



# **NACAB Pension and Assurance Plan (1991)**

## **Statement of Investment Principles**

September 2020

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# 01 Introduction

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## 01.01 Scope of this document

This document constitutes the Statement of Investment Principles (the "SIP") required under *Section 35 of the Pensions Act 1995* for the NACAB Pension and Assurance Plan (1991) (the "Plan"). It describes the investment policy being pursued by NACAB Pension Trustees Limited (the "Trustee"), and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK (the "Myners Principles"), which is set out in Appendix D. This SIP also reflects the requirements of the *Occupational Pension Schemes (Investment) Regulations 2005*.

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## 01.02 Preparation

The Trustee confirms that, before preparing this SIP, it has consulted with the principal employer, the National Association of Citizens Advice Bureaux, on behalf of the Plan's participating employers (the "Employer"). The Trustee has also consulted with its Investment Adviser (XPS Investment) and has obtained and considered written advice.

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## 01.03 Responsibilities

The Trustee is responsible for the investment of the Plan's assets and the administration of the Plan. Where it is required to make an investment decision, the Trustee always receives advice from the Investment Adviser first. The Trustee believes the Investment Adviser to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Plan requires.

The Trustee reviews the SIP at least every three years and as soon as practical after any significant changes in the Plan's investment strategy.

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## 01.04 Declaration

The Trustee confirms that this Statement of Investment Principles reflects the investment strategy it has decided to implement. The Trustee acknowledges that it is its responsibility, with guidance from the Investment Adviser, to ensure the assets of the Plan are invested in accordance with these principles.

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**Signed**

**For and on behalf of the Trustee of the Plan**

Naomi L'Estrange

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**Date**

28 September 2020

# 02 Scheme governance

## 02.01 Governance arrangements

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The Trustee is responsible for the governance and investment of the Plan's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Plan as it allows the Trustee to make the important decisions on investment policy. Appropriate advice is obtained before decisions are made.

The Trustee also uses an Investment Sub-Committee to help with the governance of the Plan's investments. This Sub-Committee is made up of members of the Trustee, and when appropriate may be authorised to make investment decisions on the Trustee's behalf. This arrangement will be kept under review by the Trustee.

The responsibilities of each of the parties involved in the Plan's governance are detailed in Appendix A.

# 03 Investment objectives

## 03.01 Objectives

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The primary investment objectives of the Plan are:

- a) To maintain and enhance the real value of the invested funds in order to pay benefits due to members and their beneficiaries as and when due.
- b) Achieve an investment return at least in line with that allowed for in the Plan's Recovery Plan, in order to improve the overall funding position.
- c) Reach the long-term target of the Plan being at least 100% funded on an ongoing basis (i.e. that the Plan meets its Statutory Funding Objective as set out in the Statement of Funding Principles).
- d) Match the Plan's assets to the liability profile of the membership.
- e) For the Plan to be solvent in the event of a winding-up of the Employer.
- f) To set and monitor appropriate benchmarks and performance targets for the investment managers.
- g) To pay due regard to the interests of the Employer in relation to the payment of contributions.
- h) To maximise investment returns subject to an acceptable level of risk.

These qualitative objectives have been used to help formulate the investment strategy and return expectations set out in Appendix C.

The Trustee considers the investment objectives and the resultant investment strategy alongside the actuarial valuation methodology and assumptions used by the Scheme Actuary for each formal actuarial valuation.

# 04 Asset allocation strategy

## 04.01 Asset allocation

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The Trustee chooses to appoint regulated investment firms to implement an appropriate allocation of asset classes which it believes best meets the Plan's investment objectives as set out in Section 3. The Trustee has not restricted the allocation, it can invest in a wide range of asset classes, but only to the extent such asset classes are consistent with the Trustee's overall attitude to risk.

The asset allocation is determined following advice from the Investment Adviser, and the Employer will be consulted in the event of any significant change. The current benchmark and target allocation is set out in Appendix C and any significant changes will only be made after receiving written advice from the Investment Adviser that such allocation remains consistent with the investment objectives. The Trustee will consult with the Employer in the event of a significant change in the asset allocation.

## 04.02 Alignment of incentives

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Based on the structure set out in the Appendix, the Trustee considers the arrangements with the Investment Managers to be aligned with the Plan's overall strategic objectives. Details of each specific mandate are set out in guidelines, agreements and pooled fund documentation with each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through any asset allocation parameters or guidelines set by the Trustee or governing the pooled funds in which the Plan is invested.

The Trustee will ensure that the Plan's assets are predominantly invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate; their continued involvement as Investment Managers as part of the Plan's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including their selection / deselection criteria.

The Trustee encourages Investment Managers to make decisions in the long-term interests of the Plan. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns

As covered in more detail in this document, the Trustee also requires the Investment Managers to take ESG factors, including climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term. The Trustee therefore makes decisions about the retention of Investment Managers, accordingly.

### 04.03 Rebalancing policy

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The Trustee, with the help of the Investment Adviser, monitors the balance of the Plan's assets versus the benchmark. If the asset allocation is considered to be materially out of line with the benchmark, as a result of relative market movements or changes to macro factors, then the Trustee may decide to switch assets to bring it back into line.

The manager of the structured equity + LDI solution has discretion to rebalance the LDI element of the structured equity + LDI to ensure it continues to achieve the desired level of hedging.

### 04.04 Rates of return

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The target rates of return for each asset class are detailed in Appendix C.

### 04.05 Diversification

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The Trustee has sought to achieve diversification by:

- > Investing in more than one asset class and geographic region. Generally speaking, each asset class would expect to have different return and risk profiles leading to a low cross correlation of assets and therefore add to the diversification of the portfolio.
- > Investing in some pooled funds which have investment restrictions (i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers).

The Trustee will monitor the strategy regularly to ensure that it is comfortable with the level of diversification.

### 04.06 Suitability

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The Trustee has taken advice from the Investment Adviser, as well as the Scheme Actuary, to ensure that the asset allocation strategy is suitable for the Plan, given its investment objectives.

Each asset class performs a function in the Plan's investment strategy, which has been set out in Appendix C.

### 04.07 Liquidity

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The Plan holds assets with different liquidity profiles. The majority of the assets are held in a daily traded fund which holds assets in a range of funds with varied liquidity profiles. As part of any change in investment strategy, the Trustee will consider the liquidity implications to ensure that the Plan will be able to meet benefit requirements as they fall due, in line with the investment objectives.

The Trustee also holds a small amount of cash in a bank account to help meet short-term cash requirements.

As part of the structured equity + LDI solution, the Trustee is required to post collateral. This is the provision of funds in an investment contract to help reduce counterparty risk for both sides. The Trustee believes that it has sufficient liquidity in the Plan's assets to meet any unexpected collateral requirements and this is monitored periodically.

#### **04.08 Leverage**

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The Trustee currently uses 'leveraging' funds to achieve their investment objectives. The Trustee believes that the risks from the structured equity + LDI portfolio are acceptable in the context of the investment strategy as a whole.

#### **04.09 Contingency plans**

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The Trustee monitors the performance of the Plan's investments and funding position, with the assistance of the Investment Adviser and the Scheme Actuary. Whilst the Trustee has no explicit pre-agreed contingency plans in place, it will review the investment strategy in the event that performance is out of line with expectations.



# 05 Strategy implementation

## 05.01 Mandate and performance objectives

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The Trustee has received advice on the appropriateness of each investment from the Investment Adviser and believes them to be suitable to meet the Plan's investment objectives. The benchmark and objective for each fund currently held are set out in Appendix C.

## 05.02 Manager selection

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The Trustee does not have a formal policy on the appointment of investment managers but monitors the performance on a regular basis and holds a formal tender process to coincide with the triennial review. In the event that the Trustee considers appointing another manager, they will seek advice from the Investment Adviser.

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities.

## 05.03 Manager agreements

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The Trustee has decided to invest some of the Plan's assets through a regulated life insurance company (the "platform provider"), rather than directly appointing individual investment managers. The Plan holds a single life policy with the platform provider, where the value of the Plan's assets is linked to the value of specific pools of assets selected by the Trustee from time to time. Decisions about which funds to invest in are made after receiving investment advice from a Financial Conduct Authority regulated firm.

The Trustee maintains one policy with an investment platform provider instead of holding shares or units in pooled funds. The Plan is therefore subject to the risk of insolvency of the platform provider. However, the likelihood of the platform provider becoming insolvent has been minimised as far as practical. For example, the platform provider is a regulated Life Insurance Company governed by UK law and is therefore subject to regular scrutiny by the financial services regulators (Prudential Regulation Authority / Financial Conduct Authority) and is not exposed to any general insurance claims risk. Furthermore, the platform provider holds professional indemnity insurance to cover the risk of operational risks and fraud.

The Trustee has also decided to appoint a separate manager to manage structured equity + LDI solution. This investment portfolio is not offered through the investment platform instead the Trustee has delegated their investment powers within a controlled mandate in accordance with *Section 34 of the Pensions Act 1995*.

## 05.04 Manager monitoring

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The Trustee receives regular performance monitoring reports from the Investment Consultant which consider performance over relevant periods. In addition, any significant changes relating to the Trustee's selection and deselection criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate.

These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee's meetings as requested.

The Investment Consultant has also carried out a review of how well the Trustee's guidelines in relation to ESG factors are incorporated into each Investment Manager's processes and the Trustee will re-assess progress on ESG issues periodically.

Manager fees are considered as part of the manager selection process. They are also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

#### **05.05 Diversification**

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The majority of the return-seeking assets are invested in pooled funds with diversification requirements. The Trustee will monitor the overall strategy regularly to ensure that it is comfortable with the level of diversification being achieved. The return element of the structured equity + LDI solution is constructed using derivatives in a way to provide the Plan with a targeted level of asset return. The Trustee is comfortable with the level of diversification that this strategy provides.

#### **05.06 Custody**

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Custody of the underlying assets is at the discretion of the investment managers.

# 06 Monitoring

## 06.01 Investment funds

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The Trustee, and the Investment Adviser on behalf of the Trustee, will monitor the performance of the funds against their stated performance objectives and the performance of the funds to satisfy themselves that the funds remain suitable.

If the Trustee is not satisfied with the performance of the funds they will ask the manager of those funds what steps they intend to take to rectify the situation. If the funds still do not meet the Trustee's requirements, it will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

## 06.02 Adviser

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The Trustee will monitor the advice given by the Investment Adviser on a regular basis. The Trustee will establish a formal mechanism in due course in line with the Pensions Regulator's guidance following the *Competition and Markets Authority* review into investment consultants.

## 06.03 Other

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The Trustee is required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.

# 07 Fees

## 07.01 Funds

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The Trustee will ensure that the fees charged by funds and their expense ratios are consistent with levels typically available in the industry. The current fee basis for each of the funds is set out in Appendix C.

The Trustee is aware of the investment manager policy regarding soft commission arrangements. Information about the investment manager's fees, commissions and other transaction costs is available in the annual report in accordance with the *Financial Conduct Authority Disclosure Code*.

## 07.02 Adviser

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Fees paid to the Investment Adviser are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects. These are reviewed periodically.

## 07.03 Custodian

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The Plan's custodians receive remuneration from the Plan's assets.

## 07.04 Trustee

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The Trustee consists of individuals appointed to act on behalf of the Plan. Members of the Trustee may receive remuneration (beyond expenses) for their time spent on their duties in relation to the Plan.

# 08 Risks

The Trustee recognises a number of risks involved in the investment of assets of the Plan:

- i) The risk of failing to meet the objectives as set out in Section 3 – the Trustees will regularly monitor the investments to mitigate this risk as far as is feasible.
- ii) The risk of adverse consequences arising through a mismatch between the Plan's assets and its liabilities. This is addressed through the asset allocation strategy and through regular actuarial and investment reviews and the funding target.
- iii) Risk of lack of diversification of investments – addressed through investing in multi-asset funds with diversification requirements and through the asset allocation policy.
- iv) Risk of holding assets that cannot be easily sold should the need arise – addressed through the predominant use of multi-asset funds with frequent dealing dates.
- v) Underperformance risk – addressed through investing in passively managed funds, monitoring closely the performance of each fund and taking necessary action when this is not satisfactory.
- vi) Organisational risk – addressed through regular monitoring of the investment manager(s) and the Investment Adviser.
- vii) Credit risk - addressed through investing in pooled funds which are limited to investing in issuers with strong credit ratings and spreading the credit risk across many different issuers.
- viii) Interest rate risk – addressed through the holding of off-risk assets in fixed interest investments of appropriate duration or derivative contracts for risk management purposes.
- ix) Inflation risk – addressed through the holding of off-risk assets in index-linked investments of appropriate duration or derivative contracts for risk management purposes.
- x) Currency risk – addressed through investing predominantly in sterling denominated pooled funds.
- xi) Sponsor risk – the risk of the Employer ceasing to exist, which for reasons of prudence, the Trustee has taken into account when setting the asset allocation strategy.

The Trustee will keep these risks under regular review.

# 09 Other issues

## 09.01 Statutory funding requirement

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The Trustee will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider the investment strategy at each actuarial valuation and determine whether it is necessary to make changes to the investment strategy to ensure continued compliance with the statutory funding requirement.

## 09.02 ESG risks, corporate governance and 'non-financial matters'

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The Trustee has considered their approach to environmental, social and corporate governance ("ESG") risks and they believe there can be financially material risks relating to ESG.

The Trustee has delegated the ongoing monitoring and management of ESG risks (and those related to climate change) to the Plan's investment managers. The Trustee expects the Plan's investment managers to take into consideration ESG risks, as with other material factors, within their decision-making, recognising that how they do this will be dependent on the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

Further, the Trustee's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments (where non-financial matters means the views of the members and beneficiaries including their ethical views; their views in relation to social and environmental impact; and their views on present and future quality of life of the members and beneficiaries of the Scheme).

The Trustee has consulted with the Employer on the policy covering ESG and non-financial matters. Whilst the Employer would like to encourage the Trustee to maintain a policy on ESG and non-financial matters that is consistent with the Employer's own approach, the Employer recognises the independence of the Plan, the fiduciary duty of the Trustee and the practical constraints involved with implementation.

## 09.03 Voting rights

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As the Plan invests in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. It has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers.

The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts

of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee's expectation and the investment mandate guidelines provided, then the Trustee may consider terminating the relationship with that Investment Manager.

# Appendix A

## Responsibilities

### Trustee

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The Trustee of the Plan is responsible for, amongst other things:

- i) Determining the investment objectives of the Plan and reviewing these from time to time.
- ii) Agreeing an investment strategy designed to meet the investment objectives of the Plan.
- iii) Reviewing at least triennially the content of this SIP and modifying it if deemed appropriate, in consultation with the Investment Adviser.
- iv) Reviewing the suitability of the investment policy alongside each actuarial or investment review, in consultation with the Investment Adviser.
- v) Assessing the performance of the investment portfolios and the processes they use by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Investment Adviser and selecting new managers where appropriate.
- vi) Assessing the ongoing effectiveness of the Investment Adviser.
- vii) Consulting with the Employer when reviewing investment policy issues.
- viii) Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- ix) Informing the Investment Adviser of any changes to Plan benefits or significant changes in membership.

### Investment managers

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The structured equity + LDI manager will be responsible for ensuring that these funds are appropriately balanced and managed in line with their agreed contract with the Trustee.

### Investment Adviser

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The Investment Adviser will be responsible for, amongst other things:

- i) Participating with the Trustee in reviews of this SIP.
- ii) Advising the Trustee how any changes within the Plan's benefits, membership, strength of employer covenant and funding position may affect the manner in which the assets should be invested.
- iii) Advising the Trustee of any changes in the funds held that could affect the interests of the Plan.
- iv) Undertaking reviews of the Plan's investment arrangements including reviews of the asset allocation policy and current pooled funds and advising on the selection of new funds where appropriate.

### Scheme Actuary

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The Scheme Actuary will be responsible for, amongst other things:

- i) Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.



- ii) Commenting on the appropriateness of the investment strategy relative to the liabilities of the Plan at the triennial valuations.
- iii) Advising the Trustee of any changes to contribution levels and funding level.

# Appendix B

## Investment beliefs

The Trustee has not formally documented a specified set of investment beliefs. Investment decisions are considered on their merit and are made based on the investment principles set out in this document, with particular regard to the Trustee's overall objectives.

- > The long-term nature of the Scheme's liabilities typically implies a long-term investment time horizon.
- > Risk is necessary to achieve return, but not all risks are rewarded.
- > In the long-term diversification can enhance risk-adjusted returns by investing in uncorrelated asset classes, countries, sectors and themes.
- > Investment processes should be robust, consistent and demonstrate strong risk controls. In addition, investment processes should be transparent and relatively easy to explain and understand,
- > Responsible investing and engaging, wherever possible as long-term owners, reduces risk and may positively impact the Scheme's returns.
- > Liquidity of underlying investments is an important consideration, and should be regularly and actively monitored and questioned.
- > We believe that managing fees and charges can prevent unnecessary costs.
- > Markets are not always efficient and there are opportunities for good active managers to add value.

# Appendix C

## Current asset strategy

### Asset allocation

The Trustee has selected:

- > Mobius Life to provide an investment platform (through which the Trustee accesses a Columbia Threadneedle pooled fund).
- > River & Mercantile Solutions to provide a bespoke structured equity + LDI solution.

Having considered advice and having due regard for the investment objectives, the current liabilities of the Plan, the risks faced by the Plan and the covenant of the Employer, the Trustee has decided upon the following asset strategy:

Asset Class	Investment style	Fund name	Initial benchmark	Long-term expected investment return* (p.a.)	Key purpose
<b>Diversified Growth</b>	Active	<i>Columbia Threadneedle Multi Asset Fund</i>	80%	Gilts + 3%	Generate returns from diverse range of asset classes and provide some protection during poor market periods.
<b>Structured Equity</b>	Bespoke assets designed to be passive in nature	<i>River &amp; Mercantile Solutions Structured Equity EDOS Fund</i>	20%	Gilts + 4%	Reduce reliance on manager skill to generate returns. Provide some mechanical protection against market falls.
<b>Liability Hedge</b>		<i>River &amp; Mercantile Solutions Liability Hedge Portfolio</i>		Gilts + 0%	Provide a hedge against approximately 55% of the Scheme's liability exposure to interest rates and inflation.

\*based on XPS Investment's advice provided as part of the 31 March 2016 valuation

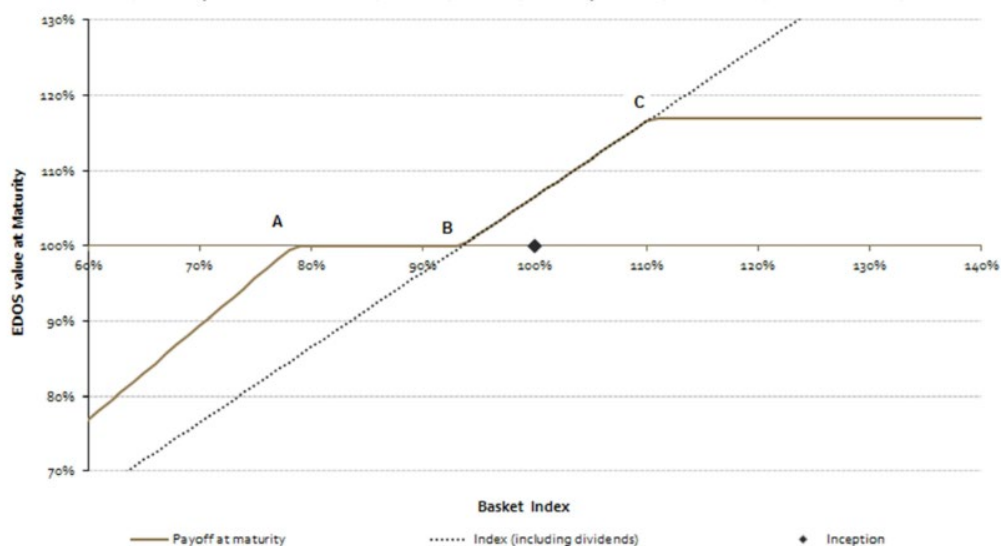
The proportion of the assets allocated to the structured equity + LDI solution may vary significantly over its lifetime (up to 3 years from implementation) for a number of reasons but including that the LDI element can move significantly in value over a short time period.

## Structured equity element

The diagram below shows the expected payoff of the structured equity element within the River & Mercantile Solution at maturity (March 2021). The solution is based on a global equity basket consisting of:

- > 7% FTSE 100 (UK)
- > 64% S&P500 (US)
- > 10% Nikkei 225 (Japan)
- > 19% Eurostoxx (European)

The table sets out the starting values as at March 2018 for the underlying equity indices.



Index	Initial index level
FTSE 100 Price Index	7138.78
S&P500 Price Index	2765.31
Nikkei 225 Price Index	21968.1
Eurostoxx 50 Price Index	3397.35

## Fund performance targets

The Trustee has agreed the following performance targets with the investment managers:

Fund	Fund's benchmark	Fund's objective
<i>Columbia Threadneedle Multi Asset Fund</i>	Bank of England Base Rate + 4% p.a.	To achieve total returns equivalent to cash plus 4% per annum, gross of fees, over the economic cycle (expected to be 5-7 years).
<i>River and Mercantile Solutions Structured Equity EDOS Fund</i>	Composite benchmark* used to broadly mimic the movement in global equities.	To provide returns in line with the benchmark subject to a cap after 3 years, with downside protection in exchange for giving up some upside returns.
<i>River and Mercantile Solutions Liability Hedge Portfolio</i>	No explicit benchmark – performance judged based on hedging accuracy.	To hedge 55% of the Plan's interest rates and inflation risk exposure on the Technical Provisions.

\*The composite benchmark consists of: 64% S&P 500, 19% Eurostoxx 50, 10% Nikkei 225, 7% FTSE 100.

## Fees and charges

The fees paid to the Investment Manager and underlying funds are as follows:

Fund	Management charge	Estimated additional expenses
<i>Columbia Threadneedle Multi Asset Fund</i>	*Redacted from public version	
<i>River and Mercantile Solutions LDI &amp; Structured Equity</i>		

# Appendix D

## Myners investment principles

The Trustee recognises the relevance to pension schemes of the Myners investment principles that were first published by the Government in October 2001 and updated following a review in 2007. The Trustee aims to apply the principles using best practice guides and guidance e.g. from The Pensions Regulator (TPR). The Plan's adherence to (or otherwise) with the latest 2008 Myners principles is set out below.

### Principle 1: Effective decision-making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

The Trustee makes decisions by consulting with investment professionals that it feels are best equipped to give that advice. Long-term strategic investment decisions are made in consultation with the Plan's Investment Adviser, whereas short-term tactical decisions are delegated to the appropriate investment manager. The Trustee's view is that it has the appropriate skills and available expertise for effective decision making.

The Trustee strives to have sufficient time to undertake their trustee duties. Some Trustee Directors receive specific payment for their trustee duties.

The Trustee has considered the TPR's Trustee Toolkit and guidance on conflicts of interest.

The Trustee believes this to be in line with Myners Principles.

### Principle 2: Clear objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

The Trustee has set out objectives and benchmarks for the funding and investment of the Plan; these are set out in Section 3. The Trustee has considered the strength of the sponsor covenant of the Employer and keeps this under review.

Any fund managers appointed to the Plan will have clear mandates including performance expectations, benchmarks and time horizons for evaluation. The Trustee will receive copies of the particular fund's details, prior to the selection of investment managers. The Trustee will require any fund managers appointed outside of the investment platform to sign legal documents detailing the objectives, benchmarks and constraints on manager dealings in relation to a fund. For safekeeping the Trustee will retain copies of the managers' policies, and any letters of direction to them.

In appointing investment managers the Trustee will give consideration to their investment beliefs, and the asset allocation strategy set out in Section 4.

The Trustee believes this to be in line with Myners Principles.

### Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

The Trustee has decided to adopt the current investment strategy after advice from both the Investment Adviser and the Scheme Actuary. Consideration has been taken of the risks associated with the liabilities and the factors affecting long term performance and their potential impact on these liabilities. The Trustee accepts that underperformance as against the Scheme liabilities may occur due to market conditions.

The Trustee has considered longevity risk and will revisit it on a regular basis. When the asset allocation is reviewed, the Trustee consults with the Employer with regard to their objectives and ability to fund the Plan.

The Trustee believes this to be in line with Myners Principles.

### Principle 4: Performance assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.

Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

The Trustee will ensure that it receives performance analysis from the fund managers on a regular basis. The performance of the investment managers and the Investment Adviser will be monitored on a regular basis, as set out in Section 6 of this SIP.

The Trustee believes this to be in line with Myners Principles.

### Principle 5: Responsible ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.

Trustees should report periodically to members on the discharge of such responsibilities.

The Trustee has set out its policy on responsible ownership in Section 9 of this SIP. The Trustee will request that its investment managers follow the guidance within the Institutional Shareholders' Committee Statement of Principles with regard to corporate governance. The Trustee will make itself aware of the corporate governance policies followed by its investment managers.

The Trustee believes this to be in line with Myners Principles.

### Principle 6: Transparency and reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Trustees should provide regular communication to members in the form they consider most appropriate.

The Trustee will provide a copy of the current SIP on request to Plan members.

Plan members receive an annual review of the asset managers' performances as against the agreed benchmarks in the Trustee's Annual Report to members. Members are also updated on any key investment decisions taken by the Trustee.

The Trustee recognises that there is a requirement for it to demonstrate good governance and to be transparent and accountable to Plan members.

The Trustee believes this to be in line with Myners Principles.





**Contact us**  
**xpsgroup.com**

**Registration**

XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672. XPS Pensions Limited, Registered No. 3842603. XPS Administration Limited, Registered No. 9428346. XPS Pensions (RL) Limited, Registered No. 5817049.

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

**Authorisation**

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).