



Consumers' Association Pension and Employee Benefit Scheme Changes to Investment Strategy July 2020

Your Trustees, alongside the Scheme's investment advisers, regularly review the investment strategy to see whether it is meeting its objectives. The objective of the Trustees is to grow your Pension Account over the long term by more than the rate of inflation (measured by the Consumer Prices Index) while reducing risk as you get closer to retirement. The Trustees will aim to generate returns of:

- 4% p.a. more than inflation when your Pension Account is invested in Mixed Investment Fund A – when you are more than 20 years from your Selected Retirement Age "SRA". Between 20 and 15 years, your Account is invested in a mix of Funds A and B.
- 3% p.a. more than inflation when your Pension Account is invested in Mixed Investment Fund B – when you are between 15 and 10 years from your SRA. Between 10 and 5 years, your Account is invested in a mix of Funds B and C.
- 2% p.a. more than inflation when your Pension Account is invested in Mixed Investment Fund C – when you are between 5 and 3 years from your SRA.

Trustees seek to meet these objectives whilst minimising the risk of under-performing for a significant period.

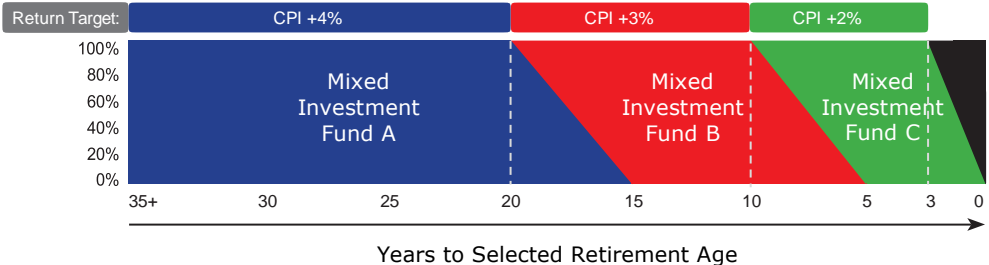
The most recent review identified that the changes made last year led to stronger performance in the period up to the market downturn arising from COVID-19 for all three Funds when comparing against the 2018 allocation. This was due to a higher allocation in return seeking assets. COVID-19 had a major impact on markets starting in the first quarter of 2020, which could not have been predicted last summer. It remains unclear how markets will react over the coming weeks/months.

After taking advice, the Trustees agreed that major changes to the underlying blends of the funds that make up Mixed Investment Funds A, B and C are not desirable at this time when markets are very volatile.

However Legal & General have announced that one of the underlying funds included in all of Funds A, B and C, the *Russell Global Large Cap Defensive Equity Fund*, is to close in mid-July. There is no direct replacement fund available. The Trustees have taken professional advice and concluded that it is in the best interest of members to use the money invested in that fund to increase the money in US equities, with a small increase to UK equities and Asia Pacific equities excluding Japan. At the same time the Trustees have decided to reduce the allocation to emerging market equities. This will bring the weighting to each country or region broadly in line with the size of each market.

The changes do not affect the Trustees' long term growth targets for the Funds and will be kept under review. The detail of these changes is shown on page 3.

The changes are happening in July 2020. These changes also apply to members in the Hybrid Section who have paid AVCs into the DC Section AVCs.



The investment target in the final 3 years before your SRA depends on the choice you make when you reach 3 years away from your SRA. This gradually reducing target is because the Trustees will gradually reduce the risk to protect your assets in your Pension Account as you get closer to your SRA. The Trustees' targets may not be met at all times as the rate of return cannot be guaranteed. However, by developing and regularly monitoring a strategy which invests in a diversified array of asset classes, your

The Trustees view of whether the Defined Contribution Section provides value for members is set out in the Annual Chair's Statement, which is included in the Scheme's Annual Report and Financial Statements. The next Annual Report will be published on the Scheme's website in October 2020. To see the most recent Annual Chair's Statement visit [which.co.uk/pension-scheme/chairs-statement](https://www.which.co.uk/pension-scheme/chairs-statement).

Which? pays the day to day running costs with the exception of the annual management charges. The changes outlined above slightly decrease the annual management charge that you will pay from your Pension Account.

Investment Fund	Current annual charge per £100 invested in your Pension Account	Future annual charge per £100 invested in your Pension Account
Which? Mixed Investment Fund A	31.5 pence	30.4 pence
Which? Mixed Investment Fund B	29.4 pence	28.8 pence
Which? Mixed Investment Fund C	25.3 pence	24.9 pence
Gilts	10.0 pence	10.0 pence
Cash	12.5 pence	12.5 pence

If you have any questions, please contact:

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This newsletter was published in July 2020 on the website at [which.co.uk/pension-scheme/investment-newsletter](https://www.which.co.uk/pension-scheme/investment-newsletter)

Frequently Asked Questions

Q: Why are my Trustees making changes to my pension account?

A: Your Trustees, alongside the Scheme's investment advisers, carried out a review of the current investment strategy and concluded that alterations are necessary to continue to meet its return objectives (outlined on page 1 of this newsletter).

Q: What are the changes?

A: There are no changes happening to the allocations to each Asset Class. Within the equities allocation the *Russell Global Large Cap Defensive Equity Fund* is closing, and the money is being moved to *North American Equity*. In addition the allocation to emerging markets is being reduced while UK equity and Asia Pacific equity is increased, to move closer to global market weightings. A detailed comparison of the allocation to various Asset Classes can be found in the table on page 3 of this newsletter.

Q: What do I need to do?

A: The change in asset allocation will happen automatically; therefore no action is required by you.

Q: When are the changes happening?

A: The changes are happening in July 2020.

Q: Will this cause any disruption in services?

A: For about one week it will not be possible to invest or disinvest money, while the changes are being made; you will be able to access all other pension services as normal.

Q: What am I being charged for this change?

A: There are no charges for the administration of the change – charges for this, including the transaction costs, are being paid directly by Which? on this occasion. There will be a slight decrease in the annual management charges as a result of a decreased cost to access certain asset classes. The new charges are outlined in the table opposite.

Q: What if I have more questions or need help?

A: If you have any further questions, or require any assistance, please contact the Pensions Team email pensions@which.co.uk.

Asset Class	Region	Fund Name	TER	Mixed Fund A		Mixed Fund B		Mixed Fund C	
				Current (%)	New (%)	Current (%)	New (%)	Current (%)	New (%)
Equity	UK	LGIM UK Equity	0.100%	1.9	2.7	1.3	1.8	0.8	1.1
		LGIM UK Smaller Companies	0.250%	-	-	-	-	-	-
	Global	LGIM Russell Global Large Cap Defensive Equity	0.300%	9.1	0.0	6.3	0.0	3.7	0.0
		LGIM Global Small Cap	0.250%	3.0	3.0	2.1	2.1	1.2	1.2
		LGIM Developed World ex-UK Equity Index	0.180%	7.7	7.7	5.4	5.4	3.1	3.1
		LGIM Developed World ex-UK Equity Index (GBP hedged)	0.203%	7.7	7.7	5.4	5.4	3.1	3.1
		LGIM European Equity – Hedged	0.275%	5.2	5.2	3.6	3.6	2.1	2.1
	Europe (ex-UK)	LGIM European Equity	0.250%	0.4	0.4	0.3	0.3	0.1	0.1
		LGIM North American Equity	0.200%	1.3	10.8	0.9	7.5	0.5	4.3
	North America	LGIM North American Equity – Hedged	0.225%	15.7	15.7	11.0	11.0	6.4	6.4
		LGIM Asia Pacific ex Japan Equity	0.275%	0.1	1.1	0.1	0.8	-	0.4
	Asia Pacific (ex-Japan)	LGIM Asia Pacific ex Japan Equity – Hedged	0.300%	1.7	1.7	1.2	1.2	0.7	0.7
		LGIM Japan Equity – Hedged	0.250%	3.2	3.2	2.2	2.2	1.3	1.3
	Japan	LGIM World Emerging Market Equity	0.450%	8.0	5.8	5.6	4.0	3.2	2.4
Emerging Market	Total Equity	-	65.0	65.0	45.3	45.3	26.2	26.2	
Bonds		LGIM Active Corporate Bond All Stocks	0.260%	-	-	12.5	12.5	12.5	12.5
		LGIM EM Passive Local Government Bond	0.350%	7.5	7.5	5.0	5.0	2.5	2.5
		LGIM EM Passive USD Government Bond – Hedged	0.275%	-	-	2.5	2.5	5.0	5.0
		LGIM High Income – Hedged	0.400%	10.0	10.0	10.0	10.0	10.0	10.0
	Total Bonds	-	17.5	17.5	30.0	30.0	30.0	30.0	
Alternatives		LGIM Infrastructure Index	0.350%	-	-	-	-	-	-
		LGIM Private Equity Passive Index	0.550%	2.9	2.9	3.1	3.1	1.5	1.5
		LGIM Global Real Estate Investment Trust	0.350%	5.7	5.7	4.8	4.8	4.5	4.5
		LGIM Managed Property (UK)	0.720%	5.7	5.7	4.8	4.8	4.5	4.5
	Total Alternatives	-	14.3	14.3	12.7	12.7	10.5	10.5	
Gilts		LGIM All Stocks Gilts	0.100%	-	-	-	-	-	-
		LGIM Index Linked Gilt All Stocks Fund	0.100%	-	-	-	-	12.5	12.5
		LGIM 5-15 Year Gilts	0.100%	3.2	3.2	9.6	9.6	15.8	15.8
	Total Gilts	-	3.2	3.2	9.6	9.6	28.3	28.3	
Cash		LGIM Cash	0.125%	-	-	2.5	2.5	5.0	5.0
Total			-	100	100	100	100	100	100
Total Expense Ratio (TER) :-				0.315%	0.304%	0.294%	0.288%	0.253%	0.249%

In the above table increases to allocations are noted in green, decreases in red.