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| Pertwee Estates Limited Retirement Benefits Scheme |
| Statement of Investment Principles |
| January 2024 |

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# 1. Introduction

Under the Pensions Act 1995, trustees are required to prepare and review regularly a Statement of Investment Principles (“SIP”), dealing with certain specific matters.

This SIP sets out the principles governing decisions about the investment of the assets of the Pertwee Estates Limited Retirement Benefits Scheme (“the Scheme”). Before preparing it, the Trustees have obtained and considered written professional advice from The Duley Practice, part of St. James Place Wealth Management, as their Investment Adviser. The Scheme Actuary is Nick Atkin of Atkin and Co who has also reviewed the SIP. Prior to finalising the document, the Trustees have consulted with the Scheme’s sponsoring employer, Pertwee Estates Limited.

The Trustees will review this Statement on a regular basis, and will also do so in response to any material changes to the investment arrangements of the Scheme. Formal reviews will be undertaken no less frequently than every 3 years to coincide with the Actuarial Valuations. Any such review will be based on written expert investment advice and will be in consultation with the sponsoring employer.

The Trustees confirm that this SIP reflects the investment strategy they have implemented for the Scheme and acknowledge that it is their responsibility, with guidance from their Advisers, to ensure that the assets of the Scheme are invested in accordance with these principles.

This SIP comes into force on the date below and replaces the Scheme’s previous SIP dated May 2022.

**Signed for and on behalf of The Trustees of the Pertwee Estates Limited Retirement Benefits Scheme**

Signed: R A Holmes Date: 26 January 2024

Signed: M F Pertwee Date: 26 January 2024

# 2. Scheme Governance and Decision Making

The Trustees are responsible for the governance and investment of the Scheme’s assets within a framework agreed with the sponsoring employer to the extent required by the Scheme’s Trust Deed and Rules. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating day-to-day aspects to the Investment Managers or Investment Adviser as appropriate.

The Trustees distinguish between two types of investment decision:

### Strategic investment decisions

These decisions are long-term in nature, and driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. Where appropriate this is after receiving written advice from their Investment Adviser, and consulting, as appropriate, with the Scheme Actuary and/or sponsoring employer.

Examples of such decisions include:

* setting investment objectives;
* setting the strategic asset allocation;
* drafting the Statement of Investment Principles; and
* increasing or decreasing investments in specific funds.

### Tactical investment decisions

Tactical investment decisions are based on views of future market movements.

The Trustees employ St James’s Place Wealth Management and through them, fund managers to make such judgements, and do not interfere with their decisions. Examples of such decisions include:

* selecting individual stocks;
* appointing or removing specific managers within funds;
* temporarily deviating from the strategic asset allocation to take advantage of better market opportunities; and
* timing of entry or exit from a market.

# 3. Investment Objectives and Strategy

**Objectives for the Defined Benefit (“DB”) and Defined Contribution (“DC”) portions of the Scheme**

The overall objective of the DB portion of the Scheme is to meet the benefit payments promised as they fall due. For the DC portion it is to ensure that, as far as possible, DC members of the Scheme are able to retire on a reasonable level of pension, taking into account the contributions paid into their individual accounts and the timescale over which those contributions were paid.

The actuarial valuation of the Scheme as at 1 February 2022 showed that it had a surplus of £21,000 at that date on both a technical provisions and on a solvency basis. No deficit recovery plan was necessary following this valuation., The valuation included an allowance for the expenses of running the Scheme to be met from the Scheme. Maintaining the Scheme in surplus was a further objective of the DB portion of the Scheme.

In 2021, in response to developments in the sponsoring employer’s business, and having been advised by the Actuary that the Scheme was likely to be in surplus on a solvency basis, the Trustees took a number of decisions that resulted in significant changes to their investment objective. These changes included:

1. The expenses of running the Scheme would be borne by the Scheme instead of the sponsoring employer with effect from September 2021;
2. The Trustees would seek to secure the DB liabilities of the Scheme through a buy in or buy out of those liabilities as soon as was reasonably practical;
3. The Trustees would de-risk the investment strategy and target a lower rate of gilts plus 1% (net of fees).

The valuation as at 1 February 2022 reflected these changes. In June 2023, the Trustees completed a buy-in of the pension benefits for 17 of the Scheme’s 19 members with Just Retirement Ltd which resulted in just over half of the Scheme’s investment assets being paid to Just by way of premium. The Trustees expect that individual polies will be issued to the members concerned in the near future and a buy-out of these liabilities will be completed.

The Trustees are working to secure the benefits of the remaining two members and wind up the Scheme as soon as is reasonably practical. The remaining investment assets are held to secure the benefits of these two members, one of which is a deferred DC member whose benefits have a GMP underpin, while the other is a DB pensioner. The Scheme will also be required to settle any liabilities payable to equalise Guaranteed Minimum Pensions for past members of the Scheme, and to settle the Scheme’s expenses until it winds up.

The investment strategy has been framed accordingly and the investment assets are held in two notional funds, one allocated to the DC benefits and the other to meet the DB benefits and other liabilities, termed the DC fund and the DB fund respectively. Different investment strategies have been adopted for the two funds. This represents a change from the Trustees’ previous strategy of investing all the Scheme’s assets as a whole, rather than segregating them between assets of the DB and DC portions of the Scheme respectively.

The initial apportionment of Scheme assets between the two funds reflects the calculation by the Actuary of the value of the individual DC account by reference to the member’s contributions paid into the Scheme and the return earned on all of the Scheme’s assets up to the point in time when the apportionment was made. The objective of the DB fund is to achieve an investment return of gilts plus 1%, while the DC Fund is targeting a return in the range of 3 to 4% above CPI inflation.

**Implementation of Investment Strategy**

All of the Scheme’s investments are held in a range of pooled funds, and the Scheme’s projected near-term cash requirements are held in a money market deposit account with the investment manager.

The Trustees have decided that all of their funds will be invested through St James’s Place Wealth Management. Having received advice from their Investment Adviser, the Trustees have agreed to invest in bespoke portfolios of 8 different funds for the DB Fund and 2 SJP pension funds, each managed on a manager of manager basis but with different risk attributes, for the DC Fund.

The assets of the Scheme are invested in pooled vehicles. Selection of the individual underlying assets has been wholly delegated to the fund managers. St James’s Place Wealth Management have selected the managers for each of the funds in the total portfolio. Many individual funds are managed on a multi-manager basis. Through this structure, the Trustees have diversified their investments, not just between asset classes but also between asset managers. All of the assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustees require.

**Asset and fund allocations**

The proportion of funds invested in differing asset classes is show below.

|  |  |  |
| --- | --- | --- |
| **Asset Class** | **DB Fund** | **DC Fund** |
|  | % | % |
| **Equities** |  |  |
| North American | 8 | 42 |
| UK | 2 | 4 |
| European | 5 | 15 |
| Asia & Pacific | 2 | 17 |
| Other | 0 | 3 |
| Total equities | 17 | 81 |
|  |  |  |
| **Cash & fixed interest** |  |  |
| Global | 67 | 11 |
| UK | 12 | 1 |
| Money Market | 3 | 3 |
| Total cash & fixed interest | 82 | 15 |
|  |  |  |
| **Other** |  |  |
| Property | 0 | 0 |
| Alternatives | 1 | 4 |
| Total other | 1 | 4 |
|  |  |  |
| **Total** | 100 | 100 |

# The funds managed by St James’s Place Wealth Management that the Scheme is invested in are shown below:

|  |  |  |
| --- | --- | --- |
| **SJP Fund** | **DB Fund** | **DC Fund** |
|  | **%** | **%** |
|  |  |  |
| Strategic Income Fund | 15 | 0 |
| Diversified Bond Fund | 10 | 0 |
| Corporate Bond Fund | 15 | 0 |
| Global High Yield Bond Fund | 15 | 0 |
| Investment Grade Corporate Bond Fund | 10 | 0 |
| Global Government Bond Fund | 10 | 0 |
| Global Government Inflation Linked Bond Fund | 10 | 0 |
| Global Value Fund | 15 | 0 |
| SJP Polaris 3 Pension (medium risk) | 0 | 70 |
| SJP Polaris 4 Pension (medium to high risk) | 0 | 30 |
|  |  |  |
|  | 100 | 100 |

The Trustees have taken advice from their Advisers to ensure that the asset allocation strategy in the DB fund is suitable for the Scheme, given its objectives and liability profile. They have also taken account of the views and risk appetite of the DC member, who has received advice from the Scheme’s Investment Adviser, in setting the asset allocation strategy of the DC Fund.

From time to time the Investment Adviser may recommend changes to the composition of the balance of funds which will be considered by the Trustees before being implemented. The Trustees have delegated to St James’s Place Wealth Management decisions regarding which managers to appoint within each fund and the term of each manager’s appointment. They implement changes to the individual fund managers when considered necessary for performance or other reasons, and the Investment Adviser keeps the Trustees informed of such changes and the reasons for them at their semi-annual review meetings.

# The cash flow requirements of the Scheme are met by periodic disinvestments from the DB fund on the following basis:

# Funds that have achieved excess growth causing their proportion to exceed the benchmark shown above;

1. A pro-rata divestment from all funds.

Disinvestments may be held as money market deposits within the assets managed by St James’s Place Wealth Management until needed to pay benefits or expenses. The Investment Advisers monitor changes in the fund each month. If the total DB Fund (excluding money market deposits) exceeds £350k, the Trustees will consider making an interim disinvestment to realise the growth and deposit it in the money market fund until required to pay benefits or expenses.

# The Trustees will take advice from the Investment Adviser as to where all divestments should be taken from. The Trustees meet the Investment Adviser at least twice a year when they consider whether any rebalancing of the funds within the DB and DC Funds is necessary to maintain the overall balance in line with the SIP.

# **Monitoring of Investment Managers and their Performance**

# Day-to-day monitoring of the investment managers and their performance is undertaken by St James’s Place Wealth Management. Specific individual benchmarks have been set as part of this process.

# Semi-annually, the Investment Adviser will provide to the Trustees reports on the performance of funds which will allow the Trustees to monitor their performance against their overall investment objective. They monitor the actual return achieved by the Scheme’s assets against a benchmark of the returns earned by comparable funds prepared by Asset Risk Consultants PCI (“ARC”), being the ARC sterling cautious fund for the DB Fund and the ARC equity risk fund for the DC Fund. Between semi-annual meetings, the Trustees receive monthly updates on the changes in investment valuations from the Investment Adviser.

**Investment Management and Incentive Costs, Advisory Fees and Transaction Costs**

The Scheme is charged an annual management fee by St James’s Place Wealth Management out of which all investment management fees due to St James Place and the managers of the pooled funds in which the Scheme is invested are settled, as well as the fees due to the Duley Practice for advisory services. The external management charge for the DB Fund is 0.36% pa and for the DC Fund it is 0.47% pa.

As investments are made through St James’s Place Wealth Management into pooled funds with defined charges and expenses, it is not possible directly to incentivise fund managers to align investments with the Trustees’ policies, improve engagement or monitor transaction costs. Ultimately, the Trustees only remedy is to move to an alternative pooled fund.

Transaction costs are expected to average 0.2% pa and actual costs are reported annually to the Trustees by the Investment Adviser.

### Corporate Governance and Stewardship

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. Consequently, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes or other financially material considerations, is delegated to the investment managers.

The investment managers, having clear policies of voting on all important issues on behalf of the investor’s best financial interests, have provided the Investment Adviser with statements dealing with voting policy and practices, who has brought these statements to the attention of the Trustees where appropriate. The Trustees have delegated their voting rights and other such powers to the investment managers, the sole purpose of whose corporate governance policies are to protect and enhance the economic interests of clients.

**Financially material investment considerations**

These considerations which include the “Risks” set out in Section 4 can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as “ESG”) where relevant. The Trustees delegate the day to day consideration of financially material factors to the investment managers who consider these when constructing their portfolios. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered, in the context of long term performance, by St James’s Place Wealth Management as part of the investment manager selection criteria. This review occurs before investment managers are approved for investment in the portfolio. Changes to investment manager appointments are notified to the Trustees by the Investment Advisor as set out above. St James’s Place Wealth Management monitor the investment manager for ongoing compliance with the expected standards at appointment and with other factors, such as stewardship, as a part of overall governance and engagement.

**Non-financially material investment considerations**

The Trustees do not at present take into account non-financially material factors (such as members’ ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations but the Trustees make a copy of the Statement of Investment Principles available to members on request and publish a copy of the Statement on a publicly accessible website.

# 4. Risks

The Trustees appreciate that the most important aspect of the security of the members’ benefits is the continued support of the scheme sponsor. Events that reduce the sponsor’s willingness or ability to support the Scheme are the biggest potential threats from the members’ perspective. The Trustees will discuss developments in the sponsor’s business with the sponsor at least annually and update their assessment of the strength of the employer covenant accordingly. Interim reviews will be undertaken at times of significant developments of the business.

The Trustees have commenced the elimination of the sponsor risk for the benefits of 17 of the 19 members through the buy-in with Just Retirement. This process will be completed through the issuance of policy documents by Just to individual members as soon as is practical (ie changing the buy-in to a buy-out of these members’ benefits).

The Trustees have adopted a balanced approach to investment risk. Taking too little risk can be as damaging for a pension scheme as taking too much risk. The reduction in long-term expected investment returns resulting from an overly cautious approach to risk may push the costs of the Scheme to become unsustainably high.

The Trustees have identified the following further risks and set out below how they will manage them:

* **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed as follows:
  + The asset allocation and projected return is reviewed after each triennial Actuarial Valuation
  + Informal annual reviews of the estimated funding level are undertaken between Actuarial Valuations
* **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustees. This risk is minimised by:
  + Appropriate diversification across asset classes and investment managers
  + Regular monitoring of investment managers’ performance by the Trustees’ Investment Advisers
* **Other Investment Manager risks** – these risks include the risk of unsuitable investment activity including ESG factors, the risk of income from assets not being paid when promised, counterparty risks (for example to the extent that managers have hedged out foreign exchange risks in their portfolios) and the risk of inadequate internal processes at managers, including ensuring secure custody arrangements. The Trustees have delegated the management of these risks to St James’s Place Wealth Management.

* **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
* **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.
* **Cash flow risk** – addressed by the Trustees regularly monitoring the cash flow requirements of the Scheme to control the timing of any disinvestment of assets.

The Trustees keep these risks and how they are measured and managed under regular review through the maintenance of a risk register, which is reviewed annually.

# 5. Myners Investment Principles

The Trustees recognise the relevance to pension schemes of the Myners’ Investment Principles that were published by the Government in October 2001, and updated in March 2008. The Scheme’s adherence to (or otherwise) the Myners’ Investment Principles is set out below.

**Principle 1: Effective Decision-Making**

*“Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.*

*Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.”*

* The Trustees make investment decisions by consulting with professionals that they feel are best equipped to give that advice. Long-term strategic investment decisions are made in consultation with the Scheme’s Investment Adviser, whereas tactical decisions are made by the appropriate investment or fund manager.

**Principle 2: Clear Objectives**

*“Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme’s liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.”*

* The Trustees have formally reviewed their investment objectives with the assistance of their Investment Adviser and the Scheme Actuary.
* The investment objectives are explicitly stated in Section 3 of this document.
* The strength of the sponsoring employer’s covenant is reviewed no less frequently than annually.
* All the assets of the Scheme are invested via pooled funds. In each case, the fund manager has an explicit benchmark and outperformance target where appropriate, as well as clear constraints within which to operate.

**Principle 3: Risk and Liabilities**

*“In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.”*

* In setting the investment strategy, the Trustees have decided to invest 37% of fund assets in equities, 63% in bonds and cash, and 0% in other asset classes. Pensioner liabilities based on the 2022 actuarial valuation accounted for approximately 67% of total benefit liabilities, excluding those members whose benefits have been secured through the buy-in.
* A detailed review of the strength of the sponsor covenant has been undertaken prior to completion of the 2022actuarial valuation. The covenant has weakened materially following the completion of the Maltings development project. A successful outcome to securing permission for the development of the sponsor’s only remaining significant asset, the land at Claydon, could change this assessment.

**Principle 4: Performance Assessment**

*“Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.”*

* The Trustees currently receive monthly reports of the value of the funds and review the performance of the funds with the Investment Adviser twice a year.
* The investment review includes an assessment of how successful the Trustees’ investment strategy has been in improving the funding position of the Scheme.

**Principle 5: Responsible Ownership**

*“Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders’ Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme’s policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.”*

* The Trustees’ policy on responsible ownership is described in Section 3 of this Statement of Investment Principles.

**Principle 6: Transparency and Reporting**

*“Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.*

*Trustees should provide regular communication to members in the form they consider most appropriate.”*

* Members are provided with information on the Scheme’s funding position in the annual report to members.
* A copy of this Statement of Investment Principles and other documents such as actuarial valuation reports, the schedule of contributions and the annual report and accounts are available to members on request.

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