



## **Pension and Life Assurance Scheme Trustee Limited**

### **Chair's Statement for the Archant Pension and Life Assurance Scheme (the "Scheme")**

#### **1. Introduction**

As Trustee Chairman, I am pleased to provide you with an annual statement which explains what steps have been taken by the Trustee Board, with help from our professional advisers, to meet the governance standards that apply to Defined Contribution (DC) arrangements.

Following Nick Schiller's resignation as Chair of the Trustee Board with effect from 9 November 2018, the Trustee Board elected me, Adrian Kennett (representing Dalriada Independent Trustees), to be Chair until further notice. Nick was a valued Trustee and later Director of the Trustee Company for 12 years and Chair for ten years. The Trustee Directors will miss his expertise, experience and integrity.

I welcome this opportunity to explain what the Trustee does to ensure the Money Purchase arrangements in the Scheme are effectively run.

The statement has been prepared in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Administration Regulations"). The Trustee has also considered the July 2016 update to the DC Governance Code of Practice when preparing this statement.

The statement relates to the Money Purchase section of the Scheme and the Additional Voluntary Contribution ("AVC") and Money Purchase Top-Up ("MPTU") funds within the Final Salary section of the Scheme.

The Money Purchase section of the Scheme closed on 31 December 2012 and therefore has deferred members only. The Final Salary section closed to new entrants in February 1998 and to future accrual on 31 May 2016. The Final Salary section therefore, also has deferred members only. There have been no Money Purchase, MPTU contributions or AVCs paid into the Scheme since 31 May 2016.

#### **2. Default Arrangements**

The default arrangements are provided for members who are in the Money Purchase arrangements but do not choose an investment option, or have actively chosen the default option. During the past Scheme year the Trustee, together with its investment advisers, KPMG, has undertaken a review of the investment choices offered to members with Money Purchase funds.

Investment powers should be exercised so as to ensure the security, quality, liquidity and profitability of the portfolio.

The Trustee and its advisers invested considerable time and effort in this process and have secured a competitive price in the market, with the aim of implementing a strategy which improves outcomes for members.

The review focused, in particular, on the extent to which the return on investments relating to the default arrangements (after deduction of any charges which are relevant to those investments) is consistent with the Trustee's aims and objectives in respect of the default arrangements (as recorded in the Statement of Investment Principles).

The Trustee also consulted with Archant Limited as the sponsoring employer in formulating the investment strategies and deciding on the suitability of the products. The following information was considered:

- risk management and measurement including consideration of diversified portfolios of underlying assets and a mix of actively and passively managed funds;
- the use of funds to reduce volatility or temporarily over-priced assets;
- the appointment of investment managers and restrictions placed on managers in relation to the allocation of assets, credit limits; and
- the use of asset classes and the investment aims of the relevant funds

When choosing the new default funds, the Trustee considered the choices made by members since the new flexibilities were introduced in 2015, and the likely choices members might make in future, based on the projected value of the member's fund at retirement. The Trustee considered that BlackRock LifePath funds offered appropriate options for members with low annual management charges, compared with the current lifestyle options and compared with similar LifePath funds available.

As a result of this process, the Trustee appointed BlackRock as the manager for the default options, using the LifePath funds available through a platform with Aegon. The default funds were reviewed in light of experience of member options since the new flexibilities were introduced in 2015. The Trustee agreed that the default funds would include a LifePath Flexi fund, for members likely to use drawdown at retirement, and a LifePath Capital fund, for members with lower value funds who are more likely to take their full funds as cash at retirement. A further LifePath aimed at annuity purchases was also made available for members, but not used as one of the default funds.

The default arrangement for members of the Money Purchase section when funds were switched in May 2018 was LifePath Flexi for individual fund values of £30,000 or more and LifePath Capital for members whose fund values were less than £30,000.

The Trustee agreed that the default arrangement for the Final Salary AVC and MPTU funds on switching should be LifePath Capital, due to the lower fund values and that the majority of members are able to take their funds as cash within the Final Salary section of the Scheme.

### **3. Statement of Investment Principles (SIP)**

The Trustee has prepared a SIP governing decisions about investments for the purposes of the default arrangements. The SIP also contains a statement of investment principles relating to the Scheme as a whole. The most recent review of the SIP was carried out in 2018 by the Trustee, having taken appropriate written advice from suitably qualified individuals within KPMG LLP. The SIP covers the following key matters in relation to the default arrangements:

- the Trustee's aims and objectives in relation to the investments held in the default arrangements;
- the Trustee's policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the

realisation of investments; and the extent (if at all) to which social, environmental or ethical considerations are taken into account when selecting, retaining or realising investments;

- an explanation of how these aims, objectives and policies (which together form the Trustee's "default strategy") are intended to ensure that assets are invested in the best interests of members whose benefits are invested in the default arrangements.

A copy of the latest SIP dated 18 July 2018 relating to the default arrangements is contained in Appendix 3.

#### **4. Self selected Funds**

As part of the review of Money Purchase funds in 2018, the Trustee also considered the funds available for members who self select, rather than invest in a LifePath fund. As a result the funds choices available to members were increased. The underlying managers of the funds are BlackRock, Legal and General Investment Management, Standard Life Aberdeen and Investec Asset Management. The full list of self select funds is shown in the SIP attached as Appendix 3.

#### **5. Processing of core financial transactions**

The Trustee needs to ensure that certain transactions (known as "core financial transactions") relating to the Money Purchase section of the Scheme are processed promptly and accurately.

As the Scheme is closed to further contributions, for these purposes core financial transactions are (broadly):

- transfers of assets from the Scheme relating to members;
- switches of members' investments between different funds within the Scheme;
- payments from the Scheme to or in respect of members (eg. payment of death benefits).

During the past Scheme year, the following arrangements have been made to ensure that core financial transactions are processed promptly and accurately:

- the Trustee has in place with the Scheme's administrators a service level agreement which includes relevant key performance indicators ("KPIs") regarding the timescales for processing core financial transactions;
- the Trustee receives and reviews a quarterly administration report from the Scheme's administrators which sets out the administrator's performance against the KPIs in the service level agreement;
- the administration report includes any errors identified by the administrators in relation to the processing of core financial transactions, together with the steps taken to rectify those errors and any changes to the administrator's processes which have been implemented to ensure that there is no repetition of such errors;
- Investment switches are processed through an automated workflow, which has an authorisation step requiring sign off by a senior member of the team;
- Processes adopted by the administrator to meet the KPIs include daily monitoring of bank accounts and a peer review checking process of investment and banking transactions.

All transactions undertaken have been within the agreed KPI timescales.

## **6. Levels of charges and transaction costs**

Each year, the Trustee gathers information on charges and member-borne transaction costs relating to the Money Purchase section of the Scheme, including Final Salary AVC and MPTU funds. In this context, “charges” means (subject to some specific exceptions, such as charges relating to pension sharing orders) all investment and administration charges other than transaction costs. “Transaction costs” are costs incurred as a result of the buying, selling, lending or borrowing of investments.

### *Charges*

The range of charges applicable to the default and other funds during the 2018 Scheme year are shown in Appendix 1.

In addition to the investment management costs reflected in Appendix 1, a further charge of 0.47% per annum is applied to members' investment funds in the Money Purchase section to cover the administrative costs. This administration charge is in respect of ongoing Money Purchase costs incurred by the Scheme including the administration of the defined benefit underpin currently in place within the Scheme.

The Trustee will continue to review the administration cost regularly and ensure it is appropriate.

The charges for the members in the LifePath funds, which make up both the LifePath Flexi and LifePath Capital arrangements, are 0.63% per annum. This includes the fund charges and the administrative costs noted above.

There are no additional administration charges applied to Money Purchase funds in the Final Salary section (AVC and MPTU funds) and therefore the only charges for these members are investment management fees and transaction costs.

### *Transaction costs*

The Trustee has approached Aegon to obtain details of transaction costs applicable to the investment funds. Aegon has received transaction cost information from most of the underlying managers. The details of the transaction costs are provided in Appendix 1.

Costs are incurred by an investment fund when its underlying assets are bought or sold. They are already reflected in a fund's net performance figure and as a result are costs that are borne by members.

Aegon has disclosed the transaction cost information it has received from the underlying managers. The exact methodology used by the underlying managers may vary. This can make it difficult to compare transactions costs across different funds and underlying managers.

Many of the funds have negative costs quoted. This is possible under the FCA prescribed methodology due to investment market movements between the time a transaction order is instructed and its implementation.

### *Comparing Costs*

It is important for members to understand how higher charges can impact their final fund value. In Appendix 2 we illustrate the impact of increasing the fund charge from 0.67% to 1%. This shows the compound impact of this charge, as an example. All members should consider this when selecting self select funds, and consider if they provide value for any additional charges.

## **“Good value” assessment of charges and transaction costs**

The Trustee has assessed the extent to which the charges described above represent “good value” for members.

Whether something represents “good value” is not capable of being precisely defined, but for these purposes the Trustee considers that charges may be viewed as representing “good value” for members where an optimum combination of cost and quality is achieved for the membership as a whole, relative to other options available in the market.

The Trustee considered the following information when assessing the value of charges for the default arrangements:

- data which demonstrates that the investment management fund charges are less than the 0.75% per annum charge prescribed for default funds;
- noting that the investment management charges for the default arrangement and other LifePath funds at 0.16% are very competitive to other investment charges contained within default funds;
- that assets are invested in pooled investments which cover a wide range of investments with different characteristics to spread risk;
- noting from the investment reports to the Trustee that the majority of funds in which assets are invested continue to adequately track their respective indices;
- that the transaction costs quoted are either negative or generally small;
- information regarding the service levels provided to members during the past Scheme year (see section 5 of this statement);
- guidance is provided to members regarding their options at retirement, including providing open market annuity quotes;
- members in the Money Purchase section have the valuable benefit of a final salary Reference Scheme Test (RST) underpin.

Following the review, the Trustee concluded that overall, the default arrangements' charges under the Scheme in 2018 represented very good value for members when compared with the other options available in the market (as shown in particular by the benchmarking data obtained).

The overall charges for the default option and other LifePath options, including the 0.47% per annum admin charge was 0.63% per annum and all Money Purchase Scheme members have the added benefit of the RST underpin. The total charge of 0.63% per annum compares favourably to an average 0.70% per annum for trust-based non-qualifying schemes of a similar size, as reported by the Department of Work and Pensions in its document Pension Charges Survey 2016.

The Trustee also took into account the guidance provided to members at retirement, which includes a full summary of member options and access to a dedicated member helpline at the Scheme Administrators. For members wishing to purchase an annuity, the Trustee has appointed HUB Financial Solutions, to provide open market quotes.

Taking all the above factors into account, the Trustee has concluded that the Scheme is offering good value for members.

## **7. Trustee knowledge and understanding**

In order to be able to properly exercise their functions, the Trustee needs to have a working knowledge of the following documents relating to the Scheme:

- the Scheme's trust deed and rules;
- the SIP;
- other documents recording policy adopted by the Trustee relating to the administration of the Scheme generally.

The Trustee also needs to have an appropriate level of knowledge and understanding of matters such as the law relating to pensions and trusts, and the principles relating to investment of pension scheme assets.

To ensure that the Trustee has the necessary level of knowledge and understanding, the Trustee Directors have undertaken the following training during the past Scheme year:

- Regular training sessions by the Scheme Lawyer, Actuary or Investment Manager after or during Trustee meetings;
- Trustee Directors attend both external and internal courses;
- Trustee Directors are encouraged to complete all new Trustee Toolkit modules

A training schedule recording all Trustee Director's training is maintained by the Scheme Secretary. In addition, the Trustee has obtained actuarial, legal, accounting, investment and consulting advice as and when required during the past Scheme year.

During the past few years, a number of members of the Trustee Board have been nominated for national awards of excellence.

The Trustee Directors have been asked to complete the Pensions Regulators board skills matrix to self-assess their skills and identify any gaps in individual Trustee knowledge. This will be reviewed by the Scheme Secretary and relevant training will be arranged and scheduled in the coming months.

Taking account of the training undertaken during the past Scheme year, the Trustee is satisfied that the combined knowledge and understanding of the Trustee, together with the advice which is available, enables the Trustee to properly exercise its functions as a Trustee of the Scheme.

In particular:

- Members of the Investment Sub-Committee and Accounting Sub-Committee have relevant financial knowledge and experience to enable the Trustee to comply with its duties in relation to investment of the Scheme's assets;
- Adrian Kennett of Dalriada Independent Trustees Limited as an independent trustee has ensured that he is conversant with the Scheme Rules, by reviewing

Scheme documents and also has extensive experience of pensions law and practice;

- The Secretary to the Trustee (who is also Archant's Pensions Manager) has extensive knowledge and experience of the Scheme and attends regular pension conferences to ensure that her knowledge of pension legislation and governance remains relevant and up-to-date.



Signed:  
Date: 27 February 2019  
Chair of Trustee

**Charges and transaction costs**

<b>Name of Fund</b>	<b>AMC / Rate per Annum</b>	<b>TER (Note 1)</b>
The BlackRock DC LifePath range of funds	0.16%	0.16%
BlackRock DC Aquila (50:50) Global Equity Index	0.13%	0.14%
BlackRock DC Aquila Over 15 Year Gilt Index	0.13%	0.15%
BlackRock DC Aquila Over 15 Year Corporate Bond Index	0.13%	0.15%
BlackRock DC Aquila Over 5 Year Index Linked Gilt Index	0.13%	0.14%
BlackRock DC Cash	0.15%	0.18%
BlackRock LGIM Ethical UK Equity Index	0.33%	0.33%
BlackRock Standard Life GARS Fund	0.83%	0.86%
BlackRock DC Diversified Growth Fund	0.68%	0.74%
BlackRock Investec Diversified Growth Fund	0.68%	0.81%
BlackRock DC Global Property Securities Index Tracker	0.15%	0.16%
BlackRock DC Aquila Emerging Markets Equity Index	0.23%	0.30%

Notes. Source: Aegon

(1) The TER is expressed as the prevailing rate at the time of investment into the funds and is subject to change.

**Transaction Costs**

<b>Name of Fund</b>	<b>Transaction Costs (annualised)</b>
BlackRock DC LifePath Flexi 2016-18	-0.41%
BlackRock DC LifePath Flexi 2019-21	-0.03%
BlackRock DC LifePath Flexi 2022-24	-0.02%
BlackRock DC LifePath Flexi 2025-27	-0.03%
BlackRock DC LifePath Flexi 2028-30	-0.01%
BlackRock DC LifePath Flexi 2031-33	-0.11%
BlackRock DC LifePath Flexi 2034-36	-0.02%
BlackRock DC LifePath Flexi 2037-39	-0.14%
BlackRock DC LifePath Flexi 2040-42	-0.01%
BlackRock DC LifePath Flexi 2043-45	-0.03%
BlackRock DC LifePath Flexi 2046-48	-0.01%
BlackRock DC LifePath Capital 2016-18	0.02%
BlackRock DC LifePath Capital 2019-21	-0.16%
BlackRock DC LifePath Capital 2022-24	-0.39%
BlackRock DC LifePath Capital 2025-27	-0.49%
BlackRock DC LifePath Capital 2028-30	-0.01%
BlackRock DC LifePath Capital 2031-33	-0.09%
BlackRock DC LifePath Capital 2034-36	-0.01%

Name of Fund	Transaction Costs (annualised)
BlackRock DC LifePath Capital 2037-39	-0.11%
BlackRock DC LifePath Capital 2040-42	0.00%
BlackRock DC LifePath Capital 2043-45	0.00%
BlackRock DC LifePath Capital 2046-48	-0.01%
BlackRock DC LifePath Retirement 2016-18	-0.97%
BlackRock DC LifePath Retirement 2022-24	-0.81%
BlackRock DC LifePath Retirement 2040-42	0.00%
BlackRock LGIM Ethical UK Equity Index	0.05%
BlackRock Standard Life GARS	0.27%
BlackRock DC Aquila Emerging Markets Equity Index	-0.06%
BlackRock DC Aquila Over 5 Year Index Linked Gilts Index	0.00%
BlackRock DC Aquila Over 15 Year Gilts Index	-0.01%
BlackRock DC Aquila 50:50 Global Equity Index	0.01%
BlackRock DC Cash	0.02%
BlackRock Investec Diversified Growth Fund	Not available
BlackRock DC Global Property Securities Index Tracker	Not available

Notes. Source: Aegon

- (1) The period covers 1 January 2017 to 30 June 2018.
- (2) For funds that are managed by BlackRock, the transaction cost methodology used is that required for Packaged Retail and Insurance-based Investment Products (PRIIPS). According to the PRIIPS methodology, implicit costs reflect the 'slippage' or the difference between (i) the time that the asset manager placed the order for the underlying asset, and (ii) the time at which the trade is executed. . This can result in negative transaction costs if the price moves favourably over that time. Other asset managers may use different methodologies, and this can make it difficult to compare transaction costs across markets and between asset managers.
- (3) Information has not been provided for all of the underlying funds.

## Comparing Costs

It is important to remember the impact of costs on your fund. The example below shows the impact of the default charge on a notional fund value, and also how higher charges would impact this. This does not relate to any individual members fund.

Year	Default Fund	AMC Option 1 – 0.67%	AMC Option 2 – 1%
1	£10,250.00	£10,187.00	£10,150.00
2	£10,506.25	£10,377.50	£10,302.25
3	£10,768.91	£10,571.56	£10,456.78
4	£11,038.13	£10,769.24	£10,613.64
5	£11,314.08	£10,970.63	£10,772.84
6	£11,596.93	£11,175.78	£10,934.43
7	£11,886.86	£11,384.77	£11,098.45
8	£12,184.03	£11,597.66	£11,264.93
9	£12,488.63	£11,814.54	£11,433.90
10	£12,800.85	£12,035.47	£11,605.41
15	£14,482.98	£13,203.67	£12,502.32
20	£16,386.16	£14,485.25	£13,468.55
25	£18,539.44	£15,891.24	£14,509.45
30	£20,975.68	£17,433.68	£15,630.80
35	£23,732.05	£19,125.85	£16,838.81
40	£26,850.64	£20,982.26	£18,140.18

### Notes

1. Based on an initial pot of £10,000, with no further contributions.
2. The growth in fund is assumed as 2.5% per annum compound.

This is an illustrative example and not based on your own fund

## Archant Pension and Life Assurance Scheme

### Statement of Investment Principles (SIP) – July 2018

#### **Background**

This SIP sets out the principles governing decisions around investments for the Archant Pension and Life Assurance Scheme ("the Scheme") to meet the requirements of The Pensions Act 1995, as amended by the Pensions Act 2004, and The Occupational Pension Schemes (Investment) Regulations 2005. It covers the investment principles in relation to the Money Purchase and Final Salary Sections of the Scheme, and replaces the edition dated July 2017. It is subject to periodic review by the Trustee at least every three years and more frequently as appropriate.

In preparing this SIP, the Trustee has taken professional advice from their Investment Consultant (KPMG). The Trustee has consulted with the principal sponsoring employer, Archant Limited, the other participating employers having previously agreed to be excluded from the consultation process. This SIP is consistent with the Scheme's governing documents.

The Scheme is registered with HM Revenue and Customs. The Money Purchase Section provides money-purchase related benefits and the Final Salary Section provides final-salary related benefits, to the level of Capped Pensionable Earnings, where Capped Pensionable Earnings are a member's Pensionable Earnings in the 12 months prior to 1 December 2009. Money purchase benefits from a Money Purchase Top-up ("Top-up") fund are provided for Pensionable Earnings above Capped Pensionable Earnings. The Top-up Section makes available to Final Salary members the same funds as the Money Purchase Section. Members are also permitted to make Additional Voluntary Contributions ("AVCs"), which makes available the same funds as the Money Purchase Section.

A Reference Scheme Test underpin applies across the overall Scheme for money-purchase benefits up to 1 July 2003 and for all final-salary related benefits. There is no formal employer-related investment made by the Trustee, and none is intended. The sponsoring employers intend to remit all relevant contributions to the Trustee within the relevant timescales.

#### **Investment objectives**

The primary objective of the Final Salary Section is to provide pension and lump sum benefits for the members on their retirement, and/or benefits on death, before or after retirement for their dependents, on a defined benefit basis.

The current investment objective is to achieve a return of around 3.1% p.a. above the return on UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme's liabilities).

The medium term objective is to reach and maintain a funding position of 100% of technical provisions – such a target being consistent with the strength of the principal employer covenant and the Trustee's investment risk tolerance.

The long term funding objective is to reach a funding position such that all Members' benefits can be secured within an insurance contract (i.e. reach full funding on an insurance buy-out basis). The Trustee also considers the Scheme's funding position on other relevant bases for valuation and accounting. Funding positions are monitored regularly by the Trustee and are formally reviewed at each triennial valuation, or more frequently as required by the Pensions Act 2004.

The objective of the Money Purchase Section & Top-up Sections is to provide members with a range of investments that are suitable for meeting their objectives.

### **Investment strategy**

For each section, the Trustee considers the investment strategy in place and the investment products used to be appropriate. In setting the investment strategy and deciding on the suitability of the investment options, the Trustee has taken advice from its professional advisors. The Trustee will review their decisions from time to time with its advisors.

#### *Final Salary Section*

Following a review of the investment strategy for the Final Salary Section in January 2017, the Trustee has agreed a suitable strategic asset allocation benchmark for the Scheme (the "strategic benchmark"). Detail on the strategic benchmark is provided in the Appendix.

All day to day investment decisions have been delegated to authorised investment managers through the use of pooled funds. The strategic benchmark is reflected in the choice and mix of funds in which the Scheme invests. The Scheme benchmark is consistent with the Trustee's views on the appropriate balance between seeking an enhanced long term return on investments and accepting greater short-term volatility and risk.

The investment strategy takes due account of the maturity profile of the Scheme, together with the level of disclosed surplus or deficit (relative to the Technical Provisions and solvency valuations, the latter being a proxy for a long-term self-sufficiency basis). The Trustee regularly monitors fund performance relative to the agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations, and typically more frequently. In monitoring performance and setting strategy, the Trustee seeks written advice from a suitably qualified person as required.

The Scheme employs a mix of both active and passive management. Further detail on the investment management structure is provided in the Appendix. The Scheme also holds annuity contracts relating to certain members (including pension increases) held via Partnership Group. These contracts remain assets of the Scheme.

#### *Money Purchase Section*

The default investment strategy for the Money Purchase Section is a Target Date strategy that gradually reduces risk as members approach their target retirement date. The growth phase places a greater reliance on growing members' pots by investing in a larger proportion of growth assets such as global

equities. As members near retirement a greater focus is placed on the retirement outcome members are expected to target. For those with invested assets over £30,000, the focus is on reducing risk and preserving the value of members' investments, by investing a greater proportion in protection assets such as bonds (BlackRock LifePath Flexi). This default is designed to glide from a starting point of approximately 80% global equities and 20% bonds and alternatives, towards an asset allocation split at retirement of approximately 40% global equities and 60% bonds that is designed to support a flexible approach to members' retirement benefits. For members with invested assets less than £30,000, the focus is on providing greater liquidity and access to cash as members approach retirement (BlackRock LifePath Capital). This default is designed to glide from a starting point of approximate 80% global equities and 20% bonds and alternatives, towards an asset allocation of 100% cash as members approach retirement. Members are permitted to deviate from the default investment strategy, including choosing their own target retirement date and alternative target date strategies, details of which are given in the Scheme documents. The Trustee will keep the default investment strategy under review.

## **Choosing investments**

### *Final salary Section*

The Trustee, after seeking appropriate investment advice, has chosen the investment managers to implement the agreed strategy for the Final Salary Section. However, specific investment choices have been delegated to these managers subject to their respective benchmarks and asset guidelines. The managers invest in their in-house pooled funds, using their discretion, in order to achieve the desired asset allocation.

The Trustee has appointed Baring Asset Management ("Baring"), BMO Global Asset Management ("BMO"), JP Morgan Asset Management ("JPM"), Partners Group ("Partners Group") and Legal & General Investment Management ("LGIM") as investment managers. All managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The LGIM global equity and LDI allocations and the BMO synthetic equity allocation are managed on a passive, or index tracking, basis, whereby the objective is to match, rather than exceed, the performance of the benchmark index or objective.

The Partners Group Private Market Credit Strategies Fund, the Baring Dynamic Asset Allocation Fund and the JPM Strategic Bond Fund are managed on an active basis: that is, the managers seek to outperform their benchmark and match the performance target for the funds (LIBOR + 4% to 6% p.a. for Partners Group, LIBOR + 4% p.a. for Baring and LIBOR + 2.5% p.a. for JPM, net of all fees).

The Trustee considers the different managers and asset classes described above, and the balance between them, to be suitable given the circumstances of the Scheme. This combination results in a diversified mix of assets, geographic spread and number of investments held. An analysis of Scheme investments by fund manager and asset class, as at 30 April 2018, is set out in the Appendix.

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property, either directly or through pooled funds. The Scheme

also makes use of derivatives and contracts for difference for the purpose of efficient portfolio management or to hedge specific risks. The Scheme may also invest in a range of alternative assets including private credit. The Trustee considers all of these classes of investment to be suitable in the circumstances of the Scheme.

#### *Money Purchase Section, Top-up Section & AVCs*

For the Money Purchase Section & Top-up Section, the Trustee employs access to the default, alternative target date strategies and core fund range through a range of pooled funds offered through Aegon's investment platform and managed by BlackRock, LGIM, Aberdeen Standard Life and Investec. Members' AVC investments have the same fund range available.

The default under the AVC section is the Target Date strategy that aims to leave members invested 100% in cash (BlackRock LifePath Capital). Full details of the Scheme's options, for both Sections and the AVCs, are provided in the Appendix.

#### **Risk**

The Trustee analyses the level of risk and the drivers of risk within the investment strategy in detail when reviewing the strategy of the Final Salary Section.

On an ongoing basis, the Trustee monitors risk in two ways. As indicated above, it has established a strategic asset allocation benchmark for the Scheme (see Appendix). The Trustee assesses risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Trustee provides a practical constraint on Scheme investments deviating greatly from the Trustee's intended approach by adopting a specific asset allocation benchmark and by monitoring the underlying asset class weights relative to this benchmark on a regular basis.

The investment strategy is suitably diversified, with the balance of different asset classes and investment managers mitigating the impact (at the aggregate level) of underperformance by any single strategy or manager.

The Scheme has also employed LGIM and BMO to manage the Scheme's liability hedging strategy, in order to reduce interest rate and inflation risk. LGIM look to manage this risk directly through their LDI mandate, BMO manages this via the UK gilt holdings as part of the synthetic equity mandate. The target hedge position is currently 70% of both interest rate and inflation risk (measured on a technical-provisions basis).

For the Money Purchase and Top-up Sections the Trustee considers the default lifestyle strategy to be a suitable compromise between targeting investment growth, via expected return, and capital preservation, managing risk via diversification. The Trustee further believes that the gradual switching of the assets within the target date approach reduces asset fluctuation at the point they may be realising their assets.

## **Expected return on investments**

The investment strategy for the Final Salary Section aims to achieve a return on Scheme assets which, taken in conjunction with contributions, is sufficient, over time, to match growth in the Scheme's pension liabilities.

The overall performance target for the Final Salary Section (i.e. the expected return on the Scheme's investments) has been set at +3.1% p.a. over gilts (based on the strategic asset allocation and KPMG's central assumptions as at 30 April 2018). Further detail on the expected return on investments is provided in the Appendix.

## **Realisation of investments**

The Trustee operates a bank account for daily cash flow needs.

The significant majority of the Scheme's current investments may be realised quickly if required. The private credit allocation with Partners Group is illiquid and represents 15% of the total Final Salary Section assets. All other mandates can be realised either daily or weekly.

## **Social, environmental and ethical considerations & Delegation of Voting Rights**

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest the Scheme's assets in pooled funds and therefore cannot directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest.

The Trustee has no formal policy on either SRI or delegation of voting rights. Instead, they have delegated the responsibility for these matters to its investment managers, who will from time to time report on their current and future actions in these areas. The Trustee is satisfied that each manager's corporate governance policies reflect the key principles of Socially Responsible Investment.

Partners Group, Baring, JPM, BMO, and LGIM have adopted the UN Principles of Responsible Investment ("UNPRI").

The Trustee has provided an "ethical" investment option to members of the Money Purchase Section and to members of the Final Salary Section through AVCs and Top-up Funds.

**Exercise of voting rights**

The Trustee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

This SIP has been agreed by the Trustee on 18 July 2018.

Signed for and on behalf of the Trustee of the Archant Pension and Life Assurance Scheme:

Name: ANN CRANE

Signature: 

Name: NICK SCHILLER

Signature: 

Resolution	For	Against	Abstain
1. To approve the accounts for the year ended 31 March 2018			
2. To approve the directors' report and the financial statements for the year ended 31 March 2018			
3. To approve the remuneration report for the year ended 31 March 2018			
4. To approve the directors' remuneration policy			
5. To approve the directors' remuneration for the year ended 31 March 2018			
6. To approve the directors' remuneration for the year ended 31 March 2017			
7. To approve the directors' remuneration for the year ended 31 March 2016			
8. To approve the directors' remuneration for the year ended 31 March 2015			
9. To approve the directors' remuneration for the year ended 31 March 2014			
10. To approve the directors' remuneration for the year ended 31 March 2013			
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12. To approve the directors' remuneration for the year ended 31 March 2011			
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96. To approve the directors' remuneration for the year ended 31 March 1927			
97. To approve the directors' remuneration for the year ended 31 March 1926			
98. To approve the directors' remuneration for the year ended 31 March 1925			
99. To approve the directors' remuneration for the year ended 31 March 1924			
100. To approve the directors' remuneration for the year ended 31 March 1923			

## Appendix

Final Salary Section, excluding Top-up Section as at 30 April 2018.

Fund Manager Split	£m	%	Mandate	Assets
LGIM	6.3	4.9%	Passive	Global Equity
	29.7	23.0%	Passive	Liability Driven Investments
	1.0	0.8%	Passive	Cash
BMO	32.9	25.5%	Passive	Synthetic Equity
Baring	18.8	14.6%	Active	Diversified Growth
JP Morgan	19.3	15.0%	Active	Diversified Credit
Partners Group	21.0	16.3%	Active	Direct Lending
<b>Total</b>	<b>129.1</b>	<b>100.0%</b>		

Asset Class Split	Strategic Benchmark (%)	Actual (%)	Expected Return <sup>1</sup> (%)
Global Equity	30%	30.4%	4.0%
Synthetic Equity			4.0%
Diversified Growth	15%	14.6%	3.5%
Diversified Credit	15%	15.0%	1.5%
Direct Lending	15%	16.3%	4.0%
Liability Driven Investment and Cash	25%	23.8%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.1%</b>

<sup>1</sup> Expected return assumptions quoted relative to Gilts and based on KPMG's central assumptions as at 31 March 2018.

Money Purchase Section (including top-up section and AVCs in brackets) as at 28 June 2018.

<b>Fund</b>	<b>£</b>	<b>Asset Class</b>	<b>Mandate</b>
Default strategy – BlackRock LifePath Flexi	11,755,040	Multi-Asset	Passive
BlackRock LifePath Capital	3,830,561 (397,014)	Multi-Asset	Passive
BlackRock LifePath Retirement	107,764 (32,554)	Multi-Asset	Passive
BlackRock DC Diversified Growth Fund	-	Multi-Asset	Active
BlackRock Investec Diversified Growth Fund	-	Multi-Asset	Active
BlackRock Standard Life Global Absolute Return Strategies Fund	26,708 (4,288)	Absolute Return	Active
BlackRock DC Aquila (50:50) Global Equity Index	1,365,003 (312,057)	Global Equity	Passive
BlackRock DC Aquila Emerging Markets Equity Index	34,175	Emerging Market Equity	Passive
BlackRock DC Aquila Over 15 Year Gilt Index	- (5,691)	UK Gilts	Passive
BlackRock DC Aquila Over 15 Year Corporate Bond Index	-	Corporate Bonds	Passive
BlackRock DC Aquila Over 5 Year Index-Linked Gilt Index	88,806 (22,149)	Index-Linked Gilts	Passive
BlackRock LGIM Ethical UK Equity Index	56,202 (54,491)	Ethical	Passive
BlackRock DC Aquila Global Property Securities Index	-	Property	Passive
BlackRock DC Cash	3,531 (151,446)	Cash	Active
<b>Total</b>	<b>17,267,791</b> <b>(979,692)</b>		