

# THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 APRIL 2022 – 31 MARCH 2023 KELLY SERVICES (UK) LIMITED BENEFITS PLAN

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The Trustees of the Kelly Services (UK) Limited Benefits Plan ("the Plan") present the annual Chair's Statement on governance ("the Statement") as required under legislation set out in regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015. The Statement covers the Plan year ended 31 March 2023 and demonstrates how the Trustees have met certain minimum governance standards in relation to defined contribution ("DC") benefits. The named Trustees for the Scheme changed after the year end, with one removal and two new appointments taking place in May 2023. The handover process for these changes began during the Plan year to 31 March 2023.

These governance standards cover five principal areas:

1. The investment strategy relating to the Plan's default arrangement;
2. The processing of core financial transactions;
3. Value from member borne costs within the Scheme, including the additional requirements in relation to the disclosures of costs and charges;
4. The Trustees' compliance with the statutory knowledge and understanding requirements and
5. Net Returns on investments

The Trustee will publish the Statement on the Kelly Services website, in a domain that can be accessed publicly via the use of a search engine. The latest version can be accessed at: <https://irp.cdn-website.com/18d06461/files/uploaded/Kelly%20Services%20-%20Chair%27s%20Statement%202022.pdf>

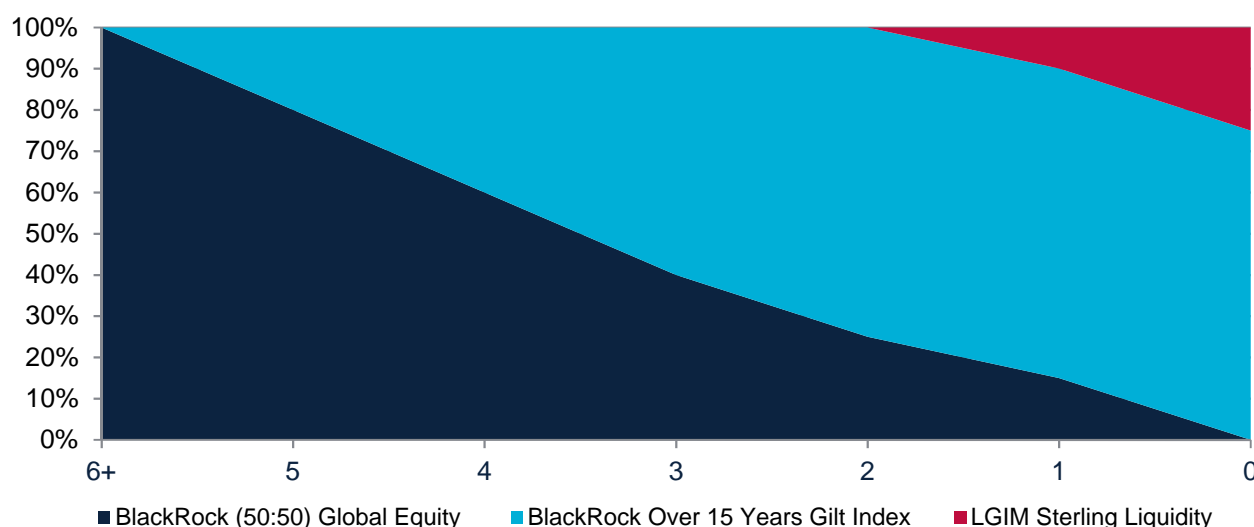
Note this statement applies to both the Plan's 'pure DC' and the 'DC with underpin' sections.

## **1. Investment strategy (the default investment arrangement)**

The current default Lifestyle strategy is described in further detail in the Plan's updated Statement of Investment Principles (SIP) signed on 8 September 2020, a copy of which is appended to this Statement.

Members of the Plan who do not make an explicit choice regarding the investment of their funds are invested in the default strategy arrangement chosen by the Trustees with the advice of their Investment Consultant. The Plan's assets are held on an investment platform provided by Mobius Life Limited.

Members' accounts in respect of DC benefits are invested in the 'Lifestyle' investment strategy. Up to 6 years from a member's retirement date, savings will be invested in the BlackRock (50:50) Global Equity Fund, which broadly maintains an equity split of 50% UK equities and 50% overseas equities. The Lifestyle strategy automatically switches assets from the BlackRock (50:50) Global Equity Index Fund to the BlackRock Over 15 Years Gilt Index Fund and the LGIM Sterling Liquidity Fund as retirement date approaches. This leaves members with 75% of their assets invested in gilts and 25% in cash upon reaching retirement, as shown in the chart below:



The default Lifestyle strategy aims to provide members with appropriate growth opportunities when they are far from retirement and protection against volatility in asset values as they near retirement. This transition between asset types is designed to strike an appropriate balance between risk and return.

The Trustees are required to formally review the default investment strategy at least every 3 years. On 27 September 2018, the Trustees received formal investment strategy advice from their advisor, which recommended that changes be made to the growth phase of the default investment strategy. The proposal investment strategy was not implemented. The Trustees have notified the Regulator about the previous investment strategy not being implemented and the three years deadline for the next triennial review not being completed. An investment Strategy review was also not undertaken during the Plan Year to 31 March 2023, this was completed in August 2023.

In addition, the Trustees are required to regularly review the performance of all funds available to members (including the default investment option) via regular performance reports. During the Plan year, Trustees received an overview of investment markets during the 22 February 2023 meeting. A performance report for Q3 2022 was included and presented during this meeting. The Trustees have accessed the extent to which performance is still consistent with the aims and objectives of the default arrangement SIP. This exercise was for the 31 March 2023 year-end was undertaken in September 2023.

On 1 November 2022, the Trustees agreed to review the investment strategy and undertook Trustee Training in preparation for the formal investment strategy review that was conducted in August 2023. The Trustees will take steps to ensure regular (at least quarterly) performance reviews are undertaken going forward and that the investment strategy of the Plan (including the default investment strategy and range of self-select options provided to members) is reviewed at least every 3 years (or more frequently if there are significant changes to the Plan membership or any significant change in investment policy).

## 2. The processing of core financial transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the transfer of member assets into and out of the Plan, switches between different investments within the Plan and payments to and in respect of members.

These transactions are undertaken on the Trustees' behalf by the Plan administrator, Mercer Limited, and its investment platform provider Mobius Life.

The Trustees have a service level agreement (SLA) in place with the Plan administrator which covers the accuracy and timeliness of all core transactions, and receive regular reports to monitor the performance against those service

levels. Those reports are discussed during Trustees' meetings. The processes adopted by the Plan administrator to help meet the SLA include dynamic checklists, a central financial control team separate to the admin team and 'four eyes' checking of investment and banking transactions, in addition to daily account monitoring. The overall SLA from 1 January 2022 to 31 March 2023 was 91% of completion within Service Standard. The Trustees renewed focus to receive and review administration reports going forward which, from Q4 2022 was provided on a quarterly basis and will be going forward.

The table below include the service standards for the common tasks completed on behalf of the Trustees:

WORK TYPE	SERVICE STANDARD
BENEFIT QUOTATION	10 WORKING DAYS
BENEFIT PAYMENTS	5 WORKING DAYS
DEATH BENEFIT QUOTATION	1 WORKING DAY
GENERAL MEMBER CORRESPONDENCE	10 WORKING DAYS
INVOICE PAYMENT	20 WORKING DAYS
INVESTMENT / DISINVESTMENT REQUEST	5 WORKING DAYS
MEMBER UPDATES	5 WORKING DAYS
NICO ENQUIRES	20 WORKING DAYS
PLAN EVENT WORK	AS AGREED WITH THE TRUSTEES

The Trustees are required to review the processes and controls implemented by the administrator and consider them to be suitably designed to achieve these objectives. During the period covered by this statement, the Trustees have received administration reports and reviewed the performance of the administrator.

On 1 November 2022, the Trustees undertook Trustee Training on administration processes and controls. The Trustees agreed to review administration reports at each future trustee meeting. The Trustees will monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer. They will also perform periodic assessments of the Plan's administrator's methods and challenge them in terms of their efficiency when required.

The Trustees are not aware of any issues relating to the processing of core financial transactions. There had however been complaints received from members across both periods, the majority of which were regarding delays. During the 22 February 2023 meeting it was confirmed that the complaints had been resolved.

The Trustees are satisfied that core financial transactions were processed promptly and accurately during the period analysed.

### 3. Value from member borne costs within the Plan

The Trustees are required to report costs borne by members in respect of the Plan investments and assess the extent that these represent good value for members. When preparing this statement, the Trustees have taken account of statutory guidance.

There are two main types of costs and charges borne by members - the Total Expense Ratio (TER) and transaction costs.

TERs are explicit charges, which consist principally of the manager's annual charge for managing and operating a fund, but also includes the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, they exclude other costs that are also member borne and can therefore have a negative effect on investment performance such as transaction costs and interest on borrowings.

Transaction costs are the expenses associated with a member trading in and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty. The Trustees are required to report on the charges and transaction costs for the investments used in the main default arrangement as well as the wider fund choice available and assess the extent to which the charges and costs represent good value for members. When preparing this section of the Statement, the Trustees have taken account of statutory guidance.

Transaction costs have been provided by the Plan's investment managers and they are calculated using slippage methodology. That is, the transaction costs represent the difference between the expected trading price of a security within a fund and the price at which the trade is actually executed at (as typically a trade is executed a few working days after an order is placed). Therefore, in a buy order, for example, if the execution price is less than the expected price, a transaction cost may be negative.

Details of the Total Expense Ratios (TERs) as at 31 March 2023 payable for each fund as well as the transaction costs within the default arrangement are as follows:

<b>Fund</b>	<b>TER (%)</b>	<b>Transaction Cost (%)</b>
BlackRock Life (50:50) Global Equity Fund	0.57	-0.07
BlackRock Life Over 15 Years Gilt Index Fund	0.55	-0.04
L&G Life Sterling Liquidity Fund	0.59	-0.04

Source: Mobius. For period 1 April 2022 – 31 March 2023.

This is lower than the maximum TER allowed of 0.75% for default arrangements.

The Trustees also make available a range of funds, which may be chosen by members as an alternative to the default Lifestyle strategy. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows. The requirements are to only show charges for the funds which members are invested in.

Details of the Total Expense Ratios (TERs) as at 31 March 2023 payable for each self-select fund used as well as the transaction costs is as follows:

<b>Fund</b>	<b>TER (%)</b>	<b>Transaction Cost (%)</b>
BlackRock Life (50:50) Global Equity Fund	0.57	-0.07
BlackRock Life Over 15 Years Gilt Index Fund	0.55	-0.04
BlackRock Life (40:60) Global Equity Fund	0.58	-0.06
BlackRock Life Corporate Bond Over 15 Years Fund	0.58	-0.08
BlackRock Life Over 5 Years Index-Linked Gilt Fund	0.55	0.04
BlackRock Life UK Equity Fund	0.57	0.07
BlackRock Life World (ex-UK) Equity Fund	0.57	0.02
L&G Life Sterling Liquidity Fund	0.59	-0.04

Source: Mobius. For period 1 April 2022 – 31 March 2023.

It should be noted that DC Members who have a GMP Underpin are not able to self-select their own investments and must invest in the Plan's default (lifestyle) strategy.

The Trustees view the Scheme's cost and charges as being expensive, albeit over the Plan year the higher risk default phase investment strategy had produced commensurately higher returns. The Trustees' formal value for members' assessment is discussed later on in this statement.

### Cumulative effect of charges

Using the charges and transaction cost data provided by Mobius Life and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Plan on their retirement savings pot. The statutory guidance has been considered when providing these examples.

In order to represent the range of funds available to members we are required to show the effect on a member's savings of investment in the following (with the Plan's relevant funds/strategies listed in brackets):

- The fund or strategy with the most members invested (The default strategy)
- The most expensive fund (LGIM Sterling Liquidity)
- The least expensive fund (BlackRock Over 15 Years Gilt Index)

The illustrations that follow take into account the following elements:

- **Initial savings pot size;**
- **Contributions, where applicable;**
- **Real terms investment return gross of costs and charges;**
- **Adjustment for the effect of costs and charges; and**
- **Time.**

To illustrate the impact of charges on a typical active member's pension pot, we have provided the below illustrations, which account for all estimated member costs, including the TER, transaction costs and inflation.

### ***Illustration 1: A typical member invested in the DC fund range***

Age	Most popular fund: Default Strategy		Highest cost fund: LGIM Sterling Liquidity		Lowest cost fund: BlackRock Over 15 Years Gilt Index	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
<b>60</b>	£5,200	£5,200	£5,200	£5,200	£5,200	£5,200
<b>61</b>	£5,272	£5,242	£5,226	£5,196	£5,226	£5,197
<b>62</b>	£5,326	£5,266	£5,252	£5,192	£5,252	£5,195

### Notes

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustees have based this assumed member on data sourced from the administrator for the prior year and rolled it forward by 12 months. The assumed member is age 62, with a normal retirement age of 62 using a starting pot size of £5,200.
4. Inflation is assumed to be 2.5% per annum.
5. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End. Mobius Life have provided historic transaction costs for these funds for the five years to 31 March 2023; consequently our assumptions are based on averages of the transaction costs for these five years.

**Illustration 2: A typical underpin member**

Age	Most popular fund: Default Strategy		Highest cost fund: LGIM Sterling Liquidity		Lowest cost fund: BlackRock Over 15 Years Gilt Index	
	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
57	£5,280	£5,280	£5,280	£5,280	£5,280	£5,280
58	£5,488	£5,460	£5,304	£5,276	£5,304	£5,277
59	£5,703	£5,646	£5,329	£5,272	£5,329	£5,274
60	£5,927	£5,838	£5,353	£5,268	£5,353	£5,272
61	£6,119	£5,997	£5,378	£5,265	£5,378	£5,269
62	£6,275	£6,118	£5,403	£5,261	£5,403	£5,266

**Notes**

1. Values shown are estimates at end of each year and are not guaranteed.
2. Projected pension pot values are shown in today's terms.
3. To make this analysis representative of the membership, the Trustees have based this assumed member on data sourced from the administrator for the prior year and rolled it forward by 12 months. The assumed member is age 57, with a normal retirement age of 62, using a starting pot size of £5,280.
4. Inflation is assumed to be 2.5% per annum.
5. The Regulations require that, where possible, the transaction costs used in these illustrations are based on an average of those for the five years to Scheme Year End. Mobius Life have provided historic transaction costs for these funds for the five years to 31 March 2023; consequently our assumptions are based on averages of the transaction costs for these five years.

Illustration 3: A young underpin member

	Most popular fund: Default Strategy		Highest cost fund: BlackRock (50:50) Global Equity		Lowest cost fund: BlackRock Over 15 Years Gilt Index	
Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
48	£2,490	£2,490	£2,490	£2,490	£2,490	£2,490
55	£3,019	£2,944	£2,548	£2,481	£2,548	£2,483
58	£3,637	£3,458	£2,607	£2,472	£2,607	£2,477
59	£3,729	£3,528	£2,619	£2,470	£2,619	£2,476
60	£3,798	£3,575	£2,631	£2,468	£2,631	£2,474
61	£3,849	£3,604	£2,643	£2,467	£2,643	£2,473
62	£3,886	£3,620	£2,655	£2,465	£2,655	£2,472

Notes

- 1. Values shown are estimates at end of each year and are not guaranteed.
- 2. Projected pension pot values are shown in today's terms.
- 3. To make this analysis representative of the membership, the Trustees have based this assumed member on data sourced from the administrator for the prior year and rolled it forward 12 months. The assumed member is age 48, with a normal retirement age of 52, using a starting pot size of £2,490.
- 4. Inflation is assumed to be 2.5% per annum.

Assumptions	
<p>The above illustrations have been produced for an “average DC” member, an “average DC with Underpin” member and a “Young DC with Underpin” member based on the Plan’s membership data. The “Default Lifestyle Strategy” illustration assumes the member’s asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member’s assets are invested in that fund up to the Plan retirement age. The results are presented in real terms, i.e. in today’s money, to help members have a better understanding of what their pension pot could buy in today’s terms, should they invest in the funds above as shown.</p> <p>The Plan is closed to new members and future contributions.</p>	
Age	
• “Average DC” member	60
• “Average DC with Underpin” member	57
• “Young DC with Underpin” member	48
Plan Retirement Age	62
Starting Pot Size	
• “Average DC” member	£5,200 (the median pot size of the Plan’s DC only members)
• “Average” DC with Underpin” member	£5,280 (median pot size of the Plan’s DC with Underpin members)
• “Young DC with Underpin” member	£2,490 (median pot size of the youngest 10% of the Plan’s DC with Underpin members)
Inflation	2.5% p.a.

Expected future nominal returns on investment:	
Default Strategy	
○ BlackRock (50:50) Global Equity Fund	4.00% above inflation
○ BlackRock Over 15 year Gilt Index	0.50% above inflation
○ LGIM Sterling Liquidity	0.50% above inflation
○ BlackRock Over 15 year Gilt Index	0.50% above inflation
○ LGIM Sterling Liquidity	0.50% above inflation

### Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduced new requirements for Trustees of 'relevant' occupational pension schemes. The statutory guidance was followed for completing this section.

From 1 October 2021 Trustees of all relevant pension schemes are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. This information must be recorded in the annual Chair's Statement and published on a publicly available website.

The tables below show performance, net of all charges and transaction costs, of all funds available to members during the Plan year.

#### Default Strategy:

Annualised Returns to 31 March 2023 (% p.a.)		
Age of Member	1 Year	5 Year
25	1.3	6.9
45	1.3	6.9
55	1.3	6.5

Source: Mobius Life.

Performance shown net of all charges and transaction costs. Performance has been calculated based on a fixed weighted average of underlying fund performance in the lifestyle, with the weightings as at the ages shown.

#### Self-Select Fund used by members:

Self-select Funds	Annualised returns to 31 March 2023 (% p.a.)	
	1 year	5 years
BlackRock Life (50:50) Global Equity Fund	1.3	6.9
BlackRock Over 15 Years Gilt Index	-30.5	-6.8
BlackRock Life (40:60) Global Equity Fund	-0.6	8.9
BlackRock Life Corporate Bond Over 15 Years Fund	-22.3	-3.7
BlackRock Life Over 5 Years Index-Linked Gilt Fund	-29.3	-4.3
BlackRock Life UK Equity Fund	1.9	4.7
BlackRock Life World (ex-UK) Equity Fund	-3.5	11.0



L&G Life Sterling Liquidity Fund	1.7	0.5
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Source: Mobius Life

Notes:  
Returns are shown net of charges, based on Mobius Life unit prices

4. Value for members

Under new legislation applying to all DC schemes with less than £100m in assets, the Trustees are required to assess the extent to which the Plan delivers value for members across three key areas:

Assessment area	Type of assessment
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.
Governance and administration	Standalone assessment of the Plan's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; Trustee knowledge and understanding; member communications; and management of conflicts of interest

The Trustees have carried out a value for members' assessment as at 31 March 2023. The conclusions of this assessment are set out in the table below.

Assessment area	Conclusion
Costs and charges	The Trustee has assessed the Plan as offering poor value from a costs and charges perspective on the basis that its on-going investment charges are significantly higher than those that would be applicable through a larger, multi-employer DC arrangement.
Net investment performance	The Trustee has assessed the Plan as offering good value from a net investment performance perspective, based on returns achieved over periods to 31 March 2023.

Assessment area	Conclusion
<b>Governance and administration</b>	<p>The Trustee has assessed the Plan as offering poor value from a governance and administration perspective.</p> <p><b><i>Promptness and accuracy of core financial transactions</i></b></p> <p>The Trustees appointed a specialist third party administrator to undertake administration. Mercer are able to provide an AAF report. Administration records are audited annually. The overall SLA from 1 January 2022 to 31 March 2023 was 91% of completion within Service Standard.</p> <p>Administration reports will be tabled and reviewed at future Trustee Meetings.</p> <p><b><i>Quality of record keeping</i></b></p> <p>Common and Scheme Specific data were last reviewed in March 2018. The Trustees will undertake a review of this data and take actions deemed necessary to improve the data quality.</p> <p><b><i>Appropriateness of the default strategy</i></b></p> <p>The Trustees reviewed the Plan's default investment option in August 2023 and, at the time of publication, are considering proposals to implement changes to improve its design.</p> <p><b><i>Quality of investment governance</i></b></p> <p>The Trustees will continue to regularly review investment performance at each future Trustee Meeting.</p> <p><b><i>Level of trustee knowledge, understanding and skills to operate the pension scheme effectively</i></b></p> <p>Trustee Board comprises three Company nominated trustees with pensions experience. The Trustees have sought to appoint member nominated Trustees, but none have been forthcoming. The February 2023 Trustee meeting focused on administrative, governance and investment matters.</p> <p>The Trustees will ensure sufficient time and focus is given to DC benefits. Specialist DC training will be undertaken.</p> <p><b><i>Quality of communication with scheme members</i></b></p> <p>Benefit statements have been delayed for the Plan years to 31 March 2020 and 31 March 2021 and were delayed beyond 12 months from the Plan year ends. The Trustees will work with the Plan administrator to ensure Benefit Statements are issued in accordance with prescribed timescales going forwards. During the 22 February 2023 meeting, Mercer confirmed that both SMPI Statements were required to be sent.</p> <p><b><i>Effectiveness of management of conflicts of interest</i></b></p> <p>The Trustees have a conflicts of interest policy and register in place, and any new conflicts are declared and considered at each Trustee Meeting, and subsequently recorded.</p>

Assessment area	Conclusion
<b>Overall</b>	<p>Based on our assessment, the Plan offers reasonable value for members, with the strong relative investment returns being the main positive finding.</p> <p>The Trustees have agreed appropriate action to improve the value for members offered by the Plan, including updating the investment strategy to make the expected risk/return profile more suitable for the Plan's members, and to bring down the costs and charges applied through the investment funds.</p> <p>The Trustees have also considered the value of the DB underpin applicable to Plan's DC members; this valuable benefit would be lost upon transfer to an alternative DC arrangement.</p> <p>The Trustees have identified and agreed the following areas for improvement:</p> <ul style="list-style-type: none"> <li>• Review the investment strategy for the default investment option and self-select fund range. This review took place in August 2023.</li> <li>• Review the fee arrangements currently in place and look to negotiate with the provider, where possible.</li> <li>• Review member communications to support members in their retirement planning.</li> <li>• Providing more focus on defined contribution pension aspects.</li> </ul> <p>The Trustees believe making these improvements will result in better value for members being offered than winding up the Plan and transferring members' assets to a larger occupational scheme, particularly given the challenges of the DB underpin.</p> <p>Taking all of the above into consideration, the Trustees believe the Plan offers better value for members than would be available through an alternative DC arrangement.</p>

The Trustees will formally assess value for members again during the next Plan year.

The Trustees have set up processes to publish relevant information on the costs and charges of the default investment option and self-select funds online during the Plan Year but they have not notified members about this in member communications. The Trustees will notify members about this in future communications.

### **Trustees' 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 Codes of Practice 07 and 13.

New Trustees were formally appointed in May 2023 but were introduced to the board ahead of the execution of the deed during the Plan Year. During a meeting on 1 November 2022, it was confirmed that new Trustees would be given scheme-specific trustee on-boarding training (as set out below). Moving forward from that point, it was agreed that trustee training would be incorporated into each trustee meeting, ensuring DC matters were covered. A Trustee training log will be maintained going forward.

All the Trustees are required to familiarise themselves with the Plan's Trust Deed & Rules, the Statement of Investment Principles, all documents setting out the Trustee's current policies, the law relating to pensions and trusts, the principles relating to the funding and investment of occupational pension schemes.

#### Ongoing Training

Over the course of the Plan year, the Trustees demonstrated their continuous commitment to learning by undertaking training at investment committee or Trustee meetings.

During the 1 November 2022 meeting, the Trustees undertook DC Trustee Training on:

- DC Governance and Compliance (Responsibilities of being a DC Trustee)

- DC Administration (Core Financial Transactions, cyber security and data quality)
- Investments (Default strategy, fund range, statutory review, SIP, ESG, Monitoring)
- DC Communications (Disclosure requirements, effective member engagement)
- Small Schemes Value for Members Assessment

During the 22 February 2023 meeting, the Trustees undertook DC Trustee Training on:

- DC investment Strategy Review
- Effective System of Governance
- Current Issues in Pensions

The Trustees have agreed that all Trustees are expected to complete the Pension Regulator's Trustee Toolkit within six months of appointment. Training will be undertaken at all future Trustee meetings.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustees to the best of my knowledge.

Chair of the Trustees Carl Saunders

DocuSigned by:  
*Carl Saunders*  
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Date: 27 October 2023

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# Kelly Services (UK) Limited Benefits Plan

## Statement of Investment Principles

August 2020

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# Contents

- 1 Introduction ..... 1
- 2 Decision Making ..... 2
- 3 Investment Objectives ..... 3
- 4 Investment Responsibilities ..... 4
- 5 Implementation..... 7
- 6 Risk..... 10
- 7 Responsible Investing..... 14
- 8 Monitoring of Investment Advisor and Manager ..... 15
- 9 Code of Best Practice..... 16
- 10 Compliance ..... 17
- Appendix 1: Investment Manager ..... 18
- Appendix 2: Responsibilities of Parties..... 20

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# 1 Introduction

Under the Pensions Act 1995, trustees are required to prepare and review regularly a Statement of Investment Principles, dealing with certain specific matters.

This statement sets out the principles governing decisions about the investment of the assets of the Kelly Services (UK) Limited Benefits Plan (the Plan).

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The Plan's assets are held in trust for the Plan by the Trustees, whose powers of investment are set out in the Trust Deed and Rules.

The Trustees will review the Statement formally at least every three years. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy or member demographics. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

## Plan details

The Plan is a money purchase (Defined Contribution) arrangement and operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries. The Plan was established as a Defined Benefit (DB) plan and subsequently changed to a Defined Contribution (DC) plan with effect from 1 April 1993. Members of the Plan were contracted out of the State Earnings Related Pension Scheme (later known as the State Second Pension) on a Guaranteed Minimum Pension (GMP) for the period ending 5 April 1997 and on a money purchase protected rights basis for the period 6 April 1997 to 31 March 2004. The Plan was closed to new members and future contributions from 31 March 2004.

The benefits provided by the Plan are categorised as follows:

- Defined Benefits (final salary benefits) in respect of service prior to 1 April 1993. For the purpose of this Statement these benefits have been defined as DB Benefits.
- Defined Contribution Benefits (money purchase benefits) subject to a GMP underpin in respect of service between 1 April 1993 and 5 April 1997. For the purpose of this Statement these benefits have been defined as DC GMP Underpin Benefits.
- Defined Contribution Benefits (money purchase benefits) in respect of service accrued after 6 April 1997. For the purpose of the Statement, these benefits have been defined as DC Benefits.

Exempt approval has been granted by HM Revenue & Customs (HMRC) under Chapter 1 of part XIV of the Income and Corporation Taxes Act 1988 and from 6 April 2006 the Plan has acquired registered scheme status. Administration of the Plan is managed by the Trustees, who are responsible for the investment of the Plan's assets.

## 2 Decision Making

The Trustees distinguish between two types of investment decision:

### 1. Strategic investment decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Plan.

The Trustees takes all such decisions themselves. Where appropriate, this is after receiving written advice from its investment consultant and consulting with the employer. Examples of such decisions include:

- Setting investment objectives;
- Setting the strategic asset allocation;
- Setting benchmarks;
- Drafting the Statement of Investment Principles; and
- Appointing and removing investment managers.

### 2. Tactical investment decisions

These decisions are short-term and based on views of future market movements.

The Trustees delegate such decisions to appropriate investment managers and do not interfere with their decisions. Examples of such decisions include:

- Selecting individual stocks;
- Temporarily deviating from the strategic asset allocation to take advantage of better market opportunities; and
- Timing of entry or exit from a market.



## 3 Investment Objectives

### Defined Benefit Section

The Trustees' overall investment policy is guided by the following objectives:

- To ensure that the Plan's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plan as they arise.
- To pay due regard to the interests of the employer in relation to the funding level of the Plan.
- To achieve and maintain a funding level of 100% on an on-going basis without taking unacceptable risk.
- To set and monitor appropriate benchmarks and performance targets for the investment managers.

### Defined Contribution Section

The Trustees are mindful of its responsibility to provide members with an appropriate range of investment funds and a suitable default strategy. The long term objective of the Trustees is to enable members to provide adequately for themselves in retirement.

Details of the approach the Trustees have taken to meet these investment objectives are set out in Section 5.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 6 of this Statement

The items set out in Section 2, 3, 5, 6 and 7 of this Statement are in relation to what the Trustees deem as 'financially material considerations' both for the DC Section of the Plan and the default lifestyle strategy. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the members' age and when they expect to retire. It is for this reason that the default is a lifestyle strategy.

## 4 Investment Responsibilities

### Trustees' Duties and Responsibilities

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives.

The Trustees carry out their duties and fulfil their responsibilities as a single body. Each of the Trustees wish to contribute directly to the formulation of the Plan's investment policy and to the monitoring of the Plan's investment managers. Moreover, the trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement.
- The appointment and review of the investment managers and investment advisers.
- The assessment and review of the performance of each investment manager.
- The review of the investment parameters within which the investment managers can operate.
- The assessment of the risks assumed by the Plan at a total Plan level as well as on a manager by manager basis.
- The approval and review of the asset allocation benchmark for the Plan.
- The compliance of the investment arrangements with the principles set out in the Statement.

### Investment Adviser's Duties and Responsibilities

The Trustees have appointed Mercer as the investment adviser to the Plan. Mercer provide advice as and when the Trustees requires it, as well as raising any investment-related issues, of which they believe the Trustee should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives.
- Determining investment strategy and asset allocation.
- Determining an appropriate investment structure.
- Framing manager mandates.
- Liasing with JLT Investment Management (JLT IM) to select and replace investment managers.

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions; however, it recognises that it retains responsibility for all such decisions, including those that concern investments and disinvestments relating to cash flows. Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

Work is charged for either by an agreed fee or on a time cost basis. In particular, the investment consultant does not receive commission or any other payments in respect of the Plan that might affect the impartiality of their advice. The Trustees believe that this is the most appropriate fee structure for the Plan.

Mercer are authorised and regulated by the Financial Conduct Authority (FCA).

## Investment Manager Arrangements and Responsibilities

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The fund range and default investment strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or general fund range.

After considering appropriate investment advice, the Trustees appointed JLT IM as Investment Manager to the Plan. JLT IM was first appointed on 05 February 2014.

The key duty of JLT IM is to select investment managers suitable to each mandate within the Trustees' agreed asset allocation. The investment guidelines as to how JLT IM will manage the funds are set out within the Investment Management Agreement.

Investment managers are appointed by JLT IM based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

JLT IM will only invest in pooled investment vehicles. The Trustees therefore accept that they cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

If a manager is significantly downgraded by Mercer's Manager Research Team, JLT IM will replace that manager with a suitable alternative.

JLT IM is also responsible for appointing a suitable Platform provider, which will provide the infrastructure to support the Plan's investments and host the underlying investment managers' funds. The current Platform provider is Mobius Life Limited, whose appointment foregoes the need for a Custodian. Mobius Life Limited is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA.

The underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers that will be selected by JLT IM will be authorised and regulated by the PRA, the FCA or both.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Plan. Where possible, discounts have been negotiated by JLT IM with the underlying managers on their standard charges and the Plan benefits directly from these discounts.

None of the underlying managers in which the Plan's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Plan is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are

consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustees' policies as set out in this SIP.

JLT IM makes a fund based charge for the services it provides. This charge is specified in the contractual agreement between the Trustee and JLT IM.

JLT IM does not receive commission or any other payments in respect of the Plan that might affect the impartiality of its actions and any discounts negotiated by JLT IM with the underlying managers are passed on in full to the Plan.

JLT IM is authorised and regulated by the FCA.

The Trustees believe that this is the most appropriate basis for remunerating managers.

## Summary of Responsibilities

A summary of the responsibilities of all relevant parties, including the Plan Actuary and administrators, in so far as they relate to the Plan's investments, is set out at Appendix 2.

## 5 Implementation

The Trustees, after considering appropriate investment advice, have selected professional, authorised investment managers to manage the assets of the Plan through the JLT Platform. The Trustees believe this advice to be in line with the requirements set out in Section 36 of the Pensions Act 1995.

### Investment Strategy of the Defined Benefit Section

#### Types of Investments to be Held

The Plan's assets are invested wholly via pooled vehicles.

The Trustees are permitted to invest across a wide range of asset classes, including the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment products
- Cash

The use of derivatives is as permitted by the guidelines that apply to the pooled funds.

### Investment Structure of the Defined Contribution Section

The Trustees' strategy is to provide members with sufficient investment options to allow the acquisition of secure assets of appropriate liquidity, which will generate income and capital growth, which, will provide a fund at retirement with which members can purchase a pension annuity.

The Trustees wish to give members a reasonable degree of freedom over the investment policy of their accounts. DC Members who have a GMP Underpin are not able to self-select, they are invested in the default strategy, as described in this section. Asset classes include equities, bonds and money market instruments. All of the funds which the Plan invests are pooled and unitised; the use of derivatives is permitted by the guidelines that apply to the pooled funds. The following funds have been made available for members to choose their own customised asset mix:

- BlackRock Life AQC (50:50) Global Equity Fund
- BlackRock Life AQC Over 15 Years Gilt Index Fund
- BlackRock Life AQC Corporate Bond Over 15 Years Fund
- BlackRock Life AQC Over 5 Years Index-Linked Gilt Fund
- BlackRock Life AQC (40:60) Global Equity Fund
- BlackRock Life AQC UK Equity Fund
- BlackRock Life AQC World (ex-UK) Equity Fund
- L&G Life TA Sterling Liquidity Fund

After assessing the potentially enhanced return from active management in relation to the additional risks assumed; the costs involved in employing an active investment manager; the Trustees decided to utilise passively managed funds.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance. Members can switch between funds by changing their investment instructions.

## Default Investment Strategy

The default strategy operates as a default if a member does not wish to make their own investment selection. The default is designed to be appropriate for a typical member of the Plan. This is the only investment made available to those members with a DC GMP Underpin Benefit.

In determining the investment strategy for the default, the Trustees have received formal written investment advice from their investment managers. The Trustees have explicitly considered the trade-off between risk and expected returns when establishing the balance between different kinds of investments. The expected amount of risk is considered appropriate for the typical member and will differ by member depending on their age and their expected retirement age. Further information is set out below.

The default option follows a "lifestyle" strategy that automatically varies the mix of assets a member is invested in over their working life and is designed to be appropriate for a member to take their benefits by purchasing an annuity at retirement. This aims to provide growth in excess of inflation during the growth phase of the lifestyle and to provide a strategy to reduce investment risk as members approach retirement age.

In the lifestyle strategy (the default strategy for both DC only members as well as DC members with GMP Underpin Benefits) assets are invested in the BlackRock (50:50) Global Equity Index Fund and are subject to a 'Lifestyle' investment strategy. The BlackRock (50:50) Global Equity Fund broadly maintains an equity split of 50% UK equities and 50% overseas equities. The Lifestyle strategy mechanistically moves assets from the (50:50) Global Equity Index Fund to the BlackRock Over 15-year Gilt Index Fund and L&G Sterling Liquidity Fund as retirement approaches. The table overleaf illustrates the Lifestyle strategy that has been put in place by the Trustees.

From six years to retirement, assets invested in the Global Equity Fund move to Gilts on a quarterly basis. Two years from retirement, some assets are moved to cash. This is illustrated on the following page.

Years from retirement	BlackRock (50:50) Global Equity Index Fund %	BlackRock Over 15-year Gilt Index Fund %	L&G Sterling Liquidity Fund %
End of Year 6	100	0	0
End of Year 5	80	20	0
End of Year 4	60	40	0
End of Year 3	40	60	0
End of Year 2	25	75	0
End of Year 1	15	75	10
End of Year 0	0	75	25

The default retirement age for the lifestyle strategy is age 62. However, members can choose a target retirement age (between age 55 and age 75) which will dictate the beginning of the Lifestyle phasing. Retirement before age 62, however, requires Company and Trustees' consent.

Taking into account the Trustees' views of how the membership will behave at retirement, the Trustees no longer believe that the current default is appropriate and are in the process of changing the default investment strategy. The Trustees will continue to review this over time, at least triennially, or after any significant changes to the Plan's demographic, if sooner.

Details of the funds used in the default and self-select range are set out in Appendix 1.

## 6 Risk

### Risks of the Defined Benefit Section

The Trustees pay close regard to the risks that may arise through a mismatch between the Plan's assets and its liabilities, and to the risks that may arise from the lack of diversification of investments. They believe that the investment policies to be followed by their investment managers do have adequate regard to the need to diversify within each asset class as well as in terms of stock selection.

Under the Pensions Act 2004 the Trustees must now state its policy on the ways in which risks are to be measured and managed. These are set out below.

### Solvency Risk and Mismatching Risk

- Are measured and managed through an assessment of the expected development of the value of the liabilities relative to the assets held.

### Manager Risk

- Is measured by the expected deviation of the fund performance relative to the investment objective.
- Is managed by monitoring the actual deviation of returns relative to the objective.

### Liquidity Risk

- Is measured by the projected level of future cash flows
- Is managed by the Plan's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

### Political Risk

- Is measured by the level of concentration in any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- Is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

### Corporate governance risk

- Is measured by the level of concentration in individual stocks leading to the risk of an adverse impact of investment values arising from corporate failure.
- Is managed by regular reviews of stock concentration and regular discussions with the investment managers about diversification.



## Sponsor risk

- Is measured by the level of ability and willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit.
- Is managed by assessing the interaction between the Plan and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to a number of metrics reflecting the financial strength of the sponsor.

## Risks of the Defined Contribution Section

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. The main types of investment risk are and how they are monitored and managed are noted below:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market Risk	Inflation Risk	The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).	The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation.
	Currency Risk	This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.	Members are able to set their own investment allocations, in line with their risk tolerances.  The default strategy is designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from the investment adviser.
	Credit Risk	This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.	The Trustees acknowledge that the assessment of credit risk on individual debt instruments is the responsibility of the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Plan's investment managers take.

Other Price Risk	This is the risk that principally arises in relation to the return seeking assets such as equities.	The Trustees acknowledge that the Plan can manage its exposure to price risk by investing in a diverse portfolio across various markets.
Environmental and social and governance ("ESG") risks	<p>This is the risk that ESG factors, including climate change, have a financially material impact on the return of the Plan's assets.</p> <p>These risk factors can have a significant effect on the long-term performance of the assets the Plan holds.</p>	<p>Where applicable these factors will be considered in the investment process but is considered the responsibility of the investment manager.</p> <p>Please see Section 7 for the Trustees' responsible investment statement.</p>
Pension Conversion Risk	This is the risk that member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	<p>The Trustees make available a wide range of funds which enable members to manage this risk.</p> <p>The default is a lifestyle strategy which automatically and gradually switches member assets into investments whose value is expected to be less volatile relative to annuity prices. The allocation at retirement is considered suitable for members purchasing an annuity and taking a 25% tax free cash lump sum.</p> <p>The Trustees will review the default strategy at least triennially to assess whether the targeted destination remains appropriate.</p>

Manager risk	This is assessed as the expected deviation of the prospective risk and return, as set out in the managers’ objectives, relative to the investment policy.	It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers’ investment process, and by appointing JLT IM to monitor and replace (following Trustee consent) any managers where concerns exist over their continued ability to deliver the investment mandate.
Liquidity risk	The risk that the Plan’s assets cannot be realised at short notice in line with member or Trustees’ demand.	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a daily basis.

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustees’ or member demand. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.

## 7 Responsible Investing

The Trustees believe that Environmental, Social and Corporate Governance (“ESG”) issues may have a material impact on investment risk and return outcomes, thereby affecting the performance of investment portfolios and should therefore be considered as part of the Plan’s investment process.

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the investment managers. The Trustees’ policy is that the extent to which ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, are taken into account in these decisions is left to the discretion of the investment managers. However, the investment managers who are registered with the FCA are expected to act in accordance with their own corporate governance policies and current best practice, as well as comply with the UK Corporate Governance Code and UK Stewardship Code, including public disclosure of compliance via an external website.

The Trustees will continue to review the available products and approaches in this space and strive for the Plan to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

Member views on non-financial matters are not taken into account in the selection, retention and realisation of investments. Nevertheless the Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and strive to provide a fund range that meets both financial and non-financially relevant member needs.

### Stewardship Policy

The Trustees believe that good stewardship can create and preserve value for companies and markets as a whole and can therefore enhance long-term portfolio performance, and is therefore in the best interests of the Plan’s beneficiaries and aligned with fiduciary duty.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Plan’s underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.

As the Plan invests in pooled funds via an investment platform, the Trustees’ scope to vote on the Plan’s shares directly is currently limited. The Trustees have therefore concluded that the decision on how to exercise voting rights should be left with the underlying investment managers who will exercise these rights in accordance with their respective published corporate governance policies. These policies take into account the financial interests of shareholders, and should be for the members’ benefit.

The Trustees request annual reports on the voting undertaken by the Plan’s underlying investment managers during the period and review the voting to ensure it remains broadly consistent with the Trustees’ view of good stewardship standards.

## 8 Monitoring of Investment Advisor and Manager

### Investment Adviser

The Trustees continually assesses and reviews the performance of its adviser in a qualitative way.

### Investment Managers

JLT IM, as Investment Manager has the role of replacing the underlying investment managers where appropriate. It takes a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

In addition, as part of the annual value for members assessment, the trustees review the investment manager fees and performance over 1 and 3 year periods. The assessment shows the absolute performance as well as the performance against the managers' stated target (over the relevant time period) on a net of fees basis.

### Portfolio Turnover Costs

The Trustees consider portfolio turnover costs as part of the annual value for members assessment. The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Plan invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Plan.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Plan is invested and will include further information about this when next updating the SIP.

## 9 Code of Best Practice

### Defined Benefit Section

The Trustees note that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees have received training in relation to this guidance and are satisfied that the investment approach adopted by the Plan is consistent with the guidance so far as it is appropriate to the Plan's circumstances.

The Trustees meet with their investment adviser annually, monitoring developments both in relation to the Plan's circumstances and in relation to evolving guidance, and will revise the Plan's investment approach if considered appropriate.

### Defined Contribution Section

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustees. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase>

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

# 10 Compliance

The Plan’s Statement of Investment Principles and annual report and accounts are available to members.

A copy of the Plan’s current Statement plus Appendices is also supplied to the Sponsoring Employer, the Plan’s investment managers, auditors and Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on .....

Signed on behalf of the Trustees by .....

On .....

Full Name .....

Position .....

# Appendix 1: Investment Manager

The Plan invests with JLT IM, whose key responsibility is to monitor the suitability of the funds used on an ongoing basis and make changes as they consider appropriate, subject to the Trustees' approval.

The assets for the underlying managers are hosted on an investment platform provided by Mobius Life Limited.

JLT IM will monitor the investment managers. If one of the managers is downgraded by Mercer's Manager Research Team, the Trustees will be informed and alternative managers will then be considered as a replacement.

## Defined Benefit Section

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency
BlackRock Life AQC (50:50) Global Equity Fund	Aquila Life (50:50) Global Equity Benchmark	To provide returns consistent with the markets in which it invests and provides broad exposure to countries around the world.	Daily
BlackRock Life AQC Over 15 Years Gilt Index Fund	FTSE Actuaries UK Conventional Gilts over 15 Years Index	To achieve a return consistent with the FTSE Actuaries UK Conventional Gilts over 15 Years Index.	Daily
BlackRock Life AQC Corporate Bond Over 15 Years Fund	iBoxx Sterling Non-Gilts 15+ Years Index	To achieve a return consistent with the iBoxx £ Non-Gilts Over 15 Years Index.	Daily
BlackRock Life AQC Over 5 Years Index-Linked Gilt Fund	FTSE Actuaries UK Index- Linked Gilts over 5 Years Index	To achieve a return consistent with the FTSE Actuaries UK Index-Linked Gilts over 5 Years Index.	Daily
L&G Life TA Sterling Liquidity Fund	7 Day LIBID	To provide capital stability, liquidity and diversification while providing a competitive level of return in relation to 7 day LIBID.	Daily

## Defined Contribution Section

### Default Funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency
BlackRock Life AQC (50:50) Global Equity Fund	Aquila Life (50:50) Global Equity Benchmark	To provide returns consistent with the markets in which it invests and provides broad exposure to countries around the world.	Daily



BlackRock Life AQC Over 15 Years Gilt Index Fund	FTSE Actuaries UK Conventional Gilts over 15 Years Index	To achieve a return consistent with the FTSE Actuaries UK Conventional Gilts over 15 Years Index.	Daily
L&G Life TA Sterling Liquidity Fund	7 Day LIBID	To provide capital stability, liquidity and diversification while providing a competitive level of return in relation to 7 day LIBID.	Daily

### Self-Select Funds

Investment manager/ fund	Fund benchmark	Objective	Dealing frequency
BlackRock Life AQC (50:50) Global Equity Fund	Aquila Life (50:50) Global Equity Benchmark	To provide returns consistent with the markets in which it invests and provides broad exposure to countries around the world.	Daily
BlackRock Life AQC Over 15 Years Gilt Index Fund	FTSE Actuaries UK Conventional Gilts over 15 Years Index	To achieve a return consistent with the FTSE Actuaries UK Conventional Gilts over 15 Years Index.	Daily
BlackRock Life AQC Corporate Bond Over 15 Years Fund	iBoxx Sterling Non-Gilts 15+ Years Index	To achieve a return consistent with the iBoxx £ Non-Gilts Over 15 Years Index.	Daily
BlackRock Life AQC Over 5 Years Index-Linked Gilt Fund	FTSE Actuaries UK Index- Linked Gilts over 5 Years Index	To achieve a return consistent with the FTSE Actuaries UK Index-Linked Gilts over 5 Years Index.	Daily
BlackRock Life AQC (40:60) Global Equity Fund	Aquila Life (40:60) Global Equity Benchmark	To provide returns consistent with the markets in which it invests	Daily
BlackRock Life AQC UK Equity Fund	FTSE All-Share TR Index	To achieve a return that is consistent with the return of the FTSE All-Share Index.	Daily
BlackRock Life AQC World (ex-UK) Equity Fund	FTSE All World Developed ex UK Net of Tax GBP	To achieve a return in line with the FTSE All-World Developed ex-UK Index.	Daily
L&G Life TA Sterling Liquidity Fund	7 Day LIBID	To provide capital stability, liquidity and diversification while providing a competitive level of return in relation to 7 day LIBID.	Daily

## Appendix 2: Responsibilities of Parties

### Trustees

The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate.
- Reviewing the DB investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Plan Actuary.
- Reviewing the DC investment strategy at least every 3 years.
- Appointing the Investment Managers and custodian (if required).
- Assessing the quality of the performance and processes of the Investment Managers by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser.
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement.
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis.

### Investment Adviser

The Investment Adviser's responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles.
- Advising the Trustees, at their request, on the following matters:
  - » Through consultation with the Plan Actuary, how any changes within the Plan's benefits, membership and funding position may affect the manner in which the assets should be invested;
  - » How any changes in the Investment Managers organisation could affect the interests of the Plan; and
  - » Whether any of the existing funds will not be able to meet their long term objectives
  - » How any changes in the investment environment could present either opportunities or problems for the Plan.
- Undertaking project work, as requested, including:
  - » Reviews of the default strategy and asset allocation policy; and
  - » Research into and reviews of Investment Managers.
- Advising on the selection of new managers and/or custodians.

## Investment Managers

The Investment Managers' responsibilities include the following:

- Providing the Trustees on a quarterly basis (or as frequently as required) with a statement and valuation of the assets and a report on their actions and future intentions, and any changes to the processes applied to their portfolios.
- Informing the Trustees of any changes in the internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur.
- Having regard to the need for diversification of investments, so far as appropriate for the particular mandate, and to the suitability of investments.
- Giving effect to the principles contained in the Statement as far as is reasonably practicable.

## Plan Actuary

The Plan Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Plan's investment strategy given the financial characteristics of the Plan.
- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall.
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels.

## Administrator

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due.
- Paying benefits and making transfer payments.
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees' instructions.