CONSUMERS' ASSOCIATION PENSION & EMPLOYEE BENEFIT SCHEME

TRUSTEES' ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 March 2020

Scheme Registration No: 10001670

Contents

Chair's Review

Welcome to the Scheme's Annual Report and Financial Statements for the year ended 31 March 2020.

The Employer reviewed the changes to the minimum contributions for auto enrolment and increased the Employer contribution rate for members in their first year of membership at 1 April 2019 to 6% of basic pay, and increased the Employee contribution rate for employees in their first year of membership at Which? Financial Services from 2.5% to 3% of basic pay from the same date.

Following the closure of the Hybrid Section of the Scheme on 31 March 2019 following consultation with affected members, those members joined the DC Section from 1 April 2019 with an enhanced Employer contribution rate of 20% of their basic pay for 5 years, after which the rate will revert to 11% of basic pay.

The proposed closure of Which? Financial Services, Which? Insurance Advisers and some changes to the Group structure announced on 22 May 2019 went ahead and these proposals resulted in a number of redundancies, which meant that those members became deferred pensioners.

During the year the Trustees conducted a review of the value offered to members in the DC Section, with the help of our professional adviser. Our assessment is that the Scheme continued to deliver good value for members and my annual Chair's Statement about the DC Section can be found on page 46.

The Trustees re-assessed the investment strategy and investment return targets for DC Pension Accounts during the summer of 2019 and concluded that these remained appropriate for members. During the 2019/20 Scheme year we implemented some changes to the asset allocation for the Which? Mixed Investment Funds to reflect our view that the risk of a market downturn had somewhat receded at that point. This did not affect our investment return targets for members.

Towards the end of the first quarter of 2020 the spread of Covid-19 had a severe impact on investment markets throughout the world as valuations in all major asset classes fell. Markets continue to grapple with the potential economic impact of the measures countries have taken to contain the virus. Market volatility remains high and the outlook remains uncertain.

For those members of our DC Section we believe that in the longer term, savings in Pension Accounts will recover. For those nearer to accessing their Pension Accounts, the Scheme offers the option to defer taking money out, enabling time for recovery. Members who are close to their Selected Retirement Age will have seen less of an impact on their Pension Accounts than younger members, because the Scheme's lifestyle strategy de-risks as a member approaches their Selected Retirement Age.

The Trustees employed a leading covenant review firm, Lincoln Pensions Ltd, to help review the Employer covenant for last actuarial valuation of the Hybrid Section in 2018. The covenant has been regularly monitored since, including input from Lincoln, and the Trustees have no reason to believe that Which? is not a going concern. The funding level of the Hybrid Section is monitored every 6 months, with contingent contributions payable if the deficit recovery falls behind schedule, as described on page 11. The Trustees have a negative pledge over the Employer's property at 2 Marylebone Road, which is described on page 12.

The Trustees have no cash flow concerns as benefit outflow from the Hybrid Section is met from the Employer's deficit contributions and divestments from the Prudential with-profits policy. The assets of the Hybrid Section are mostly liquid and realisable.

The Trustees are not aware of any plan or proposal to wind up the Scheme within the next 12 months

Aside from Covid-19, the ongoing political risk and trade friction between the US and China continues and the impact on the UK and EU economies from Brexit has not gone away.

Long term interest rates, which affect the cost of future pension obligations and therefore the funding position of the Scheme's Hybrid Section, have also been affected by the action central banks have taken to tackle the economic impact of Covid-19. Long term interest rates have fallen to the lowest levels for decades. The Hybrid Section has hedging in place against falls in interest rates and increases in inflation, but the funding level is not fully immunised. The funding level on the Scheme's Technical Provisions basis (the basis used to determine the deficit) was 89.9% at 31 March 2020, down from 93% at the last actuarial valuation at 31 March 2018. There is more information about this, and the additional deficit contributions paid by the Employer, on page 12.

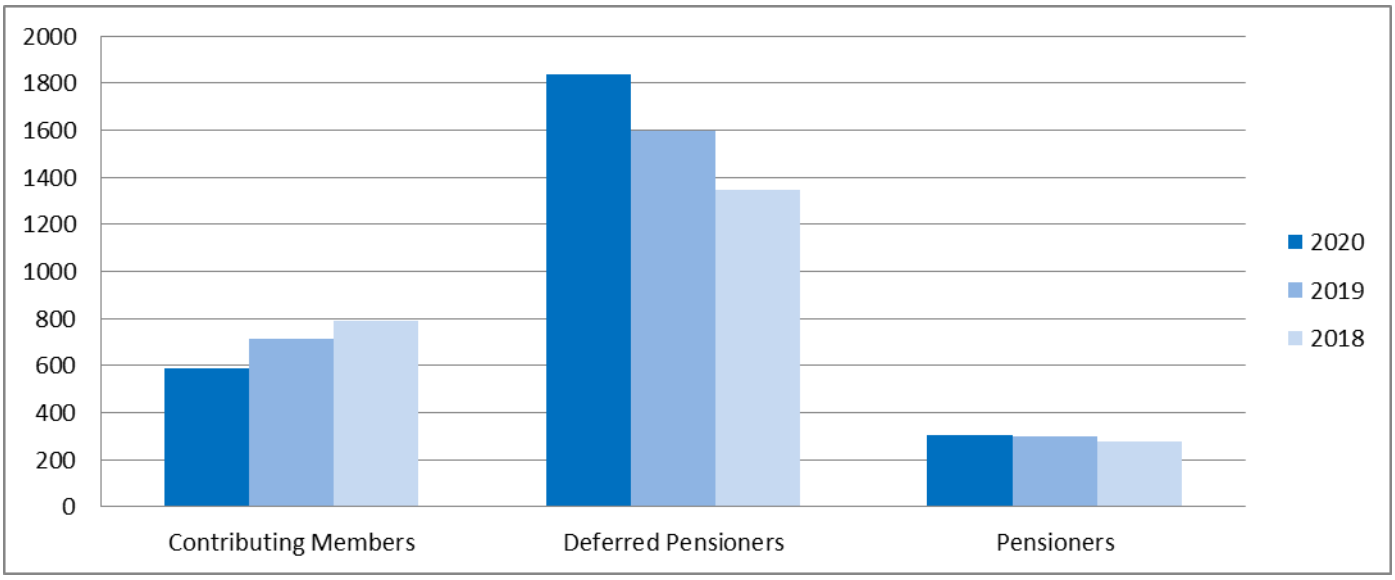
As reported last year, Alan Wilkes was appointed as Scheme Actuary from 3 October 2019 following the retirement of Joanne Livingstone.

Alastair Reed joined the Trustee Board as a Member Nominated Trustee on 1 April 2020, replacing Dominic Lindley. I would like on behalf of the Trustee Board to thank Dominic for the work he did for the Scheme.

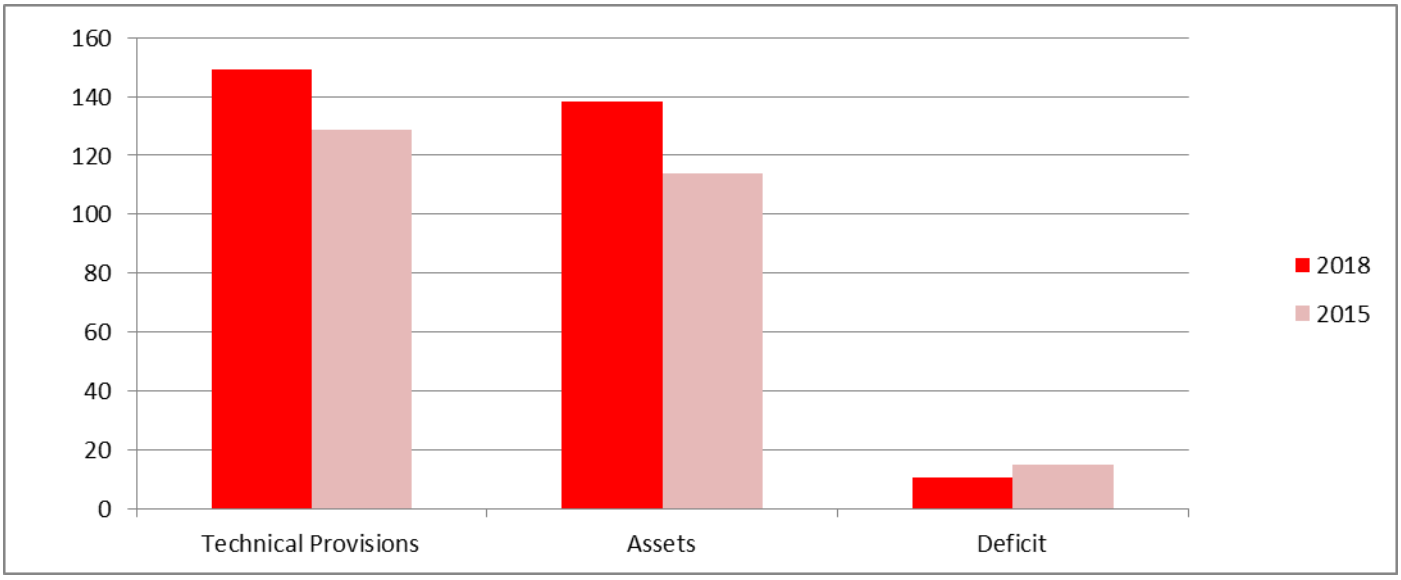
Julian Edwards stepped down as Chair of the Trustees on 31 May 2020 after more than 8 years in the role, and my co-Trustees appointed me as their Chair from 1 June 2020. Julian continues as a Trustee, for which we are most grateful, and the Trustee Board would like to express their gratitude to Julian for his leadership through these last 8 years.

Alison Bostock
Chair of the Trustees

The Year in Numbers



Scheme Membership at 31 March each year – this includes both the Hybrid and DC Sections - see page 8 for more detail



Hybrid Section Funding Level in £m – Actuarial valuations 2015 and 2018 – see pages 10 to 13.

DC Section: Annualised return over	**1 year**	**3 years**
Fund A	**-7.9%**	**1.4%**
Trustees' Target	5.5%	6.0%
Fund B	**-5.4%**	**1.5%**
Trustees' Target	4.5%	5.0%
Fund C	**-2.9%**	**1.7%**
Trustees' Target	3.5%	4.0%
Gilts	**17.6%**	**8.0%**
Cash	**0.7%**	**0.5%**

DC Section Investment Return – see page 16.

Trustees and advisers for the year ended 31 March 2020

Employers Participating in the Scheme	**Principal Employer**	Consumers' Association
	Participating Employers	Which? Ltd Which? Financial Services Ltd
Trustees	**Employer appointed**	PTL Governance Ltd, represented by Alison Bostock (Independent Professional Trustee)
	Employer appointed	Julian Edwards (Pensioner Member)
	Employer appointed	Rebecca Fearnley (Active Member)
	Employer appointed	Ron Lam (Deferred Member)
	Member nominated	Dominic Lindley (Deferred Member) until 31 March 2020
	Member nominated	Alastair Reed (Active Member) from 1 April 2020
	Member nominated	Andrew Reading (Pensioner Member)
Secretary to the Trustees:	Karen MacKenzie (Scheme Secretary & Pensions Manager)	
Scheme administrator:	Consumers' Association	
Scheme Actuary:	Joanne Livingstone FIA XPS Pensions Group (to 3 October 2019) Alan Wilkes FIA, XPS Pensions Group (appointed 3 October 2019)	
Independent auditors:	PricewaterhouseCoopers LLP	
Legal advisers:	Travers Smith	
Investment managers:	Invesco Asset Management Limited Legal & General Investment Management Limited Lothbury Investment Management Limited M&G Investment Management Limited Prudential Assurance Company Limited Schroders Investment Management Limited TwentyFour Asset Management LLP	
Custodians	J P Morgan (for Schroders investments)	
Investment consultants:	River and Mercantile Solutions, a division of River and Mercantile Group- DC Section Redington Ltd – Hybrid Section	
AVC managers:	Prudential Assurance Company Limited Legal & General Investment Management Limited Clerical Medical Insurance Company Utmost Life	
Bankers:	Barclays Bank plc - DC Section HSBC Bank plc – Hybrid Section	

Trustees and advisers for the year ended 31 March 2020 (continued)

Enquiries	Karen MacKenzie Consumers' Association Pension and Employee Benefit Scheme 2 Marylebone Road London NW1 4DF Tel 0207 770 7817 Email pensions@which.co.uk

Trustees' Report for the year ending 31 March 2020

The Trustees of the Consumers' Association Pension and Employee Benefit Scheme (the 'Scheme') present their annual report together with the investment report; actuarial statements and certificates; Summary of Contributions; members' information; and financial statements for the year ended 31 March 2020

Principal employer and the participating companies
The Principal Employer is Consumers' Association and the Scheme provides benefits for its employees.

Which? Limited, the Research Institute for Consumer Affairs (known as the Research Institute for Disabled Consumers RiDC) and Which? Financial Services Ltd were Participating Employers during the year. The Scheme also provides benefits for their employees. The Research Institute for Consumer Affairs ceased to participate in the Scheme for future accrual from 31 March 2019 but remain liable for deficit contributions in respect of accrued Hybrid Section benefits.

Throughout this Report the Principal Employer and Participating Employers are referred to collectively as "Which?"

The addresses of the above employers are available on request from the Scheme Secretary, whose contact details are shown on page 5.

Scheme Constitution and Management
The Scheme started in 1974 and there have been changes over the years. It is an occupational pension scheme, governed by a Trust Deed and Rules, effective 29 March 2004, which amended and replaced the existing Deeds and Rules. The Scheme has: a Hybrid Section, providing a pension which is the better of a defined benefit based on a member's pensionable service and salary near to retirement, and the pension that can be provided by a money purchase account which builds up from part of the employer and employee contributions. The money purchase accounts are invested separately for the benefit of named individuals rather than held in a common fund of assets which relate to the defined benefits.

The Hybrid Section was closed to new entrants on 1 April 2004 but existing members continue to accrue benefits until 31 March 2019 when the Council of the Consumers' Association closed it. The affected Hybrid members joined the Defined Contribution Section from 1 April 2019.

A Defined Contribution Section, which opened on the 1 April 2004; this is open to new members and is used as an auto-enrolment scheme by the employers.

An individual's benefits from the DC Section are defined by the contributions made in respect of the member plus investment return. Whilst the corresponding investments remain under the legal ownership of the Trustees, they are segregated and cannot be used to pay benefits for anyone other than the member (or other beneficiaries of the member). The designation of these assets to individual DC Section members is recorded by the Scheme administrator.

The benefits of each section are summarised in a specific Scheme Booklet given to all members, according to the section of the Scheme to which they belong. Copies can be obtained from the Pensions Manager and are also available to active members on the internal intranet.

Current Scheme members and members who retain a deferred benefit in the Scheme are sent an Annual Benefit Statement which shows how their benefits are building up.

The Scheme is a Registered Pension Scheme under the Finance Act 2004. It was not contracted out of the State Second Pension (S2P).

A deed of amendment is in process to reflect the minimum contributions for auto enrolment.

Trustees' Report for the year ending 31 March 2020 (continued)

Trustees

The Trustees are responsible for the administration of benefits and the investment strategy of the Scheme. The Trustee Board meets at least 4 times a year to discuss reports received from their professional advisers and to monitor the investment strategy of both Sections. Under the terms of the Trust Deed, resolutions are passed on a simple majority of those voting.

The Scheme rules contain provisions for the appointment and removal of Trustees. The Trustee Board consists of four Trustees appointed by the Principal Employer and two appointed following a nomination process among all the Scheme members and a selection panel appointed by the Trustees. The names of the current Trustees are shown on page 4. The Principal Employer may remove Employer-appointed Trustees.

The Trustees met 6 times during the Scheme year. The Trustees have met 4 times since. Apart from the meeting held on 25th November when Julian Edwards was unable to attend, all appointed Trustees were present at all meetings.

The Trustees have an agreed three year rolling business plan to support their governance of the Scheme. This includes regular reviews of registers of risks and conflict of interests, internal controls to ensure that appropriate controls are in place and remain effective, the effectiveness of advisers, and the day to day administration of the Scheme.

Scheme advisers

There are written agreements in place between the Trustees and each of the Scheme advisers listed on page 4 and 5, and also with the Principal Employer.

Risk Management

The Trustees have overall responsibility for internal controls and risk management. They are committed to identifying, evaluating and managing risk and to implementing and maintaining control procedures to reduce significant risks to an acceptable level. In order to meet this responsibility, the Trustees have adopted a risk policy. The objective of this policy is to limit the exposure of the Trustees and the assets that they are responsible for safeguarding to business, financial, operational, compliance and other risks, where possible.

The Trustees have established and keep under review a Risk Register. The purpose of the Risk Register is:

- to highlight risks to which the Scheme is exposed from the Trustees' perspective;
- to rank those risks in terms of likelihood and impact; and
- to identify management actions that are either currently being taken, or that should be taken, in order to mitigate those risks.

Trustee Training

The Trustees' are expected as a minimum to study and pass the Pensions Regulator's E-Learning Toolkit. Their training plan is on-going and includes subjects that are topical and relate to the work of the Trustees at a given time. All Trustees are provided with training opportunities through both internal and external courses. During the year the Trustees received training on the 2019-20 Pensions Bill and on the proposed changes to the Retail Prices Index. Some Trustees attended external courses in their own time. Some Trustees have also passed the Pensions Management Institute's examination 'Award in Pensions Trusteeship'.

Trustees' Report for the year ending 31 March 2020 (continued)

Membership

The change in the membership of the Scheme is shown below:-

	Hybrid	DC	TOTAL
Contributing Members at 01/04/2019	**-**	**713**	**713**
Adjustment to opening balance	-	-	-
New members	-	178	178
Members leaving with a deferred pension	-	(286)	(286)
Members transferring out	-	(10)	(10)
Leavers with a refund or transfer option	-	-	-
Retired or accessed full benefits	-	(4)	(4)
Death in Service	-	-	-
Contributing Members at 31/03/2020	**-**	**591**	**591**

New members joining are stated net of auto-enrolment opt-outs where contributions were never remitted to the Scheme.

	Hybrid	DC	TOTAL
Deferred Pensioners at 01/04/2019	**663**	**932**	**1,595**
Adjustment to opening balance	-	(3)	(3)
New deferred members	-	286	286
Members with a refund or transfer option	-	-	-
Members who took a refund	-	(3)	(3)
Members who transferred out	(6)	(17)	(23)
Members who took a full commutation	-	-	-
Members who retired or accessed full benefits	(9)	(4)	(13)
Death in deferment	-	-	-
Deferred Pensioners at 31/03/2020	**648**	**1,191**	**1,839**

Members who chose to defer taking benefits from their AVC funds on retirement are counted as new pensioners, but also as a new deferred member. Adjustments to opening balance: 2 members reclassified as transferred units to later service; 1 member counted twice in error.

	Hybrid	DC	TOTAL
Pensioners at 01/04/2019	**299**	**-**	**299**
New pensioners from deferred membership	9	-	9
New dependent pensioners	-	-	-
Ex-dependent child	(1)	-	(1)
Pensioners who died	(2)	-	(2)
Pensioners at 31/03/2020	**305**	**-**	**305**

Pensioners include 46 dependants of members who are receiving pensions from the Scheme

TOTAL MEMBERS at 31/03/2020	**953**	**1,782**	**2,735**

Contributions

The Employer and Employee contribution rates, and the date from which the contribution rate will apply, are agreed at actuarial valuations. The recent history of rates is shown in the table on the next page.

Trustees' Report for the year ending 31 March 2020 (continued)

Employer	Scheme Section	Employer Contribution as a % of Pensionable Salary	Employee Contribution as a % of Pensionable Salary
Consumers' Association, Which? and Which? Financial Services	Hybrid Section	From 1st January 2014: 17.3% From 1st April 2015 to 31st March 2019: 24.7%	From 1st July 2010 to 31st March 2019: 4.8%
Consumers' Association and Which?	Defined Contribution Section	From 1st October 2012: 3% in first 12 months, rising to 11% from month 13 of membership From 1st April 2019: 6% in first 12 months, rising to 11% from month 13 of membership For ex-Hybrid Section members from 1st April 2019: 20% for 5 years and then 11% from month 61	From 1st July 2010: 3%
Which? Financial Services	Defined Contribution Section	From 1st July 2014: 5% in first 12 months, rising to 8% from month 13 of membership From 1st April 2019: 6% in first 12 months, rising to 5% from month 13 of membership	From 1st July 2014: 2.5% in first 12 months, rising to 4% from month 13 of membership. From 1st April 2019, 3% in first 12 months, rising to 4% from month 13 of membership.
RiDC	Hybrid Section	From 1st January 2014: 17.3% From 1st April 2015 to 31st March 2019: 24.7%	From 1st July 2010 to 31st March 2019: 4.8%
	Defined Contribution Section	From 1st July 2010: 11% From 1st April 2017 3% in first 12 months, rising to 11% from month 13 of membership From 1st April 2018 to 31st March 2019: 5%.	From 1st July 2010 to 31st March 2019: 3%

Pension increases
The Trust Deed and Rules of the Scheme provide for reviews of pensions in payment and in deferment.

Since 1 October 1994 all new entrants to the Hybrid Section of the Scheme have been entitled under the Scheme Rules to pension increases during retirement in line with Retail Prices Index (RPI) up to 6% pa, and 50% of RPI above 6% if the annual increase in RPI is between 6% and 12%, giving a maximum potential total increase of 9% pa. Some Hybrid Section active members, when offered the choice in 1994, opted for pension benefits with 5% fixed pension increases instead of the RPI increases described above.

Pension increases effective from 1 April 2019 have been granted in accordance with the Scheme Rules. The increase for those who have increases in line with RPI was 2.5% (2018: 4.0%).

Deferred pensions are re-valued each year in line with the increase in the Consumer Prices Index (CPI) capped at 5%. From January 2011 the index to be used was amended by statute from the RPI to the CPI.

No discretionary increases have been granted since 1 April 1990.

Transfer values
Cash equivalents paid during the Scheme year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include the value of discretionary benefits.

Trustees' Report for the year ending 31 March 2020 (continued)

Review of financial development of the Scheme
The financial statements have been prepared and audited in accordance with the regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

Change of Scheme Actuary
The Scheme Actuary, Joanne Livingstone, resigned on 30 September 2019 and was replaced by Alan Wilkes on 3 October 2019. Mrs Livingstone reported that she knew of no circumstances connected with her resignation which significantly affected the interest of the members or prospective members of, or beneficiaries under the Scheme.

Report on actuarial liabilities
As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under Section 222 of the Pensions Act 2004, every scheme with defined benefits, such as the Hybrid Section of the Scheme, is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its "technical provisions". These represent the value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustees and Which? and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial valuation of the Scheme was carried out as at 31 March 2018 (the valuation date) and used the Projected Unit Method. The results are shown in the table below.

Valuation Date: 31 March	**2018 £m**	**2015 £m**
Value of technical provisions of the Hybrid Section	149.0	128.5
Value of assets available in the Hybrid Section to meet technical provisions	138.3	113.8
Past service deficit	10.7	14.7
Assets as a percentage of technical provisions liabilities	93%	89%

Although there are no current plans to buy out the liabilities of the Hybrid Section with an insurance company, the Trustees also consider the level of funding relative to the estimated costs of such a buy-out (known as "solvency liabilities"). Equivalent information on this basis is shown in the table below.

Valuation Date: 31 March	**2018 £m**	**2015 £m**
Value of solvency liabilities of the Hybrid Section	193.1	183.9
Value of assets available in the Hybrid Section to meet technical provisions	117.0	99.9
Solvency deficit	76.1	84.0
Assets as a percentage of solvency liabilities	61%	54%

Trustees' Report for the year ending 31 March 2020 (continued)

The funding level on the solvency basis is much lower than the basis used to calculate the Scheme's Technical Provisions. This is due to the assumed loss of the terminal bonuses upon the Prudential assets and the different assumptions used to reflect the difference between the anticipated cost of providing the benefits from the Scheme on an ongoing basis and the cost of securing those benefits through the purchase of insurance policies.

The cost of meeting pension obligations calculated using the technical provisions is based on Pensionable Service to the valuation date and prudent assumptions about various factors that will influence the Scheme in the future, such as the levels of investment return, pay increases, when members will retire and how long members will live. The method and main actuarial assumptions used in the calculations are:

Discount interest rate: term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 1.75% per annum to reflect that the Scheme is not wholly invested in fixed interest gilts for pre-retirement liabilities and an addition of 0.25% per annum for post-retirement liabilities.

Future Retail Price Inflation: term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

Future Consumer Price Inflation: term dependent rates derived from future retail price inflation less an adjustment equal to 0.8% per annum.

Pension increases: derived from term dependent rates for future retail price inflation allowing for caps and floors on pension increases according to the Scheme's rules.

Pay increases: This is not a significant assumption since there were few active members remaining in the Hybrid Section at the valuation date.

Mortality: for the period in retirement, 90% of standard tables S2PA base tables centred in 2007 with improvements in line with the CMI 2015 projections with a long term improvement rate of 1.5% per annum for males and 1.25% per annum for females.

Recovery Plan
As summarised in the table above, the valuation carried out as at 31 March 2018 showed that the funding position had improved from the previous valuation in 2015 and subsequent annual updates.

The main reasons for the improvement were:-

- Returns on the Scheme's investments were higher than expected, which acted to reduce the deficit and
- The changes in assumptions used to value the liabilities have placed a lower value on the liabilities and hence also acted to reduce the deficit.

A Recovery Plan was agreed between the Trustees and Which? to address the deficit on 27 June 2019. Under the Recovery Plan, the participating employers maintained the agreed deficit contributions of £104,167 per month (£1.25m per annum) from 1 July 2019 plus a one-off contribution of £200,000 paid in July 2019. On the basis of conditions prevailing at 1 April 2018, the Scheme funding deficit is expected to be eliminated by 31 March 2023.

These arrangements were formalised in a schedule of contributions which the Scheme Actuary certified on 27 June 2019. The Actuary's report was published on 19 July 2019.

In addition, the Trustees and Which? agreed:-

1. A contingent contribution mechanism which takes effect if the Scheme does not make the expected progress anticipated under the Recovery Plan. The purpose of the contingent contribution mechanism is to provide an additional contribution to the Scheme, in excess of the contributions set out in the Recovery Plan dated 27 June 2019, if the assessed funding level is below a Minimum Target Funding Level at each assessment date. The funding level will be assessed on an agreed basis at each 31 March and 30 September, starting with effect from 30 September 2019 and ending on 31 March 2023.

Trustees' Report for the year ending 31 March 2020 (continued)

The additional contribution payable will be 25% of the amount required to reach the Minimum Target Funding Level at that date. This is to spread the cost over the 4 years remaining to the end of the Recovery Plan period. The total additional contribution is capped at a maximum payment of £0.5m for each half-yearly assessment and is payable within one month of date the Trustees notify the Employer of the result of the assessment of the Scheme's funding position.

The assessments at 30 September 2019 and 31 March 2020 both triggered the contingent contribution mechanism and additional contributions were paid by the Employer to the Scheme per the table below:-

Summary of Assessment		
	30 September 2019	**31 March 2020**
Actual Asset Amount (£000s)	145,907	144,483
Estimated Liability Amount (£000s)	167,857	160,713
Funding Position (£000s)	(21,950)	(16,230)
Assessed Funding Level	86.9%	89.9%
Minimum Target Funding Level at Assessment Date	95.2%	95.9%
Contribution required to ensure Minimum Target Funding Level met (A) (£000s)	13,932	9,641
Contribution due by Principal Employer (minimum of £500,000 and 25% x A) (£000s)	500	500

2. That neither Which? nor its Subsidiaries shall, prior to 31 March 2023, create or allow to exist any security over all or any part of the property at 2 Marylebone Road, London, NW1 4DF in excess of a Permitted Amount. The Permitted Amount in any period is as follows:-

12 months commencing:	Permitted Amount
1 April 2019	£12.7m
1 April 2020	£11.4m
1 April 2021	£10.1m
1 April 2022	£9.1m*

*Notional and subject to change given the existing mortgage is due to be renegotiated in April 2021 which could impact annual repayments.

These additional agreements are subject to the condition that the Trustees shall not amend the Hybrid Section investment strategy so that the level of hedging in relation to either interest rates or inflation exceeds 50% before 31 March 2023 without the prior written agreement of Which?

The additional agreements are the subject of side letters to the formal valuation documents. The Trustees believe that these arrangements strengthen the security of Hybrid members' benefits.

Members were sent a Summary Funding Statement explaining the 2018 valuation results in September 2019.

Actuarial Report
In the intervening years, the Scheme Actuary prepares an Actuarial Report which enables the Trustees and the Employer to review whether the Recovery Plan is on track. If after taking actuarial advice the Trustees consider that the Recovery Plan is not on track they may initiate an earlier actuarial valuation or negotiate a revised Recovery Plan with the Employer.

Trustees' Report for the year ending 31 March 2020 (continued)

The Actuarial Report as at 31 March 2019 showed that the funding position had deteriorated.

Valuation Date: 31 March 2019	**£m**
Technical provisions	149.9
Market value of assets	137.3
Past service deficit	12.6
Funding ratio	92%

The actual return on assets was lower than assumed, but the main reason for the deterioration was further changes in fixed interest and index-linked gilt yields.

The Trustees concluded that a valuation earlier than 31 March 2021 was not required.

Members were sent a Summary Funding Statement explaining the 2019 update in November 2019.

The actuarial report due as at 31 March 2020 will be reported on in the 2021 Trustees' Report.

Next actuarial valuation
The next triennial valuation will be carried out as at 31 March 2021 unless the Trustees conclude that an earlier valuation is required.

Trustees' Report for the year ending 31 March 2020 (continued)

Investment management

Investment strategy and principles

The Trustees are responsible for determining the Scheme's investment strategy. In accordance with section 35 of the Pensions Act 1995, the Trustees have agreed a statement of investment principles ("SIP"). The Statement of Investment Principles which was updated in September 2019 starts on page 68.

The Trustees' investment strategy considers the Scheme's investments in the following groupings:

- **Return-seeking assets:** Predominantly equities, diversified funds and properties, where the objective is to achieve growth within the constraints of the risk profile set by the Trustees.

- **Liability-driven assets:** Predominantly bonds, where the objective is to secure fixed or inflation-adjusted cash flows in future, and where the investments are generally expected to be held to maturity.

- **DC assets:** The Trustees combine different types of investments with the aim of meeting the investment return targets they have set, but without taking an undue risk of under-performing for a significant period.

Management and custody of investments
The Trustees have delegated management of investments to professional investment managers (listed on page 4). These managers are regulated by the Financial Conduct Authority in the United Kingdom and manage the investments within the restrictions set out in investment management agreements which are designed to ensure that the objectives and policies set out in the SIP are followed.

Full details of the Trustees' policies on financial and non-financial matters and stewardship are given in the SIP, which starts on page 68.

Custodial arrangements
The assets underlying the units of the fund managers are held by independent custodians, appointed by the fund managers, with the exception of Schroders, where the Trustees have appointed JP Morgan. For other investments which are in the form of insurance policies, the master policy documents are held by the Trustees.

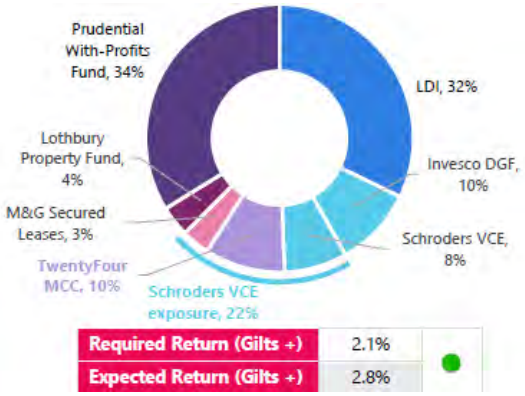
Hybrid Section – Investment Strategy Implementation
The last detailed review of the Hybrid Section investment strategy was carried out by the Trustees with their advisers, Redington, during the 2015-16 Scheme Year. The Trustees set an objective to reach a funding level where the Hybrid Section of the Scheme will be self-sufficient and no longer requiring contributions from the Employer. When this funding level is reached, the Trustees will be able to invest in low risk assets that provide a sufficient level of return to pay all benefits as they fall due, until the Hybrid Section is either able to buy out liabilities with an insurance company or the last beneficiary dies.

In developing this strategy, the Trustees assumed that the Employer's deficit contributions will cease at the end of the Recovery Plan agreed following the 2015 actuarial valuation and that, over time, investment returns will then fund the remaining gap between the Scheme's assets and the self-sufficiency funding level. The target is to reach the self-sufficiency funding within an acceptable timeframe subject to actual experience of market movements.

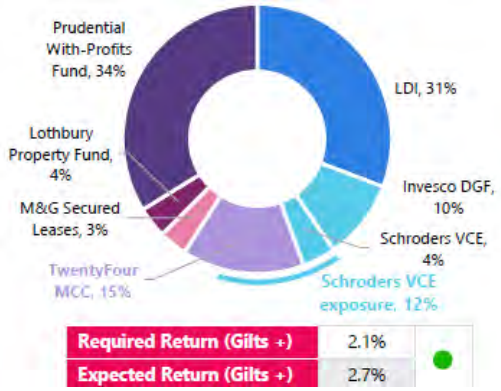
The Trustees recognise that certain risks that pose a threat to a long term funding plan, such as lower long term interest rates, higher inflation and volatile investment markets. Following advice from their professional advisers, the Trustees increased the interest rate and inflation hedge ratios to 50% of the Scheme's liabilities during the year.

Trustees' Report for the year ending 31 March 2020 (continued)

The resulting asset allocation and targeted return above the return on gilts is shown in the graph below:



Towards the end of the first quarter of 2020 the spread of Covid-19 had a severe impact on investment markets throughout the world as valuations in all major asset classes fell. The Trustees took advice from their professional advisers and implemented a small change to the asset allocation in May 2020 to give more certainty about reaching the self-sufficiency funding target. The change reduced the equity exposure, hence reducing reliance on equities, which historically have been more volatile than corporate bonds and invest £7.5m in actively managed corporate bonds with TwentyFour MCC, where the market outlook was more favourable. The expected returns after the change are broadly unchanged.



This is an interim step, as the Trustees are working with their advisers to review the investment strategy and the outcome will be reported in the 2020/21 Annual Report.

Trustees' Report for the year ending 31 March 2020 (continued)

DC Section Investment Strategy
The Trustees review the DC Section investment strategy and performance each year with their advisers, River and Mercantile Solutions. Following the 2019 review, some changes were made to Which? Mixed Investment Funds A, B and C to reflect the Trustees' view that markets were entering a more stable phase. In particular the Trustees reduced the overall allocation to 'safer' assets such as gilts and increased exposure to 'return-seeking' assets such as equities. Within the equity allocation, the Trustees increased the allocation to emerging and overseas markets and reduced the allocation to defensive equities. The Trustees remain comfortable with the Fund's performance and although the fund prices decreased through the Covid-19 volatility, the falls was not as severe as external funds tracking global indices, which saw losses of more than 30% at some points.

During June 2020 the Trustees carried out a review of the investment strategy with their advisers. After taking advice, the Trustees agreed that sizeable changes to the underlying blends of the funds that make up Mixed Investment Funds A, B and C were not desirable at the time when markets were very volatile.

However Legal & General announced that one of the underlying funds included in Funds A, B and C, the Russell Global Large Cap Defensive Equity Fund, was to close in mid-July. The Trustees took advice and decided to use the money invested in that fund to increase the allocation to US equities, with a small increase to UK equities and Asia Pacific equities, excluding Japan. At the same time the Trustees decided to reduce the allocation to emerging market equities. The changes do not affect the Trustees' long term growth targets for the Funds and will be kept under review. The Trustees have sought professional advice and believe the changes are in the best interest of members.

A newsletter about these changes was sent to all members with pension savings in the DC Section of the Scheme; a copy is available from the contact for enquiries on page 5.

Investment performance
The Trustees assess the performance of the Scheme's investments in the following groupings consistent with the overall strategy:

- **Hybrid Section return-seeking assets** all assets are actively managed and are assessed by reference to benchmarks and performance targets agreed with each manager;
- **Hybrid Section liability-driven assets** are actively managed funds and the Trustees' main concern is security of cash flows and therefore growth in these assets (which is normally linked to growth in Scheme liabilities, or vice versa) is less relevant.
- **DC assets** are invested in a mix of passively managed funds assessed by reference to the indices tracked by the fund managers and actively managed funds where the fund managers have discretion to buy and sell the underlying assets. Performance information is provided to members as part of the annual benefit statement.

The Trustees receive monthly reports from their investment managers (other than the AVC fund managers and Prudential, who report annually), showing actual performance by fund. The Trustees receive quarterly updates from their investment consultants who report on the investment manager's performance and compliance with their agreements. DC Section members are provided with an annual summary of the performance of their investment choices and monthly performance information is published on the Scheme's website which can be accessed here:

https://www.which.co.uk/pension-scheme/information/4484/funds-and-performance.

Trustees' Report for the year ending 31 March 2020 (continued)

Performance of the Scheme's investments over short and longer periods is summarised in the table below.

Annualised return over	1 year	3 years	Allocation
Hybrid Section			
- **Return seeking assets (excluding Prudential)**	**(1.0%)**	**1.7%**	**30%**
- Benchmark	2.2%	4%	-
- **Liability driven assets (excluding Prudential)**	**7.9%**	**n/a**	**36%**
- Benchmark	7.8%	n/a	-
- **Prudential**	**4.7%**	**4.1%**	**34%**
Total	**4.2%**	**3.1%**	-
DC Section			Data pre
- **Fund A**	**-7.9%**	**1.4%**	**n/a**
- Trustees' Target	5.5%	6.0%	n/a
- **Fund B**	**-5.4%**	**1.5%**	**n/a**
- Trustees' Target	4.5%	5.0%	n/a
- **Fund C**	**-2.9%**	**1.7%**	**n/a**
- Trustees' Target	3.5%	4.0%	n/a
- **Gilts**	**17.6%**	**8.0%**	**n/a**
- **Cash**	**0.7%**	**0.5%**	**n/a**

The underperformance of the return seeking assets in the Hybrid Section, compared to the benchmark, was driven by volatile market conditions in the first quarter of 2020 as the Covid-19 crisis developed and which had a negative impact across almost the entire portfolio. Despite this underperformance, the Trustees remain confident in the long-term ability of these strategies to achieve the Scheme's investment objective.

The Scheme has been invested with the Schroders Pooled LDI fund for less than 3 years (inception: May 2017), thus the annualised 3-year performance is not available for the liability driven assets.

The performance of the underlying assets in the Prudential with-profits fund during the year against the manager's long-term objective of 6% per annum gross was 4.7%. However, members should view this underperformance within the context of the nature of the with-profits policy with Prudential, which guarantees an annual return of 4.75% for those contributions made in the Scheme years prior to 1 April 1996, 2.5% for contributions made between 1 April 1996 and 31 March 2003, reducing to 0.01% for contributions made thereafter. Therefore, members' policy values are not directly affected by the gross performance of the underlying assets in this year, as Prudential smooths the returns to deliver the guarantees.

The Trustees have considered the nature, disposition, marketability, security and valuation of the Scheme's investments and consider them to be appropriate relative to the reasons for holding each class of investment.

Following the outbreak of Covid-19, the Trustees received notification from Legal & General Investment Mangement, M&G Investment Management and Lothbury Investment Management that trading in their property funds, in which the Scheme invests, was temporarily suspended because of material uncertainty in the valuations of the properties in the funds. This remains the case at the date of signing this report.

More details about investments are given in the notes to the financial statements.

Employer-related investment
There were no employer-related investments during the year or at the year-end (2019: nil). A ban on self-investment is incorporated within the Trust Deed and Rules.

Trustees' Report for the year ending 31 March 2020 (continued)

Statement of Trustees' responsibilities

Trustees' responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), are the responsibility of the Trustees. Pension scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will continue as a going concern.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustees also have a general responsibility for ensuring that accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees are also responsible for the maintenance and integrity of the www.which.co.uk/pension-scheme website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustees' responsibilities in respect of contributions

The Trustees are responsible under pensions legislation for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions showing the rates of contributions payable to the Scheme by or on behalf of employers and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions that fall due to be paid are paid into the Scheme in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Alison Bostock
Date: 10 September 2020

Independent Auditors' report to the Trustees of the Consumers' Association Pension and Employee Benefit Scheme

Report on the audit of the financial statements

Opinion

In our opinion, Consumers' Association Pension and Employee Benefit Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the annual report and financial statement, which comprise: the statement of net assets available for benefits as at 31 March 2020; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the annual report and financial statement other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent Auditors' report to the Trustees of the Consumers' Association Pension and Employee Benefit Scheme (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the Trustees for the financial statements

As explained more fully in the statement of Trustees' responsibilities, the Trustees are responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Scheme, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
Date:

Fund account for the year ended 31 March 2020

	Note	2020 Hybrid £'000	2020 DC £'000	2020 Total £'000	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Contributions and benefits							
Employer contributions		**2,410**	**3,534**	**5,944**	1,447	3,350	4,797
Employee contributions		**-**	**747**	**747**	20	637	657
Total contributions	4	**2,410**	**4,281**	**6,691**	1,467	3,987	5,454
Transfers in from other plans	5	**-**	**300**	**300**	-	226	226
Other income	6	**45**	**4**	**49**	43	469	512
		2,455	**4,585**	**7,040**	1,510	4,682	6,192
Benefits	7	**(2,870)**	**(237)**	**(3,107)**	(2,990)	(550)	(3,540)
Payments to and on account of leavers	8	**(991)**	**(1,370)**	**(2,361)**	(375)	(1,422)	(1,797)
Other Payments	9	**(48)**	**-**	**(48)**	(42)	-	(42)
		(3,909)	**(1,607)**	**(5,516)**	(3,407)	(1,972)	(5,379)
Net (withdrawals) / additions from dealings with members		**(1,454)**	**2,978**	**1,524**	(1,897)	2,710	813
Returns on investments							
Investment income	10	**2,052**	**-**	**2,052**	1,851	-	1,851
Change in market value of investments	11	**6,814**	**(3,164)**	**3,650**	(217)	2,681	2,464
Investment management expenses		**(59)**	**(30)**	**(89)**	(71)	(26)	(97)
Net returns on investments		**8,807**	**(3,194)**	**5,613**	1,563	2,655	4,218
Net increase / (decrease) in the fund		**7,353**	**(216)**	**7,137**	(334)	5,365	5,031
Net assets of the Scheme							
Opening net assets		**141,635**	**39,591**	**181,226**	141,719	34,476	176,195
Transfers between sections		**-**	**-**	**-**	250	(250)	-
Closing net assets		**148,988**	**39,375**	**188,363**	141,635	39,591	181,226

The notes on pages 23 to 36 form part of these financial statements.

Statement of net assets available for benefits as at 31 March 2020

Investment assets	**Note**	**2020 Hybrid £'000**	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Pooled investment vehicles	11-14	**93,189**	**38,119**	**131,308**	91,255	38,585	129,840
Insurance policies	11-14	**52,203**	**-**	**52,203**	48,011	-	48,011
AVC investments	11-14	**1,845**	**1,210**	**3,055**	2,009	1,012	3,021
Cash	11-14	**46**	**43**	**89**	(147)	(3)	(150)
Other investment balances	11-14	**-**	**-**	**-**	88	-	88
		147,283	**39,372**	**186,655**	141,216	39,594	180,810
Current assets	16	**1,727**	**12**	**1,739**	482	5	487
Current liabilities	17	**(22)**	**(9)**	**(31)**	(63)	(8)	(71)
Total net assets available for benefits		**148,988**	**39,375**	**188,363**	141,635	39,591	181,226

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on actuarial liabilities on pages 10 to 13 of the annual report for the Hybrid Section, and these financial statements should be read in conjunction with this report

These financial statements on pages 21 to 36 were approved by the Trustees on 10 September 2020.

Signed on behalf of the Trustees by:

Alison Bostock, Trustee
Date: 10 September 2020

Notes to the financial statements for the year ended 31 March 2020

1. **General Information**

The Consumers' Association Pension and Employee Benefits Scheme (the "Scheme") is an occupational pension scheme established under trust.

The Scheme was established to provide retirement benefits to employees of the Consumers' Association, Which? Limited, the Research Institute for Disabled Consumers "RiDC" and Which? Financial Services Ltd. The address of the Scheme's principal office is 2 Marylebone Road, London, NW1 4DF.

The Scheme has two sections: a Hybrid Section which was closed to new entrants on 1 April 2004 but existing members continued to accrue benefits until 31 March 2019 when the Council of the Consumers' Association closed it. Affected Hybrid members joined the Defined Contribution Section from 1 April 2019. The Defined Contribution Section opened on the 1 April 2004 and is open to new members and is used as an auto-enrolment scheme by the employers.

The Scheme is a Registered Pension Scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment.

2. **Statement of compliance**

The individual financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised 2018) ("the SORP").

3. **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

(b) Contributions

Normal and additional voluntary contributions, both from members and employers, are generally accounted for on an accruals basis in the payroll period to which they relate. In the case of member contributions this is when deducted from pay. However, contributions in respect of members in the first 30 days following auto-enrolment are accounted for when their right to opt-out has expired, unless remitted to the Scheme earlier.

All contributions payable under salary sacrifice arrangements are classified as employer contributions. Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

Employers' deficit funding contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier, with the agreement of the employer and the Trustees.

Notes to the financial statements for the year ended 31 March 2020 (continued)

(c) Transfers from and to other plans
Transfer values represent the capital sums either receivable in respect of members from other pension plans of previous employers or payable to the pension plans of new employers for members who have left the Scheme. They are accounted for on an accruals basis on the date the trustees of the receiving plan accept the liability. In the case of individual transfers, this is normally when the payment of the transfer value is made.

(d) Benefits and payments to and on account of leavers
Pensions in payment are accounted for in the period to which they relate. Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate. Refunds and opt-outs are accounted for when the Trustees are notified of the member's decision to leave the Scheme.

Where the Trustees agree or are required to settle tax liabilities on behalf of a member (such as where lifetime or annual allowances are exceeded) with a consequent reduction in that member's benefits receivable from the Scheme, any taxation due is accounted for on the same basis as the event giving rise to the tax liability and shown separately within Benefits.

(e) Administrative and other expenses
Administrative expenses and premiums for term insurance policies, other than those disclosed in Note 9, are paid by the Principal Employer.

(f) Investment income and expenditure and change in market value
Income from pooled investment vehicles which distribute income is accounted for on an accruals basis on the date when the distribution is declared.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income net of withholding tax, which is reinvested in the fund.

Terminal bonus is awarded on the Prudential with profits fund when individual member accounts are redeemed. The terminal bonus is accounted for on an accruals basis in the period when the account is redeemed.

Pensions paid included in pension payments and accounted for on an accruals basis.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Other investment management expenses are accounted for on an accruals basis and shown separately within investment returns.

(g) Valuation and classification of investments
Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

The methods of determining fair value for the principal classes of investments are:

- Pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Insurance policies (including those held as AVC investments) are reported at the policy value provided by the insurer based on cumulative reversionary bonuses declared and the current terminal bonus.

Notes to the financial statements for the year ended 31 March 2020 (continued)

4. Contributions

	2020 Hybrid £'000	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Employers						
Normal	**-**	**3,489**	**3,489**	357	3,261	3,618
Augmentation	**-**	**45**	**45**	-	89	89
Deficit repair	**2,410**	**-**	**2,410**	1,090	-	1,090
	2,410	**3,534**	**5,944**	1,447	3,350	4,797
Employees						
Normal	**-**	**373**	**373**	4	413	417
Additional voluntary	**-**	**374**	**374**	16	224	240
	-	**747**	**747**	20	637	657
Total contributions	**2,410**	**4,281**	**6,691**	1,467	3,987	5,454

Employers' augmentations are paid in respect of certain benefits to individuals. Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the Employer.

Deficit funding contributions of £90,833 per month were paid by the Employer to the Hybrid Section of the Scheme from until 30 June 2019 and then £104,167 per month from 1 July 2019. In addition, £200,000 was paid in July 2019 to improve the Scheme's funding, in accordance with the recovery plan dated 27 June 2019. A further £500,000 was paid in November 2019 and £500,000 in June 2020 in accordance with the contingent contribution mechanism dated 27 June 2019.

5. Transfers In From Other Plans

	2020 Hybrid £'000	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Transfers in from other plans	**-**	**300**	**300**	-	226	226

6. Other income

	2020 Hybrid £'000	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Other income						
Amounts received from insurance companies in respect of death benefits	**-**	**-**	**-**	-	465	465
Amounts received from Employer for other expenses	**45**	**4**	**49**	43	4	47
	45	**4**	**49**	43	469	512

Notes to the financial statements for the year ended 31 March 2020 (continued)

Other income received from the Employer is to meet the costs of Pension Protection Fund (2019/20: £43,141 - 2018/19: £40,983) and other levies.

7. Benefits

	2020 Hybrid £'000	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Pensions	**(2,693)**	**-**	**(2,693)**	(2,580)	-	(2,580)
Commutation and lump sum benefits	**(177)**	**(237)**	**(414)**	(362)	(80)	(442)
Death benefit lump sums	**-**	**-**	**-**	(48)	(470)	(518)
	(2,870)	**(237)**	**(3,107)**	(2,990)	(550)	(3,540)

8. Payments to and on account of leavers

	2020 Hybrid £'000	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Refunds to members leaving service	**-**	**(4)**	**(4)**	-	(21)	(21)
Individual transfers out to other plans	**(991)**	**(1,366)**	**(2,357)**	(375)	(1,401)	(1,776)
	(991)	**(1,370)**	**(2,361)**	**(375)**	**(1,422)**	**(1,797)**

9. Other payments

Other than those noted below, the administration and management of the Scheme is provided by the Principal Employer. The direct costs of employees involved in administration and management are not recharged to the Scheme.

	2020 Hybrid £'000	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Bank Charges	**(1)**	**-**	**(1)**	(1)	-	(1)
Pension Protection Fund Levy	**(45)**	**-**	**(45)**	(41)	-	(41)
Miscellaneous	**(2)**	**-**	**(2)**	-	-	-
	(48)	**-**	**(48)**	(42)	-	(42)

10. Investment Income

	2020 Hybrid £'000	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Income from pooled investment vehicles	**2,051**	**-**	**2,051**	1,850	-	1,850
Interest on cash deposits	**1**	**-**	**1**	1	-	1
	2,052	**-**	**2,052**	1,851	-	1,851

Notes to the financial statements for the year ended 31 March 2020 (continued)

11. **Reconciliation of net investments**

Hybrid section

	Value at 1 April 2019	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	**91,255**	46,879	(47,978)	3,033	**93,189**
Insurance policies	**48,011**	1,646	(1,353)	3,899	**52,203**
AVC Investments	**2,009**	474	(520)	(118)	**1,845**
	141,275	48,999	(49,851)	6,814	**147,237**
Cash	**(147)**				**46**
Other investment balances	**88**				**-**
Total Hybrid Section net investment assets	**141,216**				**147,283**

The pooled investment vehicles are not assigned to individual members. The insurance policies and AVC investments are assets allocated to individual members. Indirect transaction costs are incurred through the bid-offer spread on investments within the pooled investment vehicles indicated with an asterisk in the preceding table.

The investment funds are managed by companies registered in the UK. Interest and bonus earned on the with profits insurance policy held with Prudential are shown in Note 11 and the reinvestment of these amounts is included within purchases at cost above.

DC section

Net investment assets	Value at 1 April 2019	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles	**38,585**	12,555	(9,983)	(3,038)	**38,119**
AVC investments	**1,012**	596	(272)	(126)	**1,210**
	39,597	13,151	(10,255)	(3,164)	**39,329**
Cash in transit	**(3)**				**43**
Total DC Section net investment assets	**39,594**				**39,372**

Notes to the financial statements for the year ended 31 March 2020 (continued)

Defined contribution section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustees. The Scheme administrator allocates investment units to members.

The Trustees may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

Defined contribution investment assets are therefore allocated to members and not allocated to members, and available to the Trustees to apply as specified in the Scheme rules, as follows:

Pooled Investment Vehicles	**2020 £'000**	2019 £'000
Allocated to members	**37,562**	37,731
Not allocated to members	**557**	854
	38,119	38,585

Defined contribution assets (including those allocated to the Trustees in the table above) are not part of a common pool of assets available to meet defined benefit liabilities.

Members of the DC section are allowed to pay contributions at a higher rate than required in the Scheme rules. These contributions are co-invested with other DC assets and are separately distinguishable.

Investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid.

Concentration of Investments

Investments exceeding 5% of the value of net assets are detailed below:

	2020 £'000	**2020 %**	2019 £'000	2019 %
Insurance Policies				
Prudential With Profits Policy	**52,203**	**27.8**	48,011	26.5
Pooled Investment Vehicles				
Schroder Life Matching Index Linked Gilt Fund (2038-2057) Series 1 Accumulation	**9,484**	**5.0**	8,282	4.6
Schroder Life Matching Nominal Gilt Fund (2038-2057) Series 1 Accumulation	**5,135**	**2.7**	13,132	7.2
Schroder Life Matching Nominal Gilt Fund (2058-2077) Series 1 Accumulation	**9,895**	**5.3**	-	-
Invesco Global Targeted Returns Fund	**13,732**	**7.3**	16,570	9.1
TwentyFour Asset Management Global Unconstrained Bond Fund	**12,425**	**6.6**	15,995	8.8

Notes to the financial statements for the year ended 31 March 2020 (continued)

AVC investments

AVCs provide money purchase benefits and are invested separately to secure additional benefits on a money purchase basis for those members who elect to pay additional voluntary contributions. Members participating in AVC arrangements each receive an annual statement made up to 31 March 2020 confirming the amount held to their account and the movement in the year.

The AVC providers are Utmost Life who acquired the policies from Equitable Life, Clerical Medical, Legal & General (all unit linked policies) and Prudential (with profits).

Investment Transaction Costs

Indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles. It has not been possible for the Trustees to quantify such indirect transaction costs.

12. Pooled investment vehicles

By Type	**2020 Hybrid £'000**	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Equity	**6,155**	**25,040**	**31,195**	**8,041**	**20,277**	**28,318**
Bond	**12,425**	**10,463**	**22,888**	**15,995**	**12,475**	**28,470**
Liability Driven Investment	**43,782**	**-**	**43,782**	**38,921**	**-**	**38,921**
Diversified growth	**13,732**	**-**	**13,732**	**16,570**	**-**	**16,570**
Infrastructure	**-**	**-**	**-**	**-**	**651**	**651**
Property	**10,030**	**1,969**	**11,999**	**10,192**	**2,710**	**12,902**
Cash	**7,065**	**647**	**7,712**	**1,536**	**2,472**	**4,008**
Total	**93,189**	**38,119**	**131,308**	**91,255**	**38,585**	**129,840**

Following the outbreak of Covid-19, the Trustees received notification from Legal & General Investment Management, M&G Investment Management and Lothbury Investment Management that trading in their property funds was temporarily suspended because of material uncertainty in the valuations of the properties in the funds. This remains the case at the date of signing this report. The property funds by value at 31 March 2020 were Legal & General £1,969m, M&G £4.871m and Lothbury £5.159m, totalling £11.999m, This represents 6.4% of the net assets as at 31 March 2020. A 5% fall in the valuation of these investments would result in a reduction of £571k in the net assets as at the year end.

13. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.	Level 1
Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.	Level 2
Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.	Level 3

Notes to the financial statements for the year ended 31 March 2020 (continued)

The Trustees' assessment is shown in the table below. Although Which? Mixed Investment Funds A, B and C are daily priced, pooled investment vehicles, they are white label funds available only to the Scheme members, run on the Trustees' behalf by Legal & General Investment Management and constructed from their underlying pooled investment vehicles available to institutional investors.

Level	**1 £'000**	**2 £'000**	**3 £'000**	**2020 Total £'000**
Hybrid Section Investment Assets				
Pooled Investment Vehicles	**-**	**83,159**	**10,030**	**93,189**
Insurance Policies	**-**	**-**	**52,203**	**52,203**
AVC investments	**-**	**-**	**1,845**	**1,845**
Other investment balances	**46**	**-**	**-**	**46**
Total	**46**	**83,159**	**64,078**	**147,283**
DC Section Investment Assets				
Pooled Investment Vehicles	**-**	**38,119**	**-**	**38,119**
AVC investments	**-**	**-**	**1,210**	**1,210**
Cash in transit	**43**	**-**	**-**	**43**
Total	**43**	**38,119**	**1,210**	**39,372**

Analysis at the prior year end is as follows:

Level	**1 £'000**	**2 £'000**	**3 £'000**	**2019 Total £'000**
Hybrid Section Investment Assets				
Pooled Investment Vehicles	-	81,063	10,192	**91,255**
Insurance Policies	-	-	48,011	**48,011**
AVC investments	-	-	2,009	**2,009**
Other investment balances	(59)	-	-	**(59)**
Total	**(59)**	**81,063**	**60,212**	**141,216**
DC Section Investment Assets				
Pooled Investment Vehicles	-	38,585	-	**38,585**
AVC investments	-	-	1,012	**1,012**
Cash in transit	(3)	-	-	**(3)**
Total	**(3)**	**38,585**	**1,012**	**39,594**

Valuations of level 3 pooled investment vehicles and AVCs are at closing bid price where bid and offer prices are published and closing single price where a single price is published.

The valuation of the level 3 insurance policy (the Prudential With Profits policy) is the valuation provided by Prudential. The Prudential state that the value is a fair value of the assets backing the policy.

14. Investment Risks

FRS 102 requires disclosure of information in relation to certain investment risks.

- Credit Risk – the risk that one party to a financial instrument will cause financial loss to the other by failing to discharge an obligation
- Market risk - the risk that the fair value or future cash flows of a financial asset will fluctuate because of:
    - Currency risk – changes in foreign exchange rates
    - Interest rate risk - changes in market interest rates

Notes to the financial statements for the year ended 31 March 2020 (continued)

- Other price risk – changes in market prices (other than because of currency risk or interest rate risk) and whether the changes affect all similar financial instruments traded in the market place or a particular financial instrument.

The Trustees determine their investment strategy after taking advice from their professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the Scheme's investment strategy.

Hybrid Section Investment Strategy

The investment objective of the Hybrid Section is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Hybrid Section payable under the Trust Deed and Rules as they fall due.

The Trustees set the investment strategy for the Hybrid Section after taking into account considerations such as the strength of the employer covenant, the long term liabilities of the Hybrid Section and the funding agreed with the Employer. The investment strategy is set out in the Trustees' Statement of Investment Principles ("SIP") a copy of which is available to Scheme members on request.

The following table summarises whether the various classes of investments are affected by financial risks. Risks are classified as "Direct" if they relate to an investment held directly by the Scheme, or "Indirect" if they relate to an investment held by one of the pooled underlying funds.

	Credit Risk		**Market Risk (all indirect)**			**2020 Total**	**2019 Total**
	Direct	**Indirect**	**Currency Risk**	**Interest Rate Risk**	**Other price risk**	**£'000**	**£'000**
Hybrid Section Investment Assets							
Pooled Investment Vehicles							
Schroder Matching Plus Volatility Controlled Equities Fund		✓	✓		✓	**6,155**	8,041
Schroder Liability Driven Investment Funds		✓		✓	✓	**43,782**	38,921
Schroder Sterling Liquidity Fund	✓					**7,065**	1,536
Invesco Global Targeted Returns Fund	✓	✓	✓	✓	✓	**13,732**	16,570
TwentyFour Asset Management Global Unconstrained Bond Fund	✓	✓	✓	✓		**12,425**	15,995
Lothbury and M&G Property Funds	✓				✓	**10,030**	10,192
Prudential With Profits Fund	✓	✓		✓	✓	**52,203**	48,011

Notes to the financial statements for the year ended 31 March 2020 (continued)

AVC investments	✓	✓	✓	✓	✓	**1,845**	2,009
Total Hybrid Section investments						**147,237**	141,275

In general, these risks are managed as follows:

- The Trustees determine their investment strategy after taking advice from a professional investment adviser.
- The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out above.
- The diversified portfolio of investments helps manage concentration of these risks.
- The Trustees are in the process of developing a risk budget which is set taking into account the Scheme's investment objectives. The Trustees will use this to manage investment risks, including credit risk and other price risk.
- The investment objectives and risk budget are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustee's approach to various financial risks is set out below.

(i) Credit risk
Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environment in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an on-going basis monitor any changes to the operating environment of the pooled manager.

A summary of the pooled investment vehicle type by arrangement is as follows:-

Pooled arrangement	**Legal nature of the pooled arrangement**	**2020 Total £'000**	2019 Total £'000
Schroder Matching Plus Volatility Controlled Equities Fund	SICAV	**6,155**	8,041
Schroder Liability Driven Investment Funds	SICAV	**43,782**	38,921
Schroder Sterling Liquidity Fund	ICAV	**7,065**	1,536
Invesco Global Targeted Returns Fund	Unit linked insurance contract	**13,732**	16,570
TwentyFour Asset Management Global Unconstrained Bond Fund	SICAV	**12,425**	15,995
Lothbury Property Trust	Authorised unit trust	**5,159**	5,340
M&G Secured Property Income Fund	Authorised unit trust	**4,871**	4,852
Prudential With Profits Fund	With profits insurance contract	**52,203**	48,011
		145,392	**139,266**

A 'SICAV' is a collective investment vehicle, SICAV being acronym in French for société d'investissement à capital variable, which can be translated as 'investment company with variable capital'. An 'ICAV' is an Irish collective asset-management vehicle. These structures are common investment vehicles.

In the year, the Hybrid Section of the Scheme was subject to direct credit risk in the Schroder Sterling Liquidity Fund. The Hybrid Section of the Scheme was also subject to indirect credit risk via its holdings in the Schroder Matching Plus Volatility Controlled Equities Fund, the Schroder Liability Driven Investment Fund, corporate bonds in TwentyFour Asset Management's Global Unconstrained Bond Fund, through the Prudential With-Profits Fund and Invesco's Global Targeted Returns Fund. These funds may use over the counter traded collateralised instruments including derivatives and repos.

The Trustees consider financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's or Fitch, or rated at BAA3 or higher by Moody's.

Notes to the financial statements for the year ended 31 March 2020 (continued)

(ii) Currency risk
The Hybrid Section of the Scheme is exposed to direct currency risk on overseas equity holdings held in the Schroder Matching Plus Volatility Controlled Equities Fund. The Scheme is subject to indirect currency risk because some of the Scheme's pooled investment vehicles invest in overseas markets. This exposure specifically arises from exposure to global equities and global bonds. Where currency risk is deemed to be clearly risk additive the asset managers may hedge currency risk at the pooled investment vehicle level.

(iii) Interest rate risk
In the year, the Trustees sought to hedge some of the interest rate risk arising from the Scheme's liabilities by investing in a Liability Driven Investment portfolio. The Scheme is subject to indirect interest rate risk because some of its investments are held in bonds and synthetic bonds which are sensitive to interest rates.

(iv) Other price risk
Other price risk arises principally in relation to the equity holdings, property holdings, inflation, derivatives and leverage used by the pooled fund managers and in relation to the Prudential With Profits Fund. The Trustees investments in the Liability Driven Investment portfolio include synthetic index linked gilts which partially offset the inflation risk arising from the Scheme's liabilities. The Trustees have taken steps to diversify the return-seeking allocation to reduce the overall reliance on markets to generate returns.

DC Section Investment Strategy

The Trustees' objective for Members' Pension Accounts is to grow their accounts, over the long term, by more than the rate of inflation. The investment strategy uses white label funds in a lifestyle strategy that gradually moves from higher risk, higher volatility assets to those with lower risk and lower volatility as the member approaches their selected retirement age. The white label funds are provided by Legal & General Investment Management Ltd. These funds are specifically created for the Scheme and are invested in a range of funds available through Legal & General but with more beneficial pricing arrangements. The three white label funds and the Trustees' return objectives are:

- Which? Mixed Investment Fund A; long term return target CPI +4%;
- Which? Mixed Investment Fund B; long term return target CPI +3%; and
- Which? Mixed Investment Fund C; long term return target CPI +2%;

The strategy also uses Legal & General's Over 15 year Gilt Index Fund and Cash Index Fund in the three years prior to a member's Selected Retirement Age, depending on the decumulation option selected by the member.

The investment strategy is set out in the Trustees' Statement of Investment Principles ("SIP") a copy of which starts on page 68.

The Trustees have an investment management agreement in place with Legal & General Investment Management Ltd which sets out the benchmarks for the underlying asset allocation for investments held within the white label funds. When the Trustees make changes to the asset allocation members are informed by a newsletter.

The DC Section of the Scheme is subject to various types of risks but member level risk exposures will be dependent on the member funds invested in by members. The main types of risks include (but are not limited to) credit risk and market risk, arising from the underlying investments in the underlying funds. Market risk is composed of currency risk, interest rate and other price risk. While the Trustees govern the underlying funds individually, they consider the risks at a member fund level to be more important, recognising the benefit of diversification and offsetting risks within the investment funds.

The main risk exposures of each of the member funds within the investment strategy shown on the next page.

Notes to the financial statements for the year ended 31 March 31 March 2020 (continued)

	Credit Risk		Market Risk (all indirect)			2020 Total	2019 Total
	Direct	Indirect	Currency Risk	Interest Rate Risk	Other price risk	£'000	£'000
DC Section Investment Assets – Pooled Investment Vehicles							
Which? Mixed Investment Fund A, B & C	✓	✓	✓	✓	✓	**36,806**	**39,110**
Cash Index Fund	✓			✓		**2,301**	**247**
Ethical Equity UK Index Fund (AVCs)	✓				✓	**206**	**226**
Prudential With Profits Fund (AVCS)	✓	✓		✓	✓	**15**	**14**
Total DC Section investments						**39,328**	**39,597**

These risks are managed as follows:

(i) Credit risk
All assets of the DC Section of the Scheme are subject to direct credit risk in relation to Legal & General Assurance (Pensions Management) Limited ("PMC") (who delegate investment management of the assets to Legal & General Investment Management Limited) through the Scheme's holding in unit linked insurance funds provided by PMC. Direct credit risk relates to insolvency of PMC or the custodians used by the underlying managers to hold fund assets. PMC is authorised by the Prudential Regulation Authority, regulated by the Financial Conduct Authority and the Prudential Regulation Authority and maintains capital for its policyholders.

A summary of the pooled investment vehicle type by arrangement is as follows:-

Pooled arrangement	**Legal nature of the pooled arrangement**	**2020 Total £'000**	2019 Total £'000
Legal & General Investment Management Funds	Unit linked insurance contract	**39,313**	39,583
Prudential With Profits Fund	With profits insurance contract	**15**	14

Direct credit risk in the underlying funds operated by the underlying manager is mitigated by the underlying investments being ring-fenced from those of the underlying manager. In the event of default by PMC, policyholders will be able to enact a floating charge over all the assets, rights and benefits of PMC to recover their funds.

The Trustees of the Scheme are also able to apply for compensation from the Financial Services Compensation Scheme ("FSCS") to cover any shortfall following this process (the amount that can be claimed from the FSCS will depend on the structure of the underlying fund).

In the event of a custodian becoming insolvent, the level of asset recovery will depend on the custody agreement in place between the underlying manager and the custodian.

The Trustees carry out due diligence checks on the appointment of investment managers and, on an ongoing basis, monitors any changes to the regulatory and operating environments of both.

Notes to the financial statements for the year ended 31 March 2020 (continued)

The Scheme is also subject to indirect credit risk arising on the underlying investments held by the underlying funds. Credit risk is mitigated by utilising investment managers whose mandate includes one or more of the following:

- investment in government bonds where the credit risk is minimal;
- investment in corporate bonds which are rated at least investment grade;
- diversification of the underlying investments.

(ii) Currency risk
Some member funds are subject to indirect currency risk because some of the underlying investments are held in overseas markets via pooled investment vehicles. The Trustees regard currency risk as one which can, in some cases, add value and manages this risk through advice from its investment advisor.

There is no direct exposure to currency risk. All member and underlying funds are priced in GBP and no foreign denominated assets are held directly.

(iii) Interest rate risk
Some member funds are subject to indirect interest rate risk because some of the underlying investments are held in bonds or cash through pooled vehicles. If interest rates fall the value of these investments will rise (all else being equal) and vice versa.

The Scheme manages this risk through the following:

- diversification, where appropriate, to reduce the impact of a change in interest rates; or
- allowing the risk, where appropriate, in recognition that a change in interest rates will likely be correlated with a change in annuity rates and therefore this degree of “matching” is desirable.

No assets are subject to this risk as no interest rate sensitive investments are held directly.

(iv) Other price risk
All assets are subject to indirect other price risk. Other price risk arises in relation to risks not mentioned above, such as those affecting equity markets, property and non-investment grade bonds.

The Scheme manages this risk by making available member funds with a diverse portfolio of investments across various markets, designed to minimise the overall price risk. Members may also invest in funds with a higher degree of overall price risk should they choose by extending their Selected Retirement Age.

No assets are subject to direct other price risk as no price sensitive investments are held directly.

15. **Employer-related investment**
There were no employer-related investments during the year or at the year-end (2019: nil). A ban on self-investment is incorporated within the Trust Deed and Rules.

16. **Current assets**

	2020 Hybrid £’000	**2020 DC £’000**	**2020 Total £’000**	2019 Hybrid £’000	2019 DC £’000	2019 Total £’000
Prepayments and other debtors	**287**	**2**	**289**	**178**	**1**	**179**
Employer contributions	**500**	**1**	**501**	**-**	**-**	**-**
Current account and short term deposits	**940**	**9**	**949**	**304**	**4**	**308**
	1,727	**12**	**1,739**	**482**	**5**	**487**

Notes to the financial statements for the year ended 31 March 2020 (continued)

All contributions due to the Scheme at 31 March 2020 and 31 March 2019 relate to March 2020 and March 2019 respectively and were paid in full to the Scheme in accordance with the Schedules of Contributions covering the year, and therefore do not count as employer-related investments.

Current assets of the DC Section are designated to members.

17. Current liabilities

	2020 Hybrid £'000	**2020 DC £'000**	**2020 Total £'000**	2019 Hybrid £'000	2019 DC £'000	2019 Total £'000
Expense accrual	**(22)**	**(9)**	**(31)**	**(63)**	**(8)**	**(71)**

Current liabilities of the DC Section are designated to members.

18. Related party transactions

Which? provides administrative services including the provision of the Secretary of the Trustees without recharge to the Scheme.

Other than those items disclosed elsewhere in the financial statements, there were no other related party transactions.

The Trustees who served during the year and up to the date of this report who were pensioners of the Scheme throughout the year were Julian Edwards and Andrew Reading.

Where Trustees are paid, the Employer bears the expense of the arrangement from its own resources. The total amount paid in 2020 was £59,606 (2019: £53,806).

19. Contingent liabilities and contractual commitments

In the opinion of the Trustees the Scheme had no contingent liabilities at 31 March 2020 (2019: nil).

20. Subsequent events

There are no subsequent events to report.

Independent Auditors' Statement about Contributions to the Trustees of the Consumers' Association Pension and Employee Benefit Scheme

Statement about contributions

Opinion
In our opinion, the contributions required by the schedule of contributions for the Scheme year ended 31 March 2019 as reported in Consumers' Association Pension and Employee Benefit Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedule of contributions certified by the Scheme actuary on 30 June 2016 and 27 June 2019.

We have examined Consumers' Association Pension and Employee Benefit Scheme's summary of contributions for the Scheme year ended 31 March 2020 which is set out on the following page.

Basis for opinion
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedule of contributions and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustees in respect of contributions
As explained more fully in the statement of Trustees' responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions
It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report
This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
Date:

Summary of Contributions payable for the year ended 31 March 2020

During the year, the contributions payable to the Scheme by the Employer were as follows:

	Employee £'000	Employer £'000	Total £'000
Required by the schedule of contributions			
Deficit repair	-	2,410	**2,410**
Normal contributions – DC	373	3,489	**3,862**
Total	**373**	**5,899**	**6,272**
Other contributions payable			
Pension Protection Fund levy	-	43	**43**
AVCs	374	-	**374**
Augmentation	-	45	**45**
Total	**747**	**5,987**	**6,734**

Signed on behalf of the Trustees:

Alison Bostock
Date: 10 September 2020

Members' Information

Registrar of Occupational and Personal Pension Schemes

The Registrar's main purpose is to provide a tracing service for members (and their dependants) of previous employers' Schemes, who have lost touch with earlier employers and Trustees. The information provided includes details of the address at which the Trustees of a pension Scheme may be contacted. To trace a benefit entitlement under a former employer's Scheme, enquiries should be addressed to:

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0345 6002 537

https://www.gov.uk/find-pension-contact-details

This Scheme has been registered with the Registrar.

Money & Pensions Service ("MPS")

The MPS is a new service which has been introduced in 2019 combining pension guidance, money guidance and debt advice. These services are currently provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and The Money Advice Service. As 2020 progresses an integrated service will be offered. If you have any general requests for information and guidance concerning your pension arrangements please contact:

Money and Pensions Service
Holburn Road
120 Holburn
London
EC1 2TD Tel: 0115 965 9570

Email: contact@singlefinancialguidancebody.org.uk

https://moneyandpensionsservice.org.uk

Pensions Ombudsman

The Pensions Ombudsman formally investigates complaints of injustice caused by maladministration and disputes of law with the Trustees, administrator or employer.

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU Tel: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

http://www.pensions-ombudsman.org.uk

Schedule of Contributions 2019

Schedule of contributions

Consumers' Association Pension and Employee Benefit Scheme ("the Scheme")

This schedule of contributions has been prepared by the Trustees of the Scheme (the "Trustees") after obtaining the advice of Joanne Livingstone, the actuary to the Scheme. It sets out the contributions the employers and the active members of the Scheme must pay and the dates these contributions must be paid to the Trustees.

Throughout this schedule the Principal Employer (Consumers' Association) and participating employers (listed in Appendix A) are collectively referred to as "the Employer".

This schedule covers contributions payable in the period from 1 July 2019 to 30 June 2024.

Contributions by active members

Active members of the Scheme will pay contributions in line with the Scheme's definitive Trust Deed and Rules dated 24 March 2004 (as amended from time to time). At the date of signature of this Schedule of Contributions, these contributions are as follows:

Members of the Hybrid Section	Not applicable
Members of the Defined Contribution ("DC") Section	See Appendix A

These contributions are deducted from members' Pensionable Salaries each month by the Employer and paid to the Scheme on or before the 19th of the calendar month following deduction.

A member may opt for their contribution to be made by means of salary sacrifice in accordance with Rule 89 as amended in the 2012 Deed of Amendment. In such a case the Employer will make the above contribution on the member's behalf in exchange for a corresponding reduction to the pay that the individual receives from the Employer.

Additionally, active members may make additional voluntary contributions ("AVCs") to the Scheme.

Contributions by Employers

Future accrual

The Employer will pay contributions to the Scheme in respect of future accrual for active members at the following rates:

Members of the Hybrid Section	Not applicable
Members of the Defined Contribution Section	See Appendix A

These contributions should be paid to the Scheme on or before the 19th of the calendar month following deduction, apart from contributions in respect of members who are on maternity leave, for whom contributions will be paid no later than annually in arrears.

Shortfall in funding

In accordance with the Recovery Plan dated 20 June 2019, the Employer has agreed to pay £104,167 per month from 1 July 2019 to 31 March 2023 and an additional sum of £200,000 in July 2019. These monthly contributions will be paid to the Scheme no later than by the end of the month to which they relate.

Contingent contribution mechanism

In a letter dated 26 June 2019 the Employer set out its agreement and commitment to make additional contingent contributions to the Scheme over and above the payments required by the Recovery Plan dated 20 June 2019, if certain conditions are met at the agreed assessment dates. Details of how the need for contingent contributions will be determined are set out in the Employer's letter dated 26 June 2019.

Expenses

Additionally, the Employer will meet all of the Scheme's administration expenses and will pay insurance premiums in respect of death in service lump sum benefits.

All levies (including the Pension Protection Fund levy) will be paid directly by the Employer.

Pensionable Salary definition

Members of the Hybrid Section

Not applicable.

Members of the DC Section

The Salary payable to a Member together with any other taxable emoluments which the Employer designates as pensionable.

Salary sacrifice

For any member participating in the salary sacrifice arrangement, Pensionable Salary means such amount as would have been applied had the member not participated in such an arrangement.

Notes

Nothing in this Schedule shall prevent any Employer paying contributions in addition to those payable in accordance with this Schedule. In particular, contributions payable in respect of individual augmentations or general benefit improvements are to be paid in addition to those set out in this Schedule.

Signed on behalf of the Trustees **Date**

signature removed 27/06/19

Signed on behalf of the Employer **Date**

27/06/19

Appendix A

Contributions payable to the DC Section

This appendix sets out the contributions payable to the DC Section by all participating employers and the active members of the DC Section that they employ.

Member type	Employee Contribution rate (% of Pensionable Salary per annum)	Employer Contribution rate (% of Pensionable Salary per annum or monthly amount)
Former Hybrid section member in service on 31 March 2019	3.0%	20.0%*
Executive Pension Scheme member	0.0%	£833.33
Life assurance only member	0.0%	0.0%
Other	Employer and service length dependent, see below tables	

* Members of the Hybrid Section who were transferred to the DC Section on 31 March 2019 have been promised Employer contributions of 20% until 31 March 2024.

Contributions by other active members

Participating Employer (and Company registration number)	Contribution rate First year of member employment (% of Pensionable Salary per annum)	Contribution rate Second and subsequent years of member employment (% of Pensionable Salary per annum)
Consumers' Association (580128)	3.0%	3.0%
Which? (677665)	3.0%	3.0%
RICA (2669868)	N/A	N/A
Which? Financial Services Limited (7239342)	3.0%	4.0%

Contributions by Employer in respect of other active members

Participating Employer (and Company registration number)	Contribution rate First year of member employment (% of Pensionable Salary per annum)	Contribution rate Second and subsequent years of member employment (% of Pensionable Salary per annum)
Consumers' Association (580128)	6.0%	11.0%
Which? (677665)	6.0%	11.0%
RICA (2669868)	N/A	N/A
Which? Financial Services Limited (7239342)	6.0%	8.0%

Actuarial Certificate of Schedule of Contributions 2019

Actuary's certification of schedule of contributions

Consumers' Association Pension and Employee Benefit Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 20 June 2019.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 20 June 2019.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature	Date
Joanne Livingstone	27 June 2019

Name	Qualification
Joanne Livingstone	Fellow of the Institute and Faculty of Actuaries

Address
XPS Pensions
11 Strand
London
C2N 5HR

Certificate of Technical Provisions 2019

Actuary's certificate of the calculation of technical provisions

Name of Scheme: Consumers' Association Pension and Employee Benefit Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2018 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the statement of funding principles dated 20 June 2019.

Joanne Livingstone ..... 27 June 2019

Joanne Livingstone
Fellow of the Institute and Faculty of Actuaries
11 Strand
Charing Cross
London
WC2N 5HR

Chair's Annual Statement Regarding DC Governance for the year ending 31 March 2020

Contents

CHAIR'S WELCOME

Welcome to the annual governance statement for the year ending 31 March 2020. This statement, which fulfils the legal duties set out in the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended from time to time ('the Regulations') demonstrates how the Trustees of the Consumers' Association Pension and Employee Benefit Scheme (the 'Trustees', the 'Scheme') have assessed and met certain governance standards relating to the Scheme's defined contribution benefits.

For the avoidance of doubt, unless otherwise specified, references in this statement to "year" are to the relevant Scheme year running from 1 April to 31 March.

The Trustee Board's aim is to ensure that the Scheme is run in the best interests of the members and helps deliver better outcomes for members at retirement.

As a Trustee Board, we recognise that good scheme governance is central to achieving this. This statement focuses on a number of specific areas of scheme governance required by the Regulations, however, further information about the Scheme and the governance standards we adopt in other areas of scheme management, can be found on the Scheme website:- www.which.co.uk/pensionscheme.

On behalf of the Trustee Board and based on a review of the systems and controls in place, I believe that the Scheme met the requirements on governance standards during the year and helps to deliver better outcomes for members at retirement.

Alison Bostock
Chair, Consumers' Association Pension and Employee Benefit Scheme

Date: 10 September 2020

GOVERNANCE

Structure of the Scheme

The Consumers' Association Pension and Employee Benefit Scheme is a multi-employer pension scheme that provides pension benefits for current and past employees of the participating employers and their dependants. At 31 March 2020 the participating employers were:

- Consumers' Association (also the Principal Employer)
- Which? Ltd
- Which? Financial Services Ltd
- Research Institute for Consumer Affairs (known as the Research Institute for Disabled Consumers RiDC)

The Research Institute for Consumer Affairs withdrew from the Scheme for future service on 31 March 2019.

The Scheme started in 1974 and there have been changes over the years. It is an occupational pension scheme, governed by a Trust Deed and Rules, effective 29 March 2004, which amended and replaced the existing Deeds and Rules. The Scheme is a Registered Pension Scheme under the Finance Act 2004. It was not contracted out of the State Second Pension (S2P).

The Scheme has two sections:

Hybrid Section	Defined Contribution Section
This Section provides a pension which, in broad terms, is derived from the better of a defined benefit based on a member's pensionable service and salary near to retirement, and a notional pension value that can be provided by an account notionally allocated to a member based in part on the employer and employee contributions. The member accounts are invested separately for the benefit of named individuals rather than held in a common fund of assets which relate to the defined benefits. The Hybrid Section was closed to new entrants on 1 April 2004 but existing members continued to accrue benefits until 31 March 2019 when the Council of the Consumers' Association made the decision to close it. All affected Hybrid members joined the Defined Contribution Section from 1 April 2019. The Hybrid Section retains accrued rights of former active members of that Section and those members will, on retirement, become entitled to their benefits under this Section in accordance with the Scheme rules. The Section's assets continue to be invested in accordance with Scheme policy and the relevant employers continue to make contributions to address the Section's funding deficit, both in order to achieve the Section's funding objectives.	This Section opened on the 1 April 2004. This section is open to new employees and is used as an auto enrolment scheme by the employers. Members of this Section accrue benefits on a money purchase basis. Each member has a Pension Account which records the value of their contributions and those made by the Employer on their behalf. Those contributions are invested in accordance with Scheme policy and, where relevant, member selections, and the performance of those investments is attributed to the member's Pension Account. On retirement, the Pension Account is applied in accordance with the Scheme rules and, where relevant, at the direction of the member, outside of the Scheme to provide the member with pension benefits.

Active members can make additional voluntary contributions 'AVCs' to the Defined Contribution Section to increase their retirement benefits. Prior to the closure of the Hybrid Section on 31 March 2019, active members of that Section were able to make AVC contributions to that Section.

The Trustee Board

The Trustee Board governs the Scheme in accordance with the Rules and relevant legislation. The Principal Employer determines the number of Trustees on the Trustee Board, which is currently six.

The Trustee Board consists of four Trustees appointed by the Principal Employer and two appointed following a nomination process among all the Scheme members and a selection panel appointed by the Trustees. This is to ensure that members and the employers can make their views on matters relating to the Fund known to the Trustees.

TRUSTEE KNOWLEDGE AND UNDERSTANDING

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07.

The Trustees take these requirements very seriously.

When first appointed, the Secretary to the Trustees provides an induction to pensions and the Scheme. There were no new Trustees during the year. The induction programme, as well as the ongoing training provided to the Trustees, covers:

- the law relating to pensions and trusts,
- the provisions of the Scheme's governing documents, including the trust deed and rules, statement of investment principles, statement of funding principles and all other documents in relation to the administration of the Scheme,
- roles and responsibilities of the individuals and bodies involved in funding, governing and administering the Scheme,
- the principles of funding,
- the principles of investment,
- actuarial valuation of the Hybrid Section of the Scheme,
- the principles of contributions and investment for the Hybrid Section and the Defined Contribution Section of the Scheme,
- the Scheme's benefit structure,
- the Scheme's administration arrangements,
- retirement options available to members,
- leaving service benefits,
- death benefits and
- the Trustees' current investment strategies for each section.

The Trustees also attend external courses from time to time.

After initial training, Trustees receive training at their meetings which are specific to the matters that they are dealing with and the decisions that they are required to make, including in relation to the matters listed above. Training at these meetings is provided by the Scheme's advisers.

The Trustees' training records during the year are set out below.

Trustee		**Training**	**Date**	**delivered by**
Alison	Bostock	Alison undertook a full programme of over 25 hours of training across a broad range of technical and investment topics, including environment, social and governance investment issues over the year		
Ron	Lam	Pensions Bill Changes to CPI/RPI	12/03/2020	XPS
Rebecca	Fearnley	Pensions Bill Changes to CPI/RPI	12/03/2020	XPS
Julian	Edwards	Pensions Bill Changes to CPI/RPI	12/03/2020	XPS
Dominic	Lindley	Pensions Bill Changes to CPI/RPI	12/03/2020	XPS

Trustee		Training	Date	delivered by
Andrew	Reading	Pensions Bill Changes to CPI/RPI	12/03/2020	XPS
Andrew	Reading	GDPR	01/11/2019	Which?

Attendance at training is recorded in the Trustees' training register. Trustees are required to complete the relevant modules of the Pensions Regulator's Trustee Toolkit or pass the Pensions Management's Institute's examination Award in Pension Trusteeship. All Trustees have either completed the Toolkit or passed the examination. In addition, Alison Bostock holds the Pensions Management Institute's Certificate in DC Governance.

In addition to receiving the training detailed above, the Trustees take personal responsibility for ensuring that they continue to have a working knowledge of the Scheme's documents for both the DC and Hybrid Sections, including:-

- the Trust Deed and Rules,
- the Statement of Funding Principles,
- the Statement of Investment Principles,
- the last actuarial valuation of the Scheme and any actuarial reports commissioned since,
- the audited Annual Report and Financial Statements,
- the Scheme's member booklets and
- the Trustees' policies for administering the Scheme.

The Trustees have online access to the Scheme's key documents and can access these when required to make decisions or exercise their discretion. Trustees request the input of their legal adviser where necessary.

The Trustees receive briefings from the Scheme's advisers, the Pensions Regulator and the Scheme Secretary, which they use to keep themselves up-to-date with relevant developments and identify their evolving responsibilities. The Trustees regularly receive advice from their professional advisors.

To identify gaps in their knowledge, the Trustees carry out an annual self-assessment using a questionnaire, which includes questions about their training needs. The Secretary and the Trustee Board review the self-assessment responses and arrange for training to be made available to individual Trustees or to the whole Trustee Board as appropriate.

The Trustee Board has an independent professional trustee who was a former Scheme Actuary to the Scheme and has a detailed understanding of the Scheme's documentation, and its operation from an actuarial and investment perspective.

The Trustees believe their combined knowledge and understanding and that of their advisers enables the Trustee Board to run the Scheme properly.

As Chair of Trustees, I engage with individual Trustees to ensure we are providing sufficient opportunities for their skills and knowledge to be kept up to date. Taking into account the experience, knowledge and understanding of individual Trustees, and the professional advice and other resource that is available to them, I am confident that the Trustee Board has the right mix of skills and competencies to ensure the Fund is well governed and properly managed.

ADMINISTRATION

Processing Core Financial Transactions
The Trustees have a duty to ensure that the core transactions have been processed promptly and accurately during the scheme year.

Core financial transactions include, but are not limited to:

- the investment of contributions to the Scheme;
- the transfer of pension scheme assets relating to members into and out of the Scheme;
- the transfer of assets relating to members between different defined contribution/money purchase investments;
  and
- payments from the Scheme to, or in respect of, members.

The Trustees recognise that these core financial transactions must be processed promptly and accurately to help deliver better outcomes for Scheme members.

The Trustees are confident that the processes and controls are robust, that corrective measures are taken where necessary and that the core financial transactions were processed promptly and accurately during the Scheme year.

The administration of the Scheme is delegated to Consumers' Association. The Trustees have a service level agreement in place with Consumers' Association which defines target times for processing the core financial transactions (as detailed below), individual case work and regular administration tasks. The Trustees monitor reports from the administrator provided at each Trustee Board meeting, held at least quarterly, which includes actual performance compared to expected performance. The Trustees annually review the internal controls of the administration and from time to time, the Consumers' Association carries out internal audits of the administration. The last internal audit was in 2016. Internal audit reports are presented to the Trustees and actions to address any issues agreed. There were no internal audits during the 2019/20 Scheme year. An internal audit of transfers out of the Scheme planned in the 2019-20 year was postponed due to the Covid-19 pandemic.

To keep track of their compliance with the agreed targets, the administrators:

- keep a case log that monitors the progress of individual member case work and regular administration tasks;
- monitor and reconcile bank accounts on a weekly basis;
- monitor and reconcile employee and employer contributions coming into the Scheme on a monthly basis;
- reconcile the investment manager's reports of the Defined Contribution Section assets to the total assets recorded on the members' records at least monthly and more frequently than monthly depending on the number of transactions processed;
- reconcile the Hybrid Section money purchase investment manager's annual report for the Hybrid Section annually.

Financial instructions require a two-step process to peer review for accuracy, security and to prevent fraud, one administrator to set up the instruction and one to authorise the instruction when making a bank payment, investing contributions, divesting investments or switching investments.

As noted above, the Trustees review the administrators' reports of these items at each Trustee Board meeting.

Investment of contributions to the Scheme
The Principal Employer pays contributions directly to the investment manager on behalf of all the Participating Employers and the instruction on where to invest the money is sent using 'straight through processing', a method which improves the processing time by allowing the investment transactions to be processed without manual intervention. The target for investing the contributions is the month end following the date when contributions are deducted from members' salaries, which is the 15th of the month or nearest working day.

During the year the Principal Employer paid the contributions for the DC Section directly to the investment manager, prior to the statutory deadline of the 19th of the month following deduction from pay, as follows:-

Contribution Month	Investment Date
April 2019	13/05/2019
May 2019	14/06/2019
June 2019	03/07/2019
July 2019	05/08/2019
August 2019	30/08/2019
September 2019	01/10/2019
October 2019	14/11/2019
November 2019	02/12/2019
December 2019	27/12/2019
January 2020	06/02/2020
February 2020	09/03/2020
March 2020	31/03/2020

The Trustees are aware that although contributions were invested within the statutory deadline, this was later than their target time agreed with the administrator in 9 of the 12 months. The Principal Employer, who is the administrator, increased the pensions administration resource in September 2019 to improve the timeliness of this process. The Trustees receive a regular update about the contribution investment date.

Each year the Scheme administrators carry out a check of the accuracy of the contributions received by both the Defined Contribution Section and the Hybrid Section of the Scheme. If errors are found, and the member is found to be worse off, the Employer will put the member into the position they would have been in had the contribution been correctly deducted and paid to the Scheme at the right time.

The 2018-19 transactions have been completed. The 2019-20 transactions will be reported upon in the next Statement.

In 2018-19, 66 transactions were corrected in the total of 9,655 checked and members were put into the position they would have been had contributions been correctly deducted and invested.

Transfer of pension scheme assets relating to members into and out of the Scheme
Current members of the Scheme can transfer pension benefits from other pension arrangements into the Scheme. The agreed service level for the transfer-in to be invested was six working days and during the year the year this was reduced to three working days from the point where cleared funds are available in the Trustees' bank account, the member has been identified and the member's investment choice has been received.

During the year 6 out of 21 transfers into the DC Section were invested later than the agreed service level. In all cases the Employer put the member into the position they would have been in, had the service level been met.

There were no transfers into the Hybrid Section in the year.

The agreed service level to pay a transfer out is within 10 days of the last piece of information required to process the transfer-out having been received.

During the year 29 members transferred out of the DC Section of the Scheme and none were paid late. Six members transferred out of the Hybrid Section of the Scheme and none were paid late.

The transfer of assets relating to members between different defined contribution investments
Members' Pension Accounts in the DC Section are invested in a lifestyle strategy, which gradually moves from higher risk funds to medium risk funds and then to lower risk funds as they approach their Selected Retirement Age, the age at which they may wish to access their Pension Accounts. Members can change their Selected Retirement Age by giving one month's notice to the Scheme's administrator and so speed up or postpone the de-risking process.

Rebalancing is carried out quarterly, and the service level agreement is for the process to be completed in the months of March, June, September and December. Rebalancing cannot take place while monthly contributions investment is in progress. During the year the rebalancing was carried out as follows:-

Quarter ending	Completion Date
March 2019	11 March 2019

June 2019	25 June 2019
September 2019	18 September 2019
December 2020	16 December 2019
March 2020	25 March 2020

There is no rebalancing in the Hybrid Section member accounts.

Payments from the Scheme to, or in respect of, members
When a member requests payment of their pension benefits from the Scheme, the agreed service level is that the payment is made in the next available payroll run, following receipt of the last piece of information required.

During the year all members who accessed their pension benefits were paid within the service level.

The agreed service level for an annuity purchase is within 10 days of the receipt of the last piece of information required.

During the year no annuities were purchased.

The agreed service level for payment of a lump sum following the death of a member is 5 days following receipt of the last piece of information required.

The agreed service level for payment of pension benefits to a member's dependant is for the payment to be made in the next available payroll run following receipt of the last piece of information required.

During the year all lump sums were paid and dependant's pensions set up within the agreed service level.

INVESTMENT

Statement of Investment Principles
The Trustees' Statement of Investment Principles is Appendix 1 to this document. It documents the Trustees' investment objectives and the investment principles that the Trustees apply when investing the assets of the Defined Contribution and Hybrid Sections of the Scheme.

The Defined Contribution Section's lifestyle funds, forming the lifestyle strategy, is the Scheme's default arrangement.

Defined Contribution Section - Aims and Objectives
The contributions for members of the DC section of the Scheme are invested in a single lifestyle strategy where the Trustees' objective is to grow the members' Pension Accounts by more than the rate of inflation (measured by the Consumer Prices Index) as follows:

- By 4% pa more than inflation when a member is more than 20 years from their Selected Retirement Age (SRA). The investment fund used in this phase of the strategy is the Which? Mixed Investment Fund A.

- By 3% pa more than inflation when the member is between 20 and 10 years from SRA. During the first 5 years of this phase, the member's Pension Account is gradually switched from Which? Mixed Investment Fund A to Which? Mixed Investment Fund B and then remains invested in Fund B until the member reaches 10 years from their SRA.

- By 2% pa more than inflation when between 10 and 3 years from the SRA. During the first 5 years of this phase, the member's Pension Account is gradually switched from Which? Mixed Investment Fund B to Which? Mixed Investment Fund C where the focus is more on capital protection.

The investment target in the final three years before the SRA depends on the decision the member makes when three years away from their SRA, when they are offered the choice of the following three strategies:-

1. A strategy that targets a mix of 25% cash and 75% Which? Mixed Investment Fund C by SRA, or

2. a strategy which targets 25% cash/75% conventional gilts by SRA, or

3. a strategy which targets a 100% cash position. This is the default strategy should a member fail to make a choice when invited to do so three years prior to their SRA.

Defined Contribution Section – Investment Funds
The lifestyle funds, which form the lifestyle strategy of the Defined Contribution Section and is also the Section's default arrangement (for the avoidance of doubt, as the default arrangement is the sole arrangement for the Defined Contribution Section, references in this document to the Defined Contribution Section are addressing the default arrangement), invests in a range of funds managed by Legal & General Investment Management Limited. The majority of funds are managed passively and expect to return within 0.1% of the relevant benchmark indices for each class of assets included.

By investing in this manner, the Trustees expect to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with an increased focus in the final ten years of reducing volatility to enable members approaching retirement to make financial plans for the period after retirement. The Trustees consider this approach to be in the best interests of members and relevant beneficiaries and keep this approach under annual review.

Defined Contribution Section – Review of the Investment Funds
The principles described above, as well as the performance of the funds, were reviewed by the Trustees in June 2019 as part of the Trustees annual review of the DC Section investment strategy and performance against the Trustees' investment targets. The Trustees investment consultants:

1. reviewed the Trustees' strategy taking into account the length of time members had until their SRAs, the general size of pension accounts and how members had used their accounts at retirement. The Trustees considered the results and assessed that the investment strategy remained appropriate for the membership at the current time because:

a. of the general size of the accumulated pension accounts – 77% of members' Pension Accounts were below £30,000 as at 31 December 2018
b. of the age profile of the membership - the majority of members are 35 to 15 years from retirement and
c. the actions members had taken at retirement – there is an insufficient number of members who have retired to indicate a clear trend

2. reviewed the Trustees' investment targets compared to the estimated long term rates of return available in the markets for the asset classes included in the Mixed Investment Funds. The Trustees concluded that their investment return targets remained appropriate at present, balancing the potential risk and return for members when the time horizon to retirement is relatively long, and providing some protection from losses as members progress towards retirement.

Therefore no changes were made to the principles outlined above as a result of the review.

The June 2019 review identified that changes to the underlying blends of funds that made up Mixed Investment Funds A, B and C were necessary.

Changes were made to the asset allocation to reflect the Trustees' view that markets were entering a more stable phase. The Trustees decided to reduce the overall allocation to 'safer' assets such as gilts and increase exposure to 'return-seeking' assets such as equities. Within the equity allocation, the Trustees increased the allocations to emerging markets and overseas markets, and reduced the allocation to defensive equities. These changes were designed to provide greater opportunities for growth.

The table below shows these changes in detail, with the revised allocations shown in the column headed 'New %':-

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	1.9	1.3	1.3	0.8	0.8
		LGIM UK Smaller Companies	0.250%	-	-	-	-	-	-
	Global	LGIM Russell Global Large Cap Defensive Equity	0.300%	18.2	9.1	12.68	6.28	7.3	3.7
		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%	2.7	7.7	1.9	5.36	1.1	3.1
		LGIM Developed World ex-UK Equity Index (GBP hedged)	0.203%	2.7	7.7	1.9	5.36	1.1	3.1
	Europe (ex-UK)	LGIM European Equity – Hedged	0.275%	5.2	5.2	3.6	3.6	2.1	2.1
		LGIM European Equity	0.250%	0.4	0.4	0.3	0.3	0.1	0.1
	North America	LGIM North American Equity	0.200%	1.3	1.3	0.88	0.88	0.5	0.5
		LGIM North American Equity – Hedged	0.225%	15.7	15.7	10.96	10.96	6.4	6.4
	Asia Pacific (ex-Japan)	LGIM Asia Pacific ex Japan Equity	0.275%	0.1	0.1	0.1	0.1	-	-
		LGIM Asia Pacific ex Japan Equity – Hedged	0.300%	1.7	1.7	1.2	1.2	0.7	0.7
	Japan	LGIM Japan Equity – Hedged	0.250%	3.2	3.2	2.18	2.18	1.3	1.3
	Emerging Market	LGIM World Emerging Market Equity	0.450%	4.6	8.0	3.2	5.58	1.9	3.2
	Total Equity		-	**60.7**	**65.0**	**42.3**	**45.2**	**24.5**	**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%	7.5	3.2	12.5	9.6	17.5	15.8
	Total Gilts		-	**7.5**	**3.2**	**12.5**	**9.6**	**30.0**	**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) :-	**0.312%**	**0.315%**	**0.292%**	**0.294%**	**0.251%**	**0.253%**

The changes did not affect the Trustees' long term growth targets for the Funds and are kept under review. The Trustees sought professional advice and believe the changes made were in the best interest of members. The changes were made in August 2019.

The performance of the Funds during the year to 31 March 2020 measured against the Trustees' objectives was:-

DC Section Fund	Annualised return over 1 year
- **Fund A**	-7.9%
- Trustees' Target	5.5%
- **Fund B**	-5.4%
- Trustees' Target	4.5%
- **Fund C**	-2.9%
- Trustees' Target	3.5%
- **Gilts**	17.6%
- **Cash**	0.7%

The Trustees concluded that the actual performance remained consistent with their long term objectives.

The Trustees asked River & Mercantile to back-test whether these changes were beneficial to members. River & Mercantile reported that from analysing the performance, they deduced the following conclusions:

1 July 2019 to 31 December 2019
Over this period, the new fund allocation led to stronger performance for all three funds when comparing against the 2018 allocation. This was due to higher allocation in return seeking assets.

Quarter 1 2020
Quarter 1 2020 was a challenging quarter for markets as nearly all return seeking asset classes suffered significant falls due to the spread of coronavirus outbreak ("COVID 19"). The current strategy for all three blended funds was in line or marginally underperformed when comparing against the 2018 allocation as a result of higher equity allocation.

Each of the blended funds provided downside protection, whilst Mixed Fund C captured less than 50% of global equity falls, protecting members closer to retirement. As of 20 March when equity markets fell by c.25%, each of the blends provided greater protection from the peak to trough fall. As markets rallied, the upside capture of each of the blends has been greater (than the downside capture).

Hybrid Section - Aims and objectives
Prior to the end of 31 March 2019 (when the Hybrid Section closed to future accrual), active members of the Hybrid Section paid contributions of 4.8% of pensionable salary in total. Of the combined employer/member contribution, a contribution of 7% of pensionable salary is invested in a with-profits policy with Prudential. This policy provides a guaranteed annual return of 4.75% for those contributions made in the Scheme years prior to 1 April 1996, 2.5% for contributions made between 1 April 1996 and 31 March 2003, reducing to 0.01% for contributions made thereafter.

The manager's objective is provide a smoothed return with an expected return of 6.0% pa gross of fees over the long term.

When a member retires, the Scheme pays the higher of the pension that can be provided from their final salary pension or the member account allocated to that member. Therefore, the key objective of the Prudential policy, in which member accounts are invested, is to act as an underpin to the value of a member's Hybrid Section pension.

Hybrid Section – Investment Fund
The Prudential with-profits fund is actively managed and invests in a wide range of assets, decided by the manager.

The Prudential must pay out 100% of asset values to policyholders over time and the annual regular bonus reflects a prudent proportion of future expected returns.

A final bonus known as the terminal bonus, which is not guaranteed, makes up the difference between guaranteed benefits and the overall smoothed claim value.

Hybrid Section – Review of the Investment Fund
The Trustees review the with-profits fund performance with their advisers annually when Prudential publish their returns. Due to the guarantees provided in the Prudential with-profits policy, the Trustees considered that this policy remained a suitable investment in respect of Hybrid Members' benefits during the year. The Trustees will keep the policy under review.

The performance of the underlying assets in the Prudential with-profits fund during the year against the manager's long-term objective of 6% per annum gross was 4.7%.

The regular bonus declared in 2020 meant that:

- members' investment accounts (or part thereof) that attract the 4.75% minimum regular bonus increased by 4.75% at the close of the scheme year ending 31 March 2019.
- members' investment accounts (or part thereof) that attract the 2.50% minimum regular bonus increased by 2.50% at the close of the scheme year ending 31 March 2019.
- the rest of the members' investment accounts increased by 1.25%.

The terminal bonuses declared are related to the year in which contributions were paid and are not guaranteed.

Additional Voluntary Contributions
During the year current members were able to make AVCs to:

- Prudential's with-profits fund,
- the Scheme's Defined Contribution funds, and
- Legal & General's Ethical UK Equity Index Fund.

Some deferred members have AVCs in Utmost Life's Managed Fund* and a range of funds offered by Clerical Medical:

- Balanced Managed Fund,
- UK Equity Tracker Fund,
- Ethical Fund and
- the Halifax Fund
- Retirement Protection Fund
- Lifestyle Balanced Fund
- Lifestyle Non-Equity Fund
- Lifestyle – UK Growth Fund

*Equitable Life transferred the AVCs to Utmost Life during the year.

COSTS AND CHARGES

Defined Contribution Section – Costs and Charges

Charges paid by members
The Employer pays the day to day cost of administering the Scheme.

There are two 'charges' paid by the members:

- the investment manager's administration charges and
- transaction costs

These charges are deducted by the investment manager from the funds in which members' benefits are invested.

The charges differ between the investment funds that are available.

The total expense ratio for each fund is the investment manager administration charges and the transaction costs. The total expense ratios are shown on page 63 together with an illustrative example of the cumulative effect over time of the application of these charges on the value of a member's Pension Account.

The Trustees are required to calculate the charges and transaction costs paid by members during the assessment period and assess the extent to which these charges and transaction costs represent good value for members.

Transaction Costs
Transaction costs are a complicated issue as they are associated with different member, Trustees or manager actions. Transaction costs can be split into three areas:

1. **Transaction costs incurred as part of changes to the asset allocation following review of Mixed Funds A, B and C**

   In August 2019, the Trustees carried out a transition related to an asset allocation review of Mixed Funds A, B and C to provide risk management in light of market conditions.

   The transition incurred costs of £7,609.24. Trades were netted off by Legal & General Investment Management 'LGIM' where needed, for example:
   - cancelling out selling UK Equity from Mixed A with buying UK Equity in Mixed B, or
   - LGIM netting trades between their client base.

   The costs were covered by the Employer which was a benefit to members.

2. **Transaction costs incurred by members buying and selling funds as part of a lifestyle strategy**

   A member in the default lifestyle is required to buy and sell assets when automatically switching between funds within the lifestyle strategy. We estimate that over a member's life, the cost of switching between funds for each £1 of income invested in the lifestyle strategy is c. 0.90% (or 0.90p) in a worst case scenario. This also applies to members with AVCs invested in the lifestyle strategy. This equates to an average of 0.01% per annum, as at 31 March 2020.

   Breakdown of switching between funds in the Lifestyle Strategy
   A breakdown of the cost estimate on a worst case basis is provided in the table below. Our calculations do not take account of netting trades between the funds. It also assumes that a member pays a cost of "bid-mid" unit prices for any sale of assets and "mid-offer" unit prices for any purchase of assets (i.e. a worst case scenario).

   Members will experience varying levels of cost depending on their position within the lifestyle strategy and their choice of investment strategy in the final 3 years before the reach their Selected Retirement Age. Actively contributing members would have experienced at least one source of transaction cost on the contributions they made over the year. Deferred members may or may not have experienced transaction costs of this nature, depending on if they switched between funds or not. These costs will continue in the future at a level expected to be similar to below.

Lifestyling is carried out automatically for members who are invested in the lifestyle strategy. Market conditions are considered in the context of deciding on the composition of the funds in the lifestyle strategy, but not when automatically switching members between funds

The funds are priced on a "single swinging basis", meaning they may be priced at bid or offer on any day, depending on the net cashflow (from all investors in/out of the fund) that day. Therefore, in practice, the cost incurred is unlikely to be the full amount below and may even provide an uplift, should fund prices swing favourably. Members will also experience varying levels of costs depending on their position within the lifestyle strategy. Therefore, it is not practical to split out the actual costs incurred by each member.

The table below sets out the worst-case transaction costs for each Lifestyle fund covering the period 01/04/2019 to 31/03/2020.

Movement between funds	Lifestyle Strategy worst case cost		
	Default	Secured Income	Invest into Retirement
Buy Mixed Fund A	0.48%	0.48%	0.48%
Mixed Fund A -> Mixed Fund B	0.12%	0.12%	0.12%
Mixed Fund B -> Mixed Fund C	0.04%	0.04%	0.04%
Mixed Fund C -> Final Position	0.27%	0.27%	0.07%
Sell Final Position	0.00%	0.00%	0.20%
Total	**0.91%**	**0.91%**	**0.91%**
Total p.a.	**0.02%**	**0.02%**	**0.02%**

Source: LGIM (data, as at 31 March 2020), R&M Solutions calculations as at June 2020.

Assumptions: *(1) members join the Scheme 40 years from retirement*
(2) price swings are all unfavourable to members
(3) no netting of trades occurs between funds
(4) no investment return

Breakdown of actual costs incurred by LGIM

Scheme specific costs of dealing in units as provided by LGIM which includes netting of trades between LGIM clients over the period are estimated as 0.18% of the assets traded.

Movement between funds	Cost of scheme specific trading during the 2019/20 Scheme year (GBP)		
	Total Transactions	Total Dealing costs	Average dealing costs
Q2 2019	2,440,010	4,405	0.18%
Q3 2019	13,856,598	13,358	0.10%
Q4 2019	2,668,623	5,277	0.20%
Q1 2020	5,060,710	11,050	0.22%
Total	**24,025,941**	**34,090**	**0.18%**

Source: LGIM (data, as at 31 March 2020).

3. **"Frictional costs" incurred by members due to funds internally buying and selling underlying assets (e.g. stocks or bonds)**

As part of day-to-day trading activities, the funds may incur "frictional costs". Frictional costs are categorised as explicit costs and implicit costs. Explicit costs are directly observable and in most cases managers are in position to report them. Examples of explicit costs include broker fees, transaction taxes and custody fees. Implicit costs cannot be observed in the same way but do have an impact on fund performance. Examples of implicit costs include bid-offer spreads and market impact.

These costs would be incurred every time a fund manager makes a trade within that fund and are intended to improve investment returns, reduce risk, or contribute to the smooth running of a fund

The table below sets out the total transaction costs for each fund within the lifestyle strategy covering the period 01/04/2019 to 31/03/2020.

	Fund	Total transaction cost
Default Lifestyle Funds	Mixed Fund A	0.034%
	Mixed Fund B	0.033%
	Mixed Fund C	0.036%
	Cash	0.000%

Source: LGIM (data, as at 31 March 2020) Underlying fund managers. R&M calculations as at June 2020.

Property Expense Ratio (PER) for the LGIM Managed Property fund

In addition to the Total Expense Ratio (TER) borne by members, the LGIM Managed Property Fund discloses a frictional cost called the Property Expense Ratio (PER). The PER covers all non-recoverable expenditure associated with the management and operation of the property portfolio, including the day-to-day property management and rent collection. The PER is borne by members. It is not counted within the TER, nor is it invoiced directly, but it is reflected in the fund price.

Items captured in the PER include:

- Service charge shortfalls and holding costs, such as empty rates and security
- Rent review and lease renewal costs
- Maintenance and repairs (not improvements)
- Property insurance costs / rebates
- Aborted transaction costs where appropriate

The PER varies from quarter to quarter. Annualised fees for the Scheme year to date are shown below.

Quarterly Property Expense Ratio (annualised %)	
Q2 2019	0.40%
Q3 2019	0.45%
Q4 2019	0.43%
Q1 2020	0.45%
Average	**0.43%**

Source: LGIM (data, as at 31 March 2020)

Total Expense Ratios

The Total Expense Ratios 'TERs' applicable to the funds underlying the lifestyle strategy as at 31 March 2020 are set out in the table below:

	Fund	TER
Default Lifestyle Funds	Mixed Fund A	0.32%
	Mixed Fund B	0.30%
	Mixed Fund C	0.25%
	Cash	0.13%

Source LGIM (data, as at 31 March 2020), R&M Calculations as at June 2020

Below is an illustrative example of the cumulative effect over time of the application of charges and costs on the value of a member's Pension Account. The example outlines the effects of fund charges (the TERs above) and transaction costs (also above) across the different sections of the Scheme. The example has been produced in accordance with DWP guidance.

Projected Pension Account, in today's terms

Years	Default Lifestyle (Which? Consumers Association)		Default Lifestyle (Which? Financial Services)		Default Lifestyle (Hybrid Switchers)	
	Gross of all charges	Net of TER and lifestyling costs	Gross of all charges	Net of TER and lifestyling costs	Gross of all charges	Net of TER and lifestyling costs
1	£2,800	£2,800	£2,800	£2,800	£7,100	£7,100
3	£12,200	£12,100	£10,900	£10,800	£22,800	£22,600
5	£21,900	£21,700	£19,200	£19,000	£35,800	£35,500
10	£49,100	£48,200	£42,600	£41,900	£65,600	£64,300
15	£81,300	£79,100	£70,300	£68,400	£100,800	£97,800
20	£119,300	£115,100	£103,100	£99,400	£142,400	£136,800
25	£160,600	£153,400	£138,600	£132,300	£187,300	£178,000
30	£203,900	£192,700	£175,700	£166,100	£233,900	£220,100
35	£246,700	£231,200	£212,600	£199,100	£279,800	£260,900
40	£287,400	£267,100	£247,500	£230,000	£323,000	£298,600

Notes:

- Values shown are estimates and are not guaranteed;
- Transaction costs are reflected as at 31 March 2020;
- Projected pension account values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Assumes inflation of 2.5% per annum;
- Assumes charges in future years are equal to charges today (transaction costs are shown in the table above);
- Assumes a member is aged 25 years old now and stops contributing at age 65;
- Assumes an overall contribution rate of:
  - 9% of annual salary in the first year, and 14% thereafter for 'Which? Consumers Association' members
  - 9% of annual salary in the first year, and 12% thereafter for 'Which? Financial Services' members
  - 23% of annual salary until 31/03/2024, and 14% thereafter for 'Hybrid Switchers'

  the £ amount of which will increase in line with assumed salary inflation for each case above;

- Assumes a member salary of £30,701 in Year 0, increasing with inflation;
- The accumulation rates used, are set out below:

	Fund	Real accumulation rate per annum (gross of charges)
Default Lifestyle Funds	Mixed Fund A	3.5%
	Mixed Fund B	2.5%
	Mixed Fund C	1.5%
	Cash	-2.0%

Source: XPS, R&M Calculations as at June 2020

The above illustration has been prepared with due regard to the Department for Work and Pensions' guidance ("Cost and charge reporting: guidance for trustees and managers of occupational schemes"), published in February 2018.

The Scheme makes no charge for members who purchase annuities at retirement with their Pension Account, transfer to an income drawdown provider or withdraw their Pension Account as a single lump sum.

The Scheme enables members to make one withdrawal from their Pension Account in a tax year. There is no charge for the first withdrawal, but in the second and subsequent years, there is an administration charge of £100 per withdrawal, deducted from the withdrawal before it is paid. No charge is made if there is no withdrawal.

In return for these charges, the benefits received by members of the Scheme include:

- High quality and highly engaged administration services;
- A sophisticated investment strategy which the Trustee Board monitor at each meeting and review with their advisers annually, or more frequently if circumstances change;
- High quality governance and oversight by the Trustee Board;
- Clear communications that reinforce important messages for members to achieve a good outcome at retirement;
- Communication when about to enter the next phase in the investment strategy, enabling members to speed up their move into lower risk assets, or postpone, according to their individual choice;
- Clear communications regarding options before, at and during retirement;
- A dedicated scheme website;
- Flexibility in how and when members use their Pension Account at and during retirement.

Hybrid Section – Costs and Charges
Prudential report that the administration charge that they assume will be paid by members when they set the bonuses on their with-profits fund is about 1% pa. This charge is not guaranteed. Prudential also report that the with-profits fund pays transaction costs of 0.05% per annum. The transaction costs are in addition to the administration charge paid by members.

The investment return is reduced by the management charges which are allowed for in the annual bonus declaration. There are no explicit charges made on investment of contributions.

Prudential pay two types of bonuses: a regular bonus, which they expect to pay every year during the term of a member's participation in the policy, which once added, cannot be removed, and a terminal bonus, which they expect to pay at the time a member retires at their normal retirement date, or on their earlier death. The terminal bonus is not guaranteed and may be reduced or removed by Prudential at their discretion.

If a member's money purchase fund is taken out at any time except on death or on the normal retirement date, Prudential may reduce the amount paid out to reflect the current market value of the underlying investments. This is known as the Market Value Reduction (MVR). No MVRs were applied to members' funds in the Scheme year-ending 31 March 2020.

Prudential provided the following information of the cumulative effect, over time, of the relevant costs and charges on the value of members' benefits:-

Prudential: Effects of charges and costs

About this Illustration

The aim of this illustration is to show you an example of how charges and costs can effect returns on investment funds. The figures in the table are examples and are not guaranteed – they are not minimum or maximum amounts that you might expect to get back with the level of investment shown. The figures have been calculated as at July 2020.

As the prices of everyday things go up, your money won't stretch as far as the same amount would now. This is called inflation. The figures have been adjusted to allow for inflation using an assumed inflation rate of 2.5% per year. Actual inflation could be more or less than this.

What you might get back depends on a number of factors including:

- how much is paid in
- how long investments are held for
- charges and costs
- performance of the investment

For this illustration we show the annual costs as an average of the expected costs which apply over the term of the investment. You will see both the costs and the growth figures clearly shown in the table. The charges and costs you pay may vary depending on your scheme conditions. We might change our charges in the future.

The value of investments can go down as well as up so you might get back less than you put in. For With-Profits funds the actual percentage charged depends on the performance of the With-Profits Fund and may vary over time. These charges cover the costs of any expenses, any profits, implicit costs and other adjustments.

The basis for our calculations

Pot size and assumptions

Projected pension pot values are in today's money which means they have been adjusted for inflation. We have used:

- A starting pot size of £7,000.
- No regular contributions.
- The term of the investment is from age 22 to age 64.

Charges and costs

Projected pension pot in today's money (£s)		
Years	With-Profits Cash Accumulation Fund	
	Growth rate (after inflation)	3.49%
	Yearly Costs*	1.43%
	Before Charges	After Charges
1	7,230	7,130
3	7,730	7,420
5	8,270	7,720
10	9,780	8,520
15	11,500	9,400
20	13,600	10,300
25	16,100	11,400
30	19,100	12,600
35	22,500	13,900
40	26,700	15,300
42	28,500	15,600

*Growth rates for the funds have allowed for the effects of inflation.

Additional Voluntary Contributions – Costs and Charges
Members may also have AVCs invested in:-

- Prudential's with-profits fund,
- the Scheme's Defined Contribution lifestyle funds,
- Legal & General's Ethical UK Equity Index Fund,
- Utmost Life's Managed Fund
- Clerical Medical's:
  - Balanced Managed Fund,
  - UK Equity Tracker Fund,
  - Ethical Fund and
  - the Halifax Fund
  - Retirement Protection Fund
  - Lifestyle Balanced Fund
  - Lifestyle Non-Equity Fund
  - Lifestyle – UK Growth Fund.

Costs and charges for Prudential with-profits fund are shown above, and the Scheme's Defined Contribution Funds are set out on previous pages.

Legal & General Ethical UK Equity Index Fund
The annual management charge for Legal & General's Ethical UK Equity Index Fund is 0.20% per annum.

Defined Contribution Members Prudential With Profits Fund
Defined Contribution members who invest their AVCs in the Prudential With Profits fund do so to a newer version With Profits policy. Prudential's information about costs and charges are shown on page 62 and the cumulative effect, over time, of the costs and charges on the value of members' benefits are shown on page 63.

Utmost Life's Managed Fund
The annual management charge for Utmost Life's Managed Fund is 0.75% per annum, and the total charge including transaction costs is 0.84% per annum. These costs are reported as at 31 December 2019.

Utmost Life have provided the following information of the cumulative effect, over time, of the relevant costs and charges on the value of members' benefits:-

Term	Managed	
	Before Charges	After Costs and Charges Deducted
1	1,020	1,011
3	1,060	1,033
5	1,101	1,056
10	1,213	1,115
15	1,336	1,178
20	1,472	1,244
25	1,621	1,313
30	1,786	1,387
35	1,967	1,465
40	2,166	1,547

Notes:
1) Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2) The starting pot size is assumed to be £1000 for a Male aged 50
3) Inflation is assumed to be 2.5% p.a.
4) Values shown are estimates and are not guaranteed
5) The projected growth rate for the Managed Fund is 4.5% p.a.

Clerical Medical
Clerical Medical's management charge paid by members is 0.5% per annum. Clerical Medical have provided the following information about transaction costs in the year to 31 March 2020:

			Asset Coverage		Reporting Period		
Fund Identifier	**Fund Name**	**Transaction Costs (in bps)**	**Assets Reported (%)**	**Reason not Obtained (if > 10%)**	**Start**	**End**	**Notes**
GB0005001242	Clerical Medical PP UK Equity Tracker	1bps	100%		01/02/2019	31/01/2020	This fund invests into an Aberdeen Standard Investment fund. Aberdeen Standard calculate and provide the transcation costs for this fund.
GB0002273604	Clerical Medical Ethical Pension	37bps	100%		01/03/2019	29/02/2020	Transaction costs calculated using slippage methodology.
GB0002042116	Clerical Medical UK Growth Pension	44bps	100%		01/02/2019	31/01/2020	Transaction costs calculated using slippage methodology.
GB0002039955	Clerical Medical Balanced Pension	20bps	100%		01/04/2019	31/03/2020	Transaction costs calculated using slippage methodology.
GB0002677531	Clerical Medical Halifax Pension	0bps	100%		01/04/2019	31/03/2020	This fund invests in bank deposits only so incurs no transaction costs.
GB0002109626	Clerical Medical Managed Retirement Protection Pn	8bps	100%		01/04/2019	31/03/2020	Transaction costs calculated using slippage methodology.
GB0008525916	Clerical Medical Non-Equity Pension	7bps	100%		01/04/2019	31/03/2020	Transaction costs calculated using slippage methodology.
GB0002024197	Clerical Medical Cautious Pension	13bps	100%		01/04/2019	31/03/2020	Transaction costs calculated using slippage methodology.

‘bps’: basis points where 100 bps = 1%

The transaction costs are in addition to the management charge paid by members.

Clerical Medical’s approach to providing illustrations of the cumulative effect, over time, of the relevant costs and charges on the value of members' AVC benefits is that this is out of scope of the regulations. The Trustees are disappointed with this approach, have made a formal complaint to Clerical Medical and continue to press Clerical Medical for the illustrations

Your Trustees have asked the investment managers to prepare the illustrations in accordance with the statutory guidance for this section of the Chair’s Statement.

VALUE FOR MEMBERS' ASSESSMENT

Each year the Trustees carry out an assessment of the extent to which investment manager's administration charges and transaction costs borne by the Scheme's members, together with the services that members receive, represent good value. It is widely accepted that value for members is difficult to assess and while there is guidance on suggested items to cover there is no prescribed method for assessment.

To assist with this assessment the Trustees receive information from the Scheme's investment consultants about investment services that are paid for by members, and carry out their own assessment of administration, communications, governance and management factors, which are paid for by the Employer.

DC Section
On average, members in the Scheme's lifestyle investment strategy pay investment management administration charges and transaction costs of 0.29% per annum, on average, throughout their working lifetime (assuming the member joins the Scheme at age 25 and retires at age 65).

This is significantly lower than both the maximum allowed of 0.75%, and the estimated average charge for DC schemes across the UK, and the Trustees are satisfied that the Scheme is priced competitively, taking account of the current asset size and expected growth.

Within the fee of 0.29% for the lifestyle funds, members receive the following investment related benefits:

- Tactical asset allocation within the default strategy aimed at controlling risk (specifically permanent loss of capital) whilst generating long term growth.
- Implementation primarily through passive funds via Legal and General Investment Management (LGIM), which has a strong and consistent record for tracking market indices effectively.
- Investment performance
    - The funds have performed as members were led to believe (i.e. ahead of fund objectives);
    - Members have received more in investment growth than paid in charges for most of the time period assessed; and
    - Investment options have delivered risk management as shown through comparing risk adjusted returns against a market comparator.
- Risk management – the investment strategy takes account of membership needs, and controls risks as member pot sizes grow and the need for protection increases.
- Internal controls and operations of the investment manager – these cover business continuity plans, external audit of funds, good tracking abilities and transition management.

Scheme members also have an advantage over many UK DC schemes in that the Employer pays for administration, communication, governance and transaction costs when the assets in the lifestyle investment strategy are changed. This helps keep the overall charge paid by members well within the charge cap set by legislation of 0.75%. It also means Scheme charges compare favourably with "bundled" schemes where members pay for administration and communication services. The most recent survey of charges published by the Department for Work and Pensions (2016) places the average charge for schemes of comparable size to the Scheme within the range of 0.4% to 0.7% per annum. However the survey doesn't differentiate between schemes with low cost passive investment strategies and those with more sophisticated strategies like the Scheme's lifestyle strategy.

The Trustees carried out an assessment, with the help of their advisers, of whether the Trustees' investment strategy delivered value for members. The assessment used quantitative tests which asked the following questions:-

Default Lifestyle Strategy
1. Have members received more in investment growth than they paid in charges? Yes.

This was assessed by comparing average net returns against a cash index (used as a proxy for putting the money in the bank with no investment charges)

2. Have the investment options performed as members have been led to expect? Yes.

This was assessed by comparing average net returns against inflation related return targets

3. Have the investment options delivered the risk management promised and paid for by members? Yes.

This was assessed by comparing average risk-adjusted net returns versus market benchmark.

The above tests were based on the average of rolling periods ending during the 2019/2020 Scheme Year, using month-end unit prices.

The Trustees concluded that having assessed the services covered by the fund charges paid by members, they viewed the overall charges as *below* average relative to the market for the type of investment strategy and the quality of the services provided to members as *above* average relative to the market.

The Trustees assessment is that during the year the members received value from the Scheme.

Hybrid Section
Members entitled to benefits from the Hybrid Section receive a pension that is better of a defined benefit based on a member's pensionable service and salary near to retirement, and the pension that can be provided by a money purchase account that builds up from part of the employer and employee contributions (and is invested in Prudential's with-profits fund). As such, members do not pay directly for the administration or investment services that are used to deliver the benefits. The value for money of this section has therefore been assessed proportionately in light of the benefit structure.

Within this context, the investment manager's administration charges and transaction costs levied by Prudential are expected to provide value for members as they benefit from potential retirement income upside from a higher level of annuity, but downside is limited to the value of their defined benefit arrangement. It is unlikely for a similar arrangement (or one that provides better value) to be negotiated with another provider at a lower fee level.

Prudential is differentiated amongst large life offices by its continued active support of with profits and the fund is highly rated by AKG, who are the leading independent assessor of with-profits funds.

Additional Voluntary Contributions
The Trustees assessment of value for members in the DC Section also applies to members with AVCs in the Scheme's lifestyle investment strategy. The Trustees assess Legal & General's Ethical UK Equity Index Fund as providing value for members for the same reasons.

Prudential
The Trustees consider that Prudential AVC options offer value for those members seeking the guarantees offered by the With-Profits plan for the reasons outlined above.

Utmost Life and Clerical Medical
The Trustees lost confidence in Equitable Life, now Utmost Life, following the difficulties Equitable Life faced when they closed to new business in December 2000.

The Trustees also lost confidence in Clerical Medical as investment managers following a period of poor performance and, as the stewards of members' money, they closed the Clerical Medical AVC options to future contributions with effect from 31st March 2007.

The Trustees do not consider that Utmost Life or Clerical Medical AVC options offer value for members.

The Trustee have written to each of the members concerned a number of times over the years and most recently in February 2020, to encourage members to review the suitability of their AVC investment selections, and to offer members the opportunity to transfer their assets, free of charge, into an alternative fund if they wish.

Statement of Investment Principles

Consumers' Association Pension and Employee Benefits Scheme

Statement of Investment Principles

30 September 2019

Contents of SIP

1 Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 and 36 of the Pensions Act 1995 and the Pensions Act 2004 for the Consumers' Association Pension & Employee Benefit Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Alan Wilkes of XPS Pensions Group, the Investment Advisers are Redington Limited for the Hybrid Section and River and Mercantile Solutions for the DC Section, and the Legal Advisers are Travers Smith and Sackers (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with Consumers' Association ('the Company') and the Scheme Actuary, and have obtained and considered written advice from the Investment Advisers. The Trustees believe the Advisers to be qualified by holding appropriate qualifications and by their ability and practical experience of financial matters; and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Hybrid Section of the Scheme provides primarily retirement pension benefits which are the better of those calculated with reference to the member's money-purchase fund, which is invested in the Prudential With-Profits Fund, and that based on the member's salary effectively earned over a short period prior to retirement or earlier withdrawal. The Scheme's liabilities are therefore to some extent dependent upon the performance of the Scheme's Prudential With-Profits holdings.

The Rules of the Hybrid Section of the Scheme guarantee that, once in payment, pensions will increase in line with price inflation as measured by the Retail Prices Index ("RPI") up to 6% and 50% of price inflation as measured by the Retail Prices Index ("RPI") in excess of 6% up to 12%. For some members, pensions accrued to 31 March 2004 are guaranteed to increase by 5% per annum irrespective of inflation. For some members in deferment, pensions are now linked to price inflation as measured by the Consumer Prices Index ("CPI").

The Scheme's liabilities in respect of the Hybrid Section are thus linked to:

a) wage and salary inflation up to the earlier of the member's date of leaving pensionable service or 31 March 2019;
b) price inflation as measured by CPI while the member is in deferment;
c) price inflation as measured by RPI once the pension comes into payment, although it should be noted that a significant proportion of pension increases in payment are fixed rather than linked to price inflation; and
d) the performance of the Scheme's Prudential With-Profits holdings.

From 1 April 2004 the Hybrid Section of the Scheme was closed to new entrants and a new Defined Contribution Section (the "DC Section") opened. The Hybrid Section was closed to future accrual on 31 March 2019.

The DC Section of the Scheme provides primarily a money purchase fund arising from member and employer contributions with which the member is able to purchase retirement benefits.

The Trustees are responsible for the investment of the Scheme's assets and arrange administration of the Scheme. Where they are required to make an investment decision, the Trustees always receive advice from the relevant Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustees set general investment policy, but have delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the Scheme.

Declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have implemented for the Scheme. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Signed . . . . . Date 30th September 2019

For and on behalf of
The Trustees of the Consumers' Association Pension & Employee Benefit Scheme

Scheme Governance

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the Advisers as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Section 12.3.

Hybrid Section

1.1 Objectives

The principal objective of the Trustees is to invest the assets of the Scheme to meet its liabilities when they fall due.

The Trustees maintain a diversified portfolio of assets which seeks to maintain a balance between expected investment return and volatility of returns. The Trustees also seek to manage the Scheme's exposure to interest rate and inflation risk whilst keeping expected returns at an appropriate level.

The Trustees may review this objective from time to time.

1.2 Choosing Investments

1.2.1 Process for Choosing Investments

The Trustees are responsible for the investment of the Scheme's assets. Where the Trustees are required to make an investment decision, they always receive written advice from the Advisers first and they believe that this, together with their own collective expertise, ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to the Investment Managers authorised under the Act.

1.2.2 Investment Strategy

Having considered advice from the Advisers, the Trustees have set the investment policy with respect to the Scheme's liabilities and funding level. The Trustees have set an investment strategy to achieve the principal funding objective within an acceptable risk budget and an acceptable timeframe.

The above objective and the risk budget are set out in the Scheme's Pension Risk Management Framework (PRMF). The risk budget is defined by the Scheme's aim to have a level of protection against interest rate and inflation risk so as to minimise the volatility of the funding level to these market factors whilst maintaining an appropriate level of expected returns. The level of such protection is regularly discussed with the sponsor in the light of their views and alternative protection methodologies which may be available.

Objectives have been set with a view to supporting the long-term sustainability of the Scheme. The objectives will be reviewed alongside each actuarial valuation to ensure they remain relevant and appropriate. Progress against objectives is monitored and reviewed by the Trustees on a regular basis.

The Scheme's assets are invested in line with these objectives and the risk budget as detailed in the PRMF.

In consultation with the Employer and having considered advice from the Advisers and also having due consideration for the objectives and attitude to risk of the Trustees and the liability profile of the Scheme, the Trustees run an investment strategy whereby the portfolio is split into two elements: member's money-purchase fund, which is invested in the Prudential With-Profits Fund and a portfolio consisting of return-seeking assets and liability-hedging assets. The allocation of the assets to the two elements is set out in Section 5. Details of performance measurement are set out in Section 5.2.

The Trustees are responsible for reviewing both the asset allocation and the investment strategy of the Scheme in conjunction with each actuarial valuation in consultation with the Advisers. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where they deem it appropriate.

1.2.3 Investment Manager Arrangements

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustees set general investment policy, but have delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the Scheme.

A number of investment managers are employed to manage the assets of the Scheme.

The Scheme pays an annual fee to each manager which is calculated as a proportion of assets under management. The Scheme does not currently employ any managers that charge performance fees. Fees are regularly reviewed by the Trustees.

The performance targets, benchmark indices and restrictions placed on each manager have been discussed with them and the managers are satisfied that no restrictions have been placed on them which limit their ability to meet the Trustee's requirements.

The Trustees are in the process of drafting the first asset manager policy in line with provisions of section 3 of Regulation 2 of The Occupation Pension Schemes (Investment) Regulations 2005, specifically section (3)(d) inserted by The Occupation Pension Schemes (investment and Disclosure) (Amendment) Regulations 2019, and this will be in place by 1 October 2020.

1.2.4 Monitoring

The Investment Managers will provide the Trustees with quarterly statements of the assets held, along with a quarterly report on the results of the past investment strategy and the intended future policy, and any changes to the processes applied to their portfolios. The Investment Managers will also report orally on request to the Trustees.

The Trustees will assess the quality of the performance and processes of the Investment Managers by means of a review at least once every three years in consultation with the Investment Adviser.

Appropriate written advice will be taken from the Investment Adviser before the review, appointment or removal of the Investment Managers.

1.3 Diversification and Risk Control

Given the size and nature of the Scheme, the Trustees have decided to invest on a pooled fund basis; any such investment is effected through a direct agreement with an Investment Manager and/or through an insurance contract. Having received advice from the Investment Adviser, the Trustees are satisfied that the range of pooled vehicles in which the Scheme's assets are invested provides adequate diversification.

The Trustees acknowledge that it is not possible to monitor all the risks the Scheme is exposed to at all times. However, it seeks to take on those risks which it expects to be rewarded for over time, in the form of excess returns, in a diversified manner, and to hedge out an element of those risks that are not expected to be rewarded. The Trustees recognise a number of risks involved in the investment of the assets of the Scheme:-

Risk	Description
Market risk	• Arises from the exposure of the Scheme's portfolio to market risk factors (for example equities, credit spreads, interest rates and inflation); • Measured at least quarterly by means of an Asset Liability Matching ("ALM") modelling exercise; • Currently managed by investing with regard to liability-matching assets and diversification within the growth portfolio of the Scheme. • In addition to the risks mentioned above, the Scheme is also exposed to currency risks via its exposure to overseas assets

Risk	Description
	within its Diversified Growth Fund. • Currency risks arising from exposures in the Diversified Growth Funds and Multi-Class Credit mandates are managed by the respective investment managers through diversification across different regions and areas and by hedging foreign currency exposure back to sterling.
Liquidity risk	• Measured by the level of cash flow required by the Scheme over a specified period in order to pay benefits managed by investing a proportion of the assets in liquid assets, which allows the Scheme to easily divest cash as and when required. The Scheme also receives cash recovery contributions from the Employer, which provide liquidity and payments from the Prudential With-Profits Fund when members reach age 75.
Sponsor risk	• Measured by the level of ability and willingness of the Employer to support the continuation of the Scheme. Sponsor risk is measured by a number of factors, including the creditworthiness of the Employer, the size of the pension liability relative to the Employer's earnings and other commitments / debts, the size of the deficit in the Scheme and Value at Risk, the level of cash made available to the Scheme relative to other stakeholders; • Managed by monitoring the impact the Scheme has on the Employer's business.
Manager risk	• Measured and managed by quarterly monitoring and reviewing the performance of the manager relative to the risk and return objectives set out in the Investment Manager's mandate.
Counterparty risk	• Arises from the Scheme's derivative exposure in its liability-matching asset portfolio. The Scheme only invests in derivatives via pooled fund vehicles and it has therefore no direct exposure to derivatives counterparties. • The pooled fund manager manages the counterparty risk via diversification, as well as via daily collateralisation of positions.
Collateral risk	• The Scheme is exposed to collateral calls from its leveraged liability-matching asset portfolio, depending on market movements in the underlying derivatives. • The Scheme manages this risk by retaining a level of cash and liquid assets that can be turned into cash for collateral purposes. The Trustee monitors the liquidity position on a quarterly basis.
Mismanagement risk	• The Scheme is exposed to the risk of unsuitable investment activity by the Investment Managers. This is addressed in the agreements with the Investment Managers which contain a series of restrictions. The activity of the managers and their processes are monitored regularly by the Investment Advisers on behalf of the Trustees.
Organisational risk	• Arises from inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Investment Managers and Adviser.
Transition risk	• The Scheme is exposed to the risk of paying unnecessary costs or being at increased risk of adverse market movements, when transitioning assets from one manager or asset class to another. This risk is mitigated by organising transitions in a structured fashion with the advice of the Advisers or by using a specialist transition manager, if appropriate.
Environmental, Social and Governance Factors 'ESG'	• the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Manager where applicable, or by requesting information on the ESG policies, adopted by the Investment Manager

1.3.1 Risk management policy

The 2018 Actuarial Valuation results have been agreed and an Integrated Risk Management Framework will be agreed with the Sponsor. A risk budget can then be formally defined. This will be documented in the Pension Risk Management Framework. Within this risk budget, the Trustees will aim to diversify risks across a range of exposures and to focus on risks that they view as well rewarded in terms of outperforming the liabilities.

The following measures have been implemented to reduce the risks associated with making investments:-

1.3.2 Risk versus the Liabilities

The value of the Scheme's liabilities is sensitive to changes in inflation and interest rates. The Trustees have therefore decided to invest a proportion of the Scheme's portfolio into assets whose sensitivity to these rate movements mirrors that of the liabilities as this will help protect the Scheme's funding position.

The Trustees measure this mismatching risk with reference to the liabilities of the Scheme, and examine how the investment strategy and asset allocation impacts on this exposure. The Trustees, in conjunction with the Advisers, will monitor the risk versus the liabilities on a regular basis.

1.3.3 Range of Assets

The Trustees have selected an investment strategy which contains assets suitable for the Scheme's funding and risk objectives. The Trustees review the investment strategy and consider investment in other asset classes at least after every valuation but more frequently than that if deemed necessary.

The Investment Managers will hold a mix of investments that correspond to the strategic asset allocation. Within each major market each manager will maintain a diversified portfolio of stocks or funds through pooled vehicles.

1.4 Compliance

1.4.1 Changes to the Statement of Investment Principles (SIP)

The Trustees are obliged to consult with the Employer when changing the SIP.

1.4.2 Frequency of Review

The Trustees will review this SIP annually, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Employer if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager or Adviser as part of such a review.

1.4.3 Professional Advice

The Trustees receive written advice from the Advisers to help review the investment strategy.

1.4.4 Review of Investment Managers

On a regular basis, the Trustees will consider whether or not the investment manager:-

- Has the appropriate knowledge and experience;

- Is carrying out his work competently;
- Has had regard to the suitability of each investment and each category of investment; and
- Has been exercising his powers of investment with a view to giving effect to the principles contained in this statement, so far as is reasonably practicable.

If the investment manager is not able to satisfy the Trustees about these issues, the Trustees will replace that manager.

1.4.5 Information from Managers

The investment managers will inform the Trustees of the below as soon as practical:-

- Any breach of this statement;
- Any serious breach of internal operating procedures; or
- Any material change in the knowledge and experience of those involved in managing the Scheme's investments.

The investment managers will supply the Trustees with sufficient information each quarter to facilitate the review of his activity, including:-

- A full valuation of assets;
- Performance of the assets;
- A transaction report;

In order to allow the Trustees to carry out their annual review of the investment manager, the investment manager will supply the Trustees with:-

- Evidence of his knowledge and experience for managing the investments of the Scheme;
- His approach to making decisions about the suitability and diversification of the investments delegated to him;
- Details of operating procedures used by the fund manager and controls over the individuals making investments for the Scheme; and
- Details of the monitoring procedures in place for any investment manager to whom he has delegated part of his responsibilities.

1.4.6 Additional Voluntary Contributions ("AVCs")

The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. The Trustees have full discretion as to the appropriate investment vehicles made available to members of the Scheme for their AVCs. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustees, having taken appropriate written advice from properly qualified and authorised financial advisers.

Members are offered the following funds in which to invest their AVC payments:-

- The Scheme's Lifestyle programs
- LGIM Ethical UK Equity Tracker Fund (DC Members Only)
- Prudential With-Profits Fund (Hybrid Members Only)

In selecting this range of funds offered the Trustees have taken advice from their professional advisers on:-

- the risks faced by members in investing in defined contribution funds, and
- the Trustees' responsibilities in the selection and monitoring of the investment options offered.

The Trustees will continue to manage AVC arrangements having taken professional advice on these matters.

Hybrid Section, Strategy Implementation

1.5 Strategic Asset Allocation ("SAA")

The Trustees have adopted a strategic target asset allocation for the Hybrid Section as outlined below. The purpose of this allocation is to achieve a sufficient asset return to reach full funding for the Scheme over time while staying within the agreed risk budget. This is achieved via combining a leveraged liability-matching portfolio with a range of diversified return-seeking asset mandates.

Liability Matching Assets	**SAA target allocation**	**Indicative target allocation range**
LDI portfolio using leveraged gilt funds *Schroders*	To hedge to the agreed level and provide the required collateral	
Return-seeking Assets		
Volatility-Controlled Equities (exposure) *Schroders*	24%	21-27%
Relative Value DGF *Invesco*	13%	11-15%
Multi-Class Credit *TwentyFour*	13%	11-15%
Property *Lothbury*	No target allocation as illiquid. Allocation at the date of the Trustees' audited financial statements 31 March 2018 4%	
Secured Leases *M&G*	No target allocation as illiquid. Allocation at the date of the Trustees' audited financial statements 31 March 2018 3%	
Other Assets		
Prudential With Profits Fund	No target allocation as illiquid. Allocation at the date of the Trustees' audited financial statements 31 March 2019: 34%	

Note that the target allocation is used for guidance only and the Trustees will allow some deviation from the stated allocation from time to time depending on market conditions. In a situation where the weights materially deviate from the target allocation, the Trustees have appointed Schroders to manage a dynamic asset allocation rebalancing framework. Schroders have delegated authority from the Trustees to buy / sell liquid growth assets (Relative Value DGFs and Multi-Class Credit) in order to rebalance out of / into LDI. Schroders manage this subject to pre-determined tolerance ranges.

1.6 Investment Managers and their Investment Targets

Schroder Investment Management ('Schroders') manages a pooled LDI mandate on behalf of the Scheme, in the Schroders LDI Fund. The purpose of this fund is to hedge the Scheme's interest rate and inflation exposure. This is achieved by investing in a portfolio of assets (such as gilts and swaps) which matches the projected liability cash flows of the Scheme. The fund invests against a bespoke liability benchmark, ensuring that the profile of the hedge is closely aligned with the profile of the Scheme's liabilities.

Schroder Investment Management ('Schroders') passively manages a volatility-controlled equity mandate on behalf of the Scheme, in the Schroders Volatility Controlled Global Equity Fund. The fund is benchmarked against the MSCI World 10% Volatility net TR Index.

Invesco Perpetual Life ('Invesco') actively manages a relative value diversified growth fund mandate on behalf of the Scheme, in the Invesco Perpetual Global Targeted Returns Pension Fund. The fund targets an absolute return in excess of 3m GBP Libor + 5% p.a. and aims to achieve this with less than half the volatility of global equities, over the rolling three year period.

TwentyFour Asset Management ('TwentyFour') actively manages a multi-class credit mandate on behalf of the Scheme, in the TwentyFour AM Strategic Income Fund. The fund is not tied to market benchmarks and can therefore focus on the best individual opportunities across a wide range of assets.

Lothbury Investment Management ('Lothbury') actively manages a property mandate on behalf of the Scheme, in the Lothbury Property Unit Trust. The fund is benchmarked against the IPD Balanced Property Unit Trust Index.

M&G Investment Management ('M&G') actively manages a long-lease property income fund mandate on behalf of the Scheme, in the M&G Secured Property Income Fund. This fund does not have a set benchmark, but rather targets an absolute return in excess of inflation (UK Retail Prices Index) by 4-5% p.a. after fees over the medium to longer term.

Prudential Assurance Company ('Prudential') actively manages a With-Profits Fund on behalf of the Scheme. The manager's objective is to provide a smoothed return with an expected return of 6.0% p.a. gross of fees over the long term. For comparative purposes, the Fund's return is benchmarked against the CAPS Balance Median over the long term.

1.7 Investment Manager Objectives

The objective of the Schroders LDI Fund is to manage the Scheme's interest rate and inflation risk by hedging exposure to these factors on the liability side.

The objective of the Schroders Volatility Controlled Global Equity Fund is to offer a risk-controlled approach of managing equity exposure and to provide explicit downside protection at low cost.

The objective of the Invesco Perpetual Global Targeted Returns Pension Fund is to provide long-term equity returns with lower risk. As such, the fund aims to provide an absolute return in excess of 3m GBP Libor + 5% p.a. after fees over the medium to longer term.

The objective of the TwentyFour AM Strategic Income Fund is to provide diversified exposure across the credit spectrum whilst accessing manager skill to risk manage the strategy.

The objective of Lothbury Property Unit Trust is to outperform the IPD Balanced Property Unit Trust Index after fees.

The objective of the M&G Secured Property Income Fund is to provide a return in excess of inflation (UK Retail Prices Index) by 4-5% p.a. after fees over the medium to longer term.

The Prudential With-Profits Fund has an absolute return target of 6.0% p.a. gross of fees over the long term.

Defined Contribution Section, Investment Strategy and Objective

The main scheme assets for the Defined Contribution Section are invested in a combination of pooled investment vehicles managed by Legal & General Investment Management Ltd ("LGIM"). The pooled vehicles are selected by the Trustees and are arranged in the Which? Mixed Investment Fund A, Which? Mixed Investment Fund B, Which? Mixed Investment Fund C (collectively termed the "Which? Mixed Investment Funds") and a Cash Portfolio. Together these form the DC Section's Default Lifestyle strategy explained in this Section.

Additionally, two alternative lifestyle strategies are offered to members, both following the default until the member is phased into the final pooled vehicle. At this point the member will either move into an Over 15 Year Fixed Interest Gilt Portfolio and the Cash Portfolio or remain in Mixed Investment Fund C and the Cash Portfolio (in different allocations to the Default Lifestyle strategy).

Each of the portfolios has the aim of achieving the objectives agreed with the Scheme's Trustees. In addition, the default investment strategy adheres to the requirements of Section 36 of the Pensions Act 1995, which are covered in this section.

1.8 Default Lifestyle Strategy

The Trustees, in conjunction with the Investment Adviser have developed a Default Lifestyle strategy for members of the DC Section of the Scheme. The Default Lifestyle strategy is the DC Section's default arrangement.

1.8.1 Aims and Objectives of the default strategy

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Trustees regard their duty as creating a robust default fund offering to cater for the proportion of the workforce who do not wish to actively manage their pension investments. This default should be focused on members' needs and outcomes.

The Trustees' overarching aims and objectives are therefore:

- To provide members with a robust default solution which makes available vehicles designed to focus on members' needs by aiming to:
  - Optimise the value of members' assets at retirement;
  - Maintain the purchasing power of members' savings; and
  - Protect the value of accumulated assets as members approach retirement.
- To avoid over-complexity in investment in order to keep administration costs and member understanding to a reasonable level.

More specific investment objectives for each of the Which? Mixed Investment Funds are contained in Sections 6.2 – 6.4. Investment objectives for the underlying investment funds used in the Which? Mixed Investment Funds are contained in Section 7.5.

1.8.2 Trustee Policies in relation to the default strategy

The kinds of investments to be held
The Trustees' policy relating to the kinds of investments held within the default strategy are summarised in Section 6.2, 6.3 and 6.4, titled "Which? Mixed Investment Fund A", "Which? Mixed Investment Fund B" and "Which? Mixed Investment Fund C" respectively.
The balance between different kinds of investments
The Trustees' policy relating to balance between different investments within the default strategy is shown in Section 6.1.4, titled "Default Strategy Lifestyle Profile".
Risks (including the ways in which risks are to be measured and managed)
The Trustees' policy relating to risks applicable to the DC Section of the Scheme as a whole are shown in Section 8, titled "Risks". All of the risks applicable to the DC Section, including how they are measured and managed are relevant to the default strategy.
Expected return on investment
Target objectives for each fund used within the default strategy are shown in Section 6.2, 6.3 and 6.4, titled "Which? Mixed Investment Fund A", "Which? Mixed Investment Fund B" and "Which? Mixed Investment Fund C" respectively. The target objectives for each of the underlying funds including the Cash Fund can be found in Section 7.5, titled "Defined Contribution Performance Objectives".

The Trustees expect the three Which? Mixed Investment Funds to achieve a return (net of fees) in line with the target investment return over the long term. The Trustees expect the underlying funds to meeting their objectives set out in Section 7.5 (gross of fees) over the long term.

Realisation of investments

The Trustees' policy relating to the realisation of investments is to make use of funds within the default strategy which are unitised, pooled, daily dealt funds. This allows the flexibility with regards to changing investments or realising cash to pay benefits.

Exercise of rights (including voting rights) attached to the investments

The Trustees' policy relating to the exercise of rights (including voting rights) in the Scheme as a whole are shown in Section 11.1. All of the content of Section 11.1 is relevant to the default strategy.

Financially material factors

The Trustees' policy relating to financially material factors (including environmental, social, governance and climate change considerations) in the Scheme as a whole are shown in Section 11.2, titled "Financially Material Factors". All of the content of Section 11.2 is relevant to the default strategy.

Non-Financially material factors

The Trustees' policy relating to non-financially material factors (including ethical considerations) in the Scheme as a whole are shown in Section 11.3, titled "Non-Financially Material Factors". All of the content of Section 11.3 is relevant to the default strategy.

1.8.3 Act in the best interests of members and beneficiaries

Prior to offering the current default strategy, the Trustees carried out a comprehensive review in conjunction with the Investment Advisors, focussing on how best to deliver a good outcome for as many members as possible. As a result of the review, the Trustees selected the combination of aims and objectives within the default (as stated in paragraph 6.1), and their policies (as stated in paragraph 6.2 and the subsequent sections noted in paragraph 6.2) in order to achieve an investment strategy which it believes is in the best interests of members and beneficiaries.

This belief is supplemented by undertaking regular (generally annual) investment strategy reviews of the default investment strategy, investment governance and annual value for members reviews.

1.8.4 Default Strategy Lifestyle Profile

Within the default strategy, a member's investments are automatically switched between the four funds as the member approaches retirement to reflect the changing nature of the risks faced as retirement nears. These funds have been selected from the range of options available as the most appropriate.

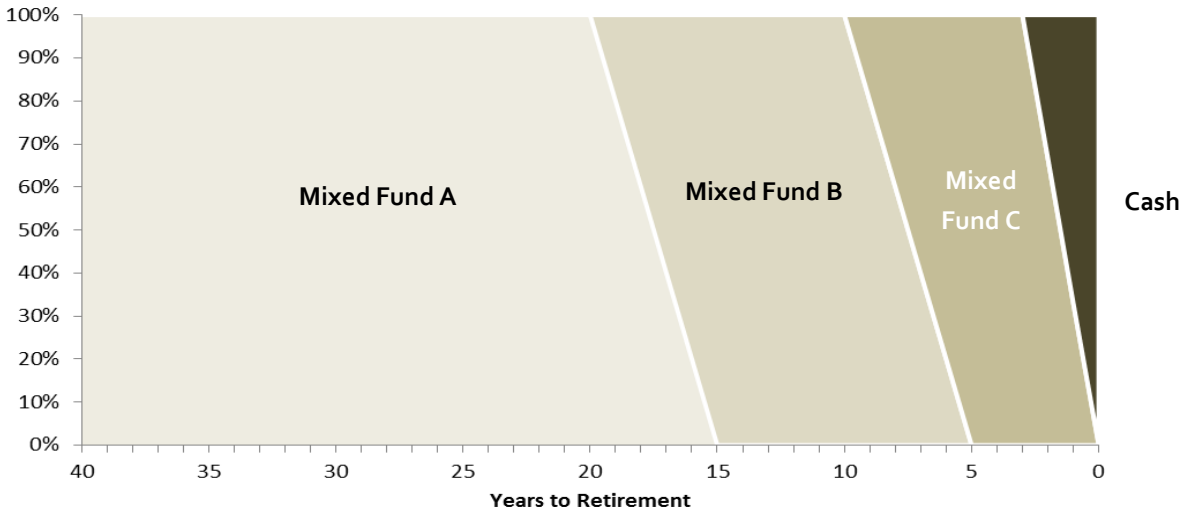
Between 20 to 15 years from a member's selected retirement age, assets are gradually switched from Which? Mixed Investment Fund A to Which? Mixed Investment Fund B.

Between 10 and 5 years from a member's selected retirement age, assets will be gradually switched from Which? Mixed Investment Fund B to Which? Mixed Investment Fund C.

Between 3 and 0 years from a member's selected retirement age, assets will be gradually switched from the Which? Mixed Investment Fund C to the Cash fund at the selected retirement age.

The targets and composition of each of the mixed funds can be found in Section 6.2, 6.3 and 6.4, titled "Which? Mixed Investment Fund A", "Which? Mixed Investment Fund B" and "Which? Mixed Investment Fund C" respectively.

This progression through the lifestyle is reflected in the chart below.



1.9 Which? Mixed Investment Fund A

The objective of the Which? Mixed Investment Fund A is to achieve a return of 4% above the rate of inflation before fees. In this context, the measurement of inflation is the Consumer Prices Index, "CPI".

Regardless of whether members are invested in the Default Lifestyle strategy, or one of the alternative lifestyle strategies, their pension accounts are invested in this fund until 20 years from their selected retirement age. At this point, accounts are gradually moved out of this fund over the subsequent 5 years

The target asset allocation of the Which? Mixed Investment Fund A is as follows:-

Fund	Target Allocation %
UK Equity	1.9
European (ex UK) Equity – Hedged	5.2
European (ex UK) Equity	0.4
North American Equity	1.3
North American Equity – Hedged	15.7
Asia Pacific (ex Japan) Equity	0.1
Asia Pacific (ex Japan) Equity – Hedged	1.7
Japan Equity – Hedged	3.2
World Emerging Market Equity	8.0
Developed World (ex UK) Equity Index	7.7
Developed World (ex UK) Equity Index (GBP hedged)	7.7
Large Cap Defensive Equity	9.1
Global Small Cap Equity	3.0
Emerging Markets Passive Local Government Bond	7.5
High Yield Bonds – Hedged	10.0
Private Equity Passive Index	2.9
Global Real Estate Investment Trust	5.7
Managed Property (UK)	5.7

Fund	Target Allocation %
5-15 Year Gilts	3.2

1.10 Which? Mixed Investment Fund B

The objective of the Which? Mixed Investment Fund B is to achieve a return of 3% above the rate of inflation before fees, where the measure of inflation is CPI.

Regardless of whether members are invested in the Default Lifestyle strategy, or one of the alternative lifestyle strategies, their pension accounts are invested in this fund from 20 years from their selected retirement age until 10 years from selected retirement age. At this point, accounts are gradually moved out of this fund over the subsequent 5 years.

The target asset allocation of the Which? Mixed Investment Fund B is as follows:-

Fund	Target Allocation %
UK Equity	1.3
European (ex UK) Equity – Hedged	3.6
European (ex UK) Equity	0.3
North American Equity	0.88
North American Equity – Hedged	10.96
Asia Pacific (ex Japan) Equity	0.1
Asia Pacific (ex Japan) Equity – Hedged	1.2
Japan Equity – Hedged	2.18
World Emerging Market Equity	5.58
Developed World (ex UK)Equity Index	5.36
Developed World (ex UK) Equity Index (GBP hedged)	5.36
Large Cap Defensive Equity	6.28
Global Small Cap Equity	2.1
Active Corporate Bond All Stocks	12.5
Emerging Markets Passive Local Government Bond	5.0
Emerging Markets Passive USD Government Bond – Hedged	2.5
High Yield Bonds – Hedged	10.0
Private Equity Passive Index	3.1
Global Real Estate Investment Trust	4.8
Managed Property (UK)	4.8
5-15 Year Gilts	9.6
Cash	2.5

1.11 Which? Mixed Investment Fund C

The objective of the Which? Mixed Investment Fund C is to achieve a return of 2% above the rate of inflation before fees, where the measure of inflation is CPI.

Members' pension accounts are invested in this fund from 10 years from their selected retirement age. Members in the Default Lifestyle strategy remain invested until 3 years from selected retirement age, at which point accounts are gradually moved out of this fund over the period to selected retirement age.

The target asset allocation of the Which? Mixed Investment Fund C is as follows:-

Fund	Target Allocation %
UK Equity	0.8
European (ex UK) Equity – Hedged	2.1
European (ex UK) Equity	0.1
North American Equity	0.5
North American Equity – Hedged	6.4
Asia Pacific (ex Japan) Equity – Hedged	0.7
Japan Equity – Hedged	1.3
World Emerging Market Equity	3.2
Developed World (ex UK) Equity Index	3.1
Developed World (ex UK) Equity Index (GBP hedged)	3.1
Large Cap Defensive Equity	3.7
Global Small Cap Equity	1.2
Active Corporate Bond All Stocks	12.5
Emerging Markets Passive Local Government Bond	2.5
Emerging Markets Passive USD Government Bond – Hedged	5.0
High Yield Bonds – Hedged	10.0
Private Equity Passive Index	1.5
Global Real Estate Investment Trust	4.5
Managed Property (UK)	4.5
Index Linked Gilt All Stocks Fund	12.5
5-15 Year Gilts	15.8
Cash	5.0

1.12 Alternative Lifestyle strategies

The Trustees, in conjunction with the Investment Adviser have developed two alternative lifestyle strategies for members of the DC Section of the Scheme.

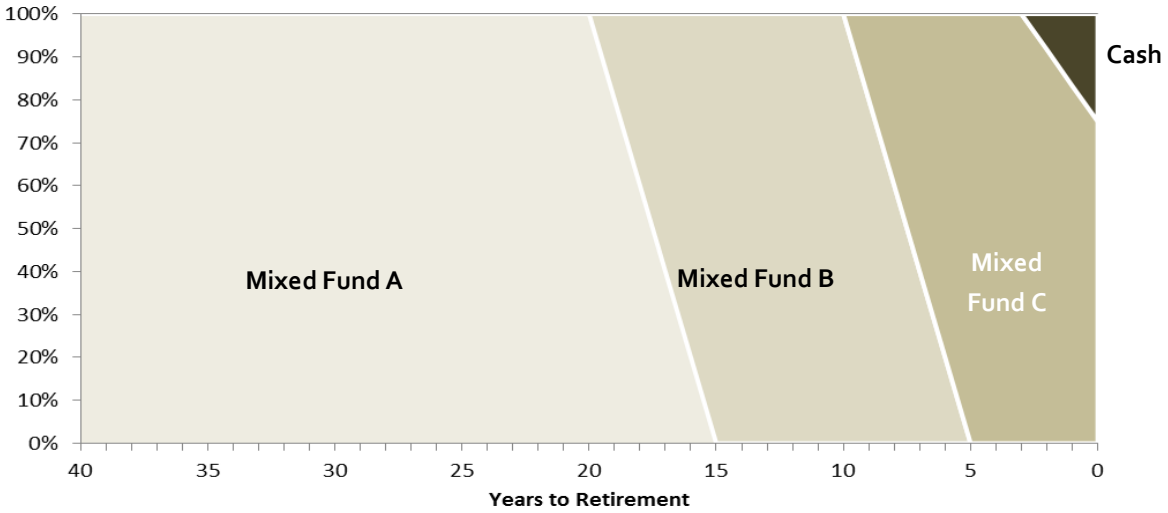
The purpose of this is to give members the flexibility to lifestyle into a final position which may be considered suitable for either entering into an income drawdown arrangement or purchasing an annuity (both after taking 25% cash).

Both alternative strategies follow the default lifestyle progression until the member is 3 years away from the selected retirement age. At this point 25% of accounts in the first alternative lifestyle, called "Invest into Retirement" will be gradually switched from the Which? Mixed Investment Fund C to the Cash Portfolio and the remaining 75% will remain in the Which? Mixed Investment Fund C.

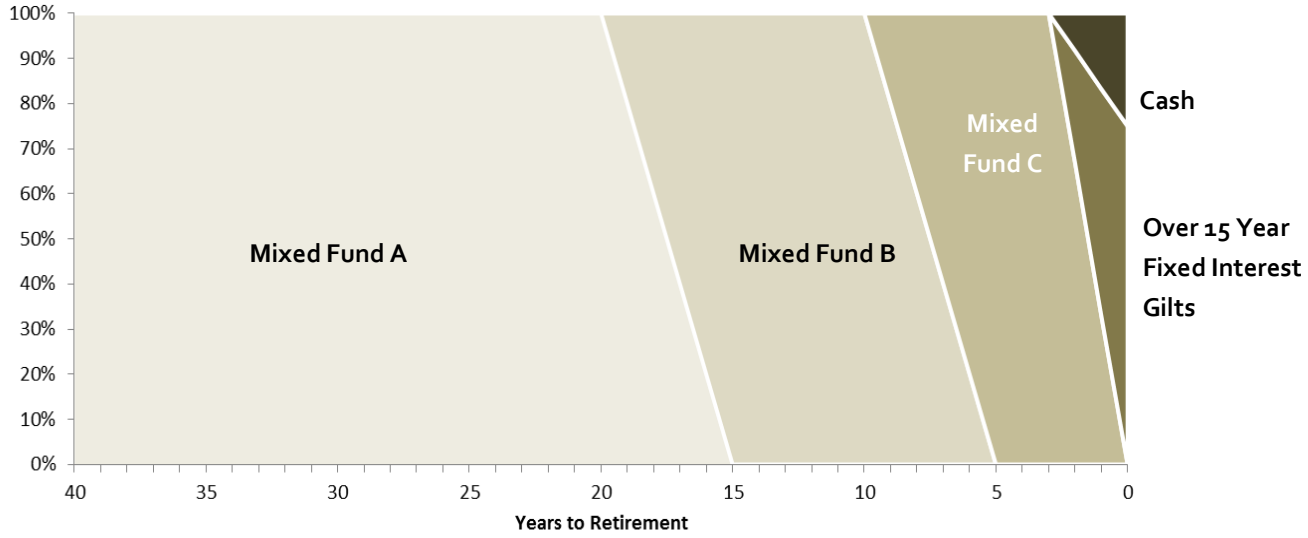
The third lifestyle, called "Secured Income" has a final position of 25% Cash and 75% Over 15 Year Fixed Interest Gilts. Members are gradually moved out of Which? Mixed Investment Fund C and into this combination starting from 3 years from selected retirement age.

The respective lifestyle progressions are reflected in the charts below.

Invest into Retirement:



Secured Income:



1.13 Expected return on investments

Target objectives for each fund used within the default strategy are shown in Section 6.2, 6.3 and 6.4, titled "Which? Mixed Investment Fund A", "Which? Mixed Investment Fund B" and "Which? Mixed Investment Fund C" respectively. The target objectives for each of the underlying funds including the Cash Fund can be found in Section 7.5, titled "Defined Contribution Performance Objectives".

The Trustees expect the three Which? Mixed Investment Funds to achieve a return (net of fees) in line with the target investment return over the long term. The Trustees expect the underlying funds to meeting their objectives set out in Section 7.5 (gross of fees) over the long term.

1.14 Diversification

The choice of investment options (including both the default and non-default arrangements) for members is designed to ensure that members are able to choose investments that are adequately diversified and

suitable for their profile. The Trustees monitor the strategy regularly to ensure that they are comfortable with the choice of funds offered to members.

1.15 Suitability

The Trustees have taken advice from the Advisers that the investment strategy offered to members (including both the default and non-default arrangements) is suitable.

Defined Contribution Strategy Implementation

1.16 Investment Manager

Following advice from the Advisers, the Trustees have appointed Legal & General Investment Management Ltd ("LGIM") to provide the pooled funds that make up the Scheme fund.

1.17 Administrator

The Defined Contribution Section is administered by the Employer.

1.18 Investment of Contributions for Defined Contribution Section Members

Members who joined the Defined Contribution Section (members who joined the Scheme on or after 1 April 2004, or switched from the Hybrid Section) have their contributions (both member and company) invested in the Scheme's Lifestyle strategy.

1.19 Rebalancing for Defined Contribution Members

Within the three Which? Mixed Investment Funds, the members' investments will be rebalanced regularly by LGIM back to the strategic split as detailed in Section 6.

1.20 Defined Contribution Performance Objectives

The table below lists the performance objectives of the Funds used by the Defined Contribution Section of the Scheme:-

Equity Funds		
Fund	**Management**	**Benchmark**
UK Equity Index (Charges Included)	Passive	FTSE All – Share
North America Equity Index (Charges Included)	Passive	FTSE AW – Developed North America
North America Equity Index – GBP Hedged (Charges Included)	Passive	FTSE AW – Developed North America – GBP Hedged
Europe (ex UK) Equity Index (Charges Included)	Passive	FTSE AW – Developed Europe (ex UK)
Europe (ex UK) Equity Index –GBP Hedged (Charges Included)	Passive	FTSE AW – Developed Europe (ex UK) – GBP Hedged
Asia Pacific (ex Japan) Developed Equity Index (Charges Included)	Passive	FTSE AW – Developed Asia Pacific (ex Japan)
Asia Pacific (ex Japan) Dev. Equity Index – GBP Hedged (Charges Included)	Passive	FTSE AW – Developed Asia Pacific (ex Japan) – GBP Hedged
Japan Equity Index – GBP hedged (Charges Included)	Passive	FTSE Japan Index – GBP Hedged
World Emerging Markets Equity Index (Charges Included)	Passive	FTSE AW – All Emerging Markets
Developed World (ex UK) Equity	Passive	FTSE Developed (ex UK)

Equity Funds		
Fund	**Management**	**Benchmark**
Index (Charges Included)		Index
Developed World (ex UK) Equity Index - GBP Hedged (Charges Included)	Passive	FTSE Developed (ex UK) Index – GBP Hedged
Large Cap Defensive Equity Index (Charges Included)	Passive	Russell Global Large Cap Defensive Index
Global Small Cap Equity	Passive	FTSE Global Developed Small Cap Index

Alternatives/Cash Funds		
Fund	**Management**	**Benchmark**
Private Equity Passive (Charges Included)	Passive	Composite Index
Global Real Estate Equity Index (Charges Included)	Passive	FTSE EPRA/NAREIT Global Real Estate
Infrastructure Index (Charges Included)	Passive	FTSE Macquarie Global Infrastructure 100
Managed Property (Charges Included)	Active	BNY Mellon CAPS Pooled Property Index
Cash Fund	Active	7 Day LIBID

Bond Funds		
Fund	**Management**	**Benchmark**
Active Corporate Bond – All Stocks (Charges Included)	Active	Markit iBoxx £ Non–Gilt
High Income – GBP Hedged (Charges Included)	Active	95% Merrill Lynch Global High Yield BB – B (as a guide only) Rated 2% Constrained Ex Financial (Local Currency) Index and 5% Merrill Lynch GBP LIBID Overnight Index
Emerging Market Passive Local Government Bond (Charges Included)	Passive	JP Morgan EMBI
Emerging Market Passive USD Government Bond –GBP Hedged (Charges Included)	Passive	JP Morgan EMBI - GBP Hedged

Gilt Funds		
Fund	**Management**	**Benchmark**
All Stocks Gilts (Charges Included)	Passive	FTSE A Government (All Stocks) Fixed Interest Index
Index Linked Gilt All Stocks Fund	Passive	FTSE A Government (All Stocks) Inflation Linked Index
5-15 Year Gilts	Passive	FTSE A Government (5 to 15 Year) Index

Defind Contribution Section - Risks

The Trustees recognise a number of risks for the members of the Defined Contribution Section of the Scheme (including both the default and non-default arrangement). Defined Contribution investors face these key risks:-

i **Inflation risk** – the risk that the purchasing power of their pension accounts is not maintained. To try and manage this risk, the strategy will aim to achieve a return above the rate of inflation.

ii **Pension purchase risk** – the risk that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained. The Trustees have mitigated this risk by offering a Lifestyle Strategy which aims to broadly match annuity prices in the final three years of the strategy, thus maintaining the purchasing power of members' pension accounts.

iii **Capital risk** – the risk that the value of the element to provide a tax-free cash sum is not maintained. This could be due to the impact of any of the risks above and is addressed where possible in the same ways.

iv **Communication risk** – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from the Advisers and regular monitoring and updates, where appropriate, of member communications.

v **Inappropriate member decision –** the risk that members make inappropriate decisions regarding their investments. This is addressed by the Trustees offering a streamlined series of options for members of the DC Section.

vi **Liquidity risk –** the risk that members are not able to realise the value of their funds when required. The Trustee has addressed this risk by not offering funds which are considered illiquid.

vii **Value for members –** the risk that the Scheme fails to offer value for members. The Trustees have negotiated a competitive fee for members, which is kept under review, along with regular strategy, service and value for members reviews.

viii **Environmental, Social and Governance Factors 'ESG'–** the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Manager where applicable, or by requesting information on the ESG policies, adopted by the Investment Manager.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas pension purchase risk and capital risk become significant as retirement approaches.

There is no single investment option that best manages all of these risks. 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 capital risk.

The varying nature of the risks faced by a defined contribution investor through time means that no single investment product will adequately meet the needs of the investor throughout the investing period. Therefore, suitable funds will need to be sought for effective management of the risks faced by defined contribution investors.

The Trustees will keep these risks and how they are measured and managed under regular review.

Monitoring

1.21 Investment Managers

The Trustees will monitor the performance of the Investment Managers against the agreed performance objectives.

The Trustees, or the Advisors on behalf of the Trustees, will regularly review the activities of the Investment Managers to satisfy themselves that each Investment Manager continues to carry out their work competently and has the appropriate knowledge and experience to manage the assets of Scheme.

As part of this review, the Trustees will consider whether or not each Investment Manager:

- Is carrying out its function 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.

If the Trustees are not satisfied with an Investment Manager they will ask the Investment Manager to takes steps to rectify the situation. If the manager still does not meet the Trustees' requirements, they will remove the Investment Manager and appoint another.

1.22 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

1.23 Other

The Trustees will review this SIP annually, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Company if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager or Adviser as part of such a review.

Fees

1.24 Investment Managers

The Trustees will ensure that the fees paid to the Investment Managers are consistent with levels typically available in the industry and the nature of services provided. The current fee basis for each of the Investment Managers is set out in Appendix B.

The Trustees are aware of each Investment Manager's policy regarding soft commission arrangements. The Investment Managers disclose their fees, commissions and other transaction costs in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

1.25 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

1.26 Custodian

The majority of custodianship arrangements are operated by the Investment Managers for all clients investing in their pooled funds. The Investment Managers are expected to provide a statement of the security of the underlying assets annually.

The Trustees have separately appointed JP Morgan to provide custodianship services for managing transition preparations and set-up of the Schroders investments.

1.27 Performance Measurer

There is no performance measurer appointed by the Trustees.

1.28 Trustees

All Trustees are paid.

Responsible Ownership and Environment, Social and Governance Factors

These factors apply to both Sections of the Scheme.

1.29 Responsible Ownership and Stewardship Engagement

Stewardship Engagement with companies of which the Trustee owns shares and debt is carried out by the Scheme's investment managers. Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments which are exercised by the Scheme's Investment Managers.

The Trustees investment Advisers assess the ability of each investment manager (existing or prospective) in engaging with underlying companies in order to promote the long-term success of the investments. When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the specific asset class in question. Where relevant, the Scheme's investment managers report on their stewardship activity to the Trustees on an annual basis. The investment managers discharge their responsibilities in respect of the Scheme's ownership of companies in accordance with the Financial Reporting Council's UK Stewardship Code published in July 2010, and in the best interests of beneficiaries.

The Scheme's investments are largely made via pooled funds (including the entirety of the default arrangement and non-default arrangements in the DC Section), where the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, monitoring and voting, whether for corporate governance purposes or other financially material considerations, is delegated to the Scheme's Investment Managers.

1.30 Financially Material Factors

The Trustees incorporate all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible. This includes considerations of what the Trustees believe to be financially material (whether ESG related or not) and is relevant for the Hybrid Section, and both default arrangement and non-default arrangements within the DC Section.

The Trustees believe that environmental, social and governance factors 'ESG' will be financially material over the time horizon of the Scheme, and should be considered as part of the investment strategy and implementation decisions. The Trustees consider the time horizon for the Hybrid Section to be the length of time necessary for the funding of future benefits by the investments of the Scheme. The Trustees consider the time horizon for the DC Section (default and non-default) to be the future working lifetime of members. Both of these time horizons are long term. This will have varying levels of importance for different types of assets invested in by the Scheme.

When investing in new asset classes, the Trustees assess, with advice from their Advisers, the relevance of ESG-related risks and the most appropriate way to ensure that they are incorporated into the mandate. ESG factors and stewardship are considered in the context of long term performance by the Trustees (in conjunction with their advisors) as part of the manager selection criteria. This review occurs before funds are approved for investment. For invested funds, the Trustees monitor ongoing compliance with ESG and other factors (like Stewardship) as part of overall engagement and performance monitoring, based on reports from investment mangers.

All references to ESG within this document relate to financially material ESG factors only. All references to ESG within this document also include climate change.

1.31 Non-financially material factors

The Trustees' policy at present is to not take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions in relation to the Hybrid Section or to the DC

Section default arrangement, as there is no likely common view on any ethical matters which members are likely to hold. This policy is reviewed periodically.

However, the Trustees recognise that members may have different beliefs and have made available a fund within the DC Section which invests based on certain ethical criteria. While not part of the default arrangement, members can invest additional voluntary contributions in this fund.

1.32 Interaction with investment managers

The Trustees are in the process of drafting the first policy in line with provisions of section 3 of Regulation 2 of The Occupation Pension Schemes (Investment) Regulations 2005, specifically section (3)(d) inserted by The Occupation Pension Schemes (investment and Disclosure) (Amendment) Regulations 2019, and this will be in place by 1 October 2020.

Other Matters

1.33 Myners Principles

The original Myners review of "Institutional Investing in the UK" was published in March 2001. It included a set of 10 Principles that pension scheme trustees are recommended to use when considering their investment policy for final salary pension schemes and 11 Principles for money purchase schemes. The Government endorsed the report with some minor modifications on 2 October 2001. Pension scheme trustees were asked to comply with the Principles on a voluntary basis. The Myners Principles recommend that certain issues were included in the Statement of Investment Principles ("SIP").

The Myners Principles were subsequently reviewed in October 2008; the explicit requirement to include certain items in a strengthened SIP was removed and replaced with a requirement for trustees to act in a transparent and responsible manner. By making the following statements the Trustees believe that they are complying with the spirit of these principles.

1.34 Transparency and reporting

The Trustees have discretion over the form of reporting they wish to undertake. This SIP provides the following details of the Trustees' investment approach:-

i Who is taking which decisions and why has the structure been selected?
- Details of the Trustees' decision making structure are included in Section 4.

ii The Trustees' investment objective.
- Details of the Trustees' investment objective are included in Section 5 for the Hybrid Section and Section 0 for the Defined Contribution Section, with the appointed managers' specific objectives in Section 0 for the Hybrid Section and Section 7 for the Defined Contribution Section.

iii The Trustees' asset allocation strategy, including projected investment returns in each asset class, and how the strategy has been selected.
- Details of the Trustees' asset allocation strategy are included in Section 5 for the Hybrid Section and Sections 6 and 7 for the Defined Contribution Section. The strategies were constructed following consultation with the Investment Consultant, and included consideration of the likely range of returns from each asset class.

iv The mandates given to all advisers and managers.
- The responsibilities of the Trustees, Investment Manager and Investment Consultant are outlined in Section 0, while the managers' mandates are specified in Section 0 for the Hybrid Section and Section 7 for the Defined Contribution Section.

v The nature of the fee structures in place for all advisers and managers; and why this set of structures has been selected.
- Details of the fees charged by the Investment Managers and Investment Consultants are included in Appendix B. The Trustees have agreed these fees following consultation with their advisers, where appropriate, and believe they are reasonable for the services they receive.

1.35 Appointments and responsibilities

1.35.1 Trustees

The Trustees of the Scheme are responsible for, amongst other things:-

i. Determining the investment objectives of the Scheme and reviewing these from time-to-time and following the results of each actuarial review, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, or Scheme's investment policy, in consultation with their Advisers.
ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
iii. Reviewing annually the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.
iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.
v. Reviewing the investment policy for the Defined Contribution Section including assessing the continued appropriateness of the range of funds (and structuring of funds) in which members funds are invested.
vi. Assessing the quality of the performance and process of the Investment Managers by means of regular reviews, but not less than annual, of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.
vii. Appointing and dismissing investment manager(s), custodian(s) and transition manager(s) in consultation with the Advisers.
viii. Assessing the ongoing effectiveness of the Advisers.
ix. Consulting with the Company when reviewing investment policy issues.
x. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
xi. Monitoring risk and the way in which the Investment Managers have cast votes on behalf of the Trustees in respect of the Scheme's equity holdings.
xii. Advising the Advisers of any changes to Scheme benefits and significant changes in membership.

1.35.2 Investment Managers

The Investment Managers will be responsible for, amongst other things:-

i. Investing assets in a manner that is consistent with the objectives set.
ii. Ensuring that investment of the Scheme's assets is in compliance with prevailing legislation and within the constraints detailed in this SIP.
iii. At their discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class.
iv. For the Defined Contribution Section, providing information to members and the Trustees in the agreed format.
v. Informing the Trustees of any changes in the internal performance objective and guidelines of any pooled fund used by the Scheme as and when they occur.
vi. Exercising voting rights on shareholdings in accordance with their general policy.
vii. Attending meetings with the Trustees as and when required.
viii. Providing the Trustees with sufficient information each quarter to facilitate the review of its activities, including:-

    a. A report of the strategy followed during the quarter.
    b. The rationale behind past and future strategy.
    c. A full valuation of the assets and a performance summary.
    d. A transaction and a cash reconciliation report.
    e. Corporate actions taken by the Investment Manager.
    f. Any changes to the process applied to the portfolio.
    g. Future intentions in the investment management of the Scheme's assets.

ix. Informing the Trustees immediately of:
    h. Any breach of this SIP that has come to their attention.
    i. Any serious breach of internal operating procedures.
    j. Any material change in the knowledge and experience of those involved in managing the Scheme's investments.
    k. Any breach of investment restrictions agreed between the Trustees and the Investment Managers from time to time.

l. Any changes in the investment performance objective and guidelines of any pooled fund used by the Scheme as and when they occur.

1.35.3 Investment Adviser

The Investment Adviser will be responsible for, amongst other things:-

i. Participating with the Trustees in the preparation and reviews of this SIP.
ii. Advising the Trustees how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.
iii. Advising the Trustees of any changes in the Scheme's Investment Managers that could affect the interests of the Scheme.
iv. Advising the Trustees of any changes in the investment environment that could either present opportunities or problems for the Scheme.
v. Undertaking reviews of the Scheme's investment arrangements including reviews of the investment strategy, asset allocation policy and current Investment Managers, investment management structure, investment performance and selection of new managers as appropriate.
vi. Providing training or education on any investment related matter as and when the Trustees see fit.
vii. Monitoring and advising upon where contributions should be invested on a periodic basis.

1.35.4 Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:-

i Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.
ii Performing the triennial (or more frequently as required) valuations and providing advice in respect of assumptions, deficits and contribution requirements
iii Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
iv Advising the Trustees and Investment Adviser of any changes to contribution levels and funding level.

1.35.5 Legal Adviser

The Legal Adviser will be responsible for, amongst other things:-

i Liaising with the Trustees to ensure legal compliance including, those in respect of investment matters.

1.35.6 Administrator

The Scheme's pension administrator is the Employer.

Appendix A – Long-term Expected Rates of Return (Hybrid Section)

The expected rates of return (for the Hybrid Section) as at 29 September 2017 are shown below for each asset class. Following the advice from the Investment Adviser, the Trustees expect the asset classes to achieve the following rates over the long term (at least 10 years). These expectations may vary over time.

Asset Class	Expected Return over Gilts p.a.(%)*
Volatility Controlled Equities	2.2
Relative Value DGF	2.5
Multi-Class Credit	2.3
Property	4.4
Secured Leases	3.3

**Based on the Investment Adviser's prudent expected return assumptions (40th percentile).*

These returns are based on the expected return that each asset class might achieve on average over a long time period, assuming relatively benign market conditions. They are therefore different to the assumptions used for the Statutory Money Purchase Illustrations, which have a prescribed assumption of 2.5% inflation and other restrictions.

Appendix B – Investment Managers' Fees

The Scheme's Investment Managers are remunerated by way of an annual management fee. Fees for each of the Scheme's invested funds for the Hybrid Section are detailed below:

Manager	Fund	Fee % p.a.
Schroders	LDI	0.100
Schroders	Volatility Controlled Global Equity	0.150
Invesco	Perpetual Global Targeted Returns Pension Fund	0.700
TwentyFour AM	Strategic Income Fund	0.450
Lothbury	Property Unit Trust	0.700
M&G	Secured Property Income Fund	0.500
Prudential*	With-Profits	1.000

**The Prudential With-Profits fee is deducted via the bonus mechanism.*

In addition to the annual management fees, there are a number of additional costs that are charged to the Scheme by the Investment Managers. These will likely include legal fees, custodian fees, costs relating to the Trustees of the pooled funds, audit fees, bank charges and other administrative costs.
Upon buying and selling units in the Investment Managers' pooled funds, there are likely to be costs relating to the 'dealing spread' on the fund. For pooled property funds, the dealing spread will also include Stamp Duty, surveyor costs, valuation costs and agent fees.

The fee structure for the Investment Manager for the Defined Contribution Section is as follows:-

Manager	Fund	Fee % p.a.
Legal & General	UK Equity Index Fund	0.100
	North America Equity Index Fund	0.200
	North America Equity Index Fund - GBP Currency Hedged	0.225
	Europe (ex UK) Equity Index Fund	0.250
	Europe (ex UK) Equity Index Fund - GBP Currency Hedged	0.275
	Asia Pacific (ex Japan) Developed Equity Index Fund	0.275
	Asia Pacific (ex Japan) Developed Equity Index Fund - GBP Currency Hedged	0.300
	World Emerging Markets Equity Index Fund	0.450
	Japan Equity Index - GBP Currency Hedged	0.250
	Developed World (ex UK) Equity Index	0.200
	Developed World (ex UK) Equity Index - GBP Hedged	0.225
	Large Cap Defensive Equity	0.300
	Global Small Cap Equity	0.250
	Private Equity Passive Fund	0.550
	Global REITS Property	0.350
	Managed Property Fund	0.720
	Infrastructure Index Fund	0.350
	High Yield Bond Fund	0.400
	Active Corporate Bond - All Stocks Fund	0.260

Manager	Fund	Fee % p.a.
	AAA-A Corporate Bond All Stocks	0.150
	Emerging Market Passive Local Government Bond	0.350
	Emerging Market Passive USD Government Bond - GBP Currency Hedged	0.275
	All Stocks Gilts Index Fund	0.100
	Over 15 Year Gilt Index Fund	0.100
	Over 15 year Index Linked Gilt Fund	0.100
	All Stocks Index-Linked Gilts Index Fund	0.100
	5-15 Year Gilt Index Fund	0.100
	Cash Fund	0.125