BECTU Staff Retirement Scheme

Statement of Investment Principles

Barnett Waddingham LLP

August 2020

Contents

1. Introduction

1.1. This Statement of Principles has been prepared by the Trustees of the BECTU Staff Retirement Scheme ("the Scheme") in accordance with the requirements of:

- 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) (Amendments) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted Prospect (the Trade Union), the Principal Sponsoring Employer ('the Employer'), and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority for a range of investment business activities. This statement is consistent with the Scheme's governing documents.

1.3. The Scheme is registered with HM Revenue and Customs. There is no formal employer-related investment made by the Trustees, and none is intended. The Employer intends to remit all relevant contributions to the Trustees within the relevant timescales.

1.4. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.5. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.6. The investment powers of the Trustees are set out in Clause 5 of the Scheme's Rules, dated 16 September 1998. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in Appendix 1 to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- that the Scheme's funding position (i.e. the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. The Trustees are aware that there are various measures of funding, and have given due weight to those considered most relevant to the Scheme.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, and alternatives.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.

5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation may be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and have considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy, given the Trustees' assessment of the strength of the Employer's covenant, as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor 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.
Governance risk	Each investment manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor this and will report on managers' practices in their annual Implementation Statement.
Environmental, Social and Governance Risk	The Trustees have considered that the long-term financial risks to the Scheme and ESG factors, including climate risk, are potentially financially material. The Trustees will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.

Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate, according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate in order to review performance.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers.

8.2. The Trustees have considered the risk of liquidity as referred to above. The Trustees' policy is to ensure that the assets invested are sufficiently realisable to enable the Trustees to meet their obligations to provide benefits as they fall due. The Trustees are satisfied that the arrangements in place conform to this policy.

8.3. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Environmental, Social and Governance Factors, Corporate Governance and Voting Rights

9.1. The Trustees' policy on these matters is set out in Appendix 3 to this Statement.

10. Agreement

10.1. This Statement was agreed by the Trustees, following consultation with the Employer, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the Employer, the investment managers, the Scheme Actuary and the Scheme's auditor upon request. The Statement will also be published on a publically available website.

Signed:... **Date:**.....................

Trustees of the BECTU Staff Retirement Scheme

Appendix 1 - Investment policy of the Scheme as at August 2020

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile and funding position, the Employer Covenant, the expected return of the various asset classes and the need for diversification.

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalancing.

Asset and fund	Allocation (%)
Global equity	
Legal & General Global Equity Fixed Weights (50:50) Index Fund	20
Property	
CBRE Osiris Property Fund*	15
Target return	
Newton Real Return Fund	10
High-yield bonds	
Legal & General High Yield Fund	10
Multi-Asset Credit	
Royal London Multi-Asset Credit Fund	15
Corporate bonds	
Legal & General AAA-AA-A Corporate Bond Over 15 Year Index Fund	30

*CBRE will be winding up the Osiris Property Fund following a vote at an Extraordinary General Meeting on 19 March 2020. The Fund's underlying holdings will be sold, with capital distributions paid out to investors accordingly. The Trustees will review the strategic asset allocation in due course, in light of this development.

2. Investments and disinvestments

New contributions will normally be allocated to help maintain the above split, with the exception of the CBRE property holding which is now closed to new investments. The Trustees retain their discretion as to how investments (and disinvestments) are made.

3. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Fund:

- Legal and General Investment Management ('LGIM');
- CBRE Global Investors ('CBRE');
- Newton Investment Management ('Newton');
- Royal London Asset Management ('RLAM').

A cash account is also maintained for the purpose of managing short-term cash flow.

The details of the investment managers' appointments, covering the roles of the organisations and their various subsidiaries and associated companies, are covered by agreements with effective dates of 1 October 2002 (for L&G), 1 April 2006 (for CBRE), 9 December 2011 (for Newton), and 4 March 2020 for RLAM, and in any legally valid amendments thereof. In addition to these agreements, the full details of the restrictions placed on each manager (including restrictions in relation to the allocation of assets, credit limits, and the use of asset classes such as derivatives and foreign currency) are contained within the documentation produced by the investment managers for the individual products used. The Trustees have placed no additional constraints on the investment managers.

The providers, where relevant, are suitably authorised under the Financial Services and Markets Act 2000.

Investment manager	Fund	Benchmark	Objective
LGIM	Global Equity Fixed Weights (50:50) Index Fund	Composite of 50/50 distribution between UK and overseas. The fund's overseas asset distribution is fixed with 17.5% in North America, 17.5% in Europe (ex UK), 8.75% in Japan and 6.25% in Asia Pacific (ex. Japan).	Each regional equity sub-fund is passively managed and aims to track a relevant index (FTSE All Share Index for UK and appropriate sub-divisions of the FTSE World Index for Overseas).
CBRE	Osiris Property Fund	MSCI/AREF UK QPFI All Balanced Property Fund Index	Exceed its benchmark by 0.5% p.a. (before fees)
Newton	Real Return Fund	1 Month GBP LIBOR +4% pa	Exceed its benchmark over 5 years (before fees)
RLAM	Multi-Asset Credit Fund	3 Month LIBOR	To deliver a return of 4-6% p.a. above benchmark over rolling 3-year periods (before fees)
LGIM	High Yield Bond Fund	ICE BofAML Global High Yield BB-B Rated (excl. financials) 2% Constrained Index	Exceed its benchmark by 1.0% p.a. (before fees) over a rolling three-year period
LGIM	Investment Grade Corporate Bond - All Stocks	Markit iBoxx £ Non-Gilts Index	Track performance of its benchmark to within ±0.5% p.a. for two years out of three

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

4. Additional Voluntary Contributions

The Scheme has available facilities with Scottish Widows for members who wish to contribute to enhance their retirement benefits. The Trustees believe these to be appropriate facilities for this purpose, but note that the choice of funds used and levels of contributions paid rest entirely with the members.

5. Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge
LGIM	Global Equity Fixed Weights (50:50) Index Fund	0.165% p.a. of the first £2.5m, plus 0.155% p.a. of the next £7.5m
CBRE	Osiris Property Fund	0.61% p.a.
Newton	Real Return Fund	0.75% p.a.
RLAM	Multi-Asset Credit Fund	0.57% p.a.
LGIM	High Yield Bond Fund	0.30% p.a. of the first £5m, plus 0.25% p.a. of the balance above £5m
LGIM	Investment Grade Corporate Bond – All Stocks	0.150% p.a. of the first £5m, plus 0.125% p.a. of the next £5m

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham have a fixed fee for core investment services, but are normally remunerated for investment advice on a time-cost basis, although fixed fees may be agreed for specific tasks.

Appendix 2 – Objectives for the investment consultant

Introduction

The purpose of this appendix is to set out the objectives agreed between the Trustees of the BECTU Staff Retirement Scheme ("the Trustees") and Barnett Waddingham LLP ("BW") for the purposes of the provision of Investment Consultancy Services to be provided by BW to the Trustees in respect of the Scheme. This appendix has been produced in order to comply with the requirements of The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2019 ("the Regulations") and The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 ("the Order").

Agreed Objectives

The agreed objectives are:

Overall service

Provide high quality advice that helps the Scheme to achieve its investment objectives.
Communicate advice clearly using plain English.
Produce advice and other papers in a timely fashion, at least a week before a scheduled meeting, except where agreed otherwise.
Make clear in advance when any additional charges may be incurred over and above the fixed fee arrangement, and if so what the fees will be.

Investment strategy design

Help the Trustees to define appropriate Aims, Beliefs and Constraints (ABCs) for the Scheme, including agreeing the approach to Environmental, Social and Governance factors.
Advise the Trustees on the design of investment strategy consistent with the Scheme's ABCs.

Manager selection and monitoring

Recommend appropriate investment managers and/or funds consistent with the Scheme's ABCs.
Report to the Trustees on major developments or changes in our opinion of managers/funds.

Implementation

Arrange the implementation of asset transfers in an efficient and timely manner.
Advise on the management of cashflow.

Governance

Advise the Trustees promptly on new investment opportunities or emerging risks.
Provide training to enable the Trustees to take well informed investment decisions.
Advise the Trustees of any actions required to ensure compliance with regulations.

Review

The Trustees acknowledge that they are required under the Regulations and the Order to review the Investment Consultancy Services provided by BW at least annually against these objectives and must review and, if appropriate, revise the objectives every three years (or without delay after any significant change in investment policy).

Appendix 3 – Environmental, Social and Governance factors, Corporate Governance and Voting Rights

1. Financial Materiality

The Trustees have considered the long-term financial risks to the Scheme and believe that environmental, social and governance (ESG) issues, including but not limited to climate change, are financially material over the length of time during which benefits will be provided by the Scheme. The Trustees therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.

2. Trustees' Policy

The Trustees' policy on ESG matters, including engagement and the exercise of voting rights, is set out below. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Trustees have elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. As the investments are held in pooled funds, social, environmental and governance considerations are set by each of the investment managers. The Trustees believe that the Scheme's investment managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk.

The Trustees take into account ESG factors (including climate change risks) in the selection, retention and realisation of investments as follows:

- The Trustees will assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels. When selecting new investments, an investment manager's excellence in relation to these considerations will not take precedence over other factors, including (but not limited to) historical performance or fees.

- The Trustees will monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

- The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees acknowledge that they cannot directly control the investments held within the pooled funds in which the Scheme invests. However, they will seek to influence the investment managers by communicating their views on ESG considerations and other matters.

Trustees will be reliant on the information presented by the investment managers and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions.

Furthermore, an investment manager's excellence in this area will not necessarily take precedence over other factors, including (but not limited to) historical performance or fees.

The Trustees will also take ESG factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain training on ESG considerations from time to time in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;

- As part of ongoing monitoring of the Scheme's investment managers, the Trustees may use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and

- The Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

3. Policy on non-financially material considerations

The Trustees would be willing to consider the views of Scheme beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as 'non-financial matters' in the relevant regulations) in the selection, retention and realisation of investments.

4. Policy on engagement and voting rights

The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.

The Trustees currently have no alternative but to delegate the exercise of the rights (including voting rights) attaching to the Scheme's investments to the investment managers, who are signatories to the UK Stewardship Code or equivalent. The Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees have adopted the Red Line Voting policies published by the Association of Member-Nominated Trustees as an appropriate set of policies that the Trustees wish to guide their fund managers in the stewardship of their investments. To date, the fund managers have been reluctant to accept these policies and until this changes, the Trustees have no option but to allow the investment managers to continue exercising the investment rights attaching to the assets in any pooled funds according to their own policies. The Trustees will endeavour to hold the managers to account in relation to the exercising of these investment rights.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance).

Investment managers will be expected to provide details of their stewardship policy and engagement and voting activities on at least an annual basis. The Trustees will monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information, ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code, and ask them to explain why their policies and/or voting activities are not in alignment with those of the Trustees if that should be the case.

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider the investment managers' policies on engagement and voting and how those policies have been implemented.

5. Conflicts of interest

Through their consultation with the Employer when setting this Statement of Investment Principles, the Trustees have made the Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflicts of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

6. Incentivising alignment with the Trustees' investment policies

Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

The Trustees carry out a strategy review periodically where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed. The investment managers have been informed of this by the Trustees.

7. Incentivising assessments based on medium to long term, financial and non-financial considerations

The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value of investments as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

8. Method and time horizon for assessing performance

The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

The Scheme invests exclusively in pooled funds. The investment managers are remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied.

The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

9. Portfolio turnover costs

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

10. Duration of arrangement with investment managers

For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers. The Scheme first invested with Legal & General in October 2002, CBRE in April 2006, Newton in December 2011 and Royal London in April 2013. The CBRE fund is in the process of being wound down following a vote to do so at an Extraordinary General Meeting on 19 March 2020. The expected timeframe for winding down funds of this nature is inherently uncertain, as the manager will look to strike a balance between speed and selling underlying holdings at appropriate prices. Initial indications from CBRE were that 75% of the fund could be returned to investors over a two year period. In light of market turmoil in the context of the COVID-19 pandemic, this initial timeline is more uncertain and is likely to be extended by at least another six months.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed periodically, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.