PICK
EVERARD

THE PICK EVERARD PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

Prepared by Berkeley Burke
September 2020

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STATEMENT OF INVESTMENT PRINCIPLES

1. This Statement of Investment Principles ("SoIP") sets out the principles governing decisions about the investment of the assets of the Pick Everard Pension Scheme ("the Scheme"). It replaces the September 2019 version of the SoIP. The Trustees of the Scheme ("the Trustees") have prepared this statement to comply with:
   - Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004;
   - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
   - the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
   - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

   In the preparation of this SoIP, the Trustees have obtained appropriate professional advice from their Investment Consultant, Berkeley Burke Employee Benefit Consultants Limited and have consulted the Principal Employer, Pick Everard, about its content. However, the ultimate power and responsibility for deciding investment policy lies with the Trustees.

2. As the Scheme has 100 or more members and is a wholly-insured scheme, this statement is required to cover:

   (a) the Trustees' policy for compliance with the requirements of section 36 of the Pensions Act 1995 (choosing investments), together with subsequent amending legislation, and

   (b) the reasons for the Scheme being a wholly-insured scheme.

3. The Trustees' policy is to invest the assets in order to provide the benefits which are set out in the trust deed and rules. The Trustees aim to obtain real investment returns over the long term with appropriate security for the members and their beneficiaries. At the same time the Trustees will have regard to the need for a diversified asset allocation.

   In view of the relatively small size of the Scheme's assets, the Trustees consider that the best way to achieve a cost-effective diversified portfolio of assets is by investment in a fund which is managed by an insurance company. The Trustees have selected a with-profits policy which is managed by Prudential ("the Fund Manager").

   The Trustees' policy for compliance with the requirements of section 36 of the pensions Act 1995 (choosing investments) is as follows:

   (a) The Trustees have obtained and considered proper advice on the questions of whether their investment in certain life and pensions products with Prudential is satisfactory, having regard to the requirements of the Investment Regulations, so far as relating to the suitability of investments, and to the principles contained in this statement.

   (b) The Trustees have also determined at what intervals the circumstances, and in particular the nature of the investment, make it desirable to obtain such advice as is mentioned in (a) above and will obtain and consider such advice accordingly.

   (c) The assets have been invested in a Prudential with-profits policy since the commencement of the Scheme. Some two-thirds of the investments have a guaranteed minimum return of 4.75% per annum, with the potential for greater returns. It is the Trustees' policy to secure the pensions of retiring members of the Scheme by purchasing annuities. An additional reason for retaining the Prudential with-profits policy is that it incorporates Guaranteed Annuity Rates which can be better than those which are obtainable on the open market.

4. The reasons for the Scheme being a wholly-insured scheme with Prudential:

(a) the financial strength of Prudential;

(b) the security given by:

  (i) Prudential's regulation by the Financial Services Authority and

  (ii) the Financial Services Compensation Scheme;

(c) Prudential's financial strength has enabled it to retain a high equity content for its with-profit fund at a time when financially weaker insurers have been forced to invest predominantly in fixed interest stocks;

(d) in part because of the asset allocation, the returns on the Prudential with-profits policy have remained amongst the best in the market.

5. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") FACTORS, STEWARDSHIP AND VOTING RIGHTS

Financially material considerations

The Trustees have assessed how financially material considerations (including ESG factors such as climate change) should be taken into account in the selection, retention and realisation of investments over the length of time over which benefits will be provided by the Scheme. The Trustees consider these and other factors when selecting and reviewing the Scheme's investments.

ESG issues may, along with other issues, be financially material to the Scheme's investment portfolio. The Trustees consider the long-term financial interests of the Scheme to be paramount and, where appropriate and practical, expect the Fund Manager to:

- consider financially material ESG issues in investment decision making; and
- practice good stewardship.

Non-financially material considerations

Non-financial matters, including the ethical views of members, are not ordinarily taken into account in the selection, retention and realisation of investments and the Trustees do not therefore consult members on such issues. In reaching this decision, the Trustees have considered both the challenges of engaging a properly representative sample of members and the probability that there would be no consensus amongst members who might respond.

Stewardship and Voting Rights

The Trustees have elected to invest the Scheme's assets via a pooled fund. The direct control of the process of engaging with the companies which issue the debt and equities which are held within this fund and for the exercise of rights (including voting rights) is delegated to the managers of the fund. The Trustees acknowledge that they cannot directly control the investments held within pooled funds but they encourage the Fund Manager to engage with the companies in which it invests and to vote when it is practical to do so. The Trustees expect that the Fund Manager will use its influence as a substantial investor to exercise its rights and duties as a shareholder and where appropriate to promote good corporate governance and accountability and to assess how the companies take into account ESG factors in running their businesses.

Incentivising fund managers to align with the Trustees' policies

Before appointing a fund manager, the Trustees consider its approach to the management of ESG and climate-related risks with their investment consultant to assess how that approach compares with their policies. If any aspects of the fund manager's approach varies markedly from their policies, they will consider appointing another manager for the mandate. The Trustees monitor the approaches of the fund managers on an annual basis. If a fund manager's approach varies from the Trustees' policies, its appointment will be reviewed and it may ultimately result in the termination of its mandate.

The fees paid to the Fund Manager which are based on the size of the assets it manages, and the possibility of its mandate being terminated, ensure that it is incentivised to align its approaches with the Trustees' policies. The better the performance of the Fund Manager, the greater its remuneration.

Before selecting a fund manager, the Trustees obtain confirmation from the Investment Consultant that the fee is in line with the market and the level of fees is then periodically reviewed.

Incentivising decisions based on assessments of medium to long-term financial and non-financial considerations

The Trustees appreciate that the wider impacts of ESG factors and climate change are likely to be most apparent over the long-term but note that changes in the value of investments as a result of these factors can materialise over a much shorter period of time. The Trustees consider that the use of rolling 3 and 5 year timeframes is consistent with incentivising fund managers to make decisions which are based on an appropriate period.

Monitoring portfolio turnover and costs

The Trustees recognise that portfolio turnover, i.e. the frequency with which assets are bought and sold, and the associated transaction costs are a necessary part of investment management. They accept too that turnover costs can have a detrimental impact on performance which is why net performance figures are considered as part of the quarterly monitoring process. When new fund managers are under consideration, the Trustees will assess past and anticipated portfolio turnover levels. If underperformance is subsequently identified, deviations from anticipated turnover levels may be investigated if it is felt that they may have been a significant contributor to that underperformance.

The Trustees expect the Fund Manager to divulge portfolio turnover on an annual basis.

Duration of fund manager agreements

The duration of the Trustees' agreement with the Fund Manager is not pre-determined but the Trustees anticipate that all appointments will be long-term unless fund managers underperform or the Scheme's investment strategy is changed.

5. The practice of the trustees has been to secure the benefits of retiring members by purchasing annuities from insurance companies. The annuity polices are an asset of the Scheme. Although annuities remove all of the mortality, interest rate, investment and inflation risks from the Scheme in respect of the liabilities of a particular member, prolonged low interest rates mean that annuities are currently more expensive than in the past. Purchasing annuities for all retired members remains a long-term goal of the trustees but, for the time being, the pensions of retiring members are paid from the assets of the Scheme. The Trustees will keep this policy under review (no less frequently than annually) but it is unlikely to change in the short-term, unless there is a significant increase in long-term interest rates.

6. This statement will be reviewed at least every three years and without delay after any significant change in investment policy. A copy of this statement is available for inspection by Scheme members and beneficiaries on request.

7. Before preparing this statement, the Trustees have:

   (a) obtained and considered the written advice of a person who is reasonably believed by the Trustees to be qualified by his ability and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of occupational pension schemes and

(b) consulted the employer in relation to the Scheme.

Signed for and on behalf of the Trustees of the Scheme:

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Trustee

David Nisbet
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Name

28/09/2020
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Date