

# Chartered Society of Physiotherapy Staff Pension Scheme

## Statement of Investment Principles

Barnett Waddingham LLP  
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# 1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the Chartered Society of Physiotherapy Staff Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004; and
  - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by:
    - the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
    - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
    - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2 In preparing this statement the Trustees have consulted the Chartered Society of Physiotherapy, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4 The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5 The investment powers of the Trustees are set out in Section 19 of the Definitive Trust Deed & Rules, dated 17 March 2013. This statement is consistent with those powers.

# 2 Choosing investments

- 2.1 The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2 The day-to-day management of the Scheme's assets is delegated to the investment managers. The Scheme's investment managers are detailed in Appendix 1. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3 The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Principal Employer before amending the investment strategy.

## 3 Investment objectives

- 3.1 The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:
- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
  - to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
  - to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.
- 3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

## 4 Kinds of investments to be held

- 4.1 The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, and alternatives.
- 4.2 The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

## 5 The balance between different kinds of investments

- 5.1 The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1.
- 5.2 The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1.
- 5.3 From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

## 6 Risks

- 6.1 The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

<b>Risk versus the liabilities</b>	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
<b>Covenant risk</b>	The creditworthiness of the Principal Employer and the size of the pension liability relative to the Principal Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
<b>Solvency and mismatching</b>	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
<b>Asset allocation risk</b>	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
<b>Investment manager risk</b>	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
<b>Concentration risk</b>	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
<b>Liquidity risk</b>	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
<b>Currency risk</b>	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.

### **Loss of investment**

The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). The Trustees undertake a review of the internal controls and processes of each of the investment managers from time to time.

### **Governance risk**

Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.

### **ESG/Climate risk**

The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

## **7 Expected return on investments**

- 7.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons. In particular, they recognise that the majority of the Scheme's liabilities are linked to price or wage inflation.
- 7.3 In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4 Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate, in order to review performance.

## **8 Realisation of investments**

- 8.1 The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2 The Trustees can make disinvestments from the pooled funds by issuing written instructions to the investment managers.
- 8.3 Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

## 9 Environmental, Social and Governance factors, the exercise of voting rights and engagement activities

9.1 The Trustees have set policies in relation to these matters. These policies are set out in Appendix 3.

## 10 Agreement

10.1 This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Signed \_\_\_\_\_ Date \_\_\_\_\_

On behalf of the Chartered Society of Physiotherapy Staff Pension Scheme

# Appendix 1 Note on investment policy of the Scheme in relation to the current Statement of Investment Principles

## 1 Use of investment platform

The funds used are all accessed through Legal and General Investment Management's Investment-only Platform (IoP).

## 2 Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- Legal & General Investment Management ("LGIM");
- M&G Investments ("M&G"); and
- Partners Group ("Partners").

The Trustees also have a contract with Standard Life Assurance Company for the receipt of members' Additional Voluntary Contributions (AVCs). Members are able to invest their AVCs in a selection of different funds depending on which assets they wish to have exposure to. The AVC arrangement is reviewed from time to time.

The investment managers and AVC provider are authorised and regulated by the Financial Conduct Authority.

## 3 The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Asset class	Funds	Allocation
Passive equity	LGIM Future World Global Equity Funds	35%
Private market	Partners Generations Fund	15%
Multi-asset credit	M&G Total Return Credit Fund	20%
Diversified growth	LGIM Diversified Fund	10%
Liability-driven investment	LGIM Matching Core LDI funds	20%
<b>Total</b>		<b>100%</b>



## Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. The Scheme rebalances periodically, as and when the Trustees consider it necessary. The Trustees will review whether it is appropriate to rebalance the investments through the regular performance monitoring reports provided by their investment consultant.

## Liability Driven Investment portfolio and collateral management

The Liability Driven Investment ("LDI") portfolio has a strategic target of 20% of Scheme assets. This allocation is held specifically to match a portion of the sensitivity of the Scheme liabilities to interest rate and inflation expectation movements. The objective of investing in LDI funds is to reduce the volatility of the overall funding position of the Scheme.

The Trustees have an agreement in place with LGIM to automatically facilitate any collateral payments to reduce leverage (a "deleveraging event") from the M&G Total Return Credit Fund in the first instance and the LGIM Diversified Fund in the second instance. In the event that the LDI funds need to release capital to increase leverage (a "releveraging event"), the proceeds will be sent in the proportions of 2/3<sup>rd</sup>s to the M&G Total Return Credit Fund and 1/3<sup>rd</sup> to the LGIM Diversified Fund.

## 4 Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation. However, the Trustees retain the discretion to deviate from the strategic asset allocation.

## 5 Manager Benchmarks

The investment benchmarks and objectives for each investment manager are given below:

Manager	Fund	Benchmark	Objective
<b>LGIM</b>	Future World Global Equity Index Fund / Future World Global Equity Index Fund (GBP hedged)	Solactive L&G ESG Global Markets Index	Track the benchmark
<b>LGIM</b>	Diversified Fund	FTSE Developed World Index - 50% GBP Hedged <sup>1</sup>	Long-term investment growth
	Matching Core LDI funds	Markit iBoxx (Fixed Short, Fixed Long, Real Short, Real Long as appropriate)	Track the benchmark
<b>M&amp;G</b>	Total Return Credit Fund	SONIA	+3-5% p.a. gross of fees
<b>Partners</b>	Generations Fund	n/a	7-11% p.a. net of fees

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances, normally at least annually. The monitoring takes into account both short-term and long-term performance.

## 6 Fee agreements

The fee arrangements with the investment managers are summarised below:

Fund	Annual Management Charge (% p.a.)
LGIM Future World Global Equity Index Fund	0.16
LGIM Future World Global Equity Index Fund (GBP Hedged)	0.135
LGIM Diversified Fund	0.24
LGIM Matching Core LDI funds	0.162
M&G Total Credit Return Fund	0.45
Partners Generations Fund	1.85

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

<sup>1</sup> The LGIM Diversified Fund does not have a specific benchmark but LGIM measure performance against a comparator of developed world equities.

## Appendix 2 Objectives for the Investment Consultant

### Introduction

The purpose of this appendix is to set out the objectives agreed between the Trustees of the Chartered Society of Physiotherapy Staff Pension Scheme (the Trustees) and Barnett Waddingham LLP (BW) for the purposes of the provision of Investment Consultancy Services to be provided by BW to the Trustees in respect of the Scheme.

Expected outcomes: The objectives have been designed so as to improve outcomes for members and foster a collaborative and trusting relationship between the Trustees and its investment consultant.

This appendix has been produced in order to comply with the requirements of The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2019 ("the Regulations") and The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 ("the Order") and the government's response (issued on 6 June 2022) to the Department for Work and Pension's consultation on trustee oversight entitled.

The Trustees understands that it should review these objectives at least every three years or following a material change in investment strategy or Investment Consultant.

The Trustees should review the performance of the Investment Consultant against these objectives no less frequently than every 12 months.

These objectives were last reviewed and agreed between the Trustees and BW on 30 December 2022

### Agreed Objectives

The agreed objectives are:

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#### Overall service

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Provide high quality, clearly communicated advice in a timely fashion that helps the Scheme to achieve its investment objectives.

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Communicate advice clearly using plain English and assist the Trustees in understanding the key messages.

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Produce advice and other papers in a timely fashion, at least a week before a scheduled meeting, except where agreed otherwise.

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#### Investment strategy design

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Advise on the design of the investment strategy such that it is consistent with the Trustees' objectives and the Scheme's circumstances.

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#### Manager selection

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Assist the Trustees in selecting and reviewing managers and/or funds, taking into account the Scheme's policy on ESG factor investing.

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Report to the Trustees on major developments or changes in our opinion of managers/funds.

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## Implementation

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Arrange the implementation of asset transfers in an efficient and timely manner.

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Advise on the management of cashflow and asset rebalancing policy, suitable for the Scheme's circumstances.

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## Governance

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Review and update as appropriate the Scheme's Statement of Investment Principles.

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Advise the Trustees promptly on new investment opportunities or emerging risks.

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Provide training to enable the Trustees to take well informed investment decisions.

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Advise the Trustees of any actions required to ensure compliance with regulations.

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## Monitoring

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Help the Trustees to design an appropriate framework to track progress against their strategic objectives.

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Provide monitoring of the Fund's investments at the agreed level of frequency.

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Report to the Trustees on material developments or changes with managers/funds.

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## Appendix 3 Environmental, Social and Governance factors, the exercise of voting rights and engagement activities

### 1 Financial Materiality

The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.

### 2 Trustee's Policy

The Trustees' policy on these matters, including engagement and the exercise of voting rights, is set out below. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Trustees have not considered it appropriate to take into account individual members' views when establishing the policy on ESG issues, engagement and voting rights.

The Trustees have elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees and the managers of the underlying funds take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

- The Trustees will assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.
- The Trustees will monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain training from time to time on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- The Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

The views of the Trustees on ESG factors are considered separately for each asset class the Scheme is invested in:

**Passive equities** – the Trustees accept that when investing passively in equity index tracker funds, there is little that the manager can do within the investment process selecting stocks. However, the Trustees believe that positive engagement can lead to improved risk-adjusted returns and therefore, the Trustees look to the passive equity manager to positively engage with companies.

**Diversified growth, multi-asset credit and private markets** – the Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's fund managers in these mandates. The investment process for each such fund manager should take ESG into account in the selection, retention, and realisation of investments. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

**Liability-driven investment** - the Trustees believes that ESG issues are not financially material to the risk-adjusted returns achieved by the Scheme's liability-driven investment strategy, given its sole purpose is to provide a hedge against the Scheme's exposure to movements in nominal interest rates and inflation.

### 3 Non-financially material considerations

The Trustees have not included any non-financial matters (such as ethical views) as constraints when setting investment strategy and/or when selecting or reviewing fund managers. The Trustees have not considered it appropriate to take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

### 4 The exercise of voting rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact, and corporate governance).

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

## 5 Engagement activities

The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

At their 5 October 2023 Trustees meeting, the Trustees discussed and agreed the following priorities for stewardship.

**Stewardship Priority #1** – As a Trade Union, issues involving worker welfare are very important to the Trustees, Scheme members, and the Society. These issues cover a range of areas affecting employees including fair pay, board remuneration, modern slavery, equal rights, human rights, and attitudes towards unionisation to name a few.

**Stewardship Priority #2** – Climate change will have a material impact on human populations over the next several decades. Moving economies to net-zero will form a key component of mitigating the negative impacts of climate change.

As investors in pooled funds, the Trustees accept that there is limited direct influence they can have on an investee company's policies on these matters. The Trustees will monitor their investment manager's stewardship on these matters as part of their annual implementation statement and will raise any concerns that arise directly with their investment managers.

## 6 Conflicts of Interest

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect all investment managers to have a conflict-of-interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

## 7 Incentivising alignment with the Trustees' investment policies

Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

From time to time, the Trustees will carry out a strategy review where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs, and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated.

## 8 Incentivising assessments based on medium to long term, financial and non-financial considerations

The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter-term target, this is generally supplementary to a longer-term performance target. In the case of assets that are actively managed, the Trustees expect this longer-term performance target to be sufficient to ensure an appropriate alignment of interests.

The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short-term targets.



## 9 Method and time horizon for assessing performance

The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied.

The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

## 10 Portfolio turnover costs

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments.

During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

## 11 Duration of arrangements with asset manager

For each of the open-ended pooled funds in which the Scheme invests, there is no predetermined term for the arrangement with the investment manager.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed from time to time. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.