



Consumers' Association Pension and Employee Benefit Scheme Changes to Investment Strategy February 2022

Introducing environmental, social and governance tilts into your Pension Account

Your Trustees believe that environmental, social and governance (ESG) considerations are likely to have a long-term financial impact on the value of your Pension Account. During 2021 your Trustees worked with their investment advisers to choose funds to add into the Which? Mixed Investments Funds A, B and C which give greater weight to companies that score well against ESG criteria. This means that Funds A, B and C will invest more in companies that score well against these criteria and less in companies that do not.

During February 2022, the Trustees will move all the money currently invested in the Legal & General (L&G) *Developed (ex-UK) Equity Index Fund* into their *Future World Developed (ex-UK) Equity Index Fund* and its currency hedged version. The Future World Equity Index Funds are passively managed which means that they track an index.

The index excludes pure coal miners, companies that produce controversial weapons and companies in perennial breach of the UN Global Compact - a set of globally agreed standards on human rights, labour, environment and corruption that was created for the purpose of encouraging businesses worldwide to adopt environmentally and socially responsible policies.

It is then weighted based on 28 ESG data points, which can be measured across all the constituent companies, and are shown on the Scheme's website

[which.co.uk/pension-scheme/ESG](https://www.which.co.uk/pension-scheme/ESG).

The ESG data points are publicly available, quantifiable and reliable, and regularly provided. These 28 data points lead to an overall ESG score for each company,

which is then used to weight the allocation to each company within the index.

A company may be excluded from the index for failure to meet minimum ESG standards and may be readmitted if it improves.

The Future World Developed (ex-UK) Equity Index Fund incorporates L&G's Climate Impact Pledge, a targeted engagement process that means L&G also exclude companies if engagement proves unsuccessful.

As part of their review, the Trustees also decided to slightly increase exposure to equities and reduce exposure to longer-dated bonds, because increasing interest rates could have a negative impact on returns; to achieve this the Trustees are moving money from bonds and gilts.

The changes do not affect the Trustees' long term growth targets for the Funds and will be kept under review.

These changes also apply to members in the Hybrid Section who have paid Additional Voluntary Contributions (AVCs) to L&G.

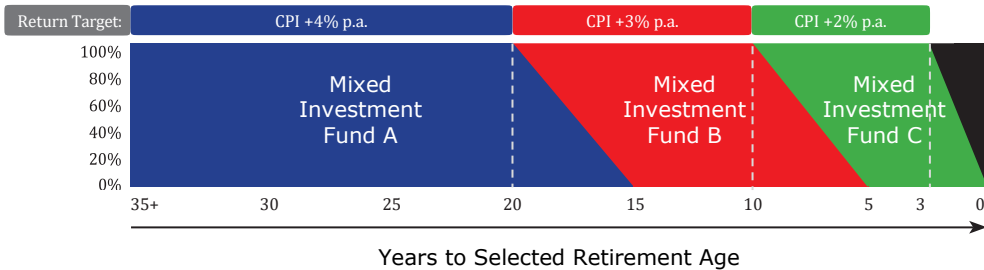
The detail of these changes is shown on page 4 and are happening in February 2022.

A Recap on the Trustees' Investment Objective

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

The Trustees' aim is to generate returns of:

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



This gradually reducing target is because the Trustees gradually reduce the risk to protect your assets in your Pension Account as you get closer to your SRA.

The Trustees' targets may not be met at all times as the rate of return cannot be guaranteed.

However, by developing and regularly monitoring a strategy which invests in a diversified array of asset classes, your Trustees seek to meet these objectives whilst minimising the risk of under-performing for a significant period.

The investment target in the final 3 years before your SRA depends on the choice you make at that time. There are three choices:



Invest into Retirement

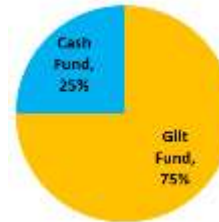
This might be suitable if you plan to withdraw annual lump sums from your Pension Account or transfer all the money in your Pension Account to an income drawdown provider.

From February 2022, this will be how your money is invested if you don't tell us what you prefer to do (it is the default option).



Cash

This might be suitable if you plan to withdraw all your Pension Account as a lump sum at or soon after your SRA.



Secured Income

This might be suitable if you plan to take a cash lump sum and use the rest to purchase a secured income (an annuity) from an insurance company.

Value for Members

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

Which? pays the day-to-day running costs except for the annual management charges paid to Legal & General for investing the money. The changes that the Trustees will make in February will increase the annual management charge that you will pay from your Pension Account.

Investment Fund	Current annual charge per £100 invested in your Pension Account	Future annual charge per £100 invested in your Pension Account
Which? Mixed Investment Fund A	26.3 pence	26.8 pence
Which? Mixed Investment Fund B	25.5 pence	25.7 pence
Which? Mixed Investment Fund C	22.3 pence	22.4 pence
Gilt Fund	7.0 pence	7.0 pence
Cash Fund	11.0 pence	11.0 pence

If you have any questions, please contact:

Pensions Team, Which?, 2 Marylebone Road, London NW1 4DF

T: +44 (0)207 770 7553

E: pensions@which.co.uk

This newsletter was published in February 2022 on the website at [which.co.uk/pension-scheme/investment-newsletter](https://www.which.co.uk/pension-scheme/investment-newsletter)

Frequently Asked Questions

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

A: Your Trustees, alongside the Scheme's investment advisers, carried out a review of the current investment strategy and concluded that alterations are necessary to continue to meet its return objectives (outlined on page 2 of this newsletter).

Q: What are the changes?

A: Within the equities allocation the money currently invested in the *Developed (ex-UK) Equity Index Fund* is being moved to the *Future World Developed (ex-UK) Equity Index Fund* and its currency hedged version. Some bonds and longer-dated gilts are being changed to equities, cash and shorter-dated gilts. A detailed comparison of the allocation to various Asset Classes can be found in the table on page 4 of this newsletter.

Q: What do I need to do?

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

Q: When are the changes happening?

A: The changes are happening in February 2022.

Q: Will this cause any disruption in services?

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

Q: What am I being charged for this change?

A: There are no charges for the administration of the change – charges for this, including the transaction costs, are being paid directly by Which? on this occasion. There will be a slight increase in the annual management charges as a result of the increased cost to access the ESG-tilted funds. The new charges are outlined in the table opposite.

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

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

Asset Class	Region	Fund Name	¹ TER (%)	Mixed Fund A		Mixed Fund B		Mixed Fund C	
				Current (%)	New (%)	Current (%)	New (%)	Current (%)	New (%)
Equity	UK	LGIM UK Equity	0.100	2.7	2.7	1.8	1.8	1.1	1.1
	Global	LGIM Global Small Cap	0.250	3.0	3.0	2.1	2.1	1.2	1.2
		LGIM Developed World (ex-UK) Equity Index	0.180	7.7	0.0	5.4	0.0	3.1	0.0
		LGIM Developed World (ex-UK) Equity Index - GBP Hedged	0.203	7.7	0.0	5.4	0.0	3.1	0.0
		LGIM Future World Developed (ex-UK) Equity Index	0.225	0.0	11.55	0.0	8.36	0.0	6.1
		LGIM Future World Developed (ex-UK) Equity Index - GBP Hedged	0.250	0.0	11.55	0.0	8.36	0.0	6.1
		Europe	LGIM European Equity	0.250	0.4	0.4	0.3	0.3	0.1
	LGIM European Equity – GBP Hedged	0.275	5.2	5.2	3.6	3.6	2.1	2.1	
	North America	LGIM North American Equity	0.200	10.8	10.8	7.5	7.5	4.3	4.3
	LGIM North American Equity – GBP Hedged	0.225	15.7	13.2	11.0	9.5	6.4	5.1	
	Asia Pacific (excl. Japan)	LGIM Asia Pacific (ex-Japan) Equity	0.275	1.1	1.1	0.8	0.8	0.4	0.4
	LGIM Asia Pacific (ex-Japan) Equity – GBP Hedged	0.300	1.7	1.7	1.2	1.2	0.7	0.7	
	Japan	LGIM Japan Equity – GBP Hedged	0.250	3.2	3.2	2.2	2.2	1.3	1.3
	Emerging Market	LGIM World Emerging Market Equity	0.450	5.8	6.3	4.0	4.5	2.4	2.7
Total Equity				65.0	70.7	45.3	50.2	26.2	31.2
Bonds		LGIM Active Corporate Bond All Stocks	0.260	-	-	12.5	7.5	12.5	7.5
		LGIM EM Passive Local Government Bond	0.350	7.5	6.25	5.0	5.0	2.5	2.5
		LGIM EM Passive USD Government Bond – GBP Hedged	0.275	-	-	2.5	2.5	5.0	5.0
		LGIM High Income – GBP Hedged	0.400	10.0	8.75	10.0	10.0	10.0	10.0
	Total Bonds				17.5	15.0	30.0	25.0	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
Gilts		LGIM Index Linked Gilt All Stocks Fund	0.100	-	-	-	-	12.5	0.0
		LGIM 5-15 Year Gilts	0.100	3.2	0.0	9.6	9.6	15.8	10.0
		LGIM Under 5 Year Index Linked Gilts	0.100	0.0	0.0	0.0	0.0	0.0	15.0
		LGIM 0-5 Year Gilts	0.100	-	-	-	-	-	-
	Total Gilts				3.2	0.0	9.6	9.6	28.3
Cash		LGIM Cash	0.125	-	-	2.5	2.5	5.0	8.3
Total				100	100	100	100	100	100
²Total Expense Ratio % (TER):				0.263	0.268	0.255	0.257	0.223	0.224

¹The Total Expense Ratio (TER) stated above for each *Fund Name* is before the discount negotiated by your Trustees.

²The total TER stated above for *Mixed Funds A, B & C* includes the discount.

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