The People's Pension

Statement of Investment Principles

the people's pension

For people, not profit

Introduction

This Statement of Investment Principles (SIP) has been prepared for The People's Pension Trustee Limited (The Trustee, the Trustee of The People's Pension (the Scheme). This SIP represents the altered investment strategy agreed by the Trustee following reforms announced in the Chancellor's Budget announcement in March 2014. Please note that these alterations are due to be implemented during the second half of 2016.

This SIP is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulation 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015 as well as to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the SIP and with the disclosure requirements.

The Trustee has consulted a suitably qualified person by obtaining written advice from Barnett Waddingham LLP.

Overall investment strategy falls into two parts: the strategic management of assets, which is the responsibility of the Trustee, and the day-to-day management of the assets, which is the responsibility of the investment managers. The Trustee invests the assets of the Scheme with two investment managers: State Street Global Advisors Ltd and HSBC Investment Funds (Luxembourg) S.A. via an investment only platform with State Street Global Advisors Ltd. They are responsible for day-to-day management. Both investment managers are regulated by the Financial Conduct Authority and are signatories to the United Nations Principles on Responsible Investment (UNPRI), which can be found on: **www.unpri.org.**

Scheme investment objective

The Trustee's key objective is to enable members to provide adequately for their retirement via an appropriate investment of their accumulated pension contributions.

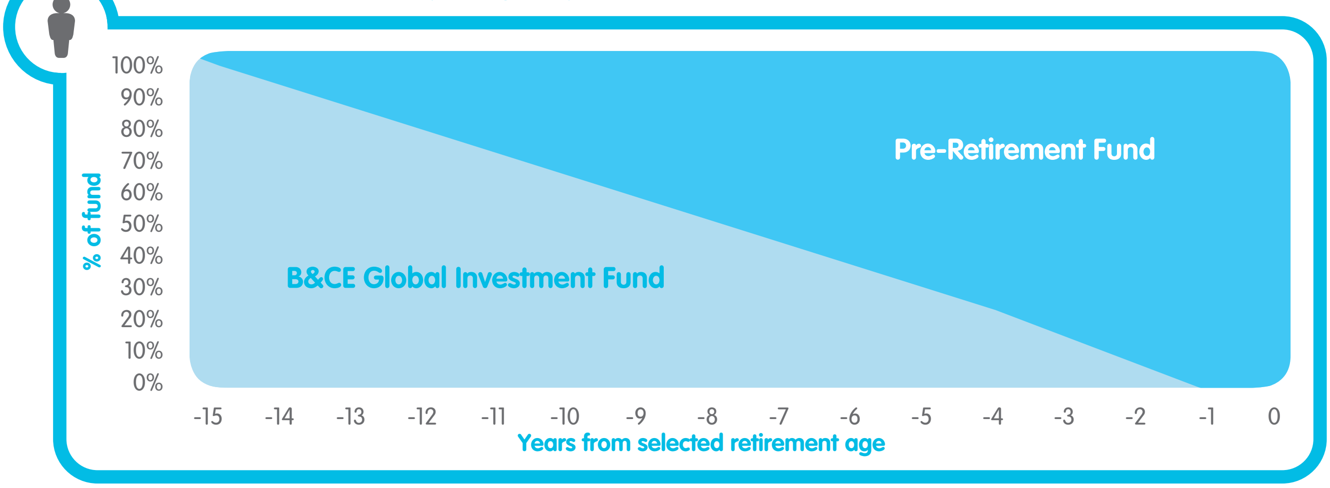
In relation to the default option in particular, the objective is to provide an investment strategy that is intended to be suitable for a typical member.

Strategy

The Trustee has made available a range of investment options as set out in Appendix A. There are three investment profiles which invest in funds with varying degrees of risk. The profiles include a 'balanced' investment profile which is the default option.

Under each of the investment profiles, members' assets are switched gradually from predominantly equity based funds into funds with expected lower volatility as the member approaches the nominated target retirement age. Details of this process are given in Appendix B. The investment options are designed to be appropriate for a member with a predictable retirement date but with different attitudes to risk. The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a default investment option that will be suitable for all. However, the Trustee believes that the default option provided represents a suitable default investment option for members who do not make a choice about how their contributions (and those made on their behalf by their employer) are invested.

Fund share in the 15-year glidepath



The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The default option and range of funds was chosen by the Trustee after taking expert advice from the Trustee's investment advisers. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- The optimal charging structure given the financial model for the Scheme.
- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.
- Operational risk as described below.
- In relation to the default option (as describe throughout this Statement):
  - the kinds of investments to be held
  - the balance between different kinds of investments;
  - Investment risks;
  - the expected return on investments;
  - the realisation of investments;
  - Socially responsible Investment, corporate governance and voting rights.

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long-term returns on the bond and cash options are expected to be lower than returns on predominantly equity options but are expected to be less volatile. Bond funds are also expected to move similarly with the price of an annuity in most circumstances, giving some protection in the amount of secured pension for members closer to retirement should members choose to purchase an annuity. Cash funds are expected to provide protection against changes in short-term capital values, and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

It is up to members to decide what strategy is best for them given their circumstances. The default option has been designed in consideration of all of the above and in keeping with the objectives of the Trustee. Given the uncertainty of how members will take their retirement savings the Trustee believes this represents an appropriate strategy that can be used having regard to these options (especially where members do not yet know how they will access their retirement savings), noting that there may be more appropriate strategies given members' individual circumstances and in particular if the way in which savings will be accessed is known.

The Trustee's policy is to use pooled investment funds (eg the purchase of an insurance policy or units in pooled vehicles) and not to hold any direct investments.

Risk

Within the Scheme, investment risk is ultimately borne by the members themselves. The Trustee has taken into account members' circumstances, and considered ways of managing/monitoring risks. In particular:

- The expected/perceived range of members' attitudes to risk and term to retirement.
- The risk that market movements in the years prior to retirement might lead to a substantial reduction in size of a member's pot – in the default option this is managed via gradual de-risking of the assets held as members approach retirement age.
- The potential impact of inflation – The Trustee has made available investment options that invest predominantly in equities that are expected to provide a long-term rate of return in excess of inflation. The default option invests in these prior to the de-risking phase before retirement age.
- Conversion risk – The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received.
- Concentration risk – Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
- Investment manager risk – The majority of the assets (excluding the cash funds) of the Scheme are currently managed on an index-tracking basis and therefore the main risk here comes from the investment managers not being to meet their benchmarks. The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate, for example the HSBC Amanah Fund is designed to be compliant with Shariah principles.
- Operational risk – The risk of fraud, poor advice, errors, administrative failure or acts of negligence ('operational risk'). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- Currency risk – Some of the funds made available to members by the Trustee can invest in overseas assets which will be denominated in currencies other than Sterling. There is therefore, a risk that the relative movements of Sterling and other currencies leads to losses (or gains) in the value of the investment.

Governance

The Trustee of the Scheme is responsible for the investment of the Scheme assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to make an informed decision. The Trustee has established the following decision making structure:

Trustee

- Sets the structures and processes for carrying out its role.
- Selects appropriate experts to provide advice as and when required.
- Sets the structure for the implementation of the investment strategy.
- Selects and monitors the planned asset allocation strategy.
- Reviews the self-select fund range and investment profiles on a regular basis.
- Monitors investment advisers and investment managers.
- Makes ongoing decisions relevant to the operational principles of the Scheme's investment strategy.
- Monitors investment performance and costs.

Investment adviser

- Advises on all aspects of the investment of the Scheme's assets, including implementation.
- Advises on this SIP.
- Provides required training to the Trustee.
- Ensures that it delivers advice that is compliant with the requirements of the Financial Conduct Authority.

Investment managers

- Operate within the terms of this SIP and their written contracts.
- Selects individual investments with regard to their suitability.

B&CE

- Administrative and operational liaison with the investment managers.
- Negotiation of fee terms and contractual terms.
- Recommendations on generic fund options required to keep the Scheme an attractive option to participating employers.
- Scheme secretarial and reporting liaison with the investment managers.

The Trustee expects the investment managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this SIP so far as is reasonably practicable.

Day-to-day management of assets

The Trustee has taken steps to satisfy itself that the investment managers have the appropriate experience for managing the Scheme's investments and they are carrying out their work competently. The Scheme is permitted to invest in a wide range of assets under the Scheme rules. The Trustee shall not invest in employer-related investments (as defined in Section 40 of the 1995 Act) except in accordance with that legislation.

Details of each of the funds available are as set out in Appendix A. The Trustees consider the merits of both active and passive management for the various elements of each Section's portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves or there is a fundamental change in economic conditions

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant investment manager through a written contract. When choosing investments, the Trustee and the investment managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets (including taking into account the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents).

All investment managers are remunerated on a fee basis related to the amount of assets under management.

Realisation of assets

The Trustee will realise assets as required following member requests on retirement or earlier where required. In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members.

Social Environmental and Ethical Investment Policy

The Trustee believes that environmental, social and corporate governance issues can affect the performance of investment portfolios and should therefore be taken into account as part of the Scheme's investment process.

The Trustee has given the investment managers full discretion when evaluating environmental, social and corporate governance issues and in exercising rights and stewardship obligations relating to the Scheme's investments.

It is accepted that pooled vehicles will be governed by – and constrained by – the individual investment policies of the investment managers.

The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council and encourages the Scheme's managers who are registered with the Financial Conduct Authority to comply with the UK stewardship code. Such managers are expected to report on their adherence to the code on an annual basis.

Corporate governance

The Trustee accepts that the assets are subject to the investment manager's own corporate governance policies. However, the Trustee expects the managers to discharge their responsibilities by taking account of current best practice which includes the UK Corporate Governance Code and the UK Stewardship Code. The investment managers' policies are monitored on a regular basis.

Compliance with this SIP

The Trustee will monitor compliance with this SIP. In particular, it will obtain written confirmation from the investment managers that they have complied with this SIP as supplied to them, and the Trustee undertakes to advise the managers of any material change to the SIP.

The Trustee accepts that the very detailed benchmarks overleaf will change over time.

Review of this SIP

The Trustee will review this SIP and in particular the default option (and its performance) at least every three years and immediately following any significant change in investment policy or the demographic profile of members. As part of this the Trustee will review the extent to which the return on investments relating to the default strategy (after deduction of any charges relating to those investments) is consistent with the aims and objectives of the Trustee in respect of the default strategy. The Trustee will take expert investment advice over any changes to the SIP.

Appendix A Fund options agreed as at 01 April 2017

Fund	Asset allocation
B&CE Global Investments (up to 60% shares) Fund	60% Equity 20% Corporate Bonds 20% Gilts
B&CE Global Investments (up to 85% shares) Fund	80% Equity 10% Corporate Bonds 10% Gilts
B&CE Global Investments (up to 100% shares) Fund	100% Equity
B&CE Ethical Fund	100% Global Equity
B&CE Shariah Fund	100% Global Equity
B&CE Pre-Retirement Fund	30% UK Gilts 30% Corporate Bonds 20% Equity 20% Cash
B&CE Cash Fund	The fund invests in the short term money markets such as bank deposits and Treasury Bills
B&CE Annuity Fund	70% Corporate Bonds 30% UK Gilts

It should be noted that the asset allocations stated for the B&CE Global Investments (up to 60% shares), B&CE Global Investments (up to 85% shares) and B&CE Global Investments (up to 100% shares) funds are central benchmarks and are subject to change within certain tolerances. The asset allocation of the B&CE Annuity Fund is correct at the 01 April 2017 but is subject to change at the discretion of the investment manager.

Appendix B Fund allocation through default lifestyling process continued

The Balanced Investment Profile uses the following basis after 5 September 2016

Years from retirement	B&CE Global Investments (up to 85% shares)	Pre-Retirement Fund
-15	93.75%	6.25%
-14	87.50%	12.50%
-13	81.25%	18.75%
-12	75.00%	25.00%
-11	68.75%	31.25%
-10	62.50%	37.50%
-9	56.25%	43.75%
-8	50.00%	50.00%
-7	43.75%	56.25%
-6	37.50%	62.50%
-5	31.25%	68.75%
-4	25.00%	75.00%
-3	16.67%	83.33%
-2	8.34%	91.66%
-1	0.00%	100.00%
0	0.00%	100.00%

The Cautious Investment Profile uses the same basis as described above but initially invests in the B&CE Global Investments (up to 60% Shares) Fund instead of the B&CE Global Investments (up to 85% Shares Fund)

The Adventurous Investment Profile uses the same basis as described above but initially invests in the B&CE Global Investments (up to 100% Shares) Fund instead of the B&CE Global Investments (up to 85% Shares Fund)

Appendix C Version control record

The following table records changes to this document:

Version	Document name	Nature of change	Implemented
Version 1	Initial creation		01/09/2012
Version 2	Update	Reflecting changes in fund composition	06/01/2014
Version 3	Update	Reflecting changes in fund composition	03/09/2014
Version 4	Update	Reflecting changes in fund composition	01/09/2015
Version 5	Update	Reflecting changes to investment managers, benchmarking, current regulations and fund composition	23/08/2016
Version 6	Update	Reflecting changes in fund composition	05/04/2017

For people, not profit

B&CE is a not-for-profit organisation, which operates for the benefit of its members and their dependants. Established in 1942 and founded in construction, B&CE's current offerings include a workplace pension, employee accident cover, employee life cover and employee healthcare.

For over 30 years, B&CE has been providing workplace pensions to employers with transient, low to moderate earning workforces, both large and small. B&CE has been operating a form of automatic enrolment for over ten years through its stakeholder product. In November 2011, B&CE announced details of The People's Pension, as an additional product to assist employers in complying with their automatic enrolment duties.

The People's Pension is a flexible and portable workplace pension scheme designed for people, not profit and is suitable for any organisation, large or small, in any sector.

To find out more, or to register:

www.thepeoplespension.co.uk

info@bandce.co.uk

Or call us on:
Existing clients: **01293 586666**
New enquiries: **0800 612 8080**

The information in this document is correct as at April 2017 and may be subject to change.

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