

*Draft –consultation closes 20 January 2012*

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# THE CHEVIOT TRUST

*Pensions for the legal sector*

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## THE MONEY PURCHASE SCHEME OF THE CHEVIOT TRUST

**Statement of Investment Principles**

*Issued for consultation*  
**December 2011**

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## **1. INTRODUCTION**

- 1.1 This statement is the written Statement of Investment Principles as required under Section 35 of the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. It describes the investment policies being pursued by the Trustee Board of the Money Purchase Scheme of The Cheviot Trust ("the Scheme") and is in compliance with the recommendations of the Myners' Principles for Institutional Investment and reflects the requirements of the Occupational Pension Schemes (Investment) Regulations 2005.
- 1.2 Cheviot Trustees Limited, (the "**Trustee Board**") confirms that, before finalising this statement, it has consulted with the participating employers and obtained and considered written advice from the Scheme Actuary and the Investment Adviser ("the Advisers"). The Trustee Board believes the Advisers to be qualified to provide such advice by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of investment arrangements such as the Scheme.
- 1.3 The Trustee Board is responsible for the investment and administration of the Scheme's assets. Where the Trustee Board is required to make an investment decision, it always receives written advice, and training where appropriate, from the Advisers and it believes that this ensures that it is sufficiently familiar with the issues concerned.
- 1.4 In accordance with the Financial Services & Markets Act 2000 ("the FSMA"), the Trustee Board sets the Scheme's general investment policy, but has delegated the day-to-day investment of the Scheme's assets to professional Investment Managers. The Investment Managers are authorised under the FSMA and provide the expertise necessary to manage the investments of the Scheme competently. The Trustee Board may contract directly with the Investment Managers or may manage the assets through an investment platform.
- 1.5 Specific roles and responsibilities have been agreed with all professional advisers and Investment Managers. A summary of these is set out in Appendix A.
- 1.6 The Scheme comprises two sections, the With Profits Section and the Unit Linked Section. The With Profits Section was closed to new contributions at 31 December 2002 and all new contributions are now invested in the Unit Linked Section.

- 1.7 Members with benefits in the With Profits Section continue to earn investment return on a with profits basis, comprising interest and bonuses (if awarded), until they reach retirement. The With Profits Section also provides pensions in payment to members who retired before July 2005 and left their account within the Scheme.
- 1.8 Following a number of legal cases, there has been considerable uncertainty about the status of the With Profits Section as a defined contribution arrangement. As an interim measure, the Trustee Board concluded in 2010 that it should appoint a Scheme Actuary and comply with the scheme funding requirements in respect of a small proportion of the benefits which are more defined benefit in nature. A valuation was completed on this basis as at 31 December 2009 and circulated to the appropriate employers.
- 1.9 The outcome of the Supreme Court appeal in respect of the Bridge Case was supportive of the scheme's status as a money purchase scheme for the majority of benefits. However, the Department for Work and Pensions is introducing retrospective legislation on the matter although the impact of this legislation is not yet clear. As a result, the uncertainty is likely to continue for a further period. This uncertainty has not directly affected the investment strategy of the Section to date but this may change in the future.
- 1.10 The Unit Linked Section offers four options, Growth, Moderate, Cautious and Retirement Protection, together with a Lifestyling Fund, which provide investment performance directly linked to the value of underlying assets through the value of investment units. Each of the options is based on separately ascribed funds of investment.

## **2. INVESTMENT OBJECTIVES**

The Trustee Board is responsible for the proper and secure investment of the Scheme's assets.

### **With Profits Section**

- 2.1 The primary objectives of the Trustee Board for the With Profits Section are (in order of priority):
- i. to invest the assets of the With Profits Section in such a manner that the pensions in payment can be met and any guaranteed return can be provided;
  - ii. Subject always to i, to maximise returns for members and pensioners where possible and prudent to do so, and

- iii. to minimise, as far as possible, the need to require contributions from employers when scheme benefits are reclassified as defined benefit through an investment strategy with low volatility but which will provide outperformance to remedy any deficit.
- 2.2 The investment performance objective for the assets of the With Profits Section is to achieve a return consistent with the delivery of returns to members in excess of the guaranteed levels, but minimising the potential for the assets not to deliver on the guaranteed benefits and with low volatility.
- 2.3 The Trustee Board's policy is also to have sufficient investments in readily realisable assets to meet unexpected cashflow requirements, so that the realisation of assets will not disrupt the With Profits Section's overall investment policy. The Trustee Board will seek to ensure that it will hold sufficient cash to meet the likely benefit outgoings from time to time.
- 2.4 The assets are managed within two funds, the Investment Fund and the Matching Fund. The Investment Fund comprises the return seeking assets – ie assets which are designed to provide a contribution towards meeting the cost of providing the benefits. The assets held in the Investment Fund are higher risk and usually provide more volatile returns. The Matching Fund comprises the assets which more closely match the cost of providing the benefits and are lower risk.
- 2.5 The Trustee Board has adopted a de-risking strategy for the With Profits Section. This is designed to lock in any investment gains as they arise by moving assets from the Investment Fund to the Matching Fund. No moves from the Investment Fund to the Matching Fund will be implemented unless the funding level is materially above 100% in order to ensure that the objectives set out above can still be met.
- 2.6 The Trustee Board has also agreed a minimum allocation to the Investment Fund of 25% in order to retain the potential for awarding additional returns to members through bonuses in the future.

### **Unit Linked Section**

2.7 The primary objectives of the Trustee Board for the Unit Linked Section are:

- i. to ensure that the contributions paid by employers and members are invested in accordance with the options selected by members, and
- ii. to provide returns to members which are consistent with the level of risk of the relevant investment option.

2.8 Under the Unit Linked Section there are four options: the Cautious, Moderate, Growth and Retirement Protection. A further fund, the Lifestyling Fund, is used automatically as members approach retirement. Members' contributions are invested in funds which directly reflect the value of their underlying investments. The investment objective of the Trustee Board in respect of these options is that the aggregate investment performance under each option should achieve the objectives which are described to members, as follows:

#### ***Growth Option***

*The objective for this Option is to provide long term growth. It is aimed at members who are investing for the long term, who want to maximise returns and are prepared to accept some fluctuations in returns as a result.*

#### ***Moderate Option***

*The objective for this Option is to provide long term growth. It is aimed at members who are investing for the long term who want good returns but balanced with more stability. Over the long term, this option is expected to produce lower but more stable returns than the Growth Option.*

#### ***Cautious Option***

*The objective for this Option is to reduce the risk of falls in the value of the investments but with some long term growth. It is aimed at members investing for the long term who want stability with some growth. Over the long term, this fund is expected to produce more stable returns than the Growth or Moderate Options but with less growth.*

#### ***Retirement Protection Option and Lifestyling Fund***

*The objective for these options is broadly to match the movements in the cost of buying a pension and so aims to protect the value of members' accounts in pension terms. These funds also hold 25% in cash in recognition that many members choose to take a cash sum at retirement. These funds do not aim to provide growth and so are not available to members until they are within five years of their planned retirement.*

- 2.9 The Trustee Board has recognised that it is important to reduce investment risk as members approach retirement in case there is a significant fall in value. Members can either request a switch of all or part of their account using the Retirement Protection Option or it will be done automatically through the Lifestyling Fund.
- 2.10 Under the Growth, Moderate and Cautious options, each member's investments will be automatically "lifestyled" to reduce the degree of investment risk as the member gets closer to retirement. Funds are progressively switched from Cautious, Moderate and Growth options into the Lifestyling Fund as members approach their Target Retirement Date so that at the Target Retirement Date, all the funds are invested in the Lifestyling Fund. This reduces the volatility of the value of a member's investment against the cost of buying a pension and taking a tax free cash lump sum.
- 2.11 The investment performance objectives for the Growth, Moderate and Cautious Options are to achieve an annual return in excess of such investment indices as the Trustee Board may with proper advice decide is appropriate in the relevant investment sectors, over rolling three year periods. The Trustee Board will also have regard for the returns, net of investment management fees, achieved in relation to alternatives available in the market for investment management of the asset classes used.

### **3. INVESTMENT PRINCIPLES**

In pursuing the objectives set out in the previous section, the Trustee Board has developed (with advice from the Advisers) a set of principles for investment.

#### *With Profits Section*

- 3.1 The Trustee Board will have regard to the characteristics of the pensions in payment from the With Profits Section in setting the investment strategy.
- 3.2 The Trustee Board will also have regard to the small proportion of promised benefits which are more defined benefit in nature and for which a Scheme Specific Funding valuation has been completed.
- 3.3 The assets of the With Profits Section will be invested in a diversified range of appropriate investments in order to reduce investment risk. That range of investments

will be defined in a benchmark asset allocation which will be revised from time to time according to appropriate investment strategy advice provided to the Trustee Board and having regard to the Investment Objectives and to the investment powers of the Trustee Board as defined in the Trust Deed.

- 3.4 Based on the current asset allocation, the current target is to provide a return of 2.6% above the yield available from swaps<sup>1</sup> over the longer term from these assets. This is intended to provide a sufficient “buffer” above the minimum rate of return assumed by the Scheme Actuary, which is swaps + 2.2%. The expected return is reviewed periodically, in the context of prevailing market conditions and will be reduced if further de-risking is implemented (see paragraph 2.5 above).
- 3.5 The Trustee Board has taken formal investment advice in relation to these objectives and their implications for investment strategy, the range of asset classes involved and the mandates considered appropriate for achieving the objectives.

#### ***Unit Linked Section***

- 3.6 The assets of the Unit Linked Section will be invested in a diversified range of investments in order to reduce investment risk. That range of investments is defined by the Trustee Board from time to time according to appropriate investment strategy advice provided to them and having regard to the Investment Objectives and to the investment powers of the Trustee Board as defined in the Trust Deed.
- 3.7 Based on long term financial assumptions the expected future real rate of return<sup>2</sup> for each option is shown below:

<b>Option</b>	<b>Expected future real rate of return</b>
Cautious	3.3% per year to 3.8% per year
Moderate	3.9% per year to 4.6% per year
Growth	4.5% per year to 5.5% per year
Retirement Protection/Lifestyling Fund	1.8% per year <sup>3</sup>

- 3.8 The Trustee Board will appoint, either directly or through the use of an investment platform, one or more Investment Managers to act within the terms of the Investment Management Agreement (or similar relevant document) established for each Manager

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<sup>1</sup> Swaps are contracts in which two parties agree to exchange periodic interest payments

<sup>2</sup> “Real rate of return” means the return excluding the impact of inflation

by the Trustee Board and in accordance with investment objectives agreed with each manager on appointment.

- 3.9 The Trustee Board will monitor the performance of the Investment Managers against the agreed investment performance objectives with the Advisers as required. This process will focus principally on the Investment Managers' performance relative to the investment performance objectives and the time horizon over which this is expected to be achieved. Analysis will focus both on whether this has been/is being achieved, and whether any other events have occurred which affect the expectation of the objective being achieved in the future. Formal review of an investment manager's appointment would result where it is considered there is a question about the objective being achieved in the future. Formal review may also occur where it is considered that an alternative organisation may offer a more financially attractive proposition.

## **4. INVESTMENT MANAGEMENT**

### **4.1 Strategy Implementation**

Having considered advice from the Advisers, and also having due consideration for the objectives and attitude to risk of the Trustee Board and the sponsoring employers, the Trustee Board invests in a diversified range of investments in order to reduce investment risk. The range of investments is defined by the Trustee Board from time to time according to appropriate investment strategy advice provided to them and having regard to the Investment Objectives and to the investment powers of the Trustee Board as defined in the governing documentation.

The Investment Adviser reviews and advises on the strategic asset allocation of the Investment Fund, usually on a monthly basis, although monthly changes are not anticipated other than in very volatile markets. This advice may be considered by the Trustee Board, the Investment Committee (or members of that Committee) or may be delegated to a suitably qualified organisation.

The central allocation and ranges for each asset class as at the date of this statement is shown in Appendix C and is subject to regular review and amendment without further change to this statement. The current allocation is available from the Chief Executive's Office on request.

### **4.2 Strategy Implementation – Matching Fund for With Profits Section**

The Matching Fund of the With Profits Section is invested in gilts, corporate bonds and swaps which broadly replicate the interest rate and inflation risk profile of the With Profits Section and is designed to minimise the impact of movements in rates on the funding level as

far as possible.

#### **4.3 Investment Management**

The Trustee Board or Investment Committee will appoint Investment Managers to manage the investments of the Scheme or may invest some or all assets via an Investment Platform. The appointment of Investment Managers may be delegated. An Investment Platform means that the platform provider has the direct relationships with the managers but the arrangement does not constrain the Trustee Board's ability to review or change a manager as appropriate. Both active and passive investment managers will be evaluated as part of this process and the decision to appoint of an active manager is dependent on the scope to achieve enhanced returns, net of costs. The managers appointed will vary time to time. A list of the current managers is available from the Chief Executive's Office on request.

Each Investment Manager will act within the terms of an Investment Management Agreement (or in the case of some pooled funds, an application form and prospectus) which will be agreed by the Trustee Board or the platform provider as appropriate. Where agreements are in place, they will reflect the Investment Objectives and, as relevant, the investment powers of the Trustee Board.

#### **4.4 Realisation of Assets**

The assets are generally held in pooled funds, which can be realised readily if the Trustee Board so requires.

#### **4.5 Custody**

Where the assets of the Schemes are held in pooled funds, the responsibility for arranging the custody of the assets lies with the Managers. The Trustee Board has reviewed in detail the arrangements employed by its Investment Managers for the custody and security of assets, and has ensured that this is, as far as possible, reflected contractually. The Trustee Board continues to keep this under regular review.

If the assets are not held in a pooled fund, the Trustee Board will make appropriate arrangements for the custody of the investments of the Schemes and these arrangements will be governed by a Custody Agreement agreed by the Trustee Board.

## **5. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)**

The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. The Members are offered the same range of options in which to invest their AVC payments as those available for their main contributions.

## **6. SOCIALLY RESPONSIBLE INVESTMENT AND EXERCISE OF VOTING RIGHTS**

- 6.1 Where the underlying investments of the Scheme are held directly by the Trustee Board, the Trustee Board will consider and may implement a formal policy regarding the extent to which social, environmental, or ethical considerations are taken into account in the selection, retention and realisation of investments and of the policy adopted in relation to the exercise of rights (including voting rights) attaching to investments. If so implemented, then the Investment Manager will be required to act in accordance with these policies as a term of the Investment Management Agreement, to the extent that additional action is required by such a policy.
- 6.2 Alternatively, the Trustee Board may decide to invest in investment funds in which the Scheme's investments are pooled with those of other investors. As such, direct control of the extent to which social, environmental, or ethical considerations are taken into account in the selection, retention and realisation of investments and of the policy adopted in relation to the exercise of rights (including voting rights) attaching to investments lies with the bodies which control the policy of those common investment funds.
- 6.3 In this event the Trustee Board will consider the policy in respect of these areas of any investment fund in which the Scheme's assets may be, or are, invested as a part of its process of appointing or reviewing the continuing appointment of the Investment Manager concerned. The Trustee Board will not, however, adopt a formal policy.

## **7. RISKS**

- 7.1 The Trustee Board recognises that the Scheme is exposed to investment risk and pursues appropriate investment strategies to address those risks. The Trustee Board will keep these risks, and how they are measured and managed, under review.

### **With Profits Section**

- 7.2 Under the With Profits Section there are risks arising from the payment of existing pensions, including mortality risk, the historical guaranteed return on contributions (see page 12 of the Members' Explanatory Booklet available on the website) and movements in long term interest rates in relation to the cost of providing the benefits.
- 7.3 The Trustee Board factors these risks into the With Profits Section's strategy for asset allocation. There are a large number of specific risks which could impact the performance of the assets, such as default, currency movements or mismanagement risk. The Trustee Board has invested in a wide range of asset classes on a global basis to ensure these risks are reduced through appropriate diversification.
- 7.4 Another way in which the Trustee Board manages risk is through the use of its liability hedge. This investment increases or decreases in value when interest rates fall or rise (respectively). This provides some protection against interest rate movements adversely affecting the funding level of the With Profits Section.
- 7.5 The liability hedge is invested in gilts or cash or swaps (or a combination of these) which broadly replicate the interest rate profile of the benefits provided under the With Profits Section providing some protection for the funding level of the Section. The level of the hedge as against the assets may be varied depending on market conditions but will not be reduced below 50%. The structure of the liability hedge is reviewed at least annually.

### **Members' Risks**

- 7.6 The Trustee Board recognises that members face three key risks. They are as follows:
- i. Inflation risk – that the purchasing power of their investments is not maintained;
  - ii. Pension conversion risk – that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained, and
  - iii. Capital protection risk – that the value of the investments to provide a tax-free cash sum is not maintained.

- 7.7 Whilst it is not possible to fully protect against these risks, the Trustee Board has considered them when offering Members, according to their own risk profile, the choice between the different Unit Linked Options for their contributions. In particular, the lifestyling process ensures that investment risk is reduced as members approach retirement and provides a more stable value against the cost of purchasing a pension and taking a tax-free cash sum. This process will either happen automatically or at members' direction.
- 7.8 Members of the With Profits Section receive a guaranteed level of return on their benefits which provides some protection against inflation. Members are able to transfer their benefits into the Unit Linked Options by means of a cash equivalent transfer value of their With Profits benefits to the Unit Linked Option of their choice. The Retirement Protection option is also available as they approach retirement to enable them to reduce investment risk and protect against pension conversion and capital protection risk.

## **8. MONITORING**

### **Investment Manager**

- 8.1 The Trustee Board is responsible for monitoring the performance of the Managers against the agreed performance objectives but may delegate this responsibility to the Investment Committee, Investment Adviser or Chief Executive.
- 8.2 The Trustee Board will regularly obtain and consider proper advice on whether the Scheme's investment arrangements continue to be satisfactory or whether any changes are necessary having regard to this statement and the Investment Objectives.

### **Advisers**

- 8.3 The Trustee Board will monitor the performance of the Advisers on a regular basis.

### **Platform Provider**

- 8.4 The Trustee Board will monitor the service provided by any platform provider used on a regular basis.

## **Other**

- 8.5 The Trustee Board or the Investment Committee will regularly review this statement (at least annually or following any strategic changes) and will obtain proper advice before any changes to the investment arrangements are implemented. There will be no obligation to change this statement or any Adviser as part of such a review.

## **9. PROFESSIONAL FEES**

- 9.1 Professional fees are charged in relation to the services received. For Investment Managers, these are calculated as a percentage of assets under management in line with the industry standard for such fees. In some cases, where appropriate, the Investment Managers may be rewarded on a performance related basis.
- 9.2 Fees payable to the Investment Adviser have been agreed on a fixed fee basis related largely to the value of the assets under management. Other professional fees are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects. The Trustee Board considers that this structure effectively balances the desire for quality advice with the need to manage the overall cost of advice.
- 9.3 Professional fees are reviewed periodically in the context of value received from advisers and Investment Managers. These reviews also cover Custodian and performance measurement charges, where used. Such a review considers both the level and structure of fees paid.

## **10. LEGISLATIVE REQUIREMENTS**

The Trustee Board's policy complies with the Pensions Act 1995 as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

The Statement of Investment Principles also reflects the requirements of the Occupational Pension Schemes (Investment) Regulations 2005 and addresses the Myners Principles (part 11).

## **11. OTHER ISSUES**

The Trustee Board will continue its investment in Cheviot Pension Services Limited, a wholly owned subsidiary of The Money Purchase Scheme, on the basis of the following objectives:

- to provide pension administration services to the legal sector;

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- to help defray the administrative costs of The Money Purchase Scheme;
- to provide a reasonable return over the long term.

**Signed on behalf of Cheviot Trustees Ltd by**

Name           .....

Position       ... ..

Date           .....

## **APPENDIX A      ROLES & RESPONSIBILITIES**

### **The Trustee Board**

The Trustee Board has primary responsibility for investment decisions, including reviewing the overall investment strategy, the implementation of that strategy and consultation with employers. In practice, it delegates some of these responsibilities to the Investment Committee, the Strategic Committee, the Investment Adviser, the Scheme Actuary and the Chief Executive.

### **Investment Managers**

The Investment Managers and platform provider will be responsible for:

1. taking all day to day decisions relating to the investments and securities within each asset class at their discretion, but within any guidelines given by the Trustee Board;
2. providing the Trustee Board with monthly statements of the assets along with a quarterly report on actions and future intentions and any changes to the processes applied to their portfolios;
3. informing the Trustee Board immediately of:
  - a. any breach of this statement that has come to their attention;
  - b. any serious breach of internal operating procedures;
  - c. any material change in the knowledge and experience of those involved in managing the Scheme's assets, and
  - d. any breach of investment restrictions agreed between the Trustee Board and the Investment Managers from time to time.

### **Investment Adviser(s)**

The Investment Adviser will be responsible for:

1. regular reviews and advice regarding strategic changes to the asset allocation;
2. participating with the Trustee Board or Investment Committee in reviews of this statement, and
3. advising the Trustee Board and Investment Committee in these areas:

- a. Through consultation with the Scheme Actuary, how any changes within the Scheme's benefit, membership, and funding position may affect the manner in which the assets should be invested;
  - b. Any changes that should occur to the structure of the Scheme's investments, including the liability hedge, in light of market conditions and other developments;
  - c. Any changes in Investment Managers' organisations which could affect the interests of the fund; and
  - d. Any changes in the investment environment that could present either opportunities or problems for the Scheme.
4. Undertaking project work as requested including:
- research reviews of Investment Managers;
  - the implementation process of any changes;
  - advising on the competency and skill of the current Investment Managers, custodian, or platform provider and on the selection of new Investment Managers, Custodians or platform providers and
  - confirming the suitability of potential derivatives contracts.

#### **Scheme Actuary**

In relation to any part of the With Profits Section which may be deemed to be defined benefit in nature, the Scheme Actuary will be responsible for broad-ranging advice on the financial position of that part of the Scheme, including:

1. liaising with the Trustee Board and Investment Adviser on the suitability of the investment strategy in the context of the funding positions of the defined benefit liabilities;
2. assessing the statutory funding position in relation to the defined benefit liabilities and advising on the appropriate response to any funding issues, and
3. performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels, if any, in relation to the defined benefit liabilities.

#### **Legal Adviser**

The Legal Adviser will be responsible for, amongst other things, providing advice on investment arrangements to ensure legal compliance.

## **APPENDIX B INDEPENDENT ADVISERS**

The current advisers to The Money Purchase Scheme of The Cheviot Trust are as follows:

### **Scheme Actuary**

Jonathan Punter of Punter Southall Limited

### **Investment Adviser**

P-Solve Asset Solutions Limited

### **Investment Managers**

#### *Unit Linked Section*

BlackRock  
Friends Life  
PIMCO  
Pioneer  
Skagen

#### *With Profits Section*

Legal & General  
Pioneer  
PIMCO  
P-Solve Investment Limited  
Skagen

### **Custodian**

Kas Bank NV

### **Auditors**

Crowe Clark Whitehill LLP

### **Covenant review advisers**

PKF LLP

### **Legal Adviser**

Norton Rose LLP

These advisers may be changed without requiring a change to the Statement of Investment Principles.<sup>4</sup>

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<sup>4</sup> For an up to date list, please contact the CEO's office.

## APPENDIX C ASSET ALLOCATION AND RANGES<sup>5</sup>

### Unit Linked Section

The chart below sets out the central allocation and ranges for each asset class for the Unit Linked Options. The asset allocation is reviewed monthly.

Asset Class	Growth			Moderate			Cautious			Retirement Protection & Lifestyle Fixed
	min	Central	max	min	Central	max	min	Central	max	
Equity	25	80	100	25	60	100	0	40	65	
Investment Grade Bonds	0	0	40	0	15	40	10	15	40	
High Yield Bonds	0	20	45	0	25	45	0	15	30	
Property	0	0	20	0	0	15	0	0	10	
Gilts (including index -Linked)	0	0	40	0	0	60	5	30	60	75
Cash	0	0	30	0	0	30	0	0	30	25
<b>Total</b>		<b>100</b>			<b>100</b>			<b>100</b>		<b>100</b>

### With Profits Section

The chart below shows the central asset allocation and ranges for the With Profits Section. The asset allocation is reviewed monthly.

	Strategic Asset Allocation (%)
Matching Fund	50
Investment Fund	50
<b>Total</b>	<b>100</b>

Matching Fund	
Asset Class	Central Asset Allocation (%)
Interest rate swaps	-
Cashflow Matching Portfolio of gilts and cash	30
UK Corporate Bonds	50

<sup>5</sup> Please contact the Chief Executive's office in Southend for a current asset allocation statement

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Global Bonds (duration hedged)	20
<b>Total</b>	<b>100</b>

Investment Fund				
Asset Class	Central Asset Allocation	Asset (%)	Range	
			Min	Max
Global Equity - active	15		0	70
Equity Overlay	20		20	20
<i>UK Equity Index</i>	2		2	20
<i>US Equity Index</i>	9		9	20
<i>European Equity Index</i>	5		5	14
<i>Japanese Equity Index</i>	4		4	10
Emerging Market Equity	15		0	30
<b>Total Equity</b>	<b>50</b>		<b>20</b>	<b>70</b>
Investment Grade Bonds	20		0	80
Index-Linked Gilts	0		0	80
Fixed Interest Gilts	0		0	80
High Yield Bonds	15		0	50
Emerging Market Debt	15		0	50
Cash	0		0	80
<b>Total</b>	<b>100</b>			