



The National Pension Trust

Statement of Investment Principles

September 2020

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01 Introduction

Purpose

This Statement describes the investment policy of the Trustees of the Trust and is issued by the Trustees to comply with the Act and the Regulations. It supersedes the previous Statement and has been updated following changes to the Regulations. The wording of the Statement was agreed by the Trustees in September 2020.

Trust details

The exclusive purpose of the Trust is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

Advice and consultation

Before preparing this Statement, the Trustees have sought advice from the Trust's investment consultant, XPS Investment Limited. The Trustees have also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Trust's Trust Deed and Rules sets out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restrict the Trustees' investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Trust invests to the Investment Managers.

Review of the Statement

The Trustees will review this Statement and their investment policy at least every three years or immediately following any significant changes in investment policy.

The Trustees will also review this Statement in response to any material changes to any aspect of the Trust, its liabilities, finances and attitude to risk of either the Trustees or Principal Employer which they judge to have a bearing on the stated investment policy.

The Trustees will receive confirmation of the continued appropriateness of this Statement annually, or more frequently if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004)

Investment Consultant - A person or organisation appointed to advise on investment issues for the Trust.

Investment Manager - A person or organisation appointed by the Trustees to manage investments on behalf of the Trust

Investment Platform Provider - A single provider offering access to a wide variety of underlying pooled investment funds which may be managed by different Investment Managers

Principal Employer - XPS Pensions Consulting Limited

Regulations - The Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015

Trust - The National Pension Trust

Statement - This document, including any appendices, which is the Trustees' Statement of Investment Principles

Trustees - The group of individuals who are responsible for the investment of the Trust's assets and managing the administration of the Trust

Administrator - The organisation appointed by the Trustees to maintain membership records

02 Division of responsibilities

The Trustees are accountable for all aspects of the Trust's investments. However, as permitted within the Trust Deed and Rules, the Trustees have delegated some of the decision making powers and other responsibilities as set out below.

Trustees

The Trustees have retained the following responsibilities and powers for themselves:

- The content and the reviewing of this Statement.
- Reviewing the investment policy.
- Appointing the Investment Platform Provider and assessing its ongoing suitability in this role.
- Selecting a suitable range of investment options to be made available to members.
- Assessing the performance and investment process of the Investment Managers.
- Consulting with the Principal Employer when reviewing investment policy issues.
- Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.

In addition, the Trustees of the Trust will make decisions relating to the Trust's investments, including issues such as:

- The kinds of investments to be held.
- The balance between different kinds of investments.
- The types of risk these investments may expose members to; and the types of risk these may afford members protection against.
- The Investment Manager arrangements.
- The performance target of the Investment Managers.

Investment Consultant

The Investment Consultant's responsibilities include:

- Participating with the Trustees in regular reviews of this Statement, and in the review of investment related issues as described in this Statement.
- Undertaking project work as required including reviews of the range of assets covered by the investment options available to members and reviews or selection of Investment Managers and/or the Investment Platform Provider.

Investment Platform provider

The Investment Platform Provider's responsibilities include:

- Providing a range of investment funds from which the Trustees are able to select a subset of funds to make available to members, consistent with the policy as set out in this Statement.
- Enabling the Trustees to select from the range of Investment Managers through the creation of funds which themselves invest in or are reinsured into underlying vehicles or portfolios managed by the Investment Managers.
- Blending or white labelling funds as appropriate/requested by the Trustees.
- Appointing a Custodian. For pooled assets, the Custodian is invariably appointed by the Investment Managers on behalf of the pooled fund as a whole. However, a separate Custodian may be appointed to provide the above services on behalf of the Investment Platform Provider.
- Providing the Trustees with the reporting that would otherwise be expected of the Investment Managers:
 - Regular portfolio valuations and performance information along with a report, at least annually, on actions and future intentions and any changes to the processes, objectives and guidelines applied to their management of the Trust's assets to enable the Trustees to review their Investment Managers' activities.
 - Where appropriate, reporting in person at a Trustees' meeting at least annually or through documentation agreed between the two parties.

Investment Managers

Each Investment Manager's responsibilities will include:

- Investing in diversified portfolios of assets suitable for pension schemes in accordance with any guidelines given by the Trustees or the Investment Platform Provider.
- At their discretion, but in accordance with any guidelines given by the Trustees or the Investment Platform Provider, implementing changes in the asset mix and selecting individual securities and financial instruments within each asset class.
- Exercising, where appropriate, the rights attached to the underlying shareholdings so as to protect and enhance the long-term value.

Custodian

Each Custodian's responsibilities include some or all of the following:

- The safekeeping of all of the assets of the Trust.
- Providing the Investment Managers and/or the Investment Platform Provider with statements as required of the assets, cashflows and schedules of transactions.
- Undertaking all appropriate administration relating to the Trust's assets.
- Processing all dividends and tax reclaims in a timely manner.
- Dealing with corporate actions.

Record keeping of the Trust's entitlement within the pooled fund is the responsibility of the pooled fund administrator or registrar.

Member records are held by the Trust's Administrator.

03 Strategic investment policy and objectives

Choosing investments

The Trustees rely on professional Investment Managers for the day-to-day management of the Trust's assets.

In view of the requirements in respect of the efficient administration of individual entitlements for each member, all the investments are made on a pooled basis with the individual funds accessed through an investment platform. The Trustees retain control over the individual funds to offer to members.

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments, the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The Investment Consultant will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives

The Trustees' long-term objectives are to provide members with investment options that will enable them to optimise the return on investments in order to build a fund which will be used at retirement to access their benefits as a lump sum, series of lump sums and/or purchase a secure income (annuity). The Trustees have therefore selected the investment options:

- To provide an appropriate choice of investment arrangements for those members who do not wish to invest in the Default Arrangement,
- In a manner calculated to ensure their security, quality, liquidity and profitability.

The Trustees recognise that the available investment options directly impact the Trust's members and their expectation for their retirement provision.

The Trustees have set three investment objectives:

Fiduciary - To ensure members are offered an appropriate range of investment vehicles and guidance on their suitability.

Funding - To give members investment options that enable them to maximise the returns achieved at acceptable levels of risk.

Stability - By investing in a mixture of assets to provide members with an investment vehicle that offers protection against volatility in the capital value of their fund.

Expected returns

By undertaking the investment policy described in this Statement, the Trustees anticipate that the investment options and the associated future absolute investment returns will allow members to maintain the value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.

Investment Policy

In order to meet the above objectives, the Trustees have made available a range of investment funds with different risk-reward characteristics.

The individual funds available and their characteristics are given in Appendix II.

Range of assets

The Trustees will provide members with investment vehicles encompassing both real and monetary assets.

The amounts allocated to any individual asset class will be influenced by the choices made by the members and may vary through the Investment Manager's tactical asset allocation preferences at any time, within the restrictions imposed under individual fund investment parameters.

The Trustees will ensure that the investment options made available to members hold a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustees will ensure the range of assets is otherwise suitable to meet the investment objectives as set out in Appendix I.

Based on the structure set out in Appendix I, the Trustees consider the arrangements with the Investment Managers to be aligned with the Trust's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with the Investment Platform Provider and each underlying 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 asset allocation parameters set by the Trustees or governing the pooled funds in which the Trust is invested.

The Trustees will ensure that the Trust'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 as their continued involvement as Investment Managers as part of the Trust'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 the selection / deselection criteria set out in Section 7

The Trustees encourage the Platform Provider and Investment Managers to make decisions in the long-term interest of the Trust. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help the Platform Provider and Investment Managers to mitigate risk and improve long term returns. As covered in more detail in Section 4, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of the Platform Provider and Investment Managers, accordingly.

04 Responsible investment

The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Trust and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Trust’s Investment Managers. The Trustees require the Trust’s Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from their Investment Consultant on the extent to which views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Consultant, 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 Trustees’ requirements as set out in this Statement.

As the Trust invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Trust’s investments to the Investment Managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem adequate or that the results of such engagements are mis-aligned with the Trustee’s expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that it deems inadequate or that the results of such engagement are mis-aligned with the Trustee’s expectation and the investment mandate guidelines

provided, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to provide an appropriate range of investments for the beneficiaries of the Trust, although they have neither sought nor taken into account the beneficiaries’ views on risks including (but not limited to) ethical, social and environmental issues. The Trustees will review this policy if any beneficiary views are raised in future

05 Risk measurement and management

The Trustees measure and manage the risks as follows:

Strategic risk - the risk of not maintaining the real purchasing power of assets is addressed through the availability of growth orientated funds.

Market risk – the risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non-equity orientated funds.

Manager risk – the risk of an Investment Manager failing to meet the stated objectives is addressed through the Performance Objectives set out in Appendix II and through the ongoing monitoring of the manager as set out below and in Section 7. Passively managed funds are offered where appropriate to enable members to reduce manager underperformance risk. In monitoring the performance of the Investment Managers, the Trustees measure the performance of the vehicles in which they are invested, the returns relative to benchmark and objective and the volatility of returns. In addition, the Trustees will regularly review each Investment Manager's approach to risk in order to highlight any unintended risk being taken. For example:

- for equities, the Trustees will review the risk through the weightings to individual regions, sectors and stocks;
- for property, risk will be reviewed through the weightings to specific sectors, level of gearing, void rates and the tenancy exposure;
- for multi asset funds the Trustees will consider the weightings within each fund to different asset classes, and they will also consider the volatility of each fund both in absolute terms and in comparison to the volatility of traditional equity markets;
- for bonds, the Trustees will review the risks of the underlying assets comprising the portfolio;
- for cash, The Trustees will review the risk through the type of cash instruments held and the term of these instruments.

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Trust can invest (see section 3).

Political risk – the risk of an adverse influence on investment values from political intervention is reduced by providing members with the facility to diversify the assets across many countries.

Custodian risk – this is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Manager and/or the Investment Platform Provider.

Counterparty risk – this is addressed through the Investment Managers' guidelines with respect to cash management.

Fraud/Dishonesty – this is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Administration risk – the risk of administrative errors leading to inaccurate member records is addressed through controls built into the cash collection/allocation procedure and through monthly reconciliations of the administration records with those held by the Investment Manager. In accordance with XPS Administration's ISO 9001:2015 accredited Business Process Management System, every event is recorded and documentary evidence retained as part of an audit trail.

06 Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustees will monitor closely the extent to which any assets held by the Investment Managers are not readily realisable and will limit such assets to a level where they are not expected to prejudice the proper operation of the Trust.

The Trustees have considered how easily investments can be realised for the types of assets in which the Trust is currently invested. As such, the Trustees believe that the Trust currently holds an acceptable level of readily realisable assets. The Trustees will also take into account how easily investments can be realised for any new investment classes they consider investing in, to ensure that this position is maintained in the future.

A bank account is used to facilitate the holding of cash awaiting investment or payment.

Investment Restrictions

The Trustees have established the following investment restrictions:

- The Trustees may not hold in excess of 5% of the Trust's assets in investments related to the Principal Employer.
- Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Trust's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer.
- The Trustees will ensure that the Trust's assets are predominantly invested in regulated markets to maximise the security of the members' entitlements.
- Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances the Trustees may impose additional restrictions and any such restrictions are specified in Appendix II.

07 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustees, in the selection of the investment funds to make available to members, delegated to one or more Investment Managers the responsibility for investing the Trust's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Trust. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which members invest may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Trust.

Performance objectives

The individual benchmarks and objectives against which each pooled fund is assessed are given in Appendix II.

Review process

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

In respect of the Platform Provider, such reviews will include an analysis of the Platform Provider's processes, the range and ongoing suitability of the funds available on the Platform and the fee arrangements in place.

The Trustees will review each Investment Manager by reference to their performance and process and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policy.

The Trustees receive quarterly performance monitoring reports from the Investment Consultant which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the criteria below 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 Trustees may carry out a more in-depth review of a particular Investment Manager. The Investment Platform Provider will also attend meetings with the Trustees as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Selection / Deselection Criteria

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- Parent - Ownership of the business;
- People - Leadership/team managing the strategy and client service;
- Product - Key features of the investment and the role it performs in a portfolio;
- Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- Positioning - Current and historical asset allocation of the fund;
- Performance - Past performance and track record;
- Pricing - The underlying cost structure of the strategy;
- ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- The Investment Manager fails to meet the performance objectives set out in Appendix II.
- The Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future.
- The Investment Manager fails to comply with this Statement.

Investment Platform Provider

The Investment Platform Provider is remunerated by receiving a proportion of the Trust's assets under management. Details of the fees applicable for each fund are set out in the Appendix.

Investment Managers' fee structure

The Investment Managers are remunerated out of the fees charged by the Platform Provider. It is felt that this approach is appropriate as it enables the Trustees to gain

access to a range of funds which would otherwise prove to be inaccessible on cost and minimum investment criteria.

Portfolio Turnover

The Trustees requires the Platform Provider to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, including that within the underlying funds, how turnover compares with the range that the Platform Provider expects and the reasons for any divergence.

Investment Consultant's fee structure

The Investment Consultant is remunerated by a combination of fixed fees and work completed on a project-fee or time-cost basis. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustees undertaking their responsibilities as described in Section 2.

08 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by them to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such Trusts.

The Investment Consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act and has provided the necessary written advice to the Trustees. The Investment Consultant also confirms that they are regulated and authorised to provide such advice.

Trustees' declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Investment Consultant, to ensure the assets of the Trust are invested in accordance with these Principles.

Appendix I

The Structure and type of funds available

The Trustees provide members with supported investment strategies and these are defined as the "Help me do it" strategies of the Trust. For members who wish to implement a strategy different to that provided by the Trustees, the Trustees offer a range of "Self-Select" options. Members are able to switch between "Help me do it" and "Self-Select" but cannot be in both options simultaneously.

Members are allowed to make changes to their investment selection at any time.

"Help me do it" strategies

For members who prefer not to choose individual funds but do want a say in the risk and reward focus of their investments, the Trustees offer a supported approach. Members are able to select one or more Lifestyle Strategies and their Target Retirement Age. The default for members that do not choose their own Target Retirement Age is the State Pension age in the United Kingdom.

The Lifestyle Strategies have two phases that members are able to select to meet their needs, a Growth Phase and a Benefit Alignment Phase.

Growth Phase - The Trustees have decided to offer five growth strategies:

Life Stage Strategy

For members more than 27.5 years before retirement, 100% of their funds are invested in the Aggressive Growth Strategy. From 27.5 years to 22.5 years to retirement, their funds are gradually moved into the Adventurous Growth Fund and remain there until 17.5 years before retirement. Between 17.5 years and 12.5 years, the funds are moved into the Balanced Growth Fund. From 12.5 years to the start of the Income Alignment Phase, the funds remain in Balanced Growth.

Cautious Growth (100% Cautious Growth Fund)

This is the lower risk of the five growth strategies. It invests 55% of assets in global equities, with the balance invested in a range of other assets to reduce the impact of equity market volatility.

Balanced Growth (100% Balanced Growth Fund)

This invests 70% of assets in global equities, with the balance invested in a range of other assets to reduce the impact of equity market volatility.

Adventurous Growth (100% Adventurous Growth Fund)

This invests 85% of assets in global equities, with the balance invested in a range of other assets to reduce the impact of equity market volatility.

Aggressive Growth (100% Global Equity Fund)

This strategy is entirely invested in passively managed global equities in the growth phase. This is the most aggressive (and risky) of all the growth strategies.

Income Alignment Phase - The Trustees have decided to offer seven income alignment strategies:

Target A: Cash Lump Sum (100% Cash)

This option is designed for members who expect to take 100% of their benefits as a single cash lump sum. Members selecting this strategy will have 100% the value of their Pension Account held within the strategy gradually switched into the Cash Fund in the 5 years prior to their Target Retirement Age.

Target B: Flexi Access Drawdown (series of cash payments) with 25% Cash

This option is designed for members who expect to keep 75% of the value of their Pension Account invested and take 25% of the fund as tax free cash at retirement. The 75% that remains invested in Growth Assets enables them to continue to benefit from investment growth whilst taking a series of cash lump sums over a period of time. Members selecting this strategy will have 75% of the value of their Pension Account held within the strategy remain invested in the same investments as the growth phase. The switch into cash will occur over the final three years before the member's Target Retirement Age.

Target C: Flexi Access Drawdown (series of cash payments) with no allowance for cash

This option is designed for members who expect to keep their Pension Account invested and do not expect to take any of the fund as tax free cash at retirement. 100% of the member's funds remains invested in Growth Assets. This enables them to continue to benefit from investment growth whilst taking a series of cash lump sums over a period of time. Members selecting this strategy will have the value of their Pension Account held within the strategy remain invested in the same investments as the growth phase.

Target D: Secure Income (flat rate annuity) with 25% Cash

This option is designed for members who expect to take 75% of their benefits within the strategy as an annuity and 25% as a tax free cash sum. Members selecting this strategy will have 75% of the value of their Pension Account held within the strategy gradually switched into the Annuity Preparation Fund in the 5 years prior to their Target Retirement Age. In the final three years, 25% of funds will be switched to the Cash Fund.

Target E: Secure Income (flat rate annuity) with no Cash

This option is designed for members who expect to take 100% of their benefits within the strategy as an annuity and no cash. Members selecting this strategy will have 100% of the value of their Pension Account held within the strategy gradually switched into the Annuity Preparation Fund in the 5 years prior to their Target Retirement Age.

Target F: Secure Income (inflation linked annuity) with 25% Cash

This option is designed for members who expect to take 75% of their benefits within the strategy as an index linked annuity and 25% as a tax free cash sum. Members selecting this strategy will have 75% of the value of their Pension Account held within the strategy gradually switched into the Index Linked Gilts Fund in the 5 years prior to their Target Retirement Age. In the final three years, 25% of funds will be switched to the Cash Fund.

Target G: Secure Income (inflation linked annuity) with no Cash

This option is designed for members who expect to take 100% of their benefits within the strategy as an inflation linked annuity and no cash. Members selecting this strategy will have 100% of the value of their Pension Account held within the strategy gradually switched into the Index Linked Gilts Fund in the 5 years prior to their Target Retirement Age.

Members are able to select one or more of the retirement phasing investment options (to achieve one or more of the targets above) which will gradually switch their growth assets towards investments appropriate for the manner (and timing) that they wish to receive their retirement benefits.

Default Arrangement - For those members who are not comfortable with making any investment decisions, the Trustees have decided that the Life Stage will be the Growth Phase of the Default Arrangement and Target B will be the Benefit Alignment Phase. This means members' funds will be invested in accordance with the description set out above for the Life Stage Strategy and then in accordance with Target B for the Benefit Alignment Phase.

Self-Select options

For members who prefer to choose their own individual funds and allocations, the Trustees have decided to offer a range of 17 funds:

Cash Fund

The Fund invests in Sterling-denominated transferable money market instruments which include short term debt securities and notes (including for example, certificates of deposit, commercial paper, government bonds, supranational bonds, floating and variable rate notes). The Fund seeks to limit its weighted average maturity to 60 days and weighted average final maturity to 90 days, providing strict controls on interest rate and market risk.

The benchmark that has been selected to compare the performance of the fund is 7 Day Sterling LIBID.

The Fund is actively managed.

Index-Linked Gilt Fund

The Fund invests in index-linked gilts of all durations.

The investment objective is to track the performance of the FTSE A Index-Linked (All Stocks) Index to within +/- 0.25% p.a. for two years out of three.

The Fund is passively managed.

Fixed Interest Gilt Fund

The Fund invests in fixed income gilts that have a maturity period of all durations.

The investment objective is to track the performance of the FTSE A Government (All Stocks) Index to within +/- 0.25% p.a. for two years out of three.

The Fund is passively managed.

Annuity Preparation Fund

The Fund invests in investment grade corporate bonds denominated in sterling and fixed-income gilts of all durations.

The Fund aims to achieve an investment return which broadly reflects the change in price of a non-inflation-linked annuity.

The benchmark that has been selected to compare the performance of the fund is

70% Markit iBoxx £ Non-Gilts (ex-BBB) Index

30% FTSE A Government (All Stocks) Index

The Fund is passively managed.

Corporate Bond Fund

The Fund invests in investment grade corporate bonds denominated in sterling.

The investment objective of the Fund is to track the performance of the Markit iBoxx £ Non-Gilts (ex-BBB) Index to within +/-0.5% p.a. for two years out of three.

The benchmark that has been selected to compare the performance of the fund is Markit iBoxx £ Non-Gilts (ex-BBB) Index.

The Fund is passively managed.

Cautious Growth Fund

The Fund invests 55% of assets in global equities, with the balance invested in a range of other assets to reduce the impact of equity market volatility.

The Fund aims to provide some exposure to equity returns but to reduce volatility through significant investment in bonds and gilts.

The benchmark that has been selected to compare the performance of the fund is:

55.00% FTSE World Index

15.00% FTSE A Government (All Stocks) Index

15.00% FTSE A Govt Index-Linked (All Stocks) Index

15.00% Markit iBoxx Sterling Non-Gilts (ex-BBB) Index

The Fund is passively managed.

Multi Asset Fund

The Fund invests in a wide range of asset classes, such as equities, property and alternative assets.

The Fund aims to generate long-term investment returns but with a lower level of volatility than is associated with pure equity investments.

The benchmark that has been selected to compare the performance of the Fund is:

50% Bank of England Bank Rate + 4.5% p.a.

50% CPI + 4.0% p.a.

The Fund is actively managed.

Balanced Growth Fund

The Fund invests 70% of assets in global equities, with the balance invested in a range of other assets to reduce the impact of equity market volatility.

The Fund aims to provide exposure to equity returns but to reduce volatility through some investment in bonds and gilts.

The benchmark that has been selected to compare the performance of the Fund is:

70.00% FTSE World Index

10.00% FTSE A Government (All Stocks) Index

10.00% FTSE A Govt Index-Linked (All Stocks) Index

10.00% Markit iBoxx Sterling Non-Gilts (ex BBB) Index

The Fund is passively managed

Adventurous Growth Fund

The Fund invests 85% of assets in global equities with the balance invested in a range of other assets to reduce the impact of equity market volatility.

The Fund invests in a range of equity funds, most of which follow a focused market approach to stock selection.

The benchmark that has been selected to compare the performance of the Fund is:

85.00% FTSE World Index

5.00% FTSE A Government (Over 15 Year) Index

5.00% FTSE A Govt Index-Linked (Over 5 Year) Index

5.00% Markit iBoxx Sterling Non-Gilts (ex BBB) Over 15 Year Index

The Fund is passively managed.

Property Fund

The Fund invests in UK freehold and leasehold property and in global real estate index markets.

The benchmark that has been selected to compare the performance of the Fund is the AREF/IPD UK Quarterly Property All Balanced Funds Index and the FTSE EPRA/NAREIT Global REITS.

The Fund is actively managed.

Note that with effect from 19 March 2020 the underlying vehicles used in the Property Fund were suspended and at the time of signing, was due to reopen on 30 September

Global Equity Fund

The Fund invests primarily in listed equities, both in the UK and overseas markets.

The investment objective of the Fund is to track the performance of the FTSE World Index (less withholding tax if applicable) to within +/-0.5% p.a. for two years out of three.

The benchmark that has been selected to compare the performance of the fund is the FTSE World Index

The Fund is passively managed.

Overseas Equity Fund

The Fund invests in listed equities of overseas companies according to market capitalisation weightings.

The investment objective of the Fund is to track the performance of the FTSE World (ex UK) Index (less withholding tax if applicable) to within +/-0.5% p.a. for two years out of three.

The benchmark that has been selected to compare the performance of the fund is the FTSE World (ex UK) Index

The Fund is passively managed.

UK Equity Fund

The Fund invests in UK listed companies.

The investment objective of the Fund is to track the performance of the FTSE All-Share Index to within +/-0.25% p.a. for two years out of three.

The benchmark that has been selected to compare the performance of the fund is the FTSE All-Share Index

The Fund is passively managed.

Ethical Fund

The Fund invests primarily in global companies that meet an ethical measure.

The investment objective of the Fund is to track the performance of the FTSE4Good Global Equity Index (less withholding tax if applicable) to within +/-0.5% p.a. for two years out of three.

The benchmark that has been selected to compare the performance of the fund is FTSE4Good Global Equity Index

The Fund is passively managed.

Shariah Fund

The Fund invests in the 100 largest global companies engaged in Shariah compliant activities.

The investment objective of the Fund is to track the performance of the benchmark.

The benchmark that has been selected to compare the performance of the fund is the Dow Jones Islamic Titans 100 Index. The Islamic Titans Index consists of Shariah compliant companies that have been endorsed by the Dow Jones Shariah Supervisory Committee.

The Fund is passively managed.

Global Equity Unconstrained Fund

The Fund invests in an unconstrained, but diversified, portfolio of UK and international equities.

The investment strategy focuses on stock selection and is not restricted by index weightings, sector constraints or company size.

The benchmark that has been selected to compare the performance of the Fund is the MSCI AC World Index.

The Fund is actively managed.

UK Equity High Alpha Fund

The Fund invests in a relatively concentrated range of listed UK equities, representing the best ideas of the underlying Investment Managers.

The investment strategy focuses on stock selection and is not restricted by Index weightings, sector constraints or company size.

The benchmark that has been selected to compare the performance of the fund is a combination of the FTSE All-Share Index and the UK IMA – UK Smaller Companies Index.

The Fund is actively managed.

Emerging Markets Fund

The Fund invests in a range of emerging market assets, including index and single stock assets with an aim to replicate the performance of its benchmark.

The benchmark that has been selected for performance comparison is the FTSE Emerging Index.

The Fund is passively managed.

Private Markets Fund

The Fund invests primarily in private equity, real estate and infrastructure investments.

The investment strategy uses a mixture of index tracking funds as well as active management to provide an exposure to a range of alternative investments and styles.

The benchmark that has been selected to compare the performance of the Fund is:

50% Absolute return of 8.75%

25% LPX Composite Index

25% FTSE Developed Core Infrastructure Index

The Fund is actively managed.

Appendix II

Investment Manager fund selections and fees

The Trustees have selected Legal & General Investment Management to be the Investment Platform Provider for the Trust.

The Trustees have made the following Investment Manager fund selections from the funds available.

Those funds with more than one underlying fund are rebalanced back to the benchmark using cashflows or on a daily or quarterly basis.

Cash Fund (Fee = 0.110 %)

100% LGIM Sterling Liquidity Fund

Index-Linked Gilt Fund (Fee = 0.11%)

100% LGIM All Stocks Index-Linked Gilts Index Fund

Fixed Interest Gilt Fund (Fee = 0.11%)

100% LGIM All Stocks Gilts Index Fund

Annuity Preparation Fund (Fee = 0.11%)

70% LGIM AAA-AA-A Corporate Bond – All Stocks - Index Fund

30% LGIM All Stocks Gilts Index Fund

Corporate Bond Fund (Fee = 0.11%)

100% LGIM AAA-AA-A Corporate Bond – All Stocks - Index Fund

Cautious Growth Fund (Fee = 0.11%)

55% LGIM World Equity Index Fund

15% LGIM All Stocks Gilts Index Fund

15% LGIM All Stocks Index-Linked Gilts Index Fund

15% LGIM AAA-AA-A Corporate Bond – All Stocks - Index Fund

Multi Asset Fund (Fee = 0.5025% with effect from 7 November 2018)

50% LGIM Dynamic Diversified Fund

50% LGIM PMC Threadneedle Dynamic Real Return Fund

Balanced Growth Fund (Fee = 0.11%)

70% LGIM World Equity Index Fund

10% LGIM All Stocks Gilts Index Fund

10% LGIM All Stocks Index-Linked Gilts Index Fund

10% LGIM AAA-AA-A Corporate Bond – All Stocks - Index Fund

Adventurous Growth Fund (Fee = 0.11%)

85% LGIM World Equity Index Fund

5% LGIM Over 15 Year Gilts Index Fund

5% LGIM Over 5 Year Index-Linked Gilts Index Fund

5% LGIM AAA-AA-A Corporate Bond – Over 15 Year - Index Fund

Property Fund (Fee = 0.7785%)

50% LGIM Managed Property Fund

50% LGIM Hybrid Property (70:30) Fund

With effect from 19 March 2020 the Managed Property Fund and Hybrid Property (70:30) Fund were suspended by their Investment Manager, LGIM. Contributions paid to the Property Fund from 20 March 2020 are to be invested in the Cash Fund as part of the Temporary Holdings Strategy.

Global Equity Fund (Fee = 0.11%)

100% LGIM World Equity Index Fund

Overseas Equity Fund (Fee = 0.11%)

100% LGIM World (ex UK) Equity Index Fund

UK Equity Fund (Fee = 0.11%)

100% LGIM UK Equity Index Fund

Ethical Fund (Fee = 0.30%)

100% LGIM Ethical Global Equity Index Fund

Shariah Fund (Fee = 0.385%)

100% LGIM PMC HSBC Amanah Global Equity Index Fund

Global Equity Unconstrained Fund (Fee = 0.46% + 0.06% (AFE) = 0.52%)

100% LGIM PMC Threadneedle Global Select Fund

UK Equity High Alpha Fund (Fee = 0.685% + 0.06% (AFE) = 0.745%)

50% LGIM PMC Threadneedle UK Smaller Companies Fund

50% LGIM PMC Newton UK Opportunities Fund

Emerging Markets Fund (Fee = 0.2975%)

100% LGIM World Emerging Markets Equity Index Fund

Private Markets Fund (Fee = 1.2125% + 0.05% (AFE) = 1.2625%)

25% FTSE Developed Core Infrastructure Index Fund

25% Private Equity Passive Fund

50% LGIM PMC Partners Group Generation Fund

Note: AFE = Additional Fund Expense. Where an AFE is not stated, this is because it is included within the stated Fee

Fees updated as at September 2019



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.

Trigon Professional Services Limited, Registered No. 12085392.

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Authorisation

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