

# Workers Pension Trust

## Statement of Investment Principles

September 2019

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# 1 Introduction

This Statement of Investment Principles ("the Statement") has been prepared by Workers Pension Trust Ltd (hereinafter referred to as the "Trustee") as Trustee of the Workers Pension Trust ("the Trust") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Trust and the activities undertaken by the Trustee to ensure the effective implementation of these principles. It is the sixth such Statement prepared for the Trust.

In preparing the Statement, the Trustee has:

- Obtained and considered written advice from a suitably qualified individual, employed by its investment consultants, Mercer a trading name of JLT Benefit Solutions Limited, whom it believes to have a degree of knowledge and experience that is appropriate for the management of the Trust's investments; and
- Consulted with the Principal Employer, although the Trustee affirms that no aspect of this strategy is restricted by any requirement to obtain the consent of Construction First Ltd, as Principal Employer.

The advice and the consultation process considered the suitability of the Trustee's investment policy for the Trust.

The Trustee will review the Statement formally at least every three years to ensure its ongoing suitability. Furthermore, the Trustee will review the Statement following any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Principal Employer.

## 2 Investment Responsibilities

### 2.1 Trustee's duties and responsibilities

The Trustee is responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The Trustee carries out its duties and fulfils its responsibilities as a single body. It has considered establishing an investment sub-committee but has decided not to do so, as each of the Trustee Directors wish to contribute directly to the formulation of investment policy and to the monitoring of the Trust's investment managers. Moreover, the trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustee include, but are not limited to, the following tasks and activities:

- Setting of investment objectives and formulating investment strategy
- Selecting member fund choices
- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment advisers
- The compliance of the investment arrangements with the principles set out in the Statement

### 2.2 Investment adviser's duties and responsibilities

The Trustee has appointed Mercer as the independent investment adviser to the Trust. Mercer provides investment advice as required by the Trustee, as well as raising any investment-related issues, of which it believes the Trustee should be aware. Matters on which Mercer expects to provide advice to the Trustee include the following:

- Setting of investment objectives
- Determining investment strategy, asset allocation and structure
- Advising on appropriate member fund choices
- Framing manager mandates
- Selecting and replacing investment managers

The Trustee may seek advice from Mercer with regard to tactical investment decisions (such as deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market). However, the Trustee recognises that it retains responsibility for all such decisions and notes that it does not expect to take tactical investment decisions in the normal course of events.

Mercer monitors the performance of the Trust's investment managers against their benchmarks. In addition, Mercer is responsible for reviewing the information on total fund costs provided by the investment manager on a quarterly basis and communicating any changes to the Trustee.

Mercer will also advise the Trustee of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Trust is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet its long term objectives. If the investment manager and fund are not covered by Mercer's manager research process, Mercer will advise the Trustee accordingly.

Mercer is remunerated on a fee basis for the investment advice it provides and does not receive any commission in relation to the Trust. The Trustee is satisfied that the investment arrangements, including the charging structure, are clear and transparent.

Both Mercer and the individual investment consultants who advise the Trustee are authorised and regulated by the Financial Conduct Authority ("FCA").

## 2.3 Investment managers' duties and responsibilities

The Trustee, after considering appropriate investment advice, has appointed a professional, authorised investment manager to manage the assets of the Trust.

Details of the manager's mandate and annual management charges applied by the investment manager are set out in Appendix 2.

The Trustee has decided to offer pooled funds to members to simplify governance and administration. Further, having regards to the size of the Trust, pooled funds provide greater diversification than would be possible using segregated funds.

The Trustee considered a range of active and passive approaches to investment management and assessed these against its investment objectives. The Trustee selected an investment manager having regard to its ability to provide one or more of the identified fund types and its potential to meet the investment objectives of the fund. Before selecting any investment manager, the Trustee ensures that appropriate due diligence is carried out.

The investment manager is responsible for all decisions concerning the selection and de-selection of the individual stocks within the portfolio it manages. The investment manager is also responsible for providing information on the total cost of each investment fund to the investment adviser and the Trustee on a quarterly basis.

In the case of multi-asset and multi-manager mandates, the investment manager is responsible for all decisions concerning the allocation to individual asset classes and to the underlying investment manager, as well as changes in the allocations to individual asset classes and to the underlying investment managers.

The investment manager engaged by the Trustee is authorised and regulated by the FCA.

The investment manager is remunerated by ad valorem charges based on the value of the assets that it manages on behalf of the Trust. These charges are set out in Appendix 2. The Trustee believes that this is the most appropriate basis for remunerating the manager.

## 2.4 Summary of responsibilities

A summary of the responsibilities of all relevant parties, in so far as they relate to the Trust's investments, is set out at Appendix 4.

## 3 Investment Objectives

### 3.1 Overall Investment Objectives

The Trustee's main objective is to provide members with an investment strategy aligned to their needs that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustee is mindful of its responsibility to provide members with an appropriate range of investment funds and a suitable default strategy. It recognises that in a defined contribution arrangement, members assume the investment risks themselves and that members are exposed to different types of risk at different stages of their working lifetimes.

Details of the approach the Trustee has taken to meet these investment objectives are set out in Section 4.

The Trustee has determined its investment policy in such a way as to address the risks set out in Section 7 of this Statement. To help mitigate the most significant of these risks, the Trustee has:

- Made a lifestyle strategy available as a default option, which transitions members' investment from higher risk investments to lower risk investments as members approach retirement, and
- Offered a range of self-select fund across asset classes.

When deciding on the investment options available to members, the Trustee took into account the expected return on such investments and was mindful to offer a range of funds with varying levels of expected returns for members to choose from.

When it comes to realisation of investments, the Trustee considers the impact of transaction costs before making any changes.

The Trustee will review the investment approach from time to time, and make changes as and when it is considered to be appropriate.

In considering appropriate investments for the Trust, the Trustee will obtain and consider written advice from Mercer, whom the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995, as amended.

The items set out in this Statement are in relation to what the Trustee deems as 'financially material considerations' both for the self-select fund choices of the Trust and the default strategy. The Trustee believes the appropriate time horizon over which to assess these considerations should be based on an individual member's expected membership period. This would be dependent on the members' age and when they expect to retire. It is for this reason that the default is a lifestyle strategy.

### 3.2 Self-Select Fund Choices

Members can opt out of the default option and can choose to invest in self-select funds instead. The range of investment options covers multiple asset classes and allows members to achieve adequate diversification, and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

Further information on the self-select funds available to members is set out in Section 5.

The Trustee will continue to keep the fund range under review, and will make changes if appropriate.

### **3.3 Types of investments to be held**

The Trustee is permitted to invest across a wide range of asset classes. All of the funds in which the Trust invests are pooled and unitised. Details of each fund can be found in Appendix 2.

### **3.4 Additional Contributions**

The Trust provides a facility for members to pay additional contributions to enhance their benefits at retirement. Members are offered the opportunity to invest additional contributions in the same way as the main scheme investments.



## 4 Default Investment Strategy

The default option for the Trust will be the WPT Lifestyle Strategy.

Members can opt out of the WPT Lifestyle Strategy and alternative options are described in Section 5.

In determining the investment strategy for the WPT Lifestyle Strategy, the Trustee undertook extensive investigations and has received formal written investment advice from Mercer.

In order to deal with the risks identified in Sections 7 of this Statement, the Trustee has structured the investments of the WPT Lifestyle Strategy as follows:

Type of risk	Investment vehicle	Approach
Investment return	WPT Growth Fund	Global Equity fund
Market volatility risk	WPT/ WPT - E Volatility Reduction Fund	Bond fund
Lump sum	WPT Capital Protection Fund	Liquidity fund
Market switching	All above	15 yearly transition with quarterly switching

Further information is set out below.

### 4.1 Lifestyle Transition Strategy

The Trustee has set the Trust's investment strategy taking into consideration the requirements of the 2014 Budget and the Finance Act 2014. Changes that came into force in April 2015 removed the requirement for members of Defined Contribution schemes to purchase an annuity at retirement.

Members are able to buy an annuity at retirement, should they so wish, and also have an option of taking up to 100% of their funds as cash, part of which would be subject to their marginal tax rate. Members are also able to take a transfer value of their fund in order to benefit from further flexibilities such as the ability to be able to drawdown their investments over a period of time.

The Trustee has assumed responsibility for setting an investment strategy that provides a broad level of protection against the key risks identified above. To do this requires a transition of investments from growth assets into protection assets as a member approaches Normal Retirement Age – this is known as a lifestyle transition strategy.

An initial 'Foundation phase' is utilised for members below the age of 30. The use of a Foundation stage was driven by the desire to encourage a savings habit for younger members, and the view that saving could be discouraged if significant losses were experienced in early years. Equally, the size of members' accumulated funds is relatively small at young ages and therefore the amount of investment risk taken has a relatively limited impact on the final size of the accumulated fund.

From the age of 30 the member's assets are invested in the WPT Growth Fund.

From the age of 50, the member's assets are then gradually switched to a combination of the WPT Volatility Reduction Fund and the WPT Capital Protection Fund as a member approaches Normal Retirement Age.

The WPT Volatility Reduction Fund for WPT members aims to provide some form of investment growth with lower volatility compared to equities. As a member approaches retirement a larger proportion of their assets are invested into the WPT Capital Protection Fund to protect the nominal value of the member's assets.

The use of a lifestyling strategy, helps to reduce Market Switching Risk. In particular, the transition from growth assets to protection assets is undertaken on a quarterly basis over a fifteen year period so that little reliance is placed on market conditions on any one transition date.

Furthermore, no negative switching is permitted during the transition period – for example during the period from age 50, the transition approach does not permit the sale of protection assets and re-purchase of growth assets if the value of growth assets has fallen relative to the value of protection assets.

More details of the asset transition process are set out in Appendix 1.

In summary, by investing in the manner outlined above, the Trustee expects to deliver growth over the member's lifetime within the Trust without excessive risk taking, with an increased focus in the final fifteen years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustee considers this approach to be in the best interests of relevant members and relevant beneficiaries.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustee considers to be financially material considerations in relation to the default investment strategy. The Trustee believes that the appropriate time horizon over which to assess these considerations should be based on an individual member's expected membership period. This would be dependent on the members' age and when they expect to retire.

Taking into account the demographics of the Trust membership and the Trustee's views of the benefits members will take at retirement, the Trustee believes that the current default is appropriate. The Trustee will continue to review this over time, at least triennially, or after any significant changes to the Trust's demographic, if sooner. A list of triggers has been compiled, which will instigate a review of the Trusts' investments at regular intervals. The list is as follows:

- Over / Under performance of funds
- Introduction of new investment vehicles
- Changes to any Fund Manager
- Changes to, or new information in relation to fund charges
- Changing retirement trends
- Trends in retirement decisions
- Ad-hoc external factors e.g. budget changes

The above list is indicative, not exhaustive.

## 4.2 WPT Growth Fund

In determining appropriate investments for the WPT Growth Fund, the Trustee has set an objective to maximise the potential for investment growth, subject to an appropriate level of investment charge.

The WPT Growth Fund currently invests solely in LGIM's Global Equity Fixed Weights (50:50) Index Fund. This fund has a 50% UK allocation, with the 50% overseas allocation being broadly split in equal thirds between US, Europe and Asia Pacific.

The Trustee notes that a 50% allocation to the UK reflects the currency of the members' benefits, whilst the equal allocation to the overseas markets provides a reasonable level of diversification away from the UK, but not biased towards one particular region.

The Trustee will continue to monitor the suitability of this approach and the use of LGIM's Global Equity Fixed Weights (50:50) Index Fund and will make changes if appropriate.

### 4.3 WPT Volatility Reduction Fund

In determining appropriate investments for the WPT and WPTE Volatility Reduction Funds, the Trustee has set an objective to provide some form of investment growth with lower volatility compared to equities. The latter fund was transferred from the Construction Pension Scheme Northern Ireland and is available to former members of that scheme.

The Trustee has agreed to invest both the WPT and WPTE Volatility Reduction Fund assets split equally between LGIM's Under 15 Year Index Linked Gilt Fund and LGIM's All Stocks 6A Corporate Bond Fund.

The use of the Under 15 Year Index Linked Gilt Fund provides some protection against higher than expected inflation, whilst the All Stocks 6A Corporate Bond Fund should over the long term provide a higher return than investing in cash or Government securities.

The Trustee will review the use of the WPT Volatility Reduction Fund from time to time and make changes if appropriate.

### 4.4 WPT Capital Protection Fund

In determining appropriate investments for the WPT Capital Protection Fund, the Trustee has set an objective to reduce the risk of falls in the capital value of a member's investments.

The Trustee has agreed to invest the WPT Capital Protection Fund's assets in LGIM's Sterling Liquidity Fund.

This fund invests across a range of high quality money market instruments. These will largely be invested in commercial banks and therefore the capital value cannot be guaranteed. However, because of the conservative manner in which the fund is managed by LGIM, the diversification within the fund and the high quality of the investments, the risk of capital reduction is relatively low.

The principal investment objective of the Sterling Liquidity Fund is to provide capital stability, liquidity and diversification while providing a competitive level of return and it is measured against the 7 Day LIBID rate. This type of fund helps to protect members against "lump sum" risk.

### 4.5 Members' Best Interests

The Trustee will carry out an investment review triennially or following any significant change in membership, covering not only the performance of the default strategy, but also its design to ensure that it continues to remain appropriate for the membership profile. This is in addition to more regular performance monitoring, which takes place quarterly. The Trustee will evolve the strategy in line with the Trust membership characteristics so that assets are invested in the best interests of the members in the default investment strategy.

## 5 Self-Select Fund Choices

Members can opt out of the WPT Lifestyle Fund and have the option to invest in the WPT Growth Fund, the WPT Volatility Reduction Fund and the WPT Capital Protection Fund on a stand-alone basis.

The Trustee has also made available the WPT Annuity Protection Fund and the WPT Diversified Fund. WPT members also have the option of investing in the WPT Index Linked Gilt Fund.

The WPT Annuity Protection Fund exists to reduce the annuity rate risk for members wishing to purchase an annuity at retirement.

The Trustee has agreed to invest the WPT Annuity Protection Fund assets in the Pre-Retirement Fund (PRF) managed by Legal and General Investment Management (LGIM). The PRF aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product and its investments are regularly reviewed by LGIM. The Trustee will review the use of the PRF from time to time and make changes if appropriate.

The WPT Index Linked Gilt Fund currently invests in LGIM's over 5 Year Index Linked Gilt Fund and is available to former members of the Construction Pension Scheme Northern Ireland.

In making available the WPT Diversified Fund, the Trustee is aware that DC members carry investment risk themselves and that the use of Diversified Growth Funds (DGFs) would give greater protection against capital falls than equities and can be very beneficial to the member's investment experience.

DGFs typically aim to provide equity like returns (typically taken as LIBOR plus around 3.5% to 4.0% net of fees) over the long term, but with a lower volatility than an investment in equities. That is, DGFs are trying to achieve a similar long term target return to equities but with lower fluctuations in value along the way.

The Trustee has agreed to invest the assets of the WPT Diversified Fund into the LGIM Diversified Fund. The Trustee considered a range of approaches, and decided that this fund met its investment objectives.

The LGIM Diversified Fund is a type of DGF, holding between 20% and 50% in bonds and the remaining 50% to 80% is held in a range of assets which may include equities, bonds, property, commodities and listed infrastructure, private equity and global real estate companies. The exposure to each asset class will primarily be through investing in passively managed funds, although active management may be used for some asset classes where LGIM believes there is an advantage in doing so. The Fund aims to provide long-term investment growth through exposure to a diversified range of asset classes.

The Trustee will continue to keep the fund range under review, and also the suitability of this type of investment approach for the WPT Diversified Fund and make changes to this approach if appropriate.

## 6 Responsible Investing

### 6.1 Financially Material Considerations

The Trustee considers many risks which it anticipates could impact the financial performance of the Trust's investments. In considering the appropriate time horizon over which such issues should be considered, the Trustee believes these should be viewed at a member level. Such risks are set out in the next section of this statement.

The Trustee recognises that environmental, social and corporate governance ("ESG") factors, such as climate change, can have a financially material impact over the investment risk and return outcomes of the Trust's portfolio and it is therefore in members' best interests that these factors are taken into account within the investment process.

The Trustee further recognises that investing with a manager who approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustee would seek to invest in funds which incorporate ESG principles.

The Trustee notes that the Trust's assets are currently held with Legal and General Investment Management. The Trustee is satisfied that the manager takes an active approach to voting and engaging with the companies in which it invests, to encourage long term, responsible corporate behaviour.

The Trustee is in the process of reviewing the investment strategy for the Trust, and as part of this review is considering how to further incorporate ESG principles within both the WPT Lifestyle Strategy and the optional funds available to members.

The Trustee aims to complete the review of investment strategy within three to six months. Once the review is completed, the Trustee will communicate the outcome of the review to members, and will also update this Statement.

The Trustee also undertakes a review of the SIP on an annual basis, and as part of that review will include an annual review of ESG considerations to make sure that its policy evolves in line with emerging trends and developments.

The Trustee is therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

### 6.2 Non-Financial Matters

The Trustee has determined that the financial interests of the Trust's members are the first priority when choosing investments.

They have sought members' views on ESG issues, and as part of the ongoing strategy review, will consider non-financial matters, such as ethical views, and whether to actively seek members' preferences on non-financial matters when setting the investment strategy for the Trust.

The Trustee will also review the policy on non-financial matters at future reviews of this Statement.

### 6.3 Stewardship Policy

The Trust is invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment manager and expects the investment manager to use its discretion to act in the long term financial interests of investors.

If the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee would exercise its right in accordance with what it believes to be in the best interests of the majority of the Trust's membership.

## 7 Risk

The Trustee is aware, and seeks to take account, of a number of risks in relation to the Trust's investments, including those set out below. Under the Pensions Act 2004, the Trustee is required to state its policy regarding the ways in which risks are to be measured and managed. These are also set out below.

### Solvency risk and mismatching risk

- Solvency risk is not directly relevant to a DC scheme.
- Mismatching risk is addressed by the use of Protection Funds as described within this Statement as a member nears Normal Retirement Age.

### Manager risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by investing the majority of the Trust's assets with a passive investment manager whose aim is to track the benchmark, by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process through the quarterly performance updates received by the Trustee, together with information and explanation from the investment manager and from Mercer if performance is not in line with expectations.

### Investment Return Risk

- The risk is that a member is not invested in those asset classes that are expected to generate the highest returns over the long run.
- To manage this risk the Trustees make available a range of funds across various asset classes, and within the default strategy make use of the WPT Growth Fund, which is an equity based fund, for the accumulation phase.

### Pension Conversion Risk

- This is the risk that a member is invested in a strategy that does not reflect the way in which they intend to access their savings at retirement.
- The Trustee makes available a range of funds which enable members to manage this risk.
- The Trustee will review the default strategy at least triennially to assess whether the targeted destination remains appropriate.

### Lump Sum Risk

- The risk is that, when close to retirement, a member has invested the part of his/her fund that will be used to provide a lump sum in those asset classes (every type except cash), which are subject to volatility in capital-value terms.
- To manage this risk the investments within the default lifestyle strategy transition to the WPT Capital Protection Fund as a member approaches their normal retirement age.

## Market Switching Risk

- The risk arises if there is to be switching between investment vehicles. The risk is that large investment switches are made at one point in time, thereby unnecessarily exposing members to unfavourable market pricing on a particular day.
- This risk is managed by de-risking switches being undertaken on a quarterly basis over a 15 year transition period within the default lifestyle strategy.

## Inflation Risk

- This is the risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).
- To manage this risk the Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation.

## Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- The members have exposure to currency risk through the WPT Growth Fund. This exposure is managed by reducing and removing the WPT Growth Fund allocation towards a member's chosen retirement age and by making available a range of alternative funds for members to choose to invest in.

## 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.
- The assessment of credit risk on individual debt instruments is the responsibility of the investment manager.
- The Trust invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.
- The Trust's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager and the regulatory environments in which the investment manager operates.

## Liquidity risk

- This is monitored according to the level of cash flows required by the Trust over a specified period.
- It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.



### Political risk

- This is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

### Corporate governance risk

- This is assessed by reviewing the Trust's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustee from time to time.

### Sponsor risk

- This is not directly relevant for a DC scheme in relation to the benefits of individual members, as these are derived from the value of the member's accumulated fund.
- However, it is relevant in terms of the level of ability and degree of willingness of the sponsor to support the continuation of the Trust.
- This risk is mitigated by the Trustee maintaining a reserve account, which can be used to manage the Trust's orderly wind up in the event of the Sponsor being unable to provide continued support.

### Other price risk

- This is the risk that principally arises in relation to the return seeking assets such as equities.
- The members have exposure to other price risk through the WPT Growth Fund within the default strategy. This exposure is managed by reducing and removing the WPT Growth Fund allocation towards a member's chosen retirement age and by making available a range of alternative funds for members to choose to invest in.

### ESG Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Trust's assets.
- The Trustee manages this risk by investing with a well-respected investment manager which takes an active approach to engaging with and influencing its investee companies and by a regular review of ESG considerations to make sure that the Trustee's policy evolves with emerging trends and developments.

## 8 Monitoring of Investment Adviser and Manager

### 8.1 Investment adviser

The Trustee continually assesses and reviews the performance of its adviser in a qualitative way.

### 8.2 Investment manager

The Trustee receives quarterly information from the investment manager to assess whether the Trust's investments are performing in line with expectations.

The Trustee reviews investment manager performance at each Trustee meeting, and requests advice from Mercer where there are questions or concerns.

Mercer will advise the Trustee of any significant developments of which it is aware relating to the investment manager, or funds managed by the investment manager in which the assets of the Trust are invested, such that in Mercer's view there exists a significant concern that these funds will not be able to meet their long term objectives.

## 9 Code of Best Practice

The Pensions Regulator's code on standards for DC schemes came into effect in November 2013 as part of a wider initiative to improve governance and member outcomes for DC schemes. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places a greater emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustee. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase>

When formulating their investment policy, the Trustee has acted in line with the Code of Practice 13.

# 10 Compliance

The Trust's Statement of Investment Principles is available on its website: <https://workerspensiontrust.co.uk/>.  
The annual report and accounts is available to members on request.

A copy of the Trust's current Statement plus Appendices is also supplied to the Principal Employer, the Trust's auditors and administrators.

This Statement of Investment Principles, taken as a whole with the Appendices was approved by the Trustee on .....

Signed on behalf of the Workers Pension Trust Limited

WA. Doran

John Armstrong

On

25-09-2019

25-09-2019

Full Name

WILLIAM A DORAN

JOHN R ARMSTRONG

Position

TRUSTEE DIRECTOR

TRUSTEE DIRECTOR

## Appendix 1: Lifestyle Transition Strategy

The table below sets out some of the key stages of the lifestyling transition for the WPT Lifestyle Strategy.

Age	WPT Growth Fund	WPT/ WPT- E Volatility Reduction Fund*	WPT Capital Protection Fund
30 and below	50.0%	0.0%	50.0%
31	75.0%	0.0%	25.0%
32 to 49	100.0%	0.0%	0.0%
50	100.0%	0.0%	0.0%
51	96.0%	4.0%	0.0%
52	92.0%	8.0%	0.0%
53	88.0%	12.0%	0.0%
54	84.0%	16.0%	0.0%
55	80.0%	20.0%	0.0%
56	69.0%	26.0%	5.0%
57	58.0%	32.0%	10.0%
58	47.0%	38.0%	15.0%
59	36.0%	44.0%	20.0%
60	25.0%	50.0%	25.0%
61	20.0%	40.0%	40.0%
62	15.0%	30.0%	55.0%
63	10.0%	20.0%	70.0%
64	5.0%	10.0%	85.0%
65	0.0%	0.0%	100.0%

\* The WPT Volatility Reduction Fund was transferred from the Construction Pension Scheme Northern Ireland and is used for former members of that scheme.

It has also been agreed that:

- Switches will be implemented on a quarterly basis
- No negative switching will be permitted

The Trustee will review the suitability of the above and will make changes if appropriate.

## Appendix 2: Investment Manager Information

The Trust invests with Legal and General Investment Management ("LGIM").

The Trustee monitors the suitability of the funds used on an ongoing basis and make changes as they consider appropriate.

The table below shows the details of the mandate(s) with the manager:

### Investment funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency	Annual investment management fees <sup>1</sup>	Additional Ongoing charges <sup>5</sup>
<b>WPT Growth Fund</b>					
LGIM Global Equity (50:50) Index Fund	Composite Index of 50% UK equities and 50% overseas equities	To track the benchmark	Daily	0.145% p.a.	0.02% p.a.
<b>WPT/ WPT-E Volatility Reduction Fund<sup>2</sup></b>					
50% LGIM Under 15 Year Index Linked Gilt Fund and 50% LGIM All Stocks 6A Corporate Bond Fund	50% FTSE A Index-Linked (Under 15 Year) Index and 50% Markit iBoxx £ Non-Gilts (ex-BBB) Index	To track the benchmark	Daily	0.125%p.a.	nil
<b>WPT Capital Protection Fund</b>					
LGIM Sterling Liquidity Fund	7 Day LIBID	The principal investment objective of the Sterling Liquidity Fund is to provide capital stability, liquidity and diversification while providing a competitive level of return	Daily	0.110% p.a. (Discount Applied)	0.01% p.a.
<b>Additional Freestyle Funds</b>					
<b>WPT Diversified Fund</b>					
LGIM Diversified Fund	FTSE Developed World Index (50% hedged to GBP),	To provide long-term investment growth through exposure to a diversified range of asset classes.	Daily	0.30% p.a.	0.03% p.a.
<b>WPT Annuity Protection Fund</b>					
LGIM Pre-Retirement Fund <sup>3</sup>	A composite of gilts and corporate bond funds that will vary	The Fund aims to provide diversified exposure to assets that reflect the	Daily	0.15% p.a.	nil

over time according to the appropriate asset mix. investments underlying a typical traditional level annuity product.

**WPT Index Linked Gilt Fund<sup>4</sup>**

Index Linked Gilt Fund - LGIM Over 5 Year Index-Linked Gilt Fund	FTSE A Index-Linked (over 5 year) Index	To track the benchmark	Daily	0.10% p.a.	nil
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<sup>1</sup> These are LGIM's Annual Management Charges, which are met by the Trustee from the scheme administration charges paid by members.

<sup>2</sup> The WPT Volatility Reduction Fund was transferred from the Construction Pension Scheme Northern Ireland and is available to former members of that scheme.

<sup>3</sup> The PRF aims to invest in assets that reflect the investments underlying a typical non-inflation linked pension annuity product. The benchmark is the current position, which will be reviewed from time to time by LGIM and may be subject to change.

<sup>4</sup> The WPT Index Linked Gilt Fund is available to former members of the Construction Pension Scheme Northern Ireland.

<sup>5</sup> Additional ongoing charges may vary from time to time.

The figures above exclude fund transaction costs, which will vary from year to year. Details of these are included in the Chair's annual statement.

## Appendix 3: Responsibilities of Parties

### Trustee

The Trustee's responsibilities include the following:

- Reviewing at least triennially and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Appointing the Investment Managers
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the Principal Employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

### Investment adviser

The Investment Adviser's responsibilities include the following:

- Participating with the Trustee in reviews of the Statement of Investment Principles
- Production of quarterly independent performance monitoring reports
- Advising of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Trust is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet its long term objectives. If the investment manager and fund are not covered by Mercer's manager research process, Mercer will advise the Trustee accordingly
- Updating the Trustee on changes in the investment environment, and advising the Trustee, at its request, on how such changes could present either opportunities or problems for the Trust
- Undertaking project work, as requested, including:
  - » Reviews of asset allocation policy and fund range; and
  - » Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodian
- Reviewing the information on total fund costs provided by the investment manager on a quarterly basis and communicating any changes to the Trustee

### Investment manager

The Investment Manager's responsibilities include the following:

- Providing the Trustee on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios
- Informing the Trustee of any changes in the internal performance objectives and guidelines of any pooled fund in which the Trust is directly invested as and when they occur



- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments
- Providing information on the total cost of each investment fund to the investment adviser and the Trustee on a quarterly basis.

### **Administrator**

The Administrator's responsibilities include the following:

- Ensure members' contributions are invested/disinvested appropriately, including ensuring that the Lifestyle Transition Strategy is implemented in accordance with the Trustee's instructions
- Drawing down funds appropriately and paying benefits to members in accordance with instructions

### **Custodian**

The Custodian's responsibilities within the pooled funds include the following:

- The safekeeping of the assets of the Trust
- Undertaking all appropriate administration relating to the Trust's assets
- Processing all dividends and tax reclaims in a timely manner
- Dealing with corporate actions

