

**CHELMSFORD STAR CO-OPERATIVE SOCIETY LTD  
EMPLOYEES SUPERANNUATION FUND**

**STATEMENT OF INVESTMENT PRINCIPLES**

This statement of the principles governing investment decisions for the purposes of the Chelmsford Star Co-operative Society Limited Employees' Superannuation Fund has been prepared in accordance with the requirements of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. It was agreed by the Trustees having consulted the Fund's Investment Manager. The Chelmsford Star Co-operative Society Limited (the Society), as sponsoring employer, has been consulted and supports fully the principles set out in this statement. No amendments to the statement of investment principles will be made without written advice having been received from a suitably qualified person and until the Society has been consulted.

**Broad Principles of Investment Policy**

Responsibility for the investment of the Fund's moneys lies with the Trustees, who are required to invest the moneys in the sole interests of the beneficiaries. Having regard to their relatively small number, the Trustees have agreed that all decisions on investment policy will be taken by the Trustee body as a whole, subject to the necessary quorum, and will not be delegated to any sub-group of the Trustees.

The basic aim of the investment policy is to maximise the return on the investments commensurate with an acceptable level of risk which, for this purpose, encompasses the volatility of contribution rates and funding levels. The Trustees seek to achieve this by investing in a range of assets, suitable for the investment of pension fund moneys, which take account of the nature of the Fund's liabilities. Risk is further diversified by having a wide spread of securities within each class of investment.

**Liability Profile and Funding Level**

The Trustees have considered the implications on investment policy of the liability profile and funding level of the Fund, both on a continuing basis.

As at 28<sup>th</sup> January 2018, the funding level of the Scheme was 84% relative to the technical provisions.

The split of liabilities was:

<b>Type of Member</b>	<b>Proportion of Liability (%)</b>
Active Member	17.05
Deferred	28.60
Pensioner	54.35
Total	100.00

The Fund is open to new entrants and the liability profile is not expected to change materially in the foreseeable future.

## Investment Policy

The Trustees' policy is to seek to achieve their objectives through investing in a mixture of equities, property and bonds, but with the emphasis on equities. They recognise that the returns on equities, while expected to be greater over the long term than the returns on bonds, are likely to be more volatile. A balance needs to be struck between the expected out-performance of equities and the additional risk inherent in equity investment.

The investment strategy adopted by the Trustees is to have a mixture across asset classes, based on 60 to 63% of the assets being invested in equities and diversified growth funds, 7 to 10% in property and 30% in bonds. This is designed to provide the level of returns required by the Fund to meet its liabilities at an acceptable level of risk for the Trustees and an acceptable level of cost to the Society. The Trustees consider that exposure to the different classes of investment is best achieved by investment through pooled funds.

The central benchmark chosen by the Trustees, and control ranges about that benchmark, are set out below:

<b>Asset Class</b>	<b>Central Benchmark %</b>	<b>Control Ranges %</b>	<b>Index</b>
UK Equities	31.5	21.5 - 41.5	FTSE All Share
Overseas Equities*	21.5	11.5 – 31.5	
North America	7.6		FTSE North America
Europe (ex-UK)	7.6		FTSE All World developed Europe excl UK
Japan	4.2		FTSE Japan
Asia Basin	2.1		FTSE All World developed Asia Pacific excl Japan
Diversified Growth Funds	10	0 – 20	Libor + 4.5%
UK Gilts	15	10 – 20	FTSE 'A' British Government over 15 year Gilts
Index-Linked Gilts	15	10 – 20	FTSE 'A' British Government over 5 year index-linked
Property	7	0 – 15	IPD Monthly Property
Cash	-	0 – 5	
TOTAL	100		

*\* Exposure to Overseas Equities will be via Aberdeen Life and Pensions Global (ex-UK) Equity Fund*

The Trustees recognise that, in exceptional circumstances, the Investment Manager may consider it appropriate for the asset allocation to fall outside the control range in one or

more of the asset classes. In any such circumstances (which could include a stock market 'crash' or significant currency realignment), the Investment Manager will consult the Trustees to agree an appropriate course of action. The Trustees also recognise that, whilst the assets held will not, other than in exceptional circumstances, fall outside these ranges, market activity and movement arising from normal trading and global stock market volatility (including interest rate adjustments) may lead to this occurrence. Under such circumstances, the Investment Manager would not be expected immediately to deviate from or amend the investment strategy so as to remedy the position, but rather to adopt periodical re-balancing. The Trustees understand that a move away from the central benchmark might result in additional investment risk.

The Society and the Trustees have adopted a recovery plan and the structure and maturity of the Fund are such that it is expected that there will be a positive amount of cash available for investment for the foreseeable future and the Fund is considered unlikely to be in a position where it is forced to realise investments in order to pay benefits.

### **Expected Returns**

Over the long-term, the Trustees' expectations are for the real assets (equities, property etc) to achieve a rate of return which is at least 4% in excess of price inflation and for the monetary assets (bonds, cash etc) to achieve a rate of return which is at least 1.5% in excess of price inflation.

All Returns achieved by the Investment Manager are assessed against performance benchmarks set by the Trustees and contained in the Investment Management Agreement.

### **Additional Voluntary Contributions**

The Fund provides a facility for members to pay additional voluntary contributions to augment the benefits they are entitled to from the Fund. These contributions are invested in insurance policies with the Co-operative Insurance Society Limited and the benefits payable to members are those payable under those policies.

### **Investment Management**

The Trustees have appointed Aberdeen Asset Managers Limited as Investment Manager to the Fund.

Aberdeen Asset Managers Limited is authorised under the Financial Services and Markets Act 2000 to act as Investment Manager and is subject to the regulatory supervision of the Financial Conduct Authority.

The Investment Manager has full discretion in managing the assets of the Fund, subject to the principles set out in this statement and, in particular, the control ranges for the asset allocation, and also to the restrictions set out in the management agreement, details of which are available on request. The Investment Manager reports on a regular basis to the Trustees.

The Trustees have appointed State Street Bank and Trust Company to act as custodian of all documents of title relating to the assets of the Fund and no other custodian may be appointed without the specific approval of the Trustees.

In addition, the custodian's responsibilities include:

- processing the settlement of all transactions,
- providing statements of assets and cash flows,
- processing all dividends and tax reclaimed in a timely manner,
- undertaking appropriate administration of the Fund's assets.

### **Scheme Actuary**

The principal role of the Scheme Actuary in relation to investment policy is to:

- perform triennial (or more frequently as required) valuations and advise on the appropriate contribution rates,
- assess the funding position of the Fund and advise on the appropriate response to any shortfall.

### **Fee Structure**

Investment management fees, which include custody and other costs, are based on the amount of the assets of the Fund. Fees are on a 'clean' basis to ensure that no bias arises.

A basic fee for actuarial advice is payable related to the size of the membership of the Fund, with additional fees payable as appropriate on a time cost basis or by the agreement of a fixed fee.

### **Responsible Investment and Corporate Governance**

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest. The Trustees also acknowledge that where pooled index fund vehicles are employed which track composite market indices it is not always possible to take ESG considerations into account due to the nature of the investment.

In principle, the Trustees believe that ESG factors can have an impact on the performance of its investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expect the fund managers to have integrated ESG factors as part of their investment analysis and decision-making process where appropriate.

Appropriate weight will be given to ESG factors in the appointment of fund managers.

Trustees view that the stewardship responsibilities attached to the ownership of shares is important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares (including across passive equity mandates). Managers are expected to be signatories to the FRC UK Stewardship Code.

The Investment Manager, having a clear policy of normally voting on all issues on behalf of its investor's best financial interests, has provided the Trustees with a statement detailing its voting policies and practices.

### **Investment Performance**

The Investment Objective is to outperform the benchmark (as shown in the Investment Management Agreement) by 1% per annum, gross of fees, over rolling three year periods.

### **Review**

The Trustees will formally review this statement following the receipt of the next report on the actuarial valuation of the Fund, or earlier if deemed appropriate.

Signed for and on behalf of the Trustees

Pauline Dodd – Chair

Jane Milbank – Appointed Trustee

Kevin Bennett – Elected Trustee

**Date: 1<sup>st</sup> October 2019**