

The Whiteley Homes Trust Retirement Benefits Scheme

Investment Policy Document

December 2022

1 Introduction

- 1.1 This is the Investment Policy Document (IPD) prepared by the Trustees of The Whiteley Homes Trust Retirement Benefits Scheme (the Scheme). The IPD sets down the principles governing decisions about investments for the Scheme to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and of the Occupational Pension Schemes (Investment) Regulations 2005.
- 1.2 In preparing the IPD the Trustees have consulted The Whiteley Homes Trust, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Services Authority.
- 1.3 This IPD has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4 The Trustees will review IPD at least every three years or if there is a significant change in the policy on any of the areas covered by the document.
- 1.5 The investment powers of the Trustees are set out in Rule 4.2 of the Rules dated 1 January 1993. This document is consistent with those powers.

2 Choosing Investments

- 2.1 The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2 The day-to-day management of the Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in the Appendix to this IPD. The fund managers are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3 The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3 Investment Objectives

- 3.1 The Trustees' main investment objectives are:
 - to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
 - to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
 - to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of current and future benefits which the Scheme provides;
 - to reduce the risk of the assets failing to meet the liabilities over the long term;
 - to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.
- 3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4 Kinds of investments to be held

- 4.1 The Scheme can invest in a wide range of asset classes including:
- Equities;
 - Bonds;
 - Cash;
 - Property;
 - Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
 - Annuity policies.
- 4.2 Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.
- 4.3 The Trustees do not believe it is appropriate for any of the Scheme assets to be held in employer-related investments. This is monitored from time-to-time, typically on an annual basis by the Scheme's auditors.

5 The balance between different kinds of investments

- 5.1 The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this IPD.
- 5.2 The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this IPD.
- 5.3 From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short term cashflows requirements or any other unexpected items.
- 5.4 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6 Risks

- 6.1 The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:
- 6.2 **Risk versus the liabilities** The Trustees will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
- 6.3 **Asset Allocation risk** The asset allocation is detailed in the Appendix to this IPD and is monitored on a regular basis by the Trustees.
- 6.4 **Fund manager risk** The Trustees monitor each of the Scheme's fund managers' performance on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.
- 6.5 **Concentration risk** Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

- 6.6 **Loss of investment** The risk of loss of investment by each fund manager and custodian is assessed by the Trustees.
- 6.7 **Liquidity risk** The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- 6.8 **Covenant risk** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
- 6.9 **Solvency and mismatching** Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
- 6.10 **Currency risk** The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

7 Expected return on investments

- 7.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.
- 7.2 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3 In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4 Having established the investment strategy, the Trustees monitor the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's fund managers as frequently as is appropriate, in order to review performance.

8 Realisation of investments

- 8.1 The Trustees have delegated the responsibility for buying and selling investments to the fund managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2 Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9 Socially Responsible Investment, Corporate Governance and Voting Rights

- 9.1 Social, environmental and ethical considerations are set by each of the fund managers, who also exercise the rights attaching to the investments in any pooled funds. Each of the Scheme's fund managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk.

10 Agreement

10.1 This IPD was agreed by the Trustees, and replaces the Investment Policy Document dated May 2021. Copies of this IPD and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Scheme auditor upon request.

Signed:

Date: 4 January 2023

On behalf of the Whiteley Homes Trust Retirement Benefits Scheme

Appendix 1 Note on investment policy of the Scheme as at December 2022 in relation to the current Investment Policy Document

Choosing investments

The Trustees have appointed the following fund manager to carry out the day-to-day investment of the fund:

- Legal and General Investment Management Limited (LGIM)

The fund manager is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The fee arrangement with the fund manager is summarised below:

Fund	Fees
Buy-Out Aware Funds	0.240% p.a. of the first £25m

The funds used are all accessed through LGIM's Investment-only Platform ('IoP').

The Trustees have an AVC contract with Scottish Widows Limited for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters in addition to advice received from the fund manager on suitability of investments. Barnett Waddingham is remunerated on a time-cost basis.

Kinds of investments to be held

The Trustees have considered all asset classes and have gained exposure to the following asset classes via the LGIM Buy-out Aware Funds:

- Buy and maintain credit;
- Buy-Out aware credit;
- Gilts

The balance between different kinds of investment and rebalancing

The Scheme has an asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. The table shows the asset allocation as at 14 December 2022 - this will vary over time in line with market movements, but is expected to move in a similar way to the liabilities.

The performance of the fund manager will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

Portfolio	14 December 2022 Allocation (%)
Buy-Out Aware Fixed Short Duration Fund	55
Buy-Out Aware Fixed Long Duration Fund	11
Buy-Out Aware Real Short Duration Fund	12
Buy-Out Aware Real Long Duration Fund	23
Total	100

Investments and disinvestments

Disinvestments will be made in proportion to the allocation in the LGIM Buy-Out Aware funds held at the time of disinvestment.

Investments are not expected to be made regularly and the Trustee will take advice from Barnett Waddingham at such time as investments are required.