DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2018

Introduction

Governance requirements apply to DC pension arrangements like the DC Plan within the Baptist Pension Scheme (the "Scheme"), to help members achieve a good outcome from their pension savings. The Trustee is required to produce an annual statement to describe how the governance requirements have been met in relation to:

- the default arrangement
- the requirements for processing financial transactions
- charges and transaction costs borne by members
- a Value for Members assessment
- trustee knowledge and understanding
- the trustee board and representation

This is the Trustee's 2018 annual report covering the period from 1 January 2018 to 31 December 2018. Chris Maggs acted as Moderator (Chair of Trustees) for the period covered by this Statement and has signed this Statement, in his capacity as Moderator, on behalf of the Baptist Pension Trust Limited (the Trustee). This Statement is available to view and download from the member access website https://www.4myplan.co.uk/BPS as well as from the Baptist Pension Scheme website https://www.baptistpensions.org.uk/dc-governance/chairs-governance-statement/

As a ‘non-associated multi-employer scheme’, the Board has applied to the Pensions Regulator for authorisation as a Master Trust. The outcome of the application has not yet been determined. The Scheme is not a ‘relevant multi-employer scheme’ as defined in the regulations, since it is managed by a single Trustee Board and is not promoted to employers unconnected to the Baptist Family.

This Statement should be read in conjunction with the Scheme’s February 2016 Statement of Investment Principles (SIP) applicable for the period covered by this Statement, which is shown as Appendix 3. The Trustee is currently reviewing the SIP following recent changes.

The default investment strategy

Within the DC Plan there is a default investment strategy for members who choose not to use the other options available. The Trustee is responsible for investment governance and this includes setting and monitoring the investment strategy for the default arrangement.

The current Default Lifestyle strategy targets a mixture of investments at retirement that is suitable for a member who will take their entire fund as a lump sum (irrespective of how that is taxed) or use it for drawdown.

The current Default Lifestyle was agreed as part of the investment review carried out on 6 June 2018. As part of its 2018 review the Trustee considered the membership profile of the DC Plan, the risk profile and number of investment funds offered to members, changing long-term investment market conditions and the investment products and techniques available in the market place, including detailed consideration of Ethical funds. The high take-up rate of ethical options and the underlying ethos of members in the Baptist community was a significant factor.

The investment changes proposed in 2018 were implemented on 14 May 2019 and incorporated the following:

- The Default Lifestyle, Alternative Lifestyle and Ethical Lifestyle options were replaced by a single New Ethical Default Lifestyle fund with all members moved across into the new default fund except;
- Members who were in the default lifestyle arrangement and who were less than 5 years from their Target Retirement Age. These members will remain in their current lifestyle arrangement and the funds will be closed once there are no members remaining.
- The range of funds available as self-select options was also expanded to include an option to invest in Emerging Market equities.

The Trustee feels that by making the changes to the default arrangement members will be benefitted through:

- Access to an ethical equity fund which is also market cap weighted, therefore reducing the UK bias in the current allocation
- A simplified investment lifestyle fund that will be easier to understand and communicate to the membership
- Commencing the de-risking period before retirement on a more linear path, in line with the possibility that members may take their benefits before their Target Retirement Age
- Removal of the underperforming Standard Life Global Absolute Return Strategies fund, which also reduces investment management charges as members approach retirement

The new default was implemented using white labelling meaning that members will see a consolidated, three stage approach to retirement moving from the Ethical Growth Fund into the Ethical Diversified Fund and then to the At Retirement Fund as members get closer to their Target Retirement Age.

The investment profiles of the lifestyle funds in place during the period covered by this Statement are shown in the Statement of Investment Principles in Appendix 3.

Requirements for processing core financial transactions

Processing of core financial transactions (e.g. investment of contributions, transfers within and into/out of the DC Plan, transfer of assets relating to members between different investments within the DC Plan, and payments to members/beneficiaries) is carried out by the administrators of the Scheme. At the end of the period covered by this Statement, administration duties in respect of DC benefits were carried out by Legal & General ("L&G") with the contributions collected by BBS Consultants & Actuaries ("BBS"), and, for those members who also have DB benefits in the Scheme, the administration is carried out by BBS. The administration for the DC benefits was transferred from L&G to BBS on 29 April 2019.

The Trustee is satisfied with the evidence received from both administrators that there are adequate internal controls in place to ensure that core financial transactions relating to the DC Plan are processed promptly and accurately, based on the members' chosen investments or the default investment strategy in place at the time (as appropriate). In particular:

- the Trustee has in place an agreement committing the administration teams to defined service level agreements ("SLAs");
- each administration team provides regular reports on their performance against these SLAs which are reviewed at each quarterly Trustee meeting. Where SLAs are not met the Trustee actively questions the relevant administration team as to the reason why in order that the Trustee can identify possible shortfalls in the administration function for the DC Plan;
- the administration teams have adopted the following processes to help satisfy the Trustee in relation to the good running of the administration functions:
    - a named senior member of staff for the Scheme and clear reporting lines within the team;
    - agreed checking and review procedures reflecting the size of a particular transaction or payment; and
    - clear documentation confirming processes around how the two administration teams work together when required.

Consequently, the Trustee is satisfied that there have been no material administration errors in relation to processing core financial transactions over the period covered by this statement, and that all core financial transactions have been processed within a reasonable timeframe.

The administration of the collection of contributions from the employers and investment of the contributions with the investment managers has been carried out by BBS since 1 October 2018. The process for the investment of the contributions was initially taking between 1-2 days longer than the Trustee would normally find acceptable but, with the transfer of full DC administration to BBS on 29 April 2019, this timeframe has now been reduced and contributions are now being invested within an acceptable timeframe.

Member borne charges and transaction costs

Over the period covered by this Statement, direct charges were made up of two elements. There is an investment charge equal to a percentage deduction from the member's fund. In the Default arrangement the charges over the period covered by this statement ranged from 0.27% p.a. (for members 15 or more years from retirement) to 0.28% p.a. (for members at retirement age). There was also an administration charge payable to L&G for the operation of the DC Plan. For active members, the administration charge was met by the employers through their expenses contribution to the Plan (in the form of a £45 per member per annum payment). For deferred members the administration charge was met by an additional deduction from the member's fund of 0.23% p.a. The total annual member-borne charge (MBC) for deferred members therefore ranged from 0.50% p.a. to 0.51% p.a.

The Trustee, in conjunction with the Principal Employer, has subsequently undertaken a review of the charging structure for the Scheme. The Trustee has now implemented a consistent charging structure across active and deferred members. Members will continue to have investment charges deducted from their funds and the Scheme will meet the administrative charge through the employers' expense contributions. This was implemented with the change in administration provider on 29 April 2019.

Charges for all funds are listed in Appendix 1.

Illustrative examples of the cumulative effect over time of the relevant costs and charges on the value of an active member's benefits, assuming their benefits are invested in the Scheme's default option, are included in Appendix 2. Consideration of the statutory guidance provided by the DWP has been taken into account in the production of these examples. In light of the changes to the default lifestyle strategy, the examples have been provided based on the new Ethical Default Lifestyle Fund as this will be the fund in which the majority of members are invested following the changes in April 2019.

The Member Borne Charges in Appendix 1 do not include transaction costs which arise when investments are bought and sold, for example stamp duty (tax) and foreign exchange costs, which are incurred by the investment providers on behalf of members when trading.

The Trustee's advisers, on behalf of the Trustee, have sought to obtain a breakdown of the underlying transaction costs over the period covered by this Statement from the investment managers. They report that the transaction costs experienced by members over the period covered by this Statement ranged from -0.04% to 0.08% per fund per annum. These illustrate the implicit cost of the difference between the execution price of a deal and the arrival price at the time the order was placed and include costs such as transaction taxes and broker commissions. In light of the scale of the transaction costs these have not been explicitly disclosed in this Statement. The Trustee is not yet satisfied with the level of detail provided by the investment managers, these transaction costs relate to all funds and there is currently insufficient information to analyse the transaction costs specific to members invested in the default fund. Following the changes to the investment strategy, the Trustee and its advisers will work with the new investment manager to improve the level of reporting for the next annual Statement; specifically to obtain a greater level of detail in respect of the transaction costs experienced by members in the default arrangement.

Value for Members Assessment

The Trustee is required to consider the extent to which the investment options and the benefits offered by the DC Plan represent good value for members, compared to other options available in the market. An assessment was completed on 17 December 2018. There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee notes that value does not necessarily mean the lowest fee, and the overall quality of the service received has been considered in the 'value for members' assessment.

The Trustee's assessment included an ongoing review of the performance of the DC Plan's investment funds (after charges) in the context of its investment objectives.

The Trustee also considered the other benefits members receive from the DC Plan, which include:

- the design of the default arrangement and how this reflects the interests of members;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services and Scheme governance; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the Scheme year.

The Trustee has developed a scorecard assessing the value for money provided to members for the core areas of the Plan. The areas highlighted as requiring attention are currently under review and further details of the ongoing review are provided below:

Area of Governance	Factor	VfM Assessment
Scheme Governance	Trustee Board	Strong
Scheme Governance	Trustee Oversight	Strong
Scheme Governance	Trustee Knowledge and Understanding	Strong
Scheme Governance	Professional Advice	Strong
Scheme Governance	Audit & Internal Controls	Strong
Scheme Governance	Risk Mitigation	Good
Investment Governance	Strategy Design & Management – Current position	May need attention
Investment Governance	Strategy Design & Management – Planned action	Strong
Investment Governance	Security & Liquidity	Strong
Investment Governance	Default Investment Option	Strong
Investment Governance	Self-select Investment Options	Strong
Administration	Processing Members' Benefits – Current position	May need attention
Administration	Processing Members' Benefits – Current process	Good
Administration	Maintaining Members' Records	Good
Administration	Customer Service	Good
Administration	Benefit Flexibility	Good
Communications	Communications	Good
Communications	Guidance	Good

There were two specific areas where the Trustee noted that the arrangements required review:

- Investment Governance - Strategy Design and Management
  - Position as at 31 December 2018 - The investment approaches provided to members had been reviewed on 6 June 2018 to ensure they remained appropriate for the membership of the DC Plan. The implementation of the new strategy was scheduled for April 2019.
  - Current position – with effect from 14 May 2019, the Trustee has consolidated the three previous lifestyle approaches offered to members into one lifestyle approach, which will form the default approach. The Trustee has also expanded the range of asset classes made available to members who wish to make their own investment choices to include emerging market equities, as well as replacing the equity component of the default approach with an ethically managed equity component.
- Administration – Processing Members' Benefits
  - Position as at 31 December 2018 - Any costs in processing members' benefits were met by the participating employers for active members, whereas deferred members paid 0.23% per annum of their invested assets to meet these costs. The current cost arrangements were believed to be justifiable as there was broad equivalence between the charges and the employers were effectively subsidising the 0.23% per annum charge for their employees. However, there remained some inequality, in that this approach treated deferred members differently from active members.
  - Current position - The Trustee recently reviewed the charging arrangements in conjunction with the Principal Employer and agreed that, from April 2019, a flat charging structure would be introduced with all administrative expenses borne by the employers.

As detailed above, and in the previous section covering processing of financial transactions, the Trustee has reviewed the administrative expense charging structure for members and remains satisfied that, in line with the changes agreed overall, the charges represent good value for members. The Trustee acknowledges that there is insufficient information on the level of transaction costs experienced by members, however, allowing for what has been provided, the Trustee believes that members of the DC Plan are receiving good value for money based on the charges paid, the range of options available and the service members receive.

Scheme Governance

The Trustee Board is made up of people either appointed by the Principal Employer (BUGB) or nominated by the Scheme members. The process of selecting new Trustee Directors is done in an open and transparent manner. This is managed by the Pensions Manager who prepares the candidate profile giving consideration to the skills and experience gaps identified in the most recent assessment of Trustee Knowledge and Understanding, and the diversity of the Directors. For BUGB-appointed Directors, the profile is distributed through the Baptist network of churches to all church members and congregations. Applicants are reviewed by the Moderator and the Pensions Manager via CVs and interview. A recommendation is then made to BUGB. It is agreed that BUGB will not appoint its own representative to the Board, to avoid conflicts of interest. For member-nominated appointments, the profile is distributed to active members and pensioners, inviting nominations. Candidates are appointed by member vote.

The table below shows the make-up of the current Trustee Board. Replacements for the two members who have resigned are in process.

Trustee Director	Appointed by	Date of Original Appointment	Date of Resignation
C Maggs* (Moderator)	BUGB	4 March 2014	
N Davis	BUGB	15 March 2016	
P Dick	Member election	1 January 2015	
J Drake	BUGB	15 March 2016	
A Pike	BUGB	15 March 2016	
M Poole	Member election	1 January 2005	
R Short	BUGB	20 March 2013	30 November 2018
J Spiller	Member election	1 January 2012	26 June 2019

*With effect from 1 July 2019, BUGB amended the appointment of C Maggs such that he is now engaged as the representative of CM Pensions Limited.

The Trustee has in place two sub-committees: an Investment Sub-Committee and a Governance and Risk Committee. The roles of each sub-committee are set out in their Terms of Reference (available on request) and both sub-committees report back to the main Trustee Board at each quarterly Trustee meeting.

Members are informed of the ways in which they can provide feedback through the various communication methods employed by the Trustee:

- following the change in administrator, members now have access to the www.4myplan.co.uk site hosted by BBS; this provides access to their benefits as well as providing a portal for members to communicate directly with BBS. Prior to the change in administrator members had access to the L&G portal through which they could contact L&G as the previous administrators.
- Members also have access to the Baptist Pensions website www.baptistpensions.org.uk which provides members with details of relevant contacts for enquiries and feedback.
- In addition, on all member communications (including retirement packs, member newsletters, booklets and announcements) details are provided of the various ways in which contact can be made.

The Trustee has scheduled a review of member communications and member feedback mechanisms for the second half of 2019, following the change of administrator.

If any member would like to get in touch with the Trustee or provide any feedback on the Scheme, please contact the Pensions Manager.

Knowledge and understanding of the Directors of the Trustee Board

The Trustee Directors are required to maintain appropriate levels of knowledge and understanding. The Trustee has measures in place to secure compliance with the legal and regulatory requirements regarding its knowledge and understanding including investment matters, pension regulation and trust law. This, together with the advice available from the appointed professional advisors (eg investment consultants, legal advisors), means the Trustee is well placed to properly exercise its functions and run the Scheme effectively. The Trustee has access to, and is conversant with, the Trust Deed & Rules, the Statement of Investment Principles and the policies and procedures relating to the administration of the Scheme.

The Trustee Directors' relevant knowledge and understanding is monitored throughout the year. Training and support from advisers is provided and a log of training has been collated. This is maintained by the Trustee Secretary and shows that all Trustee Board members have satisfactorily completed the Pension Regulator's Trustee Toolkit and continue to receive training on a regular basis.

Specific examples of training and support are:

- induction process for new Trustee Directors (where relevant)
- advisors incorporating training for the Trustee Directors in the advice that they provide at both quarterly and ad hoc meetings (see below);
- quarterly meeting packs including updates on topical issues to ensure that Trustee Directors are aware of all relevant information and legislation in relation to the Scheme;
- any Trustee Director who determines that their knowledge and understanding is inadequate will work with the Pensions Manager, Moderator and advisers to attend appropriate training; and
- the Trustee's lawyer ensures that the Trustee is alerted to the relevant Rules and legislation relating to all issues being discussed.

Examples of DC training within the Trustee meetings in 2018 are:

- 6 June 2018 – DC investment strategy
- 19 September 2018 – DC governance and regulatory regime, including Code of Practice 13
- 13 December 2018 – Self-assessment against DC Code of Practice and Value for Members assessments

Signed

by C Maggs (of CM Pensions Limited), as Moderator on behalf of the Baptist Pension Trust Limited

Dated 18 July 2019

Attachments

- Appendix 1 - Charges for investment options
- Appendix 2 - Projections illustrating impact of costs and charges on member funds
- Appendix 3 - Statement of Investment Principles (February 2016)

Appendix 1

Summary of Investment Charges

The following table illustrates the charges applicable to the self-select funds available to members as at 31 December 2017 and 31 December 2018:

Fund Name	31 December 2017 Ongoing Charge (p.a.)	31 December 2018 Ongoing Charge (p.a.)
Standard Life Global Absolute Return Strategies Fund	0.96%	0.77%
Newton Real Return Fund	0.91%	0.84%
L&G Dynamic Diversified Fund	0.53%	0.52%
F&C Responsible UK Income Fund	0.89%	0.87%
F&C Responsible Global Equity Fund	0.95%	0.85%
L&G Ethical Global Equity Fund	0.30%	0.30%
L&G Global Equity Fixed Weights (50:50) Index Fund	0.10%	0.10%
L&G AAA-AA-A Corporate Bond All Stocks Fund	0.12%	0.12%
L&G Over 5 Year Index-Linked Gilts Index Fund	0.08%	0.08%
L&G All Stocks Index-Linked Gilt Fund	0.08%	0.08%
L&G All Stocks Fixed-interest Gilt Fund	0.08%	0.08%
L&G Cash Fund	0.10%	0.10%

Appendix 1

The following table illustrates the charges applicable to the lifestyle funds used during 2018:

		Ongoing charges (p.a.)
Default Lifestyle	Growth Phase – actives	0.27%
	Growth Phase - deferreds	0.50%
	At Retirement – actives	0.28%
	At Retirement - deferreds	0.51%
Alternative Lifestyle - Drawdown	Growth Phase – actives	0.27%
	Growth Phase - deferreds	0.50%
	At Retirement – actives	0.32%
	At Retirement - deferreds	0.55%
Alternative Lifestyle - Annuity	Growth Phase – actives	0.27%
	Growth Phase - deferreds	0.50%
	At Retirement – actives	0.09%
	At Retirement - deferreds	0.32%
Ethical Lifestyle 1	Growth Phase – actives	0.55%
	Growth Phase - deferreds	0.78%
	At Retirement – actives	0.09%
	At Retirement - deferreds	0.32%
Ethical Lifestyle 2	Growth Phase – actives	0.71%
	Growth Phase - deferreds	0.94%
	At Retirement – actives	0.09%
	At Retirement - deferreds	0.32%

The following table illustrates the charges applicable to the new Ethical Default Lifestyle Fund applicable from April 2019:

Blended white-label fund	Underlying funds	Allocation	Ongoing charges (p.a.)
Ethical Growth Fund	L&G Ethical Global Equity Fund	70%	0.30%
(>15 years to retirement)	L&G Dynamic Diversified Fund	30%	0.50%
		Total	**0.36%**
Ethical Diversified Fund	L&G Ethical Global Equity Fund	30%	0.30%
(15-5 years to retirement)	L&G Dynamic Diversified Fund	30%	0.50%
	L&G All Stocks Fixed-interest Gilt Fund	16%	0.08%
	L&G AAA-AA-A Corporate Bond All Stocks Fund	16%	0.08%
	L&G All Stocks Index-Linked Gilt Fund	8%	0.08%
		Total	**0.28%**
At Retirement Fund	L&G Dynamic Diversified Fund	40%	0.50%
(<5 years to retirement)	L&G Cash Fund	30%	0.10%
	L&G All Stocks Fixed-interest Gilt Fund	12%	0.08%
	L&G AAA-AA-A Corporate Bond All Stocks Fund	12%	0.08%
	L&G All Stocks Index-Linked Gilt Fund	6%	0.08%
		Total	**0.26%**

Appendix 2 – Illustration of impact of costs on member funds

Projected pension pot in today's money **Current Age: 40 Target Retirement Age: 65** **Initial pension pot: £20,000**		
	Ethical Default Lifestyle Fund	
Age	Before charges	After all charges + costs deducted
40	£20,000	£20,000
45	£35,966	£35,463
50	£54,148	£52,774
55	£73,661	£71,067
58	£85,137	£81,714
60	£92,504	£88,509
62	£99,418	£94,849
64	£105,648	£100,512
65	£108,472	£103,060

Projected pension pot in today's money **Current Age: 50 Target Retirement Age: 65** **Initial pension pot: £20,000**		
	Ethical Default Lifestyle Fund	
Age	Before charges	After all charges + costs deducted
50	£20,000	£20,000
55	£35,430	£34,964
58	£44,893	£44,044
60	£51,143	£50,008
62	£57,196	£55,754
64	£62,890	£61,126
65	£65,572	£63,643

Important note: The above figures are intended to provide an indication of the effects of future costs and charges on the build-up of funds for a typical member, and should not be used for any other purpose. Members should seek independent financial advice if they are unsure which of the investment options is most suitable for their own circumstances.

Notes on Guided Fund (life-styling) Options:

- Monies are initially invested in the Ethical Growth Fund.
- From 15 years to 5 years before Target Retirement Age, the monies are gradually switched into the Ethical Diversified Fund.
- From 5 years before Target Retirement Age, the monies are gradually switched into the At Retirement Fund.

Assumptions:

- A starting pot of £20,000. This is approximately based on the average fund value invested in the Default Arrangement, as at February 2019.
- Initial Qualifying Earnings of £25,000.
- Contributions from the Employee and Employer totalling 10% of Qualifying Earnings; contributions are assumed to continue up to the future ages at which the projected pension pots are shown.
- Any investments held in the Ethical Growth Fund will increase by 5.20% each year before allowing for charges.
- Any investments held in the Ethical Diversified Fund will increase by 3.77% each year before allowing for charges.
- Any investments held in the At Retirement Fund will increase by 2.74% each year before allowing for charges.
- Any regular charges deducted from the funds will remain at current level.
- Transaction costs have been excluded.
- Future price inflation will be 2.5% each year in the period up to the member's retirement.
- The member's earnings will increase in line with price inflation, in other words 2.5% each year.
- The projected figures are then adjusted back to the current date to strip out the effects of assumed future price inflation at 2.5% each year. This is so that the values are expressed in 'today's money'.

Appendix 3 - Statement of Investment Principles (February 2016)

Statement of Investment Principles for the Baptist Pension Scheme

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Baptist Pension Scheme ("the Trustee") on various matters governing decisions about the investments of "the Scheme", a scheme with Defined Benefit ("DB") and Defined Contribution ("DC") sections. The DC section is known as the DC Plan. This SIP replaces the previous SIP dated June 2014.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The SIP also reflects the Trustee's response to the Myners voluntary code of investment principles.

It has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Scheme, and the principles contained in this SIP. The Trustee has consulted with the relevant employers in producing it.

The Trustee will review this SIP from time to time and, with the help of its advisers, amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, or in the profile of the relevant members of the DC Plan, and at least once every three years.

Appendix 1 sets out details of the respective key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

2. Investment objectives

The Trustee's primary objectives for the DB section are that:

- the Scheme should be able to meet benefit payments as they fall due; and
- the Scheme's funding position (ie the value of its assets relative to the assessed value of its liabilities) should remain at an appropriate level. The Trustee is aware that there are various measures of funding, and have given due weight to those considered most relevant to the Scheme.

The Trustee's primary objectives for the DC Plan are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the DC Plan and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to

generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the employers, reviewed the investment strategy for the DB section and DC Plan in May 2014 and February 2015 respectively, taking into account the objectives described in Section 2 above.

The result of the DB section review was that the Trustee agreed to allocate assets between equities, property, diversified growth funds ("DGFs"), corporate bonds, liability driven investment ("LDI") products and cash. The details of this asset distribution are contained in a separate document called Supplementary Investment Information.

The allocation between asset classes will be reviewed over time, taking account of the funding level of the Scheme and de-risking opportunities.

The Trustee monitors the asset allocation from time to time. If material deviations from the strategic allocation occur, the Trustee will consider with its advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and future cash flows.

For the DC Plan, the Trustee offers members a range of investment funds. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default, which is a "lifestyle" strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).

The default was designed to be in the best interests of the majority of the members based on their demographics. The default targets a cash lump sum at retirement, since the Trustee believes this represents the lowest risk option for members. Therefore, in the initial growth phase the default is invested to target a return significantly above inflation, and then in the 15 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking a cash lump sum as permitted under "Freedom & Choice" flexibilities. It retains investment in some return seeking assets at retirement and is therefore also a reasonable investment solution for members who may wish to utilise an income drawdown option at retirement although a separate drawdown focussed option is available should members wish to select it.

To help manage the volatility that members' assets experience in the growth phase of the default strategy, the Trustee has included an allocation to "diversified growth", which over the long term is expected to generate equity-like returns but with lower volatility than equities.

The Trustee will monitor the relevant members' behaviour to check whether assumptions made about how members access their benefits are borne out in practice.

4. Considerations made in determining the investment arrangements

When deciding how to invest the Scheme's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance of each one.

The Trustee considered a wide range of asset classes for investment, and the associated risks and returns. The key financial average long-term assumptions underlying our investment adviser's model as at 31 March 2014 were as follows:

- inflation: 3.4% pa
- gilt yield: 3.4% pa
- return on equities: 7.4% pa
- return on DGF 6.7% pa
- return on property: 5.5% pa
- return on corporate bonds: 4.4% pa

Thus, the model assumes that there is a 50/50 chance that, over the long term, equity-type investment will outperform gilts by at least 4% pa.

In setting the strategy for the DB section the Trustee also took into account:

- the best interests of members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies; and
- the need for diversification between different asset classes.

In determining the investment arrangements for the DC Plan the Trustee also took into account:

- the best interests of members and beneficiaries;
- the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
- the risks and rewards of a number of different lifestyle strategies; and
- the need for appropriate diversification within the default strategy and between the other investment options offered to members.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers written advice from its investment adviser on whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers, their objectives, investment guidelines, and custody arrangements are set out in Appendix 3.

For the DC Plan, the Trustee has entered into a contract with a platform provider; Legal & General Assurance Society Limited, who makes available the range of investment options to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

The Trustee has signed agreements with the investment managers, and the platform provider in respect of the DC Plan setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Scheme's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme, within the portfolios they manage, and in considerations relating to the liquidity of investments. For the DB section, when appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any cash requirements. For the DC Plan, the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Social, environmental and ethical considerations

The Trustee has decided that, in the investment of the Scheme's assets, the investment managers should adopt ethical guidelines where possible. The guidelines currently made by the Trustee are those set out in the Ethical Investment Policy of the Baptist Union of Great Britain. The Trustee believes that this stance should not undermine the long term objectives of the Scheme.

Subject to these ethical guidelines, the policy on social, environmental and ethical considerations is set by the investment managers, who also exercise the rights (including voting rights) attaching to the investments. The Trustee will take this policy into account when appointing and reviewing the investment managers. The Trustee cannot usually directly influence investment managers' policies on social, environmental and ethical factors where assets are held in pooled funds due to the collective nature of these investments. Within the DC Plan, the Trustee recognises that some members may wish to invest specifically in ethical funds and offers members appropriate funds to achieve this.

8. Exercise of investment rights

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. In so doing, the Trustee has considered The UK Stewardship Code (the "Code"), issued by the Financial Reporting Council ("FRC"). The Trustee is supportive of the Code, and the Trustee has informed the investment managers accordingly. The Trustee recognises its responsibilities as shareholder being the owner of capital, and believes that good corporate governance enhances shareholder value in the long term.

The Trustee cannot usually directly influence the managers' policies on the exercise of investment rights where assets are held in pooled funds due to their collective nature. The Trustee understands that investment rights will be exercised by the investment managers in line with the managers' general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and which are provided to the Trustee from time to time, taking into account the financial interests of the beneficiaries.

SIP signed for and on behalf of the Trustee of the Scheme:

Responsibilities, decision-making and fees

In broad terms in respect of investment matters, the Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Scheme overall, with access to an appropriate level of expert advice and service. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

The Trustee is responsible for:

- setting the investment strategy, in consultation with the employers;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) investment managers, custodians, investment advisers, actuary and other advisers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- formulating a policy on socially responsible investment issues and a policy on voting rights;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employers when reviewing the SIP.

The Trustee has delegated consideration of certain investment matters to an investment sub-committee, although any decisions remain the responsibility of the Trustee.

2. Platform provider

The investment platform provider, L&G, is responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.

3. Investment managers

The investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- providing the Trustee/ investment platform provider with regular information concerning the management and performance of their respective portfolios; and

- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser and actuary

The investment adviser and actuary will be responsible, as requested by the Trustee, for:

- for the DB section, advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- for the DC Plan, advising on a suitable fund range and default strategy for the Scheme, and how material changes to legislation or within the Scheme's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustee in reviews of this SIP.

5. Fee structures

The Trustee recognises that the provision of investment management and advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

The Trustee has agreed Terms of Business with the Scheme's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers and platform provider receives fees calculated by reference to the market value of assets under management, and also in some cases a performance related fee. The fee rates are believed to be consistent with the managers general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The Trustee has delegated responsibility to the investment managers for appointing custodians in respect of the Scheme's investments. The fee rates of these custodians are believed to be consistent with the custodians' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

6. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Trustee will also carry out periodically an assessment of its own effectiveness as a decision-making body and will decide how this may then be reported to members

Policy towards risk, risk measurement and risk management

The Trustee considers that there are a number of different types of investment risk that are important for the Scheme. These include, but are not limited to:

1. Risk of inadequate returns

For the DB section, a key objective of the Trustee is that, over the long-term, the Scheme should have adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

In the DC Plan, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifestyle" strategy.

2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme's assets. The Trustee believes that the Scheme's DB assets and DC default strategy are adequately diversified between different asset classes and within each asset class, and the DC options provide a suitably diversified range for members to choose from. This was key consideration when determining the Scheme's investment arrangements.

3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis.

4. Liquidity/marketability risk

For the DB section, this is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Scheme's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments.

For the DC Plan, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

5. Risk from excessive charges

Within the DC Plan, if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the DC Plan are in line with market practice and assess regularly whether these represent good value for members.

6. 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 Scheme is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers, and primarily invests in bonds that are classified as "investment grade".

7. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge currency exposure or implement separate currency hedging arrangements.

8. Interest rate and inflation risk

The DB Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's assets are held in bonds / interest rate swaps, via pooled funds. However, the interest rate and inflation exposure of the Scheme's assets hedges part of the corresponding risks associated with the Scheme's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to have exposures to these risks in this manner.

9. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Scheme as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.

Investment manager arrangements

Details of the investment managers, their objectives, and investment guidelines and custody arrangements are set out below. The Trustee does not have a direct relationship with the various custodians detailed below.

The Defined Benefit section

1. Legal & General Investment Management ("L&G") – Passive Equity

The Scheme invests in passive equities through a pooled fund called the Ethical Global Equity Index Fund and the Ethical Global Equity Index Fund (GBP Hedged). The objective of these funds is to track the sterling total returns of the FTSE4Good Global Equity Index, and the corresponding GBP hedged indices (including re-invested income, less withholding tax) to within +/- 0.5% per annum for two years in three. The funds are priced weekly, are open ended and unlisted.

L&G is responsible for custody of the assets of the fund. Generally, responsibility for UK assets is delegated to HSBC and responsibility for all other assets is delegated to Citibank. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments.

2. Ruffer LLP – Diversified Growth Fund

The Scheme invests in diversified growth through a segregated account which seeks to mirror Ruffer's Charity Assets Trust. Ruffer's objective is to achieve a consistent return (after the deduction of fees) significantly greater than the Bank of England Bank Rate, and to preserve capital over twelve month rolling periods.

Ruffer is responsible for custody of the assets of the fund. Responsibility is delegated to RBC Investor Services. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments.

3. GMO UK Limited ("GMO") – Diversified Growth Fund

The Scheme invests in diversified growth through a pooled fund called GMO Global Real Return (UCITS) Fund. The Fund's objective is to outperform inflation by 5% pa (after the deduction of fees) over a full economic cycle.

The investment manager is responsible for custody of the assets of the Fund. Responsibility is delegated to Brown Brothers Harriman ("BBH"). Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments. The Fund is an open ended company established under the Undertakings for Collective Investment in Transferable Securities Directive IV. It is authorised and regulated by the Central Bank of Ireland and is not listed on any stock exchange.

4. CBRE Global Investment Partners ("CBRE") – UK Property

The Scheme invests in UK Property through a pooled fund of funds called the CBRE Global Investment Partners UK Osiris Property Fund. The Fund's objective is to outperform the AREF/IPD UK QPFI All Balanced Property Fund Index by 0.5% pa over rolling three year periods (before CBRE fees but after fees for the underlying property funds)

CBRE is responsible for custody of the assets of the fund. Responsibility is delegated to Northern Trust. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments. The fund is open ended (subject to maximum deferral of 24 months for redemptions at manager's discretion) and is not listed on any stock exchange

5. Royal London Asset Management ("RLAM") – Corporate bonds

The Scheme invests in corporate bonds through a pooled fund called the RLAM Ethical Bond Fund. The Fund's objective is to outperform the iBoxx Sterling Non-Gilt All Maturities Index by 0.5% pa over rolling three year periods (before the deduction of fees).

RLAM is responsible for custody of the assets of the fund. Responsibility is delegated to HSBC. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments. The fund is open ended and is not listed on any stock exchange.

6. BMO Global Asset Management EMEA ("BMO") – Dynamic LDI

The Trustee has selected BMO as the manager for the Scheme's LDI portfolio. The Scheme invests in the F&C Real and Nominal Dynamic LDI Funds. The objective of these funds is to provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme. The Scheme can also invest in the F&C Sterling Liquidity Fund. The objective of this fund is to maintain high levels of liquidity preserve capital and generate a return in line with the GBP 7-Day LIBID.

The overall allocation to the pooled LDI funds has been designed to have a similar sensitivity to changes in interest rates and inflation as that of the Scheme's technical provisions. The portfolio as a whole is designed to be approximately three-times leveraged so that each unit of investment in the portfolio has sensitivity to interest rates and inflation of around three units of the Scheme's technical provisions.

The funds are typically priced weekly, open-ended and unlisted.

BMO Global Asset Management is responsible for custody of the assets of the funds. Responsibility is delegated to State Street Bank Luxembourg S.C.A. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments.

Additional Voluntary Contributions ("AVCs")

The funds available in the DC Plan (see below) are also available for AVCs.

The DC Plan

The Trustee makes available a range of passive and actively managed self-select funds and lifestyle strategies. The default is a lifestyle strategy. Details of the options are set out below. The relevant members are provided with clear information on the investment options and their characteristics that will allow the members to make an informed choice.

The fund options are provided to members via a bundled platform with Legal & General (L&G) as per an agreement signed between L&G and the Scheme. The funds are priced daily, open ended and unlisted.

1. Passively managed self-select fund options

The Trustee makes available the following passively managed funds, all of which are managed by L&G, with the objective of tracking their benchmark return to within the specified tolerance.

Fund	Benchmark	Tracking error
Global Equity Fixed Weights 50:50 Index Fund 3	50% FTSE All-Share Index & 50% FTSE World Index overseas	Not specified
Over 5 Year Index Linked Gilts Index Fund 3	To get the best return from a portfolio of mainly index linked securities issued predominantly by the UK Government	Not specified
AAA-AA-A Corporate Bond All Stocks Index Fund 3	iBoxx £ Non-Gilt (ex-BBB) Index (including re-invested income)	+/- 0.5% pa
Ethical Global Equity Index Fund 3	FTSE4Good Global Equity Index (including re-invested income, less withholding tax)	+/- 0.5% pa
All Stocks Gilts Index Fund 3	FTSE A Government (All Stocks) Index (including re-invested income)	+/- 0.25% pa

2. Actively managed self-select fund options

The Trustee makes available the following actively managed pooled funds as self-select options:

Manager – Fund	Objective
L&G – Cash Fund 3	The objective of this Fund is to provide capital protection with growth at short-term interest rates.
L&G Dynamic Diversified Fund	The long-term objective for the Fund is the Bank of England Base Rate +4.5% per annum, over a full market cycle, with a risk level of approximately two-thirds of the volatility of a global developed equity portfolio, over the long-term.
Standard Life – Global Absolute Return Strategies ("GARS") Fund 3	The GARS Fund is benchmarked against 6 month LIBOR, and its objective is to outperform the benchmark by 5% pa before investment management fees.
Newton - Real Return Fund 3	The objective of this fund is to outperform the one month LIBOR rate by 4% pa before investment management fees.
BMO Global Asset Management - F&C Stewardship Income Fund 3	The objective of this fund, is to outperform the UK Equity Income sector through investments in ethical and sustainable companies. Investment is concentrated in UK companies whose products and operations are considered to be of long-term benefit to the community both at home and abroad, and will generally exclude those considered to be involved with harmful products and practices or which trade extensively with oppressive regimes.
BMO Global Asset Management - F&C Stewardship International Fund 3	The objective of this Fund is to concentrate investment in international companies in any market whose products and operations are considered to be making a positive contribution to society and seeks to avoid companies, which, on balance, are felt to be harming the world, its people or its wildlife.

3. Lifestyle strategies

There are three lifestyle strategies (each with three derisking "Pathways") that members can select from, as follows:

3.1. Default Lifestyle Strategy

For members that do not make an active choice regarding investment of their contributions, the Trustee has set the default option to be the Default Lifestyle Strategy. The lifestyle option follows a pre-agreed investment strategy and provides an automated investment switching facility which will move members' funds from higher risk/return investments into lower risk/return investments as retirement approaches.

The Pathway for the Default Lifestyle Strategy aims to produce suitable asset allocation at the selected retirement date for a member taking their pot as a cash lump sum. It also retains investment in some return seeking assets at retirement and is therefore also a reasonable investment solution for members who may wish to utilise an income drawdown option at retirement.

The table below illustrates the strategic allocation between funds at each selected retirement date:

Years to Selected Retirement Age	Global Equities	Standard Life GARS	L&G Dynamic Diversified	Index Linked Gilts Index Fund	Corporate Bond Index Fund	Gilts Index Fund	Cash Fund
0	0%	17%	17%	4%	6%	6%	50%
1	0%	17%	17%	6%	14%	14%	32%
2	5%	17%	17%	7%	17%	17%	20%
3	10%	17%	17%	7%	18%	18%	13%
4	18%	17%	17%	9%	17%	17%	5%
5	26%	17%	17%	8%	16%	16%	0%
6	36%	17%	17%	6%	12%	12%	0%
7	48%	17%	16%	4%	8%	7%	0%
8	58%	18%	14%	3%	5%	2%	0%
9	62%	19%	12%	2%	4%	1%	0%
10	66%	20%	10%	1%	3%	0%	0%
11	70%	21%	8%	0%	1%	0%	0%
12	71%	22%	7%	0%	0%	0%	0%
13	73%	23%	4%	0%	0%	0%	0%
14	74%	24%	2%	0%	0%	0%	0%
15 and over	75%	25%	0%	0%	0%	0%	0%

The two alternative Pathway options available target drawdown or annuity purchase. The long term strategy is the same as for the Default above until 5 years prior to the member's Selected Retirement Age, thereafter the derisking pathways culminate as:

- Drawdown Pathway:
  - Global Equities 20%;
  - Standard Life GARS 20%;
  - L&G Dynamic Diversified Fund 20%;
  - Corporate Bond Index Fund 20%; and
  - Cash Fund 20%.

- Annuity Pathway:
  - Index-linked Gilts Index Fund 37.5%;
  - Corporate Bond Fund 18.75%;
  - Gilts Index Fund 18.75%; and
  - Cash Fund 25%.

3.2. Ethical 1 Lifestyle Strategy

This Lifestyle can be selected by any member who wishes to make an active investment selection. The Ethical 1 Lifestyle is invested initially with a 50% split between:

- the L&G PMC Ethical Global Equity Index Fund; and
- a 50% split equally between two Diversified Growth Funds (DGFs). The two DGFs are:
  - the L&G Standard Life Global Absolute Return Strategies Fund; and
  - the L&G Newton Real Return Fund.

In similar fashion to the Default style lifestyle there are 3 alternative Pathways for the Ethical 1 lifestyle focussing on providing an Annuity, Drawdown or a Lump Sum. The final 5 years of these Pathways reflect the derisking strategy under the respective Default lifestyle Pathways. For example, under the Annuity Pathway:

- Commencing 15 years prior to each member's selected retirement age there are automatic monthly switches into:
  - the L&G (PMC) Over 5 Year Index-Linked Gilts Index Fund; and
  - the L&G (PMC) 6A Corporate Bond All Stocks Index Fund

5 years before retirement, the final stage of the strategy commences switching into:

- the L&G (PMC) All Stocks Gilts Index Fund; and
- the L&G Cash Fund.

3.3. Ethical 2 Lifestyle Strategy

This Lifestyle can be selected by any member who wishes to make an active investment selection. The Ethical 2 Lifestyle is invested initially with:

- 40% in the L&G F&C Stewardship Income Fund; and
- 40% in the L&G F&C Stewardship International Income Fund; and
- the balance invested within the long-term portfolio as:
  - 10% Index linked gilts; and
  - 10% corporate bonds

There are alternative Pathways focussed on providing an Annuity, Drawdown or a Lump Sum. The final 5 years of these Pathways reflect the derisking strategy under the respective Default lifestyle Pathways.

Commencing 15 years prior to retirement, there are automatic switches into:

- the L&G (PMC) Over 5 Year Index-Linked Gilts Index Fund; and
- the L&G (PMC) 6A Corporate Bond All Stocks Index Fund.

5 years before retirement the final stage of the strategy commences; switching into:

- the L&G (PMC) All Stocks Gilts Index Fund; and
- the L&G Cash Fund.