes, (excluding physical property), whilst reflecting significant environmental, social and corporate governance (ESG) issues into the fund's investment strategy.	0.30% p.a.
LGIM Investment Grade Corporate Bond All Stocks Index Fund	To track the performance of the Markit iBoxx £ Non-Gilts (All Stocks) Index to within +/-0.5% p.a. for two years out of three.	0.15% p.a.
LGIM Over 15 Year Gilts Index Fund	To track the performance of the FTSE A Government (Over 15 Year) Index to within +/-0.25% p.a. for two years out of three.	0.10% p.a.
LGIM Cash Fund	The LGIM Cash Fund holds sterling deposits with a range of high quality financial institutions and may also hold certificates of deposit, commercial paper, UK Treasury Bills or other short dated debt issued by the Government or other public sector bodies. The fund aims to provide capital preservation with the objective of delivering returns in line with 7 Day LIBID, without incurring excessive risk.	0.12% p.a.

Appendix 3: Investment Strategy – DC Section (continued)

Members may also be invested in the following funds that were previously made available to members to invest in.

Pooled investment fund	Fund objective	Total Expense Ratio (TER)
LGIM Global Equity 70:30 Index Fund	The LGIM Global Equity (70:30) Index Fund employs an index-tracking strategy aiming to replicate the performance of its benchmark. The benchmark return is calculated as the weighted average of global equity indices with the weightings being 70% UK and 30% overseas. The exposure to overseas equities will reflect that of the FTSE AW All-World (Ex-UK) Index. This includes developed and emerging markets.	0.18% p.a.
LGIM Global Equity 60:40 Index Fund	The LGIM Global Equity Fixed Weights (60:40) Index Fund employs an index-tracking strategy aiming to replicate the performance of its benchmark. The benchmark return is calculated as the weighted average of global equity indices with the weightings being 60% UK, 14% North America, 14% Europe (ex UK), 7% Japan and 5% Asia Pacific (ex Japan).	0.17% p.a.
LGIM Multi-Asset Fund	To provide long-term investment growth through exposure to a diversified range of asset classes, excluding physical property.	0.25% p.a.
LGIM Diversified Fund	To provide long-term investment growth through exposure to a diversified range of asset classes. The long-term rate of return is expected to be broadly similar to that of a developed market equity fund.	0.32% p.a.

Appendix 3: Investment Strategy – DC Section (continued)

Default lifestyle strategy

Unless a member chooses otherwise, their pension pot is invested in line with the Trustees' default lifestyle strategy set out below. In designing this default, the Trustees have assumed a target retirement date of age 65, which is in line with the Scheme's Normal Retirement Age.

Age	FW Global Equity Index	FW Global Equity Index – GBP Hedged	FW Multi-Asset Fund	Corporate Bond Fund	Cash Fund
<40	50%	50%	0%	0%	0%
41-54	40%	40%	20%	0%	0%
55	32%	32%	20%	16%	0%
56	24%	24%	40%	12%	0%
57	16%	16%	60%	8%	0%
58	8%	8%	80%	4%	0%
59	0%	0%	100%	0%	0%
60	0%	0%	100%	0%	0%
61	0%	0%	91%	0%	9%
62	0%	0%	82%	0%	18%
63	0%	0%	73%	0%	27%
64	0%	0%	64%	0%	36%
65	0%	0%	55%	0%	45%

Alternative lifestyle strategy

Members previously had the option to retain an old version of the default lifestyle strategy, which is designed to be appropriate where a member will purchase an annuity at retirement. This is set out in the table below.

Age	70:30 Equity Fund	Corporate Bond Fund	Over 15 Year Gilt Fund
<40	100%	0%	0%
41-55	80%	20%	0%
56	72%	18%	10%
57	64%	16%	20%
58	56%	14%	30%
59	48%	12%	40%
60	40%	10%	50%
61	32%	8%	60%
62	24%	6%	70%
63	12%	3%	85%
64	0%	0%	100%

An additional switch is then made into 25% cash shortly before the member's normal retirement date.

Deferring benefits past target retirement age

Where members are invested in either of the lifestyle strategies above and defer benefits past target retirement age, unless members choose otherwise, their existing benefits and any future contributions will remain invested in line with the final allocation of the lifestyle strategy.