

# **ASPIRE SAVINGS TRUST**

## **Report and Financial Statements for the period ended 16 November 2020**

Scheme Registration No: 00832025RT

## TABLE OF CONTENTS

Trustee and Advisers	2
Chair's Report	4
Trustee's Report for the period ended 16 November 2020	7
Investment Report	11
Statement of Trustee's Responsibilities	14
Independent Auditor's Report	15
Fund Account	188
Statement of Net Assets (Available for Benefits)	199
Notes to the Financial Statements	20
Independent Auditor's Statement about Contributions	30
Summary of Contributions paid in the period	31
Statement of Investment Principles	
- In respect of Default Investment Arrangements	32
- In respect of Self-Select Investment Funds	56
- Additional Voluntary Contribution Funds	79
Appendix 1	
Trustee Directors' Biographies	100

# ASPIRE SAVINGS TRUST

## TRUSTEE AND ADVISERS

<b>Trustee:</b>	Punter Southall Aspire Pension Trust Company Ltd (PSAPTCL)
<b>Directors of the Trustee ("Trustee Directors"):</b>	PTL Governance Limited - Represented by Steve Carrodus (Until 27 April 2020) Steve Longworth (From 28 April 2020)  Independent Trustee Services Limited - Represented by Dianne Day  Angus Samuels
<b>Secretary to the Trustee:</b>	Ian Nash Punter Southall Aspire Pension Trust Company Limited 11 Strand London WC2N 5HR
<b>Auditor:</b>	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD
<b>Legal Advisers:</b>	Pinsent Masons 30 Crown Place Earl Street London EC2A 4ES
<b>Bankers:</b>	Barclays Bank plc 1 Churchill Place London E14 5HP
<b>Investment Managers:</b> Until 2 November 2020	Mobius Life 7th Floor 20 Gresham Street London EC2V 7JE (Until 2 November 2020)  Utmost Life and Pensions Walton Street Aylesbury Bucks HP21 7QW (Until 2 November 2020)  Legal and General One Coleman Street London EC2R 5AA (Until 2 November 2020)

# ASPIRE SAVINGS TRUST

## TRUSTEE AND ADVISERS (continued)

### ***Investment Managers (continued):***

Scottish Widows (formerly Clerical Medical)  
PO Box 2812  
15 Dalkeith Road  
Edinburgh EH16 9BU (Until 2 November 2020)

ReAssure Limited  
Windsor House  
Telford Centre  
Telford (From 7 September 2020)  
Shropshire TF3 4NB (Until 2 November 2020)

### ***Investment Advisers:***

Punter Southall Defined Contribution Consulting Limited  
11 Strand  
London WC2N 5HR

### ***Administrators:***

Punter Southall Defined Contribution Consulting Limited  
11 Strand  
London WC2N 5HR

### ***Establishing Employer:***

Punter Southall Defined Contribution Consulting Limited  
11 Strand  
London WC2N 5HR

The Trustee has a written agreement in place with each adviser and supplier that sets out what everyone is required to do and when. The Trustee also has an administration manual that sets out how long each piece of work will take and to which the administrator must work.

The Trustee is not required to use the advisers listed above and can seek advice from others, if they so wish.

All the costs of the AST including for the independent trustees and the advisers are met by Punter Southall Defined Contribution Consulting Limited. In return, it receives the charges deducted from members' savings.

## **Participating Employers**

As at 16 November 2020, no employers were participating in the Aspire Savings Trust.

## **CHAIR'S REPORT**

Welcome to the final Trustee report and Accounts for the Aspire Savings Trust, which we will call the 'AST' from now on. It has been prepared by the Trustee of the AST to confirm that all the assets in the AST have been transferred elsewhere in the current period ahead of its wind-up in early 2021.

Until the end of April 2020, Steve Carrodus was the Trustee's Chair. Steve has retired and having resigned his position I have been appointed in his place. For this reason, I am presenting the Chair's report for the final set of accounts covering the period 1 April to 16 November 2020.

This update is also a requirement under Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

### **What is the AST?**

The AST is a multi-employer, occupational pension scheme, which means that employers could use it to help their staff save for retirement and it was also possible to transfer in other pension savings that members may have. The AST is now closed and is due to wind-up in early 2021.

### **Who set it up?**

The AST was set up by Punter Southall Aspire Limited, a member of the Punter Southall Group, which is an independent and largely employee-owned workplace pension and savings business. It brought together governance, investment, administration and communication expertise within a technology-led solution and it is this that the Trustee keeps an eye on.

Punter Southall Defined Contribution Consulting (PSDCC) is the AST's Establishing Employer as well as its financial backer or "Funder".

### **The AST's future**

In the last Chair's Report, it was confirmed that a decision to close the AST had been taken. Members' savings have now either moved to the replacement scheme chosen by the Trustee or to another pension scheme or policy chosen by members themselves. This came about because PSDCC carried out a strategic review into the future of the AST and concluded that in a changing pensions landscape there would not be enough demand.

The AST is an authorised master trust and so we have been working with the Pensions Regulator (TPR) to follow a prescribed statutory process to ensure members' savings are looked after right up until the AST is wound up. The AST's assets transferred to the Crystal Trust on 2 November 2020. Now that the assets have been transferred, the AST is to be wound-up following the approval of this report. The Establishing employer, Punter Southall Defined Contribution Consulting Limited, will meet the costs of winding up.

### **COVID-19**

The COVID-19 virus outbreak has had a significant impact on people and business in the UK as well as abroad. There is the prospect of a direct impact on members through illness or loss of their jobs as well as on the ability of the AST's suppliers to discharge their duties effectively.

I am able to report that the Trustee has worked with its suppliers to ensure that normal service has been maintained during 2020.

## CHAIR'S REPORT (continued)

The global population continues to grapple with the COVID-19 Pandemic, as infection rates are on the rise. The rise in infections across continental Europe and the UK appeared to be getting out of control in October (although testing increased) and led governments across Europe to impose new national lockdowns. However, Fiscal support remains relatively strong to try and help businesses through these difficult times. The United States had also been seeing a climb in infections.

In terms of risk asset performance, global developed markets were down across the board and European equities were hit particularly hard. UK equities were also poor and remain a material laggard through 2020. Pound Sterling was slightly stronger vs the US Dollar over the period, which negatively impacts the return to investors overseas investments. US equities were also weak, but Japanese markets were a bit more robust and were a relative outperformer on the downside.

In contrast to the developed world, the emerging market benchmark posted a positive gain over the period. However, this was solely due to the outperformance of the Asian region. North Asian countries appear to have handled the COVID-19 pandemic better and were further boosted as Chinese economic data pointed to a continued economic recovery. This is vital due to China's importance to the region.

Elsewhere in emerging markets, Latin American and EMEA (Europe, Middle East & Africa) struggled, as like areas of the developed world, these regions are contending with an increase in COVID-19 infection rates. Looking at the MSCI All Country World Index, the energy and healthcare sectors led the market lower. The sectors that were more robust were telecoms and utilities, as these more defensive areas of the market ended in positive territory.

Government bonds in the UK and US were weaker over the period but have both still performed very well over 2020. In the corporate space, UK investment grade was marginally higher with the opposite true of US assets, which were slightly weaker. High Yield assets held up well and eked out a small positive gain over the period. Hard and Local currency emerging market debt assets were also slightly weaker. In the commodities space, Oil prices were materially weaker due to renewed demand concerns over COVID-19 related lockdowns.

There were no assets held in the Aspire Savings Trust as at 16 November 2020.

## Who looks after the AST and its members?

The Trustee of the AST, which is Punter Southall Aspire Pension Trust Company Limited (PSAPTCL) is there to make sure that members' savings are safe. To be able to wind up the AST, the Trustee carried out appropriate due diligence to select a replacement scheme (the Crystal Trust was chosen) while ensuring that members were not disadvantaged by the process.

## Independence

The Trustee is independent and this ensures that decisions are being made for the right reasons. Although the AST was set up by a Punter Southall company, and it has a Trustee with a similar name, the majority of the Trustee Directors who are making the decisions must be non-affiliated (which we explain below).

The people who made the decisions in the period 1 April to 16 November 2020 are the Trustee Directors and they are:

- Independent Trustee Services Limited – represented by me, Dianne Day
- PTL Governance Limited – represented by Steve Carrodus (until 27 April) and Steve Longworth
- Angus Samuels

Regulation requires that a majority of the directors of PSAPTCL must be 'non-affiliated'. Non-affiliated means that a Director of PSAPTCL has not been a Director, manager, partner or employee of an undertaking which provides advisory, administration, investment or other services or a "connected undertaking", including being independent of PSDCC and all other companies within the wider Punter Southall Group, during the period of five years ending with the date of the person's appointment as a Trustee.

## **CHAIR'S REPORT (continued)**

Independent Trustee Services and PTL Governance (and their respective representatives) are non-affiliated. Angus Samuels is the Chairman of the Punter Southall Group, which owns PSDCC.

### **Why were PTL Governance, Independent Trustee Services and Angus Samuels chosen?**

As non-affiliated Trustee Directors, Steve Carrodus, Steve Longworth and I have:

- Experience of acting as a trustee of one or more pension schemes, as well as master trusts
- Strong technical knowledge of UK pension law, regulations and investment matters and
- Knowledge of the pensions market in the UK

You will see our biographies on pages 100 to 101.

You will also find the biography for our third Trustee Director, Angus Samuels. Angus has over 30 years' experience in the savings industry and has been Chair of the Punter Southall Group since 2003. He has previously held a number of senior positions in well-known companies such as Credit Suisse and brings a wealth of valuable governance and investment expertise to the AST.

### **How often did we meet?**

We met a number of times during the period to discuss and plan the AST's progress towards a safe and secure wind up in line with regulations:

- 27 April 2020
- 4 June 2020
- 11 June 2020
- 14 July 2020
- 21 October 2020

There were other discussions and telephone calls in between, so everyone was aware of what was going on.

### **Who were enrolled in the AST?**

Some members joined because their employer enrolled them into the AST or because they transferred in other existing pension savings that had been built up elsewhere. Others were joined because they had some AVCs that were transferred to the AST for the Trustee to look after.

The Trustee had the same responsibility towards members' savings and I and my Trustee Director colleagues have continued to work hard to protect them until they were transferred out ahead of the AST closing and being wound up.

*Approved and signed by the Chair of the Trustee*

**Dianne Day**

For and on behalf of Independent Trustee Services Limited

**Chair, Aspire Savings Trust**

## TRUSTEE'S REPORT FOR THE PERIOD ENDED 16 NOVEMBER 2020

The Trustee presents its report and financial statements for the period 1 April 2020 to 16 November 2020.

### Scheme Information

The AST is a Registered Pension Scheme under the Finance Act 2004 (Registered Pension Scheme number 00832025RT) and is authorised by The Pensions Regulator under the Pensions Act 2017. It is governed by a Trust Deed and Rules dated 14 March 2016, by the Deeds of Participation of each Participating Employer and by any amending deeds.

The AST offered defined contribution benefits to members who:

- were enrolled in the AST by Employers that participate in the AST;
- had been transferred into the AST by the trustees of another pension scheme, or;
- had transferred-in directly from another scheme.

Membership criteria, such as eligibility conditions and contribution rates, were generally determined by each participating employer.

Each member's savings in the AST were kept separate from every other member. Likewise, each participating employer's staff were kept separate from that of every other Participating Employer.

In addition to the information contained in this report, any members of the AST would be entitled to see, or to obtain copies of, certain AST related documents. "Members" refers to all existing and prospective members with a right to future benefits from the AST and their spouses and beneficiaries. However, all members have transferred out of the AST with the last members transferring to the Crystal Trust on 2 November 2020.

The documents concerned are:

- the Trust Deed and Rules
- amendments or updates to the Trust Deed and Rules
- the Deed of Participation together with any amendments or updates and
- the Statements of Investment Principles (SIP).

Copies of these documents are available to members on a public website at:

[www.PSAspire.com/AspireSavingsTrust](http://www.PSAspire.com/AspireSavingsTrust) or on request to the Administrator at 'Mastertrust@PSAspire.com'.

Recognised trade unions are also entitled to see, or request copies of, the same documents.

The Trustee is appointed and removed from office by the Establishing Employer in accordance with the Trust Deed. It has the responsibility for ensuring that the AST is properly run in accordance with its governing documents, and in the best interests of the members. The rules also include a provision that the number of Trustee Directors of the Trustee shall not be less than three and there shall always be a majority of directors who are non-affiliated.

The structure of the Trustee is such that the balance of powers always lies with the non-affiliated Trustee Directors.

No provision has been made to appoint Member Nominated Trustees or Member Nominated Directors, recognising that issues of confidentiality or commercial sensitivity involving Participating Employers may arise from time to time.

The Trustee met formally throughout the period to manage the closure of the AST, review its ongoing management and to monitor the performance of the investment managers, administrators and advisers.



## TRUSTEE'S REPORT FOR THE PERIOD ENDED 16 NOVEMBER 2020 (continued)

### Risk Management

The Trustee has overall responsibility for internal controls and risk management. It is committed to identifying, evaluating and managing risk and to implementing and maintaining control procedures to reduce significant risks to an acceptable level. In order to meet this responsibility, the Trustee has adopted a risk policy. The objective of this policy is to limit the exposure of the Trustee, and the savings that they are responsible for safeguarding, to business, financial, operational, compliance and other risks where possible.

The Trustee has established a risk register for this purpose, which is a standing agenda item at each Trustee's meeting.

The purpose of the risk register is:

- to highlight the scope of risk to which the AST is exposed from the Trustee's perspective
- to highlight the scope of risk to which the Administrator is exposed
- to rank those risks in terms of likelihood and impact, and
- to identify management actions that are either currently being taken, or that are believed should be taken, in order to mitigate the identified risks.

Additionally, the Trustee requires PSDCC, the AST's Administrator "Scheme Funder" to maintain a separate risk register which covers additional items specific to its role and duties.

### Financial Development of the AST

The financial statements on pages 18 to 29 have been prepared and audited in accordance with the regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

### Monitoring Contributions

Each Participating Employer paid contributions to the AST in accordance with the data collection form that is submitted. This described the earnings components on which contributions are based; the different contribution rates payable both by the members and by their Employer (where applicable) and any salary sacrifice arrangements that may apply.

This information was then input into AspireConnect, which monitored the contributions that the employer was paying. Reports were then provided to the Trustee at its meetings.

The Trustee's role is to monitor that the contributions were paid in accordance with the Participating Employers' contribution schedule and had established a risk-based process in order to do this. The Trustee was also required to investigate late payments and has an obligation to whistle blow to the Pensions Regulator if it believes a Participating Employer persistently makes late, inaccurate, or insufficient payments.

Contributions to the AST from all participating employers and members ceased in August 2020.

### Membership

The number of members as at the period-end was:	16 November 2020	1 April 2020
Membership as at 31 March 2020	66	67
New contributing joiners	-	-
Transfer in of non-contributing members	-	2
Individual Transfer Out	(6)	(2)
Group Transfer Out	(60)	-
Death	-	(1)
Membership as at 16 November 2020	<b>0</b>	<b>66</b>

## TRUSTEE'S REPORT FOR THE PERIOD ENDED 16 NOVEMBER 2020 (continued)

### Financial Development of the AST

Changes in the AST's net assets during the period were as follows:

	£
Net assets at 1 April 2020	1,135,778
Net withdrawals from dealings with members	(1,211,445)
Net returns on investments	<u>75,667</u>
<b>Net assets at 16 November 2020</b>	<b><u>-</u></b>

The financial statements for the period have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

### Enquiries

All enquiries about the AST and individual benefit entitlements should be addressed to:

Aspire Savings Trust  
Albion  
Fishponds Road  
Wokingham  
Berkshire RG41 2QE  
Website: [www.psaspire.com/AspireSavingsTrust](http://www.psaspire.com/AspireSavingsTrust)  
E-mail: [mastertrust@psaspire.com](mailto:mastertrust@psaspire.com)

### Money and Pensions Service (MaPS)

The MaPS is a service that was established in 2019 to combine pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. The MaPS can be contacted at:

Money & Pensions Service  
Holborn Centre  
120 Holborn  
London EC1N 2TD  
  
MaPS Tel: 0115 965 9570  
Email: [contact@maps.org.uk](mailto:contact@maps.org.uk)  
Website: [www.moneyandpensionsservice.org.uk](http://www.moneyandpensionsservice.org.uk)

### Pensions Ombudsman

If a member has a complaint against the Scheme that has not been resolved to his or her satisfaction through the Scheme's Dispute Procedure, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustees or Scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade  
Canary Wharf  
London E14 4PU  
  
Tel: 0800 917 4487  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

## TRUSTEE'S REPORT FOR THE PERIOD ENDED 16 NOVEMBER 2020 (continued)

### ***The Pensions Regulator (TPR)***

The Pensions Regulator can intervene if they consider that a scheme's trustees, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House  
Trafalgar Place  
Brighton BN1 4DW

Tel: 0345 600 0707

Email: [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)

Website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### ***The Pension Scheme Registry***

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 00832025RT. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

Pension Tracing Service  
The Pension Service 9  
Mail Handling Site A  
Wolverhampton WV98 1LU

Tel: 0800 731 0193

Website: [www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension)

## INVESTMENT REPORT

The Trustee is required by law to develop and to maintain a Statement of Investment Principles (SIP), which describes its investment philosophy. The Trustee uses this to develop its tactical and strategic investment objectives.

### Statement of Investment Principles

The Trustee has maintained three SIPs: one for the default investment arrangement; one for the AST's investment options available on a self-select basis - from which members can make their investment choices; and the third for the investment funds where members have transferred in their AVC savings. A copy of each SIP is included in this report under pages 32 to 99.

The AST offered its members an investment range that included a series of pathways, sometimes known as lifestyle strategies. Details of all the investment funds and pathways that were available can be obtained from the Administrator.

### Governance Arrangements

Under advice from PSDCC, the Trustee's investment adviser, the Trustee selected a range of suitable investment funds and pathways into which members may then invest their savings. The funds the Trustee chose were selected in accordance with its SIPs. A 'default investment' arrangement was selected for members who were auto-enrolled into the AST or who did not wish to make an active investment choice.

The investment fund range, and the default investment arrangement in particular, were reviewed regularly by the Trustee. The Trustee also commissioned additional advice from its investment adviser about the range of investment funds.

### Scheme Investments

All the contributions into the AST were invested in insured pension and life assurance funds. The underlying assets of the funds were the responsibility of the investment managers who appointed custodians of the assets underlying the pooled funds managed by them.

Investment funds from Mobius Life, Scottish Widows (formerly Clerical Medical), Utmost Life and Pensions (formerly Equitable Life), Legal & General and ReAssure Limited (to whom Legal and General transferred one AVC policy) were included in the AST. The investment funds in which members' pension pots were invested, their returns and benchmarks, are listed on page 13.

All members' investment returns varied depending on the specific investment funds they were invested in and the timing of their contributions.

The investment returns (net of fees) of each category of investment funds to 30 September 2020 are set out in the respective tables on page 13. The returns applicable to individual members are shown on their annual statements along with the returns of their specific investment funds.

The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 require the Trustee to provide an overall investment return for the AST for the period of these accounts. The investment fund returns have been provided by the Trustee's investment adviser, PSDCC. The AST offers defined contribution benefits and is designed for members to select their choice of funds. Consequently, the Trustee considers it is the individual fund investment returns shown within this report that are relevant to the readers of this annual report.

### Environmental, Social and Governance (ESG) and Ethical issues

The Trustee's policy regarding ESG and ethical considerations were taken into account as part of the day-to-day investment decisions delegated to the respective managers of the funds. The respective managers of the funds understood that the Trustee's primary responsibility was to act in the best financial interests of the members while maintaining robust ESG policies which were well integrated in their investment processes.

## INVESTMENT REPORT (continued)

### Stewardship

In relation to the exercise of the rights (including voting rights) attaching to the investments, and in undertaking engagement activities in respect of the investments, the Trustee delegated the day-to-day management of the assets to investment managers (under the terms of agreements with managers and/or insurers).

The Investment Managers were expected and encouraged to evaluate ESG factors including climate change considerations.

The Trustee's views on ESG and Stewardship are set out in the Trustee's Responsible Investment Policy and in the Statements of Investment Principles attaching to these Accounts.

### Investment Strategy

The Trustee determined its investment strategy after taking advice from its investment advisers. It delegated the management of the investments to the investment managers listed on pages 2 and 3.

The Trustee received advice on and agreed its investment objectives and the supporting strategy.

Many members of the AST were enrolled into its default arrangement. The investment strategy took account of the likely characteristics and needs of those members, maintaining an appropriate balance between risk and return through the diversified allocation of assets. In doing so the Trustee aimed to deliver a real return on their investments but with volatility smoothed.

As well as the default arrangement, a range of other options were made available. As all the investment funds were the responsibility of the Trustee, it chose to add, remove or change the investment funds on offer from time to time based on advice provided by the Investment Advisers.

The AST's assets were invested through unit-linked insurance policies because they could provide access to a wide range of investment funds through several different investment managers.

Members' savings were invested in a wide range of different asset classes, including stocks and shares (equities), bonds, cash and other types of investment.

### Unit-linked funds

The value of each member's savings was worked out daily and could rise or fall as they were directly linked to the performance (after any applicable fees or charges) of the funds in which they were invested. The value was also worked out each day, based on the total number of units held by each member. As the value of members' savings rose or fell, members could realise the value of their savings in a fund on any working day.

The funds, which included a Unitised With-profits fund, are managed by professional investment managers, namely Mobius Life, Scottish Widows, Utmost Life and Pensions and Legal & General. The portfolios of underlying investments are held by independent corporate custodians.

### With-profits funds

Two members were invested in Legal & General's unit-linked With-profits fund as at 31 March 2020 but both subsequently moved out of this fund in July 2020.

# ASPIRE SAVINGS TRUST

## INVESTMENT REPORT (continued)

### Pooled Investment Vehicles

All assets that were held by the AST were held through Pooled Investment Vehicles ("PIVs"). The remaining members of the AST had their savings assigned to the Crystal Trust on 2 November 2020, which means the AST did not hold any members' savings from this date.

Members' funds are PIVs whilst the underlying funds consist of PIVs and segregated accounts which are a combination of PIVs and directly held financial instruments.

### Investment Performance

The manager and total AST performance to 30 September 2020 for members' savings that were still invested in the AST as at 2 November 2020 was as follows:

	1 year		2 years	
	Fund %	Benchmark %	Fund %	Benchmark %
<b>Mobius Life</b>				
Aspire Three	0.7	4.5	2.3	5.1
<b>Scottish Widows</b>	1 year		3 years	
Clerical Medical Balanced Pension	-10.4	-1.1	-1.0	3.0
Clerical Medical Cautious	-8.1	-2.5	-0.7	1.3
Clerical Medical Retirement Protection	5.5	5.3	9.1	8.1
Clerical Medical UK Growth	-18.6	-14.5	-4.8	-3.7
Clerical Medical UK Property	-3.5	-5.9	1.9	0.6

	1 year Fund %	1 year Benchmark %
<b>Legal and General</b>		
Legal & General Cash	0.5	-0.1
Legal & General Consensus Index	-1.1	0.3
Legal & General Fixed Interest	4.5	3.2
Legal & General Global Equity 70:30 Index	-9.3	-10.0
Legal & General Over 15-year Gilts Index	6.4	5.2

The AST was established in March 2016. The Aspire Three fund was established in September 2017 and as a result, investment fund performance data over one and two years to 30 September 2020 is provided.

The Scottish Widows' funds have been assets of the AST since the beginning of April 2017 so one and three-year performance are shown.

The funds with Legal & General have been assets of the AST since February 2019, so one-year performance has been shown.

The investment funds with Utmost Life and Pensions and ReAssure have been assets of the AST since January 2020 and September 2020 respectively, so performance figures have not been included.

### Employer Related Investments

There were no employer related investments during the period.

## Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to AST members, beneficiaries and certain other parties, audited financial statements for each AST year which:

- show a true and fair view of the financial transactions of the AST during the period and of the amount and disposition at the end of the period of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the period; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the AST will continue as a going concern.

The Trustee is also responsible for making available certain other information about the AST in the form of an Annual Report.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a payment schedule showing the rates of contributions payable towards the AST by or on behalf of the employer and the active members of the AST and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the AST and for monitoring whether contributions are made to the AST by the employer in accordance with the payment schedule. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the AST and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

## Approval

The Trustee's Report, which includes the Chair's Statement, Investment Report, and the Statement of Trustee's Responsibilities, was approved and signed by the Chair of the Trustee on 25/01/2021.

*Approved and signed by the Chair of the Trustee*

### **Dianne Day**

For and on behalf of Independent Trustee Services Limited

**Chair, Aspire Savings Trust**

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE ASPIRE SAVINGS TRUST

### Opinion on the financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of AST during the period ended 16 November 2020 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the period;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements of Aspire Savings Trust ('AST') for the period ended 16 November 2020 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and the Statement of Recommended Practice – *Financial Reports of Pension Schemes* (revised 2018) (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the AST in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter - basis of preparation other than that of going concern

We draw attention to Note 1 to the financial statements which explains the Trustee's decision to close the AST and transfers members' savings to a replacement scheme after which the AST will be wound-up. The AST is therefore no longer considered to be a going concern. Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 1. Our opinion is not modified in this respect of this matter.

### Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE ASPIRE SAVINGS TRUST (continued)

### Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the Trustee's is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing AST's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees intend to wind up the Scheme or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we enquired of the trustees and the administrators as to whether:
  - the Scheme is in compliance with laws and regulations that have a material effect on the financial statements;
  - they have knowledge of any actual, suspected or alleged fraud;
  - any reports have been made to the Pensions Regulator.
- We addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE ASPIRE SAVINGS TRUST (continued)

### Use of our report

This report is made solely to AST's Trustee in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the AST's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than AST's Trustee for our audit work, for this report, or for the opinions we have formed.

*Signed by BDO LLP*

### **BDO LLP**

*Statutory Auditor*

Guildford

United Kingdom

Date 08/02/2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# ASPIRE SAVINGS TRUST

## FUND ACCOUNT

For the period ended 16 November 2020

	Note	Period Ended 16 November 2020 £	Year Ended 31 March 2020 £
<b>CONTRIBUTIONS AND BENEFITS</b>			
Employer contributions		15,145	86,664
Employee contributions		976	11,733
<b>TOTAL CONTRIBUTIONS</b>	4	16,121	98,397
Transfers in	5	-	123,692
		16,121	222,089
Benefits Paid or Payable	6	34	9,929
Payments to and on account of leavers	7	1,226,325	199,497
Administrative expenses	8	1,207	1,928
		1,227,566	211,354
<b>NET (WITHDRAWALS) /ADDITIONS FROM DEALINGS WITH MEMBERS</b>		(1,211,445)	10,735
<b>Returns on Investments</b>			
Change in market value of investments	9	75,667	(49,509)
<b>NET RETURNS ON INVESTMENTS</b>		75,667	(49,509)
<b>NET DECREASE IN THE FUND FOR THE PERIOD</b>		(1,135,778)	(38,774)
<b>NET ASSETS AT 1 APRIL 2020</b>		1,135,778	1,174,552
<b>NET ASSETS AT 16 NOVEMBER 2020</b>		-	1,135,778

The notes on pages 20 to 29 form an integral part of these financial statements.

# ASPIRE SAVINGS TRUST

## STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 16 November 2020

	Note	16 November 2020 £	31 March 2020 £
<b>INVESTMENT ASSETS</b>	9		
Pooled investment vehicles	10	-	1,135,208
<b>TOTAL NET INVESTMENTS</b>		-	1,135,208
<b>CURRENT ASSETS</b>	14	-	12,454
<b>CURRENT LIABILITIES</b>	15	-	(11,884)
<b>NET ASSETS AT 16 NOVEMBER 2020</b>		-	1,135,778

The financial statements summarise the transactions of the AST and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the period.

The notes on pages 20 to 29 form an integral part of these financial statements.

These financial statements were approved and by the Chair of Trustee

On 25/01/2021

Signed on behalf of the Trustee

*Approved and signed by the Chair of the Trustee*

**Dianne Day**

For and on behalf of Independent Trustee Services Limited

**Chair, Aspire Savings Trust**

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 16 November 2020

### 1. BASIS OF PREPARATION

---

The financial statements have been prepared in accordance with the Occupational Pensions Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised 2018).

As explained in the Chair's report, the Trustee made the decision to close the AST and transfer members' savings to a replacement scheme after which the AST will be wound-up following approval of these financial statements. The AST is therefore no longer a going concern and the financial statements have consequently been prepared on a basis other than that of going concern.

### 2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

---

The AST is established as a trust under English law. All enquiries about the AST should be addressed to the AST's Trustee: C/o XPS Administration Limited, Albion, Fishponds Road, Wokingham, Berkshire RG41 2QE, England.

### 3. ACCOUNTING POLICIES

---

#### a) Accounting Convention

The financial statements are prepared on a Scheme cessation basis.

#### b) Contributions

Employee contributions, including AVCs, are accounted for when they are deducted from pay by the employer. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions.

#### c) Payments to Members

Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Individual transfers in or out are accounted for when the member liability is accepted or discharged which is normally when the transfer is paid or received.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

Opt-outs are accounted for when the AST is notified of the opt-out.

#### d) Expenses

Expenses are accounted for on an accrual's basis.

#### e) Investment and other Income

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Income arising on the underlying investments of accumulation funds is reflected within the change in market value.

All other income is accounted for on accruals basis.

#### f) Investments

Investments are included at fair value as follows:

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

#### g) Currency

The AST's functional and presentation currency is pounds sterling (GBP).

# ASPIRE SAVINGS TRUST

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 16 November 2020

### 4. CONTRIBUTIONS

	Period ended 16 November 2020	Year ended 31 March 2020
	£	£
<b>Employer contributions</b>		
Normal	<u>15,145</u>	<u>86,664</u>
<b>Employee contributions</b>		
Additional voluntary	<u>976</u>	<u>11,733</u>
<b>Total</b>	<u>16,121</u>	<u>98,397</u>

Included within Employer contributions above are member contributions paid by the Employer under the salary sacrifice arrangement.

### 5. TRANSFER IN

	Period ended 16 November 2020	Year ended 31 March 2020
	£	£
Individual transfers in from other schemes	<u>-</u>	<u>123,692</u>

### 6. BENEFITS PAID OR PAYABLE

	Period ended 16 November 2020	Year ended 31 March 2020
	£	£
Refund of contributions on death	<u>34</u>	<u>9,929</u>

### 7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	Period ended 16 November 2020	Year ended 31 March 2020
	£	£
Individual transfers out to other schemes	515,440	199,497
Group transfer out to the Crystal Trust	<u>710,885</u>	<u>-</u>
	<u>1,226,325</u>	<u>199,497</u>

# ASPIRE SAVINGS TRUST

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 16 November 2020

### 8. ADMINISTRATION EXPENSES

	Period ended 16 November 2020	Year ended 31 March 2020
	£	£
Bank and Member Charges	<u>1,207</u>	<u>1,928</u>

Administrative expenses are met by the employer with the exception of the above.

### 9. RECONCILIATION OF INVESTMENTS

	Value at 31.03.2020	Purchases at cost	Sales proceeds	Change in market value	Value at 16.11.2020
	£	£	£	£	£
<b>Defined Contributions</b>					
Pooled investment vehicles	<u>1,135,208</u>	<u>38,342</u>	<u>(1,249,217)</u>	<u>75,667</u>	<u>-</u>

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the AST such as fees, commissions and stamp duty.

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect transaction costs is not separately provided to the AST.

Investments that were purchased by the AST were allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. For members who invested in the AST, the investment manager holds the investment units on a pooled basis for the Trustee. The AST's administrator allocated investment units to members.

Defined Contribution assets are allocated to members and the Trustee as follows:

	16 November 2020	31 March 2020
	£	£
Members	<u>-</u>	<u>1,135,208</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 16 November 2020

### 10. POOLED INVESTMENT VEHICLES

The AST's investments in pooled investment vehicles as at 16 November 2020 comprised:

	16 November 2020	31 March 2020
	£	£
Diversified Fund	-	823,276
Equity	-	104,264
Cash	-	168,870
Bonds	-	36,137
Property Fund	-	2,661
	<u>-</u>	<u>1,135,208</u>

### 11. FAIR VALUE DETERMINATION

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The AST's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 16 November 2020				
Defined Contributions	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

At 31 March 2020				
Defined Contributions	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	<u>-</u>	<u>942,907</u>	<u>192,301</u>	<u>1,135,208</u>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 16 November 2020

### 12. INVESTMENT RISK DISCLOSURES

---

#### Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined its investment strategy after taking advice from a professional investment adviser. The AST had exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee managed investment risks, including credit risk and market risk, within agreed risk limits which were set taking into account the AST's strategic investment objectives. These investment objectives and risk limits were implemented through the investment management agreements in place with the AST's investment managers and were monitored by the Trustee through regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

#### (i) Investment strategy

The Trustee's objective was to make available to members of the AST an appropriate range of investment options. The aim was that with new contributions from members and their employers, members will build up sufficient savings to ensure they could retire on a reasonable level of benefits. A series of 'pathways' within the AST provided members with the option to align their savings with how they intended to take them at their selected retirement age. The SIPs provide more detail about the investment objectives and strategy for the AST. A series of investment funds were included in the AST through five insurance companies Mobius, Scottish Widows (formerly Clerical Medical), Utmost Life and Pensions (formerly Equitable Life), Legal and General and ReAssure Limited.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 16 November 2020

### 12. INVESTMENT RISK DISCLOSURES (continued)

The investment funds used during the period were as follows:

Aspire One	Utmost Life and Pensions UK All Share Tracker
Aspire Two	Utmost Life and Pensions UK Equity
Aspire Three	Legal & General Cash
Aspire Annuity Focus	Legal & General Consensus Index
Sterling Liquidity	Legal & General Fixed Interest
Clerical Medical Balanced	Legal & General Global Equity 70:30 Index
Clerical Medical Cash	Legal & General Managed
Clerical Medical Cautious	Legal & General North American
Clerical Medical Retirement Protection	Legal & General Over 15-year Gilts index
Clerical Medical UK Growth	Legal & General Property
Clerical Medical UK Property	Legal & General UK Equity
Utmost Life and Pensions Global Equity	Legal & General UK Recovery
Utmost Life and Pensions Money Market	Legal & General UK Smaller Companies
Utmost Life and Pensions Multi Asset Growth	Legal & General Unit-linked With-profits
Utmost Life and Pensions Secure Cash	

The day to day management of the underlying investments of the funds is the responsibility of Mobius Life, Scottish Widows, Utmost Life and Pensions, Legal & General and ReAssure Limited including the direct management of credit and market risks

The Trustee monitored the underlying risks by quarterly investment reviews it receives from its advisers.

#### (ii) Credit risk

The AST was subject to direct credit risk in relation to Mobius Life, Scottish Widows, Utmost Life and Pensions, Legal and General and ReAssure Limited through its holding in their unit linked insurance funds.

Mobius Life, Scottish Widows, Utmost Life and Pensions, Legal and General and ReAssure Limited are regulated by the Financial Conduct Authority and maintain separate funds for their policy holders. The Trustee monitored the creditworthiness of Mobius Life, Scottish Widows, Utmost Life and Pensions, Legal and General and ReAssure Limited by reviewing reports that it received from the credit ratings agency, AKG, and/or published credit ratings. All the insurance companies invested all the AST's funds in their own investment unit linked funds or With-profits funds, with Mobius Life using other investment managers' funds through reinsurance arrangements. In the event of default by insurance companies the AST was protected by the Financial Services Compensation Scheme (FSCS).

Member level risk exposures were dependent on the funds invested in by members.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 16 November 2020

### 12. INVESTMENT RISK DISCLOSURES (continued)

#### (iii) Currency risk

The AST was subject to currency risk because some of the AST's investments were held in overseas markets, via pooled investment vehicles.

#### (iv) Interest rate risk

The AST was exposed to interest rate risk as some assets, that were held through pooled investment vehicles, were subject to interest rate risk and for the purposes of this report Index Linked Bonds have been included in this category.

#### (v) Other price risk

The AST was exposed to other price risk in relation to its holdings in assets, through pooled investment vehicles, typically including equities, private equity, hedge funds and property.

The indirect credit and market risks are summarised below:

Pension Funds Name	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk	16.11.20 £	31.03.20 £
Aspire One	Yes	Yes	Yes	Yes	-	93,207
Aspire Two	Yes	Yes	Yes	Yes	-	54,974
Aspire Three	Yes	Yes	Yes	Yes	-	334,497
Aspire Annuity Focus	Yes	Yes	Yes	Yes	-	31,919
Sterling Liquidity	Yes	Yes	Yes	Yes	-	32,769
Clerical Medical Balanced	Yes	Yes	Yes	Yes	-	64,031
Clerical Medical Cash	No	Yes	Yes	Yes	-	9,928
Clerical Medical Cautious	Yes	Yes	Yes	Yes	-	4,255
Clerical Medical Retirement Protection	Yes	Yes	Yes	Yes	-	1,927
Clerical Medical UK Growth	No	No	No	Yes	-	17,708
Clerical Medical UK Property	Yes	No	Yes	Yes	-	1,243

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 16 November 2020

### 12. INVESTMENT RISK DISCLOSURES (continued)

#### (v) Other price risk (continued)

Pension Funds Name	Credit Risk	Currency Risk	Interest Rate Risk	Other Price Risk	16.11.20 £	31.03.20 £
Utmost Life and Pensions Global Equity	No	Yes	No	Yes	-	1,354
Utmost Life and Pensions Money Market	No	Yes	No	Yes	-	1,371
Utmost Life and Pensions Secure Cash	Yes	Yes	Yes	Yes	-	155,308
Utmost Life and Pensions UK FTSE All Share Tracker	No	No	No	Yes	-	6,870
Utmost Life and Pensions UK Equity	No	No	No	Yes	-	1,655
Legal & General Cash	Yes	Yes	Yes	No	-	126,172
Legal & General Consensus Index	Yes	Yes	Yes	Yes	-	28,458
Legal & General Fixed Interest	Yes	No	Yes	No	-	29,577
Legal & General Global Equity 70:30 Index	No	Yes	No	Yes	-	34,261
Legal & General Over 15-year Gilts index	Yes	No	Yes	No	-	6,560
Legal and General With Profits	Yes	Yes	Yes	Yes	-	36,991
ReAssure (previously Legal & General) Managed 6	Yes	Yes	Yes	Yes	-	6,332
ReAssure North American 6	No	Yes	Yes	Yes	-	2,634
ReAssure Property 6	Yes	No	Yes	Yes	-	1,418
ReAssure UK Recovery 6	No	No	No	Yes	-	10,070
ReAssure UK Smaller Companies 6	No	No	No	Yes	-	18,435
<b>Total</b>					-	<b>1,135,208</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

period ended 16 November 2020

### **16. RELATED PARTIES**

---

Administration expenses are borne by the Establishing Employer other than those disclosed in note 8.

During the period 1 April to 16 November 2020, the establishing employer paid fees of £40,814 (year to 31 March 2020: £76,034) to the Trustee Directors.

### **17. TAXATION STATUS**

---

The AST is a Registered Pension Scheme within the meaning of Section 153 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

## INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE ASPIRE SAVINGS TRUST

### Statement about contributions

We have examined the Summary of Contributions to the Aspire Savings Trust ('the AST') for the period 1 April 2020 to 16 November 2020 to which this report is attached.

In our opinion, contributions for the period ended 16 November 2020, as reported in the Summary of Contributions and payable under the Payment Schedule, have in all material respects been paid at least in accordance with the Payment Schedule dated 04 February 2020.

### Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Payment Schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the AST and the timing of those payments under the Payment Schedule.

### Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the AST's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a payment schedule showing the rates and due dates of certain contributions payable towards the AST by or on behalf of the employer and the active members of the AST. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active members of the AST and for monitoring whether contributions are made to the AST by the employer in accordance with the Payment Schedule.

### Auditor's responsibilities for the preparation of a Statement about Contributions

It is our responsibility to provide a statement about contributions paid under the Payment Schedule and to report our opinion to you.

### Use of our report

This statement is made solely to the AST's Trustee, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the AST's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the AST's Trustee, for our audit work, for this statement, or for the opinions we have formed.

*Signed by BDO LLP*

### BDO LLP

Statutory Auditor  
Guildford  
United Kingdom

Date 08/02/2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## SUMMARY OF CONTRIBUTIONS PAID IN THE PERIOD

During the period 1 April to 16 November 2020, the contributions paid to the AST by the employers under the Payment Schedule were as follows:

	£
Employer normal contributions	<u>15,145</u>
Total contributions paid	<u>15,145</u>
Reconciliation to financial statements:	
Contributions paid under Payment Schedule	15,145
Members' Additional Voluntary Contributions	<u>976</u>
Contributions receivable per financial statements	<u>16,121</u>

This summary approved and signed by the Chair of the Trustee on 25/01/2021

*Approved and signed by the Chair of the Trustee*

**Dianne Day**

For and on behalf of Independent Trustee Services Limited

**Chair, Aspire Savings Trust**





## Trustee of the Aspire Savings Trust

Statement of Investment Principles – DC section  
In respect of the Default investment arrangements

Updated: October 2019



## Contents

Background information for members	3
Introduction	4
Master Trust Governance	6
Risks	9
Investment aims and objectives	11
Investment Strategy	12
Monitoring	16
Charges	18
Other Issues	20
Declaration	23
Appendix A	24

## Background information for members

### What is a Master Trust?

A Master trust is a multi-employer occupational pension scheme where each employer has its own section within the "master" trust. Employers can then pay contributions into the master trust to help their employees save for retirement, in addition to contributions paid in by individuals.

This master trust is called the Aspire Savings Trust (the "Master Trust").

### Who looks after members' savings in the Master Trust?

The Trustee of the Master Trust is Punter Southall Aspire Pension Trust Company Limited (the "Trustee") and it is the Trustee that is responsible for looking after members' savings in the Master Trust. The Master Trust was set up by Punter Southall Aspire and, as is required by law, a majority of the directors of the Trustee are 'non-affiliated'. Non-affiliated means the director has not been a director, manager, partner or employee of an undertaking which provides advisory, administration, investment or other services to the Master Trust or a "connected undertaking", during the period of five years ending with the date of the appointment as a director of the Trustee, and independent of Punter Southall Aspire and all other companies within the wider Punter Southall group of companies.

### What is a Statement of Investment Principles?

This is the Statement of Investment Principles for the defined contribution section of the Aspire Savings Trust (the "DC section"). Its purpose is to set out the principles and policies that the Trustee takes into account when deciding how to manage members' savings in the DC section. Decisions are taken by the Trustee based on the advice that it receives from its Investment Adviser to ensure that they reflect the objectives of the Master Trust and so provide members' with benefits in retirement.

This Statement of Investment Principles specifically covers the default arrangement for members who are automatically enrolled into the Master Trust by their employer or do not choose where to invest their savings. This is detailed in Section 5.6.

This Statement of Investment Principles for the DC section should be read in conjunction with the Master Trust's periodic reports of the performance of the investment funds in which members have chosen to invest, and the annual Trustee report and accounts.

A separate Statement of Investment Principles will apply to the other sections of the Master Trust.



## Introduction

This document constitutes the Statement of Investment Principles (the SIP) required under Section 35 of the Pensions Act 1995 for the Trustee of the Master Trust for the DC section. The SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The SIP applies from 31 October 2019.

The DC section is a defined contribution (also known as money purchase) arrangement that operates for the exclusive purpose of providing retirement benefits to eligible participants and beneficiaries and is registered with HMRC under the Finance Act 2004.

The members' retirement benefits depend on:

- (i) The level of contributions made by or in respect of the member
- (ii) The charges deducted from a member's savings
- (iii) The investment return achieved by the selected investment fund
- (iv) When and how members choose to access their accumulated fund

Before preparing this SIP, the Trustee confirms that it has consulted with the Master Trust's Establishing Employer, Punter Southall Defined Contribution Consulting Limited ("PSDCC"). The Trustee has also considered written advice from its appointed Investment Adviser and from the legal adviser.

The Trustee is responsible for the investment of the scheme assets and arranging administration of these funds. Where the Trustee is required to make an investment decision, it will first receive written advice from an Investment Adviser. The Trustee believe that this, together with their own expertise, ensures that they are appropriately familiar with the issues concerned.



As set out in this section, the Trustee has ensured that it is in compliance with section 36 of the Pensions Act 1995 when delegating and exercising their investment powers as to the suitability before investing, and periodically thereafter.

The Trustee believes the Investment Adviser to be qualified by their ability in, and practical experience of, financial matters and to have the appropriate knowledge and experience of the investment arrangements that the Master Trust requires.

The Default Strategy (being the default aims and objectives and the Trustee policies set out in this SIP) and the performance of the default arrangement will be reviewed by the Trustee at least every three years and without delay after any significant change in investment policy, strategy or the demographic profile of members in the default.

The Trustee also confirms that it will consult with the Establishing Employer and take written advice from the Investment Adviser prior to this SIP being revised.

This document contains the Trustee's investment principles, aims, objectives and strategy. The Trustee receives written recommendations from the Investment Adviser(s) as to how these principles and strategy are applied to specific arrangements, including the default arrangement.

Upon joining, members have the opportunity to self-select a fund. Those that do not are allocated to the default arrangement. Details of the default arrangement are set out in the Guide to Investments, which is provided to members, and is summarised in section 5.7 below. This SIP relates to the default arrangement.





## Master Trust Governance

### 2.1 Governance Structure

The Trustee considers that the following governance structure is appropriate for the DC section, since it enables the Trustee to retain the decision-making role on the investments available to members, while delegating the day-to-day aspects to the relevant advisers as appropriate.

The Investment Adviser is Punter Southall Defined Contribution Consulting Limited trading as Punter Southall Aspire, which is authorised and regulated by the Financial Conduct Authority (FCA), and the Legal Advisers are Pinsent Masons and Norton Rose Fulbright (collectively referred to as 'the Advisers').

### 2.2 Trustee

The Trustee is solely responsible for the governance and investment of the Master Trust's assets, and in particular amongst other things:

- Determining the investment objectives of the Master Trust and reviewing these from time to time.
- Agreeing an investment strategy designed to meet the investment objectives of the Master Trust.
- Reviewing from time to time (at least every three years, or without delay following any significant change in investment policy) the content of this SIP and modifying it if deemed appropriate in consultation with the Establishing Employer and on advice from an Investment Adviser.
- Selecting and reviewing the investment options and the performance of the available funds at least every three years or following significant change in investment policy, or the demographic profile of relevant members.
- Assessing the quality of the performance and processes of the Investment Managers and providers by means of regular reviews of the investment results of each fund through meetings and written reports in consultation with the Investment Adviser.

- Appointing and dismissing of an investment manager or provider on advice from the Investment Adviser.
- Assessing the ongoing effectiveness of an Investment Adviser.
- Consulting with the Establishing Employer when reviewing investment policy issues.
- Monitoring compliance of the investments with the SIP on an on-going basis.
- Providing any appointed organisations/individuals with a copy of the SIP, where appropriate.

The Trustee consider that they have sufficient skills and investment knowledge to give appropriate focus to investment issues without appointing a separate investment sub-committee.

## **2.3 Investment Adviser**

An Investment Adviser is responsible for, amongst other things:

- Participating with the Trustee in reviews of the SIP.
- Advising the Trustee how any changes, such as in the membership and demographics, and legislation, may affect the manner in which the assets should be invested.
- Advising the Trustee of any changes relating to the Investment Manager(s) and other investment providers that could affect the interests of the Master Trust.
- Assisting the Trustee with monitoring the Investment Manager(s) and arrangements.
- Discussing with the Trustee any changes in the investment environment that could either present opportunities or problems for the DC section.
- Undertaking reviews of the DC section investment arrangements when requested by the Trustee including reviews of the investment options and current Investment Manager(s), and selection of new manager(s) as appropriate.
- Providing advice and recommendations regarding a suitable range of funds and appropriate default strategies.

## **2.4 Investment Manager**

The Investment Manager(s) will be responsible for, amongst other things:

- At their discretion, but within the guidelines agreed with the Trustee, selecting and undertaking transactions in specific investments within each fund.
- Acting in accordance with the principles set out in the SIP.
- Providing administration for the DC section on behalf of the Trustee, including investment of members' contributions in their chosen funds and providing information to the Trustee in an agreed format.

- Providing the Trustee with sufficient information to facilitate the review of their activities, including:
  - Performance and rationale behind past and future strategy for each fund,
  - A full valuation of the assets,
  - A transaction report.
- Informing the Trustee immediately of:
  - Any breach of this SIP,
  - Any serious breach of internal operating procedures,
  - Any material change in the knowledge and experience of those involved in the Master Trust's investment options.

The benefits that members will receive at retirement will depend on the level of contributions they have paid in and the investment returns achieved less any charges that have been deducted. It will be the responsibility of the Master Trust's administrator to ensure that members continue to be invested in accordance with their investment fund selection.







## Risks

The Trustee recognises a number of risks involved in the investment of the DC assets.

Defined contribution members face four key risks:

- *Inflation risk* – the risk that the purchasing power of their retirement pot is not maintained. This is addressed by the Trustee through reviews of investment performance at each of its meetings to ensure that returns keep pace with inflation.
- *Pension income risk* – the risk that the value of pension benefits (or annuity) that can be purchased by a given retirement pot amount is not maintained. This is addressed by the Trustee through the review of the investment performance of the Aspire Annuity Focus fund which has been made available to members to help match the changing cost of buying an annuity. The Aspire Annuity Focus fund also forms part of the Aspire Annuity Pathway that is designed so members who wish to use some or all of their savings in the Aspire Savings Trust to buy an annuity are automatically switched to a fund that will help maintain their purchasing power at retirement.
- *Investment risk* – the risk that the capital value of their retirement pot may fall. This is important to members approaching retirement who may not have sufficient time to regain the value of investments if values fall and to members who are building their savings for retirement and may find that they do not grow sufficiently. This is addressed by the Trustee through the review of the investment performance of all the investment funds it makes available to members. Reviews take place at each of the Trustee's meetings and changes will be made, where required on advice from its Investment Adviser.
- *Opportunity risk* – the risk that members take insufficient investment risk, especially at younger ages, which results in a smaller pot of money with which to provide benefits. This is addressed as the Trustee makes a default arrangement available for members who do not choose where to invest their savings and this affords an appropriate level of risk depending on the members' age. The Trustee reviews the investment performance of the default arrangement at each of its meetings as well as how members are invested by age.

The importance of each risk varies over time. Inflation is important throughout the savings period. Pension income and investment risks become more significant as retirement approaches.

Other risks involved in the investment of assets include the following:

- *Underperformance risk* – addressed through monitoring the performance of the Investment Manager(s) and taking necessary action when this is not satisfactory.
- *Currency risk* – the risk of the effect of currency movements on the capital value of the assets held in non-sterling denomination. Addressed by the investment managers' investment decisions.
- *Communication risk* – the risk that communications (or the lack of communications) to members lead to poor decisions being made including mismatch of investments against attitude to risk and/or intended retirement route. Addressed through the range of investment options offered and the Trustee regularly monitoring member communications and updating them, where appropriate, as part of the ongoing governance of the Master Trust.
- *Inappropriate member decision* – addressed through communications to members and highlighting the benefits of members seeking independent financial advice.
- *Organisational risk* – addressed through regular monitoring of the Investment Manager(s) and Investment Adviser.
- *Operational risk* – addressed through regular monitoring by the Trustee of its advisers and other suppliers.
- *Sponsor risk* – the risk of the Sponsor ceasing to exist which is addressed through the maintenance of a continuation policy.
- *Liquidity risk* – the risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled funds and/or insurance policies with frequent dealing dates, and where appropriate limiting exposure to funds and/or policies that may be more difficult to realise at times, for example property funds.
- *Diversification risk* – the risk of lack of diversification of investment – addressed through investing in a range of pooled funds and/or insurance policies with appropriate asset allocation range.
- *Concentration risk* – the risk that there is an excessive exposure to a single fund or manager – addressed by a maximum control on the percentage of assets that are held in a single Investment Manager's funds.
- *Country/political risk* – the risk of an adverse influence on investment values from political intervention is reduced by offering investment options for members to achieve diversification across several countries.

The Trustee will have regard for these risks when determining investment strategy and will keep these risks under regular review.



## Investment aims and objectives

Savings in the Master Trust need to be invested in the best interests of the members and their beneficiaries. The Trustee aims and objectives are to:

- Offer a designated default investment strategy (the "default arrangement") appropriate for the majority of members should they decide not to choose their own investment strategy, which takes account of the likely characteristics and needs of members, maintaining an appropriate balance between risk and return through the appropriate and diversified allocation of assets, and in doing so aim to deliver a real return on members' investments, but with volatility smoothed.
- Retain sufficient flexibility to offer alternative investment funds to accommodate the needs and preferences of different groups of employees and/or employers.
- Use underlying investment managers that have robust Environmental, Social and Governance (ESG) and Stewardship policies which are well integrated in their investment processes (see 'Other issues' below).

ESG factors – whether from climate change, or the quality of governance and management at a company – are factors that pose potential risks and opportunities that can have a material impact on the performance of investments. Further details on this can be found at section 8.

In this SIP the default arrangement aims and objectives and the policies together comprise "the Default Strategy".

The Trustee will obtain advice from suitably qualified and experienced investment adviser(s) in formulating aims, objectives and strategy, and in determining how to implement those into the Master Trust.





## Investment Strategy

### 5.1 General

- 5.1.1 There is no single investment fund or strategy that manages all of the keys risks and objectives for a diverse group of members. Of the major asset classes, equities have traditionally been used to provide the most effective means of managing inflation risk. Fixed interest and index-linked securities are most effective for managing pension purchase risk. Cash is effective at managing investment risk but does not manage inflation risk.
- 5.1.2 The varying nature of the risks faced by a defined contribution plan member through time means that a single investment product or fund may not adequately meet the needs of the investor throughout the investing period. The Trustee will therefore select long term insurance policies and/or such range of investment funds as deemed appropriate based on advice from the Investment Adviser.
- 5.1.3 The Trustee acknowledges that many members will not want to, or do not have sufficient knowledge or experience, to make their own investment decisions. As a result, a key trustee investment objective is to offer investment strategies that are intended to be appropriate for the typical member. This will involve a range of lifestyle strategies, or pathways, where the allocation of assets is automatically adjusted to reflect the level of risk and return with descending levels of volatility as members approach their selected retirement age.
- 5.1.4 Members can choose an alternative selected retirement age if they so wish, and so help manage the way their funds are invested in relation to their retirement plans.
- 5.1.5 The Trustee will utilise the investment platform or platforms deemed most appropriate based on advice from the Investment Adviser.
- 5.1.6 To ensure that its objectives are being met, the Trustee will review, in conjunction with the Investment Adviser, any fund option provided to members (whether the default arrangement or self-select funds) that either underperforms its benchmark over a significant timeframe or carries a level of risk to the security of the investment which may be thought to be unreasonable in the context of the Master Trust's investment objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review.

5.1.7 The Trustee recognises that in a defined contribution scheme such as the Master Trust, where the member bears the investment risk, individual investment requirements between members will vary. As these investment funds are the responsibility of the Trustee, it may choose to add, remove or change the investment funds on offer within the self-select range, within the default arrangement and other Pathways (lifestyle strategies), from time to time based on advice provided by the Investment Adviser.

This will be achieved by means of considering advice from the Investment Adviser, which will be required to have regard for the risks and aims and objectives.

The above and below applies to all investments offered by the Master Trust including the default arrangement.

## 5.2 Kinds of Investments

The Investment Managers may invest in the UK and overseas in investments including, but not limited to:

Equity investments	Emerging market bonds
Government bonds	Property funds
Inflation-linked bonds	Commodities
Investment grade bonds	Absolute return funds
High-yield bonds	Cash instruments

As noted above in 5.1 the investments in each fund will vary depending on the nature of each fund, its objectives and the relevant risk controls.

## 5.3 Expected Returns

The expected level of returns will vary between the different funds. The objectives and benchmarks for the investment funds in which members are invested are set out in Appendix A. The Trustee will monitor the performance of the funds against their stated performance objectives at every regular quarterly trustee meeting. The Trustee, or the Advisers on behalf of the Trustee, will also regularly review the funds to satisfy themselves that they remain suitable.

## **5.4 Diversification**

Investment in pooled funds and/or insurance policies is one way of helping to ensure that the Master Trust's investments are adequately diversified. They provide members with access to a range of alternative investment options and the opportunity to diversify the way they are invested. It is Trustee policy that the Investment Advisers reports back on the diversification of assets at each Trustee meeting, so the Trustee has oversight of the kinds of investments that are being held, and how these are being balanced.

The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification. The Trustee has put diversified investment strategies in place to generate returns while managing risk and so can consider whether the ongoing diversification against the Investment Management Agreements it has in place.

## **5.5 Suitability**

The Trustee will take advice from its relevant Advisers to ensure that the investment funds and policies remain suitable, given members' objectives for investing in them. Members can choose an alternative from the investment funds on offer, if they believe they are better suited to their needs.

## **5.6 Realisation of Assets**

The members' contributions are held in individual accounts with the relevant investment platform manager and are in normal circumstances sufficiently liquid to be realised easily if the member so requires.

Most of the non-cash assets are held in pooled funds and/or insurance policies with daily dealing dates, to ensure an appropriate level of liquidity.

The Trustee will realise assets as required following member requests on retirement or earlier where eligible. In selecting investment options, the Trustee considers the liquidity of the investments in the context of the likely needs of members. Examples include investing through a regulated life insurance company to access the Financial Services Compensation Scheme and the inclusion of a liquidity fund in the differing investment solutions that are offered to members which invests in instruments that typically mature within seven days.

## **5.7 Default arrangements**

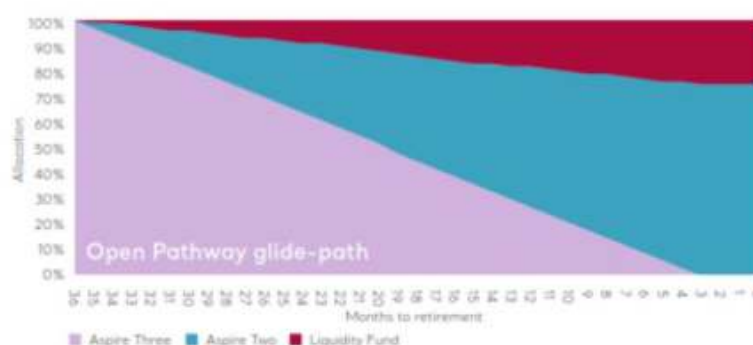
The Default Strategy is intended to ensure that assets are invested in the best interests of members, as it takes account of the likely characteristics and needs of members, and maintaining an appropriate balance between risk (for example, those listed in Section 3 above) and return through the appropriate and diversified allocation of assets. In doing so, it aims to deliver a real return on members' investments, but with volatility smoothed. The Trustee will review the Default Strategy

(being the strategy and policies in relation to the Default) at least once every three years and without delay after there has been a significant change in investment policy or the demographic of relevant members in the default.

The Trustee (with input where appropriate from the Advisers) reviews the return on investments relating to the default arrangement (after deduction of any applicable charges) and is comfortable that they are consistent with the aims and objectives for the default arrangement. The returns currently reflect an appropriate balance of risk based on the likely needs of members in line with the default's aims and objective.

The default arrangement is the Open Pathway, which is a 'lifestyle strategy' consisting of a combination of the Aspire Three, Aspire Two and Sterling Liquidity funds based upon the members' term to selected retirement age. The Trustee is comfortable that this is in line with the default aims and objectives identified.

The proportion of members' savings that are invested in each fund will depend on the numbers of years to each member's selected retirement age. This is best shown in the graph below that sets out how members' savings gradually switch into lower risk funds in the last three years before selected retirement age:



The return and volatility benchmarks for the three funds that make up the Aspire Open Pathway can be found in Appendix A. The charge for each fund is shown in Section 7.

As the name suggests, the Open Pathway is designed to keep members' options open because they may not yet know how they will wish to use their savings when they come to take them. Members are free to self-select another pathway, individual investment funds or a combination of pathways and individual funds if they so wish. They can choose to return their savings to the Aspire Open Pathway.

The Trustee has provided a range of funds where members wish to self-select their own investments. The details of these self-select funds, and how they work, are set out in a separate SIP that is available at [www.psaspire.com/aspiresavingstrust](http://www.psaspire.com/aspiresavingstrust).





## Monitoring

The Trustee will monitor the performance of the Master Trust's Investment Manager(s) against the agreed performance objective for each fund and Pathway, including the default arrangement, at every regular quarterly trustee meeting.

The Trustee will undertake regular reviews (at least annually) of the Investment Manager(s) to consider whether they are continuing to carry out their work competently and continue to have the appropriate knowledge and experience to manage the assets of the Master Trust.

In any event the Trustee should formally review the progress and performance of the Investment Manager(s), their funds and the Pathways, including the default arrangement, every three years. As part of this review, the Trustee will consider whether or not the Investment Manager(s):

- Is carrying out its work competently and proactively
- Has regard to the need for diversification of investments
- Has regard to the suitability of each investment and each category of investment
- Continues to maintain its integrated ESG and stewardship policies (see Section 8 below)
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical

### **Advisers**

The Trustee will monitor the advice and service given by an Investment Adviser on a regular basis in accordance with the adviser objectives and service standards set out in their Service Agreement.

### **Investment Managers**

The Trustee believes that the Investment Managers are sufficiently incentivised to align their investment strategies with the Trustee's investment strategies and policies. Investment Managers will be monitored on their performance in this regard, and it will be considered when selecting and retaining Investment Managers. Investment Managers are incentivised to make decisions based on assessments about medium to long term financial considerations. The Trustee notes that Investment Managers should be motivated to make decisions to improve their medium to long term



performance. The arrangements with the Investment Managers incentivises them to make decisions based on assessments of medium to long-term performance.

The life assurance policy arrangement with the Investment Managers is ordinarily unlimited as to its duration, with either party being able to terminate in accordance with the terms contained within the Policy, which in normal circumstances requires the giving of at least 3 months notice. As noted above, the Investment Manager will be monitored annually to ensure that they are complying with Trustee policies in relation to ESG. The method of evaluation of their performance and remuneration are in line with the Trustee policies detailed in section 5, the investment strategy.

## **Trustee**

The Trustee will monitor all the decisions they take by maintaining a record of all decisions taken, together with the rationale in each case.

## **Other**

The Trustee will review this SIP regularly (at least triennially) and modify it if deemed appropriate, in consultation with the Establishing Employer and an Investment Adviser.



## Charges

### 7.1 Member Charges

The Ongoing Charge and Fund Management costs shown are the fees levied on the members to cover the costs of managing their funds. Management and administration cost covers the management and administration costs of running the Master Trust.

Both are calculated as a percentage of the value of the fund. Members will find details of what the charges are and how they work in the Guide to Costs and Charges that is available at [www.psaspire.com/aspiresavingstrust](http://www.psaspire.com/aspiresavingstrust).

The Trustee will ensure that the fees charged for the funds, including the transaction costs, are consistent with levels typically available in the industry on a like-for-like basis, and comply with the default arrangement charge cap.

There is a charge cap that applies to the default arrangement because employers automatically enrol their qualifying employees into the Master Trust. The default arrangement meets the charge cap and the Trustee continues to monitor this by receiving a report from its Investment Adviser at each of its quarterly meetings to confirm the default arrangement continues to do so.

The list of the funds available will be extended and changed from time-to-time and the fee basis for each one will be included in the quarterly investment report that will be presented to the Trustee at its meetings and this SIP will be updated accordingly. Charges are monitored at every Trustee's meeting.

The default arrangement is the Open Pathway, which is a 'lifestyle strategy' consisting of a combination of Aspire Three, Aspire Two and Sterling Liquidity, based upon the members' term to selected retirement age. See 5.7 above for more details about the default arrangement.

### 7.2 Custodian

The insurer of the insurance policies in which the Master Trust is invested will be responsible for the custodianship of the investments in their policy. The cost will be included in the charges above.

As the Master Trust will also invest in pooled funds, with Winterflood as the custodian of those assets who will be responsible for the custody and safeguarding of the assets, the custodianship fees will be met out of the administration management charge levied on members.

## **7.3 Trustee**

In line with industry practice, the Directors of Punter Southall Aspire Pension Trust Company Limited, which is the Trustee of the Master Trust, have been appointed and the services to the Master Trust are paid for by the scheme. These costs will be met out of the administration management charge levied on members.

## **7.4 Advisers**

The fees for consulting, administration and investment advisory and insurance mediation services are met out of the administration management charge levied on members. All other advisers' fees are met by the Establishing Employer of the Master Trust.





## Other Issues

### 8.1 Investment of Contributions

Members' contributions will be invested in line with their selected choice of funds.

### 8.2 Environmental, Social and Governance (ESG) issues (including voting rights)

#### Financially material considerations

Financially material considerations can include (but are not limited to) ESG considerations (including but not limited to climate change), which the Trustee considers financially material. The Trustee also considers unsound corporate governance and unsustainable business practices, along with climate change, as financially material considerations.

ESG considerations are viewed as 'financially material' as they can help mitigate risks, including climate change, and have the potential to lead to better financial outcomes for members. The extent to which such ESG factors should be taken into account depends on both the timeframe of the investor and the expected impact the factor may have. Investments which demonstrate strong positive ESG characteristics are expected to increase the likelihood of more sustainable returns.

Responsible ESG investing seeks to quantify risks that can't be measured by traditional financial metrics. These include the risk that government regulation will force a company to rectify its poor (even if profitable) environmental practices, the risk of controversies such as lawsuits and financial penalties, and the risk to workers of unsafe working conditions (which, in turn, is a risk to the company). Most investors now accept that managing ESG risks is a key contributor to downside protection and the preservation of capital.

The Trustee recognises the potential financial impact of ESG factors in investment decision making and that they can help preserve long-term value by countering short-termism within the management of investment managers, and the underlying companies, in which it invests. It believes that ESG factors should be considered as part of an integrated approach to investment decision making, rather than an issue in their own right. They therefore form part of the Trustee's investment strategy which is designed to improve member outcomes, and therefore the success of the Master Trust. The Trustee considers that the appropriate time horizon for the Master Trust to be 20 to 30

20



years. Accordingly, the Trustee considers these factors to be financially material for the lengths of time that are necessary for the funding of future benefits by the investments of the Master Trust.

Due to the way assets are invested, for example through pooled funds, the Trustee accepts that it has limited influence over the ESG policies and practices of the companies in which the funds invest and it has limited ability to take these factors into account in the selection, retention and realisation of investments. The Trustee will, therefore, rely on the policies and judgement of its investment managers and will review these policies and review compliance against them on an annual basis.

The financially material considerations are taken into account in the selection, retention and realisation of investments as follows:

- (a) Selection of investments: The Trustee has undertaken an assessment of its principal and underlying Investment Managers to ensure that ESG factors, including climate change, are integrated into their investment processes. This ensures that ESG factors are considered at the initial investment stage. This includes the Master Trust's life insurer, which also manages the funds that make up the Master Trust's default arrangement, and its sub-investment manager that provides advice on asset allocation and manager selection. The Trustee will continue to monitor the Investment Managers continued consideration of ESG factors on an annual basis at this stage.
- (b) Retention of investments: The Trustee has a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the Investment Managers. This ensures that financially material considerations are considered beyond just the point of selection of investments.
- (c) Realisation of investments: At least annually, the Trustee will request information from its Investment Adviser and Investment Managers about how ESG considerations are taken into account in decisions to realise investments.

## **Stewardship**

In relation to the exercise of the rights (including voting rights) attaching to the investments and in undertaking engagement activities in respect of the investments the Trustee has delegated the day-to-day management of the assets to investment managers (under the terms of agreements with managers and/or insurers).

The Investment Managers are expected and encouraged to evaluate ESG factors including climate change considerations. All the Investment Managers that make up the various investment options offered to members have had their ESG and stewardship policies assessed by the Trustee's Investment Adviser. The Trustee will continue to monitor the Investment Managers on an annual basis through its Investment Adviser to ensure that these policies are being maintained and adhered to. An assessment of ESG and stewardship will be a consideration when reviewing investment strategies and selecting new investment managers.

The Investment Managers will be responsible for maintaining their robust ESG and stewardship policies. This will include the exercising of voting rights, engagement with companies and organisations in which they invest and issues of corporate governance. Investment Managers are expected and encouraged to exercise voting rights and stewardship obligations attached to the investments in accordance with these policies. To encourage this, the Trustee understands that PSDCC intends to become a signatory to:

- UN Principles of Responsible Investment (UNPRI), which is a set of best practice principles on responsible investment.
- The Financial Reporting Council (FRC) Stewardship Code, which is seen as the UK standard for good stewardship. It is perceived by many institutional investors as a minimum requirement and a stepping stone to improving stewardship in the UK.

As noted above, the Trustee has delegated the engagement activities in respect of the investments to the Investment Managers. The Trustee will consider proportionally engaging with relevant parties to improve the impact of engagement, when requested by the Investment Manager. Therefore in most circumstances, engagement with relevant persons (such as the issuers or holders of a debt or equity) will be by the Investment Manager. The circumstances in which the Trustee would monitor and engage, and method of engagement, would vary depending on the request made by the Investment Manager.

## **Non-financial matters**

We expect members to be increasingly engaged with efforts to integrate ESG considerations into their default arrangement. However, non-financial matters are not currently taken into account by the Trustee in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Master Trust.



## Declaration

The Trustee confirms that this SIP reflects the investment strategy for the default arrangement it has implemented for the DC section of the Master Trust. The Trustee acknowledges that it is its responsibility, with guidance from the Investment Adviser, to ensure the assets of the DC section are invested in accordance with these principles.

This SIP was approved by the Trustee on 31 October 2019.

*Approved and signed by the Chair of the Trustee*

**Chair, Trustee of the Aspire Savings Trust**

# Appendix A

Fund options agreed as at October 2019:

Fund	Return Benchmark	Volatility Benchmark
<b>Aspire One</b>	CPI + 2% p.a.	40% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))
<b>Aspire Two</b>	CPI + 3% p.a.	60% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))
<b>Aspire Three</b>	CPI + 4%	90% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))
<b>Aspire Annuity Focus</b>	FTSE Actuaries UK Conventional Gilts All Stocks Total Return Index	N/A
<b>Retirement Builder</b>	CPI + 3%	N/A
<b>Sterling Liquidity</b>	7-day LIBID	N/A

The default arrangement is the Open Pathway, which consists of a combination of Aspire Three, Aspire Two and Sterling Liquidity funds, is based upon the members' term to selected retirement age as shown in the glidepath in 5.7.





## Trustee of the Aspire Savings Trust

Statement of Investment Principles – DC section  
In respect of the self-select investment funds

Updated: October 2019

## Contents

Background Information for members	3
Introduction	4
Master Trust Governance	6
Risks	9
Investment aims and objectives	11
Investment Strategy	12
Monitoring	15
Charges	17
Other Issues	19
Declaration	22
Appendix A	23

## Background information for members

### What is a Master Trust?

A Master trust is a multi-employer occupational pension scheme where each employer has its own section within the "master" trust. Employers can then pay contributions into the master trust to help their employees save for retirement, in addition to contributions paid in by individuals.

This master trust is called the Aspire Savings Trust (the "Master Trust").

### Who looks after members' savings in the Master Trust?

The Trustee of the Master Trust is Punter Southall Aspire Pension Trust Company Limited (the "Trustee") and it is the Trustee that is responsible for looking after members' savings in the Master Trust. The Master Trust was set up by Punter Southall Aspire and, as is required by law, a majority of the directors of the Trustee are 'non-affiliated'. Non-affiliated means the director has not been a director, manager, partner or employee of an undertaking which provides advisory, administration, investment or other services to the Master Trust or a "connected undertaking", during the period of five years ending with the date of the appointment as a director of the Trustee, and independent of Punter Southall Aspire and all other companies within the wider Punter Southall group of companies.

### What is a Statement of Investment Principles?

This is the Statement of Investment Principles for the defined contribution section of the Aspire Savings Trust (the "DC section"). Its purpose is to set out the principles and policies that the Trustee takes into account when deciding how to manage members' savings in the DC section. Decisions are taken by the Trustee based on the advice that it receives from its Investment Adviser to ensure that they reflect the objectives of the Master Trust and so provide members' with benefits in retirement.

This Statement of Investment Principles covers the self-select funds that the Trustee makes available so that the DC section members have a suitable range of investment options to choose from.

This Statement of Investment Principles for the DC section should be read in conjunction with the Master Trust's periodic reports of the performance of the investment funds in which members have chosen to invest, and the annual Trustee report and accounts.

A separate Statement of Investment Principles will apply to the other sections of the Master Trust.





## Introduction

This document constitutes the Statement of Investment Principles (the SIP) required under Section 35 of the Pensions Act 1995 for the Trustee of the Master Trust for the DC section. The SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The SIP applies from 31 October 2019.

The DC section is a defined contribution (also known as money purchase) arrangement that operates for the exclusive purpose of providing retirement benefits to eligible participants and beneficiaries and is registered with HMRC under the Finance Act 2004.

The members' retirement benefits depend on:

- (i) The level of contributions made by or in respect of the member
- (ii) The charges deducted from a member's savings
- (iii) The investment return achieved by the selected investment fund
- (iv) When and how members choose to access their accumulated fund

Before preparing this SIP, the Trustee confirms that it has consulted with the Master Trust's Establishing Employer, Punter Southall Defined Contribution Consulting Limited ("PSDCC"). The Trustee has also considered written advice from its appointed Investment Adviser and from the legal adviser.

The Trustee is responsible for the investment of the scheme assets and arranging administration of these funds. Where the Trustee is required to make an investment decision, it will first receive written advice from an Investment Adviser. The Trustee believe that this, together with their own expertise, ensures that they are appropriately familiar with the issues concerned.

As set out in this section, the Trustee has ensured that it is in compliance with section 36 of the Pensions Act 1995 when delegating and exercising their investment powers as to the suitability before investing, and periodically thereafter.

The Trustee believes the Investment Adviser to be qualified by their ability in, and practical experience of, financial matters and to have the appropriate knowledge and experience of the investment arrangements that the Master Trust requires.

The SIP will be reviewed at least every three years, or without delay following any significant change in investment policy or strategy.

The Trustee also confirms that it will consult with the Establishing Employer and take written advice from the Investment Adviser prior to this SIP being revised.

This document contains the Trustee's investment principles, aims, objectives and strategy. The Trustee receives written recommendations from the Investment Adviser(s) as to how these principles and strategy are applied to specific arrangements, including the default arrangement.

Upon joining, members have the opportunity to self-select a fund and can choose alternative investment funds or pathways when they wish. Those that do not are allocated to the default arrangement.





## Master Trust Governance

### 2.1 Governance Structure

The Trustee considers that the following governance structure is appropriate for the DC section, since it enables the Trustee to retain the decision-making role on the investments available to members, while delegating the day-to-day aspects to the relevant advisers as appropriate.

The Investment Adviser is Punter Southall Defined Contribution Consulting Limited trading as Punter Southall Aspire, which is authorised and regulated by the Financial Conduct Authority (FCA), and the Legal Advisers are Pinsent Masons and Norton Rose Fulbright (collectively referred to as 'the Advisers').

### 2.2 Trustee

The Trustee is solely responsible for the governance and investment of the Master Trust's assets, and in particular amongst other things:

- Determining the investment objectives of the Master Trust and reviewing these from time to time.
- Agreeing an investment strategy designed to meet the investment objectives of the Master Trust.
- Reviewing from time to time (at least every three years, or without delay following any significant change in investment policy) the content of this SIP and modifying it if deemed appropriate in consultation with the Establishing Employer and on advice from an Investment Adviser.
- Selecting and reviewing the investment options and the performance of the available funds at least every three years or following significant change in investment policy, or the demographic profile of relevant members.
- Assessing the quality of the performance and processes of the Investment Managers and providers by means of regular reviews of the investment results of each fund through meetings and written reports in consultation with the Investment Adviser.

- Appointing and dismissing of an investment manager or provider on advice from the Investment Adviser.
- Assessing the ongoing effectiveness of an Investment Adviser.
- Consulting with the Establishing Employer when reviewing investment policy issues.
- Monitoring compliance of the investments with the SIP on an on-going basis.
- Providing any appointed organisations/individuals with a copy of the SIP, where appropriate.

The Trustee consider that they have sufficient skills and investment knowledge to give appropriate focus to investment issues without appointing a separate investment sub-committee.

## **2.3 Investment Adviser**

An Investment Adviser is responsible for, amongst other things:

- Participating with the Trustee in reviews of the SIP.
- Advising the Trustee how any changes, such as in the membership and demographics, and legislation, may affect the manner in which the assets should be invested.
- Advising the Trustee of any changes relating to the Investment Manager(s) and other investment providers that could affect the interests of the Master Trust.
- Assisting the Trustee with monitoring the Investment Manager(s) and arrangements.
- Discussing with the Trustee any changes in the investment environment that could either present opportunities or problems for the DC section.
- Undertaking reviews of the DC section investment arrangements when requested by the Trustee including reviews of the investment options and current Investment Manager(s), and selection of new manager(s) as appropriate.
- Providing advice and recommendations regarding a suitable range of funds and appropriate default strategies.

## **2.4 Investment Manager**

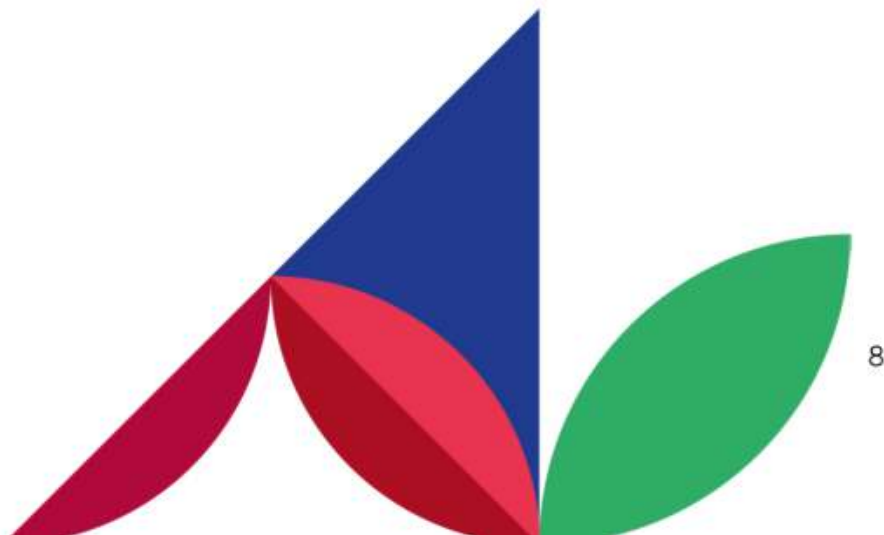
The Investment Manager(s) will be responsible for, amongst other things:

- At their discretion, but within the guidelines agreed with the Trustee, selecting and undertaking transactions in specific investments within each fund.
- Acting in accordance with the principles set out in the SIP.
- Providing administration for the DC section on behalf of the Trustee, including investment of members' contributions in their chosen funds and providing information to the Trustee in an agreed format.
- Providing the Trustee with sufficient information to facilitate the review of their activities, including:



- Performance and rationale behind past and future strategy for each fund,
  - A full valuation of the assets,
  - A transaction report.
- Informing the Trustee immediately of:
  - Any breach of this SIP,
  - Any serious breach of internal operating procedures,
  - Any material change in the knowledge and experience of those involved in the Master Trust's investment options.

The benefits that members will receive at retirement will depend on the level of contributions they have paid in and the investment returns achieved less any charges that have been deducted. It will be the responsibility of the Master Trust's administrator to ensure that members continue to be invested in accordance with their investment fund selection.







## Risks

The Trustee recognises a number of risks involved in the investment of the DC assets.

Defined contribution members face four key risks:

- *Inflation risk* – the risk that the purchasing power of their retirement pot is not maintained. This is addressed by the Trustee through reviews of investment performance at each of its meetings to ensure that returns keep pace with inflation.
- *Pension income risk* – the risk that the value of pension benefits (or annuity) that can be purchased by a given retirement pot amount is not maintained. This is addressed by the Trustee through the review of the investment performance of the Aspire Annuity Focus fund which has been made available to members to help match the changing cost of buying an annuity. The Aspire Annuity Focus fund also forms part of the Aspire Annuity Pathway that is designed so members who wish to use some or all of their savings in the Aspire Savings Trust to buy an annuity are automatically switched to a fund that will help maintain their purchasing power at retirement.
- *Investment risk* – the risk that the capital value of their retirement pot may fall. This is important to members approaching retirement who may not have sufficient time to regain the value of investments if values fall and to members who are building their savings for retirement and may find that they do not grow sufficiently. This is addressed by the Trustee through the review of the investment performance of all the investment funds it makes available to members. Reviews take place at each of the Trustee's meetings and changes will be made, where required on advice from its Investment Adviser.
- *Opportunity risk* – the risk that members take insufficient investment risk, especially at younger ages, which results in a smaller pot of money with which to provide benefits. This is addressed as the Trustee making a range of investment funds and options available to members that have different levels of risk along with information and education about those funds. In addition, there are a number of pathways that support the different ways members may wish to use their savings in the Master Trust which afford an appropriate level of risk depending on the members' age. The Trustee reviews the investment performance of its self-select funds at each of its meetings as well as how members are invested by age.

Other risks involved in the investment of assets include the following:

- *Underperformance risk* – addressed through monitoring the performance of the Investment Manager(s) and taking necessary action when this is not satisfactory.
- *Currency risk* – the risk of the effect of currency movements on the capital value of the assets held in non-sterling denomination. Addressed by the investment managers' investment decisions.
- *Communication risk* – the risk that communications (or the lack of communications) to members lead to poor decisions being made including mismatch of investments against attitude to risk and/or intended retirement route. Addressed through the range of investment options offered and the Trustee regularly monitoring member communications and updating them, where appropriate, as part of the ongoing governance of the Master Trust.
- *Inappropriate member decision* – addressed through communications to members and highlighting the benefits of members seeking independent financial advice.
- *Organisational risk* – addressed through regular monitoring of the Investment Manager(s) and Investment Adviser.
- *Operational risk* – addressed through regular monitoring by the Trustee of its advisers and other suppliers.
- *Sponsor risk* – the risk of the Sponsor ceasing to exist which is addressed through the maintenance of a continuation policy.
- *Liquidity risk* – the risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled funds and/or insurance policies with frequent dealing dates, and where appropriate limiting exposure to funds and/or policies that may be more difficult to realise at times, for example property funds.
- *Diversification risk* – the risk of lack of diversification of investment – addressed through investing in a range of pooled funds and/or insurance policies with appropriate asset allocation range.
- *Concentration risk* – the risk that there is an excessive exposure to a single fund or manager – addressed by a maximum control on the percentage of assets that are held in a single Investment Manager's funds.
- *Country/political risk* – the risk of an adverse influence on investment values from political intervention is reduced by offering investment options for members to achieve diversification across several countries.

The Trustee will have regard for these risks when determining investment strategy and will keep these risks under regular review.



## Investment aims and objectives

Savings in the Master Trust need to be invested in the best interests of the members and their beneficiaries. The Trustee aims and objectives are to:

- Offer a suitable range of self-select funds, so that the DC section members have a suitable range of investment options to choose from that will continue to provide a positive return over the long-term after all charges have been deducted but within an acceptable level of risk.
- Retain sufficient flexibility to offer alternative investment funds to accommodate the needs and preferences of different groups of employees and/or employers.
- Use underlying investment managers that have robust Environmental, Social and Governance (ESG) and Stewardship policies which are well integrated in their investment processes (see 'Other issues' below).

ESG factors – whether from climate change, or the quality of governance and management at a company – are factors that pose potential risks and opportunities that can have a material impact on the performance of investments. Further details on this can be found at section 8.

The Trustee will obtain advice from suitably qualified and experienced investment adviser(s) in formulating aims, objectives and strategy, and in determining how to implement those into the Master Trust.





## Investment Strategy

### 5.1 General

- 5.1.1 There is no single investment fund or strategy that manages all of the keys risks and objectives for a diverse group of members. Of the major asset classes, equities have traditionally been used to provide the most effective means of managing inflation risk. Fixed interest and index-linked securities are most effective for managing pension purchase risk. Cash is effective at managing investment risk but does not manage inflation risk.
- 5.1.2 The varying nature of the risks faced by a defined contribution plan member through time means that a single investment product or fund may not adequately meet the needs of the investor throughout the investing period. The Trustee will therefore select long term insurance policies and/or such range of investment funds as deemed appropriate based on advice from the Investment Adviser.
- 5.1.3 Members can choose an alternative selected retirement age if they so wish, and so help manage the way their funds are invested in relation to their retirement plans.
- 5.1.4 The Trustee will utilise the investment platform or platforms deemed most appropriate based on advice from the Investment Adviser.
- 5.1.5 To ensure that its objectives are being met, the Trustee will review, in conjunction with the Investment Adviser, any fund option provided to members that either underperforms its benchmark over a significant timeframe or carries a level of risk to the security of the investment which may be thought to be unreasonable in the context of the Master Trust's investment objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review.
- 5.1.6 The Trustee recognises that in a defined contribution scheme such as the Master Trust, where the member bears the investment risk, individual investment requirements between members will vary. As these investment funds are the responsibility of the Trustee, it may choose to add, remove or change the investment funds on offer within the self-select range and other Pathways (lifestyle strategies), from time to time based on advice provided by the Investment Adviser.

This will be achieved by means of considering advice from the Investment Adviser, which will be required to have regard for the risks and aims and objectives.

The above and below applies to all investments offered by the Master Trust.

## 5.2 Kinds of Investments

The Investment Managers may invest in the UK and overseas in investments including, but not limited to:

Equity investments	Emerging market bonds
Government bonds	Property funds
Inflation-linked bonds	Commodities
Investment grade bonds	Absolute return funds
High-yield bonds	Cash instruments

As noted above in 5.1 the investments in each fund will vary depending on the nature of each fund, its objectives and the relevant risk controls.

## 5.3 Expected Returns

The expected level of returns will vary between the different funds. The objectives and benchmarks for the investment funds in which members are invested are set out in Appendix A. The Trustee will monitor the performance of the funds against their stated performance objectives at every regular quarterly trustee meeting. The Trustee, or the Advisers on behalf of the Trustee, will also regularly review the the funds to satisfy themselves that they remain suitable.

## 5.4 Diversification

Investment in pooled funds and/or insurance policies is one way of helping to ensure that the Master Trust's investments are adequately diversified. They provide members with access to a range of alternative investment options and the opportunity to diversify the way they are invested. It is Trustee policy that the Investment Advisers report back on the diversification of assets at each Trustee meeting, so the Trustee has oversight of the kinds of investments that are being held, and how these are being balanced.

The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification. The Trustee has put diversified investment strategies in place to generate returns while managing risk and so can consider whether the ongoing diversification against the Investment Management Agreements it has in place.

## **5.5 Suitability**

The Trustee will take advice from its relevant Advisers to ensure that the investment funds and policies remain suitable, given members' objectives for investing in them. Members can choose an alternative from the investment funds on offer, if they believe they are better suited to their needs.

## **5.6 Realisation of Assets**

The members' contributions are held in individual accounts with the relevant investment platform manager and are in normal circumstances sufficiently liquid to be realised easily if the member so requires.

Most of the non-cash assets are held in pooled funds and/or insurance policies with daily dealing dates, to ensure an appropriate level of liquidity.

The Trustee will realise assets as required following member requests on retirement or earlier where eligible. In selecting investment options, the Trustee considers the liquidity of the investments in the context of the likely needs of members. Examples include investing through a regulated life insurance company to access the Financial Services Compensation Scheme and the inclusion of a liquidity fund in the differing investment solutions that are offered to members which invests in instruments that typically mature within seven days.

## **5.7 Default arrangements**

The Trustee has provided a default arrangement where members have not selected, or do not wish to self-select their own investments. The details of what the default arrangement is, and how it works, are set out in a separate SIP that is available at [www.psaspire.com/aspiresavingstrust](http://www.psaspire.com/aspiresavingstrust).



## Monitoring

The Trustee will monitor the performance of the Master Trust's Investment Manager(s) against the agreed performance objective for each fund and Pathway at every regular quarterly trustee meeting.

The Trustee will undertake regular reviews (at least annually) of the Investment Manager(s) to consider whether they are continuing to carry out their work competently and continue to have the appropriate knowledge and experience to manage the assets of the Master Trust.

In any event the Trustee should formally review the progress and performance of the Investment Manager(s), their funds and the Pathways every three years. As part of this review, the Trustee will consider whether or not the Investment Manager(s):

- Is carrying out its work competently and proactively
- Has regard to the need for diversification of investments
- Has regard to the suitability of each investment and each category of investment
- Continues to maintain its integrated ESG and stewardship policies (see Section 8 below)
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical

### **Advisers**

The Trustee will monitor the advice and service given by an Investment Adviser on a regular basis in accordance with the adviser objectives and service standards set out in their Service Agreement.

### **Investment Managers**

The Trustee believes that the Investment Managers are sufficiently incentivised to align their investment strategies with the Trustee's investment strategies and policies. Investment Managers will be monitored on their performance in this regard, and it will be considered when selecting and retaining Investment Managers. Investment Managers are incentivised to make decisions based on assessments about medium to long term financial considerations. The Trustee notes that Investment Managers should be motivated to make decisions to improve their medium to long term



performance. The arrangements with the Investment Managers incentivises them to make decisions based on assessments of medium to long-term performance.

The life assurance policy arrangement with the Investment Managers is ordinarily unlimited as to its duration, with either party being able to terminate in accordance with the terms contained within the Policy, which in normal circumstances requires the giving of at least 3 months notice. As noted above, the Investment Manager will be monitored annually to ensure that they are complying with Trustee policies in relation to ESG. The method of evaluation of their performance and remuneration are in line with the Trustee policies detailed in section 5, the investment strategy.

## **Trustee**

The Trustee will monitor all the decisions they take by maintaining a record of all decisions taken, together with the rationale in each case.

## **Other**

The Trustee will review this SIP regularly (at least triennially) and modify it if deemed appropriate, in consultation with the Establishing Employer and an Investment Adviser.







## Charges

### 7.1 Member Charges

The Ongoing Charge and Fund Management costs shown are the fees levied on the members to cover the costs of managing their funds. Management and administration cost covers the management and administration costs of running the Master Trust.

Both are calculated as a percentage of the value of the fund. Members will find details of what the charges are and how they work in the Guide to Costs and Charges that is available at [www.psaspire.com/aspiresavingstrust](http://www.psaspire.com/aspiresavingstrust).

The Trustee will ensure that the fees charged for the funds, including the transaction costs, are consistent with levels typically available in the industry on a like-for-like basis.

The list of the funds available will be extended and changed from time-to-time and the fee basis for each one will be included in the quarterly investment report that will be presented to the Trustee at its meetings and this SIP will be updated accordingly. Charges are monitored at every Trustee's meeting.

### 7.2 Custodian

The insurer of the insurance policies in which the Master Trust is invested will be responsible for the custodianship of the investments in their policy. The cost will be included in the charges above.

As the Master Trust will also invest in pooled funds, with Winterflood as the custodian of those assets who will be responsible for the custody and safeguarding of the assets, the custodianship fees will be met out of the administration management charge levied on members.

### 7.3 Trustee

In line with industry practice, the Directors of Punter Southall Aspire Pension Trust Company Limited, which is the Trustee of the Master Trust, have been appointed and the services to the Master Trust are paid for by the scheme. These costs will be met out of the administration management charge levied on members.

## **7.4 Advisers**

The fees for consulting, administration and investment advisory and insurance mediation services are met out of the administration management charge levied on members. All other advisers' fees are met by the Establishing Employer of the Master Trust.



## Other Issues

### 8.1 Investment of Contributions

Members' contributions will be invested in line with their selected choice of funds.

### 8.2 Environmental, Social and Governance (ESG) issues (including voting rights)

#### Financially material considerations

Financially material considerations can include (but are not limited to) ESG considerations (including but not limited to climate change), which the Trustee considers financially material. The Trustee also considers unsound corporate governance and unsustainable business practices, along with climate change, as financially material considerations.

ESG considerations are viewed as 'financially material' as they can help mitigate risks, including climate change, and have the potential to lead to better financial outcomes for members. The extent to which such ESG factors should be taken into account depends on both the timeframe of the investor and the expected impact the factor may have. Investments which demonstrate strong positive ESG characteristics are expected to increase the likelihood of more sustainable returns.

Responsible ESG investing seeks to quantify risks that can't be measured by traditional financial metrics. These include the risk that government regulation will force a company to rectify its poor (even if profitable) environmental practices, the risk of controversies such as lawsuits and financial penalties, and the risk to workers of unsafe working conditions (which, in turn, is a risk to the company). Most investors now accept that managing ESG risks is a key contributor to downside protection and the preservation of capital.

The Trustee recognises the potential financial impact of ESG factors in investment decision making and that they can help preserve long-term value by countering short-termism within the management of investment managers, and the underlying companies, in which it invests. It believes that ESG factors should be considered as part of an integrated approach to investment decision making, rather than an issue in their own right. They therefore form part of the Trustee's investment strategy which is designed to improve member outcomes, and therefore the success of the Master Trust. The Trustee considers that the appropriate time horizon for the Master Trust to be 20 to 30

years. Accordingly, the Trustee considers these factors to be financially material for the lengths of time that are necessary for the funding of future benefits by the investments of the Master Trust.

Due to the way assets are invested, for example through pooled funds, the Trustee accepts that it has limited influence over the ESG policies and practices of the companies in which the funds invest and it has limited ability to take these factors into account in the selection, retention and realisation of investments. The Trustee will, therefore, rely on the policies and judgement of its investment managers and will review these policies and review compliance against them on an annual basis.

The financially material considerations are taken into account in the selection, retention and realisation of investments as follows:

- (a) Selection of investments: The Trustee has undertaken an assessment of its principal and underlying Investment Managers to ensure that ESG factors, including climate change, are integrated into their investment processes. This ensures that ESG factors are considered at the initial investment stage. This includes the Master Trust's life insurer and its sub-investment manager that provides advice on asset allocation and manager selection. The Trustee will continue to monitor the Investment Managers continued consideration of ESG factors on an annual basis at this stage.
- (b) Retention of investments: The Trustee has a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the Investment Managers. This ensures that financially material considerations are considered beyond just the point of selection of investments.
- (c) Realisation of investments: At least annually, the Trustee will request information from its Investment Adviser and Investment Managers about how ESG considerations are taken into account in decisions to realise investments.

## **Stewardship**

In relation to the exercise of the rights (including voting rights) attaching to the investments and in undertaking engagement activities in respect of the investments the Trustee has delegated the day-to-day management of the assets to investment managers (under the terms of agreements with managers and/or insurers).

The Investment Managers are expected and encouraged to evaluate ESG factors including climate change considerations. All the Investment Managers that make up the various investment options offered to members have had their ESG and stewardship policies assessed by the Trustee's Investment Adviser. The Trustee will continue to monitor the Investment Managers on an annual basis through its Investment Adviser to ensure that these policies are being maintained and adhered to. An assessment of ESG and stewardship will be a consideration when reviewing investment strategies and selecting new investment managers.



The Investment Managers will be responsible for maintaining their robust ESG and stewardship policies. This will include the exercising of voting rights, engagement with companies and organisations in which they invest and issues of corporate governance. Investment Managers are expected and encouraged to exercise voting rights and stewardship obligations attached to the investments in accordance with these policies. To encourage this, the Trustee understands that PSDCC intends to become a signatory to:

- UN Principles of Responsible Investment (UNPRI), which is a set of best practice principles on responsible investment.
- The Financial Reporting Council (FRC) Stewardship Code, which is seen as the UK standard for good stewardship. It is perceived by many institutional investors as a minimum requirement and a stepping stone to improving stewardship in the UK.

As noted above, the Trustee has delegated the engagement activities in respect of the investments to the Investment Managers. The Trustee will consider proportionally engaging with relevant parties to improve the impact of engagement, when requested by the Investment Manager. Therefore in most circumstances, engagement with relevant persons (such as the issuers or holders of a debt or equity) will be by the Investment Manager. The circumstances in which the Trustee would monitor and engage, and method of engagement, would vary depending on the request made by the Investment Manager.

## **Non-financial matters**

We expect members to be increasingly engaged with efforts to integrate ESG considerations into their self-select options. However, non-financial matters are not currently taken into account by the Trustee in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Master Trust.



## Declaration

The Trustee confirms that this SIP reflects the investment strategy for the self-select funds it has implemented for the DC section of the Master Trust. The Trustee acknowledges that it is its responsibility, with guidance from the Investment Adviser, to ensure the assets of the DC section are invested in accordance with these principles.

This SIP was approved by the Trustee on 31 October 2019.

*Approved and signed by the Chair of the Trustee*

**Chair, Trustee of the Aspire Savings Trust**

# Appendix A

Fund options agreed as at October 2019:

Fund	Return Benchmark	Volatility Benchmark
Aspire One	CPI + 2% p.a.	40% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))
Aspire Two	CPI + 3% p.a.	60% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))
Aspire Three	CPI + 4%	90% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))
Aspire Annuity Focus	FTSE Actuaries UK Conventional Gilts All Stocks Total Return Index	N/A
Retirement Builder	CPI + 3%	N/A
Sterling Liquidity	7-day LIBID	N/A





## Trustee of the Aspire Savings Trust

Statement of Investment Principles – Additional Voluntary Contributions

October 2019

Additional Voluntary Contribution funds



## Contents

Background information for members	3
Introduction	4
Master Trust Governance	5
Additional Voluntary Contribution Section	7
Monitoring	10
Fees	11
Risks	12
Other Issues	14
Appendix A: Responsibilities	17
Appendix B: AVC funds and benchmarks	18

## Background information for members

### What is a Master Trust?

A Master trust is a multi-employer occupational pension scheme where each employer has its own section within the "master" trust. Employers can then pay contributions into the master trust to help their employees save for retirement, in addition to contributions paid in by individuals.

This master trust is called the Aspire Savings Trust (the "Master Trust").

### Who looks after members' savings in the Master Trust?

The Trustee of the Master Trust is Punter Southall Aspire Pension Trust Company Limited (the "Trustee") and it is the Trustee that is responsible for looking after members' savings in the Master Trust. The Master Trust was set up by Punter Southall Aspire and, as is required by law, a majority of the directors of the Trustee Company are 'non-affiliated'.

Non-affiliated means the director has not been a director, manager, partner or employee of an undertaking which provides advisory, administration, investment or other services to the Master Trust or a "connected undertaking", during the period of five years ending with the date of the appointment as a director of the Trustee, and independent of Punter Southall Aspire and all other companies within the wider Punter Southall group of companies.

### What is a Statement of Investment Principles?

This is the Statement of Investment Principles for the Additional Voluntary Contribution ("AVC") policies that have been assigned to the Master Trust. Its purpose is to set out the principles and policies that the Trustee takes into account when deciding how to manage members' savings in the AVC policies. Decisions are taken by the Trustee based on the advice that it receives from its Investment Adviser to ensure that they reflect the objectives of the Master Trust and so provide members' with benefits in retirement.

This Statement of Investment Principles for the AVC policies should be read in conjunction with the Master Trust's periodic reports of the performance of the investment funds in which members have chosen to invest, and the annual Trustee report and accounts.

A separate Statement of Investment Principles will apply to the other sections of the Master Trust.



## Introduction

This Statement of Investment Principles for AVC policies assigned to the Master Trust ("the AVC SIP") is required by relevant legislation and best practice guidance. It describes the investment strategy being pursued by the Trustee of the Master Trust and sets out how investment decisions are made by or on behalf of the Trustee.

This AVC SIP applies from 31 October 2019.

The Trustee will review this AVC SIP every three years, or without delay following any significant changes to the investment strategy. Where it is required to make an investment decision, the Trustee always receives advice from its Advisers (as identified below) first and believes that this ensures that it is appropriately familiar with the issues concerned.

### 1.1 Declaration

The Trustee confirms that this AVC SIP reflects the investment strategy it has decided to implement for the AVC Governance section.

The Trustee acknowledges its responsibility, with guidance from the Advisers, to ensure the assets of the AVC Governance section of the Master Trust are invested in accordance with these principles.

This SIP was approved by the Trustee in October 2019.

*Approved and signed by the Chair of the Trustee*

**Date** 31/10/2019

**For and on behalf of the Trustee of the Aspire Savings Trust**





## Master Trust Governance

Under the rules of the Master Trust, the Trustee is solely responsible for the governance and investment of the Master Trust's assets. The Trustee considers that the governance structure set out in this AVC SIP is appropriate for the AVC Governance section of the Master Trust as it allows the Trustee to make the important decisions on investment policy, while delegating day-to-day aspects to the relevant advisers. The responsibilities of each of the parties involved in the Master Trust's governance are detailed in **Appendix A**.

The Investment Adviser is Punter Southall Defined Contribution Consulting Limited ("PSDCC") and the Legal Advisers are Pinsent Masons and Norton Rose Fulbright (collectively referred to as "the Advisers"). The Trustee believes the Investment Adviser to be qualified by its ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Master Trust requires.

Before preparing this SIP, the Trustee confirms that it has consulted with the Master Trust's Establishing Employer, Punter Southall Defined Contribution Consulting Limited ("PSDCC"). The Trustee has also considered written advice from its appointed Investment Adviser and from the Advisers.

The Trustee is responsible for the investment of the scheme assets and arranging administration of these funds. Where the Trustee is required to make an investment decision, it will first receive written advice from an Investment Adviser. The Trustee believes that this, together with its own expertise, ensures that it is appropriately familiar with the issues concerned.

As laid out in this section, the Trustee has ensured that it is in compliance with section 36 of the Pensions Act 1995 when delegating and exercising their investment powers as to the suitability before investing, and periodically thereafter.

The SIP will be reviewed at least every three years, or without delay following any significant change in investment policy or strategy.

The Trustee also confirms that it will consult with the Establishing Employer and take advice from the Investment Adviser prior to this SIP being revised.

This document contains the Trustee's investment principles, aims, objectives and strategy. The Trustee receives written recommendations from the Investment Adviser(s) as to how these principles and strategy are applied into specific arrangements.

The funds in which members are invested on first joining the Master Trust were made available by the trustee(s) of the originating schemes and/or selected by each member.

The Trustee considers the investing of the Master Trust's AVC assets in pooled funds and/or insurance policies that are managed by investment managers is an appropriate and cost effective solution.

This may change over time as the membership and the assets of the Master Trust develop and grow.

Where changes are deemed appropriate, decisions about which funds to invest in are made after receiving investment advice from an Investment Adviser, who is regulated by the Financial Conduct Authority. The investment funds used will reflect members' objectives, the quality of the fund manager and to ensure that there is sufficient security and liquidity so that members' benefits will be paid when they fall due. The funds and the fund managers will be regulated by the Financial Conduct Authority.

The Trustee reviews the investment performance of the funds at each quarterly meeting against the objectives that have been set out in Section 3.





## Additional Voluntary Contribution Section

### 3.1 Investment Objectives

Savings in the Master Trust need to be invested in the best interests of the members and their beneficiaries. The AVC funds that the members are invested in when they first join the Master Trust were made available by the trustee(s) of the originating schemes and/or selected by each member.

The AVC policies have been assigned to the Master Trust in part so that the Trustee can monitor their performance. To achieve this objective, the Trustee will monitor the investments selected by members in the various AVC policies upon assignment and at its subsequent quarterly meetings.

Overall, the Trustee's investment objectives for the AVC policies is to continue to provide a positive return over the long-term as set out below after all charges have been deducted but within an acceptable level of risk. The investment funds chosen by members may differ between groups of employees depending on the choice of provider and funds that were made available by the originating scheme trustees. There may also be contractual constraints inherited by the Trustee. As a result there may need to be exceptions to this Statement of Principles on a case-by-case basis.

Environmental, Social and Governance (ESG) factors – whether from climate change, or the quality of governance and management at a company – are factors that pose potential risks and opportunities that can have a material impact on the performance of investments. The Trustee therefore aims to use underlying investment managers that have robust ESG and Stewardship policies which are well integrated in their investment processes. Further details on this can be found in section 7.

### 3.2 Investment Strategy

To ensure that its objectives are being met, the Trustee will review, in conjunction with the Investment Adviser, any fund option provided to members that either underperforms its benchmark over a significant timeframe or carries a level of risk to the security of the investment which may be thought to be unreasonable in the context of the Master Trust's investment objectives.

This will be achieved by means of considering advice from the Investment Adviser, which will be required to have regard for the risks and aims and objectives in sections 3 and 6.



There is no single investment product that manages all of the key risks and objectives for a diverse group of members. Of the major asset classes, equities have traditionally been used to provide the most effective means of managing inflation risk. Fixed interest and index-linked securities are most effective for managing pension purchase risk. Cash is effective at managing investment risk but does not manage inflation risk.

The varying nature of the risks faced by a defined contribution plan member through time means that a single investment product may not adequately meet the needs of the investor throughout the investing period. The Trustee will therefore select long term insurance policies and/or such range of investment funds as deemed appropriate based on advice from the Investment Adviser.

There will be no obligation to make any changes to the investment options offered to members as part of such a review, but the Trustee will make changes where it deems that the existing fund(s) for a particular member, or group of members, is or are no longer appropriate.

The Trustee will utilise the investment platform or platforms deemed most appropriate based on advice from the Investment Adviser.

### 3.3 Investment fund range

The benefits that members will receive at retirement will depend on the level of contributions they have paid into the AVC policies and the investment returns achieved less any charges that have been deducted. It will be the responsibility of the Master Trust's administrator to ensure that members continue to be invested in accordance with their investment fund selection.

It is assumed that members will take their AVC benefits at the same time as they take the benefits in their originating scheme and the way the AVC benefits are invested will reflect this. Members can choose an alternative selected retirement age if they so wish and so help manage the way their funds are invested in relation to their retirement plans.

The Trustee recognises that in a Defined Contribution scheme such as the Master Trust, where the member bears the investment risk, individual investment requirements between members will vary. As these investment funds are the responsibility of the Trustee, it may choose to add, remove or change the investment funds on offer from the AVC provider from time to time based on advice provided by the Investment Adviser.

### 3.4 Kinds of Investments

The Investment Managers may invest in the UK and overseas in investments including, but not limited to:

Equity investments	Emerging market bonds
Government bonds	Property funds
Inflation-linked bonds	Commodities

Investment grade bonds	Absolute return funds
High-yield bonds	Cash instruments

As noted above in 3.2 the investments in each fund will vary depending on the nature of each fund, its objectives and the relevant risk controls.

### 3.5 Expected Returns

The benchmarks for the returns for the investment funds in which members are invested are set out in Appendix B. As additional AVC policies are assigned to the Master Trust, the list of benchmarks will grow. The Trustee will monitor the performance of the funds against their stated performance objectives at every regular quarterly trustee meeting. The Trustee, or the Advisers on behalf of the Trustee, will also regularly review the the funds to satisfy themselves that they remain suitable.

### 3.6 Diversification

Investment in pooled funds and/or insurance policies is one way of helping to ensure that the Master Trust's investments are adequately diversified. They provide members with access to a range of alternative investment options and the opportunity to diversify the way they are invested. It is Trustee policy that the Investment Managers report back on the diversification of assets at each Trustee meeting, so the Trustee has oversight of the kinds of investments that are being held, and how these are being balanced.

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

### 3.7 Suitability

The Trustee will take advice from its relevant Advisers to ensure that the AVC policies remain suitable, given members' objectives for investing in them. Members can choose an alternative from the investment funds on offer, if they believe they are better suited to their needs.

### 3.8 Realisation of Assets

The members' contributions are held in individual accounts with the relevant investment platform manager and are in normal circumstances sufficiently liquid to be realised easily if the member so requires. The Trustee may inherit legacy investments that may not always have that same level of liquidity such as certain with profit insurance policies and property funds.

Most of the non-cash assets are held in pooled funds and/or insurance policies with daily dealing dates, to ensure an appropriate level of liquidity, but exceptions may exist such as legacy with profit insurance policies.

Examples of asset classes with longer realisation periods include investing through a regulated life insurance company to access the Financial Services Compensation Scheme and the inclusion of liquidity funds in the differing investment solutions and AVC policies that are offered to members which invest in instruments that typically mature within seven days.



## Monitoring

### **4.1 Pooled funds and/or insurance policies**

The Trustee will monitor the performance of the funds against their stated performance objectives at every regular quarterly trustee meeting. The Trustee, or the Advisers on behalf of the Trustee, will also regularly review the the funds to satisfy themselves that they remain suitable.

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

### **4.2 Advisers**

The Trustee will monitor the advice and service given by an Investment Adviser on a regular basis in accordance with the adviser objectives and service standards set out in their Service Agreement.

### **4.3 Investment managers**

The Trustee believes that the investment managers are sufficiently incentivised to align their investment strategies with the Trustee's investment strategies and policies. Investment managers will be monitored on their performance in this regard, and it will be considered when selecting and retaining investment managers. Investment managers are incentivised to make decisions based on assessments about medium to long term financial considerations. The Trustee notes that investment managers should be motivated to make decisions to improve their medium to long term performance. The arrangements with the investment managers incentivises them to make decisions based on assessments of medium to long-term performance.

### **4.4 Ongoing review**

The SIP will be reviewed at least every three years, or without delay following any significant change in investment policy.



## Fees

### 5.1 Funds

The Trustee will ensure that the fees charged for the funds and their expense ratios are consistent with levels typically available in the industry. The list of the funds in which members are invested and the fee basis for each one is included in the quarterly investment report that will be presented to the Trustee at its meetings.

### 5.2 Advisers

All the Advisers' fees are met by Punter Southall Defined Contribution Consulting Limited in its role as sponsor of the Master Trust.

### 5.3 Custodian

As the Master Trust is investing through pooled funds and/or insurance policies, the manager of each of the funds or policy, as appropriate, in which members have chosen to invest will be responsible for the custody and safeguarding of the assets invested in those funds or policies.

### 5.4 Trustee

In line with industry practice, the Directors of Punter Southall Aspire Pension Trust Company Limited, the Trustee of the Master Trust, have been appointed and their services to the Master Trust are paid for by the Trustee.





## Risks

The Trustee recognises a number of risks involved in the investment of the DC assets.

Defined contribution members face four key risks:

- *Inflation risk* – the risk that the purchasing power of their retirement pot is not maintained. This is addressed by the Trustee through reviews of investment performance at each of its meetings to ensure that returns keep pace with inflation.
- *Pension income risk* – the risk that the value of pension benefits (or annuity) that can be purchased by a given retirement pot amount is not maintained. This is addressed by the Trustee because investment funds are available within the AVC policies that help match the changing cost of buying an annuity and so are more suitable to mitigate this risk. In addition, members can move to the Aspire Annuity Focus fund or the Aspire Annuity Pathway, which are also designed to match the changing cost of buying an annuity. The Trustee reviews the investment performance of all the investment funds in the AVC policies in which members are invested as well as the Aspire Annuity Focus fund and any other funds that may make up the Aspire Annuity Pathway.
- *Investment risk* – the risk that the capital value of their retirement pot may fall. This is important to members approaching retirement who may not have sufficient time to regain the value of investments) if values fall and to members who are building their savings for retirement and may find that they do not grow sufficiently. This is addressed by the Trustee through the review of the investment performance of all the investment funds it makes available to members. Reviews take place at each of the Trustee's meetings and changes will be made, where required on advice from its Investment Adviser.
- *Opportunity risk* – the risk that members take insufficient investment risk, especially at younger ages, which results in a smaller pot of money with which to provide benefits. This is addressed because the Trustee makes a range of investment funds available that are suitable across different age ranges and so can mitigate this risk. The Trustee reviews the investment performance of the default arrangement at each of its meetings as well as the how members are invested by age.

The importance of each risk varies over time. Inflation is important throughout the savings period. Pension income and investment risks become more significant as retirement approaches.

Other risks involved in the investment of assets include the following:

- *Underperformance risk* – addressed through monitoring the performance of the Investment Manager(s) and taking necessary action when this is not satisfactory.
- *Currency risk* – the risk of the effect of currency movements on the capital value of the assets held in non-sterling denomination. Addressed by the investment managers' investment decisions.
- *Communication risk* – the risk that communications (or the lack of communications) to members lead to poor decisions being made including mismatch of investments against attitude to risk and/or intended retirement route. Addressed through the range of investment options offered and the Trustee regularly monitoring member communications and updating them, where appropriate, as part of the ongoing governance of the Master Trust.
- *Inappropriate member decision* – addressed through communications to members and highlighting the benefits of members seeking independent financial advice.
- *Organisational risk* – addressed through regular monitoring of the Investment Manager(s) and Investment Adviser.
- *Operational risk* – addressed through regular monitoring by the Trustee of its advisers and other suppliers.
- *Sponsor risk* – the risk of the Sponsor ceasing to exist which is addressed through the maintenance of a continuation policy.
- *Liquidity risk* – the risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled funds and/or insurance policies with frequent dealing dates, and where appropriate limiting exposure to funds and/or policies that may be more difficult to realise at times, for example property funds.
- *Diversification risk* – the risk of lack of diversification of investment – addressed through investing in a range of pooled funds and/or insurance policies with appropriate asset allocation range.
- *Concentration risk* – the risk that there is an excessive exposure to a single fund or manager – addressed by a maximum control on the percentage of assets that are held in a single Investment Manager's funds.
- *Country/political risk* – the risk of an adverse influence on investment values from political intervention is reduced by offering investment options for members to achieve diversification across several countries.

The Trustee will have regard for these risks when determining investment strategy and will keep these risks under regular review.





## Other Issues

### 7.1 Administrator

Administration of the AVC policies is provided by an administrator that is appointed by the Trustee for each one that is assigned to the Master Trust.

### 7.2 Investment of Contributions

Any members that continue to invest contributions into the AVC policies will be invested in line with their selected choice of funds. As members are investing in AVC policies, they will always be required to make an active investment fund selection.

### 7.3 Environmental, Social and Governance (ESG) including voting rights

#### Financially Material Considerations

Financially material considerations can include (but are not limited to) ESG considerations (including but not limited to climate change), which the Trustee considers financially material. The Trustee also considers unsound corporate governance and unsustainable business practices, along with climate change, as financially material considerations.

ESG considerations are viewed as 'financially material' as they can help mitigate risks, including climate change, and have the potential to lead to better financial outcomes for members. The extent to which such ESG factors should be taken into account depends on the expected impact the factor may have. Investments which demonstrate strong positive ESG characteristics are expected to increase the likelihood of more sustainable returns.

Responsible ESG investing seeks to quantify risks that can't be measured by traditional financial metrics. These include the risk that government regulation will force a company to rectify its poor (even if profitable) environmental practices, the risk of controversies such as lawsuits and financial penalties, and the risk to workers of unsafe working conditions (which, in turn, is a risk to the company). Most investors now accept that managing ESG risks is a key contributor to downside protection and the preservation of capital.

The Trustee recognises the potential financial impact of ESG factors in investment decision making and that they can help preserve long-term value by countering short-termism within the management of investment managers, and the underlying companies, in which it invests. It believes that ESG factors should be considered as part of an integrated approach to investment decision

making, rather than an issue in their own right. They therefore form part of the Trustee's investment strategy which is designed to improve member outcomes, and therefore the success of the Master Trust. The Trustee considers that the appropriate time horizon for the Master Trust to be 20 to 30 years. Accordingly, the Trustee considers these factors to be financially material for the lengths of time that are necessary for the funding of future benefits by the investments of the Master Trust.

Due to the way assets in the AVC section are invested, through insurance policies, the Trustee accepts that it has limited influence over the ESG policies and practices of the companies in which the funds invest and it has limited ability to take these factors into account in the selection, retention and realisation of investments. The Trustee will, therefore, rely on the policies and judgement of the insurance companies and will review these policies and review compliance against them on an annual basis.

The financially material considerations are taken into account in the selection, retention and realisation of investments as follows:

- (a) Selection of investments: The Trustee has undertaken an assessment of its principal and underlying Investment Managers to ensure that ESG factors, including climate change, are integrated into their investment processes. The Trustee will continue to monitor the Investment Managers continued consideration of ESG factors on an annual basis at this stage.
- (b) Retention of investments: The Trustee has a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the Investment Managers. This ensures that financially material considerations are considered beyond just the point of selection of investments.
- (c) Realisation of investments: At least annually, the Trustee will request information from its Investment Adviser and Investment Managers about how ESG considerations are taken into account in decisions to realise investments.

## **Stewardship**

In relation to the exercise of the rights (including voting rights) attaching to the investments and in undertaking engagement activities in respect of the investments, the Trustee has delegated the day-to-day management of the assets to investment managers.

The Investment Managers are expected and encouraged to evaluate ESG factors including climate change considerations. All the Investment Managers that make up the various investment options offered to members have had their ESG and stewardship policies assessed by the Trustee's Investment Adviser. The Trustee will continue to monitor the Investment Managers on an annual basis through its Investment Adviser to ensure that these policies are being maintained and adhered to. An assessment of ESG and stewardship will be a consideration when reviewing investment strategies and selecting new investment managers.

The Investment Managers will be responsible for maintaining their robust ESG and stewardship policies. This will include the exercising of voting rights, engagement with companies and organisations in which they invest and issues of corporate governance. Investment Managers are expected and encouraged to exercise voting rights and stewardship obligations attached to the investments in

accordance with these policies. To encourage this, the Trustee understands that PSDCC intends to become a signatory to:

- UN Principles of Responsible Investment (UNPRI), which is a set of best practice principles on responsible investment.
- The Financial Reporting Council (FRC) Stewardship Code, which is seen as the UK standard for good stewardship. It is perceived by many institutional investors as a minimum requirement and a stepping stone to improving stewardship in the UK.

As noted above, the Trustee has delegated the engagement activities in respect of the investments to the Investment Managers. The Trustee will consider proportionally engaging with relevant parties to improve the impact of engagement, when requested by the Investment Manager. Therefore in most circumstances, engagement with relevant persons (such as the issuers or holders of a debt or equity) will be by the Investment Manager. The circumstances in which the Trustee would monitor and engage, and method of engagement, would vary depending on the request made by the Investment Manager.

#### Non-financial matters

We expect members to be increasingly engaged with efforts to integrate ESG considerations. However, non-financial matters are not currently taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Master Trust.



## Appendix A: Responsibilities

### Trustee

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

- a) Determining the investment objectives of the Master Trust and reviewing these from time to time.
- b) Agreeing an investment strategy designed to meet the investment objectives of the Master Trust.
- c) Reviewing the content of this AVC SIP at least every three years and modifying it if deemed appropriate, in consultation with the Advisers.
- d) Assessing the quality of the performance and process of the investment fund range by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.
- e) Selecting pooled funds and/or insurance policies which are consistent with the investment strategy after consultation with the Advisers.
- f) Assessing the ongoing effectiveness of the Advisers.
- g) Consulting with the Sponsor when reviewing investment policy issues.
- h) Monitoring compliance of the investment arrangements with this AVC SIP on an ongoing basis.
- i) Informing the Advisers of any changes to Master Trust benefits and/or significant changes in membership.

### Investment Adviser

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

- a) Participating with the Trustee in reviews of this AVC SIP.
- b) Advising the Trustee how any changes within the Master Trust's benefits, membership and future demographic may affect the manner in which the assets should be invested.
- c) Advising the Trustee of any changes in the funds that could affect the interests of the Master Trust.
- d) Undertaking reviews of the Master Trust's investment arrangements in each of the AVC policies including the suitability of the fund, review of the current pooled funds and/or insurance policies and advising on the selection of new funds.



## Appendix B: AVC funds and benchmarks

AVC	Fund	Benchmark or objective
<b>Clerical Medical</b>	Balanced	The fund aims to achieve long-term capital growth by gaining exposure predominantly to UK and overseas equities with flexibility to gain a minority exposure to commercial property and fixed interest stocks.
	Cautious	The fund aims to achieve long-term capital growth by gaining exposure to UK equities, commercial property and fixed interest stocks. The fund will normally operate a broadly equal weighting between the equity and non-equity classes with flexibility to move over and under-weight positions in any asset class to meet market circumstances.
	Non-Equity	The fund aims to provide a long-term total return by gaining exposure almost exclusively to a range of commercial property, fixed interest and index-linked stocks.
	Retirement Protection	To broadly match the performance of those UK gilt edged stocks which influence market yields for pension annuity rates by investing totally in long-dated stocks.
	UK Growth	The fund invests via the Halifax UK Growth OEIC Fund. The UK Growth OEIC Fund to achieve long term capital growth by investing predominantly in a portfolio of companies which are part of the FTSE All Share Index (the "Index"). The Fund seeks to deliver performance, before deduction of management fees, in excess of the Index with a similar level of overall volatility, over the long term.
	UK Property	The fund aims to achieve long-term capital growth by investing mainly in UK properties. The core of the portfolio is concentrated on larger commercial and office properties.

AVC	Fund	Benchmark or objective
Baillie Gifford	Baillie Gifford Diversified Growth fund	The aim of the Fund is to deliver attractive long-term returns with lower volatility than equity markets by investing in a diversified portfolio of assets. The return target is at least 3.5% ahead of the UK base rate (net of fees) over rolling 5-year periods while limiting volatility to less than 10%.
	International	The Fund aims to achieve long-term capital growth by investing in equity and equity-related securities of companies worldwide.
Equitable Life	Pelican	The Fund aims to achieve long-term capital growth by investing in equity and equity-related securities of companies in the United Kingdom. The investment policy of the Fund is to invest primarily in equities and equity-related securities of companies that are constituents of the FTSE All Share Index.
	Money	The fund's investment objective is to preserve capital whilst aiming to provide a return in line with prevailing short-term money market rates. To achieve this objective, the assets of the Fund are invested with the principle of risk diversification predominantly in fixed and floating Sterling denominated Money Market Instruments and in deposits with credit institutions, including but not limited to, fixed-term deposits at financial institutions, certificates of deposit, commercial paper, medium-term notes, short-term treasury bills, floating rate notes, asset backed securities, ABCPs, call and notice accounts. The Fund's investment in securities is limited to those with a residual maturity not exceeding 397 days. The Fund's investment has a Weighted Average Maturity (WAM) that does not exceed 60 days and a Weighted Average Life (WAL) that does not exceed 120 days.



AVC	Fund	Benchmark or objective
	UK FTSE All Share Tracker	The Fund aims to achieve long term capital growth and to produce a return that, before charges and expenses, matches the total return of the FTSE All Share Index.
Legal & General	Cash	To provide capital protection with growth at short-term interest rates. The fund invests in the short-term money markets such as bank deposits and Treasury Bills. Notes: A. The fund does not invest in any asset types where the capital value can fall, such as fixed interest securities. The value of the fund's assets would only fall if a deposit holder or the UK Government were unable to meet their obligations. B. If the interest earned by the fund's assets is insufficient to cover the fund management charge and any additional fund expenses, the unit price will fall.
	Equity	To maximise returns by investing in a broad mix of mainly UK shares.
	Ethical	To track the return of the FTSE 350 Index (after adjustment for charges and tax), not including companies who don't comply with a range of ethical and environmental guidelines.
	Fixed Interest	To maximise returns by investing in UK Government stocks and other readily marketable fixed interest securities. The fund may also include stocks of overseas governments and companies.
	Global Equity 70:30 Index	To capture the returns of the UK and overseas stock markets as represented by the FTSE All-Share Index for the UK and the FTSE All-World ex UK Index for overseas stock markets. The fund will be split approximately 70% to the FTSE All-Share Index and 30% to the FTSE All-World ex UK Index.

AVC	Fund	Benchmark or objective
	Managed	To seek steady long-term growth, whilst at the same time safeguarding the fund against excessive risks. It invests mainly in UK and international shares, but also has some exposure to fixed interest securities, UK commercial property and cash, thereby offering a more diversified investment than a pure equity fund.
	North American	To provide the potential for long-term growth by investing in North American shares.
	Property	To get the best return from a portfolio of first-class freehold and leasehold interests in commercial and industrial property. This includes industrial warehouse buildings, shopping units and office blocks. It is also permitted to invest up to 15% in other external property funds in order to take advantage of investment opportunities in niche or specialist sections.
	UK Equity Index	To track the return of the FTSE All-Share Index (after adjustment for charges and tax) by investing in UK shares. In order to accurately track this index the fund will invest in a representative sample of holdings.
	UK Recovery	To provide the potential for long-term growth by investing in a concentrated portfolio of UK and European shares. The fund will invest in companies considered to be undervalued due to their special situation, such as recovery action, management change, refinancing activity or undervalued strategic assets.
	UK Smaller Companies	To seek to maximise capital growth from a portfolio of UK securities consisting largely of smaller companies selected from all economic areas. The fund primarily invests in companies which comprise the lowest 10% by capitalisation of the UK equity market.

## **Appendix 1: The Trustee Directors of the Punter Southall Aspire Pension Trust Company Limited, the Trustee of the AST**

### **Independent Trustees Limited – Dianne Day (Chair from April 2020)**



Dianne joined Independent Trustee Services Limited in 2015. As a specialist in Defined Contribution pension schemes, Dianne has served as independent chair or member on a range of trustee boards and committees. Her portfolio includes occupational trusts, a master-trust and an Independent Governance Committee, most of which cater for auto-enrolled members.

Before trusteeship, her executive career was spent in investment management roles, where she led several high-profile change projects involving stakeholder relationships with members, employers, consultants and regulators.

She has a particular interest in the development of effective member and employer communications to improve contributions and adequacy for DC member outcomes. Dianne is Chair of the Trustee Board.

### **Angus Samuels**



Angus Samuels has over thirty years' experience in the financial services industry.

Angus started his career in South Africa as a stockbroker, and was a partner in Fergusson Bros, Hall Stewart & Co., a leading firm of South African stockbrokers, before emigrating to the UK in 1986.

Angus has held a number of senior positions in the investment industry in the UK and South Africa. Earlier in his career Angus was Chief Executive of Sanwa Asset Management Limited and Credit Suisse Asset Management. In 1999 Angus was transferred to South Africa as Chief Executive of Sanlam Investment Management Ltd, the investment arm of Sanlam Ltd, the country's second largest financial services group and asset manager.

Angus returned to the UK in 2003 as Chairman of Punter Southall Group Limited a UK based financial services group with over 800 employees, comprising Punter Southall Limited (consulting actuaries), PSFM Limited (Independent Financial Advisers regulated by the FCA), Punter Southall Aspire Limited, Punter Southall Health & Protection Consulting Ltd and PSigma Investment Management (an FCA regulated specialist wealth manager with over £2.4bn under management).

Angus holds a number of other non-executive directorships including Sanlam Private Wealth Holdings Limited, Sanlam Investment and Pensions Limited, Sanlam Wealth Planning Limited and Nucleus Financial Group Limited.

## **Appendix 1: The Trustee Directors of the Punter Southall Aspire Pension Trust Company Limited, the Trustee of the AST (continued)**

### **Steve Carrodus (Chair to April 2020)**



Steve has over 40 years' experience in the corporate pension and employee benefit market and has been involved in trusteeship work since 1991. He has worked for a number of major pension consulting firms and was involved in the formation of a new consultancy in the late 1980's.

For much of his career Steve has been advising medium sized pension funds on all areas relating to the setting up and running of pension schemes and indeed in some cases in the winding up. Steve has a good understanding of investment issues and served as a member of the investment committee of one consulting firm for a number of years. This wealth of experience is of assistance in the trustee context to ensure that advisers are challenged, and their advice is fully understood by all trustees.

Steve headed up a regional office of one major consulting firm for over 10 years and therefore has experience of business management which enables an understanding of the employer's position in relation to pension issues.

Steve served for four years on the Council of the Pensions Management Institute, during which time he served on a number of the Institute Committees. Steve has also been involved in speaking at a number of technical seminars for clients and at trustee training courses. Recent experience includes trusteeship of DC master trusts and membership of Independent Governance Committees.

Steve retired at the end of April 2020.

### **Steve Longworth (Representing PTL Governance from April 2020)**



Steve joined PTL in January 2020 and has more than 25 years' experience in pensions having spent time on both trustee and corporate clients at several pension consultancies. Steve is a qualified actuary and most recently worked for KPMG, but previously for PwC, Deloitte and Mercer.

He brings a wealth of experience and knowledge, gained from dealing with the full breadth of pensions issues across a diverse range of schemes. His experience from working on numerous projects has brought him into contact with a wide variety of pension schemes, ranging in size from less than £10 million to more than £1 billion.

Steve is a trustee on several pension schemes including schemes which are in the process of being wound up.