



# Trustee of the Aspire Savings Trust

Statement of Investment Principles for the DC section



Punter Southall  
Aspire

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# Background information for members

## What is a Master Trust?

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

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

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

The Trustee of the Master Trust is Punter Southall Aspire Pension Trust Company Limited (the Trustee) and it is the Trustee that is responsible for looking after members' savings in the Master Trust. The Master Trust was set up by Punter Southall Aspire and, as is required by law, a majority of the directors of the Trustee Company are independent of Punter Southall Aspire and all other companies within the wider Punter Southall Group.

## What is a Statement of Investment Principles?

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

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

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



# Introduction

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

The SIP applies from 4 August 2017.

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

The member's retirement benefits depend on:

- (i) The level of contributions made by or in respect of the member
- (iii) The investment return achieved by the selected investment fund
- (iv) When and how members choose to access their accumulated fund

Before preparing this SIP, the Trustee confirms that it has consulted with the Master Trust's Establishing Employer, previously Punter Southall Aspire now Punter Southall defined Contribution Consulting Limited. The Trustee has also considered advice from its appointed Investment Advisor.

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

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

The SIP will be reviewed at least every three years, or following any significant change in investment policy.

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



# Master Trust Governance

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

The Investment Adviser is Punter Southall Defined Contribution Consulting Limited trading as Punter Southall Aspire, which is authorised and regulated by the Financial Conduct Authority (FCA), and the Legal Adviser is Norton Rose Fulbright (collectively referred to as 'the Advisers'). The Trustee believes the Investment Adviser to be qualified by its ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Master Trust requires.

## **Trustee**

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

- Determining the investment objectives of the Master Trust and reviewing these from time to time.
- Agreeing an investment strategy designed to meet the investment objectives of the Master Trust.
- Reviewing from time to time (at least every three years, or following any significant change in investment policy) the content of this SIP and modifying it if deemed appropriate in consultation with the Establishing Employer and on advice from an Investment Adviser
- Selecting and reviewing the investment options and the performance of the available funds at least every three years or following significant change in investment policy, or the demographic profile of relevant members
- Assessing the quality of the performance and processes of the investment managers and providers by means of regular reviews of the investment results of each fund through meetings and written reports in consultation with an Investment Adviser
- Appointing and dismissing of an Investment Manager or provider on advice from an Investment Adviser
- Assessing the ongoing effectiveness of an Investment Adviser
- Consulting with the Establishing Employer when reviewing investment policy issues
- Monitoring compliance of the investments with the SIP on an ongoing basis
- Providing any appointed organisations/individuals with a copy of the SIP, where appropriate

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

## **Investment Adviser**

An Investment Adviser would be responsible for, amongst other things:

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

## **Investment Manager**

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

- At their discretion, but within the guidelines agreed with the Trustee, selecting and undertaking transactions in specific investments within each fund
- Acting in accordance with the principles set out in the SIP
- Providing administration for the DC section on behalf of the Trustee, including investment of members' contributions in their chosen funds and providing information to the Trustee in an agreed format
- Providing the Trustee with sufficient information to facilitate the review of their activities, including:
  - Performance and rationale behind past and future strategy for each fund,
  - A full valuation of the assets
  - A transaction report
- Informing the Trustee immediately of:
  - Any breach of this SIP
  - Any serious breach of internal operating procedures
  - Any material change in the knowledge and experience of those involved in the Master Trust's investment options



# Risks

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

Defined contribution members face four key risks:

- *Inflation risk* – the risk that the purchasing power of their retirement pot is not maintained
- *Pension income risk* – the risk that the value of pension benefits (or annuity) that can be purchased by a given retirement pot amount is not maintained
- *Investment risk* – the risk that the value of their retirement pot may fall in value. (This is most important to members approaching retirement who may not have sufficient time to regain the value of investments)
- *Opportunity risk* – the risk that members take insufficient investment risk, especially at younger ages, which results in a smaller pot of money with which to provide benefits

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

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

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

- *Country/political risk* – the risk of an adverse influence on investment values from political intervention is reduced by offering investment options for members to achieve diversification across several countries

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



# Investment aims and objectives

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

- Offer a suitable range of funds, so that the DC members have a suitable range of investment options to choose from that will continue to provide a positive return over the long-term after all charges have been deducted but within an acceptable level of risk.
- Offer a designated default investment strategy appropriate for the majority of members should they decide not to choose their own investment strategy, which takes account of the likely characteristics and needs of members, maintaining an appropriate balance between risk and return through the appropriate and diversified allocation of assets, and in doing so aim to deliver a real return on members' investments, but with volatility smoothed.
- Retain sufficient flexibility to offer alternative investment funds to accommodate the needs and preferences of different groups of employees and/or employers.



# Investment Strategy

## 5.1 General

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

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

## 5.2 Range of Funds

- 5.2.1 The benefits that members will receive at retirement will depend on the level of contributions they have paid in and the investment returns achieved less any charges that have been deducted. It will be the responsibility of the Master Trust's administrator to ensure that members continue to be invested in accordance with their investment fund selection.
- 5.2.2 Members can choose an alternative maturity age if they so wish and so help manage the way their funds are invested in relation to their retirement plans.
- 5.2.3 The Trustee recognises that in a Defined Contribution scheme such as the Master Trust, where the member bears the investment risk, individual investment requirements between members will vary. As these investment funds are the responsibility of the Trustee, it may choose to add, remove or change the investment funds on offer from time to time based on advice provided by the Investment Adviser.

### **5.3 Expected Returns**

The benchmarks for the investment funds in which members are invested are set out in Appendix A.

### **5.4 Diversification**

Investment in pooled funds and/or insurance policies is one way of helping to ensure that the Master Trust's investments are adequately diversified. They provide members with access to a range of alternative investment options and the opportunity to diversify the way they are invested.

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

### **5.5 Suitability**

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

### **5.6 Realisation of Assets**

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

Most of the non-cash assets are held in pooled funds and/or insurance policies with daily dealing dates.

The Trustee will realise assets as required following member requests on retirement or earlier where required. In selecting investment options, the Trustee considers the liquidity of the investments in the context of the likely needs of members.



# Monitoring

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

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

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

- Is carrying out its work competently
- Has regard to the need for diversification of investments
- Has regard to the suitability of each investment and each category of investment
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical

## **Advisers**

The Trustee will monitor the advice given by an Investment Adviser on a regular basis.

## **Trustee**

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

## **Other**

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



# Charges

## 7.1 Member Charges

An Annual Management Charge (AMC) is a fee levied on the members to cover the costs of managing their funds. It is calculated as a percentage of the value of the fund.

The Trustee will ensure that the fees charged for the funds and their expense levels are consistent with levels typically available in the industry and comply with the charge cap.

The overall charge on members per annum from September 2017 will initially be as follows:

<b>Fund</b>	<b>Administration Management Charge</b>	<b>Investment Management Charge</b>	<b>Overall charge</b>
<b>Aspire One</b>	0.30%	0.35%	0.65%
<b>Aspire Two</b>	0.30%	0.35%	0.65%
<b>Aspire Three</b>	0.30%	0.35%	0.65%

The list of the funds available will be extended and changed from time-to-time and the fee basis for each one will be included in the quarterly investment report that will be presented to the Trustee at its meetings and this SiP will be updated accordingly.

## 7.2 Custodian

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

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

## 7.3 Trustee

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

## 7.4 Advisers

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



# Other Issues

## **8.1 Investment of Contributions**

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

## **8.2 Corporate Governance**

The Trustee has considered corporate governance issues and has agreed that they will have no specific policy in place. The Trustee has agreed that all corporate governance decisions should be delegated to the Investment Managers and are subject to each investment manager's own corporate governance policies

However the Trustee expects the managers to discharge their responsibilities by taking account of current best practices.

## **8.3 Social, environmental and ethical issues**

The Trustee has elected to invest in pooled funds and insurance policies and believes that it cannot therefore directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds and insurance policies invest. Its Investment Adviser has taken social, environmental and ethical issues into consideration by taking into consideration whether each fund manager is a signatory to the Principles of Responsible Investment.

## **8.4 Voting rights**

The Trustee accepts that the decision on how to exercise voting rights should be left with the investment managers of the pooled funds and/or insurance policies who will exercise these rights in accordance with their respective published corporate governance policies.



# Declaration

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

This SIP was approved by the Trustee in January 2018.

A handwritten signature in blue ink, consisting of several loops and a long tail, positioned above a dotted line.

Signed

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

# Appendix A

Fund Fund options agreed as at 14th August 2017

<b>Fund</b>	<b>Return Benchmark</b>	<b>Volatility Benchmark</b>
<b>Aspire One</b>	RPI + 2% p.a.	40% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))
<b>Aspire Two</b>	RPI + 3% p.a.	60% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))
<b>Aspire Three</b>	80% of composite benchmark consisting of 50% MCSI World Index and 50% FTSE All Share Index (GBP).	90% of composite benchmark (50% MCSI World Index / 50% FTSE All Share Index (GBP))