Clumber Consultancy Pension Trustees

www.clumberconsultancy.co.uk
Edwinstowe House, Edwinstowe,
Mansfield, Notts, NG21 9PR

The Percy Ingle Bakeries Ltd Staff Scheme

Statement of Investment Principles as at 28 April 2023

Introduction

Clumber Consultancy Pension Trustees Ltd is the Trustee of the Percy Ingle Bakeries Ltd Staff (the Scheme). The Trustee has prepared this Statement of Investment Principles for the Scheme which is a fully insured Defined Contribution arrangement with effect from 28 April 2023.
The investment responsibilities of the Trustees are governed by the Scheme's Trust Deed and Rules (a copy of which is available for inspection on request) and relevant legislation. According to the law, the Trustees have ultimate power and responsibility for the Scheme's investment arrangements.
It has been prepared in accordance with applicable Legislation and is intended to affirm the principles that govern decisions about the Scheme's investments.

Reviews and Revisions

The Trustee's overall objective is to provide a fund suitable for members whilst the wind up of the Scheme is taking place. The Trustee has revised this SIP on 28 April 2023 following their appointment and will review as appropriate and at least every three years. As the Scheme is in wind up there is a short time horizon for the Scheme Investments and the Trustee expects to be in a position to finalise the wind up of the Scheme in the next 12 to 18 months.

The Trustees and Delegation

The Trustees are responsible for the investment of the Scheme's assets and their investment powers are set out in the Scheme's Trust Deed. In making decisions and choosing investments, the Trustees seek professional advice where it is appropriate. The Trustees undertake to discuss the issue and agree a way forward. When determining which decisions to delegate, the Trustees have taken into account whether they have the appropriate training and are able to secure the necessary expert advice in order to take an informed decision. Further, the Trustees' ability to effectively execute the decision is also considered.
The Scheme triggered into wind up with effect from 8 December 2021, following the insolvency of the Sponsoring Employer. As such, the Scheme no longer has a Sponsoring Employer in place. The Scheme is invested in a fully insured with profits fund and as such, gives no discretion as to how the insurance company invests the Scheme's funds. All discretions regarding strategy and day to day management are delegated to the fund manager.
The Scheme was not used for Auto enrolment purposes and provided a vehicle for employees pension saving for a limited period between 4 October 1992 and September 1996. As such, the average member fund size is under four thousand pounds.
The Scheme is a wholly insured Scheme as defined in Regulation 8 (2) of The Occupational Pension Schemes (Investment) Regulations 2005.
A wholly insured Scheme is where all the assets are held in one or more qualifying insurance policies. This structure provides lower operational costs than alternatives options and a reasonable range of services.

Investment Policy
Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. The Trustees also recognise that members have different attitudes to risk.
As the Scheme is in wind up and the Trustee is settling each members benefits, it is highly likely, in view of the average pot size, that Scheme members will choose to encash their benefits in the form of a winding up lump sum or 'small pot' commutation and given the nature of the with profits arrangement, the Trustee does not feel it is appropriate to alter the Scheme Investments in the light of a short time horizon.
The default fund is the only possible selection for the product and as such the Trustees would need to take a radical decision to change the product and carry out a full product review which the Trustee does not consider would be cost effective or to the benefit of members given that the Scheme wind up should be completed shortly.
In the Scheme circumstances and the short time horizon the Trustee believes that members would want to protect funds accumulated as far as possible whilst earning return on their pension savings.

Performance and Return

The Trustee has reviewed the return achieved by the with profits fund and on average the fund sizes increased by 25% between September 2021 and September 2022 (12% between September 2020 and September 2021 and 11% between 2019 and 2020.)
The Trustee has taken all of this into account when considering the Scheme Investments.
The Trustee has limited influence on the investment aims of the fund or how the investment managers choose the underlying investments within the fund, as the assets are pooled with many other investors to obtain economies of scale.
The arrangements implemented are, in the Trustees' opinion consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended) and appropriate given the nature of the Scheme.

Investment Strategies and Asset Allocation

The Trustee's overall objective is to provide funds suitable for members to invest their accumulated funds. There are no ongoing contributions and have not been any since 1996. The Trustee has adopted an investment approach governed by the type of Scheme set up where the Investment Options are funds that are offered under the Crest Growth Plan. All members are invested in the with profits fund which was the option provided when the Scheme was established and which is the only possible selection for the product.
The Trustee reviews both the default strategy and the performance of the default arrangement at least every three years; and without delay after any significant change in investment policy; or the demographic profile of relevant members.
The current asset spilt within the with profits fund is 54% Company Shares, 15% property and 31% Government and other bonds.

Default Investment Option - With Profits Fund

Typically a proportion of members will actively choose the default investment option because they feel it is most appropriate for them. However, in this case there was only one investment option when the Scheme was established and the vast majority of defined contribution members do not make an active investment decision and remain in the default option. The With Profits Fund itself holds diverse investments.

The aims and objectives of the default arrangement are as follows:
The with profits fund is invested in a mixed portfolio which includes company shares (both UK and overseas) Government and other bonds and property. The aim of the investment strategy is to maximise the long-term return on investments for with profits policyholders whilst recognising the need for the fund to meet the guarantees provided to policyholders.
The Trustee has reviewed whether the with profits fund remains appropriate by considering the member profile, Scheme fund values and the fact that as the Scheme is winding up, there will be short timescale horizon.
The Trustee expects to complete the wind up of the Scheme in the next 12-18 months and the individual member pot size is relatively small. The Trustee therefore anticipates the majority of members will encash their funds either as ‘small pots’ or winding up lump sums. The Trustee is therefore comfortable with the default having reviewed performance and noted that a Market Value Adjustment is not currently being made on settlements.
Over the 2021 to 2022 Scheme year the absolute monetary value of the member’s funds has increased by 25%., given the short time horizon the Trustee is not of the belief that switching the Scheme investment would provide a better outcome for what they believe will be fund encashments by the majority of members due to the average member fund size.

Day to Day Management of the Assets

The investment managers have full discretion to buy and sell investments subject to agreed constraints and applicable legislation. They have been selected for their expertise in different specialisations. The Trustees have taken steps to satisfy themselves that the Fund Provider and the investment managers have the appropriate knowledge and experience for managing the Scheme’s investments and they are carrying out their work competently.
The Trustee is satisfied that the Fund Manager has the appropriate knowledge and experience for managing the Investments of the Scheme and they carry out their role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (the “Investment Regulations”), the principles contained in this SIP and the Trustee’s investment policies

Performance, Monitoring and Return on Investments

The trustees are not involved in the fund managers day to day method of operating and therefore cannot directly influence attainment of the performance target. The Trustee monitors the performance of their investment manager and carries out a formal review annually.
Any fund manager which is considered to be performing poorly may be required to account for their performance.
The investment charges are reviewed but the with profits fund provides economies of scale which makes the cost versus return extremely competitive.
Based upon the data provided by Royal London, the Trustee is satisfied that the default arrangement remains appropriate whilst the wind up is completed and is producing considerable monetary increases year on year for the small individual pots and is consistent with the aims and objectives of the fund.
The Trustee will realise the assets following member requests on retirement or earlier where required.
The Trustee has also considered the liquidity of the investments in the context of the likely needs of members. The with profits fund, whilst holding a diverse range of underlying investments, is able to realise assets quickly upon request.

Risk Management

The Trustee recognizes a number of risks involved in the investment of the assets of the Scheme and monitors these risks on a regular basis.
The key identified risks are as follows:

Type of Risk	Description	How is the risk measured and managed
Inflation Risk	If investment returns lag over inflation the 'real' value of the members' accounts will decrease	The Trustees manage inflation risk with the default investment option which aims to generate investment returns in a risk controlled manner which are sufficient to provide a reasonable level of retirement benefits for members given the contributions paid over a short period
Benefit Conversion Risk	The Risk that market movements in the period prior to retirement lead to reduction in fund values	The default fund is diversified over a number of asset classes to smooth returns
Currency Risk	The Risk that fluctuations in foreign exchange rates will cause the sterling value of overseas investments to fluctuate.	Currency risk is managed through the diversification of the with profits fund which provides smoothed returns
Equity Property and Other Price Risk	The value can go down as well as up. Members may not get back the amount invested.	The nature of the with profits fund means that these risks are smoothed and managed by the fund manager
Environmental Social and Corporate Governance Risk	The risk that ESG factors including climate change have a financially material impact on the return of the Scheme's assets	The Fund Manager is expected to evaluate ESG issues including climate change considerations and exercise voting rights and stewardship obligations in accordance with their own corporate governance policies and current best practice

Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and ESG issues may have a material impact on investment returns and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.
The Scheme's assets are invested via the with profits fund in which 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 , whether for corporate governance purposes, social ethical or environmental factors, is delegated to the investment manager of the fund. They expect the fund managers to evaluate ESG issues (including climate change considerations) and exercise voting rights and stewardship obligations in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Compliance with this Statement

The Trustee will monitor compliance with this Statement Annually, or immediately after any change in strategy.

Review of this Statement

The trustee will review this Statement at least every three years and without delay after any significant change in investment strategy.

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Signed by the Chair of Trustees of the Percy Ingle Bakeries Ltd Staff Scheme
April 2022